

**ASBURY ATLANTIC, INC.**  
**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**  
**YEARS ENDED DECEMBER 31, 2021 AND 2020**



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## INDEPENDENT AUDITORS' REPORT

Audit Committee  
Asbury Atlantic, Inc.  
Frederick, Maryland

### Report on the Audit of the Financial Statements

#### ***Opinion***

We have audited the accompanying financial statements of Asbury Atlantic, Inc., which comprise the balance sheets as of December 31, 2021 and 2020, 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.

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, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Asbury Atlantic, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Asbury Atlantic, Inc.'s ability to continue as a going concern for one year after the date the financial statements are available to be issued.

***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.


In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Asbury Atlantic, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Asbury Atlantic, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

***Supplementary Information***

Our audit 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 purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 GAAS. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

Plymouth Meeting, Pennsylvania  
April 20, 2022

**ASBURY ATLANTIC, INC.**  
**BALANCE SHEETS**  
**DECEMBER 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 1,606,086	\$ 1,512,417
Investments	30,194,737	42,353,307
Accounts Receivable, Net of Allowance for Doubtful Accounts of \$1,334,034 and \$1,613,621 at December 31, 2021 and 2020, Respectively	4,825,118	4,658,259
Other Receivables and Prepaid Expenses	7,885,550	6,918,484
Investments Held under Bond Indenture	<u>5,254,665</u>	<u>7,760,640</u>
Total Current Assets	49,766,156	63,203,107
 Due from ACOMM, Net	 85,237,595	 65,557,943
Property and Equipment, Net	271,985,848	282,632,162
Right-Of-Use Assets - Operating Leases	1,829,643	1,291,040
Investments Restricted by Donors	15,334,771	13,487,776
Deposits and Other Assets	599,222	729,053
Investments Held under Bond Indenture	16,215,510	15,093,598
Statutory Reserves	25,044,541	22,941,008
Investments Restricted by Board	5,205,459	5,044,573
Beneficial Interest in Net Assets of Foundation	<u>29,876,855</u>	<u>24,222,485</u>
 Total Assets	 <u><u>\$ 501,095,600</u></u>	 <u><u>\$ 494,202,745</u></u>

See accompanying Notes to Financial Statements.

**ASBURY ATLANTIC, INC.**  
**BALANCE SHEETS (CONTINUED)**  
**DECEMBER 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
<b>LIABILITIES AND NET DEFICIT</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable and Accrued Expenses	\$ 1,923,865	\$ 2,577,448
Accrued Compensation and Related Items	47,494	98,551
Accrued Interest Payable	4,118,081	4,989,639
Obligations under Charitable Gift Annuities	81,831	83,731
Deposits from Prospective Residents	3,952,780	3,487,374
Entrance Fees - Refundable	8,485,318	4,191,199
Deferred Revenue	2,185,087	589,902
Current Portion of Lease Liabilities - Operating Leases	505,044	491,820
Current Portion of Long-Term Debt	7,049,000	8,490,667
Total Current Liabilities	<u>28,348,500</u>	<u>25,000,331</u>
Long-Term Lease Liabilities - Operating Leases	1,324,599	799,220
Long-Term Debt, Less Current Portion	208,744,418	216,455,909
Contingent Refundable Entrance Fee Liability	163,719,489	170,893,850
Entrance Fees - Deferred Revenue	167,209,534	164,269,555
Obligations under Charitable Gift Annuities	193,380	217,518
Valuation of Derivative Instruments	301,241	361,021
Total Liabilities	<u>569,841,161</u>	<u>577,997,404</u>
<b>NET ASSETS (DEFICIT)</b>		
Without Donor Restrictions	(106,046,258)	(115,484,944)
With Donor Restrictions	37,300,697	31,690,285
Total Net Deficit	<u>(68,745,561)</u>	<u>(83,794,659)</u>
Total Liabilities and Net Deficit	<u><u>\$ 501,095,600</u></u>	<u><u>\$ 494,202,745</u></u>

See accompanying Notes to Financial Statements.

**ASBURY ATLANTIC, INC.**  
**STATEMENTS OF OPERATIONS AND CHANGES IN NET DEFICIT**  
**YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021	2020
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>		
Net Resident Services Revenue	\$ 132,595,016	\$ 133,609,450
Other Operating Revenue	4,052,497	7,522,057
Amortization of Entrance Fees	25,522,551	26,012,930
Interest and Dividend Income, Net	1,726,328	3,207,079
Net Realized Gain on Investments	8,257,051	867,300
Net Unrealized Gain (Loss) on Equity Security Investments	(433,732)	6,999,747
Allocations from Asbury Foundation, Inc.	7,372,467	7,424,227
Total Revenues, Gains, and Other Support	<u>179,092,178</u>	<u>185,642,790</u>
<b>EXPENSES</b>		
Salaries	54,696,312	52,933,459
Employee Benefits	13,429,595	9,271,541
Contract Labor	8,737,508	10,809,307
Food Purchases	5,450,465	5,578,637
Medical Supplies and Other Resident Costs	7,473,147	8,709,673
General and Administrative	3,122,865	3,383,948
Building and Maintenance	16,232,762	16,530,528
Professional Fees and Insurance	1,617,325	1,398,587
Interest	9,236,668	9,770,555
Taxes	4,166,737	4,046,569
Provision for Bad Debts	684,056	731,602
Depreciation and Amortization	27,953,363	26,284,271
Management and Other Fees	13,786,457	13,471,130
Total Expenses	<u>166,587,260</u>	<u>162,919,807</u>
<b>INCOME FROM OPERATIONS PRIOR TO NET UNREALIZED GAIN (LOSS) ON CHANGE IN MARKET VALUE OF DERIVATIVE INSTRUMENTS, LOSS ON RETIREMENT OF DEBT, AND GAIN (LOSS) ON DISPOSAL OF ASSETS</b>	12,504,918	22,722,983
Net Unrealized Gain (Loss) on Change in Market Value of Derivative Instruments	59,780	(293,608)
Loss on Retirement of Debt	(936,148)	-
Gain (Loss) on Disposal of Assets	<u>481,670</u>	<u>(15,919)</u>
<b>INCOME FROM OPERATIONS</b>	12,110,220	22,413,456

See accompanying Notes to Financial Statements.



**ASBURY ATLANTIC, INC.**  
**STATEMENTS OF OPERATIONS AND CHANGES IN NET DEFICIT (CONTINUED)**  
**YEARS ENDED DECEMBER 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
<b>NET DEFICIT WITHOUT DONOR RESTRICTIONS</b>		
Income from Operations	\$ 12,110,220	\$ 22,413,456
Net Unrealized Loss on Fixed Income Securities and Other Investments	(782,152)	(156,697)
Net Assets Released from Restrictions Used for Purchase of Capital Items	1,047,868	3,030,379
Transfers to ACOMM	<u>(2,937,250)</u>	<u>(1,225,250)</u>
Net Decrease in Net Deficit Without Donor Restrictions	9,438,686	24,061,888
<b>NET ASSETS WITH DONOR RESTRICTIONS</b>		
Net Assets Released from Restriction Used for Purchase of Capital Items	(1,047,868)	(3,030,379)
Change in Beneficial Interest in Net Assets of Asbury Foundation, Inc.	6,702,239	964,336
Changes in Value of Obligations under Charitable Gift Annuities	<u>(43,959)</u>	<u>(41,052)</u>
Net Increase (Decrease) in Net Assets With Donor Restrictions	<u>5,610,412</u>	<u>(2,107,095)</u>
<b>CHANGES IN NET DEFICIT</b>	15,049,098	21,954,793
Net Deficit - Beginning of Year	<u>(83,794,659)</u>	<u>(105,749,452)</u>
<b>NET DEFICIT - END OF YEAR</b>	<u><u>\$ (68,745,561)</u></u>	<u><u>\$ (83,794,659)</u></u>

*See accompanying Notes to Financial Statements.*

**ASBURY ATLANTIC, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in Net Deficit	\$ 15,049,098	\$ 21,954,793
Adjustments to Reconcile Changes in Net Deficit to		
Net Cash Provided by Operating Activities		
Provision for Bad Debts	684,056	731,602
Depreciation and Amortization	27,953,363	26,284,271
Amortization of Deferred Financing Costs	221,210	223,740
Amortization of Bond Premium/Discount	(862,554)	(861,183)
Amortization of Entrance Fees	(25,522,551)	(26,012,930)
Net Proceeds from Nonrefundable Entrance and Advance Fees	28,928,298	20,291,400
Net Unrealized (Gains) Losses on Investments	1,215,884	(6,843,050)
(Gain) Loss on Disposal of Assets	(481,670)	15,919
Loss on Retirement of Debt	936,148	-
Net Unrealized (Gains) Losses on Change in Market Value		
of Derivative Instruments	(59,780)	293,608
Changes in Beneficial Interest in Net Assets of Foundation	(5,654,370)	2,066,041
Changes in Value of Obligations Under Charitable Gift Annuities	43,959	41,052
Transfers to ACOMM	2,937,250	1,225,250
Changes in Assets and Liabilities:		
Accounts Receivable	(850,915)	217,287
Other Receivables and Prepaid Expenses	115,923	(470,723)
Deferred Entrance Fees	(1,082,985)	540,217
Other Assets	129,831	140,173
Deferred Revenue	1,595,184	77,316
Accounts Payable and Accrued Expenses	(704,640)	(178,000)
Accrued Interest Payable	(871,558)	1,326,659
Net Cash Provided by Operating Activities	43,719,181	41,063,442
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Property and Equipment, Net	(16,825,379)	(24,981,419)
Sales Purchases of Investments, Net	8,055,129	8,868,650
Net Cash Used by Investing Activities	(8,770,250)	(16,112,769)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from Entrance and Advance Refundable Fees and		
Refundable Deposits	17,943,190	8,891,451
Proceeds from Issuance of Debt	47,615,000	-
Premiums from Issuance of Debt	1,085,468	-
Refunds of Entrance and Advance Refundable Fees and		
Refundable Deposits	(20,823,797)	(17,919,986)
Payments on Debt	(9,675,667)	(8,373,652)
Redemption of Debt	(46,765,002)	-
Payments for Deferred Financing Costs	(828,085)	(4,938)
Payments on Obligations under Charitable Gift Annuities	(69,997)	(70,197)
Change in Due to ACOMM, Net	(19,679,652)	(1,210,754)
Transfers to ACOMM	(2,937,250)	(1,225,250)
Net Cash Used by Financing Activities	(34,135,792)	(19,913,326)
<b>INCREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH</b>	813,139	5,037,347
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	47,307,663	42,270,316
<b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR</b>	<u>\$ 48,120,802</u>	<u>\$ 47,307,663</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash Paid for Interest	<u>\$ 10,749,570</u>	<u>\$ 9,081,339</u>

See accompanying Notes to Financial Statements.

**ASBURY ATLANTIC, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

**NOTE 1 ORGANIZATION**

Asbury Atlantic, Inc. (Asbury 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 has no economic interest in the property. Accordingly, BV does not combine the financial statements of BDC into BV's financial statements. On August 1, 2016, ACOMM entered into an affiliation agreement with BDC. ACOMM serves as the supporting organization of BDC. BV previously provided administrative and accounting services to BDC. Effective January 1, 2021, BDC engaged a management company, National Church Residences (NCR), to provide the accounting and finance duties that were being performed by ACOMM. This change was approved by HUD.

ACOMM serves as the supporting organization of Asbury Atlantic; Asbury, Inc. (Asbury Place) and Affiliate; Asbury Communities HCBS, Inc. (HCBS); and Albright Care Services and Subsidiary (Albright) (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.

**ASBURY ATLANTIC, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

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

**Cash, Cash Equivalents, and Restricted Cash**

Cash and cash equivalents include amounts held in checking and savings accounts, money market accounts, and short-term certificates of deposit with original maturities of 90 days or less. Cash balances are principally uninsured and subject to normal credit risks. Cash and cash equivalents within funds identified as investments held under bond indenture and statutory reserves are considered restricted in nature.

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

	<u>2021</u>	<u>2020</u>
Cash	\$ 1,606,086	\$ 1,512,417
Restricted Cash Included in Current Investments		
Held under Bond Indenture	5,254,665	7,760,640
Restricted Cash Included in Long-Term Investments		
Held under Bond Indenture	16,215,510	15,093,598
Restricted Cash Included in Statutory Reserves	<u>25,044,541</u>	<u>22,941,008</u>
Total Cash, Cash Equivalents, and Restricted		
Cash Shown in the Statements of Cash Flows	<u>\$ 48,120,802</u>	<u>\$ 47,307,663</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 24% and 22% of total net resident-service revenues for the years ended December 31, 2021 and 2020, 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, 2021 AND 2020**

**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 deficit.

**ASBURY ATLANTIC, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

**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 AFOUNT resulting from restricted contributions without donor restrictions and with donor restrictions that are solicited and held by AFOUNT 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, 2021 AND 2020**

**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.

The Company reviews its property for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. When recovery is reviewed, if the undiscounted cash flows estimated to be generated by the property are less than its carrying amount, management compares the carrying amount of the property to its fair value in order to determine whether an impairment loss has occurred. The amount of impairment loss is equal to the excess of the asset's carrying value over its estimated fair value. No impairment loss was recognized during 2021 or 2020.

**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 \$913,710 and \$1,123,393 for the years ended December 31, 2021 and 2020, 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.

**ASBURY ATLANTIC, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

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

**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 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, 2021 and 2020.

**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, 2021 AND 2020**

**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, an 80% refundable option, and a nonrefundable option. Previously, Asbury Atlantic offered 25% refundable, 90% refundable, and 100% refundable options and an additional nine-year nonrefundable option. All resident entrance fees are expected to be paid in full upon occupancy. Refunds of entrance fees for termination prior to occupancy are made within 30 days.

Under the standard declining refund option, the entrance fee is amortized over a period of five years resulting in an entrance fee refund balance that declines 1.667% per month over the five-year period. After that period, the refund is fully amortized and there is no refundable portion. Under the 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, 2021 AND 2020**

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

**Resident Services Revenue (Continued)**

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

	2021	2020
Entrance Fees - Refundable	\$ 8,485,318	\$ 4,191,199
Contingent Refundable Entrance Fees	163,719,489	170,893,850
Entrance Fees - Deferred Revenue:		
25% to 90% Refundable Contracts	6,104,462	5,268,900
Standard Entrance Fee Option Contracts:		
Five-Year Contracts	158,625,597	156,794,090
Nine-Year Contracts	1,475,812	1,893,120
Nonrefundable	1,003,663	313,445
Total Entrance Fees - Deferred Revenue	<u>167,209,534</u>	<u>164,269,555</u>
Total Entrance Fees	<u>\$ 339,414,341</u>	<u>\$ 339,354,604</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:

	2021	2020
Medicaid	\$ 15,249,925	\$ 14,001,043
Medicare	15,360,338	13,951,478
Managed Care	993,337	977,112
Private Pay	100,991,416	104,679,817
Total Resident Services Revenue	<u>\$ 132,595,016</u>	<u>\$ 133,609,450</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, 2021 AND 2020**

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

**Resident Services Revenue (Continued)**

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

	2021				
	Asbury Methodist Village	Asbury Solomons, Inc.	Bethany Village	Springhill	Total
Service Lines:					
Skilled Nursing Facility	\$ 29,008,608	\$ 7,158,586	\$ 10,742,540	\$ 8,874,204	\$ 55,783,938
Assisted Living	10,383,562	2,523,500	8,468,929	1,868,707	23,244,698
Independent Living	29,453,061	8,776,392	9,526,752	5,269,048	53,025,253
Retail Sales	100,337	35,753	219,984	185,053	541,127
Total	<u>\$ 68,945,568</u>	<u>\$ 18,494,231</u>	<u>\$ 28,958,205</u>	<u>\$ 16,197,012</u>	<u>\$ 132,595,016</u>
Method of Reimbursement:					
Fee for Services	\$ 68,845,231	\$ 18,458,478	\$ 28,738,221	\$ 16,011,959	\$ 132,053,889
Retail Sales	100,337	35,753	219,984	185,053	541,127
Total	<u>\$ 68,945,568</u>	<u>\$ 18,494,231</u>	<u>\$ 28,958,205</u>	<u>\$ 16,197,012</u>	<u>\$ 132,595,016</u>
Timing of Revenue and Recognition:					
Health Care Services					
Transferred Over Time	\$ 68,845,231	\$ 18,458,478	\$ 28,738,221	\$ 16,011,959	\$ 132,053,889
Sales at Point in Time	100,337	35,753	219,984	185,053	541,127
Total	<u>\$ 68,945,568</u>	<u>\$ 18,494,231</u>	<u>\$ 28,958,205</u>	<u>\$ 16,197,012</u>	<u>\$ 132,595,016</u>
	2020				
	Asbury Methodist Village	Asbury Solomons, Inc.	Bethany Village	Springhill	Total
Service Lines:					
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>
Method of Reimbursement:					
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>
Timing of Revenue and Recognition:					
Health Care Services					
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>

**ASBURY ATLANTIC, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

**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, 2021 and 2020 was \$2,656,787 and \$3,730,834, respectively.

**Occupancy Percentages**

During the years ended December 31, 2021 and 2020, 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:

	2021				2020			
	Bethany Village	Springhill	Asbury Methodist Village	Asbury Solomons, Inc.	Bethany Village	Springhill	Asbury Methodist Village	Asbury Solomons, Inc.
Total Skilled Nursing Center Occupancy	95%	87%	72%	92%	97%	93%	72%	93%
Medicaid	28%	32%	51%	27%	28%	27%	52%	25%
Medicare	9%	7%	24%	13%	8%	6%	23%	13%
Private Pay and Other	63%	61%	25%	60%	64%	67%	25%	62%

**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 years ended December 31, 2021 and 2020 and financial results including but not limited to, personal protective equipment costs, additional costs for emergency preparedness, disease control and containment, additional testing, 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.

**ASBURY ATLANTIC, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Provider Relief Funds (Continued)**

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 for the years ended December 31, 2021 and 2020 was \$3,852,872 and \$5,577,607, respectively. The PRF's are subject to certain restrictions on eligible expenses or uses, reporting requirements, and will be subject to audit.

At December 31, 2021 and 2020, the Company recognized \$2,428,759 and \$5,577,607, respectively, as other operating revenue in the statements of operations and changes in net deficit. At December 31, 2021 and 2020, the Company recognized \$1,424,113 and \$-0-, respectively, as deferred revenue in the balance sheets. The Company believes the amounts have been recognized appropriately as of December 31, 2021 and 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.

**ASBURY ATLANTIC, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Net Assets and Endowment Funds (Continued)**

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

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

Net assets with donor restrictions that are perpetual in nature are amounts held by AFOUND and BV for the benefit of Asbury Atlantic, Inc. The objectives of these net assets are 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 these net assets 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.

**ASBURY ATLANTIC, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Tax Status (Continued)**

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

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

**Fair Value Measurements**

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

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

The Company's assessment of the significance of a particular input to the fair value measurements requires judgment, and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels. Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Also, the time between inception and performance of the contract may affect the fair value. The determination of fair value may, therefore, affect the timing of recognition of revenues and net income.

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.

**ASBURY ATLANTIC, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fair Value Measurements (Continued)**

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

Additionally, from time to time, the Company may be required to record at fair value other assets on a nonrecurring basis in accordance with accounting principles generally accepted in the United States of America. These adjustments to fair value usually result from the application of the lower-of-cost-or-market accounting or write down of individual assets. The Company has determined that there would be no impact to the accompanying financial statements as a result of the application of this standard. Nonfinancial assets measured at fair value on a nonrecurring basis would include nonfinancial assets and nonfinancial liabilities measured at fair value in the second step of a goodwill impairment test, other real estate owned, and other intangible assets measured at fair value for impairment assessment.

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

**Subsequent Events**

In preparing these financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through April 20, 2022, the date the financial statements were issued.



**ASBURY ATLANTIC, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 3 LIQUIDITY AND AVAILABILITY**

As of December 31, 2021 and 2020, the Company has a working capital of \$21,417,656 and \$38,202,775, respectively.

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

	2021	2020
Cash and Cash Equivalents	\$ 1,606,086	\$ 1,512,417
Investments	30,194,737	42,353,307
Accounts Receivable, Net	4,825,118	4,658,259
Other Receivables	7,885,550	6,918,484
Investments Held Under Bond Indenture	5,254,665	7,760,640
Total Financial Assets	\$ 49,766,156	\$ 63,203,107

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.

**ASBURY ATLANTIC, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

**NOTE 4 REGULATORY ENVIRONMENT (CONTINUED)**

**Medicare and Medicaid (Continued)**

**Medicare Reimbursement (Continued)**

Under PDPM, therapy minutes are removed as the primary basis for payment and instead uses the underlying complexity and clinical needs of a patient as a basis for reimbursement. In addition, PDPM introduces variable adjustment factors that change reimbursement rates during the resident's length of stay.

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

**Maryland Medicaid Reimbursement**

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

Maryland Medicaid calculates annual regional prices on a state fiscal year basis for administrative and routine costs as well as other patient care costs. Facility-specific capital rates are set based on real estate taxes and fair rental value. These rates generally remain constant throughout the year. Nursing service rates are adjusted quarterly to capture fluctuations in residents' acuity based on the Minimum Data Set assessment tool. If a facility's case mix increases at a higher rate than the statewide average, its nursing services rate increases.

**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.

**ASBURY ATLANTIC, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 4 REGULATORY ENVIRONMENT (CONTINUED)**

**Medicare and Medicaid (Continued)**

**Pennsylvania Medicaid Reimbursement (Continued)**

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

**Other**

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 2021 or 2020.

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, 2021 and 2020. 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.**  
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**NOTE 4 REGULATORY ENVIRONMENT (CONTINUED)**

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

The statutory minimum liquid reserve requirement as of December 31, 2021 and 2020 is \$3,766,121 and \$4,463,380, 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:

	2021	2020
Projected Annual Interest Expense	\$ 3,221,530	\$ 4,093,271
Principal Payments Due on Long-Term Debt	2,208,287	1,898,647
Liquid Reserve Requirement	5,429,817	5,991,918
Projected Annual Operating Expenses	30,839,960	29,338,990
Minimum Rate	10%	10%
Liquid Reserve Requirement	3,083,996	2,933,899
Maximum Liquid Reserve Requirement	5,429,817	5,991,918
Approximate Percentage of Continuing Care Clients	69%	74%
Statutory Minimum Liquid Reserve	<u>\$ 3,766,121</u>	<u>\$ 4,463,380</u>

SH must adhere to the same reserve requirements. The statutory minimum liquid reserve requirement as of December 31, 2021 and 2020 is \$1,237,199 and \$1,092,507, 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:

	2021	2020
Projected Annual Interest Expense	\$ 871,551	\$ 1,123,773
Principal Payments Due on Long-Term Debt	596,713	506,353
Liquid Reserve Requirement	1,468,264	1,630,126
Projected Annual Operating Expenses	18,253,154	17,177,788
Minimum Rate	10%	10%
Liquid Reserve Requirement	1,825,315	1,717,779
Maximum Liquid Reserve Requirement	1,825,315	1,717,779
Approximate Percentage of Continuing Care Clients	68%	64%
Statutory Minimum Liquid Reserve	<u>\$ 1,237,199</u>	<u>\$ 1,092,507</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.

**ASBURY ATLANTIC, INC.**  
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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>2021</u>	<u>2020</u>
Maryland Department of Aging Reserves:		
Operating Expenses	\$ 91,735,175	\$ 87,963,853
Less: Depreciation and Amortization Expense	(16,574,199)	(15,487,856)
Interest Expense	(3,873,707)	(4,188,040)
Net Operating Expenses	<u>\$ 71,287,269</u>	<u>\$ 68,287,957</u>
Total Operating Reserve (15% of Net Operating Expenses)	<u>\$ 10,693,090</u>	<u>\$ 10,243,194</u>
Required Reserves for the Year Ended December 31 (100% of Total Operating Reserve)	<u>\$ 10,693,090</u>	<u>\$ 10,243,194</u>
Cash and Marketable Securities Available for Operating Reserve	<u>\$ 16,396,072</u>	<u>\$ 14,340,471</u>

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

	<u>2021</u>	<u>2020</u>
Maryland Department of Aging Reserves:		
Operating Expenses	\$ 19,670,197	\$ 18,667,670
Less: Depreciation and Amortization Expense	(3,098,437)	(2,978,052)
Interest Expense	(723,285)	(1,191,287)
Net Operating Expenses	<u>\$ 15,848,475</u>	<u>\$ 14,498,331</u>
Total Operating Reserve (15% of Net Operating Expenses)	<u>\$ 2,377,271</u>	<u>\$ 2,174,750</u>
Required Reserves for the Year Ended December 31 (100% of Total Operating Reserve)	<u>\$ 2,377,271</u>	<u>\$ 2,174,750</u>
Cash and Marketable Securities Available for Operating Reserve	<u>\$ 3,645,149</u>	<u>\$ 3,044,650</u>

**ASBURY ATLANTIC, INC.**  
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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:

	2021	2020
Private Pay	40 %	52 %
Medicaid	22	23
Medicare	29	15
Other (Primarily Managed Care and Insurance)	9	10
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:

	2021	2020
Investments:		
Cash and Short-Term Investments	\$ 355,990	\$ 1,687,212
Fixed-Income Securities and Mutual Funds	9,858,872	13,957,110
Equity Securities and Equity Mutual Funds	19,979,875	26,708,985
Total Investments	<u>\$ 30,194,737</u>	<u>\$ 42,353,307</u>
Investments Restricted by Donors:		
Cash and Short-Term Investments	\$ 303,370	\$ 152,332
Fixed-Income Securities and Mutual Funds	4,837,980	4,160,013
Equity Securities and Equity Mutual Funds	10,177,612	9,102,154
Real Estate Mutual Funds	15,809	73,277
Total Investments Restricted by Donors	<u>\$ 15,334,771</u>	<u>\$ 13,487,776</u>
Investments Held under Bond Indenture:		
Cash and Short-Term Investments	<u>\$ 21,470,175</u>	<u>\$ 22,854,238</u>
Statutory Reserves:		
Cash and Short-Term Investments	<u>\$ 25,044,541</u>	<u>\$ 22,941,008</u>
Investments Restricted by Board:		
Cash and Short-Term Investments	\$ 61,371	\$ 200,934
Fixed-Income Securities and Mutual Funds	1,699,632	1,662,397
Equity Securities and Equity Mutual Funds	3,444,456	3,181,242
Total Investments Restricted by Board	<u>\$ 5,205,459</u>	<u>\$ 5,044,573</u>

**ASBURY ATLANTIC, INC.**  
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**NOTE 6 INVESTMENTS (CONTINUED)**

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

	2021	2020
Debt Service Fund	\$ 5,342,081	\$ 6,696,805
Debt Service Reserve Fund	16,128,094	16,157,433
Total	21,470,175	22,854,238
Less: Current Portion	(5,254,665)	(7,760,640)
Long-Term Portion of Bond Indenture	<u>\$ 16,215,510</u>	<u>\$ 15,093,598</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, 2021 and 2020 as follows:

	2021	2020
Included Within Asbury Atlantic's Performance Indicator:		
Interest and Dividend Income, Net	\$ 1,726,328	\$ 3,207,079
Net Realized Gain on Investments	8,257,051	867,300
Net Unrealized Gain (Loss) on Equity Security Investments	(433,732)	6,999,747
Net Unrealized Change in Market Value of Derivative Instruments	59,780	(293,608)
Total	9,609,427	10,780,518
Included in Other Changes in Net Deficit:		
Other Unrealized Loss on Fixed Income Securities and Other Investments	(782,152)	(156,697)
Total	<u>\$ 8,827,275</u>	<u>\$ 10,623,821</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, 2021 and 2020, Asbury Atlantic did not identify any other than temporary declines in the fair value of investments.

**ASBURY ATLANTIC, INC.**  
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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, SH, BV, Asbury Place, Albright, and HCBS. Asbury Atlantic's beneficial interest in the net assets of AFOUND was \$29,876,854 and \$24,222,485 as of December 31, 2021 and 2020, respectively. The balance sheets of AFOUND consisted of the following at December 31:

<b>ASSETS</b>	<u>2021</u>	<u>2020</u>
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 79,364	\$ 397,616
Investments	-	3,124
Pledges Receivable, Net	650,359	506,249
Prepaid Expenses and Other Assets	<u>38,485</u>	<u>40,639</u>
Total Current Assets	768,208	947,628
Property and Equipment, Net	5,329	9,375
Investments Restricted by Donor	43,076,657	32,636,232
Pledge Receivable, Net	7,158,088	3,906,043
Funds Held in Trust	<u>1,939,854</u>	<u>1,897,957</u>
Total Assets	<u><u>\$ 52,948,136</u></u>	<u><u>\$ 39,397,235</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts Payable and Accrued Expenses	\$ 8,700	\$ 6,831
Due to ACOMM, Net	18,653,269	11,179,772
Obligations under Charitable Gift Annuities	<u>3,431,631</u>	<u>3,725,135</u>
Total Liabilities	22,093,600	14,911,738
<b>NET ASSETS</b>		
With Donor Restrictions	<u>30,854,536</u>	<u>24,485,497</u>
Total Net Assets	<u><u>30,854,536</u></u>	<u><u>24,485,497</u></u>
Total Liabilities and Net Assets	<u><u>\$ 52,948,136</u></u>	<u><u>\$ 39,397,235</u></u>

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, SH, BV, Asbury Place, Albright, and HCBS.



**ASBURY ATLANTIC, INC.**  
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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 1.26% and 0.36% at December 31, 2021 and 2020, 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:

	2021	2020
Land and Improvements	\$ 46,538,781	\$ 46,149,021
Buildings and Improvements	535,822,576	520,152,108
Furniture and Equipment	56,586,532	53,951,516
Construction in Progress	680,353	11,859,982
Total	639,628,242	632,112,627
Less: Accumulated Depreciation	(367,642,394)	(349,480,465)
Property and Equipment, Net	<u>\$ 271,985,848</u>	<u>\$ 282,632,162</u>

Depreciation expense on property and equipment was \$27,820,660 and \$26,151,568 for the years ended December 31, 2021 and 2020, respectively.

**ASBURY ATLANTIC, INC.**  
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**NOTE 10 RELATED PARTY TRANSACTIONS**

**Due to/from ACOMM**

ACOMM and its affiliates use consolidated cash management 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 affiliates. 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 2021 and 2020, 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.

- 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.

**ASBURY ATLANTIC, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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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 as needed 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 \$14,066,360 and \$13,691,452 in 2021 and 2020, 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	2021	2020
Series 2021A PA Bonds	Fixed Rate Revenue Bonds	2034 - 2041	\$ 27,235,000	\$ -
Series 2021B PA Bonds	Variable Rate Revenue Bonds	2022 - 2034	20,220,000	-
Series 2019A MD Bonds	Variable Rate Revenue Bonds	2019 - 2023	2,056,000	6,415,000
Series 2019B MD Bonds	Variable Rate Revenue Bonds	2019 - 2027	4,875,000	4,935,000
Series 2019 PA Bonds	Fixed Rate Revenue Bonds	2021 - 2045	56,810,000	58,600,000
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	13,180,000	13,555,000
Series 2012 PA Bonds	Fixed Rate Revenue Bonds	2013 - 2036	-	48,030,000
Subtotal			206,916,000	214,075,000
Unamortized Bond Premium/Discount on Bonds, Net			12,169,863	12,596,966
Unamortized Bond Financing Costs			(3,292,445)	(3,392,057)
Current Portion			(7,049,000)	(6,824,000)
Total Bonds Payable			208,744,418	216,455,909
Loan Payable			-	1,666,667
Current Portion Note Payable and Loan Payable			-	(1,666,667)
Total Note Payable			-	-
Total Long-Term Debt			<u>\$ 208,744,418</u>	<u>\$ 216,455,909</u>

**Series 2021 Pennsylvania (PA) Bonds**

In June 2021, the Asbury Pennsylvania Obligated Group (PA Obligated Group) and the Cumberland County Municipal Authority (the Authority) entered into certain agreements pursuant to which, among other things, the Authority agreed to issue the Series 2021A Bonds (2021A PA Bonds) and the Series 2021B Bonds (2021B PA Bonds) and, when issued, the Authority agreed to loan the proceeds thereof to the PA Obligated Group.

The Authority issued the 2021A PA Bonds and 2021B PA Bonds in October 2021.

The PA Obligated Group used a portion of the proceeds of the 2021A PA Bonds in the original par amount of \$27,235,000, together with (i) proceeds of a term loan from the bank in the original par amount of \$20,380,000 (2021 PA Term Loan), and (ii) other available funds, to refund all of the Authority's outstanding Series 2012 PA Bonds, the proceeds of which had been loaned by the Authority to the PA Obligated Group.

The PA Obligated Group also used proceeds from the 2021A Bonds to fund a debt service reserve fund for the 2021A PA Bonds and to pay certain expenses incurred in connection with the issuance of the 2021 PA Bonds. The 2021A PA Bonds bear interest at a fixed rate of 4.50% with yields between 3.85% and 4.00%. The bond agreements for the 2021A PA Bonds require other funds of the PA Obligated Group to be established and maintained by the bond trustee from time to time.

The PA Obligated Group used the proceeds from the 2021B PA Bonds in the original par amount of \$20,380,000 to repay in full the 2021 PA Term Loan.

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

**Series 2021 Pennsylvania (PA) Bonds (Continued)**

The 2021B PA Bonds were directly purchased by an affiliate of the Bank. The 2021B PA Bonds bear interest at an annual rate equal to adjusted SOFR (secured overnight financing rate) plus a spread of 1.41%. The PA Obligated Group has hedged its interest rate exposure associated with the 2021B PA Bonds as described in Note 12 below.

**Series 2019 Maryland (MD) Bonds**

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

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

**Series 2019 Pennsylvania (PA) Bonds**

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

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

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

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

**Series 2018 Maryland (MD) Bonds**

In October 2018, the MD Obligated Group entered into a loan agreement with the City of Gaithersburg (the City) pursuant to which the City sold the Series 2018A and Series 2018B Bonds. From the proceeds, the MD Obligated Group borrowed \$96,120,000 of Economic Development Project and Refunding Revenue Bonds Series 2018 (the Series 2018 MD 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 MD Bonds were utilized to refund all of the Series 2006A MD Bonds and the Series 2014A MD 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 MD Bonds.

**Series 2012 Pennsylvania (PA) Bonds**

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

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

As required by the bond agreements, the PA Obligated Group established various reserve funds from the proceeds of the bonds. The respective bond agreements require certain other funds to be established and maintained by the bond trustee. During the year ended December 31, 2021, the proceeds of the Series 2021 PA Bonds were utilized to refund all of the Series 2012 PA Bonds.

**Deferred Financing Costs**

Deferred financing costs represent expenses (e.g. underwriting, legal, consulting, and other costs) incurred in connection with issuance of debt and are deferred and amortized over the life of the related indebtedness on a straight-line basis, which approximates the effective-interest method. The amortization of deferred financing costs is included in interest expense and totaled \$221,210 and \$223,740 for the years ended December 31, 2021 and 2020, respectively.

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

**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 a reduction in interest expense of \$862,554 and \$861,183 for the years ended December 31, 2021 and 2020, 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, 2021, 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, the 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 the \$6,000,000 term loan was paid off in full in 2021.

**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>
2022	\$ 7,049,000
2023	9,716,000
2024	10,442,000
2025	10,858,000
2026	11,379,000
Thereafter	157,472,000
Total	<u><u>\$ 206,916,000</u></u>

**ASBURY ATLANTIC, INC.**  
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**NOTE 12 DERIVATIVE INSTRUMENTS**

Asbury Atlantic, on behalf of the PA Obligated Group, entered into a swap agreement in connection with the issuance of the 2021B PA Bonds. Under this agreement, Asbury Atlantic pays a fixed rate of interest of 1.08% and receives floating rate payments equal to adjusted SOFR (secured overnight financing rate) plus a spread of 1.41% based on a notional amount equal to the principal amount of the 2021B PA Bonds. Payments under the swap agreement began on October 4, 2021 and will terminate on June 1, 2033.

Asbury Atlantic, on behalf of the MA Obligated Group, entered into swap agreements in connection 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, 2021:

	Series 2019A MD	Series 2019B MD	Series 2021B PA	Total
Notional Amount - December 31, 2021	\$ 2,056,000	\$ 4,875,000	\$ 20,220,000	
Trade Date	11/8/2019	11/8/2019	6/4/2021	
Effective Date	11/8/2019	11/8/2019	10/4/2021	
Termination Date	11/1/2023	11/1/2027	6/1/2033	
Fixed Rate	2.226%	2.309%	1.080%	
Fair Value - December 31, 2019	\$ (19,740)	\$ (47,673)	\$ -	\$ (67,413)
Unrealized Loss	(49,051)	(244,557)	-	(293,608)
Fair Value - December 31, 2020	(68,791)	(292,230)	-	(361,021)
Unrealized Gain (Loss)	60,406	181,882	(182,508)	59,780
Fair Value - December 31, 2021	<u>\$ (8,385)</u>	<u>\$ (110,348)</u>	<u>\$ (182,508)</u>	<u>\$ (301,241)</u>

Asbury Atlantic has included the fair market value of derivative instruments as a liability of \$301,241 and \$361,021 in the accompanying balance sheets as of December 31, 2021 and 2020, respectively. Net unrealized gains (losses) on derivative instruments were \$59,780 and (\$293,608) in 2021 and 2020, respectively.

**NOTE 13 NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions were \$37,300,696 and \$31,690,285 as of December 31, 2021 and 2020, respectively. Included in net assets with donor restrictions are investments to be held in perpetuity totaling \$33,588,400 and \$29,823,225 as of December 31, 2021 and 2020, 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.



**ASBURY ATLANTIC, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020**

**NOTE 13 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)**

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

	2021	2020
Endowment Fund - Beginning of Year	\$ 29,823,225	\$ 30,035,964
Change in Beneficial Interest in Net Assets of Asbury Foundation, Inc.	3,809,134	(171,687)
Changes in Value of Obligations under Charitable Gift Annuities	(43,959)	(41,052)
Endowment Fund - End of Year	<u>\$ 33,588,400</u>	<u>\$ 29,823,225</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, 2021 and 2020 was \$1,909,312 and \$1,955,631, 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, 2022. Any losses for general and professional liability not currently covered by insurance in force are not expected to be material to the financial statements.

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

ACOMM and its affiliates participate 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 January 2022, 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.

**ASBURY ATLANTIC, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

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

**General and Professional Liability Insurance (Continued)**

ACOMM executed a subscription agreement and made capital contributions in exchange for an interest in a CCrRRG Charter Capital Account. Through December 31, 2021, ACOMM's capital contributions were \$560,508 which represents 2.52% of CCrRRG's total Charter Capital. The percentage of the total Charter Capital may be affected by the future addition of members to CCrRRG.

**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, 2022.

**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 2026. 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, 2021 and 2020 was \$1,410,952 and \$1,217,474, respectively.

A maturity analysis of annual undiscounted cash flows for lease liabilities as of December 31, 2021 is as follows:

<u>Year Ending December 31.</u>	<u>Amount</u>
2022	\$ 536,975
2023	494,994
2024	427,645
2025	378,841
2026	63,753
Total	1,902,208
Less: Interest Expense	(72,565)
Amounts Recognized in the Balance Sheets	<u>\$ 1,829,643</u>

**ASBURY ATLANTIC, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

**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:

	2021		
	Program Services	Supporting Services	
	Continuing Care Services	Management and General	Total
Salaries and Wages	\$ 54,696,312	\$ -	\$ 54,696,312
Employee Benefits	13,429,595	-	13,429,595
Contract Labor	8,737,508	-	8,737,508
Food Purchases	5,450,465	-	5,450,465
Medical Supplies and Other			
Resident Costs	7,473,147	-	7,473,147
General and Administrative	-	3,122,865	3,122,865
Building and Maintenance	16,232,762	-	16,232,762
Professional Fees and Insurance	1,617,325	-	1,617,325
Interest	9,236,668	-	9,236,668
Taxes	4,166,737	-	4,166,737
Provision for Bad Debts	684,056	-	684,056
Depreciation and Amortization	27,953,363	-	27,953,363
Management and Other Fees	-	13,786,457	13,786,457
Total Functional Expenses	<u>\$ 149,677,938</u>	<u>\$ 16,909,322</u>	<u>\$ 166,587,260</u>

	2020		
	Program Services	Supporting Services	
	Continuing Care Services	Management and General	Total
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>\$ 146,064,729</u>	<u>\$ 16,855,078</u>	<u>\$ 162,919,807</u>

**ASBURY ATLANTIC, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

**NOTE 16 FUNCTIONAL EXPENSES (CONTINUED)**

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.

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, 2021			
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Cash and Short-Term Investments	\$ 47,235,447	\$ -	\$ -	\$ 47,235,447
Fixed Income Securities and Mutual Funds	16,396,484	-	-	16,396,484
Equity Securities and Mutual Funds	33,601,943	-	-	33,601,943
Real Estate Mutual Funds	15,809	-	-	15,809
Total	<u>\$ 97,249,683</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 97,249,683</u>
<b>Liabilities</b>				
Derivative Instruments	<u>\$ -</u>	<u>\$ 301,241</u>	<u>\$ -</u>	<u>\$ 301,241</u>
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>

**ASBURY ATLANTIC, INC.**  
**BALANCE SHEET BY LOCATION**  
**DECEMBER 31, 2021**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	Asbury Methodist Village	Asbury Solomons, Inc.	Bethany Village	Springhill	Combining Entries	Asbury Atlantic, Inc.
<b>ASSETS</b>						
<b>CURRENT ASSETS</b>						
Cash and Cash Equivalents	\$ 89,182	\$ 103,483	\$ 732,397	\$ 681,024	\$ -	\$ 1,606,086
Investments	24,626,320	10,598	4,835,425	722,394	-	30,194,737
Accounts Receivable, Net	2,811,495	748,023	742,942	522,658	-	4,825,118
Other Receivables and Prepaid Expenses	4,845,483	1,611,172	1,117,077	311,818	-	7,885,550
Investments Held Under Bond Indenture	2,428,047	289,987	2,011,288	525,343	-	5,254,665
Total Current Assets	34,800,527	2,763,263	9,439,129	2,763,237	-	49,766,156
Due from ACOMM, Net	61,166,629	12,381,078	15,842,442	-	(4,152,554)	85,237,595
Property and Equipment, Net	139,246,096	38,177,740	76,526,517	18,035,495	-	271,985,848
Right-Of-Use Assets - Operating Leases	976,833	135,461	413,392	303,957	-	1,829,643
Investments Restricted by Donors	-	-	15,334,771	-	-	15,334,771
Deposits and Other Assets	579,265	-	11,360	8,597	-	599,222
Investments Held Under Bond Indenture	7,241,647	1,230,604	6,161,177	1,582,082	-	16,215,510
Statutory Reserves	16,396,072	3,645,149	3,766,121	1,237,199	-	25,044,541
Investments Restricted by Board	1,420,314	-	3,785,145	-	-	5,205,459
Beneficial Interest in Net Assets of Foundation	19,392,162	2,996,042	6,958,138	530,513	-	29,876,855
Total Assets	<u>\$ 281,219,545</u>	<u>\$ 61,329,337</u>	<u>\$ 138,238,192</u>	<u>\$ 24,461,080</u>	<u>\$ (4,152,554)</u>	<u>\$ 501,095,600</u>

**ASBURY ATLANTIC, INC.**  
**BALANCE SHEET BY LOCATION (CONTINUED)**  
**DECEMBER 31, 2021**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	Asbury Methodist Village	Asbury Solomons, Inc.	Bethany Village	Springhill	Combining Entries	Asbury Atlantic, Inc.
<b>LIABILITIES AND NET DEFICIT</b>						
<b>CURRENT LIABILITIES</b>						
Accounts Payable and Accrued Expenses	\$ 1,440,286	\$ 63,345	\$ 263,657	\$ 156,577	\$ -	\$ 1,923,865
Accrued Compensation and Related Items	47,494	-	-	-	-	47,494
Accrued Interest Payable	2,054,049	292,610	1,398,747	372,675	-	4,118,081
Obligations Under Charitable Gift Annuities	-	-	81,831	-	-	81,831
Deposits from Prospective Residents	2,730,805	284,330	753,626	184,019	-	3,952,780
Entrance Fees - Refundable	5,336,725	1,826,493	737,624	584,476	-	8,485,318
Deferred Revenue	1,313,290	218,520	337,746	315,531	-	2,185,087
Current Portion of Lease Liabilities - Operating Leases	228,254	33,928	126,462	116,400	-	505,044
Current Portion of Long-Term Debt	3,092,213	1,151,787	2,208,263	596,737	-	7,049,000
Total Current Liabilities	16,243,116	3,871,013	5,907,956	2,326,415	-	28,348,500
Due to ACOMM, Net	-	-	-	4,152,554	(4,152,554)	-
Long-Term Lease Liabilities - Operating Leases	748,579	101,533	286,930	187,557	-	1,324,599
Long-Term Debt, Less Current Portion	91,794,310	12,677,934	81,819,559	22,452,615	-	208,744,418
Contingent Refundable Entrance Fee Liability	108,072,071	24,806,544	15,072,752	15,768,122	-	163,719,489
Entrance Fees - Deferred Revenue	85,161,591	34,270,324	39,331,255	8,446,364	-	167,209,534
Obligations Under Charitable Gift Annuities	-	-	193,380	-	-	193,380
Valuation of Derivative Instruments	113,770	4,963	140,711	41,797	-	301,241
Total Liabilities	302,133,437	75,732,311	142,752,543	53,375,424	(4,152,554)	569,841,161
<b>NET ASSETS (DEFICIT)</b>						
Without Donor Restrictions	(40,306,054)	(17,399,016)	(18,896,331)	(29,444,857)	-	(106,046,258)
With Donor Restrictions	19,392,162	2,996,042	14,381,980	530,513	-	37,300,697
Total Net Deficit	(20,913,892)	(14,402,974)	(4,514,351)	(28,914,344)	-	(68,745,561)
Total Liabilities and Net Deficit	<u>\$ 281,219,545</u>	<u>\$ 61,329,337</u>	<u>\$ 138,238,192</u>	<u>\$ 24,461,080</u>	<u>\$ (4,152,554)</u>	<u>\$ 501,095,600</u>

**ASBURY ATLANTIC, INC.**  
**STATEMENT OF OPERATIONS AND CHANGES IN NET DEFICIT WITHOUT DONOR RESTRICTIONS BY LOCATION**  
**YEAR ENDED DECEMBER 31, 2021**  
**(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 Services Revenue	\$ 68,945,568	\$ 18,494,231	\$ 28,958,205	\$ 16,197,012	\$ -	\$ 132,595,016
Other Operating Revenue	2,116,090	271,781	1,045,484	619,142	-	4,052,497
Amortization of Entrance Fees	12,961,333	5,160,965	5,712,939	1,687,314	-	25,522,551
Interest and Dividend Income, Net	1,017,316	91,466	566,085	51,461	-	1,726,328
Net Realized Gain on Investments	5,819,712	431,459	1,765,831	240,049	-	8,257,051
Net Unrealized Gain (Loss) on Equity Security Investments	(1,510,021)	(107,181)	1,244,161	(60,691)	-	(433,732)
Allocations from Asbury Foundation, Inc.	5,175,972	701,793	1,385,693	109,009	-	7,372,467
Total Revenues, Gains, and Other Support	94,525,970	25,044,514	40,678,398	18,843,296	-	179,092,178
<b>EXPENSES</b>						
Salaries	30,250,534	6,341,009	10,649,555	7,455,214	-	54,696,312
Employee Benefits	6,452,580	1,900,555	2,889,146	2,187,314	-	13,429,595
Contract Labor	3,876,496	1,166,247	2,151,458	1,543,307	-	8,737,508
Food Purchases	3,063,129	823,254	959,062	605,020	-	5,450,465
Medical Supplies and Other Resident Costs	4,575,834	832,876	1,330,904	733,533	-	7,473,147
General and Administrative	1,757,468	462,341	524,769	378,287	-	3,122,865
Building and Maintenance	8,526,911	2,207,524	3,804,811	1,693,516	-	16,232,762
Professional Fees and Insurance	844,456	205,521	356,602	210,746	-	1,617,325
Interest	3,740,448	660,940	3,788,877	1,046,403	-	9,236,668
Taxes	2,270,861	729,137	996,512	170,227	-	4,166,737
Provision for Bad Debts	604,076	(118,302)	170,622	27,660	-	684,056
Depreciation and Amortization	17,544,328	3,269,530	5,142,967	1,996,538	-	27,953,363
Management and Other Fees	8,079,837	1,672,978	2,453,770	1,579,872	-	13,786,457
Total Expenses	91,586,958	20,153,610	35,219,055	19,627,637	-	166,587,260
<b>INCOME (LOSS) FROM OPERATIONS PRIOR TO NET UNREALIZED GAIN (LOSS) ON CHANGE IN MARKET VALUE OF DERIVATIVE INSTRUMENTS, LOSS ON RETIREMENT OF DEBT AND GAIN ON DISPOSAL OF ASSETS</b>	2,939,012	4,890,904	5,459,343	(784,341)	-	12,504,918

**ASBURY ATLANTIC, INC.**  
**STATEMENT OF OPERATIONS AND CHANGES IN NET DEFICIT WITHOUT DONOR RESTRICTIONS BY LOCATION (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2021**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	Asbury Methodist Village	Asbury Solomons, Inc.	Bethany Village	Springhill	Combining Entries	Asbury Atlantic, Inc.
Income (Loss) from Operations Prior to Net Unrealized Gain (Loss) on Change in Market Value of Derivative Instruments, Loss on Retirement of Debt and Gain on Disposal of Assets	\$ 2,939,012	\$ 4,890,904	\$ 5,459,343	\$ (784,341)	\$ -	\$ 12,504,918
Net Unrealized Gain (Loss) on Change in Market Value of Derivative Instruments	206,535	35,753	(140,711)	(41,797)	-	59,780
Loss on Retirement of Debt			(721,756)	(214,392)		(936,148)
Gain on Disposal of Assets	481,670	-	-	-	-	481,670
<b>INCOME (LOSS) FROM OPERATIONS</b>	3,627,217	4,926,657	4,596,876	(1,040,530)	-	12,110,220
<b>NET DEFICIT WITHOUT DONOR RESTRICTIONS</b>						
Transfers to ACOMM	(2,517,750)	-	(419,500)	-	-	(2,937,250)
Net Unrealized Loss on Fixed Income Securities and Other Investments	(405,402)	(30,023)	(330,066)	(16,661)	-	(782,152)
Net Assets Released from Restrictions						
Used for Purchase of Capital Items	1,003,086	16,400	28,382	-	-	1,047,868
<b>NET INCREASE (DECREASE) IN NET DEFICIT WITHOUT DONOR RESTRICTIONS</b>	<u>\$ 1,707,151</u>	<u>\$ 4,913,034</u>	<u>\$ 3,875,692</u>	<u>\$ (1,057,191)</u>	<u>\$ -</u>	<u>\$ 9,438,686</u>



**ASBURY ATLANTIC, INC.**  
**STATEMENT OF CASH FLOWS BY LOCATION**  
**YEAR ENDED DECEMBER 31, 2021**  
**(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	\$ 4,258,881	\$ 5,291,436	\$ 6,460,573	\$ (961,792)	\$ 15,049,098
Adjustments to Reconcile Changes in Net Deficit to Net Cash Provided by Operating Activities:					
Provision for Bad Debts	604,076	(118,302)	170,622	27,660	684,056
Depreciation and Amortization of Deferred Marketing Costs	17,544,328	3,269,530	5,142,967	1,996,538	27,953,363
Amortization of Deferred Financing Costs	77,532	62,339	63,886	17,453	221,210
Amortization of Bond Premium/Discount	(603,061)	(65,971)	(153,137)	(40,385)	(862,554)
Amortization of Entrance Fees	(12,961,333)	(5,160,965)	(5,712,939)	(1,687,314)	(25,522,551)
Net Proceeds from Nonrefundable Entrance and Advance Fees	14,372,468	5,822,988	6,694,302	2,038,540	28,928,298
Net Unrealized Gain (Loss) on Investments	1,915,423	137,204	(914,095)	77,352	1,215,884
Gain on Disposal of Assets	(481,670)	-	-	-	(481,670)
Loss on Retirement of Debt	-	-	721,756	214,392	936,148
Net Unrealized Gain (Loss) on Change in Market Value of Derivative Instruments	(206,535)	(35,753)	140,711	41,797	(59,780)
Changes in Beneficial Interest in Net Assets of Foundation	(2,551,730)	(378,402)	(2,628,839)	(95,399)	(5,654,370)
Transfers to ACOMM	2,517,750	-	419,500	-	2,937,250
Changes in Value of Obligations under Charitable Gift Annuities	-	-	43,959	-	43,959
Changes in Assets and Liabilities:					
Accounts Receivable	(456,946)	(120,359)	(332,957)	59,347	(850,915)
Other Receivables and Prepaid Expenses	62,263	50,325	(27,945)	31,280	115,923
Deferred Entrance Fees	(284,285)	(942,400)	143,700	-	(1,082,985)
Other Assets	96,180	-	34,083	(432)	129,831
Deferred Revenue	944,395	94,941	304,676	251,172	1,595,184
Accounts Payable and Accrued Expenses	(109,858)	(95,062)	(423,329)	(76,391)	(704,640)
Accrued Interest Payable	(15,365)	(11,045)	(652,265)	(192,883)	(871,558)
Net Cash Provided by Operating Activities	24,722,513	7,800,504	9,495,229	1,700,935	43,719,181

**ASBURY ATLANTIC, INC.**  
**STATEMENT OF CASH FLOWS BY LOCATION (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2021**  
**(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	\$ (11,500,201)	\$ (1,742,691)	\$ (2,573,656)	\$ (1,008,831)	\$ (16,825,379)
Sale (Purchase) of Investments, Net	9,435,171	613,621	(2,018,222)	24,559	8,055,129
Net Cash Used by Investing Activities	(2,065,030)	(1,129,070)	(4,591,878)	(984,272)	(8,770,250)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Proceeds from Entrance and Advance Refundable Fees and Refundable Deposits	10,668,537	4,936,873	937,580	1,400,200	17,943,190
Refunds of Entrance and Advance Refundable Fees and Refundable Deposits	(11,126,701)	(4,892,628)	(3,178,554)	(1,625,914)	(20,823,797)
Proceeds from Issuance of Debt	-	-	36,710,498	10,904,502	47,615,000
Redemption of Long-Term Debt	-	-	(36,055,162)	(10,709,840)	(46,765,002)
Payments on Debt	(2,214,021)	(4,246,646)	(2,523,127)	(691,873)	(9,675,667)
Payments for Deferred Financing Costs	-	-	(638,442)	(189,643)	(828,085)
Premiums from Issuance of Debt	-	-	836,881	248,587	1,085,468
Payments on Obligations under Charitable Gift Annuities	-	-	(69,997)	-	(69,997)
Change in Due to ACOMM, Net	(15,252,994)	(1,785,796)	(2,392,845)	(248,017)	(19,679,652)
Transfers to ACOMM	(2,517,750)	-	(419,500)	-	(2,937,250)
Net Cash Used by Financing Activities	(20,442,929)	(5,988,197)	(6,792,668)	(911,998)	(34,135,792)
<b>INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH</b>	2,214,554	683,237	(1,889,317)	(195,335)	813,139
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	23,940,394	4,585,986	14,560,300	4,220,983	47,307,663
<b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR</b>	<u>\$ 26,154,948</u>	<u>\$ 5,269,223</u>	<u>\$ 12,670,983</u>	<u>\$ 4,025,648</u>	<u>\$ 48,120,802</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>					
Cash Paid for Interest	<u>\$ 4,281,342</u>	<u>\$ 675,617</u>	<u>\$ 4,530,393</u>	<u>\$ 1,262,218</u>	<u>\$ 10,749,570</u>

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