

ASBURY COMMUNITIES, INC.
**CONSOLIDATED FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION**
YEARS ENDED DECEMBER 31, 2020 AND 2019



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ASBURY COMMUNITIES, INC.
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YEARS ENDED DECEMBER 31, 2020 AND 2019

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INDEPENDENT AUDITORS' REPORT

Audit Committee
Asbury Communities, Inc.
Frederick, Maryland

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Asbury Communities, Inc. (a Maryland nonprofit corporation) and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the related consolidated statements of operations and changes in net deficit, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Asbury Communities, Inc. and its subsidiaries as of December 31, 2020 and 2019, and the results of their operations, changes in net deficit, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Other Financial Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The other financial information included in the consolidating balance sheet and consolidating statement of operations and changes in net deficit is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
April 21, 2021

ASBURY COMMUNITIES, INC.
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2020 AND 2019

| ASSETS | 2020 | 2019 |
|---|----------------|----------------|
| CURRENT ASSETS | | |
| Cash and Cash Equivalents | \$ 17,138,359 | \$ 16,300,037 |
| Investments | 88,424,726 | 93,666,478 |
| Accounts Receivable, Net of Allowance for Doubtful Accounts of \$3,020,494 and \$2,642,137 for December 31, 2020 and 2019, Respectively | 10,270,490 | 8,534,734 |
| Pledges Receivable, Net | 506,249 | 482,006 |
| Other Receivables and Prepaid Expenses | 9,240,737 | 8,029,561 |
| Investments Held under Bond Indenture | 8,338,264 | 6,280,606 |
| Total Current Assets | 133,918,825 | 133,293,422 |
| | | |
| Property and Equipment, Net | 401,586,562 | 350,363,809 |
| Right-Of-Use Assets - Operating Leases | 11,713,187 | 5,414,369 |
| Investments Restricted by Donors | 51,036,321 | 38,875,570 |
| Deposits and Other Assets | 2,835,915 | 2,533,666 |
| Other Intangible Assets, Net | 6,730,000 | 6,730,000 |
| Valuation of Derivative Instrument | - | 3,631 |
| Investments Held under Bond Indenture | 19,660,373 | 18,882,297 |
| Statutory Reserves | 24,888,909 | 19,849,246 |
| Investments Restricted by Board | 17,860,417 | 4,621,541 |
| Pledges Receivable, Net | 3,906,043 | 2,548,671 |
| Funds Held in Trust | 6,351,185 | 1,852,579 |
| Total Assets | \$ 680,487,737 | \$ 584,968,801 |

See accompanying Notes to Consolidated Financial Statements.

ASBURY COMMUNITIES, INC.
CONSOLIDATED BALANCE SHEETS (CONTINUED)
DECEMBER 31, 2020 AND 2019

| | 2020 | 2019 |
|---|----------------|----------------|
| LIABILITIES AND NET DEFICIT | | |
| CURRENT LIABILITIES | | |
| Accounts Payable and Accrued Expenses | \$ 24,886,120 | \$ 14,420,782 |
| Accrued Compensation and Related Items | 10,830,006 | 11,804,136 |
| Accrued Interest Payable | 5,676,142 | 4,295,480 |
| Obligations under Deferred-Giving Arrangements | 996,438 | 672,824 |
| Deposits from Prospective Residents | 3,998,584 | 3,980,663 |
| Entrance Fees - Refundable | 5,945,579 | 4,623,191 |
| Deferred Revenue | 925,960 | 624,368 |
| Current Portion of Lease Liabilities - Operating Leases | 1,855,480 | 1,177,894 |
| Current Portion of Long-Term Debt | 19,541,663 | 9,894,949 |
| Total Current Liabilities | 74,655,972 | 51,494,287 |
| Long-Term Lease Liabilities - Operating Leases | 10,489,671 | 4,951,775 |
| Long-Term Debt, Net | 284,595,124 | 271,275,834 |
| Contingent Refundable Entrance Fee Liability | 203,848,075 | 205,850,526 |
| Entrance Fees - Deferred Revenue | 188,812,771 | 176,504,218 |
| Obligations under Deferred-Giving Arrangements | 3,346,679 | 3,066,208 |
| Valuation of Derivative Instruments | 1,409,689 | 67,413 |
| Total Liabilities | 767,157,981 | 713,210,261 |
| NET ASSETS (DEFICIT) | | |
| Without Donor Restriction | (127,176,920) | (162,498,551) |
| With Donor Restrictions | 40,506,676 | 34,257,091 |
| Total Net Deficit | (86,670,244) | (128,241,460) |
| Total Liabilities and Net Deficit | \$ 680,487,737 | \$ 584,968,801 |

See accompanying Notes to Consolidated Financial Statements.

ASBURY COMMUNITIES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
AND CHANGES IN NET DEFICIT
YEARS ENDED DECEMBER 31, 2020 AND 2019

| | 2020 | 2019 |
|--|----------------|----------------|
| REVENUES, GAINS, AND OTHER SUPPORT | | |
| Net Resident and Client Service Revenue | \$ 219,819,220 | \$ 187,751,026 |
| Other Operating Revenue | 20,352,153 | 6,246,410 |
| Amortization of Entrance Fees | 30,247,754 | 24,091,302 |
| Interest and Dividend Income, Net | 5,764,709 | 6,343,554 |
| Net Realized Gain (Loss) on Investments | 5,694,916 | (1,286,763) |
| Net Unrealized Gain on Equity Securities | 10,538,410 | 18,053,966 |
| Contributions | 4,177,439 | 2,316,173 |
| Net Assets Released from Restrictions Used for Operations | 903,484 | 486,207 |
| Total Revenues, Gains, and Other Support | 297,498,085 | 244,001,875 |
| EXPENSES | | |
| Salaries | 107,327,208 | 87,767,949 |
| Employee Benefits | 19,831,060 | 18,285,628 |
| Cost of Goods Sold | 1,060,551 | 120,854 |
| Contract Labor | 22,816,100 | 17,943,017 |
| Food Purchases | 8,584,789 | 8,344,128 |
| Medical Supplies and Other Resident Costs | 26,677,156 | 7,826,552 |
| General and Administrative | 10,307,530 | 12,858,481 |
| Building and Maintenance | 28,168,903 | 22,429,148 |
| Professional Fees and Insurance | 2,782,969 | 2,385,200 |
| Interest | 12,355,895 | 16,809,412 |
| Taxes | 5,743,000 | 5,600,836 |
| Provisions for Bad Debts | 1,760,293 | 1,080,794 |
| Depreciation and Amortization | 36,079,390 | 33,684,978 |
| Total Expenses | 283,494,844 | 235,136,977 |
| INCOME FROM OPERATIONS PRIOR TO NET UNREALIZED LOSS ON CHANGE IN MARKET VALUE OF DERIVATIVE INSTRUMENTS, GAIN DUE TO DE-CONSOLIDATION OF INVERNESS, GAIN ON RETIREMENT OF DEBT, INHERENT CONTRIBUTION, AND LOSS ON DISPOSAL OF ASSETS | 14,003,241 | 8,864,898 |
| Net Unrealized Loss on Change in Market Value of Derivative Instruments | (706,043) | (137,403) |
| Gain Due to De-Consolidation of Inverness | - | 71,358,373 |
| Gain on Retirement of Debt | - | 60,264,840 |
| Inherent Contribution | 17,406,935 | - |
| Loss on Disposal of Assets | (36,665) | (53,836,767) |
| INCOME FROM OPERATIONS | 30,667,468 | 86,513,941 |

See accompanying Notes to Consolidated Financial Statements.

ASBURY COMMUNITIES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
AND CHANGES IN NET DEFICIT (CONTINUED)
YEARS ENDED DECEMBER 31, 2020 AND 2019

| | <u>2020</u> | <u>2019</u> |
|--|-------------------------------|--------------------------------|
| NET DEFICIT WITHOUT DONOR RESTRICTIONS | | |
| Income from Operations | \$ 30,667,468 | \$ 86,513,941 |
| Loss on Discontinued Operations | 7,103 | - |
| Net Assets Released from Restrictions Used for Purchases of Capital Items | 3,030,379 | 2,062,231 |
| Change in Value of Deferred-Giving Arrangements | (56,444) | - |
| Net Unrealized Gain on Fixed Income Securities and Other Investments | <u>1,673,125</u> | <u>318,732</u> |
| Net Increase in Net Deficit Without Donor Restrictions | 35,321,631 | 88,894,904 |
| NET ASSETS WITH DONOR RESTRICTIONS | | |
| Contributions | 2,124,183 | 2,342,246 |
| Inherent Contribution | 8,184,826 | - |
| Net Assets Released from Restrictions for Operations | (903,484) | (486,207) |
| Net Assets Released from Restrictions Used for Purchases of Capital Items | (3,030,379) | (2,062,231) |
| Transfer of Net Assets Due to De-Consolidation of Inverness | - | (501,154) |
| Net Investment Income | 457,455 | - |
| Change in Value of Deferred-Giving Arrangements | <u>(583,016)</u> | <u>(311,147)</u> |
| Net Increase (Decrease) in Net Assets With Donor Restrictions | <u>6,249,585</u> | <u>(1,018,493)</u> |
| CHANGES IN NET DEFICIT | 41,571,216 | 87,876,411 |
| Net Deficit - Beginning of Year | <u>(128,241,460)</u> | <u>(216,117,871)</u> |
| NET DEFICIT - END OF YEAR | <u><u>\$ (86,670,244)</u></u> | <u><u>\$ (128,241,460)</u></u> |

See accompanying Notes to Consolidated Financial Statements.

ASBURY COMMUNITIES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019

| | 2020 | 2019 |
|--|---------------|---------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Changes in Net Deficit | \$ 41,571,216 | \$ 87,876,411 |
| Adjustments to Reconcile Changes in Net Deficit to Net Cash Provided by Operating Activities: | | |
| Provision for Bad Debts | 1,760,293 | 1,080,794 |
| Paycheck Protection Program Loan Forgiveness | (747,700) | - |
| Depreciation and Amortization | 36,079,390 | 33,684,978 |
| Amortization of Deferred Financing Costs | 342,840 | 375,970 |
| Amortization of Bond Premium/Discount | (951,162) | (770,911) |
| Amortization of Entrance Fees | (30,247,754) | (24,091,302) |
| Net Proceeds from Nonrefundable Entrance and Advance Fees | 26,045,527 | 28,075,529 |
| Inherent Contribution | (17,406,935) | - |
| Inherent Contribution - Restricted Assets | (8,184,826) | - |
| Net Unrealized Gain on Investments | (12,668,990) | (18,372,698) |
| Net Unrealized Losses on Change in Market Value of Derivative Instruments | 706,043 | 137,403 |
| Changes in Value of Deferred-Giving Arrangements | (639,460) | 311,147 |
| Restricted Contributions Received | (2,124,183) | (2,342,246) |
| Loss on Disposal of Assets | 36,665 | 53,836,767 |
| Sale of Inverness Assets | - | (71,358,373) |
| Gain on Retirement of Debt | - | (60,264,840) |
| Changes in Assets and Liabilities: | | |
| Accounts Receivable | (215,570) | 89,529 |
| Other Receivables and Prepaid Expenses | (242,529) | 859,620 |
| Deferred Entrance Fees | 540,216 | 8,698,884 |
| Deposits and Other Assets | (248,931) | (172,250) |
| Pledges Receivable, Net | (1,381,615) | (386,371) |
| Deferred Revenue | 405,939 | (1,718,555) |
| Accounts Payable and Accrued Expenses | 2,550,059 | (6,246,816) |
| Accrued Interest Payable | 1,380,662 | (3,137,783) |
| Net Cash Provided by Operating Activities | 36,359,195 | 26,164,887 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of Property and Equipment, Net | (32,599,792) | (32,450,793) |
| Funds Held in Trust | (1,005,761) | (44,751) |
| Cash Received Upon Affiliation | 5,890,108 | - |
| Sales (Purchases) of Investments, Net | 10,580,145 | (3,886,627) |
| Net Cash Used by Investing Activities | (17,135,300) | (36,382,171) |

See accompanying Notes to Consolidated Financial Statements.

ASBURY COMMUNITIES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2020 AND 2019

| | 2020 | 2019 |
|---|-------------------|-------------------|
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from Entrance and Advance Refundable Fees and Refundable Deposits | \$ 12,090,086 | \$ 23,158,181 |
| Refunds of Entrance and Advance Refundable Fees and Refundable Deposits | (22,695,889) | (23,828,305) |
| Restricted Contributions | 3,767,591 | 2,527,877 |
| Paycheck Protection Program Loan Proceeds | 8,814,535 | - |
| Proceeds from Issuance of Debt | - | 75,489,000 |
| Premiums from Issuance of Debt | - | 3,384,485 |
| Change in Other Long-Term Liabilities | (569,508) | (53,785) |
| Payments on Long-Term Debt | (11,250,566) | (7,890,797) |
| Redemption of Long-Term Debt | - | (80,630,000) |
| Payments for Deferred Financing Costs | (5,783) | (951,052) |
| Payments on Obligations under Charitable Gift Annuities | (660,642) | (685,767) |
| Net Cash Used by Financing Activities | (10,510,176) | (9,480,163) |
| NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH | 8,713,719 | (19,697,447) |
| Cash, Cash Equivalents, and Restricted Cash - Beginning of Year | 61,312,186 | 81,009,633 |
| CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR | \$ 70,025,905 | \$ 61,312,186 |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION | | |
| Cash Paid for Interest | \$ 11,583,555 | \$ 20,342,136 |

See accompanying Notes to Consolidated Financial Statements.

ASBURY COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 1 ORGANIZATION

Asbury Communities, Inc. (ACOMM), was organized on August 1, 1994, as a Maryland nonprofit organization to provide executive and comprehensive administrative functions, as well as policy and overall planning guidance, to its supported organizations. ACOMM serves as the supporting organization of Asbury Atlantic, Inc. (Asbury Atlantic); Inverness Village, an Oklahoma nonprofit Corporation (IV) (until the sale of IV assets on October 31, 2019); Asbury Communities HCBS, Inc. (HCBS); Bethany Development Inc. (BDC); Asbury, Inc. (Asbury Place) and Affiliate (Forest Ridge Manor); and Albright Care Services and Subsidiary (ACS) and Affiliate (Warrior Run). ACOMM is the sole voting stockholder of The Asbury Group, Inc. (TAG). Additionally, ACOMM is the sole member of Asbury Foundation, Inc. (AFOUND).

Asbury Atlantic, Inc. (Asbury Atlantic) – is a nonprofit, nonstock corporation organized under the laws of the state of Maryland. Asbury Atlantic has operating entities comprised of Asbury Methodist Village (AMV), Asbury Solomons (AS) Bethany Village (BV), and Springhill (SH).

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

IV – is a nonprofit, nonstock corporation organized under the laws of the state of Oklahoma, which owned and operated a CCRC located in Tulsa, Oklahoma until the sale of substantially all of its assets on October 31, 2019 to Tulsa Hills Community, Inc. Proceeds from the sale were used to pay costs approved by the bankruptcy court, with the balance transferred to the bond trustee. There were no excess proceeds to satisfy outstanding obligations to the unsecured creditors. As a result, ACOMM deconsolidated IV from the consolidated ACOMM financial statements and recognized a loss as of October 31, 2019 and removed IV as a supported organization on December 5, 2019. Included in the loss on disposal of assets on the consolidated statements of operations and changes in net deficit is \$53,700,245 of disposals related to IV for the year ended December 31, 2019. Included in the gain (loss) on retirement of debt on the consolidated statements of operations and changes in net deficit is \$62,509,223 of gain on retirement of debt related to IV for the year ended December 31, 2019. A gain due to the de-consolidation of IV of \$71,358,373 is also included in the consolidated statements of operations and changes in net deficit for the year ended December 31, 2019.

HCBS – is a nonprofit, nonstock corporation organized under the laws of the state of Maryland. HCBS was organized in 2011 to provide in-home services. On March 20, 2015, HCBS purchased the assets of a Medicare certified home health provider and began providing home health services insured by Medicare, Medicaid, and commercial insurance.

ASBURY COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 1 ORGANIZATION (CONTINUED)

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

AFOUND – is a nonprofit, nonstock corporation organized under the laws of the state of Maryland. AFOUND is a supporting organization established to promote charitable giving from available resources to help fund the charitable programs of AMV, AS, BV, SH, IV, (until the sale of IV assets), and HCBS. ACOMM is the sole member of AFOUND.

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

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

Albright – On January 1, 2020, Albright Care Services (Albright) and Subsidiary became an affiliate of the Company, by ACOMM serving as the supporting organization for Albright Care Services. Albright serves as the supporting organization of Warrior Run Manor Inc. (Warrior Run). Warrior Run is a controlled entity of Albright. Albright has two CCRCs located in Lewisburg and York, Pennsylvania. Warrior Run is a nonprofit corporation that operates a 76-unit rental housing project for the elderly located in Watsontown, Pennsylvania. Warrior Run Manor, Inc. is operated under Section 207 pursuant to Section 223(f) of the National Housing Act and regulated by the U.S. Department of Housing and Urban Development (HUD) with respect to rental charges and operating methods.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of ACOMM and its affiliates, Asbury Atlantic, IV (until the sale of substantially all of IV assets on October 31, 2019), HCBS, Asbury, Inc., Forest Ridge Manor, AFOUND, TAG, BDC, and ACS (effective January 1, 2020) (collectively referred to as the Company). All significant intercompany transactions have been eliminated in consolidation.

ASBURY COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 2 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 consolidated balance sheets that sum to the total of the same such amounts shown in the consolidated statements of cash flows at December 31:

| | <u>2020</u> | <u>2019</u> |
|---|----------------------|----------------------|
| Cash | \$ 17,138,359 | \$ 16,300,037 |
| Restricted Cash Included in Current Investments | | |
| Held under Bond Indenture | 8,338,264 | 6,280,606 |
| Restricted Cash Included in Long-Term Investments | | |
| Held under Bond Indenture | 19,660,373 | 18,882,297 |
| Restricted Cash Included in Statutory Reserves | <u>24,888,909</u> | <u>19,849,246</u> |
| Total Cash, Cash Equivalents, and Restricted Cash | | |
| Shown in the Statements of Cash Flows | <u>\$ 70,025,905</u> | <u>\$ 61,312,186</u> |

Accounts Receivable and Contractual Allowances

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

Under the Medicare and Medicaid reimbursement and other third party agreements, amounts collected for services to patients under these agreements are computed at contractually agreed-upon rates. Accounts receivable have been adjusted to reflect the difference between charges and the reimbursable amounts under these third party contracts. Revenues from Medicare and Medicaid programs and other third party agreements accounted for approximately 27% and 26% of the Company's total net resident service revenues for the years ended December 31, 2020 and 2019, respectively.

Pledges Receivable and Fund Held in Trust

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

ASBURY COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pledges Receivable and Fund Held in Trust (Continued)

The Company has received as contributions various types of split-interest obligations, including charitable gift annuities and perpetual trusts that are included in funds held in trust.

Amounts where the Company does not serve as trustee amounted to \$1,897,957 and \$1,852,579 as of December 31, 2020 and 2019, respectively. It is the policy of the Company to record such assets only when the Company's interest is deemed to be irrevocable by the management and where there is sufficient information to quantify a fair and accurate valuation. The Company's beneficial interest is recorded at the discounted present value of the gift. When the proceeds from these assets are received, the amount received is used for purposes designated by the donor, if any.

Under the charitable gift annuity agreements, the Company has recorded the assets at fair value and the liabilities to the donor or their beneficiaries at the present value of the estimated future payments to be distributed by the Company to such individuals. The amount of the contribution is the difference between the asset and the liability and is recorded as net assets without donor restrictions or net assets with donor restrictions. Subsequent changes in the split-interest obligations are recorded as a change in value of split-interest agreements in the net assets without donor restrictions and net assets with donor restrictions.

Under the perpetual trust agreements, the Company has recorded the asset and recognized permanently restricted contribution revenue at the fair market value of their beneficial interest in the trust assets in the amount of \$4,453,228 and \$-0- as of December 31, 2020 and 2019. Income earned on the trust assets and distributed to the Company is recorded as investment income on the consolidated statement of operations and changes in net deficit, unless otherwise restricted by the donor. Subsequent changes in fair value are recorded as valuation gain (loss) in beneficial interest in perpetual trusts in the net asset class with restrictions.

Investments and Investment Income

Substantially all investments are held in an investment account with the Company, except investments held by Asbury Place, AFOUND, FRM, BDC, and ACS. The investment pools are comprised of equity securities or equity mutual funds, bonds or bond mutual funds and cash. The equity securities and their related unrealized gains or losses are recorded above income (loss) from operations. The fixed income securities and other types of investments and their related unrealized gains or losses are recorded below income (loss) from operations. The investments are managed by an investment advisor. In addition, investments held under bond indenture with trustees are high-grade income securities.

ASBURY COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and Investment Income (Continued)

If market quotations are not readily available for a security or if subsequent events suggest that a market quotation is not reliable, the funds will use the security's fair value, using consistently applied procedures established by and under the general supervision of the funds' manager. This generally means that equity securities and fixed income securities listed and traded principally on any national securities exchange are valued on the basis of the last sale price or, lacking any sales, at the closing bid price, on the primary exchange on which the security is traded. The funds' manager may involve subjective judgments as to the fair value of securities. The use of fair value pricing by the funds may cause the net asset value of fund units to differ significantly from the net asset value that would be calculated using current market values.

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

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

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

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

ASBURY COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and Investment Income (Continued)

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

Strategies Employed for Achieving Objectives

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

Derivatives Policy

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

Investments Restricted by the Board

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

Leases

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

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

ASBURY COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

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

Property and Equipment

Property and equipment are stated at cost. Donated property and equipment are recorded at fair market value at the date of the gift. Improvements that materially extend the useful lives of the assets are capitalized. General repairs and maintenance costs are expensed as incurred.

The Company capitalizes all expenditures for property and equipment costing \$1,000 or more and having useful lives greater than two years.

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

The Company reviews its property for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. When recovery is reviewed, if the undiscounted cash flows estimated to be generated by the property are less than its carrying amount, management compares the carrying amount of the property to its fair value in order to determine whether an impairment loss has occurred. The amount of impairment loss is equal to the excess of the asset's carrying value over its estimated fair value. No impairment loss was recognized during 2020.

Advertising Expenses

The cost of advertising is expensed when incurred and included within the general and administrative financial statement line item within the consolidated statements of operations and changes in net deficit. Advertising expense was \$1,545,059 and \$1,527,329 for the years ended December 31, 2020 and 2019, respectively.

Other Intangible Assets

The Company recorded \$5,480,000 of intangible assets from the affiliation of Asbury Place on August 1, 2016 for the skilled nursing beds Certificate of Need. The Company recorded \$1,250,000 of intangible assets from the HCBS purchase of the Certificate of Need for a Medicare-certified home health provider in 2015.

Intangible assets are recorded at their estimated fair market value and not subject to amortization. Management periodically assesses the fair value of its intangible assets and has not recorded any impairment since their origination.

ASBURY COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Collections

Albright's collections include art and other items of historical significance and are maintained in the Slifer House Museum. The collections, which were acquired through contributions, were recognized at fair value based upon an appraisal. Gains or losses from deaccessions of these items are reported on the accompanying consolidated statement of changes in net assets in the net assets with donor restrictions. Donated collections of \$528,035 and \$-0- are included in property and equipment, net in the consolidated balance sheets at December 31, 2020 and 2019, 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 the Company.

Continuing-Care Contracts

The Company offers continuing-care contracts to its residents. These contracts include residential facilities, meals and other amenities, as well as priority access to health care services.

Obligation to Provide Future Services

The Company calculates the present value of the cost of future services and use of facilities to be provided to current residents and compares that amount with the balance of deferred revenue from resident entry fees to determine if a liability and corresponding charge to income should be recorded. As of December 31, 2020 and 2019, the present value of the net cost of future services and use of facilities does not exceed the deferred revenue from resident entry fees and, as such, no liability for the obligation to provide future services was required to be recorded.

Accrued Compensation and Related Items

The accrued compensation and related items include accruals as a result of having consolidated payroll and benefit functions and a reserve for the self-funding arrangement for workers' compensation insurance coverage prior to March 1, 2018.

Resident and Client Services Revenue

Resident and client 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.

ASBURY COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Resident and Client Services Revenue (Continued)

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

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

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

The Company offers four types of resident entrance-fee options: a standard declining refund option, a 50% refundable option, a 90% refundable option and a nonrefundable option. The refundable option for ACS has a guaranteed refund component, 50% of entrance fees paid, with the balance, if any, refundable on a decreasing basis over five years. Previously, BV offered an additional standard nine-year declining refund and a 25% refundable option. Previously, ACS offered seven and ten-year declining refund options. Additionally, 90% and 100% refundable options were previously offered for certain units. The options currently offered to incoming residents vary among AMV, AS, BV, SH, Asbury Place, and ACS. 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 offered at communities except Asbury Place, the entrance fee is amortized over a period of five years resulting in an entrance fee refund balance that declines 1.667% per month over the five-year period to determine the refund amount. After that period, the refund is fully amortized and there is no refundable portion. Under the standard declining refund option offered at Asbury Place, the entrance fee is amortized over a period of 50 months resulting in an entrance fee refund balance that declines 2% per month over the 50-month period. Under the nonrefundable entrance fee option, the entrance fee is not refundable after the designated occupancy date or actual date of occupancy, whichever is earlier. Under 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.

ASBURY COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Resident and Client Services Revenue (Continued)

At SH, for contracts dated prior to June 30, 2004, the refund occurs upon the receipt of a successor entrance fee or one year from termination date. At ACS, for contracts dated prior to September 30, 2020, the refund occurs after the resident has vacated the independent living unit or one year from the 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 expected remaining life (time-based measurement).

Refundable entrance fees are recorded in the accompanying consolidated balance sheets as current liabilities. Remaining life expectancies are determined based on current actuarial data specific to CCRC residents. Upon termination of a contract through death or withdrawal after occupancy, any unamortized, nonrefundable, deferred entrance fee is recorded as income.

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

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

| | <u>2020</u> | <u>2019</u> |
|--|-----------------------|-----------------------|
| Entrance Fees - Refundable | \$ 5,945,579 | \$ 4,623,191 |
| Contingent Refundable Entrance Fee Liability | 203,848,075 | 205,850,526 |
| Entrance Fees - Deferred Revenue: | | |
| 25% to 95% Refundable Contracts | 9,517,289 | 8,197,879 |
| Standard Entry Fee Option Contracts: | | |
| 50-Month Contracts | 1,001,996 | 1,421,363 |
| Five Year Contracts | 168,675,038 | 164,387,144 |
| Seven Year Contracts | 7,398,211 | - |
| Nine Year Contracts | 1,893,120 | 2,336,225 |
| Ten Year Contracts | 13,672 | - |
| Nonrefundable Contracts | 313,445 | 161,607 |
| Total Entrance Fees - Deferred Revenue | <u>188,812,771</u> | <u>176,504,218</u> |
| Total Entrance Fees | <u>\$ 398,606,425</u> | <u>\$ 386,977,935</u> |

ASBURY COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Resident and Client Services Revenue (Continued)

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

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

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

| | <u>2020</u> | <u>2019</u> |
|---------------------------------|-----------------------|-----------------------|
| Medicaid | \$ 35,700,791 | \$ 23,015,745 |
| Medicare | 40,587,450 | 24,976,953 |
| Managed Care | 3,742,184 | 1,307,997 |
| Private Pay | 139,788,795 | 138,450,331 |
| Total Resident Services Revenue | <u>\$ 219,819,220</u> | <u>\$ 187,751,026</u> |

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

The composition of net resident and client service revenue based on its service lines, method of reimbursement, and timing of revenue recognition for the years ended December 31, 2020 and 2019 are as follows:

| | 2020 | | | | | | | |
|---|--------------------------------|----------------------|----------------------|----------------------|----------------------|---------------------------|-------------------------------------|-----------------------|
| | Asbury Methodist Village | Asbury Solomons | Bethany Village | Springhill | Asbury, Inc. | Albright Care Services | Asbury Communities HCBS, Inc. | Total |
| Service Lines: | | | | | | | | |
| Skilled Nursing Facility | \$ 28,291,650 | \$ 7,074,775 | \$ 10,187,503 | \$ 9,339,674 | \$ 19,652,895 | \$ 19,160,162 | \$ - | \$ 93,706,659 |
| Assisted Living | 11,678,642 | 2,189,629 | 8,498,155 | 2,051,438 | 6,802,055 | 3,839,098 | - | 35,059,017 |
| Independent Living | 29,961,413 | 9,274,118 | 9,348,725 | 5,280,543 | 4,929,580 | 4,409,371 | - | 63,203,750 |
| Life Program | - | - | - | - | - | 21,416,912 | - | 21,416,912 |
| Pharmacy | - | - | - | - | - | 1,503,934 | - | 1,503,934 |
| Home Health | - | - | - | - | 689,477 | - | 3,426,593 | 4,116,070 |
| Retail Sales and Other | 96,814 | 26,901 | 142,478 | 166,992 | 104,475 | 275,218 | - | 812,878 |
| Total | <u>\$ 70,028,519</u> | <u>\$ 18,565,423</u> | <u>\$ 28,176,861</u> | <u>\$ 16,838,647</u> | <u>\$ 32,178,482</u> | <u>\$ 50,604,695</u> | <u>\$ 3,426,593</u> | <u>\$ 219,819,220</u> |
| Method of Reimbursement: | | | | | | | | |
| Fee for Services | \$ 69,931,705 | \$ 18,538,522 | \$ 28,034,383 | \$ 16,671,655 | \$ 32,074,007 | \$ 50,329,477 | \$ 3,426,593 | \$ 219,006,342 |
| Retail Sales and Other | 96,814 | 26,901 | 142,478 | 166,992 | 104,475 | 275,218 | - | 812,878 |
| Total | <u>\$ 70,028,519</u> | <u>\$ 18,565,423</u> | <u>\$ 28,176,861</u> | <u>\$ 16,838,647</u> | <u>\$ 32,178,482</u> | <u>\$ 50,604,695</u> | <u>\$ 3,426,593</u> | <u>\$ 219,819,220</u> |
| Timing of Revenue and Recognition: | | | | | | | | |
| Health Care Services | | | | | | | | |
| Transferred Over Time | \$ 69,931,705 | \$ 18,538,522 | \$ 28,034,383 | \$ 16,671,655 | \$ 32,074,007 | \$ 50,329,477 | \$ 3,426,593 | \$ 219,006,342 |
| Sales at Point in Time | 96,814 | 26,901 | 142,478 | 166,992 | 104,475 | 275,218 | - | 812,878 |
| Total | <u>\$ 70,028,519</u> | <u>\$ 18,565,423</u> | <u>\$ 28,176,861</u> | <u>\$ 16,838,647</u> | <u>\$ 32,178,482</u> | <u>\$ 50,604,695</u> | <u>\$ 3,426,593</u> | <u>\$ 219,819,220</u> |

ASBURY COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Resident and Client Services Revenue (Continued)

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

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

It is the Company's policy to track those expenses for residents in its facilities who cannot pay for all or a portion of their care and defines these expenses as charity care. Because the Company does not pursue collection of amounts determined to qualify as charity care, they are not reflected as revenue in the accompanying consolidated financial statements. Charity care provided to residents for the years ended December 31, 2020 and 2019 was \$4,447,247 and \$2,566,599, respectively.

Occupancy Percentages

During the years ended December 31, 2020 and 2019, 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:

| | 2020 | | | | | | |
|---|--------------------------------|--------------------|--------------------|------------|-----------------|--------------------|------------|
| | Asbury Methodist Village | Asbury Solomons | Bethany Village | Springhill | Asbury, Inc. | Normandie Ridge | Riverwoods |
| Total Skilled Nursing Center Occupancy | 72% | 93% | 97% | 93% | 75% | 85% | 76% |
| Medicaid | 52% | 25% | 28% | 27% | 47% | 58% | 67% |
| Medicare | 23% | 13% | 8% | 6% | 25% | 17% | 8% |
| Private Pay and Other | 25% | 62% | 64% | 67% | 28% | 25% | 25% |

ASBURY COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Occupancy Percentages (Continued)

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

Provider Relief Funds

During 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Company, COVID-19 has impacted various parts of its operations for the year ended December 31, 2020 and financial results including but not limited to, personal protective equipment costs, additional costs for emergency preparedness, disease control and containment, additional testing, potential shortages of health care and other personnel, and loss of revenue due to reductions in certain revenue streams. Management believes the Company continues to take appropriate actions to mitigate the negative impact of this pandemic.

Due to the Coronavirus pandemic, the U.S. Department of Health and Human Services (HHS) made available emergency relief grant funds to health care providers through the CARES Act Provider Relief Fund (PRF). Total grant funds approved and received by the Company was \$12,283,952. The PRF's are subject to certain restrictions on eligible expenses or uses, reporting requirements, and will be subject to audit. At December 31, 2020, the Company recognized \$12,283,952 as other operating revenue in the consolidated statements of operations and changes in net deficit. The Company believes the amounts have been recognized appropriately as of December 31, 2020.

Contributions

Unconditional promises to give cash and other assets to the Company are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as restricted support if they are received with contribution-donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is fulfilled, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the consolidated statements of operations and changes in net deficit as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying consolidated statements of operations and changes in net deficit. Net assets with donor restrictions that are permanent in nature represent donor-restricted endowments to be held in perpetuity.

ASBURY COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inherent Contributions

The Company recognized an inherent contribution related to the January 1, 2020 affiliation with Albright Care Services and Affiliate. The Company did not pay any consideration as part of the affiliation.

The following amounts were recorded at fair value on the acquisition date as result of the affiliation:

| | |
|---|----------------------|
| Cash and Cash Equivalents | \$ 5,890,108 |
| Accounts Receivable, Net | 3,280,479 |
| Other Receivables and Prepaid Expenses | 1,508,863 |
| Property and Equipment, Net | 54,209,331 |
| Assets Whose Use Is Limited | 15,935,980 |
| Statutory Reserves | 2,133,050 |
| Donated Collections | 529,685 |
| Beneficial Interest in Perpetual Trusts | 3,492,845 |
| Other Assets | 53,318 |
| Total | <u>\$ 87,033,659</u> |

| | |
|--|----------------------|
| Accounts Payable and Accrued Expenses | \$ 8,093,774 |
| Contingent Refundable Entrance Fee Liability | 16,797,466 |
| Entrance Fees - Deferred Revenue | 8,316,666 |
| Long-Term Debt, Net | 26,763,840 |
| Other Long-Term Liabilities | 1,470,152 |
| Net Assets Without Donor Restrictions | 17,406,935 |
| Net Assets With Donor Restrictions | 8,184,826 |
| Total | <u>\$ 87,033,659</u> |

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

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.

ASBURY COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets and Endowment Funds (Continued)

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, BV and ACS. ACS also holds assets with donor restrictions that are temporary in nature. The net assets are primarily available to purchase equipment, provide charity care and for other health and educational services.

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

Income (Loss) from Operations

The accompanying consolidated statements of operations and changes in net deficit include income from operations, which is the Company's performance indicator. Changes in net assets (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, and net assets released from restriction used for purchase of capital items.

Tax Status

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

ASBURY COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tax Status (Continued)

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

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

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

Fair Value Measurements

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

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

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.

ASBURY COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 2 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 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.

ASBURY COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncement – ASU 2018-13

Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-13 Fair Value Measurement (*Topic 820*): *Disclosure Framework – Changes to the Disclosure Requirement for Fair Value Measurement*. The ASU removes and modifies disclosure requirements retrospectively for nonpublic entities. The ASU is effective for fiscal years beginning December 15, 2019. For the year ended December 31, 2020, the Company adopted the ASU.

Subsequent Events

In preparing these financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through April 21, 2021, the date the consolidated financial statements were issued.

NOTE 3 LIQUIDITY AND AVAILABILITY

As of December 31, 2020 and 2019, the Company has a working capital of \$59,262,853 and \$81,799,135, respectively.

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:

| | <u>2020</u> | <u>2019</u> |
|---------------------------------------|-----------------------|-----------------------|
| Cash and Cash Equivalents | \$ 17,138,359 | \$ 16,300,037 |
| Investments | 88,424,726 | 93,666,478 |
| Accounts Receivable, Net | 10,270,490 | 8,534,734 |
| Pledges Receivable, Net | 506,249 | 482,006 |
| Other Receivables | 9,240,737 | 8,029,561 |
| Investments Held Under Bond Indenture | 8,338,264 | 6,280,606 |
| Total Financial Assets | <u>\$ 133,918,825</u> | <u>\$ 133,293,422</u> |

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

ASBURY COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 4 REGULATORY ENVIRONMENT

Medicare and Medicaid

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The Company believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegation of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs.

Skilled Nursing Facility Services

Medicare Reimbursement

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

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

Maryland Medicaid Reimbursement

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

ASBURY COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 4 REGULATORY ENVIRONMENT (CONTINUED)

Medicare and Medicaid (Continued)

Skilled Nursing Facility Services (Continued)

Maryland Medicaid Reimbursement (Continued)

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

Pennsylvania Medicaid Reimbursement

The Commonwealth of Pennsylvania pays nursing facilities a prospective daily rate for medical assistance residents (Pennsylvania Medicaid). The daily rate is set annually based on data in the three most recently filed cost reports. The rate comprises three net operating components (resident care, other resident-related, and administrative) and one capital component.

The net operating components are based on the facilities' actual net operating costs per day and limited by peer-group ceilings. Resident-care operating costs are adjusted to reflect the acuity level of the facility's residents through a case-mix index. The case-mix index is measured quarterly, and the annual rate is adjusted for any changes on a quarterly basis.

The Commonwealth of Pennsylvania updates payment rates to nursing homes on July 1 of each year. The rates are scheduled to be updated each quarter for the most recent case-mix index for a facility's Pennsylvania Medicaid residents and rebased annually on July 1 of each year. The Company has utilized actual rates in the preparation of the financial statements.

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

Tennessee Medicaid Reimbursement

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

ASBURY COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 4 REGULATORY ENVIRONMENT (CONTINUED)

Medicare and Medicaid (Continued)

Medical Home Health Services

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

Other

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

Settlements with third-party payors for retroactive adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and the Company's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlement are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations. Adjustments arising from a change in an implicit price concession impacting transaction price, were not significant in 2020 or 2019.

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, 2020 and 2019. 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.

ASBURY COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 4 REGULATORY ENVIRONMENT (CONTINUED)

State of Maryland Reserve Requirement

The state of Maryland requires AMV and AS to set aside reserves equal to 15% of its net operating expenses (as defined) for the most recent fiscal year. As of December 31, 2020 and 2019, AMV and AS are in compliance with the reserve requirement. The total amount reserved for AMV is as follows as of December 31:

| | <u>2020</u> | <u>2019</u> |
|--|--------------------------|--------------------------|
| Maryland Department of Aging Reserves: | | |
| Operating Expenses | \$ 87,963,853 | \$ 86,093,911 |
| Less: Depreciation and Amortization Expense | (15,487,856) | (14,407,752) |
| Interest Expense | (4,188,040) | (5,595,924) |
| Net Operating Expenses | <u>\$ 68,287,957</u> | <u>\$ 66,090,235</u> |
| Total Operating Reserve (15% of Net Operating Expenses) | <u>\$ 10,243,194</u> | <u>\$ 9,913,535</u> |
| Required Reserves for the Year Ended December 31 (100% of Total Operating Reserve) | <u>\$ 10,243,194</u> | <u>\$ 9,913,535</u> |
| Cash and Marketable Securities Available for Operating Reserve | <u>\$ 14,340,471</u> | <u>\$ 12,557,145</u> |

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

| | <u>2020</u> | <u>2019</u> |
|--|-------------------------|-------------------------|
| Maryland Department of Aging Reserves: | | |
| Operating Expenses | \$ 18,667,670 | \$ 19,020,562 |
| Less: Depreciation and Amortization Expense | (2,978,052) | (2,893,143) |
| Interest Expense | (1,191,287) | (1,658,540) |
| Net Operating Expenses | <u>\$ 14,498,331</u> | <u>\$ 14,468,879</u> |
| Total Operating Reserve (15% of Net Operating Expenses) | <u>\$ 2,174,750</u> | <u>\$ 2,170,332</u> |
| Required Reserves for the Year Ended December 31 (100% of Total Operating Reserve) | <u>\$ 2,174,750</u> | <u>\$ 2,170,332</u> |
| Cash and Marketable Securities Available for Operating Reserve | <u>\$ 3,044,650</u> | <u>\$ 2,749,087</u> |

ASBURY COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 4 REGULATORY ENVIRONMENT (CONTINUED)

Pennsylvania Department of Insurance Reserve Requirements

On a calendar year basis, BV is required by the Continuing Care Provider Registrations and Disclosure Act of 1984 to maintain a working capital reserve equivalent to the greater of the total of debt service payments due during the next 12 months on account of any loans or 10% of the projected annual operating expenses, exclusive of depreciation and bad debt, computed only on the proportional share of financing or operating expenses that are applicable to residents of BV under continuing care agreements. The statutory minimum liquid reserve requirement as of December 31, 2020 and 2019 is \$4,463,380 and \$3,650,630, 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:

| | <u>2020</u> | <u>2019</u> |
|---|---------------------|---------------------|
| Projected Annual Interest Expense | \$ 4,093,271 | \$ 4,139,429 |
| Principal Payments Due on Long-Term Debt | <u>1,898,647</u> | <u>1,151,339</u> |
| Liquid Reserve Requirement | 5,991,918 | 5,290,768 |
| | | |
| Projected Annual Operating Expenses | 29,338,990 | 24,044,026 |
| Minimum Rate | <u>10%</u> | <u>10%</u> |
| Liquid Reserve Requirement | 2,933,899 | 2,404,403 |
| | | |
| Maximum Liquid Reserve Requirement | 5,991,918 | 5,290,768 |
| Approximate Percentage of Continuing Care Clients | <u>74%</u> | <u>69%</u> |
| | | |
| Statutory Minimum Liquid Reserve | <u>\$ 4,463,380</u> | <u>\$ 3,650,630</u> |

SH must adhere to the same reserve requirements. The statutory minimum liquid reserve requirement as of December 31, 2020 and 2019 is \$1,092,507 and \$892,384, respectively and is based on 10% of the projected annual operating expenses exclusive of depreciation and bad debt. The statutory minimum liquid reserve requirement as of December 31 for SH is as follows:

| | <u>2020</u> | <u>2019</u> |
|---|---------------------|-------------------|
| Projected Annual Interest Expense | \$ 1,123,773 | \$ 1,141,560 |
| Principal Payments Due on Long-Term Debt | <u>506,353</u> | <u>313,661</u> |
| Liquid Reserve Requirement | 1,630,126 | 1,455,221 |
| | | |
| Projected Annual Operating Expenses | 17,177,788 | 15,655,859 |
| Minimum Rate | <u>10%</u> | <u>10%</u> |
| Liquid Reserve Requirement | 1,717,779 | 1,565,586 |
| | | |
| Maximum Liquid Reserve Requirement | 1,717,779 | 1,565,586 |
| Approximate Percentage of Continuing Care Clients | <u>64%</u> | <u>57%</u> |
| | | |
| Statutory Minimum Liquid Reserve | <u>\$ 1,092,507</u> | <u>\$ 892,384</u> |

ASBURY COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 4 REGULATORY ENVIRONMENT (CONTINUED)

Pennsylvania Department of Insurance Reserve Requirements (Continued)

Normandie Ridge (Albright community) must adhere to the same reserve requirements. The statutory minimum liquid reserve requirement as of December 31, 2020 is \$934,470 and is based on 10% of the projected annual operating expenses exclusive of depreciation and bad debt. The statutory minimum liquid reserve requirement as of December 31 for Normandie Ridge is as follows:

| | |
|---|--------------------------|
| Projected Annual Interest Expense | \$ 444,419 |
| Principal Payments Due on Long-Term Debt | <u>699,333</u> |
| Liquid Reserve Requirement | 1,143,752 |
| | |
| Projected Annual Operating Expenses | 13,218,145 |
| Minimum Rate | <u>10%</u> |
| Liquid Reserve Requirement | 1,321,815 |
| | |
| Maximum Liquid Reserve Requirement | 1,321,815 |
| Approximate Percentage of Continuing Care Clients | <u>71%</u> |
| | |
| Statutory Minimum Liquid Reserve | <u><u>\$ 934,470</u></u> |

Riverwoods (Albright community) must adhere to the same reserve requirements. The statutory minimum liquid reserve requirement as of December 31, 2020 is \$1,013,431 and is based on 10% of the projected annual operating expenses exclusive of depreciation and bad debt. The statutory minimum liquid reserve requirement as of December 31 for Riverwoods is as follows:

| | |
|---|----------------------------|
| Projected Annual Interest Expense | \$ 410,974 |
| Principal Payments Due on Long-Term Debt | <u>646,705</u> |
| Liquid Reserve Requirement | 1,057,679 |
| | |
| Projected Annual Operating Expenses | 19,602,870 |
| Minimum Rate | <u>10%</u> |
| Liquid Reserve Requirement | 1,960,287 |
| | |
| Maximum Liquid Reserve Requirement | 1,960,287 |
| Approximate Percentage of Continuing Care Clients | <u>52%</u> |
| | |
| Statutory Minimum Liquid Reserve | <u><u>\$ 1,013,431</u></u> |

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

ASBURY COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 5 CONCENTRATION OF CREDIT RISK

The Company grants credit without collateral to its residents, some of whom are insured under third-party payor agreements. The mix of receivables from patients and third-party payors was as follows at December 31:

| | <u>2020</u> | <u>2019</u> |
|--|--------------|--------------|
| Private Pay | 46 % | 46 % |
| Medicaid | 19 | 21 |
| Medicare | 25 | 15 |
| Other (Primarily Managed Care and Insurance) | 10 | 18 |
| Total | <u>100 %</u> | <u>100 %</u> |

NOTE 6 INVESTMENTS

The investment portfolios, including assets whose use is limited and investments restricted by board at fair value, consisted of the following at December 31:

| | <u>2020</u> | <u>2019</u> |
|---|----------------------|----------------------|
| Investments: | | |
| Cash and Short-Term Investments | \$ 3,212,156 | \$ 678,128 |
| Fixed-Income Securities and Mutual Funds | 28,798,677 | 39,584,932 |
| Equity Securities and Equity Mutual Funds | 56,413,893 | 53,403,418 |
| Total Investments | <u>\$ 88,424,726</u> | <u>\$ 93,666,478</u> |
| Investments Restricted by Donors: | | |
| Cash and Short-Term Investments | \$ 668,022 | \$ 852,341 |
| Fixed-Income Securities and Mutual Funds | 17,954,056 | 9,616,897 |
| Equity Securities and Equity Mutual Funds | 32,268,405 | 28,325,120 |
| Real Estate Mutual Funds and Other | 145,838 | 81,212 |
| Total Investments Restricted by Donors | <u>\$ 51,036,321</u> | <u>\$ 38,875,570</u> |
| Statutory Reserves: | | |
| Cash and Short-Term Investments | <u>\$ 24,888,909</u> | <u>\$ 19,849,246</u> |
| Investments Held under Bond Indenture: | | |
| Cash and Short-Term Investments | <u>\$ 27,998,637</u> | <u>\$ 25,162,903</u> |
| Investments Restricted by Board: | | |
| Cash and Short-Term Investments | \$ 514,105 | \$ 34,335 |
| Fixed-Income Securities and Mutual Funds | 10,009,956 | 1,963,845 |
| Equity Securities and Equity Mutual Funds | 7,144,971 | 2,623,361 |
| Other | 191,385 | - |
| Total Investments Restricted by Board | <u>\$ 17,860,417</u> | <u>\$ 4,621,541</u> |

ASBURY COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 6 INVESTMENTS (CONTINUED)

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

| | <u>2020</u> | <u>2019</u> |
|-------------------------------------|----------------------|----------------------|
| Debt-Service Fund | \$ 7,226,110 | \$ 4,925,471 |
| Debt-Service Reserve Fund | 18,153,207 | 18,134,995 |
| Capital Improvement Fund | <u>2,619,320</u> | <u>2,102,437</u> |
| Total | 27,998,637 | 25,162,903 |
| Less: Current Portion | <u>(8,338,264)</u> | <u>(6,280,606)</u> |
| Long-Term Portion of Bond Indenture | <u>\$ 19,660,373</u> | <u>\$ 18,882,297</u> |

The total return on investments, along with investments classified as assets whose use is limited and investments restricted by the board, including the change in the market value of derivative instruments, generated net investment income excluding capitalized interest income is as follows for the years ended December 31:

| | <u>2020</u> | <u>2019</u> |
|---|----------------------|----------------------|
| Included within the Company's Performance Indicator: | | |
| Interest and Dividend Income, Net | \$ 5,764,709 | \$ 6,343,554 |
| Net Realized Gain (Loss) on Investments | 5,694,916 | (1,286,763) |
| Net Unrealized Gain on Equity Security Investments | 10,538,410 | 18,053,966 |
| Net Unrealized Loss on Change in Market Value of Derivative Instruments | <u>(706,043)</u> | <u>(137,403)</u> |
| Total | 21,291,992 | 22,973,354 |
| Included in Other Changes in Net Deficit: | | |
| Net Unrealized Gain (Loss) on Fixed Income Securities and Other Investments | <u>2,130,580</u> | <u>318,732</u> |
| Total | <u>\$ 23,422,572</u> | <u>\$ 23,292,086</u> |

The Company engages professionals to manage its investment portfolio within guidelines of the Company's board-approved investment policy. Management periodically reviews its investment portfolio and evaluates whether declines in the fair value of securities should be considered other than temporary. Factored into this evaluation are the general market conditions, the issuer's financial condition and near term prospects, conditions in the issuer's industry, the recommendation of advisors, and the length of time and extent to which the market value has been less than cost. During the years ended December 31, 2020 and 2019, the Company did not identify any other than temporary declines in the fair value of investments.

ASBURY COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 7 PROPERTY AND EQUIPMENT

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

| | <u>Useful Life</u> | <u>2020</u> | <u>2019</u> |
|--------------------------------|--------------------|-----------------------|-----------------------|
| Land and Improvements | 10 to 40 Years | \$ 60,402,311 | \$ 48,050,613 |
| Buildings and Improvements | 10 to 40 Years | 689,569,902 | 598,979,482 |
| Furniture and Equipment | 2 to 15 Years | 103,032,375 | 77,940,553 |
| Construction in Progress | | <u>14,375,796</u> | <u>9,212,672</u> |
| Total | | 867,380,384 | 734,183,320 |
| Less: Accumulated Depreciation | | <u>(465,793,822)</u> | <u>(383,819,511)</u> |
| Property and Equipment, Net | | <u>\$ 401,586,562</u> | <u>\$ 350,363,809</u> |

Depreciation expense was \$36,035,208 and \$33,510,245 for the years ended December 31, 2020 and 2019, respectively.

Interest is capitalized for assets that require a period of time to be constructed or to prepare them for their intended use. For both the years ended December 31, 2020 and 2019, the amount of interest expense capitalized was \$-0-.

NOTE 8 PLEDGES RECEIVABLE

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

| | <u>2020</u> | <u>2019</u> |
|--------------------------------------|---------------------|---------------------|
| Amounts Expected to be Collected in: | | |
| Less than One Year | \$ 506,249 | \$ 482,006 |
| One Year to Five Years | <u>3,906,043</u> | <u>2,548,671</u> |
| Total | <u>\$ 4,412,292</u> | <u>\$ 3,030,677</u> |

Pledges receivable were recorded net of reserve for uncollectible pledges of \$104,028 and \$121,318 as of December 31, 2020 and 2019, respectively.

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

ASBURY COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 8 PLEDGES RECEIVABLE (CONTINUED)

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

Amounts donated in excess of the liability are recorded as donations with donor restrictions in the consolidated statements of operations and changes in net deficit. The present value of the liability is determined by discounting estimated future payments at the adjusted federal rate. This rate is adjusted annually and was 0.36% and 1.69% at December 31, 2020 and 2019, respectively. Changes in the present value of the liability are shown as changes in values of charitable gift annuities in the consolidated statements of operations and changes in net deficit.

AFOUND is required by Maryland state law to maintain segregated assets for all annuities issued in an amount at least equal to the sum of its outstanding charitable gift annuities liability discounted to present value. At December 31, 2020 and 2019, AFOUND had segregated \$11,666,223 and \$9,103,287 as investments restricted by donors in the accompanying consolidated balance sheets as of December 31, 2020 and 2019, respectively and, therefore, has met its minimum reserve requirement at December 31, 2020 and 2019. BV and ACS are not subject to any requirements under the Commonwealth of Pennsylvania.

ASBURY COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 9 DEBT

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

| | Interest Rate | Dates | 2020 | 2019 |
|--|---------------------------------|-------------|-----------------------|-----------------------|
| Series 2019A MD Bonds | Fixed Rate Revenue Bonds | 2019 - 2023 | \$ 6,415,000 | \$ 10,999,000 |
| Series 2019B MD Bonds | Fixed Rate Revenue Bonds | 2019 - 2027 | 4,935,000 | 4,995,000 |
| Series 2019 PA Bonds | Fixed Rate Revenue Bonds | 2021 - 2045 | 58,600,000 | 59,480,000 |
| Series 2018A MD Bonds | Fixed Rate Revenue Bonds | 2023 - 2036 | 82,540,000 | 82,540,000 |
| Series 2018B MD Bonds | Fixed Rate Revenue Bonds | 2022 - 2027 | 13,555,000 | 13,555,000 |
| Series 2018 Master Note | Variable Rates | 2014 - 2040 | 13,771,000 | - |
| Series 2016A TN Bonds | Fixed Rate Revenue Bonds | 2024 - 2047 | 23,170,000 | 23,170,000 |
| Series 2016B TN Bonds | Variable (1.96% as of 12/31/20) | 2018 - 2046 | 14,393,370 | 14,849,510 |
| Series 2016C TN Bonds | Variable (1.96% as of 12/31/20) | 2017 - 2023 | 3,015,630 | 3,931,042 |
| Series 2014 Series A Maste Note | Variable (1.94% as of 12/31/20) | 2018 - 2035 | 8,743,322 | - |
| Series 2012 PA Bonds | Fixed Rate Revenue Bonds | 2014 - 2036 | 48,030,000 | 48,615,000 |
| PPP Loan | 1.00% Per Annum | 2021 - 2022 | 8,066,835 | - |
| Total | | | <u>285,235,157</u> | <u>262,134,552</u> |
| Unamortized Bond Premium/Discount, Net | | | 14,184,020 | 14,555,251 |
| Unamortized Bond Financing Costs, Net | | | (4,863,370) | (4,195,628) |
| Current Portion Bonds Payable | | | <u>(17,720,541)</u> | <u>(7,822,991)</u> |
| Total Debt Payable | | | 276,835,266 | 264,671,184 |
| Forest Ridge Manor HUD Advance | | | 3,293,600 | 3,293,600 |
| BDC HUD-Insured Mortgage Payable | | | 1,167,841 | 1,318,442 |
| WR HUD-Insured Mortgage Payable | | | 3,318,771 | - |
| BV Note Payable | | | - | 263,798 |
| MD Obligated Group Loan Payable | | | 1,666,667 | 3,666,667 |
| Forest Ridge Manor Affordable Housing Program Grant | | | <u>134,101</u> | <u>134,101</u> |
| Total | | | 9,580,980 | 8,676,608 |
| Current Portion Notes Payable | | | <u>(1,821,122)</u> | <u>(2,071,958)</u> |
| Total Notes Payable | | | <u>7,759,858</u> | <u>6,604,650</u> |
| Total Long-Term Debt | | | <u>\$ 284,595,124</u> | <u>\$ 271,275,834</u> |

Series 2019 Maryland (MD) Bonds

In November 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 Asbury Maryland Obligated Group borrowed \$16,009,000 of Economic Development Project and Refunding Revenue Bonds Series 2019 (the Series 2019 Bonds), which was compromised of \$11,009,000 of Series 2019A Bonds and \$5,000,000 of Series 2019B Bonds maturing on November 1, 2023 and November 1, 2027, respectively. The Series 2019 Bonds bear interest at an annual rate equal to 81% of the sum of one-month LIBOR plus 1.0%, multiplied by a margin rate.

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

ASBURY COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 9 DEBT (CONTINUED)

Series 2019 Pennsylvania (PA) Bonds

In December 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 Asbury Pennsylvania Obligated Group borrowed \$59,480,000 of Refunding Revenue Bonds Series 2019, (referred to as the Series 2019 PA Bonds). The Series 2019 PA Bonds are comprised of serial bonds at fixed rates between 2.5% and 5.0% with yields between 2.70% and 3.96%.

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

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

Series 2018 Maryland (MD) Bonds

In October 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 Asbury Maryland Obligated Group borrowed \$96,120,000 of Economic Development Project and Refunding Revenue Bonds Series 2018 (the Series 2018 Bonds), which was comprised 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 A 2018 Master Note

During the year ended December 31, 2018, Albright obtained a Series A 2018 tax exempt loan from BB&T Bank in the amount of \$14,404,000 to provide for the current refunding of the Series A 2013 and Series A 1997 debt. The note is payable over a term of 17 years with interest at a variable rate of 79% of 30-day LIBOR plus 1.39%.

Series B 2018 Master Note

During the year ended December 31, 2018, Albright obtained a Series B 2018 taxable term loan in the amount of \$1,503,000. The note is payable over a term of 7 years with interest at a variable rate of 79% of 30-day LIBOR plus 1.65%.

ASBURY COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 9 DEBT (CONTINUED)

Series C 2018 Hedge Contract

During the year ended December 31, 2018, Albright entered into an interest rate swap to hedge variable interest rates on a portion of the Series A 2018 Master Note (\$2,873,000). The interest rate swap has a fixed rate of 4.235% with a termination date of October 4, 2025.

Series 2016 Asbury Place (TN) Bonds

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

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

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

Both the Series 2016B TN and Series 2016C TN Bonds are privately held bonds and bear interest at a variable rate equal to a percentage of one-month LIBOR plus a fixed credit spread and were issued using a draw-down structure, as the actual par amount of each of these series could be lower depending on costs of issuance and the costs of improvements to the facilities. As of December 31, 2020 and 2019, the total amount drawn on Series 2016 B TN was \$15,364,029.

Series A 2014 Master Note

During the year ended December 31, 2014, Albright obtained a Series A 2014 Master Note from Susquehanna Bank with the maximum borrowing amount of \$10,000,000 to provide financing to support the approved capital projects of the Organization. The note is payable over a term of 25 years with interest at a variable rate of 30 day LIBOR plus 2.70%, times 68%. Albright entered into an interest rate swap agreement which fixed the interest rate at 4.15%.

ASBURY COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 9 DEBT (CONTINUED)

Series 2012 Pennsylvania (PA) Bonds

In October 2012, Asbury Pennsylvania Obligated Group entered into a loan agreement with the Cumberland County Municipal Authority (CCMA) pursuant to which CCMA sold the Series 2012 bonds. From the proceeds, the Asbury Pennsylvania Obligated Group borrowed \$51,640,000 of Refunding Revenue Bonds Series 2012, (the Series 2012 PA Bonds). The Series 2012 PA Bonds are comprised of serial bonds at fixed rates between 2.4% and 5.25% with yields between 2.4% and 5.1%.

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

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

Deferred Financing Costs

Deferred financing costs represent expenses (e.g., underwriting, legal, consulting, and other costs) incurred in connection with issuance of debt and are deferred and amortized over the life of the related indebtedness on a straight-line basis, which approximates the effective interest method. The amortization expense on deferred financing costs is included in interest expense and totaled \$342,840 and \$375,970 for the years ended December 31, 2020 and 2019, 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 (\$951,162) and (\$770,911) for the years ended December 31, 2020 and 2019, respectively.

Liens and Covenants

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

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

ASBURY COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 9 DEBT (CONTINUED)

Liens and Covenants (Continued)

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

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

Under the ACS Master Note Agreements, the lenders have a security interest ACS's gross revenue, as defined in the indenture agreements, and by shared first lien mortgages on substantially all property and equipment now owned or hereafter acquired by the ACS. The first lien mortgages shall each be shared in priority and of equal parity with liens in place in favor of the Trustee for bondholders under the indenture for the 1997 Bonds. The Mortgage Note is collateralized by property and equipment.

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

The Company is subject to various covenants under the bond agreements. These covenants include various reporting, financial, and operational requirements. As of December 31, 2020, management is not aware of any noncompliance with these covenants.

Paycheck Protection Program

During the year, the Company received proceeds in the amount of \$8,814,535 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the Paycheck Protection Program (the PPP Loan). Of this amount, \$747,700 was forgiven as of December 31, 2020. The original loan agreement was written prior to the PPP Flexibility Act of 2020 (June 5) and was due over 24 months deferred for six months. Subsequent to this, the law changed the loan deferral terms retroactively. The PPP Flexibility Act and subsequent regulations supersede the loan agreement. The PPP Loan bears interest at a fixed rate of 1.0% per annum, has a term of two years, and is unsecured and guaranteed by

ASBURY COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 9 DEBT (CONTINUED)

Paycheck Protection Program (Continued)

the U.S. Small Business Administration. Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender or, if the Company fails to apply for forgiveness within 10 months after the covered period, then payment of principal and interest shall begin on that date. These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program. The covered period is the time that a business has to spend their PPP Loan funds. The Company has classified the loan as current in accordance with the terms of the law.

Forest Ridge Manor HUD Advance

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

BDC HUD-Insured Mortgage Payable

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

Warrior Run Manor HUD-Insured Mortgage Payable

In December 2013, Warrior Run Manor, Inc. refinanced its Section 207 Mortgage Note Payable to HUD with a HUD insured mortgage under Section 2233(a)(7) pursuant to Section 207/223(f) of the National Housing Act and Regulations payable to Heartland Bank. During this refinancing, Warrior Run borrowed funds in excess of the existing debt to finance renovations to the Project. The excess funds borrowed were placed into an escrow account, which is restricted for use by HUD and must be approved by HUD before disbursements can be made. This amount is reflected in assets whose use is limited on the consolidated balance sheet.

Note Payables

On January 16, 2015, Asbury Atlantic purchased approximately 29 acres of land adjacent to Bethany Village in Mechanicsburg, Pennsylvania, for a total purchase price of \$3,464,880. Of the total purchase price, \$2,429,990 was seller financed with a promissory note for five years at a fixed interest rate of 3.75%, which is secured by a lien on the land. The note was paid in full in January 2020.

ASBURY COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 9 DEBT (CONTINUED)

Note Payables (Continued)

In conjunction with termination of the Series 2006 Forward Contract, Asbury Maryland Obligated Group also entered into two separate term loans, a \$7,500,000 term loan and a \$6,000,000 term loan. The \$7,500,000 term loan has been paid off in full in 2018 and as of December 31, 2020 and 2019, there is \$1,666,667 and \$3,666,667, respectively, outstanding on the other term loan.

Forest Ridge Manor Affordable Housing Grant

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

Line of Credit

Albright has an unsecured \$2,500,000 revolving demand line of credit with a financial institution that is renewable annually. The line of credit bears interest at the bank's prime rate plus 3.00% (6.25% as of December 31, 2020). There were no borrowings on the line of credit as of December 31, 2020. The line of credit supports three letters of credit in the amount of \$681,324 in connection with Albright's participation in the LIFE program and participation in a captive insurance program that provides workers compensation, general and professional liability, and automobile insurance.

Debt Maturities

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

| <u>Year Ending December 31,</u> | <u>Amount</u> |
|---------------------------------|-----------------------|
| 2021 | \$ 19,541,663 |
| 2022 | 9,274,259 |
| 2023 | 10,150,779 |
| 2024 | 12,492,179 |
| 2025 | 13,227,038 |
| Thereafter | 230,130,219 |
| Total | <u>\$ 294,816,137</u> |

ASBURY COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 10 DERIVATIVE INSTRUMENTS

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

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

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

Albright has two interest rate swap agreements which are considered derivative financial instruments with a financial institution. Albright entered into interest rate swap agreements to hedge variable interest rates on the Series 2014 Master Note and the Series 2018 Master Note, on December 15, 2015, and October 4, 2018, respectively, but elected not to elect hedge accounting for these arrangements.

ASBURY COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 10 DERIVATIVE INSTRUMENTS (CONTINUED)

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

| | Series 2016 | Series 2019A | Series 2019B | Series 2014 | Series 2018 | Total |
|-------------------------------------|--------------------|--------------------|---------------------|---------------------|---------------------|-----------------------|
| Notional Amount - December 31, 2020 | \$ 3,015,630 | \$ 6,415,000 | \$ 4,935,000 | \$ 8,743,322 | \$ 2,237,000 | |
| Trade Date | 10/6/2016 | 11/8/2019 | 11/8/2019 | 12/15/2015 | 10/4/2018 | |
| Effective Date | 4/3/2017 | 11/8/2019 | 11/8/2019 | 12/15/2015 | 10/4/2018 | |
| Termination or Cancellation Date | 4/1/2023 | 11/1/2023 | 11/1/2027 | 12/15/2040 | 10/4/2025 | |
| Fixed Rate | 0.998% | 2.226% | 2.309% | 4.150% | 4.235% | |
| Fair Value at December 31, 2018 | \$ 73,621 | \$ - | \$ - | \$ - | \$ - | \$ 73,621 |
| Unrealized Gain | (69,990) | (19,740) | (47,673) | - | - | (137,403) |
| Fair Value at December 31, 2019 | 3,631 | (19,740) | (47,673) | (520,296) * | (119,568) * | (703,646) |
| Unrealized Loss | (44,584) | (49,051) | (244,557) | (316,877) | (50,974) | (706,043) |
| Fair Value at December 31, 2020 | <u>\$ (40,953)</u> | <u>\$ (68,791)</u> | <u>\$ (292,230)</u> | <u>\$ (837,173)</u> | <u>\$ (170,542)</u> | <u>\$ (1,409,689)</u> |

*This was the balance as of 12/31/19 before the affiliation with ACOMM. The liability is not included in the ACOMM 12/31/19 balance sheet.

The Company has included the fair market value of these derivative instruments as a liability of (\$1,409,689) as of December 31, 2020, and as an asset of 3,631 and a liability of (\$67,413) in the accompanying consolidated balance sheets as of December 31, 2019.

Net unrealized losses on derivative instruments was (\$706,043) and (\$137,403) in 2020 and 2019, respectively.

NOTE 11 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were \$40,506,676 and \$34,257,091 as of December 31, 2020 and 2019, respectively. Included in net assets with donor restrictions are investments to be held in perpetuity totaling \$36,433,304 and \$30,089,473 as of December 31, 2020 and 2019, 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 unless otherwise specified by donor.

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

| | 2020 | 2019 |
|---|----------------------|----------------------|
| Endowment Fund - Beginning of Year | \$ 30,089,473 | \$ 29,680,552 |
| Contributions | 338,515 | 720,068 |
| Inherent Contribution | 6,537,667 | - |
| Net Investment Income | 19,573 | - |
| Changes in Value of Obligations Under Charitable Gift Annuities | (551,924) | (311,147) |
| Endowment Fund - End of Year | <u>\$ 36,433,304</u> | <u>\$ 30,089,473</u> |

ASBURY COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 12 RETIREMENT PLAN

The Company, except Albright and FRM has a defined-contribution plan (the Plan) under IRC Section 401(k). All full-time employees of the Company are eligible to participate in the Plan. Employees may elect to defer up to \$19,500 of their base salary, subject to certain limitations. The employer's basic contribution is 3% of compensation for each eligible employee. The Company will also match the employee's contribution up to 2% of the employee's base salary. Albright and Warrior Run have a separate IRC Section 403(b) Plan. All full-time employees of Albright and Warrior Run are eligible to participate in this plan. Basic and matching contributions are at the discretion of Albright.

The employer's contribution expense for the years ended December 31, 2020 and 2019 was \$3,572,213 and \$3,379,913, respectively.

NOTE 13 COMMITMENTS AND CONTINGENCIES

General and Professional Liability Insurance

The Company has a general and professional liability insurance policy (GL/PL) for all entities except for Albright and Warrior Run, which is claims-made based, through Caring Communities, a reciprocal Risk Retention Group. The GL/PL coverage has a limit of \$1,000,000 per occurrence and a \$3,000,000 annual aggregate. The Company also has excess coverage in effect with a limit of \$10,000,000 per claim and a \$30,000,000 annual aggregate. This policy has been renewed through December 31, 2021. Albright and Warrior Run are covered under a separate policy which provides professional liability insurance coverage of \$1,000,000 per occurrence with an aggregate limit of \$6,000,000. In addition, Albright and Warrior Run have an umbrella excess liability policy which provides for coverage of \$5,000,000 per occurrence and in the aggregate. The general liability and umbrella excess liability policies are for all insurance coverages, including professional liability.

Caring Communities, a Reciprocal Risk Retention Group

In 2009, the Company began participating in an insurance risk retention group, Caring Communities, a reciprocal Risk Retention Group (CCrRRG) licensed by the District of Columbia for purposes of obtaining the following insurance coverage: (1) primary general and professional liability; (2) excess general and professional liability; and (3) excess auto liability. CCrRRG provides insurance coverage to its members, which are nonprofit, predominantly faith-based, senior housing, and healthcare providers. These members include continuing care retirement communities, affordable housing providers, and other organizations that offer a mix of product and services, including independent living, assisted living and skilled nursing. In December 2020, CCrRRG was affirmed as a rating of "A (Excellent)" for its financial strength with a stable outlook by A.M. Best Co., one of the leading rating agencies.

The Company executed a subscription agreement and made capital contributions in exchange for an interest in a CCrRRG Charter Capital Account. Through December 31, 2020, the Company's capital contributions were \$560,508 which represents 2.81% of CCrRRG's total Charter Capital. The percentage of the total Charter Capital may be affected by the future addition of members to CCrRRG.

ASBURY COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 13 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Health Insurance

The Company has a self-funding arrangement for health insurance coverage. The Company has stop-loss coverage up to \$200,000 per participant with unlimited reimbursement after a \$50,000 aggregate deductible (one time across all claimants) in effect through December 31, 2021.

Legal Actions and Claims

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

Lease Commitments

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

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

In July 2019, TAG executed a two-year lease agreement for office space in Mechanicsburg, Pennsylvania.

In November 2008, Albright entered into a 20-year noncancelable office lease agreement for approximately 17,273 square feet of office in Lancaster Pennsylvania. In accordance with the lease agreement, the term of the lease began in November 2008. Albright pays annual base rent payments ranging from \$172,730 to \$220,216.

In March 2010, Albright entered into a 20-year noncancelable office lease agreement for approximately 15,013 square feet of office in Lebanon, Pennsylvania. In accordance with the lease agreement, the term of the lease began in March 2010. Albright pays annual base rent payments ranging from \$270,234 to \$284,634.

In August 2020, Albright entered into a 10-year noncancelable office lease agreement for approximately 11,132 square feet of office in Coatesville, Pennsylvania. In accordance with the lease agreement, the term of the lease began in November 2020, and Albright expects to occupy the office in mid-2021. Albright pays annual base rent payments ranging from \$170,316 to \$212,508.

Total lease costs for the years ended December 31, 2020 and 2019 was \$2,970,080 and \$2,212,099, respectively.

ASBURY COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 13 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Lease Commitments (Continued)

A maturity analysis of annual undiscounted cash flows for lease liabilities as of December 31, 2020 is as follows:

| <u>Year Ending December 31,</u> | <u>Amount</u> |
|---|-----------------------------|
| 2021 | \$ 2,230,756 |
| 2022 | 2,010,860 |
| 2023 | 1,894,096 |
| 2024 | 1,643,831 |
| 2025 | 1,425,537 |
| Thereafter | <u>4,524,026</u> |
| Total | 13,729,106 |
| Less: Interest Expense | <u>(1,383,955)</u> |
| Amounts Recognized in the Consolidated Balance Sheets | <u><u>\$ 12,345,151</u></u> |

NOTE 14 FUNCTIONAL EXPENSES

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

| | <u>2020</u> | | <u>Total</u> |
|--|------------------------------|---|------------------------------|
| | <u>Program Services</u> | <u>Supporting Services Management and General</u> | |
| Salaries and Wages | \$ 107,327,208 | \$ - | \$ 107,327,208 |
| Employee Benefits | 19,831,060 | - | 19,831,060 |
| Cost of Goods Sold | 1,060,551 | - | 1,060,551 |
| Contract Labor | 22,816,100 | - | 22,816,100 |
| Food Purchases | 8,584,789 | - | 8,584,789 |
| Medical Supplies and Other Resident Costs | 26,677,156 | - | 26,677,156 |
| General and Administrative | - | 10,307,530 | 10,307,530 |
| Building and Maintenance | 28,168,903 | - | 28,168,903 |
| Professional Fees and Insurance | 2,782,969 | - | 2,782,969 |
| Interest | 12,355,895 | - | 12,355,895 |
| Taxes | 5,743,000 | - | 5,743,000 |
| Provision for Bad Debts | 1,760,293 | - | 1,760,293 |
| Depreciation and Amortization | <u>36,079,390</u> | <u>-</u> | <u>36,079,390</u> |
| Total Functional Expenses | <u><u>\$ 273,187,314</u></u> | <u><u>\$ 10,307,530</u></u> | <u><u>\$ 283,494,844</u></u> |

ASBURY COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 14 FUNCTIONAL EXPENSES (CONTINUED)

| | 2019 | | Total |
|--|-----------------------------|---------------------------|-----------------------|
| | Program Services | Supporting Services | |
| | Continuing Care Services | Management and General | |
| Salaries and Wages | \$ 87,767,949 | \$ - | \$ 87,767,949 |
| Employee Benefits | 18,285,628 | - | 18,285,628 |
| Cost of Goods Sold | 120,854 | - | 120,854 |
| Contract Labor | 17,943,017 | - | 17,943,017 |
| Food Purchases | 8,344,128 | - | 8,344,128 |
| Medical Supplies and Other Resident Costs | 7,826,552 | - | 7,826,552 |
| General and Administrative | - | 12,858,481 | 12,858,481 |
| Building and Maintenance | 22,429,148 | - | 22,429,148 |
| Professional Fees and Insurance | 2,385,200 | - | 2,385,200 |
| Interest | 16,809,412 | - | 16,809,412 |
| Taxes | 5,600,836 | - | 5,600,836 |
| Provision for Bad Debts | 1,080,794 | - | 1,080,794 |
| Depreciation and Amortization | 33,684,978 | - | 33,684,978 |
| Total Functional Expenses | <u>\$ 222,278,496</u> | <u>\$ 12,858,481</u> | <u>\$ 235,136,977</u> |

Included in management and general expenses are other general and administration expenses.

NOTE 15 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

ASBURY COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 15 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

| Recurring Fair Value Measures | At Fair Value as of December 31, 2020 | | | |
|--|---------------------------------------|-----------------------|---------------------|-----------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Assets | | | | |
| Cash and Short-Term Investments | \$ 57,281,829 | \$ - | \$ - | \$ 57,281,829 |
| Fixed-Income Securities and Mutual Funds | 56,762,689 | - | - | 56,762,689 |
| Equity Securities and Mutual Funds | 95,827,269 | - | - | 95,827,269 |
| Real Estate Mutual Funds and Other | 337,223 | - | - | 337,223 |
| Subtotal | 210,209,010 | - | - | 210,209,010 |
| Beneficial Interest in Perpetual Trusts | - | - | 4,453,228 | 4,453,228 |
| Total Assets | <u>\$ 210,209,010</u> | <u>\$ -</u> | <u>\$ 4,453,228</u> | <u>\$ 214,662,238</u> |
| Liabilities | | | | |
| Derivative Instruments | <u>\$ -</u> | <u>\$ (1,409,689)</u> | <u>\$ -</u> | <u>\$ (1,409,689)</u> |
| Recurring Fair Value Measures | At Fair Value as of December 31, 2019 | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| Assets | | | | |
| Cash and Short-Term Investments | \$ 46,576,953 | \$ - | \$ - | \$ 46,576,953 |
| Fixed-Income Securities and Mutual Funds | 51,165,674 | - | - | 51,165,674 |
| Equity Securities and Mutual Funds | 84,351,899 | - | - | 84,351,899 |
| Real Estate Mutual Funds | 81,212 | - | - | 81,212 |
| Derivative Instruments | - | 3,631 | - | 3,631 |
| Total | <u>\$ 182,175,738</u> | <u>\$ 3,631</u> | <u>\$ -</u> | <u>\$ 182,179,369</u> |
| Liabilities | | | | |
| Derivative Instruments | <u>\$ -</u> | <u>\$ (67,413)</u> | <u>\$ -</u> | <u>\$ (67,413)</u> |

The following table provides a summary of unobservable inputs related to the Organization's beneficial interest in perpetual trusts as of December 31, 2020:

| Instrument | Fair Value | Principal Valuation Technique | Unobservable Inputs |
|--|--------------|-------------------------------|-----------------------|
| Beneficial Interest In Perpetual Trust | \$ 4,453,228 | FMV of Trust Investments | Term of Distributions |

There were no purchases, sales or transfers for the year ended December 31, 2020 related to the beneficial interest in perpetual trusts.

ASBURY COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 16 INCOME TAXES

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

| | <u>2020</u> | <u>2019</u> |
|---------------------|----------------|---------------------|
| Current: | | |
| Federal | \$ - | \$ - |
| State | 6,875 | 2,379 |
| Total Current | <u>6,875</u> | <u>2,379</u> |
| Deferred: | | |
| Federal | (6,875) | (69,994) |
| State | - | (56,407) |
| Valuation Allowance | - | (29,528) |
| Total Deferred | <u>(6,875)</u> | <u>(155,929)</u> |
| Total | <u>\$ -</u> | <u>\$ (153,550)</u> |

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

| | <u>2020</u> | <u>2019</u> |
|-----------------------------------|-------------------|-------------------|
| Net Operating Loss Carryforwards | \$ 1,115,607 | \$ 1,086,163 |
| Accrued Paid Time-Off Benefits | 2,741 | 4,022 |
| Accrued Salaries | 69,191 | - |
| Accrued Expenses | 60,489 | 66,972 |
| Interest Expense Limitation | 33,910 | 24,045 |
| Deferred Revenue | - | 72,607 |
| Prepaid Insurance | (2,702) | (1,824) |
| Depreciation | (17,742) | (117,216) |
| Amortization | 13,245 | 19,131 |
| Federal Benefit of State Deferred | (38,443) | (38,443) |
| Provision for Bad Debt | 18,949 | 4,337 |
| Book-Tax Difference | 115 | 37 |
| Accrued Workers Compensation | - | 1,857 |
| Total | <u>1,255,360</u> | <u>1,121,688</u> |
| Valuation Allowance | <u>(672,639)</u> | <u>(545,839)</u> |
| Deferred Tax Asset | <u>\$ 582,721</u> | <u>\$ 575,849</u> |

The effective tax rate of the taxable subsidiaries differs from the statutory federal tax rate primarily due to the impact of current year PPP loan forgiveness.

ASBURY COMMUNITIES, INC.
CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2020
(SEE INDEPENDENT AUDITORS' REPORT)

| | Asbury Communities, Inc. | Asbury Methodist Village | Asbury Solomons, Inc. | Bethany Village | Springhill | Inverness Village, Inc. | Asbury, Inc. | Albright Care Services | Warrior Run Manor, Inc. | Asbury Communities HCBS, Inc. | Asbury Foundation, Inc. | The Asbury Group, Inc. | Forest Ridge Manor, Inc. | Bethany Development Corporation | Eliminations | Consolidated Balance |
|--|--------------------------------|--------------------------------|-----------------------------|-----------------------|----------------------|----------------------------|----------------------|---------------------------|----------------------------|-------------------------------------|-------------------------------|---------------------------|-----------------------------|---------------------------------------|-------------------------|-------------------------|
| ASSETS | | | | | | | | | | | | | | | | |
| CURRENT ASSETS | | | | | | | | | | | | | | | | |
| Cash and Cash Equivalents | \$ 5,238,240 | \$ 96,832 | \$ 11,169 | \$ 708,106 | \$ 696,310 | \$ 377,828 | \$ 895,834 | \$ 8,272,081 | \$ 74,146 | \$ 78,142 | \$ 397,616 | \$ 70,304 | \$ 24,392 | \$ 197,359 | \$ - | \$ 17,138,359 |
| Investments | 32,042,576 | 35,976,914 | 548,501 | 4,802,126 | 1,025,766 | - | 13,959,597 | - | - | - | 3,124 | 31,670 | - | 34,452 | - | 88,424,726 |
| Accounts Receivable, Net | - | 2,958,625 | 509,362 | 580,607 | 609,665 | - | 1,856,232 | 2,831,918 | 2,615 | 430,182 | - | 488,616 | 2,668 | - | - | 10,270,490 |
| Pledges Receivable, Net | - | - | - | - | - | - | - | - | - | - | 506,249 | - | - | - | - | 506,249 |
| Other Receivables and Prepaid Expenses | 2,342,787 | 4,623,457 | 719,097 | 1,232,832 | 343,098 | - | 654,243 | 1,209,338 | 42,267 | 186,335 | 40,639 | 186,247 | 988 | \$ 8,877 | (2,349,468) | 9,240,737 |
| Investments Held under Bond Indenture | - | 2,231,951 | 532,119 | 3,929,745 | 1,066,825 | - | 577,624 | - | - | - | - | - | - | - | - | 8,338,264 |
| Total Current Assets | 39,623,603 | 45,887,779 | 2,320,248 | 11,253,416 | 3,741,664 | 377,828 | 17,943,530 | 12,313,337 | 119,028 | 694,659 | 947,628 | 776,837 | 28,048 | 240,688 | (2,349,468) | 133,918,825 |
| Due from ACOMM, Net | - | 45,913,635 | 10,595,282 | 13,449,597 | - | 16,825 | 2,651,088 | - | - | - | - | - | - | - | (72,626,427) | - |
| Property and Equipment, Net | 1,973,179 | 144,808,553 | 39,704,579 | 79,095,828 | 19,023,202 | - | 57,837,197 | 54,349,937 | 1,340,738 | 57,505 | 9,375 | 1,203,113 | 2,375,578 | 1,018,817 | (1,211,039) | 401,586,562 |
| Right-Of-Use Assets - Operating Leases | 3,377,611 | 641,023 | 116,948 | 299,871 | 233,198 | - | 260,318 | 6,759,846 | - | - | - | 16,754 | - | 7,618 | - | 11,713,187 |
| Investments Restricted by Donors | - | - | - | 13,487,776 | - | - | 53,391 | 4,858,922 | - | - | 32,636,232 | - | - | - | - | 51,036,321 |
| Long-Term Investments | 1,291,616 | - | - | - | - | - | - | - | - | - | - | - | - | - | (1,291,616) | - |
| Deposits and Other Assets | 893,899 | 675,445 | - | 45,443 | 8,165 | - | 99,167 | 339,318 | 20,595 | 500 | - | 678,789 | 17,478 | 57,116 | - | 2,835,915 |
| Other Intangible Assets | - | - | - | - | - | - | 5,480,000 | - | - | 1,250,000 | - | - | - | - | - | 6,730,000 |
| Investments Held under Bond Indenture | - | 7,271,140 | 998,048 | 5,459,069 | 1,365,341 | - | 1,947,455 | - | 508,635 | - | - | - | 99,664 | 2,011,021 | - | 19,660,373 |
| Statutory Reserves | - | 14,340,471 | 3,044,650 | 4,463,380 | 1,092,507 | - | - | 1,947,901 | - | - | - | - | - | - | - | 24,888,909 |
| Investments Restricted by Board | - | 1,420,314 | 212,922 | 3,411,337 | - | - | - | 12,815,844 | - | - | - | - | - | - | - | 17,860,417 |
| Pledges Receivable, Net | - | - | - | - | - | - | - | - | - | - | 3,906,043 | - | - | - | - | 3,906,043 |
| Funds Held in Trust | - | - | - | - | - | - | - | 4,453,228 | - | - | 1,897,957 | - | - | - | - | 6,351,185 |
| Beneficial Interest in Net Assets of Foundation and Other Perpetual Trust | - | 16,840,432 | 2,617,640 | 4,329,299 | 435,114 | - | 12,899 | - | - | - | - | - | - | - | (24,235,384) | - |
| Total Assets | \$ 47,159,908 | \$ 277,798,792 | \$ 59,610,317 | \$ 135,295,016 | \$ 25,899,191 | \$ 394,653 | \$ 86,285,045 | \$ 97,838,333 | \$ 1,988,996 | \$ 2,002,664 | \$ 39,397,235 | \$ 2,675,493 | \$ 2,520,768 | \$ 3,335,260 | \$ (101,713,934) | \$ 680,487,737 |

ASBURY COMMUNITIES, INC.
CONSOLIDATING BALANCE SHEET (CONTINUED)
DECEMBER 31, 2020
(SEE INDEPENDENT AUDITORS' REPORT)

| | Asbury Communities, Inc. | Asbury Methodist Village | Asbury Solomons, Inc. | Bethany Village | Springhill | Inverness Village, Inc. | Asbury, Inc. | Albright Care Services | Warrior Run Manor, Inc. | Asbury Communities HCBS, Inc. | Asbury Foundation, Inc. | The Asbury Group, Inc. | Forest Ridge Manor, Inc. | Bethany Development Corporation | Eliminations | Consolidated Balance |
|--|--------------------------------|--------------------------------|-----------------------------|--------------------|---------------|----------------------------|---------------|---------------------------|----------------------------|-------------------------------------|-------------------------------|---------------------------|-----------------------------|---------------------------------------|------------------|-------------------------|
| LIABILITIES AND | | | | | | | | | | | | | | | | |
| NET ASSETS (DEFICIT) | | | | | | | | | | | | | | | | |
| CURRENT LIABILITIES | | | | | | | | | | | | | | | | |
| Accounts Payable and Accrued Expenses | \$ 14,391,849 | \$ 1,532,787 | \$ 124,707 | \$ 686,986 | \$ 232,968 | \$ - | \$ 961,988 | \$ 6,301,630 | \$ 72,973 | \$ 85,650 | \$ 3,403 | \$ 605,135 | \$ 31,930 | 191,936 | \$ (337,822) | \$ 24,886,120 |
| Accrued Compensation and Related Items | 7,422,962 | 64,851 | 33,700 | - | - | - | 610,331 | 2,026,696 | - | 175,046 | - | 441,375 | 2,401 | 52,644 | - | 10,830,006 |
| Accrued Interest Payable | - | 2,069,414 | 303,655 | 2,051,012 | 565,558 | - | 632,539 | 41,269 | 10,233 | - | - | - | - | 2,462 | - | 5,676,142 |
| Obligations under Deferred-Giving Arrangements | - | - | - | 83,731 | - | - | - | 316,733 | - | - | 595,974 | - | - | - | - | 996,438 |
| Deposits from Prospective Residents | - | 2,333,416 | 252,730 | 723,484 | 177,744 | - | 114,110 | 397,100 | - | - | - | - | - | - | - | 3,998,584 |
| Entrance Fees - Refundable | - | 2,860,835 | 154,655 | 703,527 | 472,182 | - | 1,365,871 | 388,509 | - | - | - | - | - | - | - | 5,945,579 |
| Deferred Revenue | - | 368,895 | 123,579 | 33,069 | 64,359 | - | 144,412 | 188,017 | - | - | 3,428 | - | 201 | - | - | 925,960 |
| Current Portion of Lease | | | | | | | | | | | | | | | | |
| Liabilities - Operating Leases | 440,403 | 308,432 | 29,533 | 87,977 | 65,878 | - | 86,575 | 812,902 | - | - | - | 16,754 | - | 7,026 | - | 1,855,480 |
| Current Portion of Long-Term Debt | 657,935 | 1,839,021 | 4,246,646 | 1,898,628 | 506,372 | - | 4,683,681 | 7,484,038 | 70,887 | - | - | - | - | 154,455 | (2,000,000) | 19,541,663 |
| Total Current Liabilities | 22,913,149 | 11,377,651 | 5,269,205 | 6,268,414 | 2,085,061 | - | 8,599,507 | 17,956,894 | 154,093 | 260,696 | 602,805 | 1,063,264 | 34,532 | 408,523 | (2,337,822) | 74,655,972 |
| Due to ACOMM, Net | 45,473,955 | - | - | - | 4,400,571 | - | - | - | - | 7,043,872 | 11,179,772 | 4,528,257 | - | - | (72,626,427) | - |
| Long-Term Lease Liabilities - Operating Leases | 3,569,172 | 332,591 | 87,415 | 211,894 | 167,320 | - | 173,743 | 5,946,944 | - | - | - | - | - | 592 | - | 10,489,671 |
| Long-Term Debt, Net | - | 95,787,052 | 13,833,353 | 83,844,256 | 22,991,248 | - | 39,705,098 | 20,877,745 | 3,162,485 | - | - | - | 3,427,701 | 966,186 | - | 284,595,124 |
| Contingent Refundable Entrance Fee Liability | - | 111,678,389 | 26,712,738 | 16,584,938 | 15,917,785 | - | 27,803,233 | 5,150,992 | - | - | - | - | - | - | - | 203,848,075 |
| Entrance Fees - Deferred Revenue | - | 83,475,577 | 33,361,300 | 39,142,920 | 8,289,758 | - | 4,308,206 | 20,235,010 | - | - | - | - | - | - | - | 188,812,771 |
| Obligations under Deferred-Giving Arrangements | - | - | - | 217,518 | - | - | - | - | - | - | 3,129,161 | - | - | - | - | 3,346,679 |
| Valuation of Derivative Instruments | - | 320,305 | 40,716 | - | - | - | 40,953 | 1,007,715 | - | - | - | - | - | - | - | 1,409,689 |
| Other Long-Term Liabilities | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total Liabilities | 71,956,276 | 302,971,565 | 79,304,727 | 146,269,940 | 53,851,743 | - | 80,630,740 | 71,175,300 | 3,316,578 | 7,304,568 | 14,911,738 | 5,591,521 | 3,462,233 | 1,375,301 | (74,964,249) | 767,157,981 |
| NET ASSETS (DEFICIT) | | | | | | | | | | | | | | | | |
| Without Donor Restrictions | (24,796,368) | (42,013,205) | (22,312,050) | (22,772,023) | (28,387,666) | 394,653 | 5,457,298 | 18,293,762 | (1,327,582) | (5,301,904) | - | (2,916,028) | (941,465) | 1,959,959 | (2,514,301) | (127,176,920) |
| With Donor Restrictions | - | 16,840,432 | 2,617,640 | 11,797,099 | 435,114 | - | 197,007 | 8,369,271 | - | - | 24,485,497 | - | - | - | (24,235,384) | 40,506,676 |
| Total Net Assets (Deficit) | (24,796,368) | (25,172,773) | (19,694,410) | (10,974,924) | (27,952,552) | 394,653 | 5,654,305 | 26,663,033 | (1,327,582) | (5,301,904) | 24,485,497 | (2,916,028) | (941,465) | 1,959,959 | (26,749,685) | (86,670,244) |
| Total Liabilities and Net Assets (Deficit) | \$ 47,159,908 | \$ 277,798,792 | \$ 59,610,317 | \$ 135,295,016 | \$ 25,899,191 | \$ 394,653 | \$ 86,285,045 | \$ 97,838,333 | \$ 1,988,996 | \$ 2,002,664 | \$ 39,397,235 | \$ 2,675,493 | \$ 2,520,768 | \$ 3,335,260 | \$ (101,713,934) | \$ 680,487,737 |

ASBURY COMMUNITIES, INC.
CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET DEFICIT
YEAR ENDED DECEMBER 31, 2020
(SEE INDEPENDENT AUDITORS' REPORT)

| | Asbury Communities, Inc. | Asbury Methodist Village | Asbury Solomons, Inc. | Bethany Village | Springhill | Inverness Village, Inc. | Asbury, Inc. | Albright Care Services | Warrior Run Manor, Inc. | Asbury Communities HCBS, Inc. | Asbury Foundation, Inc. | The Asbury Group, Inc. | Forest Ridge Manor, Inc. | Bethany Development Corporation | Eliminations | Consolidated Balance |
|---|--------------------------------|--------------------------------|-----------------------------|--------------------|-------------------|----------------------------|-------------------|---------------------------|----------------------------|-------------------------------------|-------------------------------|---------------------------|-----------------------------|---------------------------------------|---------------------|-------------------------|
| REVENUES, GAINS, AND OTHER SUPPORT | | | | | | | | | | | | | | | | |
| Net Resident and Client Service Revenue | \$ - | \$ 70,028,519 | \$ 18,565,423 | \$ 28,176,861 | \$ 16,838,647 | \$ - | \$ 32,178,482 | \$ 50,604,695 | \$ - | \$ 3,426,593 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 219,819,220 |
| Other Operating Revenue | 12,018,125 | 3,792,964 | 781,974 | 2,056,712 | 890,407 | - | 3,016,297 | 4,042,739 | 708,851 | 225,634 | - | 12,329,106 | 254,161 | 1,365,295 | (21,130,112) | 20,352,153 |
| Amortization of Entrance Fees | - | 14,127,396 | 4,637,796 | 5,547,896 | 1,699,842 | - | 933,512 | 3,301,312 | - | - | - | - | - | - | - | 30,247,754 |
| Interest and Dividend Income, Net | 1,245,736 | 2,039,587 | 193,775 | 888,775 | 84,942 | - | 488,366 | 228,832 | 333 | 196 | 943,104 | - | 396 | 3,151 | (352,484) | 5,764,709 |
| Net Realized Gain (Loss) on Investments | (399,939) | (668,501) | (48,947) | 1,611,991 | (27,243) | - | (307,914) | 403,930 | - | - | 5,136,096 | (4,557) | - | - | - | 5,694,916 |
| Net Unrealized Gain (Loss) on Equity Securities | 3,651,384 | 5,437,179 | 411,036 | 922,767 | 228,765 | - | 1,625,935 | - | - | - | (1,738,656) | - | - | - | - | 10,538,410 |
| Contributions | - | - | - | - | - | - | - | 370,508 | - | - | 3,806,931 | - | - | - | - | 4,177,439 |
| Net Assets Released from Restrictions | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Used for Operations | - | - | - | - | - | - | 20,037 | 273,778 | - | - | 609,669 | - | - | - | - | 903,484 |
| Allocations from Asbury Foundation, Inc. | - | 4,636,131 | 554,517 | 2,161,406 | 72,173 | - | 49,671 | - | - | 1,650 | - | - | - | - | (7,475,548) | - |
| Total Revenues, Gains, and Other Support | 16,515,306 | 99,393,275 | 25,095,574 | 41,366,408 | 19,787,533 | - | 38,004,386 | 59,225,794 | 709,184 | 3,654,073 | 8,757,144 | 12,324,549 | 254,557 | 1,368,446 | (28,958,144) | 297,498,085 |
| EXPENSES | | | | | | | | | | | | | | | | |
| Salaries | 11,140,889 | 29,692,923 | 6,154,848 | 9,978,028 | 7,107,660 | - | 15,368,952 | 21,024,514 | 138,872 | 2,790,428 | - | 4,825,861 | 42,008 | 427,628 | (1,365,403) | 107,327,208 |
| Employee Benefits | 2,029,494 | 5,221,486 | 1,118,433 | 1,695,214 | 1,236,408 | - | 2,685,686 | 4,820,932 | 14,293 | 427,081 | - | 650,319 | 10,473 | 113,802 | (192,561) | 19,831,060 |
| Cost of Goods Sold | - | - | - | - | - | - | - | - | - | - | - | 2,980,725 | - | - | (1,920,174) | 1,060,551 |
| Contract Labor | 159,469 | 6,045,292 | 1,391,381 | 1,906,923 | 1,465,711 | - | 6,130,546 | 5,502,900 | - | 11,415 | 10,383 | 630,854 | 6,689 | - | (445,463) | 22,816,100 |
| Food Purchases | - | 3,168,670 | 815,133 | 933,310 | 661,524 | - | 1,723,410 | 1,282,742 | - | - | - | - | - | - | - | 8,584,789 |
| Medical Supplies and Other Resident Costs | - | 5,131,957 | 950,917 | 1,655,375 | 971,424 | - | 3,571,741 | 14,315,406 | - | 14,738 | - | - | 3,576 | 62,022 | - | 26,677,156 |
| General and Administrative | 2,358,784 | 2,029,964 | 438,023 | 554,117 | 361,844 | - | 1,027,220 | 1,521,285 | 63,946 | 339,797 | 884,481 | 675,284 | 57,589 | 141,404 | (146,208) | 10,307,530 |
| Building and Maintenance | 827,933 | 8,807,866 | 2,285,029 | 3,754,837 | 1,682,796 | - | 3,666,315 | 5,770,232 | 130,512 | 249,451 | 7,674 | 603,454 | 111,200 | 271,604 | - | 28,168,903 |
| Professional Fees and Insurance | 46,827 | 750,947 | 184,475 | 299,213 | 163,952 | - | 669,968 | 529,661 | 28,576 | 7,407 | 701 | 53,542 | 21,593 | 26,107 | - | 2,782,969 |
| Interest | 234,595 | 3,873,707 | 723,285 | 4,037,107 | 1,136,456 | - | 1,643,381 | 789,494 | 142,207 | 34,783 | 9,534 | 34,683 | - | 49,147 | (352,484) | 12,355,895 |
| Taxes | 647 | 2,161,311 | 768,255 | 952,462 | 164,541 | - | 1,498,259 | 214,577 | - | - | - | (17,372) | 218 | 102 | - | 5,743,000 |
| Provisions for Bad Debts | - | 378,436 | 108,994 | 170,047 | 74,125 | - | 567,729 | 362,851 | - | 37,730 | (14,890) | 75,271 | - | - | - | 1,760,293 |
| Depreciation and Amortization | 748,857 | 16,574,199 | 3,098,437 | 4,738,820 | 1,872,815 | - | 4,035,959 | 3,741,088 | 196,001 | 20,927 | 8,191 | 939,612 | 101,069 | 129,923 | (126,508) | 36,079,390 |
| Management Fee and Other Fees | 1,158,415 | 7,898,417 | 1,632,987 | 2,405,828 | 1,533,898 | - | 2,367 | 1,645,724 | - | 327,721 | 1,721 | 414,714 | - | - | (17,021,792) | - |
| Allocations to Asbury Foundation, Inc. | - | - | - | - | - | - | - | - | - | - | 7,475,548 | - | - | - | (7,475,548) | - |
| Total Expenses | 18,705,910 | 91,735,175 | 19,670,197 | 33,081,281 | 18,433,154 | - | 42,591,533 | 61,521,406 | 714,407 | 4,261,478 | 8,383,343 | 11,866,947 | 354,415 | 1,221,739 | (29,046,141) | 283,494,844 |
| INCOME (LOSS) FROM OPERATIONS PRIOR TO NET UNREALIZED LOSS ON CHANGE IN MARKET VALUE OF DERIVATIVE INSTRUMENTS, INHERENT CONTRIBUTION, AND GAIN (LOSS) ON DISPOSAL OF ASSETS | | | | | | | | | | | | | | | | |
| | (2,190,604) | 7,658,100 | 5,425,377 | 8,285,127 | 1,354,379 | - | (4,587,147) | (2,295,612) | (5,223) | (607,405) | 373,801 | 457,602 | (99,858) | 146,707 | 87,997 | 14,003,241 |

ASBURY COMMUNITIES, INC.
CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET DEFICIT (CONTINUED)
YEAR ENDED DECEMBER 31, 2020
(SEE INDEPENDENT AUDITORS' REPORT)

| | Asbury Communities, Inc. | Asbury Methodist Village | Asbury Solomons, Inc. | Bethany Village | Springhill | Inverness Village, Inc. | Asbury, Inc. | Albright Care Services | Warrior Run Manor, Inc. | Asbury Communities HCBS, Inc. | Asbury Foundation, Inc. | The Asbury Group, Inc. | Forest Ridge | Bethany Development Corporation | Eliminations | Consolidated Balance |
|---|--------------------------------|--------------------------------|-----------------------------|------------------------|------------------------|----------------------------|---------------------|---------------------------|----------------------------|-------------------------------------|-------------------------------|---------------------------|---------------------|---------------------------------------|------------------------|-------------------------|
| NET ASSETS (DEFICIT) WITHOUT | | | | | | | | | | | | | | | | |
| DONOR RESTRICTIONS | | | | | | | | | | | | | | | | |
| Income (Loss) from Operations Prior to Net Unrealized | | | | | | | | | | | | | | | | |
| Loss on Change in Market Value of Value of | | | | | | | | | | | | | | | | |
| Derivative Instruments, Inherent Contribution, and | | | | | | | | | | | | | | | | |
| Gain (Loss) on Disposal of Assets | \$ (2,190,604) | \$ 7,658,100 | \$ 5,425,377 | \$ 8,285,127 | \$ 1,354,379 | \$ - | \$ (4,587,147) | \$ (2,295,612) | \$ (5,223) | \$ (607,405) | \$ 373,801 | \$ 457,602 | \$ (99,858) | \$ 146,707 | \$ 87,997 | \$ 14,003,241 |
| Net Unrealized Loss on Change in | | | | | | | | | | | | | | | | |
| Market Value of Derivative Instruments | - | (264,576) | (29,032) | - | - | - | (44,584) | (367,851) | - | - | - | - | - | - | - | (706,043) |
| Inherent Contribution | - | - | - | - | - | - | - | 18,729,294 | (1,322,359) | - | - | - | - | - | - | 17,406,935 |
| Gain (Loss) on Disposal of Assets | - | (15,919) | - | - | - | - | - | 4,859 | - | - | - | - | (25,605) | - | - | (36,665) |
| INCOME (LOSS) FROM OPERATIONS | (2,190,604) | 7,377,605 | 5,396,345 | 8,285,127 | 1,354,379 | - | (4,631,731) | 16,070,690 | (1,327,582) | (607,405) | 373,801 | 457,602 | (125,463) | 146,707 | 87,997 | 30,667,468 |
| Transfers (to) from ACOMM, Net | (2,704,750) | (653,750) | - | (571,500) | - | - | 3,930,000 | - | - | - | - | - | - | - | - | - |
| Loss on Discontinued Operations | (8,665) | - | - | - | - | - | - | - | - | 15,768 | - | - | - | - | - | 7,103 |
| Net Assets Released from Restrictions Used for | | | | | | | | | | | | | | | | |
| Purchases of Capital Items | - | 83,864 | 37,849 | 2,657,482 | 251,184 | - | - | - | - | - | - | - | - | - | - | 3,030,379 |
| Change in Value of Unrestricted Split-Interest Obligations | - | - | - | - | - | - | - | (56,444) | - | - | - | - | - | - | - | (56,444) |
| Net Unrealized Gain (Loss) on Fixed Income | | | | | | | | | | | | | | | | |
| Securities and Other Investments | (28,685) | (30,182) | (2,526) | (122,580) | (1,409) | - | (47,208) | 2,279,516 | - | - | (373,801) | - | - | - | - | 1,673,125 |
| Net (Increase) Decrease in Net Assets (Deficit) Without Donor Restrictions | (4,932,704) | 6,777,537 | 5,431,668 | 10,248,529 | 1,604,154 | - | (748,939) | 18,293,762 | (1,327,582) | (591,637) | - | 457,602 | (125,463) | 146,707 | 87,997 | 35,321,631 |
| RESTRICTED NET ASSETS WITH | | | | | | | | | | | | | | | | |
| DONOR RESTRICTIONS | | | | | | | | | | | | | | | | |
| Contributions | - | - | - | - | - | - | - | 44,337 | - | - | 2,079,846 | - | - | - | - | 2,124,183 |
| Inherent Contribution | - | - | - | - | - | - | - | 8,184,826 | - | - | - | - | - | - | - | 8,184,826 |
| Net Assets Released from Restrictions for Operations | - | - | - | - | - | - | (20,037) | (273,778) | - | - | (609,669) | - | - | - | - | (903,484) |
| Net Assets Released from Restrictions Used for | | | | | | | | | | | | | | | | |
| Purchases of Capital Items | - | (83,864) | (37,849) | (2,657,482) | (251,184) | - | - | - | - | - | (3,030,379) | - | - | - | 3,030,379 | (3,030,379) |
| Net Investment Income | - | - | - | - | - | - | - | 457,455 | - | - | - | - | - | - | - | 457,455 |
| Change in Value of Deferred-Giving Arrangements | - | - | - | (41,052) | - | - | - | (43,569) | - | - | (498,395) | - | - | - | - | (583,016) |
| Change in Beneficial Interest in Net Assets of Asbury Foundation, Inc. | - | 546,366 | (74,982) | 159,044 | 333,908 | - | 7,335 | - | - | - | - | - | - | - | (971,671) | - |
| Net Increase (Decrease) in Net Assets With Donor Restrictions | - | 462,502 | (112,831) | (2,539,490) | 82,724 | - | (12,702) | 8,369,271 | - | - | (2,058,597) | - | - | - | 2,058,708 | 6,249,585 |
| CHANGES IN NET ASSETS (DEFICIT) | (4,932,704) | 7,240,039 | 5,318,837 | 7,709,039 | 1,686,878 | - | (761,641) | 26,663,033 | (1,327,582) | (591,637) | (2,058,597) | 457,602 | (125,463) | 146,707 | 2,146,705 | 41,571,216 |
| Net Assets (Deficit) - Beginning of Year | (19,863,664) | (32,412,812) | (25,013,247) | (18,683,963) | (29,639,430) | 394,653 | 6,415,946 | - | - | (4,710,267) | 26,544,094 | (3,373,630) | (816,002) | 1,813,252 | (28,896,390) | (128,241,460) |
| NET ASSETS (DEFICIT) - END OF YEAR | <u>\$ (24,796,368)</u> | <u>\$ (25,172,773)</u> | <u>\$ (19,694,410)</u> | <u>\$ (10,974,924)</u> | <u>\$ (27,952,552)</u> | <u>\$ 394,653</u> | <u>\$ 5,654,305</u> | <u>\$ 26,663,033</u> | <u>\$ (1,327,582)</u> | <u>\$ (5,301,904)</u> | <u>\$ 24,485,497</u> | <u>\$ (2,916,028)</u> | <u>\$ (941,485)</u> | <u>\$ 1,959,959</u> | <u>\$ (26,749,685)</u> | <u>\$ (86,670,244)</u> |

Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC,
an SEC-registered investment advisor. | CliftonLarsonAllen LLP

