

**ASBURY ATLANTIC, INC.**  
**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**



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**ASBURY ATLANTIC, INC.  
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## INDEPENDENT AUDITORS' REPORT

Audit Committee  
Asbury Atlantic, Inc.  
Frederick, Maryland

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Asbury Atlantic, Inc., which comprise the balance sheets as of December 31, 2020 and 2019, and the related statements of operations and changes in net deficit, and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Asbury Atlantic, Inc. as of December 31, 2020 and 2019, and the results of its operations, changes in its net assets, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Report on Accompanying Information**

*Other Information*

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The information listed under “Accompanying Information” on the table of contents is presented for additional analysis of the financial statements rather than to present the financial position, results of operations, and cash flows of the individual locations, and it not a required part of the financial statements. Such information is the responsibility of management and derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



**CliftonLarsonAllen LLP**

Plymouth Meeting, Pennsylvania  
April 21, 2021

**ASBURY ATLANTIC, INC.**  
**BALANCE SHEETS**  
**DECEMBER 31, 2020 AND 2019**

<b>ASSETS</b>	2020	2019
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 1,512,417	\$ 1,880,093
Investments	42,353,307	46,270,672
Accounts Receivable, Net of Allowance for Doubtful Accounts of \$1,613,621 and \$2,032,157 at December 31, 2020 and 2019, Respectively	4,658,259	5,607,148
Other Receivables and Prepaid Expenses	6,918,484	6,987,977
Investments Held under Bond Indenture	7,760,640	5,702,981
Total Current Assets	63,203,107	66,448,871
Due from ACOMM, Net	65,557,943	64,347,189
Property and Equipment, Net	282,632,162	283,950,933
Right-Of-Use Assets - Operating Leases	1,291,040	1,287,189
Investments Restricted by Donors	13,487,776	12,019,043
Deposits and Other Assets	729,053	869,227
Investments Held under Bond Indenture	15,093,598	14,837,996
Statutory Reserves	22,941,008	19,849,246
Investments Restricted by Board	5,044,573	4,621,541
Beneficial Interest in Net Assets of Foundation	24,222,485	26,288,526
Total Assets	\$ 494,202,745	\$ 494,519,761

See accompanying Notes to Financial Statements.

**ASBURY ATLANTIC, INC.**  
**BALANCE SHEETS (CONTINUED)**  
**DECEMBER 31, 2020 AND 2019**

	2020	2019
<b>LIABILITIES AND NET DEFICIT</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable and Accrued Expenses	\$ 2,577,448	\$ 2,246,458
Accrued Compensation and Related Items	98,551	607,542
Accrued Interest Payable	4,989,639	3,662,980
Obligations under Charitable Gift Annuities	83,731	89,401
Deposits from Prospective Residents	3,487,374	3,817,232
Entrance Fees - Refundable	4,191,199	4,143,941
Deferred Revenue	589,902	512,586
Current Portion of Lease Liabilities - Operating Leases	491,820	622,060
Current Portion of Long-Term Debt	8,490,667	8,372,798
Total Current Liabilities	25,000,331	24,074,998
Long-Term Lease Liabilities - Operating Leases	799,220	665,129
Long-Term Debt, Less Current Portion	216,455,909	225,589,811
Contingent Refundable Entrance Fee Liability	170,893,850	177,483,955
Entrance Fees - Deferred Revenue	164,269,555	172,146,914
Obligations under Charitable Gift Annuities	217,518	240,993
Valuation of Derivative Instruments	361,021	67,413
Total Liabilities	577,997,404	600,269,213
<b>NET ASSETS (DEFICIT)</b>		
Without Donor Restrictions	(115,484,944)	(139,546,832)
With Donor Restrictions	31,690,285	33,797,380
Total Net Deficit	(83,794,659)	(105,749,452)
Total Liabilities and Net Deficit	\$ 494,202,745	\$ 494,519,761

See accompanying Notes to Financial Statements.

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

	2020	2019
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>		
Net Resident Service Revenue	\$ 133,609,450	\$ 138,552,434
Other Operating Revenue	7,522,057	1,934,099
Amortization of Entrance Fees	26,012,930	22,303,920
Interest and Dividend Income, Net	3,207,079	3,633,719
Net Realized Gain (Loss) on Investments	867,300	(657,939)
Net Unrealized Gain on Equity Security Investments	6,999,747	9,234,645
Allocations from Asbury Foundation, Inc.	7,424,227	6,369,965
Total Revenues, Gains, and Other Support	185,642,790	181,370,843
<b>EXPENSES</b>		
Salaries	52,933,459	51,184,871
Employee Benefits	9,271,541	10,591,572
Contract Labor	10,809,307	10,532,138
Food Purchases	5,578,637	5,982,790
Medical Supplies and Other Resident Costs	8,709,673	5,382,019
General and Administrative	3,383,948	3,418,479
Building and Maintenance	16,530,528	15,227,855
Professional Fees and Insurance	1,398,587	1,373,315
Interest	9,770,555	11,970,776
Taxes	4,046,569	3,768,456
Provision for Bad Debts	731,602	623,143
Depreciation and Amortization	26,284,271	24,980,692
Management and Other Fees	13,471,130	11,822,066
Total Expenses	162,919,807	156,858,172
<b>INCOME FROM OPERATIONS PRIOR TO NET UNREALIZED LOSS ON CHANGE IN MARKET VALUE OF DERIVATIVE INSTRUMENTS, LOSS ON RETIREMENT OF DEBT, AND LOSS ON DISPOSAL OF ASSETS</b>	22,722,983	24,512,671
Net Unrealized Loss on Change in Market Value of Derivative Instruments	(293,608)	(67,413)
Loss on Retirement of Debt	-	(2,244,383)
Loss on Disposal of Assets	(15,919)	(126,602)
<b>INCOME FROM OPERATIONS</b>	22,413,456	22,074,273

See accompanying Notes to Financial Statements.

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

	<u>2020</u>	<u>2019</u>
<b>NET DEFICIT WITHOUT DONOR RESTRICTIONS</b>		
Income from Operations	\$ 22,413,456	\$ 22,074,273
Net Unrealized Gain (Loss) on Fixed Income Securities and Other Investments	(156,697)	97,244
Net Assets Released from Restrictions Used for Purchase of Capital Items	3,030,379	2,054,513
Transfers to ACOMM	<u>(1,225,250)</u>	<u>(1,184,000)</u>
Net Increase in Net Deficit Without Donor Restrictions	24,061,888	23,042,030
<b>NET ASSETS WITH DONOR RESTRICTIONS</b>		
Net Assets Released from Restriction Used for Purchase of Capital Items	(3,030,379)	(2,054,513)
Change in Beneficial Interest in Net Assets of Asbury Foundation, Inc.	964,336	1,427,992
Changes in Value of Obligations under Charitable Gift Annuities	<u>(41,052)</u>	<u>(53,647)</u>
Net Decrease in Net Assets With Donor Restrictions	<u>(2,107,095)</u>	<u>(680,168)</u>
<b>CHANGES IN NET DEFICIT</b>	21,954,793	22,361,862
Net Deficit - Beginning of Year	<u>(105,749,452)</u>	<u>(128,111,314)</u>
<b>NET DEFICIT - END OF YEAR</b>	<u><u>\$ (83,794,659)</u></u>	<u><u>\$ (105,749,452)</u></u>

See accompanying Notes to Financial Statements.



**ASBURY ATLANTIC, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in Net Deficit	\$ 21,954,793	\$ 22,361,862
Adjustments to Reconcile Changes in Net Deficit to Net Cash Provided by Operating Activities		
Provision for Bad Debts	731,602	623,143
Depreciation and Amortization	26,284,271	24,980,692
Amortization of Deferred Financing Costs	223,740	239,436
Amortization of Bond Premium/Discount	(861,183)	(669,744)
Amortization of Entrance Fees	(26,012,930)	(22,303,920)
Net Proceeds from Nonrefundable Entrance and Advance Fees	20,291,400	27,685,429
Net Unrealized Gains on Investments	(6,843,050)	(9,331,889)
Loss on Disposal of Assets	15,919	126,602
Loss on Retirement of Debt	-	2,244,383
Net Unrealized Losses on Change in Market Value of Derivative Instruments	293,608	67,413
Changes in Beneficial Interest in Net Assets of Foundation	2,066,041	626,524
Changes in Value of Obligations Under Charitable Gift Annuities	41,052	53,647
Transfers to ACOMM	1,225,250	1,184,000
Changes in Assets and Liabilities:		
Accounts Receivable	217,287	256,743
Other Receivables and Prepaid Expenses	(470,723)	(793,168)
Deferred Entrance Fees	540,217	8,698,884
Other Assets	140,173	129,983
Deferred Revenue	77,316	(197,526)
Accounts Payable and Accrued Expenses	(178,000)	(41,488)
Accrued Interest Payable	1,326,659	(1,380,547)
Net Cash Provided by Operating Activities	41,063,442	54,560,459
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Property and Equipment, Net	(24,981,419)	(28,502,030)
Sales (Purchases) of Investments, Net	8,868,650	(2,338,910)
Net Cash Used by Investing Activities	(16,112,769)	(30,840,940)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from Entrance and Advance Refundable Fees and Refundable Deposits	8,891,451	18,101,458
Proceeds from Issuance of Debt	-	75,489,000
Premiums from Issuance of Debt	-	3,384,485
Refunds of Entrance and Advance Refundable Fees and Refundable Deposits	(17,919,986)	(22,404,984)
Payments on Debt	(8,372,807)	(8,288,122)
Redemption of Debt	-	(80,630,000)
Payments for Deferred Financing Costs	(5,783)	(951,052)
Payments on Obligations under Charitable Gift Annuities	(70,197)	(74,332)
Change in Due to ACOMM, Net	(1,210,754)	(16,426,415)
Transfers to ACOMM	(1,225,250)	(1,184,000)
Net Cash Used by Financing Activities	(19,913,326)	(32,983,962)
<b>INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASI</b>	5,037,347	(9,264,443)
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	42,270,316	51,534,759
<b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR</b>	\$ 47,307,663	\$ 42,270,316
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash Paid for Interest	\$ 9,081,339	\$ 13,781,631

See accompanying Notes to Financial Statements.

**ASBURY ATLANTIC, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 1 ORGANIZATION**

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

AMV and AS are continuing-care retirement communities (CCRC) located in Gaithersburg, Maryland and Calvert County, Maryland, respectively. BV and SH are CCRCs located in Mechanicsburg, Pennsylvania and Erie, Pennsylvania, respectively. A CCRC consists of independent living, assisted living, and skilled-nursing units. A CCRC provides a continuum of care that includes housing, health care, and other related healthcare and lifestyle services to seniors. Cash transferred from Asbury Atlantic to ACOMM during 2020 and 2019 was not required at Asbury Atlantic to fund daily operations, meet debt covenants, or fulfill regulatory requirements.

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

ACOMM serves as the supporting organization of Asbury Atlantic; Inverness Village, an Oklahoma nonprofit corporation (IV) (until the sale of substantially all of IV assets on October 31, 2019); Asbury, Inc. (Asbury Place) and Affiliate; Asbury Communities HCBS, Inc. (HCBS); and Albright Care Services and Subsidiary (Albright or ACS) (effective January 1, 2020). ACOMM is the sole voting stockholder of The Asbury Group, Inc. (TAG). ACOMM is the sole member of Asbury Foundation, Inc. (AFOUND).

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**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.

**ASBURY ATLANTIC, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Cash, Cash Equivalents, and Restricted Cash (Continued)**

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

	<u>2020</u>	<u>2019</u>
Cash	\$ 1,512,417	\$ 1,880,093
Restricted Cash Included in Current Investments		
Held under Bond Indenture	7,760,640	5,702,981
Restricted Cash Included in Long-Term Investments		
Held under Bond Indenture	15,093,598	14,837,996
Restricted Cash Included in Statutory Reserves	<u>22,941,008</u>	<u>19,849,246</u>
Total Cash, Cash Equivalents, and Restricted Cash		
Shown in the Combined Statements of Cash Flows	<u>\$ 47,307,663</u>	<u>\$ 42,270,316</u>

**Accounts Receivable**

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

Under the Medicare and Medicaid reimbursement and other third party agreements, amounts collected for services to patients under these agreements are computed at contractually agreed-upon rates. Accounts receivable have been adjusted to reflect the difference between charges and the reimbursable amounts under these third party contracts. Revenues from Medicare and Medicaid programs and other third party agreements accounted for approximately 22% and 24% of total net resident-service revenues for the years ended December 31, 2020 and 2019, respectively.

**Investments and Investment Income**

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

**ASBURY ATLANTIC, INC.**  
**NOTES TO 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 are allocated to Asbury Atlantic based on its proportion of its underlying holdings. The portion of investments that is available to fund current operating activities is included in current assets in the accompanying balance sheets. Donated investments are reported at their fair values at date of receipt.

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

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

**ASBURY ATLANTIC, INC.**  
**NOTES TO 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 ACOMM continues to meet its objectives, the Company has established rebalancing guidelines and established mechanisms for ongoing monitoring of performance and risk.

**Derivatives Policy**

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

**Investments Restricted by the Board**

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

**Beneficial Interest in Net Assets of Foundation**

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

**Leases**

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

**ASBURY ATLANTIC, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Leases (Continued)**

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

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

**Property and Equipment**

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

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

**Advertising Expenses**

The cost of advertising is expensed when incurred and included within the general and administrative financial statement line item within the statements of operations and changes in net deficit. Advertising expense was \$1,123,393 and \$1,123,283 for the years ended 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 Asbury Atlantic.

**Accrued Compensation and Related Items**

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

**Continuing-Care Contracts**

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

**ASBURY ATLANTIC, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Continuing-Care Contracts (Continued)**

Asbury Atlantic periodically reviews the present value of the net cost of future services and use of facilities to be provided to current residents under continuing-care contracts and compares that amount with the balance of deferred revenue from entrance fees. If the present value of the net cost of future services and use of facilities exceeds the deferred revenue from entrance fees, a liability is recorded (obligation to provide future services and use of facilities) with a corresponding charge to income. As a result of this calculation, the present value of the net cost of future services and use of facilities did not exceed deferred revenue from resident entrance fees; accordingly, no obligation was recorded for the years ended December 31, 2020 and 2019.

**Resident Services Revenue**

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

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

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

**ASBURY ATLANTIC, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Resident Services Revenue (Continued)**

Asbury Atlantic 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. Previously BV offered an additional standard nine-year declining refund and a 25% refundable option. Additionally, a 100% refundable option was previously offered for certain units. All resident entrance fees are expected to be paid in full upon occupancy. Refunds of entrance fees for termination prior to occupancy are made within 30 days.

Under the standard declining refund option, the entrance fee is amortized over a period of five years resulting in an entrance fee refund balance that declines 1.667% per month over the five-year period. After that period, the refund is fully amortized and there is no refundable portion. Under the nonrefundable entrance fee option, the entrance fee is not refundable after the designated occupancy date or actual date of occupancy, whichever is earlier. Under the refundable contracts, residents pay a higher entrance fee in order to guarantee a specific percentage refund of the entrance fee upon termination of the Residency Agreement. In most cases, payment of an entrance fee refund is contingent upon a successor resident taking possession of the original residential unit.

At SH, for contracts dated prior to June 30, 2004, the refund occurs upon the earlier of receipt of a successor entrance fee or one year from termination date.

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

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

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



**ASBURY ATLANTIC, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Resident Services Revenue (Continued)**

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

	<u>2020</u>	<u>2019</u>
Entrance Fees - Refundable	\$ 4,191,199	\$ 4,143,941
Contingent Refundable Entrance Fees	170,893,850	177,483,955
Entrance Fees - Deferred Revenue:		
25% to 90% Refundable Contracts	5,268,900	5,261,938
Standard Entrance Fee Option Contracts:		
Five-Year Contracts	156,794,090	164,387,144
Nine-Year Contracts	1,893,120	2,336,225
Nonrefundable	<u>313,445</u>	<u>161,607</u>
Total Entrance Fees - Deferred Revenue	<u>164,269,555</u>	<u>172,146,914</u>
 Total Entrance Fees	 <u><u>\$ 339,354,604</u></u>	 <u><u>\$ 353,774,810</u></u>

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

The composition of resident services by primary payor is as follows at December 31:

	<u>2020</u>	<u>2019</u>
Medicaid	\$ 14,001,043	\$ 16,365,715
Medicare	13,951,478	15,334,027
Managed Care	977,112	1,091,827
Private Pay	<u>104,679,817</u>	<u>105,760,865</u>
Total Resident Services Revenue	<u><u>\$ 133,609,450</u></u>	<u><u>\$ 138,552,434</u></u>

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

**ASBURY ATLANTIC, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Resident Services Revenue (Continued)**

The composition of net resident service revenue based on its service lines, method of reimbursement, and timing of revenue recognition are as follows at December 31:

	2020				
	Asbury Methodist Village	Asbury Solomons, Inc.	Bethany Village	Springhill	Total
<b>Service Lines:</b>					
Skilled Nursing Facility	\$ 28,291,650	\$ 7,074,775	\$ 10,187,503	\$ 9,339,674	\$ 54,893,602
Assisted Living	11,678,642	2,189,629	8,498,155	2,051,438	24,417,864
Independent Living	29,961,413	9,274,118	9,348,725	5,280,543	53,864,799
Retail Sales	96,814	26,901	142,478	166,992	433,185
Total	<u>\$ 70,028,519</u>	<u>\$ 18,565,423</u>	<u>\$ 28,176,861</u>	<u>\$ 16,838,647</u>	<u>\$ 133,609,450</u>
<b>Method of Reimbursement:</b>					
Fee for Services	\$ 69,931,705	\$ 18,538,522	\$ 28,034,383	\$ 16,671,655	\$ 133,176,265
Retail Sales	96,814	26,901	142,478	166,992	433,185
Total	<u>\$ 70,028,519</u>	<u>\$ 18,565,423</u>	<u>\$ 28,176,861</u>	<u>\$ 16,838,647</u>	<u>\$ 133,609,450</u>
<b>Timing of Revenue and Recognition:</b>					
<b>Health Care Services</b>					
Transferred Over Time	\$ 69,931,705	\$ 18,538,522	\$ 28,034,383	\$ 16,671,655	\$ 133,176,265
Sales at Point in Time	96,814	26,901	142,478	166,992	433,185
Total	<u>\$ 70,028,519</u>	<u>\$ 18,565,423</u>	<u>\$ 28,176,861</u>	<u>\$ 16,838,647</u>	<u>\$ 133,609,450</u>
	2019				
	Asbury Methodist Village	Asbury Solomons, Inc.	Bethany Village	Springhill	Total
<b>Service Lines:</b>					
Skilled Nursing Facility	\$ 32,856,581	\$ 6,124,564	\$ 9,620,691	\$ 9,379,137	\$ 57,980,973
Assisted Living	13,387,416	2,118,957	8,223,632	1,979,765	25,709,770
Independent Living	30,315,264	9,307,602	9,522,138	5,386,499	54,531,503
Retail Sales	44,957	52,226	161,496	71,509	330,188
Total	<u>\$ 76,604,218</u>	<u>\$ 17,603,349</u>	<u>\$ 27,527,957</u>	<u>\$ 16,816,910</u>	<u>\$ 138,552,434</u>
<b>Method of Reimbursement:</b>					
Fee for Services	\$ 76,559,261	\$ 17,551,123	\$ 27,366,461	\$ 16,745,401	\$ 138,222,246
Retail Sales	44,957	52,226	161,496	71,509	330,188
Total	<u>\$ 76,604,218</u>	<u>\$ 17,603,349</u>	<u>\$ 27,527,957</u>	<u>\$ 16,816,910</u>	<u>\$ 138,552,434</u>
<b>Timing of Revenue and Recognition:</b>					
<b>Health Care Services</b>					
Transferred Over Time	\$ 76,559,261	\$ 17,551,123	\$ 27,366,461	\$ 16,745,401	\$ 138,222,246
Sales at Point in Time	44,957	52,226	161,496	71,509	330,188
Total	<u>\$ 76,604,218</u>	<u>\$ 17,603,349</u>	<u>\$ 27,527,957</u>	<u>\$ 16,816,910</u>	<u>\$ 138,552,434</u>

**ASBURY ATLANTIC, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Contract Costs**

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

**Charity Care**

Asbury Atlantic's policy is to track those expenses for residents in its facilities who cannot pay for all or a portion of their care and to define these expenses as charity care. Because Asbury Atlantic does not pursue collection of amounts determined to qualify as charity care, they are not reflected as revenue in the accompanying financial statements. Benevolent and charity care provided to residents for the years ended December 31, 2020 and 2019 was \$3,730,834 and \$2,493,079, 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				2019			
	Bethany Village	Springhill	Asbury Methodist Village	Asbury Solomons, Inc.	Bethany Village	Springhill	Asbury Methodist Village	Asbury Solomons, Inc.
Total Skilled Nursing Center Occupancy	97%	93%	72%	93%	96%	95%	91%	86%
Medicaid	28%	27%	52%	25%	33%	29%	51%	37%
Medicare	8%	6%	23%	13%	15%	8%	21%	13%
Private Pay and Other	64%	67%	25%	62%	52%	63%	28%	50%

**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 Organization, 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. The Company 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 \$5,577,607. The PRF's are subject to certain restrictions on eligible expenses or uses, reporting requirements, and will be subject to audit.

**ASBURY ATLANTIC, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Provider Relief Funds (Continued)**

At December 31, 2020, the Company recognized \$5,577,607 as other operating revenue in the 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 Asbury Atlantic are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is fulfilled, these net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statements of operations and changes in net deficit as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying statements of operations and changes in net deficit. Net assets with donor restrictions that are permanent in nature represent donor-restricted endowments to be held in perpetuity.

**Net Assets and Endowment Funds**

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

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

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

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

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

**Income from Operations**

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

**Tax Status**

Asbury Atlantic members are each exempt from federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code (IRC); accordingly no provision for income taxes is required as there are no unrelated trades or businesses.

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

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

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

**ASBURY ATLANTIC, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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.

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.

**ASBURY ATLANTIC, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fair Value Measurements (Continued)**

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.

**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 financial statements were issued.

**NOTE 3 LIQUIDITY AND AVAILABILITY**

As of December 31, 2020 and 2019, the Company has a working capital of \$38,202,775 and \$42,373,873.

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	\$ 1,512,417	\$ 1,880,093
Investments	42,353,307	46,270,672
Accounts Receivable, Net	4,658,259	5,607,148
Other Receivables	6,918,484	6,987,977
Investments Held Under Bond Indenture	7,760,640	5,702,981
Total Financial Assets	<u>\$ 63,203,107</u>	<u>\$ 66,448,871</u>

**ASBURY ATLANTIC, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 3 LIQUIDITY AND AVAILABILITY**

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

**NOTE 4 REGULATORY ENVIRONMENT**

**Medicare and Medicaid**

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

**Medicare Reimbursement**

The Balanced Budget Act of 1997 modified how payment is made for Medicare SNF services. SNFs are reimbursed on the basis of a prospective payment system (PPS). The PPS payment rates are adjusted for case mix and geographic variation in wages and cover all costs of furnishing covered SNF services (routine, ancillary, and capital-related costs). Annual cost reports are required to be submitted to the designated Medicare Administrative Contractor; however, they do not contain a cost settlement. The Centers for Medicare and Medicaid Services (CMS) recently finalized the Patient Driven Payment Model (PDPM) to replace the existing Medicare reimbursement system effective October 1, 2019.

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.



**ASBURY ATLANTIC, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 4 REGULATORY ENVIRONMENT (CONTINUED)**

**Medicare and Medicaid (Continued)**

**Maryland Medicaid Reimbursement**

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

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

**Pennsylvania Medicaid Reimbursement**

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

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

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

**ASBURY ATLANTIC, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 4 REGULATORY ENVIRONMENT (CONTINUED)**

**Other**

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

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

**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 amortization, computed only on the proportional share of financing or operating expenses that is applicable to residents of BV under continuing-care agreements.

**ASBURY ATLANTIC, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 4 REGULATORY ENVIRONMENT (CONTINUED)**

**Pennsylvania Department of Insurance Reserve Requirements (Continued)**

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><u>\$ 4,463,380</u></u>	<u><u>\$ 3,650,630</u></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 amortization. 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><u>\$ 1,092,507</u></u>	<u><u>\$ 892,384</u></u>

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

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**NOTE 4 REGULATORY ENVIRONMENT (CONTINUED)**

**State of Maryland Statutory Reserves**

The state of Maryland requires Asbury Atlantic to set aside reserves equal to 15% of its net operating expenses (as defined) for the most recent fiscal year. The total amount reserved for AMV is as follows as of December 31:

	<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>

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**NOTE 5 CONCENTRATION OF CREDIT RISK**

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

	<u>2020</u>	<u>2019</u>
Private Pay	52 %	53 %
Medicaid	23	22
Medicare	15	14
Other (Primarily Managed Care and Insurance)	10	12
Total	<u>100 %</u>	<u>100 %</u>

**NOTE 6 INVESTMENTS**

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

	<u>2020</u>	<u>2019</u>
Investments:		
Cash and Short-Term Investments	\$ 1,687,212	\$ 346,435
Fixed-Income Securities and Mutual Funds	13,957,110	19,702,513
Equity Securities and Equity Mutual Funds	26,708,985	26,221,724
Total Investments	<u>\$ 42,353,307</u>	<u>\$ 46,270,672</u>
Investments Restricted by Donors:		
Cash and Short-Term Investments	\$ 152,332	\$ 268,115
Fixed-Income Securities and Mutual Funds	4,160,013	2,982,828
Equity Securities and Equity Mutual Funds	9,102,154	8,686,888
Real Estate Mutual Funds	73,277	81,212
Total Investments Restricted by Donors	<u>\$ 13,487,776</u>	<u>\$ 12,019,043</u>
Investments Held under Bond Indenture:		
Cash and Short-Term Investments	<u>\$ 22,854,238</u>	<u>\$ 20,540,977</u>
Statutory Reserves:		
Cash and Short-Term Investments	<u>\$ 22,941,008</u>	<u>\$ 19,849,246</u>
Investments Restricted by Board:		
Cash and Short-Term Investments	\$ 200,934	\$ 34,335
Fixed-Income Securities and Mutual Funds	1,662,397	1,963,845
Equity Securities and Equity Mutual Funds	3,181,242	2,623,361
Total Investments Restricted by Board	<u>\$ 5,044,573</u>	<u>\$ 4,621,541</u>

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**NOTE 6 INVESTMENTS (CONTINUED)**

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

	<u>2020</u>	<u>2019</u>
Debt Service Fund	\$ 6,696,805	\$ 4,437,684
Debt Service Reserve Fund	16,157,433	16,103,293
Total	<u>22,854,238</u>	<u>20,540,977</u>
Less: Current Portion	<u>(7,760,640)</u>	<u>(5,702,981)</u>
Long-Term Portion of Bond Indenture	<u>\$ 15,093,598</u>	<u>\$ 14,837,996</u>

The total return on investments, along with investments held under bond indenture, statutory reserves, and investments restricted by, including the change in the market value of derivative instruments, generated net board investment income and earnings for the years ended December 31, 2020 and 2019 as follows:

	<u>2020</u>	<u>2019</u>
Included Within Asbury Atlantic's Performance Indicator:		
Interest and Dividend Income, Net	\$ 3,207,079	\$ 3,633,719
Net Realized Gain (Loss) on Investments	867,300	(657,939)
Net Unrealized Gain on Equity Security Investments	6,999,747	9,234,645
Net Unrealized Change in		
Market Value of Derivative Instruments	<u>(293,608)</u>	<u>(67,413)</u>
Total	10,780,518	12,143,012
Included in Other Changes in Net Deficit:		
Other Unrealized Gain (Loss) on Fixed Income		
Securities and Other Investments	<u>(156,697)</u>	<u>97,244</u>
Total	<u>\$ 10,623,821</u>	<u>\$ 12,240,256</u>

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

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

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**NOTE 7 BENEFICIAL INTEREST IN NET ASSETS OF FOUNDATION**

AFOUND was established to solicit, receive, hold, invest, and reinvest donations and bequests, which are made primarily for the benefit of AMV, AS, IV (until the sale of the assets), SH, BV, AP, and HCBS. Asbury Atlantic's beneficial interest in the net assets of AFOUND was \$24,222,486 and \$26,288,526 as of December 31, 2020 and 2019, respectively. The balance sheet of AFOUND consisted of the following at December 31:

<b>ASSETS</b>	2020	2019
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 397,616	\$ 53,001
Investments	3,124	3,237
Pledges Receivable, Net	506,249	482,006
Prepaid Expenses and Other Assets	40,639	2,247
Total Current Assets	947,628	540,491
Property and Equipment, Net	9,375	17,567
Investments Restricted by Donor	32,636,232	26,803,136
Pledge Receivable, Net	3,906,043	2,548,671
Funds Held in Trust	1,897,957	1,852,579
Total Assets	\$ 39,397,235	\$ 31,762,444
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts Payable and Accrued Expenses	\$ 6,831	\$ 1,705
Due to ACOMM, Net	11,179,772	1,808,007
Obligations under Charitable Gift Annuities	3,725,135	3,408,638
Total Liabilities	14,911,738	5,218,350
<b>NET ASSETS</b>		
With Donor Restrictions	24,485,497	26,544,094
Total Net Assets	24,485,497	26,544,094
Total Liabilities and Net Assets	\$ 39,397,235	\$ 31,762,444

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

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**NOTE 8 OBLIGATION UNDER CHARITABLE GIFT ANNUITIES**

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

Obligations related to charitable gift annuities issued by BV are recorded at the present value of the future interest payments based on the donor's life expectancy. Amounts donated in excess of the liability are recorded as donations with restrictions in the statements of operations and changes in net deficit. The present value of the liability is calculated using the five-year United States Treasury Bond rate. This rate was 0.36% and 1.69% at December 31, 2020 and 2019, respectively. Changes in the present value of the accompanying obligation are shown as changes in values of charitable gift annuities in the statements of operations and changes in net deficit.

**NOTE 9 PROPERTY AND EQUIPMENT**

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

	<u>2020</u>	<u>2019</u>
Land and Improvements	\$ 46,149,021	\$ 43,886,050
Buildings and Improvements	520,152,108	509,144,711
Furniture and Equipment	53,951,516	49,711,883
Construction in Progress	<u>11,859,982</u>	<u>9,212,672</u>
Total	632,112,627	611,955,316
Less: Accumulated Depreciation	<u>(349,480,465)</u>	<u>(328,004,383)</u>
Property and Equipment, Net	<u>\$ 282,632,162</u>	<u>\$ 283,950,933</u>

Depreciation expense on property and equipment was \$26,151,568 and \$24,847,989 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 years ended December 31, 2020 and 2019, the amount of interest expense capitalized was \$-0-.



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**NOTE 10 RELATED PARTY TRANSACTIONS**

**Due to/from ACOMM**

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

- Accrued Paid Time Off (PTO) – By utilizing the payroll function, all salaries and withholdings are processed through ACOMM. ACOMM also calculates, tracks, and accrues the amounts due to employees relating to available PTO for each payroll period. This accrual does not affect the cash of the affiliates until the balance is actually paid out to the employees and is not cleared out of the intercompany accounts until paid. The intercompany account then will retain an amount equal to the accumulated value of unused PTO for each affiliate.
- Deferred Management Fees – From time to time, management fees may be deferred by ACOMM to its affiliates in order to meet bond covenant requirements. These fees can be recouped by ACOMM in subsequent periods when financial performance warrants reducing or eliminating the deferral. The cumulative effect of these deferrals will be included in the affiliate intercompany account. For 2020 and 2019, no management fees were deferred in order to maintain bond covenant compliance.

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

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

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

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**NOTE 10 RELATED PARTY TRANSACTIONS (CONTINUED)**

**Due to/from ACOMM (Continued)**

- Cash Management – Entities supported by ACOMM share a common cash management function. Operating cash of the group is swept daily to accommodate investment of excess cash flow. Operating cash payments, including borrowings and payments of intercompany loans and balances, are made through the same sweep account. At any time, depending upon the timing of receipts, disbursements and other investment activity, members of the group may temporarily overdraw their share of the common operating cash. The balance of cash and cash equivalents includes Asbury Atlantic's share of the common operating cash and amounts held in their individual checking and savings accounts, money market accounts, and short-term certificates of deposit with original maturities of 90 days or less. Cash balances are principally uninsured and subject to normal credit risk.

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

**Prior Equity Contributions**

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

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

**Service Fees**

Asbury Atlantic received administrative services from ACOMM under a service agreement at a cost of \$13,691,452 and \$12,122,663 in 2020 and 2019, respectively. Included in the administrative services is an information technology fee. Service fees are allocated to all affiliates based upon a pro rata share of revenues. The payment of service fees to ACOMM is subordinate to all obligations of Asbury Atlantic under all of Asbury Atlantic's secured loan agreements.

**ASBURY ATLANTIC, INC.**  
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**NOTE 11 LONG-TERM DEBT**

Long-term debt consisted of the following:

	Interest Rate	Maturity 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 2012 PA Bonds	Fixed Rate Revenue Bonds	2013 - 2036	48,030,000	48,615,000
Subtotal			<u>214,075,000</u>	<u>220,184,000</u>
Unamortized Bond Premium/Discount on Bonds, Net			12,596,966	12,878,219
Unamortized Bond Financing Costs			(3,392,057)	(3,030,075)
Current Portion			<u>(6,824,000)</u>	<u>(6,451,441)</u>
Total Bonds Payable			216,455,909	223,580,703
Note Payable			-	263,798
Loan Payable			1,666,667	3,666,667
Current Portion Note Payable and Loan Payable			<u>(1,666,667)</u>	<u>(1,921,357)</u>
Total Note Payable			-	2,009,108
Total Long-Term Debt			<u>\$ 216,455,909</u>	<u>\$ 225,589,811</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 comprised of \$11,009,000 of Series 2019A Bonds and \$5,000,000 of Series 2019B Bonds maturing on November 1, 2023 and November 1, 2027, respectively. The Series 2019 Bonds bear interest at an annual rate equal to 81% of the sum of one-month LIBOR plus 1.0%, multiplied by a margin rate factor.

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

**Series 2019 Pennsylvania (PA) Bonds**

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%.

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**NOTE 11 LONG-TERM DEBT (CONTINUED)**

**Series 2019 Pennsylvania (PA) Bonds (Continued)**

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

As required by the bond agreements, the 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 2012 Pennsylvania (PA) Bonds**

In October 2012, Asbury Pennsylvania Obligated Group entered into a loan agreement with Cumberland County Municipal Authority pursuant to which the Cumberland County Municipal Authority sold the Series 2012 bonds. From the proceeds, the Company borrowed \$51,640,000 of Refunding Revenue Bonds, Series 2012, (referred to as the Series 2012 PA Bonds). The Series 2012 PA Bonds are comprised of serial bond 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 PA 2006 bonds, 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 Company established various reserve funds from the proceeds of the bonds. The respective bond agreements require certain other funds to be established and maintained by the bond trustee.

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**NOTE 11 LONG-TERM DEBT (CONTINUED)**

**Deferred Financing Costs**

Deferred financing costs represent expenses (e.g. underwriting, legal, consulting, and other costs) incurred in connection with issuance of debt and are deferred and amortized over the life of the related indebtedness on a straight-line basis, which approximates the effective-interest method. The amortization of deferred financing costs is included in interest expense and totaled \$223,740 and \$239,436 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 (\$861,183) and (\$669,744) for the years ended December 31, 2020 and 2019, respectively.

**Liens and Covenants**

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

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

**Note Payable**

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

**Loan Payable**

In conjunction with termination of the Series 2006 Forward Contract, as disclosed in Note 12, 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 was 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.

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**NOTE 11 LONG-TERM DEBT (CONTINUED)**

**Debt Maturities**

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

<u>Year Ending December 31,</u>	<u>Amount</u>
2021	\$ 8,490,667
2022	6,184,000
2023	6,856,000
2024	9,957,000
2025	10,418,000
Thereafter	173,836,000
Total	<u>\$ 215,741,667</u>

**NOTE 12 DERIVATIVE INSTRUMENTS**

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 2.226% (Series 2019A) and 2.309% (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.

The following is a schedule outlining the terms and fair market values of the derivative instruments on December 31, 2020:

	<u>Series 2019A</u>	<u>Series 2019B</u>	<u>Total</u>
Notional Amount - December 31, 2020	\$ 6,415,000	\$ 4,935,000	
Trade Date	11/8/2019	11/8/2019	
Effective Date	11/8/2019	11/8/2019	
Termination Date	11/1/2023	11/1/2027	
Fixed Rate	2.226%	2.309%	
Fair Value - December 31, 2018	\$ -	\$ -	\$ -
Unrealized Loss	<u>(19,740)</u>	<u>(47,673)</u>	<u>(67,413)</u>
Fair Value - December 31, 2019	(19,740)	(47,673)	(67,413)
Unrealized Loss	<u>(49,051)</u>	<u>(244,557)</u>	<u>(293,608)</u>
Fair Value - December 31, 2020	<u>\$ (68,791)</u>	<u>\$ (292,230)</u>	<u>\$ (361,021)</u>

Asbury Atlantic has included the fair market value of derivative instruments as a liability of (\$361,021) and (\$67,413) in the accompanying balance sheets as of December 31, 2020 and 2019, respectively. Net unrealized losses on derivative instruments were (\$293,608) and (\$67,413) in 2020 and 2019, respectively.

**ASBURY ATLANTIC, INC.**  
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**NOTE 13 NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions were \$31,690,394 and \$33,797,380 as of December 31, 2020 and 2019, respectively. Included in net assets with donor restrictions are investments to be held in perpetuity totaling \$29,823,225 and \$30,035,964 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.

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

	<u>2020</u>	<u>2019</u>
Endowment Fund - Beginning of Year	\$ 30,035,964	\$ 29,198,674
Change in Beneficial Interest in Net Assets of Asbury Foundation, Inc.	(171,687)	890,937
Changes in Value of Obligations under Charitable Gift Annuities	<u>(41,052)</u>	<u>(53,647)</u>
Endowment Fund - End of Year	<u><u>\$ 29,823,225</u></u>	<u><u>\$ 30,035,964</u></u>

**NOTE 14 RETIREMENT PLAN**

ACOMM and affiliates sponsor a defined contribution plan (the Plan) under IRC Section 401(k). All full-time employees of ACOMM and affiliates are eligible to participate in the Plan. Employees may elect to defer up to \$19,500 of base salary, subject to certain limitations. The employer's basic contribution is 3% of compensation for each eligible employee. ACOMM will also match the employee's contribution up to 2% of the employee's base salary. The employer's contribution expense for the years ended December 31, 2020 and 2019 was \$1,955,631 and \$1,875,544, respectively.

**NOTE 15 COMMITMENTS AND CONTINGENCIES**

**General and Professional Liability Insurance**

ACOMM and its affiliates have a general and professional liability insurance policy (GL/PL), which is claims-made based. The GL/PL coverage has a limit of \$1,000,000 per occurrence and a \$3,000,000 annual aggregate. ACOMM and its affiliates also have excess coverage in effect with a limit of \$10,000,000 per claim and a \$30,000,000 annual aggregate. This policy has been renewed through December 31, 2021. Any losses for general and professional liability not currently covered by insurance in force are not expected to be material to the financial statements.

**ASBURY ATLANTIC, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 15 COMMITMENTS AND CONTINGENCIES (CONTINUED)**

**Caring Communities, a Reciprocal Risk Retention Group**

In 2009, ACOMM and its affiliates began participating in an insurance risk retention group, Caring Communities, a reciprocal Risk Retention Group (CCrRRG) licensed by the District of Columbia for purposes of obtaining the following insurance coverage: (1) primary general and professional liability, (2) excess general and professional liability, and (3) excess auto liability. CCrRRG provides insurance coverage to its members, which are nonprofit, predominantly faith based, senior housing, and healthcare providers. These members include continuing care retirement communities, affordable housing providers, and other organizations that offer a mix of product and services, including independent living, assisted living and skilled nursing. In 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.

ACOMM executed a subscription agreement and made capital contributions in exchange for an interest in a CCrRRG Charter Capital Account. Through December 31, 2020, ACOMM'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.

**Health Insurance**

ACOMM and affiliates maintain a self-funding arrangement for health insurance coverage. ACOMM and affiliates have stop-loss coverage up to \$200,000 per participant 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 financial position or results of operations.

**Lease Commitments**

Asbury Atlantic leases equipment for various terms under long-term, noncancelable lease agreements. The leases expire at various dates through 2025. In the normal course of business, it is expected that these leases will be renewed or replaced by similar leases.

Total lease costs for the years ended December 31, 2020 and 2019 was \$1,217,474 and \$1,310,021, respectively.



**ASBURY ATLANTIC, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 15 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	\$ 519,169
2022	305,793
2023	234,441
2024	167,496
2025	110,365
Total	<u>1,337,264</u>
Less: Interest Expense	<u>(46,224)</u>
Amounts Recognized in the Combined Balance Sheets	<u><u>\$ 1,291,040</u></u>

**NOTE 16 FUNCTIONAL EXPENSES**

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

	<u>2020</u>		<u>Total</u>
	<u>Program</u>	<u>Supporting</u>	
	<u>Services</u>	<u>Services</u>	
	<u>Continuing</u>	<u>Management</u>	
	<u>Care Services</u>	<u>and General</u>	
Salaries and Wages	\$ 52,933,459	\$ -	\$ 52,933,459
Employee Benefits	9,271,541	-	9,271,541
Contract Labor	10,809,307	-	10,809,307
Food Purchases	5,578,637	-	5,578,637
Medical Supplies and Other			
Resident Costs	8,709,673	-	8,709,673
General and Administrative	-	3,383,948	3,383,948
Building and Maintenance	16,530,528	-	16,530,528
Professional Fees and Insurance	1,398,587	-	1,398,587
Interest	9,770,555	-	9,770,555
Taxes	4,046,569	-	4,046,569
Provision for Bad Debts	731,602	-	731,602
Depreciation and Amortization	26,284,271	-	26,284,271
Management and Other Fees	-	13,471,130	13,471,130
Total Functional Expenses	<u><u>\$ 146,064,729</u></u>	<u><u>\$ 16,855,078</u></u>	<u><u>\$ 162,919,807</u></u>

**ASBURY ATLANTIC, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 16 FUNCTIONAL EXPENSES (CONTINUED)**

	2019		Total
	Program Services	Supporting Services	
	Continuing Care Services	Management and General	
Salaries and Wages	\$ 51,184,871	\$ -	\$ 51,184,871
Employee Benefits	10,591,572	-	10,591,572
Contract Labor	10,532,138	-	10,532,138
Food Purchases	5,982,790	-	5,982,790
Medical Supplies and Other			
Resident Costs	5,382,019	-	5,382,019
General and Administrative	-	3,418,479	3,418,479
Building and Maintenance	15,227,855	-	15,227,855
Professional Fees and Insurance	1,373,315	-	1,373,315
Interest	11,970,776	-	11,970,776
Taxes	3,768,456	-	3,768,456
Provision for Bad Debts	623,143	-	623,143
Depreciation and Amortization	24,980,692	-	24,980,692
Management and Other Fees	-	11,822,066	11,822,066
Total Functional Expenses	<u>\$ 141,617,627</u>	<u>\$ 15,240,545</u>	<u>\$ 156,858,172</u>

Included in management and general expenses are management and other fees and other general and administrative expenses.

**NOTE 17 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 ATLANTIC, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 17 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)**

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

Recurring Fair Value Measures	At Fair Value as of December 31, 2020			
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Cash and Short-Term Investments	\$ 47,835,724	\$ -	\$ -	\$ 47,835,724
Fixed Income Securities and Mutual Funds	19,779,520	-	-	19,779,520
Equity Securities and Mutual Funds	38,992,381	-	-	38,992,381
Real Estate Mutual Funds	73,277	-	-	73,277
Total	<u>\$ 106,680,902</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 106,680,902</u>
<b>Liabilities</b>				
Derivative Instruments	<u>\$ -</u>	<u>\$ (361,021)</u>	<u>\$ -</u>	<u>\$ (361,021)</u>
Recurring Fair Value Measures	At Fair Value as of December 31, 2019			
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Cash and Short-Term Investments	\$ 41,039,108	\$ -	\$ -	\$ 41,039,108
Fixed Income Securities and Mutual Funds	24,649,186	-	-	24,649,186
Equity Securities and Mutual Funds	37,531,973	-	-	37,531,973
Real Estate Mutual Funds	81,212	-	-	81,212
Total	<u>\$ 103,301,479</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 103,301,479</u>
<b>Liabilities</b>				
Derivative Instruments	<u>\$ -</u>	<u>\$ (67,413)</u>	<u>\$ -</u>	<u>\$ (67,413)</u>

**ASBURY ATLANTIC, INC.**  
**BALANCE SHEET BY LOCATION**  
**DECEMBER 31, 2020**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

<b>ASSETS</b>	Asbury Methodist Village	Asbury Solomons, Inc.	Bethany Village	Springhill	Combining Entries	Asbury Atlantic, Inc.
<b>CURRENT ASSETS</b>						
Cash and Cash Equivalents	\$ 96,832	\$ 11,169	\$ 708,106	\$ 696,310	\$ -	\$ 1,512,417
Investments	35,976,914	548,501	4,802,126	1,025,766	-	42,353,307
Accounts Receivable, Net	2,958,625	509,362	580,607	609,665	-	4,658,259
Other Receivables and Prepaid Expenses	4,623,457	719,097	1,232,832	343,098	-	6,918,484
Investments Held Under Bond Indenture	2,231,951	532,119	3,929,745	1,066,825	-	7,760,640
Total Current Assets	45,887,779	2,320,248	11,253,416	3,741,664	-	63,203,107
Due from ACOMM, Net	45,913,635	10,595,282	13,449,597	-	(4,400,571)	65,557,943
Property and Equipment, Net	144,808,553	39,704,579	79,095,828	19,023,202	-	282,632,162
Right-Of-Use Assets - Operating Leases	641,023	116,948	299,871	233,198	-	1,291,040
Investments Restricted by Donors	-	-	13,487,776	-	-	13,487,776
Deposits and Other Assets	675,445	-	45,443	8,165	-	729,053
Investments Held Under Bond Indenture	7,271,140	998,048	5,459,069	1,365,341	-	15,093,598
Statutory Reserves	14,340,471	3,044,650	4,463,380	1,092,507	-	22,941,008
Investments Restricted by Board	1,420,314	212,922	3,411,337	-	-	5,044,573
Beneficial Interest in Net Assets of Foundation	16,840,432	2,617,640	4,329,299	435,114	-	24,222,485
Total Assets	<u>\$ 277,798,792</u>	<u>\$ 59,610,317</u>	<u>\$ 135,295,016</u>	<u>\$ 25,899,191</u>	<u>\$ (4,400,571)</u>	<u>\$ 494,202,745</u>

**ASBURY ATLANTIC, INC.**  
**BALANCE SHEET BY LOCATION (CONTINUED)**  
**DECEMBER 31, 2020**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

<b>LIABILITIES AND NET DEFICIT</b>	Asbury Methodist Village	Asbury Solomons, Inc.	Bethany Village	Springhill	Combining Entries	Asbury Atlantic, Inc.
<b>CURRENT LIABILITIES</b>						
Accounts Payable and Accrued Expenses	\$ 1,532,787	\$ 124,707	\$ 686,986	\$ 232,968	\$ -	\$ 2,577,448
Accrued Compensation and Related Items	64,851	33,700	-	-	-	98,551
Accrued Interest Payable	2,069,414	303,655	2,051,012	565,558	-	4,989,639
Obligations Under Charitable Gift Annuities	-	-	83,731	-	-	83,731
Deposits from Prospective Residents	2,333,416	252,730	723,484	177,744	-	3,487,374
Entrance Fees - Refundable	2,860,835	154,655	703,527	472,182	-	4,191,199
Deferred Revenue	368,895	123,579	33,069	64,359	-	589,902
Current Portion of Lease Liabilities - Operating Leases	308,432	29,533	87,977	65,878	-	491,820
Current Portion of Long-Term Debt	1,839,021	4,246,646	1,898,628	506,372	-	8,490,667
Total Current Liabilities	<u>11,377,651</u>	<u>5,269,205</u>	<u>6,268,414</u>	<u>2,085,061</u>	<u>-</u>	<u>25,000,331</u>
Due to ACOMM, Net	-	-	-	4,400,571	(4,400,571)	-
Long-Term Lease Liabilities - Operating Leases	332,591	87,415	211,894	167,320	-	799,220
Long-Term Debt, Less Current Portion	95,787,052	13,833,353	83,844,256	22,991,248	-	216,455,909
Contingent Refundable Entrance Fee Liability	111,678,389	26,712,738	16,584,938	15,917,785	-	170,893,850
Entrance Fees - Deferred Revenue	83,475,577	33,361,300	39,142,920	8,289,758	-	164,269,555
Obligations Under Charitable Gift Annuities	-	-	217,518	-	-	217,518
Valuation of Derivative Instruments	320,305	40,716	-	-	-	361,021
Total Liabilities	<u>302,971,565</u>	<u>79,304,727</u>	<u>146,269,940</u>	<u>53,851,743</u>	<u>(4,400,571)</u>	<u>577,997,404</u>
<b>NET ASSETS (DEFICIT)</b>						
Without Donor Restrictions	(42,013,205)	(22,312,050)	(22,772,023)	(28,387,666)	-	(115,484,944)
With Donor Restrictions	16,840,432	2,617,640	11,797,099	435,114	-	31,690,285
Total Net Deficit	<u>(25,172,773)</u>	<u>(19,694,410)</u>	<u>(10,974,924)</u>	<u>(27,952,552)</u>	<u>-</u>	<u>(83,794,659)</u>
Total Liabilities and Net Deficit	<u>\$ 277,798,792</u>	<u>\$ 59,610,317</u>	<u>\$ 135,295,016</u>	<u>\$ 25,899,191</u>	<u>\$ (4,400,571)</u>	<u>\$ 494,202,745</u>

**ASBURY ATLANTIC, INC.**  
**STATEMENT OF OPERATIONS AND CHANGES IN NET DEFICIT WITHOUT DONOR RESTRICTIONS BY LOCATION**  
**YEAR ENDED DECEMBER 31, 2020**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	Asbury Methodist Village	Asbury Solomons, Inc.	Bethany Village	Springhill	Combining Entries	Asbury Atlantic, Inc.
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>						
Net Resident Service Revenue	\$ 70,028,519	\$ 18,565,423	\$ 28,176,861	\$ 16,838,647	\$ -	\$ 133,609,450
Other Operating Revenue	3,792,964	781,974	2,056,712	890,407	-	7,522,057
Amortization of Entrance Fees	14,127,396	4,637,796	5,547,896	1,699,842	-	26,012,930
Interest and Dividend Income, Net	2,039,587	193,775	888,775	84,942	-	3,207,079
Net Realized Gain (Loss) on Investments	(668,501)	(48,947)	1,611,991	(27,243)	-	867,300
Net Unrealized Gain on Equity Security Investments	5,437,179	411,036	922,767	228,765	-	6,999,747
Allocations from Asbury Foundation, Inc.	4,636,131	554,517	2,161,406	72,173	-	7,424,227
Total Revenues, Gains, and Other Support	<u>99,393,275</u>	<u>25,095,574</u>	<u>41,366,408</u>	<u>19,787,533</u>	<u>-</u>	<u>185,642,790</u>
<b>EXPENSES</b>						
Salaries	29,692,923	6,154,848	9,978,028	7,107,660	-	52,933,459
Employee Benefits	5,221,486	1,118,433	1,695,214	1,236,408	-	9,271,541
Contract Labor	6,045,292	1,391,381	1,906,923	1,465,711	-	10,809,307
Food Purchases	3,168,670	815,133	933,310	661,524	-	5,578,637
Medical Supplies and Other Resident Costs	5,131,957	950,917	1,655,375	971,424	-	8,709,673
General and Administrative	2,029,964	438,023	554,117	361,844	-	3,383,948
Building and Maintenance	8,807,866	2,285,029	3,754,837	1,682,796	-	16,530,528
Professional Fees and Insurance	750,947	184,475	299,213	163,952	-	1,398,587
Interest	3,873,707	723,285	4,037,107	1,136,456	-	9,770,555
Taxes	2,161,311	768,255	952,462	164,541	-	4,046,569
Provision for Bad Debts	378,436	108,994	170,047	74,125	-	731,602
Depreciation and Amortization	16,574,199	3,098,437	4,738,820	1,872,815	-	26,284,271
Management and Other Fees	7,898,417	1,632,987	2,405,828	1,533,898	-	13,471,130
Total Expenses	<u>91,735,175</u>	<u>19,670,197</u>	<u>33,081,281</u>	<u>18,433,154</u>	<u>-</u>	<u>162,919,807</u>
<b>INCOME FROM OPERATIONS PRIOR TO NET UNREALIZED LOSS ON CHANGE IN MARKET VALUE OF DERIVATIVE INSTRUMENTS AND LOSS ON DISPOSAL OF ASSETS</b>						
	7,658,100	5,425,377	8,285,127	1,354,379	-	22,722,983

**ASBURY ATLANTIC, INC.**  
**STATEMENT OF OPERATIONS AND CHANGES IN NET DEFICIT WITHOUT DONOR RESTRICTIONS BY LOCATION (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2020**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	Asbury Methodist Village	Asbury Solomons, Inc.	Bethany Village	Springhill	Combining Entries	Asbury Atlantic, Inc.
<b>NET DEFICIT WITHOUT DONOR RESTRICTIONS</b>						
Income from Operations Prior to Net Unrealized Loss on Change in Market Value of Derivative Instruments, and Loss on Disposal of Assets	\$ 7,658,100	\$ 5,425,377	\$ 8,285,127	\$ 1,354,379	\$ -	\$ 22,722,983
Net Unrealized Loss on Change in Market Value of Derivative Instruments	(264,576)	(29,032)	-	-	-	(293,608)
Loss on Disposal of Assets	(15,919)	-	-	-	-	(15,919)
<b>INCOME FROM OPERATIONS</b>	7,377,605	5,396,345	8,285,127	1,354,379	-	22,413,456
Transfers to ACOMM	(653,750)	-	(571,500)	-	-	(1,225,250)
Net Unrealized Loss on Fixed Income Securities and Other Investments	(30,182)	(2,526)	(122,580)	(1,409)	-	(156,697)
Net Assets Released from Restrictions Used for Purchase of Capital Items	83,864	37,849	2,657,482	251,184	-	3,030,379
<b>NET DECREASE IN NET DEFICIT WITHOUT DONOR RESTRICTIONS</b>	<u>\$ 6,777,537</u>	<u>\$ 5,431,668</u>	<u>\$ 10,248,529</u>	<u>\$ 1,604,154</u>	<u>\$ -</u>	<u>\$ 24,061,888</u>

**ASBURY ATLANTIC, INC.**  
**STATEMENT OF CASH FLOWS BY LOCATION**  
**YEAR ENDED DECEMBER 31, 2020**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	Asbury Methodist Village	Asbury Solomons, Inc.	Bethany Village	Springhill	Asbury Atlantic, Inc.
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Changes in Net Deficit	\$ 7,240,039	\$ 5,318,837	\$ 7,709,039	\$ 1,686,878	\$ 21,954,793
Adjustments to Reconcile Changes in Net Deficit to Net Cash Provided by Operating Activities:					
Provision for Bad Debts	378,436	108,994	170,047	74,125	731,602
Depreciation and Amortization of Deferred Marketing Costs	16,574,199	3,098,437	4,738,820	1,872,815	26,284,271
Amortization of Deferred Financing Costs	77,532	62,339	65,837	18,032	223,740
Amortization of Bond Premium/Discount	(603,061)	(65,971)	(152,080)	(40,071)	(861,183)
Amortization of Entrance Fees	(14,127,396)	(4,637,796)	(5,547,896)	(1,699,842)	(26,012,930)
Net Proceeds from Nonrefundable Entrance and Advance Fees	10,407,363	4,411,607	3,154,680	2,317,750	20,291,400
Net Unrealized Gains on Investments	(5,406,997)	(408,510)	(800,187)	(227,356)	(6,843,050)
Loss on Disposal of Assets	15,919	-	-	-	15,919
Net Unrealized Loss on Change in Market Value of Derivative Instruments	264,576	29,032	-	-	293,608
Changes in Beneficial Interest in Net Assets of Foundation	(462,502)	112,831	2,498,436	(82,724)	2,066,041
Transfers to ACOMM	653,750	-	571,500	-	1,225,250
Changes in Value of Obligations under Charitable Gift Annuities	-	-	41,052	-	41,052
Changes in Assets and Liabilities:					
Accounts Receivable	346,456	(149,793)	59,826	(39,202)	217,287
Other Receivables and Prepaid Expenses	(120,436)	(167,179)	(125,247)	(57,861)	(470,723)
Deferred Entrance Fees	(1,517,617)	1,154,019	903,815	-	540,217
Other Assets	109,068	-	34,082	(2,977)	140,173
Deferred Revenue	18,037	51,150	(19,824)	27,953	77,316
Accounts Payable and Accrued Expenses	(516,169)	(74,568)	441,638	(28,901)	(178,000)
Accrued Interest Payable	(13,953)	(2,126)	1,068,905	273,833	1,326,659
Net Cash Provided by Operating Activities	<u>13,317,244</u>	<u>8,841,303</u>	<u>14,812,443</u>	<u>4,092,452</u>	<u>41,063,442</u>



**ASBURY ATLANTIC, INC.**  
**STATEMENT OF CASH FLOWS BY LOCATION (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2020**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	Asbury Methodist Village	Asbury Solomons	Bethany Village	Springhill	Asbury Atlantic, Inc.
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Purchase of Property and Equipment, Net	\$ (15,741,246)	\$ (2,108,453)	\$ (5,576,658)	\$ (1,555,062)	\$ (24,981,419)
Sale of Investments, Net	6,848,870	732,363	844,215	443,202	8,868,650
Net Cash Used by Investing Activities	<u>(8,892,376)</u>	<u>(1,376,090)</u>	<u>(4,732,443)</u>	<u>(1,111,860)</u>	<u>(16,112,769)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Proceeds from Entrance and Advance Refundable Fees and Refundable Deposits	4,707,825	1,473,246	1,649,080	1,061,300	8,891,451
Refunds of Entrance and Advance Refundable Fees and Refundable Deposits	(8,001,246)	(2,945,088)	(2,947,324)	(4,026,328)	(17,919,986)
Payments on Debt	(3,492,651)	(3,151,358)	(1,415,123)	(313,675)	(8,372,807)
Payments for Deferred Financing Costs	(845)	-	(3,930)	(1,008)	(5,783)
Payments on Obligations under Charitable Gift Annuities	-	-	(70,197)	-	(70,197)
Change in Due to ACOMM, Net	4,918,619	(2,770,223)	(4,310,851)	951,701	(1,210,754)
Transfers to ACOMM	(653,750)	-	(571,500)	-	(1,225,250)
Net Cash Used by Financing Activities	<u>(2,522,048)</u>	<u>(7,393,423)</u>	<u>(7,669,845)</u>	<u>(2,328,010)</u>	<u>(19,913,326)</u>
<b>INCREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH</b>	1,902,820	71,790	2,410,155	652,582	5,037,347
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	<u>22,037,574</u>	<u>4,514,196</u>	<u>12,150,145</u>	<u>3,568,401</u>	<u>42,270,316</u>
<b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR</b>	<u>\$ 23,940,394</u>	<u>\$ 4,585,986</u>	<u>\$ 14,560,300</u>	<u>\$ 4,220,983</u>	<u>\$ 47,307,663</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>					
Cash Paid for Interest	<u>\$ 4,413,189</u>	<u>\$ 729,043</u>	<u>\$ 3,054,445</u>	<u>\$ 884,662</u>	<u>\$ 9,081,339</u>

