

ASBURY ATLANTIC, INC.
**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**
YEARS ENDED DECEMBER 31, 2023 AND 2022



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**ASBURY ATLANTIC, INC.
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YEARS ENDED DECEMBER 31, 2023 AND 2022**

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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, 2023 and 2022, 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, 2023 and 2022, 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.

Audit Committee
Asbury Atlantic, Inc.

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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

King of Prussia, Pennsylvania
April 22, 2024

ASBURY ATLANTIC, INC.
BALANCE SHEETS
DECEMBER 31, 2023 AND 2022

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 6,669,482	\$ 5,090,313
Investments	42,559,342	36,148,530
Accounts Receivable	6,752,059	6,129,779
Allowance for Credit Losses	(1,261,922)	(1,001,045)
Other Receivables and Prepaid Expenses	9,721,854	7,776,847
Investments Held under Bond Indenture	9,548,702	9,466,694
Total Current Assets	73,989,517	63,611,118
Due from ACOMM, Net	98,808,634	76,455,376
Property and Equipment, Net	266,376,676	265,173,003
Right-Of-Use Assets - Operating Leases	1,036,571	1,710,867
Right-Of-Use Assets - Finance Leases	283,850	208,591
Investments Restricted by Donors	14,886,535	13,238,810
Deposits and Other Assets	388,323	493,530
Investments Held under Bond Indenture	22,074,397	39,244,384
Statutory Reserves	27,402,558	26,972,089
Investments Restricted by Board	4,907,792	4,566,113
Beneficial Interest in Net Assets of Foundation	35,036,729	33,001,348
Valuation of Derivative Instruments	2,259,547	2,527,626
Total Assets	\$ 547,451,129	\$ 527,202,855

See accompanying Notes to Financial Statements.

ASBURY ATLANTIC, INC.
BALANCE SHEETS (CONTINUED)
DECEMBER 31, 2023 AND 2022

	2023	2022
LIABILITIES AND NET DEFICIT		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 1,391,680	\$ 3,603,800
Accrued Compensation and Related Items	-	29,596
Accrued Interest Payable	5,079,674	5,442,011
Obligations under Charitable Gift Annuities	74,702	77,052
Deposits from Prospective Residents	3,730,195	3,990,871
Entrance Fees - Refundable	7,387,527	7,971,187
Deferred Revenue	1,166,738	657,699
Current Portion of Lease Liabilities - Operating Leases	452,092	529,879
Current Portion of Lease Liabilities - Finance Leases	158,540	87,689
Current Portion of Long-Term Debt	10,462,276	9,736,257
Total Current Liabilities	29,903,424	32,126,041
Long-Term Lease Liabilities - Operating Leases	584,479	1,180,988
Long-Term Lease Liabilities - Finance Leases	96,106	89,459
Long-Term Debt, Less Current Portion	234,527,499	238,442,776
Contingent Refundable Entrance Fee Liability	145,811,933	153,326,114
Entrance Fees - Deferred Revenue	186,606,917	177,342,867
Obligations under Charitable Gift Annuities	116,865	145,575
Other Liabilities	1,500,000	1,500,000
Total Liabilities	599,147,223	604,153,820
NET ASSETS (DEFICIT)		
Without Donor Restrictions	(94,106,275)	(117,359,189)
With Donor Restrictions	42,410,181	40,408,224
Total Net Deficit	(51,696,094)	(76,950,965)
Total Liabilities and Net Deficit	\$ 547,451,129	\$ 527,202,855

See accompanying Notes to Financial Statements.

ASBURY ATLANTIC, INC.
STATEMENTS OF OPERATIONS AND CHANGES IN NET DEFICIT
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
REVENUES, GAINS, AND OTHER SUPPORT		
Resident Services Revenue	\$ 146,066,652	\$ 137,503,941
Other Operating Revenue	4,921,970	7,111,735
Amortization of Entrance Fees	27,294,242	26,658,335
Interest and Dividend Income, Net	4,534,102	2,351,531
Net Realized Loss on Investments	(1,934,387)	(2,713,521)
Net Unrealized Gain (Loss) on Equity Security Investments	8,736,543	(12,911,008)
Allocations from Asbury Foundation, Inc.	10,033,732	-
Total Revenues, Gains, and Other Support	199,652,854	158,001,013
EXPENSES		
Salaries	60,198,697	57,316,525
Employee Benefits	13,182,185	11,461,382
Contract Labor	9,783,047	11,197,295
Food Purchases	6,168,814	6,055,991
Medical Supplies and Other Resident Costs	5,085,493	5,919,546
General and Administrative	2,771,048	3,133,185
Building and Maintenance	18,162,559	17,001,930
Professional Fees and Insurance	1,907,838	1,818,156
Interest	10,541,646	9,613,616
Taxes	4,266,786	4,151,965
Provision for Credit Losses	796,041	91,600
Depreciation and Amortization	28,499,904	27,999,121
Service and Other Fees	19,003,218	14,777,181
Allocations to Asbury Foundation, Inc.	-	2,319,333
Total Expenses	180,367,276	172,856,826
INCOME (LOSS) FROM OPERATIONS PRIOR TO NET UNREALIZED GAIN (LOSS) ON CHANGE IN MARKET VALUE OF DERIVATIVE INSTRUMENTS AND GAIN ON DISPOSAL OF ASSETS	19,285,578	(14,855,813)
Net Unrealized Gain (Loss) on Change in Market Value of Derivative Instruments	(268,079)	2,828,867
Gain on Disposal of Assets	4,040,882	634,151
INCOME (LOSS) FROM OPERATIONS	23,058,381	(11,392,795)

See accompanying Notes to Financial Statements.

ASBURY ATLANTIC, INC.
STATEMENTS OF OPERATIONS AND CHANGES IN NET DEFICIT (CONTINUED)
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
NET DEFICIT WITHOUT DONOR RESTRICTIONS		
Income (Loss) from Operations	\$ 23,058,381	\$ (11,392,795)
Net Unrealized Gain on Fixed Income Securities and Other Investments	418,030	176,053
Net Assets Released from Restrictions Used for Purchase of Capital Items	423,753	299,061
Transfers to ACOMM	(647,250)	(395,250)
Net (Increase) Decrease in Net Deficit Without Donor Restrictions	23,252,914	(11,312,931)
NET ASSETS WITH DONOR RESTRICTIONS		
Net Assets Released from Restriction Used for Purchase of Capital Items	(423,753)	(299,061)
Change in Beneficial Interest in Net Assets of Asbury Foundation, Inc.	2,459,134	3,423,554
Changes in Value of Obligations under Charitable Gift Annuities	(33,424)	(16,966)
Net Increase in Net Assets With Donor Restrictions	2,001,957	3,107,527
CHANGES IN NET DEFICIT	25,254,871	(8,205,404)
Net Deficit - Beginning of Year	(76,950,965)	(68,745,561)
NET DEFICIT - END OF YEAR	\$ (51,696,094)	\$ (76,950,965)

See accompanying Notes to Financial Statements.

ASBURY ATLANTIC, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Net Deficit	\$ 25,254,871	\$ (8,205,404)
Adjustments to Reconcile Changes in Net Deficit to		
Net Cash Provided by Operating Activities		
Provision for Credit Losses	796,041	91,600
Depreciation and Amortization	28,342,262	27,999,121
Amortization of Deferred Financing Costs	291,995	261,178
Amortization of Bond Premium/Discount	(780,550)	(820,217)
Amortization of Right-of-Use Asset - Finance Leases	157,642	56,314
Amortization of Entrance Fees	(27,294,242)	(26,658,335)
Net Proceeds from Nonrefundable Entrance and Advance Fees	39,046,668	38,179,953
Net Unrealized (Gain) Loss on Investments	(9,154,573)	12,734,955
Net Realized Loss on Investments	1,934,387	2,713,521
Gain on Disposal of Assets	(4,040,882)	(634,151)
Net Unrealized (Gain) Loss on Change in Market Value of Derivative Instruments	268,079	(2,828,867)
Changes in Beneficial Interest in Net Assets of Foundation	(2,035,381)	(3,124,493)
Changes in Value of Obligations Under Charitable Gift Annuities	33,424	16,966
Transfers to ACOMM	647,250	395,250
Changes in Assets and Liabilities:		
Accounts Receivable	(1,157,444)	(400,901)
Other Receivables and Prepaid Expenses	(853,763)	(120,690)
Deferred Entrance Fees	(1,091,244)	235,077
Other Assets	105,207	105,692
Deferred Revenue	(330,642)	(27,388)
Accounts Payable and Accrued Expenses	(2,241,716)	1,662,037
Accrued Interest Payable	(362,337)	1,323,930
Net Cash Provided by Operating Activities	47,535,052	42,955,148
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment, Net	(25,505,053)	(20,552,125)
Purchases of Investments	(46,345,315)	(62,939,308)
Sales of Investments	45,165,285	44,272,346
Net Cash Used by Investing Activities	(26,685,083)	(39,219,087)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Entrance and Advance Refundable Fees and Refundable Deposits	10,245,097	9,287,423
Proceeds from Issuance of Debt	7,055,473	43,099,957
Premiums (Discounts) from Issuance of Debt	-	(2,029,901)
Refunds of Entrance and Advance Refundable Fees and Refundable Deposits	(20,252,309)	(21,545,122)
Payments on Debt	(9,736,238)	(7,046,289)
Redemption of Debt	-	-
Payments for Deferred Financing Costs	(19,938)	(1,079,113)
Payments on Finance Leases	(155,403)	(87,757)
Payments on Obligations under Charitable Gift Annuities	(64,484)	(69,550)
Change in Due to ACOMM, Net	(22,353,258)	8,782,219
Transfers to ACOMM	(647,250)	(395,250)
Net Cash Provided (Used) by Financing Activities	(35,928,310)	28,916,617
INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(15,078,341)	32,652,678
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	80,773,480	48,120,802
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR	\$ 65,695,139	\$ 80,773,480
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for Interest	\$ 11,392,538	\$ 8,848,725
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Right-of-Use Asset Received in Exchange for Finance Leases	\$ 170,895	\$ 264,904
Right-of-Use Asset Received in Exchange for Operating Leases	\$ 4,534	\$ 417,998

See accompanying Notes to Financial Statements.

ASBURY ATLANTIC, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

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 2023 and 2022 was not required at Asbury Atlantic to fund daily operations, meet debt covenants, or fulfill regulatory requirements.

On August 1, 2016, ACOMM entered into an affiliation agreement with Bethany Development Corp. (BDC), a 149-unit affordable housing (HUD) community in Mechanicsburg, Pennsylvania. BDC engages a management company, National Church Residences (NCR), to provide accounting and finance duties. BV has no economic interest in the property. Accordingly, BV does not combine the financial statements of BDC into BV's financial statements. ACOMM services as the supporting organization of BDC.

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, 2023 AND 2022

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 equal the same such amounts shown in the statements of cash flows at December 31:

	<u>2023</u>	<u>2022</u>
Cash	\$ 6,669,482	\$ 5,090,313
Restricted Cash Included in Current Investments		
Held under Bond Indenture	9,548,702	9,466,694
Restricted Cash Included in Long-Term Investments		
Held under Bond Indenture	22,074,397	39,244,384
Restricted Cash Included in Statutory Reserves	<u>27,402,558</u>	<u>26,972,089</u>
Total Cash, Cash Equivalents, and Restricted		
Cash Shown in the Statements of Cash Flows	<u>\$ 65,695,139</u>	<u>\$ 80,773,480</u>

Accounts Receivable and Allowance for Credit Losses

Accounts receivable are reported net of an allowance for credit losses to represent the Company's estimate of expected losses at the balance sheet date. The adequacy of the Company's allowance for credit losses is reviewed on an ongoing basis, using historical payment trends, write-off experience, analyses of receivable portfolios by payor source and aging of receivables, a review of specific accounts, as well as expected future economic conditions and market trends, and adjustments are made to the allowance as necessary.

Residents are not required to provide collateral for services rendered. Payment for services is required within 30 days of receipt of invoice or claim submitted. Accounts more than 90 days past due are individually analyzed for collectability. When all collection efforts have been exhausted, the account is written off against the related allowance.

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 21% and 22% of total resident service revenues for the years ended December 31, 2023 and 2022, respectively.

Management believes the composition of receivables at year-end is consistent with historical conditions as credit terms and practices and the customer base has not changed significantly. At December 31, 2023 and 2022, the allowance for estimate of expected credit losses was \$1,261,922 and \$1,001,045, respectively.

ASBURY ATLANTIC, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable and Allowance for Credit Losses (Continued)

Changes in the allowance for credit losses for the year ended December 31, 2023 were as follows:

Allowance for Credit Losses:	
Balance, Beginning of Year	\$ 1,001,045
Provision for Losses	803,084
Amounts Written Off	(535,164)
Recoveries	(7,043)
Balance, End of Year	<u>\$ 1,261,922</u>

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, alternative investments 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.

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. The fair values relating to certain alternative investments have been estimated by the funds' manager in the absence of readily ascertainable market values. 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.

ASBURY ATLANTIC, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and Investment Income (Continued)

Investment income or loss from equity securities, mutual funds, bonds, and alternative investments includes Asbury Atlantic's proportional share of interest and dividends, net of investment management fees, realized gains and losses on investments, and unrealized gains and losses on equity security 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.

As the need arises, the Company 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 removed from unrealized changes in market value and 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.

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 a 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 – Debt

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.

ASBURY ATLANTIC, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments Restricted by the Board

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

Beneficial Interest in Net Assets of Foundation

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

Leases

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

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

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

Property and Equipment

Property and equipment are stated at cost. Donated property and equipment are recorded at fair market value at the date of the gift. Improvements that materially extend the useful lives of the assets are capitalized. General repairs and maintenance costs are expensed as incurred. The Company capitalizes all expenditures for property and equipment costing \$5,000 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 2023 and 2022.

ASBURY ATLANTIC, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 \$447,869 and \$676,682 for the years ended December 31, 2023 and 2022, 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.

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.

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, 2023 AND 2022

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. Payment of an entrance fee refund is contingent upon a successor resident taking possession of the original residential unit.

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.

Contingent refundable entrance fee liability represents an entrance fee which is refunded only upon reoccupancy by a subsequent resident. Entrance fees – deferred revenue represents the unamortized portion of the nonrefundable entrance fees.

ASBURY ATLANTIC, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Resident Services Revenue (Continued)

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

	<u>2023</u>	<u>2022</u>
Entrance Fees - Refundable	\$ 7,387,527	\$ 7,971,187
Contingent Refundable Entrance Fees	145,811,933	153,326,114
Entrance Fees - Deferred Revenue:		
25% to 100% Refundable Contracts	6,873,333	6,234,552
Standard Entrance Fee Option Contracts:		
Five-Year Contracts	177,766,802	168,913,233
Nine-Year Contracts	801,973	1,095,739
Nonrefundable	<u>1,164,809</u>	<u>1,099,343</u>
Total Entrance Fees - Deferred Revenue	<u>186,606,917</u>	<u>177,342,867</u>
 Total Entrance Fees	 <u>\$ 339,806,377</u>	 <u>\$ 338,640,168</u>

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

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

	<u>2023</u>	<u>2022</u>
Medicaid	\$ 16,671,179	\$ 15,242,403
Medicare	13,376,630	14,186,613
Managed Care	1,217,549	858,986
Private Pay	<u>114,801,294</u>	<u>107,215,939</u>
Total Resident Services Revenue	<u>\$ 146,066,652</u>	<u>\$ 137,503,941</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, 2023 AND 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Resident Services Revenue (Continued)

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

	2023				
	Asbury Methodist Village	Asbury Solomons, Inc.	Bethany Village	Springhill	Total
Service Lines:					
Skilled Nursing Facility	\$ 29,447,831	\$ 6,358,212	\$ 12,410,592	\$ 10,300,369	\$ 58,517,004
Assisted Living	13,375,251	2,172,288	9,719,817	2,321,779	27,589,135
Independent Living	31,339,643	10,635,130	11,204,207	6,032,679	59,211,659
Retail Sales	172,959	73,218	273,803	228,874	748,854
Total	<u>\$ 74,335,684</u>	<u>\$ 19,238,848</u>	<u>\$ 33,608,419</u>	<u>\$ 18,883,701</u>	<u>\$ 146,066,652</u>
Method of Reimbursement:					
Fee for Services	\$ 74,162,725	\$ 19,165,630	\$ 33,334,616	\$ 18,654,827	\$ 145,317,798
Retail Sales	172,959	73,218	273,803	228,874	748,854
Total	<u>\$ 74,335,684</u>	<u>\$ 19,238,848</u>	<u>\$ 33,608,419</u>	<u>\$ 18,883,701</u>	<u>\$ 146,066,652</u>
Timing of Revenue and Recognition:					
Health Care Services					
Transferred Over Time	\$ 74,162,725	\$ 19,165,630	\$ 33,334,616	\$ 18,654,827	\$ 145,317,798
Sales at Point in Time	172,959	73,218	273,803	228,874	748,854
Total	<u>\$ 74,335,684</u>	<u>\$ 19,238,848</u>	<u>\$ 33,608,419</u>	<u>\$ 18,883,701</u>	<u>\$ 146,066,652</u>
2022					
	Asbury Methodist Village	Asbury Solomons, Inc.	Bethany Village	Springhill	Total
Service Lines:					
Skilled Nursing Facility	\$ 28,388,723	\$ 6,616,246	\$ 10,911,341	\$ 8,914,617	\$ 54,830,927
Assisted Living	12,503,493	2,159,457	9,241,089	2,321,109	26,225,148
Independent Living	29,910,698	10,011,937	10,266,570	5,591,725	55,780,930
Retail Sales	152,861	57,646	242,962	213,467	666,936
Total	<u>\$ 70,955,775</u>	<u>\$ 18,845,286</u>	<u>\$ 30,661,962</u>	<u>\$ 17,040,918</u>	<u>\$ 137,503,941</u>
Method of Reimbursement:					
Fee for Services	\$ 70,802,914	\$ 18,787,640	\$ 30,419,000	\$ 16,827,451	\$ 136,837,005
Retail Sales	152,861	57,646	242,962	213,467	666,936
Total	<u>\$ 70,955,775</u>	<u>\$ 18,845,286</u>	<u>\$ 30,661,962</u>	<u>\$ 17,040,918</u>	<u>\$ 137,503,941</u>
Timing of Revenue and Recognition:					
Health Care Services					
Transferred Over Time	\$ 70,802,914	\$ 18,787,640	\$ 30,419,000	\$ 16,827,451	\$ 136,837,005
Sales at Point in Time	152,861	57,646	242,962	213,467	666,936
Total	<u>\$ 70,955,775</u>	<u>\$ 18,845,286</u>	<u>\$ 30,661,962</u>	<u>\$ 17,040,918</u>	<u>\$ 137,503,941</u>

ASBURY ATLANTIC, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

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.

Benevolent 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 benevolent care. Because Asbury Atlantic does not pursue collection of amounts determined to qualify as benevolent care, they are not reflected as revenue in the accompanying financial statements. Benevolent care provided to residents for the years ended December 31, 2023 and 2022 was \$3,495,125 and \$3,036,269, respectively.

Occupancy Percentages

During the years ended December 31, 2023 and 2022, 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:

	2023				2022			
	Bethany Village	Springhill	Asbury Methodist Village	Asbury Solomons, Inc.	Bethany Village	Springhill	Asbury Methodist Village	Asbury Solomons, Inc.
Total Skilled Nursing Center Occupancy	96%	91%	95%	81%	93%	87%	95%	87%
Medicaid	29%	42%	50%	36%	29%	39%	54%	34%
Medicare	7%	3%	23%	10%	11%	7%	22%	12%
Private Pay and Other	64%	55%	27%	54%	60%	54%	24%	54%

Provider Relief Funds

During 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic had significant effects on global markets, supply chains, businesses, and communities.

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). Additionally, the U.S. Department of Homeland Security made available emergency relief grant funds through the Federal Emergency Management Agency (FEMA). Total grant funds approved and received by the Company for the years ended December 31, 2023 and 2022 was \$3,734,823 and \$2,668,785, respectively. The PRF and FEMA funds are subject to certain restrictions on eligible expenses or uses, reporting requirements, and will be subject to audit.

ASBURY ATLANTIC, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Provider Relief Funds (Continued)

At December 31, 2023 and 2022, the Company recognized \$3,224,321 and \$4,092,898, respectively, as other operating revenue in the statements of operations and changes in net deficit. At December 31, 2023 and 2022, the Company recognized \$510,502 and \$-0-, respectively, as deferred revenue in the balance sheets. The Company believes the amounts have been recognized appropriately as of December 31, 2023 and 2022.

Contributions

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

Net Assets and Endowment Funds

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

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

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

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

ASBURY ATLANTIC, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets and Endowment Funds (Continued)

Net assets with donor restrictions that are perpetual in nature are amounts held by AFOUND and BV for the benefit of Asbury Atlantic, Inc. 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 (Loss) 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 (loss) from operations, consistent with industry practice, include unrealized gains and losses on fixed income securities and other investments, net assets released from restriction used for purchase of capital items, and permanent transfers of assets to and from ACOMM for other than goods and services.

Tax Status

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

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

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

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

ASBURY ATLANTIC, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements

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

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

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

Fair value measurement applies to reported balances that are required or permitted to be measured at fair value under an existing accounting standard. The Company emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability and establishes a fair value hierarchy. The fair value hierarchy consists of three levels of inputs that may be used to measure fair value as follows:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access.

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

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

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

ASBURY ATLANTIC, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

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

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

New Accounting Pronouncements – ASU 2016-13

The Company has adopted ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended, which modifies the measurement of expected credit losses. The Company adopted this new guidance utilizing the modified retrospective transition method. The adoption of this Standard did not have a material impact on the Company's financial statements but did change how the allowance for credit losses is determined.

New Accounting Pronouncements – ASU 2020-04

In March 2020, the Financial Accounting Standards Board (FASB) issued ASU 2020-04, *Reference Rate Reform, (Topic 848)*. This new standard allows an entity to elect optional expedients and exceptions for applying United States Generally Accepted Accounting Principles (U.S. GAAP) to contracts, hedging relationships, and other transactions affected by reference rate reform upon the transition from the use of the London Interbank Offer Rate (LIBOR) to alternative reference rates. This standard provides this temporary election through December 31, 2022 (sunset date).

In December 2022, the Financial Accounting Standards Board (FASB) issued ASU 2022-06 to defer the sunset date of Reference Rate Reform (Topic 848). This new standard allows an entity to elect not to apply certain modification accounting requirements to contracts affected by reference rate reform as entities transition from LIBOR to alternative reference rates. The standard provides this temporary election through December 31, 2024, and cannot be applied to contract modifications that occur after December 31, 2024.

The Company adopted the requirements of this guidance effective January 1, 2023, and has elected to apply the provisions of these standards to the beginning of the period of adoption.

ASBURY ATLANTIC, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements – ASU 2020-04 (Continued)

The Company's MD Series 2019A and 2019B bond agreements and the related interest rate swap agreements have LIBOR as a reference rate; however, the bond and interest rate swap agreements also refer to an alternative reference rate that would be substituted should LIBOR be discontinued during the terms of the original bond and interest rate swap agreements. Effective June 30, 2023, LIBOR was discontinued. In December 2022, the bond and interest rate swap agreements substituted LIBOR with the Secured Overnight Financing Rate (SOFR) as the new reference rate. No other changes were made to the original bonds or interest rate swaps as a result of this transaction. The Company elected the practical expedient to account for the change as if the modification was not substantial (continuation of the current contract) and not as an extinguishment.

These standards did not have an impact on the balance sheets, statements of operations and changes in net deficit, nor the statements of cash flows.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

Subsequent Events

In preparing these financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through April 22, 2024, the date the financial statements were issued.

NOTE 3 LIQUIDITY AND AVAILABILITY

As of December 31, 2023 and 2022, the Company has a working capital of \$44,086,093 and \$31,485,073, respectively.

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

	<u>2023</u>	<u>2022</u>
Cash and Cash Equivalents	\$ 6,669,482	\$ 5,090,313
Investments	42,559,342	36,148,530
Accounts Receivable, Net	5,490,137	5,128,734
Other Receivables	9,721,854	7,776,847
Investments Held Under Bond Indenture	9,548,702	9,466,694
Total Financial Assets	<u>\$ 73,989,517</u>	<u>\$ 63,611,118</u>

ASBURY ATLANTIC, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 3 LIQUIDITY AND AVAILABILITY (CONTINUED)

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

Effective October 1, 2019, the Centers for Medicare and Medicaid Services (CMS) finalized the Patient Driven Payment Model (PDPM) to replace the prospective payment system (PPS) Medicare reimbursement system. 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. Annual cost reports are required to be submitted to the designated Medicare Administrative Contractor; however, they do not contain a cost settlement.

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

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

ASBURY ATLANTIC, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 4 REGULATORY ENVIRONMENT (CONTINUED)

Medicare and Medicaid (Continued)

Maryland Medicaid Reimbursement

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

Maryland Medicaid calculates annual regional prices on a state fiscal year basis for administrative and routine costs as well as other patient care costs. Facility-specific capital rates are set based on real estate taxes and fair rental value. These rates generally remain constant throughout the year. 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.

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.

ASBURY ATLANTIC, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 4 REGULATORY ENVIRONMENT (CONTINUED)

Other (Continued)

Settlements with third-party payors for retroactive adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and the Company's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlement are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations. Adjustments arising from a change in an implicit price concession impacting transaction price, were not significant in 2023 and 2022.

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, 2023 and 2022. Subsequent changes that are determined to be the result of an adverse change in the resident's ability to pay are recorded as credit loss expense.

Pennsylvania Department of Insurance Reserve Requirements

On a calendar year basis, BV is required by the Continuing Care Provider Registrations and Disclosure Act of 1984 to maintain a working capital reserve equivalent to the greater of the total of debt service payments due during the next 12 months on account of any loans or 10% of the projected annual operating expenses, exclusive of depreciation and amortization, computed only on the proportional share of financing or operating expenses that is applicable to residents of BV under continuing-care agreements.

ASBURY ATLANTIC, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 4 REGULATORY ENVIRONMENT (CONTINUED)

Pennsylvania Department of Insurance Reserve Requirements (Continued)

The statutory minimum liquid reserve requirement as of December 31, 2023 and 2022 is \$4,019,931 and \$4,214,255, respectively, and is based on the projected annual debt service requirements for BV. The statutory minimum liquid reserve requirement as of December 31 for BV is as follows:

	<u>2023</u>	<u>2022</u>
Projected Annual Interest Expense	\$ 3,773,089	\$ 3,817,651
Principal Payments Due on Long-Term Debt	<u>1,982,002</u>	<u>2,255,638</u>
Liquid Reserve Requirement	5,755,091	6,073,289
Projected Annual Operating Expenses	34,531,658	32,545,596
Minimum Rate	<u>10%</u>	<u>10%</u>
Liquid Reserve Requirement	3,453,166	3,254,560
Maximum Liquid Reserve Requirement	5,755,091	6,073,289
Approximate Percentage of Continuing Care Clients	<u>70%</u>	<u>69%</u>
Statutory Minimum Liquid Reserve	<u>\$ 4,019,931</u>	<u>\$ 4,214,255</u>

SH must adhere to the same reserve requirements. The statutory minimum liquid reserve requirement as of December 31, 2023 and 2022 is \$1,167,558 and \$1,126,503 respectively. The 2023 reserve is based on the projected annual debt service requirements for SH and the 2022 reserve is based on 10% of the projected annual operating expenses exclusive of depreciation and amortization. The statutory minimum liquid reserve requirement as of December 31 for SH is as follows:

	<u>2023</u>	<u>2022</u>
Projected Annual Interest Expense	\$ 1,384,422	\$ 1,216,377
Principal Payments Due on Long-Term Debt	<u>636,624</u>	<u>609,361</u>
Liquid Reserve Requirement	2,021,046	1,825,738
Projected Annual Operating Expenses	20,161,198	19,279,537
Minimum Rate	<u>10%</u>	<u>10%</u>
Liquid Reserve Requirement	2,016,120	1,927,954
Maximum Liquid Reserve Requirement	2,021,046	1,927,954
Approximate Percentage of Continuing Care Clients	<u>58%</u>	<u>58%</u>
Statutory Minimum Liquid Reserve	<u>\$ 1,167,558</u>	<u>\$ 1,126,503</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.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 4 REGULATORY ENVIRONMENT (CONTINUED)

State of Maryland Statutory Reserves

The state of Maryland requires Asbury Atlantic to set aside reserves equal to 25% (previously 15% prior to January 1, 2023) 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>2023</u>	<u>2022</u>
Maryland Department of Aging Reserves:		
Operating Expenses	\$ 94,263,625	\$ 91,586,958
Less: Depreciation and Amortization Expense	(17,465,064)	(17,544,328)
Interest Expense	(4,715,436)	(3,740,448)
Net Operating Expenses	<u>\$ 72,083,125</u>	<u>\$ 70,302,182</u>
Total Operating Reserve (25% and 15% of Net Operating Expenses for years ended December 31, 2023 and 2022, respectively)	<u>\$ 18,020,781</u>	<u>\$ 10,545,327</u>
Required Reserves for the Year Ended December 31 (100% of Total Operating Reserve)	<u>\$ 18,020,781</u>	<u>\$ 10,545,327</u>
Cash and Marketable Securities Available for Operating Reserve	<u>\$ 18,020,781</u>	<u>\$ 17,575,546</u>

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

	<u>2023</u>	<u>2022</u>
Maryland Department of Aging Reserves:		
Operating Expenses	\$ 20,863,750	\$ 20,153,610
Less: Depreciation and Amortization Expense	(3,314,933)	(3,269,530)
Interest Expense	(771,665)	(660,940)
Net Operating Expenses	<u>\$ 16,777,152</u>	<u>\$ 16,223,140</u>
Total Operating Reserve (25% and 15% of Net Operating Expenses for years ended December 31, 2023 and 2022, respectively)	<u>\$ 4,194,288</u>	<u>\$ 2,433,471</u>
Required Reserves for the Year Ended December 31 (100% of Total Operating Reserve)	<u>\$ 4,194,288</u>	<u>\$ 2,433,471</u>
Cash and Marketable Securities Available for Operating Reserve	<u>\$ 4,194,288</u>	<u>\$ 4,055,785</u>

ASBURY ATLANTIC, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 5 CONCENTRATION OF CREDIT RISK

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

	<u>2023</u>	<u>2022</u>
Private Pay	38 %	43 %
Medicaid	27	20
Medicare	22	26
Other (Primarily Managed Care and Insurance)	11	11
Total	<u>100 %</u>	<u>100 %</u>

NOTE 6 INVESTMENTS

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

	<u>2023</u>	<u>2022</u>
Investments:		
Cash and Short-Term Investments	\$ 7,269,623	\$ 407,653
Fixed-Income Securities and Mutual Funds	11,130,311	11,032,138
Equity Securities and Equity Mutual Funds	16,095,169	13,348,931
Alternative Investments	8,064,239	11,359,808
Total Investments	<u>\$ 42,559,342</u>	<u>\$ 36,148,530</u>
Investments Restricted by Donors:		
Cash and Short-Term Investments	\$ 58,600	\$ 85,911
Fixed-Income Securities and Mutual Funds	4,958,012	4,402,227
Equity Securities and Equity Mutual Funds	9,787,082	8,737,879
Real Estate Mutual Funds	82,841	12,793
Total Investments Restricted by Donors	<u>\$ 14,886,535</u>	<u>\$ 13,238,810</u>
Investments Held under Bond Indenture:		
Cash and Short-Term Investments	<u>\$ 31,623,099</u>	<u>\$ 48,711,078</u>
Statutory Reserves:		
Cash and Short-Term Investments	<u>\$ 27,402,558</u>	<u>\$ 26,972,089</u>
Investments Restricted by Board:		
Cash and Short-Term Investments	\$ 618,252	\$ 51,493
Fixed-Income Securities and Mutual Funds	1,340,540	1,393,528
Equity Securities and Equity Mutual Funds	2,556,034	2,515,264
Alternative Investments	392,966	605,828
Total Investments Restricted by Board	<u>\$ 4,907,792</u>	<u>\$ 4,566,113</u>

ASBURY ATLANTIC, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 6 INVESTMENTS (CONTINUED)

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

	2023	2022
Debt Service Fund	\$ 10,149,880	\$ 9,744,918
Debt Service Reserve Fund	16,103,006	16,103,006
Project Fund	5,370,213	22,863,154
Total	31,623,099	48,711,078
Less: Current Portion	(9,548,702)	(9,466,694)
Long-Term Portion of Bond Indenture	\$ 22,074,397	\$ 39,244,384

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, 2023 and 2022 as follows:

	2023	2022
Included Within Asbury Atlantic's Performance Indicator:		
Interest and Dividend Income, Net	\$ 4,534,102	\$ 2,351,531
Net Realized Loss on Investments	(1,934,387)	(2,713,521)
Net Unrealized Gain (Loss) on Equity Security Investments	8,736,543	(12,911,008)
Net Unrealized Gain (Loss) on Change in Market Value of Derivative Instruments	(268,079)	2,828,867
Total	11,068,179	(10,444,131)
Included in Other Changes in Net Deficit:		
Net Unrealized Gain on Fixed Income Securities and Other Investments	418,030	176,053
Total	\$ 11,486,209	\$ (10,268,078)

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. As the need arises, management 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, 2023 and 2022, Asbury Atlantic did not identify any other than temporary declines in the fair value of investments.

ASBURY ATLANTIC, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

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, Albright, and HCBS. Asbury Atlantic's beneficial interest in the net assets of AFOUND was \$35,036,729 and \$33,001,348 as of December 31, 2023 and 2022, respectively. The balance sheets of AFOUND consisted of the following at December 31:

ASSETS	2023	2022
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 99,380	\$ 119,358
Pledges Receivable, Net	602,841	807,667
Prepaid Expenses and Other Assets	45,335	76,143
Total Current Assets	747,556	1,003,168
Property and Equipment, Net	101,746	122,815
Investments Restricted by Donor	43,338,780	37,884,356
Pledge Receivable, Net	8,999,782	6,614,828
Long-Term Investments	1,330,000	1,200,000
Funds Held in Trust	3,419,102	2,871,521
Total Assets	\$ 57,936,966	\$ 49,696,688
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 47,796	\$ 175,763
Due to ACOMM, Net	16,914,226	10,627,594
Obligations under Charitable Gift Annuities	3,635,787	3,748,909
Total Liabilities	20,597,809	14,552,266
NET ASSETS		
With Donor Restrictions	37,339,157	35,144,422
Total Net Assets	37,339,157	35,144,422
Total Liabilities and Net Assets	\$ 57,936,966	\$ 49,696,688

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, Albright, and HCBS.

ASBURY ATLANTIC, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

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 3.84% and 3.99% at December 31, 2023 and 2022, respectively. Changes in the present value of the accompanying obligation are shown as changes in values of charitable gift annuities in the statements of operations and changes in net deficit.

NOTE 9 PROPERTY AND EQUIPMENT

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

	<u>2023</u>	<u>2022</u>
Land and Improvements	\$ 48,606,307	\$ 47,444,762
Buildings and Improvements	569,080,180	544,650,463
Furniture and Equipment	63,490,389	60,159,923
Construction in Progress	712,343	186,757
Total	<u>681,889,219</u>	<u>652,441,905</u>
Less: Accumulated Depreciation	<u>(415,512,543)</u>	<u>(387,268,902)</u>
Property and Equipment, Net	<u>\$ 266,376,676</u>	<u>\$ 265,173,003</u>

Depreciation expense on property and equipment was \$28,243,642 and \$27,832,827 for the years ended December 31, 2023 and 2022, respectively.

ASBURY ATLANTIC, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

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 Service Fees – From time to time, service 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 2023 and 2022, no service 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.
- 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.

ASBURY ATLANTIC, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 10 RELATED PARTY TRANSACTIONS (CONTINUED)

Due to/from ACOMM (Continued)

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. The equity contribution was repaid in full during 2022.

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 services from ACOMM under a service agreement at a cost of \$19,471,202 and \$15,312,303 in 2023 and 2022, respectively. Included in the 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.

In 2021, Asbury Atlantic entered into a services agreement with Albright to receive pharmacy services for the benefit of the residents at the BV and SH campuses. Albright submits monthly invoices to Asbury Atlantic for all products and services provided under this agreement on behalf of BV and SH residents. The term of this agreement will continue on an annual basis until termination by either party. The total cost of pharmacy services provided to BV and SH for the years ended December 31, 2023 and 2022 was \$305,137 and \$344,320, respectively.

In 2022, Asbury Atlantic entered into a services agreement with Albright to receive pharmacy services for the benefit of the residents at the AMV and AS campuses. Albright submits monthly invoices to Asbury Atlantic for all products and services provided under this agreement on behalf of AMV and AS residents. The term of this agreement will continue on an annual basis until termination by either party. The total cost of pharmacy services provided to AMV and AS for the years ended December 31, 2023 and 2022 was \$1,072,168 and \$653,240, respectively.

ASBURY ATLANTIC, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 11 LONG-TERM DEBT

Long-term debt consisted of the following:

	Interest Rate	Maturity Dates	2023	2022
Series 2022A PA Bonds	Variable Rate Revenue Bonds	2025 - 2037	\$ 9,970,397	\$ 2,914,924
Series 2022A MD Bonds	Fixed Rate Revenue Bonds	2037 - 2042	40,000,000	40,000,000
Series 2021A PA Bonds	Fixed Rate Revenue Bonds	2034 - 2041	27,235,000	27,235,000
Series 2021B PA Bonds	Variable Rate Revenue Bonds	2022 - 2034	18,275,000	19,255,000
Series 2019A MD Bonds	Variable Rate Revenue Bonds	2019 - 2023	-	110,000
Series 2019B MD Bonds	Variable Rate Revenue Bonds	2019 - 2027	3,816,000	3,887,000
Series 2019 PA Bonds	Fixed Rate Revenue Bonds	2021 - 2045	53,085,000	54,970,000
Series 2018A MD Bonds	Fixed Rate Revenue Bonds	2023 - 2036	78,070,000	82,540,000
Series 2018B MD Bonds	Fixed Rate Revenue Bonds	2022 - 2027	9,670,000	11,870,000
Subtotal			240,121,397	242,781,924
Unamortized Bond Premium/Discount on Bonds, Net			8,539,194	9,319,744
Unamortized Bond Financing Costs			(3,835,611)	(4,107,668)
Current Portion Bonds Payable			(10,442,000)	(9,716,000)
Total Bonds Payable			234,382,980	238,278,000
Note Payable			164,795	185,033
Current Portion Note Payable			(20,276)	(20,257)
Total Note Payable			144,519	164,776
Total Long-Term Debt			\$ 234,527,499	\$ 238,442,776

Series 2022A Pennsylvania (PA) Bonds

In July 2022, the PA Obligated Group entered into a loan agreement with Cumberland County Municipal Authority (the Authority) pursuant to which the Authority issued the (Asbury Pennsylvania Obligated Group), Series 2022A Revenue Bonds, (the Series 2022A PA Bonds) in the aggregate principal amount of \$18,000,000. The Series 2022A PA Bonds bear interest at an annual rate equal to adjusted SOFR (secured overnight financing rate) plus a spread of 1.343%. The PA Obligated Group has hedged its interest rate exposure associated with the 2022A PA Bonds as described in Note 12 below. As of December 31, 2023, \$9,970,397 has been drawn down on the Series 2022A Bonds.

The proceeds of the Series 2022A PA Bonds will be used to finance improvements at the Bethany Village and Springhill campuses.

Series 2022 Maryland (MD) Bonds

In May 2022, the MD Obligated Group entered into a loan agreement with the City of Gaithersburg (the City) pursuant to which the city sold the Series 2022 Bonds. From the proceeds, the Obligated Group borrowed \$40,000,000 of Economic Development Project Revenue Bonds Series 2022 (the Series 2022 MD Bonds), maturing on January 1, 2042. The Series 2022 Bonds are comprised of serial bonds at fixed rates between 4.50% and 5.125% with yields between 4.90% and 5.20%.

The proceeds of the Series 2022 MD Bonds were utilized to pay the costs of improving and renovating the facilities at the Asbury Methodist Village and Asbury Solomons facilities and to pay certain expenses incurred in connection with the issuance of the Series 2022 MD Bonds.

ASBURY ATLANTIC, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 11 LONG-TERM DEBT (CONTINUED)

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.

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 based on one-month SOFR plus a spread of 1.00%.

Effective December 28, 2022, the Company executed an amendment to the loan agreement that changed the interest rate reference from LIBOR to SOFR. The previous rate under LIBOR was equal to 81% of the sum of one-month LIBOR plus 1.0%, multiplied by a margin rate. This change was not considered a substantial modification to the contract.

ASBURY ATLANTIC, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 11 LONG-TERM DEBT (CONTINUED)

Series 2019 Maryland (MD) Bonds (Continued)

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.

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.

Note Payable

In October 2017, the Asbury Maryland Obligated Group entered into a management agreement with Sodexo Operations, LLC (Sodexo). Within this agreement, there is a contract commitment whereas Sodexo shall purchase equipment for the services stated in the management agreement and/or provide renovations in support of the services in an amount not to exceed \$7,000,000. Sodexo shall amortize the contract commitment on a straight-line basis over ten years, commencing with the date the equipment is placed in service or when renovation commences, as applicable. The balance of the contract commitment as of December 31, 2023 and 2022 is \$164,795 and \$185,033, respectively.

**ASBURY ATLANTIC, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 11 LONG-TERM DEBT (CONTINUED)

Deferred Financing Costs

Deferred financing costs represent expenses (e.g. underwriting, legal, consulting, and other costs) incurred in connection with issuance of debt and are deferred and amortized over the life of the related indebtedness on a straight-line basis, which approximates the effective-interest method. The amortization of deferred financing costs is included in interest expense and totaled \$291,995 and \$261,178 for the years ended December 31, 2023 and 2022, respectively.

Bond Premium and Discount

Bond premiums and discounts are comprised of the difference between the price at which a bond was sold and its fair value. Bond premiums and discounts are amortized on a straight-line basis into interest expense over the life of the bonds. The amortization expense on bond premiums and discounts included a reduction in interest expense of \$780,550 and \$820,217 for the years ended December 31, 2023 and 2022, 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. ACOMM has agreed to contribute cash to the Maryland Obligated Group and Pennsylvania Obligated Group under certain circumstances and, if necessary, to maintain their minimum days of cash-on-hand ratio. As of December 31, 2023, management is not aware of any noncompliance with these covenants.

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>
2024	\$ 10,462,276
2025	11,431,357
2026	12,525,697
2027	14,599,919
2028	10,764,954
Thereafter	180,501,989
Total	<u>\$ 240,286,192</u>

ASBURY ATLANTIC, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

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 MD 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 one-month SOFR. Payments on the Series 2019A agreement began on November 8, 2019 and terminated on November 1, 2023. Payments on the Series 2019B agreement began on November 8, 2019 and will terminate on November 1, 2027. Effective December 28, 2022, the MD Obligated Group executed an amendment to the swap agreements that changed the interest rate reference from LIBOR to SOFR. The previous rate was based upon one-month LIBOR. This change was not considered a substantial modification to the contract.

Asbury Atlantic, on behalf of the PA Obligated Group, entered into a swap agreement in connection with the issuance of the 2022A PA Bonds. Under this agreement, Asbury Atlantic pays a fixed rate of interest of 3.456% and receives floating rate payments equal to adjusted SOFR plus a spread of 1.343% based on a notional amount equal to the principal amount of the 2022A PA Bonds. Payments under the swap agreement will begin on July 1, 2024 and will terminate on July 1, 2036.

The following is a schedule outlining the terms and fair market values of the derivative instruments on December 31, 2023:

	Series 2019A MD	Series 2019B MD	Series 2021B PA	Series 2022	Total
Notional Amount -					
December 31, 2023	\$ -	\$ 3,816,000	\$ 18,275,000	\$ 16,297,409	
Trade Date	11/8/2019	11/8/2019	6/4/2021	7/26/2022	
Effective Date	11/8/2019	11/8/2019	10/4/2021	7/1/2024	
Termination Date	11/1/2023	11/1/2027	6/1/2033	7/1/2036	
Fixed Rate	2.226%	2.309%	1.080%	3.456%	
Fair Value - December 31, 2021	\$ (8,385)	\$ (110,348)	\$ (182,508)	\$ -	\$ (301,241)
Unrealized Gain	9,699	356,786	2,089,180	373,202	2,828,867
Fair Value - December 31, 2022	1,314	246,438	1,906,672	373,202	2,527,626
Unrealized Gain (Loss)	(1,314)	(59,102)	(298,337)	90,674	(268,079)
Fair Value - December 31, 2023	\$ -	\$ 187,336	\$ 1,608,335	\$ 463,876	\$ 2,259,547

Asbury Atlantic has included the fair market value of derivative instruments as an asset of \$2,259,547 and \$2,527,626 in the accompanying balance sheets as of December 31, 2023 and 2022, respectively. Net unrealized gain (loss) on derivative instruments were (\$268,079) and \$2,828,867 in 2023 and 2022, respectively.

**ASBURY ATLANTIC, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 13 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were \$42,410,181 and \$40,408,224 as of December 31, 2023 and 2022, respectively. Included in net assets with donor restrictions are investments to be held in perpetuity totaling \$36,809,831 and \$35,325,230 as of December 31, 2023 and 2022, respectively. Investment income earned from the net assets with donor restrictions is available for operations of the supported organizations including funding of benevolent care.

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

	2023	2022
Endowment Fund - Beginning of Year	\$ 35,325,230	\$ 33,588,400
Change in Beneficial Interest in Net Assets of Asbury Foundation, Inc.	1,518,025	1,753,796
Changes in Value of Obligations under Charitable Gift Annuities	<u>(33,424)</u>	<u>(16,966)</u>
Endowment Fund - End of Year	<u>\$ 36,809,831</u>	<u>\$ 35,325,230</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. As of December 31, 2023 and 2022, employees may elect to defer up to \$22,500 and \$20,500, respectively, of their base salary, subject to certain limitations. The employer match was previously 100% of the employee contributions up to 4% and 50% on the next 2% of contributions for each eligible employee. Effective May 2023, the employer match is 100% of employee contributions up to 3% and 50% on the next 1% of contributions for each eligible employee. The employer's contribution expense for the years ended December 31, 2023 and 2022 was \$1,678,589 and \$1,952,711, respectively.

NOTE 15 COMMITMENTS AND CONTINGENCIES

Caring Communities, a Reciprocal Risk Retention Group

ACOMM and its affiliates participate in an insurance risk retention group, Carin 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. The primary general and professional liability coverage has a limit of \$1,000,000 per occurrence and a \$3,000,000 annual aggregate. The excess general and professional liability coverage has a limit of \$10,000,000 per claim and a \$30,000,000 annual aggregate. This policy has been renewed through December 31, 2024.

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 February 2024, 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, 2023 AND 2022

NOTE 15 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Caring Communities, a Reciprocal Risk Retention Group (Continued)

ACOMM executed a subscription agreement and made capital contributions in exchange for an interest in a CCrRRG Charter Capital Account. Through December 31, 2023, ACOMM's capital contributions were \$560,508 which represents 2.09% 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 its affiliates have a self-funding arrangement for health insurance coverage. ACOMM and affiliates have stop-loss coverage for any claim exceeding \$200,000 per participant with unlimited reimbursement after a \$50,000 aggregate deductible (one time across all claimants).

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 2027. In the normal course of business, it is expected that these leases will be renewed or replaced by similar leases.

The following table provides quantitative information concerning the Company's leases.

	2023	2022
Lease Costs:		
Finance Lease Cost:		
Amortization of Right-of-Use Assets	\$ 157,642	\$ 56,314
Interest on Lease Liabilities	6,231	2,244
Operating Lease Cost	1,381,607	1,152,759
Total Lease Cost	\$ 1,545,480	\$ 1,211,317
Other Information:		
Cash Paid for Amounts Included in the Measurement of Lease Liabilities:		
Operating Cash Flows from Finance Leases	\$ 6,231	\$ 2,244
Operating Cash Flows from Operating Leases	1,381,607	1,152,759
Financing Cash Flows from Finance Leases	155,403	87,757
Right-of-Use Assets Obtained in Exchange for New Finance Lease Liabilities	170,895	264,904
Right-of-Use Assets Obtained in Exchange for New Operating Lease Liabilities	4,534	417,998
Weighted-Average Remaining Lease Term - Finance Leases	1.43 Years	2.36 Years
Weighted-Average Remaining Lease Term - Operating Leases	2.44 Years	3.33 Years
Weighted-Average Discount Rate - Finance Leases	2.00%	2.00%
Weighted-Average Discount Rate - Operating Leases	2.00%	2.00%

ASBURY ATLANTIC, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 15 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Lease Commitments (Continued)

A maturity analysis of annual undiscounted cash flows for lease liabilities as of December 31, 2023 is as follows:

<u>Year Ending December 31,</u>	<u>Operating Leases</u>	<u>Finance Leases</u>
2024	\$ 455,826	\$ 161,634
2025	430,912	71,232
2026	139,020	26,117
2027	35,860	-
Total	1,061,618	258,983
Less: Interest Expense	(25,047)	(4,337)
Amounts Recognized in the Balance Sheets	<u>\$ 1,036,571</u>	<u>\$ 254,646</u>

NOTE 16 FUNCTIONAL EXPENSES

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

	<u>2023</u>		
	<u>Program</u>	<u>Supporting</u>	<u>Total</u>
	<u>Services</u>	<u>Services</u>	
	<u>Continuing</u>	<u>Management</u>	
	<u>Care Services</u>	<u>and General</u>	
Salaries and Wages	\$ 60,198,697	\$ -	\$ 60,198,697
Employee Benefits	13,182,185	-	13,182,185
Contract Labor	9,783,047	-	9,783,047
Food Purchases	6,168,814	-	6,168,814
Medical Supplies and Other			
Resident Costs	5,085,493	-	5,085,493
General and Administrative	-	2,771,048	2,771,048
Building and Maintenance	18,162,559	-	18,162,559
Professional Fees and Insurance	1,907,838	-	1,907,838
Interest	10,541,646	-	10,541,646
Taxes	4,266,786	-	4,266,786
Provision for Credit Losses	796,041	-	796,041
Depreciation and Amortization	28,499,904	-	28,499,904
Service and Other Fees	-	19,003,218	19,003,218
Total Functional Expenses	<u>\$ 158,593,010</u>	<u>\$ 21,774,266</u>	<u>\$ 180,367,276</u>

ASBURY ATLANTIC, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 16 FUNCTIONAL EXPENSES (CONTINUED)

	2022		Total
	Program Services	Supporting Services	
	Continuing Care Services	Management and General	
Salaries and Wages	\$ 57,316,525	\$ -	\$ 57,316,525
Employee Benefits	11,461,382	-	11,461,382
Contract Labor	11,197,295	-	11,197,295
Food Purchases	6,055,991	-	6,055,991
Medical Supplies and Other			
Resident Costs	5,919,546	-	5,919,546
General and Administrative	-	3,133,185	3,133,185
Building and Maintenance	17,001,930	-	17,001,930
Professional Fees and Insurance	1,818,156	-	1,818,156
Interest	9,613,616	-	9,613,616
Taxes	4,151,965	-	4,151,965
Provision for Credit Losses	91,600	-	91,600
Depreciation and Amortization	27,999,121	-	27,999,121
Service and Other Fees	-	14,777,181	14,777,181
Allocations to Asbury Foundation, Inc.	-	2,319,333	2,319,333
Total Functional Expenses	<u>\$ 152,627,127</u>	<u>\$ 20,229,699</u>	<u>\$ 172,856,826</u>

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

NOTE 17 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

ASBURY ATLANTIC, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 17 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Investments measured at fair value using net asset value per share include alternative investments. Alternative investments are those not listed on national exchanges or over-the-counter markets, or for which quoted market prices are not readily available. The Company Group follows guidance related to the fair value measurement standard that was issued for estimating the fair value of investments in investment companies that have a calculated value of their capital account or net asset value (NAV) in accordance with, or in a manner consistent with a U.S. GAAP. As a practical expedient, the Company is permitted under U.S. GAAP to estimate the fair value of an investment at the measurement date using reported NAV without further adjustment unless the entity expects to sell the investment at a value other than NAV or if NAV is not calculated in accordance with U.S. GAAP.

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, 2023			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash and Short-Term Investments	\$ 66,972,132	\$ -	\$ -	\$ 66,972,132
Fixed Income Securities and Mutual Funds	17,428,863	-	-	17,428,863
Equity Securities and Mutual Funds	28,438,285	-	-	28,438,285
Real Estate Mutual Funds	82,841	-	-	82,841
Derivative Instruments		2,259,547		2,259,547
Subtotal	<u>\$ 112,922,121</u>	<u>\$ 2,259,547</u>	<u>\$ -</u>	<u>\$ 115,181,668</u>
Investments measured at Fair Value Using Net Asset Value Per Share				<u>8,457,205</u>
Total				<u>\$ 123,638,873</u>

Recurring Fair Value Measures	At Fair Value as of December 31, 2022			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash and Short-Term Investments	\$ 76,228,224	\$ -	\$ -	\$ 76,228,224
Fixed Income Securities and Mutual Funds	16,827,893	-	-	16,827,893
Equity Securities and Mutual Funds	24,602,074	-	-	24,602,074
Real Estate Mutual Funds	12,793	-	-	12,793
Derivative Instruments	-	2,527,626	-	2,527,626
Subtotal	<u>\$ 117,670,984</u>	<u>\$ 2,527,626</u>	<u>\$ -</u>	<u>\$ 120,198,610</u>
Investments measured at Fair Value Using Net Asset Value Per Share				<u>11,965,636</u>
Total				<u>\$ 132,164,246</u>

ASBURY ATLANTIC, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 17 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The Company has a policy which permits investments in alternative investments that do not have a readily determinable fair value and, as such, uses the NAV per share as calculated on the reporting entity's measurement date as the fair value of the investment. A listing of the investments held by the Company and their attributes that may qualify for these valuations consist of the following as of December 31, 2023:

Investment/Strategy	Fair Value	Unfunded Commitments	Redemption Frequency*	Redemption Notice Period
Pantheon USA Fund VI	\$ 28,836	\$ 168,455	N/A - illiquid	N/A - illiquid
Pantheon Global Fund III	34,255	140,073	N/A - illiquid	N/A - illiquid
Ironwood International Ltd.	2,053,968	-	Semi Annually (on anniversary date)	95 calendar days
Partners Group	1,454,802	-	Quarterly	20 business days
Blackstone Real Estate Income Trust, Inc.	1,323,956	-	Monthly	7 days prior to month-end
Nuveen Global Cities	1,292,851	-	Monthly	7 days prior to month-end
ACL Alternative Fund	802,846	-	Daily	N/A
Pomona Investment Fund	<u>1,465,691</u>	-	Quarterly	20 business days
Total	<u>\$ 8,457,205</u>			

**Subject to Board approval for each period or as documented in the fund's prospectus*

ASBURY ATLANTIC, INC.
BALANCE SHEET BY LOCATION
DECEMBER 31, 2023
(SEE INDEPENDENT AUDITORS' REPORT)

ASSETS	Asbury Methodist Village	Asbury Solomons, Inc.	Bethany Village	Springhill	Combining Entries	Asbury Atlantic, Inc.
CURRENT ASSETS						
Cash and Cash Equivalents	\$ 4,211,956	\$ 15,356	\$ 1,689,763	\$ 752,407	\$ -	\$ 6,669,482
Investments	33,405,162	388,363	8,306,265	459,552	-	42,559,342
Accounts Receivable	4,130,206	358,547	939,532	1,323,774	-	6,752,059
Allowance for Credit Losses	(649,864)	(13,068)	(96,705)	(502,285)	-	(1,261,922)
Other Receivables and Prepaid Expenses	4,633,813	2,934,347	1,744,305	409,389	-	9,721,854
Investments Held Under Bond Indenture	5,942,660	751,405	2,271,703	582,934	-	9,548,702
Total Current Assets	<u>51,673,933</u>	<u>4,434,950</u>	<u>14,854,863</u>	<u>3,025,771</u>	<u>-</u>	<u>73,989,517</u>
Due from ACOMM, Net	52,750,331	22,822,179	27,369,666	-	(4,133,542)	98,808,634
Property and Equipment, Net	134,292,473	38,714,245	75,126,001	18,243,957	-	266,376,676
Right-of-Use Assets - Operating Leases	447,197	90,658	308,749	189,967	-	1,036,571
Right-of-Use Assets - Finance Leases	256,491	16,109	-	11,250	-	283,850
Investments Restricted by Donors	-	-	14,886,535	-	-	14,886,535
Deposits and Other Assets	378,814	-	-	9,509	-	388,323
Investments Held Under Bond Indenture	12,880,739	1,272,331	6,288,245	1,633,082	-	22,074,397
Statutory Reserves	18,020,781	4,194,288	4,019,931	1,167,558	-	27,402,558
Investments Restricted by Board	1,420,314	-	3,487,478	-	-	4,907,792
Beneficial Interest in Net Assets of Foundation	20,873,390	3,738,241	9,729,799	695,299	-	35,036,729
Valuation of Derivative Instruments	187,336	-	1,462,459	609,752	-	2,259,547
Total Assets	<u>\$ 293,181,799</u>	<u>\$ 75,283,001</u>	<u>\$ 157,533,726</u>	<u>\$ 25,586,145</u>	<u>\$ (4,133,542)</u>	<u>\$ 547,451,129</u>

ASBURY ATLANTIC, INC.
BALANCE SHEET BY LOCATION (CONTINUED)
DECEMBER 31, 2023
(SEE INDEPENDENT AUDITORS' REPORT)

LIABILITIES AND NET DEFICIT	Asbury Methodist Village	Asbury Solomons, Inc.	Bethany Village	Springhill	Combining Entries	Asbury Atlantic, Inc.
CURRENT LIABILITIES						
Accounts Payable and Accrued Expenses	\$ 983,623	\$ 46,731	\$ 164,224	\$ 197,102	\$ -	\$ 1,391,680
Accrued Compensation and Related Items	-	-	-	-	-	-
Accrued Interest Payable	2,689,752	416,895	1,539,803	433,224	-	5,079,674
Obligations Under Charitable Gift Annuities	-	-	74,702	-	-	74,702
Deposits from Prospective Residents	2,315,945	258,655	940,791	214,804	-	3,730,195
Entrance Fees - Refundable	5,580,086	1,102,327	344,948	360,166	-	7,387,527
Deferred Revenue	460,085	69,246	354,930	282,477	-	1,166,738
Current Portion of Lease Liabilities - Operating Leases	198,147	47,013	132,860	74,072	-	452,092
Current Portion of Lease Liabilities - Finance Leases	143,495	9,221	-	5,824	-	158,540
Current Portion of Long-Term Debt	6,795,446	676,830	2,353,376	636,624	-	10,462,276
Total Current Liabilities	19,166,579	2,626,918	5,905,634	2,204,293	-	29,903,424
Due to ACOMM, Net	-	-	-	4,133,542	(4,133,542)	-
Long-Term Lease Liabilities - Operating Leases	249,050	43,645	175,889	115,895	-	584,479
Long-Term Lease Liabilities - Finance Leases	90,568	-	-	5,538	-	96,106
Long-Term Debt, Less Current Portion	109,860,891	16,819,754	83,813,775	24,033,079	-	234,527,499
Contingent Refundable Entrance Fee Liability	95,596,114	24,131,173	11,862,238	14,222,408	-	145,811,933
Entrance Fees - Deferred Revenue	94,194,663	36,661,661	45,567,961	10,182,632	-	186,606,917
Obligations Under Charitable Gift Annuities	-	-	116,865	-	-	116,865
Other Liabilities	1,500,000	-	-	-	-	1,500,000
Total Liabilities	320,657,865	80,283,151	147,442,362	54,897,387	(4,133,542)	599,147,223
NET ASSETS (DEFICIT)						
Without Donor Restrictions	(48,349,456)	(8,738,391)	(7,011,886)	(30,006,542)	-	(94,106,275)
With Donor Restrictions	20,873,390	3,738,241	17,103,250	695,300	-	42,410,181
Total Net Deficit	(27,476,066)	(5,000,150)	10,091,364	(29,311,242)	-	(51,696,094)
Total Liabilities and Net Deficit	\$ 293,181,799	\$ 75,283,001	\$ 157,533,726	\$ 25,586,145	\$ (4,133,542)	\$ 547,451,129

ASBURY ATLANTIC, INC.
STATEMENT OF OPERATIONS AND CHANGES IN NET DEFICIT WITHOUT DONOR RESTRICTIONS BY LOCATION
YEAR ENDED DECEMBER 31, 2023
(SEE INDEPENDENT AUDITORS' REPORT)

	Asbury Methodist Village	Asbury Solomons, Inc.	Bethany Village	Springhill	Combining Entries	Asbury Atlantic, Inc.
REVENUES, GAINS, AND OTHER SUPPORT						
Resident Services Revenue	\$ 74,335,684	\$ 19,238,848	\$ 33,608,419	\$ 18,883,701	\$ -	\$ 146,066,652
Other Operating Revenue	1,656,376	258,484	2,371,356	635,754	-	4,921,970
Amortization of Entrance Fees	13,905,341	5,544,164	6,253,801	1,590,936	-	27,294,242
Interest and Dividend Income, Net	2,619,431	445,266	1,301,298	168,107	-	4,534,102
Net Realized Loss on Investments	(1,583,197)	(136,902)	(165,536)	(48,752)	-	(1,934,387)
Net Unrealized Loss on Equity Security Investments	5,640,458	468,029	2,460,262	167,794	-	8,736,543
Allocations from Asbury Foundation, Inc.	5,030,620	1,279,127	3,515,866	208,119	-	10,033,732
Total Revenues, Gains, and Other Support	<u>101,604,713</u>	<u>27,097,016</u>	<u>49,345,466</u>	<u>21,605,659</u>	<u>-</u>	<u>199,652,854</u>
EXPENSES						
Salaries	32,931,804	6,900,552	11,759,402	8,606,939	-	60,198,697
Employee Benefits	6,773,299	1,390,642	3,160,951	1,857,293	-	13,182,185
Contract Labor	3,493,194	1,326,472	3,483,183	1,480,198	-	9,783,047
Food Purchases	3,456,273	1,007,502	961,557	743,482	-	6,168,814
Medical Supplies and Other Resident Costs	2,801,290	610,326	1,043,384	630,493	-	5,085,493
General and Administrative	1,164,515	450,930	666,702	488,901	-	2,771,048
Building and Maintenance	9,268,112	2,501,741	4,502,699	1,890,007	-	18,162,559
Professional Fees and Insurance	1,003,986	276,748	344,853	282,251	-	1,907,838
Interest	5,169,317	863,816	3,411,434	1,097,079	-	10,541,646
Taxes	2,319,645	707,430	1,054,132	185,579	-	4,266,786
Provision for Credit Losses	297,138	66,147	85,286	347,470	-	796,041
Depreciation and Amortization	17,611,664	3,484,698	5,383,031	2,020,511	-	28,499,904
Service and Other Fees	10,657,713	2,704,994	3,516,337	2,124,174	-	19,003,218
Total Expenses	<u>96,947,950</u>	<u>22,291,998</u>	<u>39,372,951</u>	<u>21,754,377</u>	<u>-</u>	<u>180,367,276</u>
INCOME (LOSS) FROM OPERATIONS PRIOR TO NET UNREALIZED LOSS ON CHANGE IN MARKET VALUE OF DERIVATIVE INSTRUMENTS AND GAIN (LOSS) ON DISPOSAL OF ASSETS	4,656,763	4,805,018	9,972,515	(148,718)	-	19,285,578

ASBURY ATLANTIC, INC.
STATEMENT OF OPERATIONS AND CHANGES IN NET DEFICIT WITHOUT DONOR RESTRICTIONS BY LOCATION (CONTINUED)
YEAR ENDED DECEMBER 31, 2023
(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 Loss on Change in Market Value of Derivative Instruments and Gain (Loss) on Disposal of Assets	\$ 4,656,763	\$ 4,805,018	\$ 9,972,515	\$ (148,718)	\$ -	\$ 19,285,578
Net Unrealized Loss on Change in Market Value of Derivative Instruments	(59,639)	(777)	(186,530)	(21,133)	-	(268,079)
Gain (Loss) on Disposal of Assets	(51,386)	-	4,092,268	-	-	4,040,882
INCOME (LOSS) FROM OPERATIONS	4,545,738	4,804,241	13,878,253	(169,851)	-	23,058,381
NET DEFICIT WITHOUT DONOR RESTRICTIONS						
Net Unrealized Gain on Fixed Income Securities and Other Investments	286,121	24,475	98,579	8,855	-	418,030
Net Assets Released from Restrictions Used for Purchase of Capital Items	131,278	7,494	284,474	507	-	423,753
Transfers to ACOMM	(375,000)	(38,750)	(183,000)	(50,500)	-	(647,250)
NET (INCREASE) DECREASE IN NET DEFICIT WITHOUT DONOR RESTRICTIONS	\$ 4,588,137	\$ 4,797,460	\$ 14,078,306	\$ (210,989)	\$ -	\$ 23,252,914

ASBURY ATLANTIC, INC.
STATEMENT OF CASH FLOWS BY LOCATION
YEAR ENDED DECEMBER 31, 2023
(SEE INDEPENDENT AUDITORS' REPORT)

	Asbury Methodist Village	Asbury Solomons, Inc.	Bethany Village	Springhill	Asbury Atlantic, Inc.
CASH FLOWS FROM OPERATING ACTIVITIES					
Changes in Net Assets (Deficit)	\$ 5,377,409	\$ 4,642,729	\$ 15,216,175	\$ 18,558	\$ 25,254,871
Adjustments to Reconcile Changes in Net Assets (Deficit) to Net Cash Provided by Operating Activities:					
Provision for Credit Losses	297,138	66,147	85,286	347,470	796,041
Depreciation and Amortization of Deferred Marketing Costs	17,469,020	3,475,521	5,383,031	2,014,690	28,342,262
Amortization of Deferred Financing Costs	117,290	68,150	78,646	27,909	291,995
Amortization of Bond Premium/Discount	(514,893)	(50,660)	(169,694)	(45,303)	(780,550)
Amortization of ROU Asset	142,644	9,177	-	5,821	157,642
Amortization of Entrance Fees	(13,905,341)	(5,544,164)	(6,253,801)	(1,590,936)	(27,294,242)
Net Proceeds from Nonrefundable Entrance and Advance Fees	18,596,558	7,612,933	10,615,950	2,221,227	39,046,668
Net Unrealized Gain on Investments	(5,926,579)	(492,504)	(2,558,841)	(176,649)	(9,154,573)
Net Realized Loss on Investments	1,583,197	136,902	165,536	48,752	1,934,387
(Gain) Loss on Disposal of Assets	51,386	-	(4,092,268)	-	(4,040,882)
Net Unrealized Loss on Change in Market Value of Derivative Instruments	59,639	777	186,530	21,133	268,079
Changes in Beneficial Interest in Net Assets of Foundation	(789,272)	154,731	(1,171,293)	(229,547)	(2,035,381)
Transfers to ACOMM	375,000	38,750	183,000	50,500	647,250
Changes in Value of Obligations under Charitable Gift Annuities	-	-	33,424	-	33,424
Changes in Assets and Liabilities:					
Accounts Receivable	(685,299)	20,145	(124,589)	(367,701)	(1,157,444)
Other Receivables and Prepaid Expenses	(534,333)	(478,632)	117,586	41,616	(853,763)
Deferred Entrance Fees	(5,386)	(496,298)	(512,100)	(77,460)	(1,091,244)
Other Assets	103,711	-	-	1,496	105,207
Deferred Revenue	1,216,021	(1,889,828)	38,459	304,706	(330,642)
Accounts Payable and Accrued Expenses	(1,812,546)	(54,316)	(355,546)	(19,308)	(2,241,716)
Accrued Interest Payable	(323,674)	(46,391)	(4,520)	12,248	(362,337)
Net Cash Provided by Operating Activities	20,891,690	7,173,169	16,860,971	2,609,222	47,535,052

ASBURY ATLANTIC, INC.
STATEMENT OF CASH FLOWS BY LOCATION (CONTINUED)
YEAR ENDED DECEMBER 31, 2023
(SEE INDEPENDENT AUDITORS' REPORT)

	Asbury Methodist Village	Asbury Solomons, Inc.	Bethany Village	Springhill	Asbury Atlantic, Inc.
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of Property and Equipment, Net	\$ (16,374,906)	\$ (4,967,960)	\$ (1,378,958)	\$ (2,783,229)	\$ (25,505,053)
Purchases of Investments	(32,311,784)	(2,795,358)	(10,245,658)	(992,515)	(46,345,315)
Sales of Investments	36,312,648	2,762,597	5,080,566	1,009,474	45,165,285
Net Cash Used by Investing Activities	<u>(12,374,042)</u>	<u>(5,000,721)</u>	<u>(6,544,050)</u>	<u>(2,766,270)</u>	<u>(26,685,083)</u>
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from Entrance and Advance Refundable Fees and Refundable Deposits	6,099,590	2,824,000	-	1,321,507	10,245,097
Refunds of Entrance and Advance Refundable Fees and Refundable Deposits	(13,628,392)	(3,091,606)	(1,703,534)	(1,828,777)	(20,252,309)
Proceeds from Issuance of Debt	-	-	4,830,760	2,224,713	7,055,473
Payments on Debt	(6,159,672)	(711,566)	(2,255,638)	(609,362)	(9,736,238)
Payments for Deferred Financing Costs	(16,247)	(1,391)	(1,103)	(1,197)	(19,938)
Payments on Obligations Under Deferred-Giving Arrangements	-	-	(64,484)	-	(64,484)
Payments on Finance Leases	(140,655)	(9,039)	-	(5,709)	(155,403)
Change in Due to ACOMM, Net	(4,064,912)	(4,926,757)	(12,598,133)	(763,456)	(22,353,258)
Transfers to ACOMM	(375,000)	(38,750)	(183,000)	(50,500)	(647,250)
Net Cash Provided (Used) by Financing Activities	<u>(18,285,288)</u>	<u>(5,955,109)</u>	<u>(11,975,132)</u>	<u>287,219</u>	<u>(35,928,310)</u>
INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	<u>(9,767,640)</u>	<u>(3,782,661)</u>	<u>(1,658,211)</u>	<u>130,171</u>	<u>(15,078,341)</u>
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	<u>50,823,776</u>	<u>10,016,041</u>	<u>15,927,853</u>	<u>4,005,810</u>	<u>80,773,480</u>
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR	<u>\$ 41,056,136</u>	<u>\$ 6,233,380</u>	<u>\$ 14,269,642</u>	<u>\$ 4,135,981</u>	<u>\$ 65,695,139</u>