ASBURY COMMUNITIES, INC.

CONSOLIDATED FINANCIAL STATEMENTS AND OTHER FINANCIAL INFORMATION

YEARS ENDED DECEMBER 31, 2017 AND 2016

CliftonLarsonAllen LLP

WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING

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INDEPENDENT AUDITORS' REPORT

Audit Committee
Asbury Communities, Inc.
Frederick, Maryland

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Asbury Communities, Inc. (a Maryland nonprofit corporation) and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2017 and 2016, and the related consolidated statements of operations and changes in net deficit, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Audit Committee
Asbury Communities, Inc.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Asbury Communities, Inc. and its subsidiaries as of December 31, 2017 and 2016, and the results of their operations, changes in net deficit, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Other Financial Information

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
March 29, 2018

ASBURY COMMUNITIES, INC.
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2017, AND 2016

	2017	2016
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 22,942,775	$ 14,484,435
Investments	79,606,949	70,015,273
Accounts Receivable, Net of Allowance for Doubtful Accounts $3,835,492 and $3,659,042 for December 31, 2017 and 2016, Respectively	9,527,506	9,402,249
Pledges Receivable, Net	512,131	628,725
Other Receivables and Prepaid Expenses	13,519,853	19,116,372
Investments Held under Bond Indenture	21,857,969	16,834,843
Assets Held for Sale	6,090,453	332,000
Total Current Assets	154,057,636	130,813,897
Property and Equipment, Net	414,628,458	410,643,764
Investments Restricted by Donors	31,695,988	27,825,309
Long-Term Investments	134,192	134,192
Deferred Marketing Costs, Net	1,276,607	2,014,654
Deposits and Other Assets	858,212	1,722,575
Other Intangible Assets, Net	6,730,000	7,930,000
Investments Held under Bond Indenture	23,782,122	36,193,502
Statutory Reserves	18,695,870	17,952,017
Investments Restricted by Board	4,377,885	4,197,007
Pledges Receivable, Net	1,910,718	1,375,588
Funds Held in Trust	1,917,115	1,870,145
Total Assets	$ 660,064,803	$ 642,672,650

See accompanying Notes to Consolidated Financial Statements.

LIABILITIES AND NET DEFICIT	2017	2016
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	$ 9,859,539	$ 10,727,065
Accrued Compensation and Related Items	18,507,446	16,703,972
Accrued Interest Payable	9,103,281	9,096,057
Construction Retainage Payable	865,323	126,968
Obligations under Charitable Gift Annuities	663,106	706,437
Deposits from Prospective Residents	3,936,856	3,714,083
Entrance Fees - Refundable	4,437,729	4,803,839
Deferred Revenue	1,455,209	1,316,768
Current Portion of Long-Term Debt	69,590,233	8,805,576
Total Current Liabilities	118,418,722	56,000,765
Long-Term Debt, Net	278,142,293	334,254,261
Projected Refund of Standard Entrance Fees	4,922,882	4,150,047
Contingent Refundable Entrance Fee Liability	273,851,953	272,858,169
Entrance Fees - Deferred Revenue	165,310,236	158,631,798
Valuation of Derivative Instruments	24,528,106	25,786,238
Obligations under Charitable Gift Annuities	3,350,521	3,518,764
Other Long-Term Liabilities	502,262	94,570
Total Liabilities	869,026,975	855,294,612
NET ASSETS (DEFICIT)		
Unrestricted	(241,189,043)	(242,436,242)
Temporarily Restricted	4,243,620	2,750,856
Permanently Restricted	27,983,251	27,063,424
Total Net Deficit	(208,962,172)	(212,621,962)
Total Liabilities and Net Deficit	$ 660,064,803	$ 642,672,650

ASBURY COMMUNITIES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET DEFICIT
YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
REVENUES, GAINS, AND OTHER SUPPORT		
Net Resident Service Revenue	$ 192,702,197	$ 177,123,700
Other Operating Revenue	7,841,359	6,189,597
Amortization of Entrance Fees	21,628,792	21,571,014
Interest and Dividend Income, Net	3,650,458	2,884,619
Net Realized Gain (Loss) on Investments	18,764,690	(808,266)
Contributions	3,949,070	3,679,048
Net Assets Released from Restrictions Used for Operations	394,567	232,342
Total Revenues, Gains and Other Support	248,931,133	210,872,054
EXPENSES		
Salaries	93,802,488	87,125,021
Employee Benefits	21,335,221	19,468,365
Cost of Goods Sold	215,284	241,151
Contract Labor	16,281,272	13,943,112
Food Purchases	8,773,163	7,831,116
Medical Supplies and Other Resident Costs	8,091,147	6,825,829
General and Administrative	10,034,177	6,300,603
Building and Maintenance	22,259,732	19,987,320
Professional Fees and Insurance	2,170,395	1,902,382
Interest	20,342,588	20,554,823
Taxes	5,163,202	4,099,825
Provisions for Bad Debts	1,845,609	1,508,041
Depreciation and Amortization	31,870,135	30,035,414
Total Expenses	242,184,413	219,823,002
INCOME (LOSS) FROM OPERATIONS PRIOR TO NET UNREALIZED GAIN ON CHANGE IN MARKET VALUE OF DERIVATIVE INSTRUMENTS, LOSS ON DISPOSAL OF ASSETS, INHERENT CONTRIBUTION, NET, AND LOSS ON RETIREMENT OF DEBT	6,746,720	(8,950,948)
Net Unrealized Gain on Change in Market Value of Derivative Instruments	1,258,132	1,625,588
Loss on Disposal of Assets	(1,982,770)	-
Inherent Contribution, Net	1,687,250	21,473,297
Loss on Retirement of Debt	(232,669)	(204,062)
INCOME FROM OPERATIONS	7,476,663	13,943,875

See accompanying Notes to Consolidated Financial Statements.

ASBURY COMMUNITIES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET DEFICIT (CONTINUED)
YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
UNRESTRICTED NET DEFICIT		
Income from Operations	$ 7,476,663	$ 13,943,875
Net Assets Released from Restrictions Used for Purchases of Capital Items	800,344	2,271,940
Net Unrealized Gain (Loss) on Investments	(7,029,808)	3,375,746
Net Decrease in Unrestricted Net Deficit	1,247,199	19,591,561
TEMPORARILY RESTRICTED NET ASSETS		
Contributions	2,687,675	1,698,252
Inherent Contribution	-	123,023
Net Assets Released from Restrictions for Operations	(394,567)	(232,342)
Net Assets Released from Restrictions Used for Purchases of Capital Items	(800,344)	(2,271,940)
Net Increase (Decrease) in Temporarily Restricted Net Assets	1,492,764	(683,007)
PERMANENTLY RESTRICTED NET ASSETS		
Contributions	1,174,168	251,927
Inherent Contribution	-	53,391
Changes in Value of Obligations under Charitable Gift Annuities	(254,341)	(83,541)
Net Increase in Permanently Restricted Net Assets	919,827	221,777
DECREASE IN NET DEFICIT	3,659,790	19,130,331
Net Deficit - Beginning of Year	(212,621,962)	(231,752,293)
NET DEFICIT - END OF YEAR	$ (208,962,172)	$ (212,621,962)

See accompanying Notes to Consolidated Financial Statements.

ASBURY COMMUNITIES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Decrease in Net Deficit	$ 3,659,790	$ 19,130,331
Adjustments to Reconcile Decrease in Net Deficit to Net Cash Provided by Operating Activities:		
Provision for Bad Debts	1,845,609	1,508,041
Depreciation and Amortization	31,870,135	30,035,414
Amortization of Deferred Financing Costs	400,271	356,003
Amortization of Bond Premium/Discount	(285,139)	(215,602)
Amortization of Entrance Fees	(21,628,792)	(21,571,014)
Net Proceeds from Nonrefundable Entrance and Advance Fees	30,184,201	28,696,648
Inherent Contribution	(1,687,250)	(21,473,297)
Inherent Contribution Restricted Assets	-	(176,414)
Net Unrealized (Gain) Loss on Investments	7,029,808	(3,375,746)
Net Unrealized Gains on Change in Market Value of Derivative Instruments	(1,258,132)	(1,625,588)
Changes in Value of Obligations under Charitable Gift Annuities	254,341	406,813
Restricted Contributions Received	(3,861,843)	(1,950,179)
Loss on Disposal of Assets	1,982,770	-
Loss on Retirement of Debt	232,669	204,062
Changes in Assets and Liabilities:		
Accounts Receivable	(1,970,866)	(290,750)
Other Receivables and Prepaid Expenses	(890,817)	(191,803)
Deferred Entrance Fees	6,501,047	2,192,346
Deposits and Other Assets	895,870	867,085
Pledges Receivable, Net	(418,536)	(1,069,946)
Deferred Revenue	138,441	552,926
Accounts Payable and Accrued Expenses	1,468,545	1,327,857
Accrued Interest Payable	7,224	210,705
Net Cash Provided by Operating Activities	54,469,346	33,547,892
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment, Net	(40,646,912)	(26,860,127)
Proceeds from Sale of Assets	286,825	-
Funds Held in Trust	(46,970)	97,734
Cash Received Upon Affiliations	180,287	5,116,544
Purchases of Investments, Net	(12,062,511)	(5,699,426)
Net Cash Used by Investing Activities	(52,289,281)	(27,345,275)

See accompanying Notes to Consolidated Financial Statements.

ASBURY COMMUNITIES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Entrance and Advance Refundable Fees and Refundable Deposits	$ 33,915,485	$ 29,269,134
Refunds of Entrance and Advance Refundable Fees and Refundable Deposits	(34,169,174)	(29,992,862)
Restricted Contributions	4,139,930	1,950,179
Proceeds from Issuance of Debt	19,683,047	25,494,330
Change in Other Long-Term Liabilities	407,692	(50,006)
Payments on Long-Term Debt	(16,865,245)	(19,934,840)
Payments for Deferred Financing Costs	(89,458)	(1,214,279)
Payments on Obligations under Charitable Gift Annuities	(744,002)	(769,118)
Net Cash Provided by Financing Activities	6,278,275	4,752,538
INCREASE IN CASH AND CASH EQUIVALENTS	8,458,340	10,955,155
Cash and Cash Equivalents - Beginning of Year	14,484,435	3,529,280
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 22,942,775	$ 14,484,435
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for Interest	$ 20,220,232	$ 20,411,264

See accompanying Notes to Consolidated Financial Statements.

NOTE 1 ORGANIZATION

Asbury Communities, Inc. (ACOMM), was organized on August 1, 1994, as a Maryland nonprofit organization to provide executive and comprehensive administrative functions, as well as policy and overall planning guidance, to its supported organizations. ACOMM serves as the supporting organization of Asbury Atlantic, Inc. (Asbury Atlantic); Inverness Village, an Oklahoma nonprofit Corporation (IV); Asbury Communities HCBS, Inc. (HCBS); Calvert County Nursing Center (CCNC); and Asbury, Inc. (Asbury Place) and Affiliate (Forest Ridge Manor). ACOMM is the sole voting stockholder of The Asbury Group, Inc. (TAG). Additionally, ACOMM is the sole member of Asbury Foundation, Inc. (AFOUND).

On August 1, 2016, ACOMM entered into an affiliation agreement with Bethany Development, Inc. (BDC), a 149-unit affordable housing (HUD) community in Mechanicsburg, Pennsylvania. ACOMM will serve as the supporting organization of BDC. The current board of directors of BDC continued control over board governance until August 1, 2017. The accompanying consolidated financial statements include the financial position and results of operations of BDC as of December 31, 2017 and for the five months then ended, respectively.

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

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

IV – is a nonprofit, nonstock corporation organized under the laws of the State of Oklahoma. IV is a CCRC located in greater metropolitan Tulsa, Oklahoma.

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

NOTE 1 ORGANIZATION (CONTINUED)

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

CCNC – CCNC is a 149-bed, Medicare and Medicaid certified, skilled nursing provider located in Prince Frederick, Maryland, within the same county as AS.

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

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of ACOMM and its affiliates, Asbury Atlantic, IV, HCBS, Asbury, Inc. and Forest Ridge Manor, AFOUND, TAG, CCNC, and BDC (collectively referred to as the "Company"). All significant intercompany transactions have been eliminated in consolidation.

Use of Estimates

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

Cash and Cash Equivalents

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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable and Contractual Allowances

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

Under the Medicare and Medicaid reimbursement and other third-party agreements, amounts collected for services to patients under these agreements are computed at contractually agreed-upon rates. Accounts receivable have been adjusted to reflect the difference between charges and the reimbursable amounts under these third-party contracts. Revenues from Medicare and Medicaid programs and other third-party agreements accounted for approximately 29% and 27% of the Company's total net resident service revenues for years ended December 31, 2017 and 2016, respectively.

Pledges Receivable and Fund Held in Trust

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

Funds held in trust are amounts where the Company does not serve as trustee and amounted to $1,917,115 and $1,870,145 as of December 31, 2017 and 2016, respectively. It is the policy of the company to record such assets only when the Company's interest is deemed to be irrevocable by the management and where there is sufficient information to quantify a fair and accurate valuation. The Company's beneficial interest is recorded at the discounted present value of the gift. When the proceeds from these assets are received, the amount received is used for purposes designated by the donor, if any.

Investments and Investment Income

Substantially all investments are held in investment pools with the Company, except investments held by Asbury Place, IV, FRM, and BDC. The investment pools are comprised of equity securities or equity mutual funds, bonds or bond mutual funds and cash. The equity securities, mutual funds, and bonds have readily determinable market values, and their related unrealized gains or losses are recorded below the income (loss) from operations. The investments are managed by an investment advisor (the Advisor). In addition, investments held under bond indenture with trustees are high-grade income securities.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and Investment Income (Continued)

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

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

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

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

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and Investment Income (Continued)

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

Return Objectives and Risk Parameters

The objective of the Company's investments policy is to maximize long-term real return commensurate with the risk parameters specified by the board and the preservation of capital requirement. The policy includes target asset allocations with diversification of asset classes with differing rates of return, and volatility to manage risks.

Strategies Employed for Achieving Objectives

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

Derivatives Policy

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

Investments Restricted by the Board

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

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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment (Continued)

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

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

Deferred Marketing Costs

Direct-marketing costs were associated with acquiring initial residential contracts and are deferred and amortized using the straight-line method over the estimated life expectancy of the initial residents. The amortization expense on deferred marketing costs was $738,050 and $918,975 for the years ended December 31, 2017 and 2016, respectively. There were no additions to deferred marketing for the years ended December 31, 2017 and 2016.

Advertising Expenses

The cost of advertising is expensed when incurred and included within the general and administrative financial statement line item within the consolidated statements of operations and changes in net deficit. Advertising expense was $1,359,611 and $1,155,191 for the years ended December 31, 2017 and 2016, respectively.

Other Intangible Assets

The Company recorded $5,480,000 of intangible assets from the affiliation of Asbury Place on August 1, 2016 for the skilled nursing beds Certificate of Need.

The Company recorded $1,250,000 of intangible assets from the HCBS purchase of the Certificate of Need for a Medicare-certified home health provider in 2015.

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

Deposits from Prospective Residents

Deposits from prospective residents are refundable until such time as the prospective resident executes a residency agreement and pays the balance of the entrance fee. Interest earned on these deposits belongs to the Company.

Continuing-Care and Life Care Contracts

The Company offers continuing-care contracts to its residents. These contracts include residential facilities, meals and other amenities, as well as priority access to long-term nursing care. Prior to 2015, IV offered life care contracts, which include unlimited long-term care in an assisted-living or skilled-nursing health center at little or no increase in fees.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Obligation to Provide Future Services

The Company calculates the present value of the cost of future services and use of facilities to be provided to current residents and compares that amount with the balance of deferred revenue from resident entry fees to determine if a liability and corresponding charge to income should be recorded. As of December 31, 2017 and 2016, the present value of the net cost of future services and use of facilities does not exceed the deferred revenue from resident entry fees and, as such, no liability for the obligation to provide future services was required to be recorded as of December 31, 2017 and 2016.

Accrued Compensation and Related Items

The accrued compensation and related items include accruals as a result of having consolidated payroll and benefit functions and a reserve for the self-funding arrangement for workers' compensation insurance coverage. See Note 14 for additional information on workers' compensation insurance.

Revenue Recognition

The Company offers four types of resident entrance-fee options: a standard declining refund option, a 50% refundable option, a 90% refundable option and a 100% refundable option. Previously, BV offered an additional standard nine-year declining refund and a 25% refundable option, and IV offered a standard declining refund, and a 95% refundable and a Life Care option. The options currently offered to incoming residents vary among AMV, AS, BV, IV, SH and Asbury Place. 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 for AMV, AS, BV, SH, and Asbury Place and 60 days for IV.

Under the standard declining refund option offered at communities except Asbury Place and IV, 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 standard declining refund option offered at Asbury Place, the entrance fee is amortized over a period of 50 months resulting in an entrance fee refund balance that declines 2% per month over the 50-month period. Under the standard declining refund option previously offered at IV, the entrance fee is amortized over a period of one hundred months resulting in an entrance fee refund balance that declines 1% per month over the one hundred month period. Under the 50% refundable, 90% refundable and 100% refundable contracts, residents pay a higher entrance fee in order to guarantee a specific percentage refund of the entrance fee upon termination of the residency agreement. In most cases, payment of an entrance fee refund is contingent upon a successor resident taking possession of the original residential unit.

At IV, for contracts entered into prior to January 1, 2009, the receipt of the successor entrance fee can be for like units but the receipt of successor entrance fees must aggregate to equal the amount of the refund provided. At SH, for contracts dated prior to June 30, 2004, the refund occurs upon the receipt of a successor entrance fee or one year from termination date.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

At IV, for contracts between January 1, 2009 and December 31, 2014, the refund occurs upon receipts of a successor entrance fee. If the successor resident takes possession of the unit within 90 days of vacancy, the refund is issued on the 90th day. If the successor resident takes possession after 90 days of vacancy, the refund is payable within 30 days from the successor resident executing a residency agreement.

Refundable entrance fees are recorded in the accompanying consolidated balance sheets as current liabilities. The nonrefundable entrance fees are classified as deferred revenue and are recognized as revenue on a straight-line basis over each individual resident's expected remaining life. Remaining life expectancies are determined based on current actuarial data specific to CCRC residents. Upon termination of a contract through death or withdrawal after occupancy, any unamortized, nonrefundable, deferred entrance fee is recorded as income.

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

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

	2017	2016
Entrance Fees - Refundable	$ 4,437,729	$ 4,803,839
Contingent Refundable Entrance Fee Liability	$ 273,851,953	$ 272,858,169
Entrance Fees - Deferred Revenue:		
25% to 95% Refundable Contracts	$ 13,271,439	$ 12,576,268
Standard Entry Fee Option Contracts:		
Five-Year Contracts	150,366,820	142,221,390
Nine-Year Contracts	3,448,955	4,304,892
100-Month Contracts	3,145,904	3,679,295
Total	170,233,118	162,781,845
Less: Projected Refund of Standard Entrance Fees	(4,922,882)	(4,150,047)
Total	$ 165,310,236	$ 158,631,798
Total Entrance Fees	$ 443,599,918	$ 436,293,806

The portions of the above entrance fees that continue to be subject to any contractual refund obligation as of December 31, 2017 and 2016 were $344,598,698 and $342,420,608, respectively.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

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

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

Charity Care

It is the Company's policy to track those expenses for residents in its facilities who cannot pay for all or a portion of their care and defines these expenses as charity care. Because the Company does not pursue collection of amounts determined to qualify as charity care, they are not reflected as revenue in the accompanying consolidated financial statements. See Note 4 for the benevolent and charity care amounts provided to residents for the years ended December 31, 2017 and 2016.

Contributions

Unconditional promises to give cash and other assets to the Company are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as either temporarily or permanently restricted support if they are received with contribution-donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is fulfilled, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statements of operations and changes in net deficit as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying consolidated statements of operations and changes in net deficit. Permanently restricted net assets represent donor-restricted endowments to be held in perpetuity.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inherent Contribution, Net

The Company recognized a net inherent contribution related to the August 1, 2017 affiliation with BDC. The Company did not pay any consideration as a part of the affiliation. The following amounts were recorded as a result of the affiliation at August 1, 2017:

Cash and Cash Equivalents	$	180,287
Other Receivables and Prepaid Expenses		24,342
Deposits and Other Assets		31,507
Investments Held Under Bond Indenture		1,966,129
Property and Equipment, Net		1,287,287
Total	$	3,489,552
Accounts Payable and Accrued Expenses	$	205,758
Long-Term Debt, Net		1,596,544
Unrestricted Net Assets		1,687,250
Total	$	3,489,552

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

The Company recognized a net inherent contribution related to the August, 1, 2016 affiliation with Asbury Place. The Company did not pay any consideration as a part of the affiliation. The following amounts were recorded as a result of the affiliation:

Cash and Cash Equivalents	$	5,030,395
Investments		11,227,719
Investments Held Under Bond Indenture		2,154,853
Investments Restricted by Donors		53,391
Investments Restricted by Board		100,353
Accounts Receivable, Net		2,190,591
Other Receivables and Prepaid Expenses		965,217
Property and Equipment, Net		43,995,059
Other Intangible Assets		5,480,000
Deferred Marketing Costs, Net		237,925
Total	$	71,435,503
Accounts Payable and Accrued Expenses	$	2,595,608
Contingent Refundable Entrance Fee Liability		23,136,732
Entrance Fee - Deferred Revenue		3,357,113
Other Liabilities		22,097
Long-Term Debt, Net		20,160,271
Unrestricted Net Assets		21,987,268
Temporarily Restricted Net Assets		123,023
Permanently Restricted Net Assets		53,391
Total	$	71,435,503

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inherent Contribution, Net (Continued)

The Company recognized an inherent loss related to the August 1, 2016 affiliation with FRM. The Company did not pay any consideration as a part of the affiliation. The following amounts were recorded as a result of the affiliation:

Cash and Cash Equivalents	$	86,149
Investments Restricted by Board		101,901
Accounts Receivable, Net		833
Other Receivables and Prepaid Expenses		16,917
Property and Equipment, Net		2,765,665
Total	$	2,971,465
Accounts Payable and Accrued Expenses	$	30,160
Deferred Revenue		477
Other Liabilities		27,095
Long-Term Debt, Net		3,427,701
Unrestricted Net Deficit		(513,968)
Total	$	2,971,465

Net Assets and Endowment Funds

The Company classifies its funds for accounting and reporting purposes as either unrestricted, temporarily restricted, or permanently restricted. The Company has adopted an enacted version of the *Uniform Prudent Management of Institutional Funds Act*, which requires enhanced disclosures for all endowment funds.

Temporarily Restricted Net Assets

Temporarily restricted net assets are those that have been limited by donors to a specific time period or purpose. Temporarily restricted net assets are primarily available to purchase equipment, provide charity care and for other health and educational services.

Permanently Restricted Net Assets

Permanently restricted net assets are restricted to investment in perpetuity, the income from which is unrestricted and has been expended to support benevolent care provided by the Company. These assets are pooled with the Company's unrestricted investment portfolio with the objectives of providing long-term growth of capital and maximizing the return on assets over the long-term while diversifying investments within asset classes to reduce the impact of losses in single investments.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income from Operations

The accompanying consolidated statements of operations and changes in net deficit include income from operations, which is the Company's performance indicator. Changes in unrestricted net assets (deficit), which are excluded from income from operations, consistent with industry practice, include unrealized gains and losses on investments, and net assets released from restriction used for purchase of capital items.

Tax Status

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

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

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

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

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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

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

Additionally, from time to time, the Company may be required to record, at fair value, other assets on a nonrecurring basis in accordance with accounting principles generally accepted in the United States of America. These adjustments to fair value usually result from the application of the lower-of-cost-or-market accounting or write down of individual assets. The Company has determined that there would be no impact to the accompanying financial statements as a result of the application of this standard.

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

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

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 March 29, 2018, the date the consolidated financial statements were issued.

NOTE 3 REGULATORY ENVIRONMENT

Medicare and Medicaid

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

NOTE 3 REGULATORY ENVIRONMENT (CONTINUED)

Medicare and Medicaid (Continued)

Skilled Nursing Facility Services

Medicare Reimbursement

The Balanced Budget Act of 1997 modified how payment is made for Medicare skilled nursing facility (SNF) services. SNF's are reimbursed on the basis of a prospective payment system (PPS). The PPS payment rates are adjusted for case mix and geographic variation in wages and cover all costs of furnishing covered SNF services (routine, ancillary, and capital-related costs).

Maryland Medicaid Reimbursement

Under the Maryland Medical Assistance Program's price-based prospective payment system, the determination of reimbursement rates for nursing costs is based upon a recipient's dependency in activities of daily living and need for the receipt of ancillary nursing services.

Pennsylvania Medicaid Reimbursement

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

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

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

Tennessee Medicaid Reimbursement

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

NOTE 3 REGULATORY ENVIRONMENT (CONTINUED)

Medicare and Medicaid (Continued)

Medical Home Health Services

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

Other

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

State of Maryland Reserve Requirement

The State of Maryland requires AMV and AS to set aside reserves equal to 15% of its net operating expenses (as defined) for the most recent fiscal year. As of December 31, 2017 and 2016, AMV and AS are in compliance with the reserve requirement. The total amount reserved for AMV as of December 31, 2017 and 2016 is as follows:

	2017	2016
Maryland Department of Aging Reserves:		
Operating Expenses	$ 83,603,334	$ 83,865,363
Less: Depreciation and Amortization Expense	(13,959,297)	(13,756,074)
Interest Expense	(7,342,078)	(7,657,094)
Net Operating Expenses	$ 62,301,959	$ 62,452,195
Total Operating Reserve (15% of Net Operating Expenses)	$ 9,345,294	$ 9,367,829
Required Reserves for the Year Ended December 31 (100% of Total Operating Reserve)	$ 9,345,294	$ 9,367,829
Cash and Marketable Securities Available for Operating Reserve	$ 10,591,333	$ 9,992,351

NOTE 3 REGULATORY ENVIRONMENT (CONTINUED)

State of Maryland Reserve Requirement (Continued)

The total amount reserved for AS as of December 31, 2017 and 2016 is as follows:

	2017	2016
Maryland Department of Aging Reserves:		
Operating Expenses	$ 19,598,528	$ 19,738,857
Less: Depreciation and Amortization Expense	(2,917,086)	(2,805,770)
Interest Expense	(2,249,376)	(2,401,033)
Net Operating Expenses	$ 14,432,066	$ 14,532,054
Total Operating Reserve (15% of Net Operating Expenses)	$ 2,164,810	$ 2,179,808
Required Reserves for the Year Ended December 31 (100% of Total Operating Reserve)	$ 2,164,810	$ 2,179,808
Cash and Marketable Securities Available for Operating Reserve	$ 2,453,451	$ 2,325,129

Pennsylvania Department of Insurance Reserve Requirements

On a calendar year basis, BV is required by the Continuing Care Provider Registrations and Disclosure Act of 1984 to maintain a working-capital reserve equivalent to the greater of the total of debt service payments due during the next 12 months on account of any loans or 10% of the projected annual operating expenses, exclusive of depreciation and bad debt, computed only on the proportional share of financing or operating expenses that are applicable to residents of BV under continuing care agreements. The projected annual debt service requirements for BV for the years ended December 31, 2017 and 2016 exceeded 10% of BV's projected operating expense (as defined) equal to $2,284,468 and $2,222,522 as of December 31, 2017 and 2016, respectively.

BV's minimum liquid reserve was as follows at December 31:

	2017	2016
Projected Annual Debt Service Payments	$ 6,669,444	$ 6,671,252
Approximate Percentage of Continuing-Care Clients	69%	69%
Minimum Liquid Reserve Requirement	$ 4,601,916	$ 4,603,164

NOTE 3 REGULATORY ENVIRONMENT (CONTINUED)

Pennsylvania Department of Insurance Reserve Requirements (Continued)

SH must adhere to the same reserve requirements. At SH, projected annual debt service requirements exceeded 10% of its projected annual operating expenses equal to $1,475,492 and $1,454,373 as of December 31, 2017 and 2016, respectively. SH's minimum liquid reserve was as follows at December 31:

	2017	2016
Projected Annual Debt Service Payments	$ 1,808,915	$ 1,809,426
Approximate Percentage of Continuing-Care Clients	58%	57%
Minimum Liquid Reserve Requirement	$ 1,049,170	$ 1,031,373

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

NOTE 4 NET RESIDENT SERVICE REVENUE

Net resident service revenue is reported at the estimated net realizable amounts from residents, third-party payors, and others for services rendered.

A summary of gross and net resident service revenue is as follows at December 31:

	2017	2016
Gross Resident Service Revenue	$ 226,358,952	$ 206,052,627
Less Provisions for:		
Contractual Allowance under Third-Party Reimbursement Programs	(30,660,135)	(26,192,197)
Benevolent and Charity Care	(2,996,620)	(2,736,730)
Net Resident Service Revenue	$ 192,702,197	$ 177,123,700

NOTE 5 CONCENTRATION OF CREDIT RISK

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

	2017	2016
Private Pay	49 %	46 %
Medicaid	18	19
Medicare	18	24
Other (Primarily Managed Care and Insurance)	15	11
Total	100 %	100 %

NOTE 6 INVESTMENTS

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

	2017	2016
Investments:		
Cash and Short-Term Investments	$ 4,113,254	$ 9,047,272
Fixed-Income Securities and Mutual Funds	37,433,483	27,835,841
Equity Securities and Equity Mutual Funds	38,060,212	33,132,160
Investment in Land, at Cost	134,192	134,192
Total Investments	$ 79,741,141	$ 70,149,465
Investments Restricted by Donors:		
Cash and Short-Term Investments	$ 1,546,068	$ 3,129,019
Fixed-Income Securities and Mutual Funds	14,274,131	12,599,772
Equity Securities and Equity Mutual Funds	15,706,574	11,917,551
Real Estate Mutual Funds	169,215	178,967
Total Investments Restricted by Donors	$ 31,695,988	$ 27,825,309
Statutory Reserves:		
Cash and Short-Term Investments	$ 18,695,870	$ 17,952,017
Investments Held under Bond Indenture:		
Cash and Short-Term Investments	$ 45,640,091	$ 53,028,345
Investments Restricted by Board:		
Cash and Short-Term Investments	$ 214,617	$ 606,387
Fixed-Income Securities and Mutual Funds	2,057,080	1,941,253
Equity Securities and Equity Mutual Funds	2,106,188	1,649,367
Total Investments Restricted by Board	$ 4,377,885	$ 4,197,007

NOTE 6 INVESTMENTS (CONTINUED)

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

	2017	2016
Debt-Service Fund	$ 16,074,420	$ 16,712,994
Debt-Service Reserve Fund	25,675,248	26,990,339
Project Fund	221,088	7,994,616
Capital Improvement Fund	2,996,750	279,560
Capitalized Interest Fund	672,585	1,050,836
Total	45,640,091	53,028,345
Less: Current Portion	(21,857,969)	(16,834,843)
Long-Term Portion of Bond Indenture	$ 23,782,122	$ 36,193,502

The total return on investments, along with investments classified as assets whose use is limited and investments restricted by Board, including the change in the market value of derivative instruments, generated net investment income excluding capitalized interest income for the years ended December 31, 2017 and 2016 as follows:

	2017	2016
Included within the Company's Performance Indicator:		
Interest and Dividend Income, Net	$ 3,650,458	$ 2,884,619
Net Realized Gains (Loss) on Investments	18,764,690	(808,266)
Net Unrealized Gain on Change in Market Value of Derivative Instruments	1,258,132	1,625,588
Total	23,673,280	3,701,941
Included in Other Changes in Net Deficit:		
Other Unrealized Gain (Loss) on Investments	(7,029,808)	3,375,746
Total	$ 16,643,472	$ 7,077,687

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 the Company's Board-approved investment policy. Management continually 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, 2017 and 2016, the Company did not identify any other than temporary declines in the fair value of investments.

NOTE 7 PROPERTY AND EQUIPMENT

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

	Useful Life	2017	2016
Land and Improvements	10 - 40 Years	$ 53,523,742	$ 52,264,954
Buildings and Improvements	10 - 40 Years	667,915,890	657,727,642
Furniture and Equipment	2 - 15 Years	88,187,307	87,422,404
Construction in Progress		714,177	8,061,034
Total		810,341,116	805,476,034
Less: Accumulated Depreciation		(395,712,658)	(394,832,270)
Property and Equipment, Net		$ 414,628,458	$ 410,643,764

Depreciation expense was $31,132,753 and $29,116,439 for the years ended December 31, 2017 and 2016, respectively.

Interest is capitalized for assets that require a period of time to be constructed or to prepare them for their intended use. For the years ended December 31, 2017 and 2016, the amount of interest expense capitalized was $806,639 and $250,051, respectively.

NOTE 8 PLEDGES RECEIVABLE

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

	2017	2016
Amounts Expected to be Collected in:		
Less than One Year	$ 512,131	$ 628,725
One Year to Five Years	1,847,454	1,313,642
Six Years to Nine Years	63,264	61,946
Total	$ 2,422,849	$ 2,004,313

Pledges receivable were recorded net of reserve for uncollectible pledges of $141,913 and $136,420 as of December 31, 2017 and 2016, respectively.

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

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

NOTE 8 PLEDGES RECEIVABLE (CONTINUED)

Amounts donated in excess of the liability are recorded as temporarily restricted or permanently restricted donations in the consolidated statements of operations and changes in net deficit. The present value of the liability is determined by discounting estimated future payments at the adjusted federal rate. This rate is adjusted annually and was 2.20% and 1.93% at December 31, 2017 and 2016, respectively. Changes in the present value of the liability are shown as changes in values of charitable gift annuities in the consolidated statements of operations and changes in net deficit.

AFOUND is required by Maryland state law to maintain segregated assets for all annuities issued in an amount at least equal to the sum of its outstanding charitable gift annuities liability discounted to present value. At December 31, 2017 and 2016, AFOUND had segregated $7,448,609 and $6,666,930 as investments restricted by donors in the accompanying consolidated balance sheets as of December 31, 2017 and 2016, respectively and, therefore, has met its minimum reserve requirement at December 31, 2017 and 2016. BV is not subject to any requirements under the Commonwealth of Pennsylvania.

NOTE 9 DEBT

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

	Interest Rate	Dates	2017	2016
Series 2016A TN Bonds	Fixed Rate Revenue Bonds	2024 - 2047	$ 23,170,000	$ 23,170,000
Series 2016B TN Bonds	Variable (2.426% as of 12/31/17)	2018 - 2046	13,802,793	356,603
Series 2016C TN Bonds	Variable (2.426% as of 12/31/17)	2023	5,680,730	-
Series 2014A MD Bonds	Fixed (5.0%)	2020 - 2021	14,650,000	14,915,000
Series 2013 IV Bonds	Fixed Rate Revenue Bonds	2019 - 2037	24,110,000	24,110,000
Series 2012 IV Bonds	Fixed Rate Revenue Bonds	2012 - 2032	39,235,000	41,150,000
Series 2012 PA Bonds	Fixed Rate Revenue Bonds	2014 - 2036	49,700,000	50,205,000
Series 2010 PA Bonds	Fixed Rate Revenue Bonds	2012 - 2045	67,675,000	68,940,000
Series 2009B MD Bonds	Fixed Rate Revenue Bonds	2011 - 2023	23,055,000	26,490,000
Series 2007A TN Bonds	Fixed Rate Revenue Bonds	2023	-	8,305,000
Series 2006A MD Bonds	Fixed Rate Revenue Bonds	2023 - 2036	82,780,000	82,780,000
Total			343,858,523	340,421,603
Unamortized Bond Premium/Discount, Net			3,683,099	3,947,215
Unamortized Bond Financing Costs, Net			(6,211,620)	(6,663,564)
Current Portion Bonds Payable			(69,095,828)	(8,245,000)
Total Bonds Payable			272,234,174	329,460,254
Forest Ridge Manor HUD Advance			3,293,600	3,293,600
BDC HUD-Insured Mortgage Payable			1,608,484	-
BV Note Payable			1,271,322	1,747,696
CCNC Note Payable			95,017	179,186
Forest Ridge Manor Affordable Housing Program Grant			134,101	134,101
Total			6,402,524	5,354,583
Current Portion Notes Payable			(494,405)	(560,576)
Total Notes Payable			5,908,119	4,794,007
Total Long-Term Debt			$ 278,142,293	$ 334,254,261

NOTE 9 DEBT (CONTINUED)

Series 2016 Asbury Place (TN) Bonds

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

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

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

Both the Series 2016B TN and Series 2016C TN Bonds are privately held bonds and bear interest at a variable rate equal to a percentage of one-month LIBOR plus a fixed credit spread and were issued using a draw-down structure, as the actual par amount of each of these series could be lower depending on costs of issuance and the costs of improvements to the facilities. As of December 31, 2017 and 2016, the total amounts drawn on Series 2016 B TN was $13,802,793 and $356,603, respectively.

Series 2014 A Maryland (MD) Bonds

On April 9, 2014, the Asbury Maryland Obligated Group entered into a loan agreement with the City of Gaithersburg (Gaithersburg). Under this agreement, Gaithersburg issued $15,290,000 of Economic Development Refunding Revenue Bonds (Asbury Maryland Obligated Group), Series 2014 (the Series 2014 MD Bonds). The Series 2014 MD Bonds are comprised of 1) $1,515,000 of 5.0% fixed rate long term bonds with a yield of 4.25% over the life of the issuance and 2) $13,775,000 of 5.0% fixed rate long term bonds with a yield of 4.25% over the life of the issuance.

The proceeds of the Series 2014 Bonds, which were sold at a premium, were utilized to fully refund $16,000,000 of the Series 2009A MD Bonds on April 9, 2014.

The respective bond agreements require certain funds to be established and maintained by the bond trustee.

NOTE 9 DEBT (CONTINUED)

Series 2013 Inverness (IV) Bonds

On July 10, 2013, IV entered into a loan agreement with The Oklahoma Development Finance Authority (ODFA) pursuant to which ODFA sold the Series 2013 bonds. From the proceeds, IV borrowed $24,110,000 of Continuing Care Retirement Community Revenue Refunding Bonds (Inverness Village Community), Series 2013 (the Series 2013 IV Bonds). The Series 2013 IV Bonds are comprised of 1) $950,000 of 5.5% term bonds with a fixed rate of 5.5% with a yield of 5.7% over the life of the issuance and 2) $23,160,000 of 5.75% term bonds with a fixed rate of 5.75% and with a yield of 5.875%.

The proceeds of the bonds and cash reserves were used to refund the outstanding portion of the 2007A Bonds, to fund the required debt service reserve fund and the debt service fund, and to pay for certain costs of issuance of the Series 2013 IV bonds.

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

Series 2012 Pennsylvania (PA) Bonds

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

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

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

NOTE 9 DEBT (CONTINUED)

Series 2012 Inverness (IV) Bonds

On May 1, 2012, Inverness Village entered into a loan agreement with ODFA pursuant to which ODFA sold the Series 2012 bonds. From the proceeds, IV borrowed $47,130,000 of Continuing Care Retirement Community Revenue Refunding Bonds (Inverness Village Community), Series 2012 (the Series 2012 IV Bonds). The Series 2012 IV Bonds are comprised of 1) $13,825,000 of Serial Bonds bearing interest at fixed rates between 3.0% and 5.25% with a yield ranging from 3.0% and 5.0% over the life of the issuance, 2) $1,000,000 million of 3.5% term bonds with a fixed rate of 3.5% and with a yield of 3.8%, 3) $2,000,000 of 4.5% term bonds with a fixed rate of 4.5% and with a yield of 4.8%, 4) $5,385,000 of 5.25% term bonds with a fixed rate of 5.25% and with a yield of 5.25%, 5) $5,860,000 of 5.75% term bonds with a fixed rate of 5.75% and with a yield of 5.4% and 6) $19,060,000 of 6.0% term bonds with a fixed rate of 6.0% and with a yield of 5.69%.

The proceeds of the bonds were used to refund a portion of 2007A Bonds, to fund the required debt service reserve fund and the debt service fund, and to pay for certain costs of issuance of the Series 2012 IV bonds.

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

Series 2010 Pennsylvania (PA) Bonds

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

The proceeds of the Series 2010 Bonds were utilized to refund a portion of the Series 2006 PA Bonds and all of the Series 2008 PA Bonds, to fund the debt service reserve fund to required levels and to pay a portion of the costs of issuance of the Series 2010 Bonds.

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

NOTE 9 DEBT (CONTINUED)

Series 2009B Maryland (MD) Bonds

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

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

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

Series 2007 Tennessee (TN) Bonds

On May 30, 2007, Asbury Place issued $13,415,000 in Series 2007A Revenue Refunding Bonds and $920,000 in Series 2007B Taxable Revenue Bonds (collectively, the 2007 Bonds). The 2007 Bonds were issued to refinance all long-term debt outstanding, reimburse Asbury Place for the swap termination payment related to the Series 2003 Bonds, fund a reserve fund related to the new bonds, and to pay for certain expenses related to the issuance of the bonds. Interest on the 2007 Bonds is payable on April 1 and October 1 each year. The 2007 Bonds as issued bore interest at 4.75% through April 1, 2012 and currently bear interest at 5.125% through April 1, 2023. The 2007 Bonds are collateralized by all gross receipts, accounts receivable, equipment, and inventory of Asbury Place.

Series 2006 Maryland (MD) Bonds

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

On December 16, 2009, the Series 2006B and Series 2006C Bonds outstanding were refunded from the proceeds of the Series 2009B Bonds. The fixed rate Series 2006A Bonds remain outstanding as of December 31, 2017.

NOTE 9 DEBT (CONTINUED)

Series 2006 Maryland (MD) Bonds (Continued)

The Series 2006A Bonds bear interest at a fixed rate of 5.125% with a yield ranging between 4.670% and 4.770% and mature with varying annual amounts through year 2036. AMV and AS have allocated the liability for payment on the bonds in an amount equal to the proportion of the bonds used to refund debt at each respective facility.

Deferred Financing Costs

Deferred financing costs represent expenses (e.g., underwriting, legal, consulting, and other costs) incurred in connection with issuance of debt and are deferred and amortized over the life of the related indebtedness on a straight-line basis, which approximates the effective interest method. The amortization expense on deferred financing costs is included in interest expense and totaled $400,271 and $356,003 for the years ended December 31, 2017 and 2016, respectively.

Bond Premium and Discount

Bond premiums and discounts are comprised of the difference between the price at which a bond was sold and its fair value. Bond premiums and discounts are amortized on a straight-line basis into interest expense over the life of the bonds. The amortization expense on bond premiums and discounts included in interest expense was $(285,139) and ($215,602) for the years ended December 31, 2017 and 2016, respectively.

Liens and Covenants

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

Under the Inverness Village loan agreements, the lenders have a first lien and claim on all receipts of Inverness Village, except the restricted donations and contributions. The terms of the indenture agreements restrict Inverness Village's ability to create additional indebtedness, restrict its use of facilities, and require Inverness Village to maintain stipulated insurance coverage. Additionally, the Inverness Village covenants require that it will fix, charge, and collect in each fiscal year amounts sufficient to meet a defined debt-service coverage ratio, and will maintain a minimum days of cash-on-hand ratio.

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

NOTE 9 DEBT (CONTINUED)

Liens and Covenants (Continued)

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

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

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

The Company is subject to various covenants under the bond agreements. These covenants include various reporting, financial, and operational requirements. As of December 31, 2017, management is not aware of any noncompliance with these covenants, other than as noted in the succeeding paragraph.

As of December 31, 2017, IV did not meet two financial covenants under the Series 2013 IV Bonds and Series 2012 IV Bonds. Also, in January 2018, IV did not make their scheduled debt payment on the Series 2013 IV and Series 2012 IV Bonds, which resulted in IV's default. IV is negotiating its repayment terms for the Series 2013 IV Bonds and the Series 2012 IV Bonds with the lender. As of December 31, 2017, the Company classified these debts as current in its consolidated balance sheet.

Forest Ridge Manor HUD Advance

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

NOTE 9 DEBT (CONTINUED)

BDC HUD-Insured Mortgage Payable

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

BV Note Payable

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

CCNC Note Payable

CCNC has a loan agreement with PNC Bank which is secured by a second deed of trust on the building. The loan bears interest at 3.75% per annum and requires monthly installments of principal and interest of $8,208 through February 2019. At the time of the affiliation, the remaining note payable balance was $340,967.

Forest Ridge Manor Affordable Housing Grant

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

Debt Maturities

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

Year Ending December 31,	Amount
2018	$ 9,106,565
2019	9,760,327
2020	9,945,949
2021	23,617,236
2022	10,337,438
Thereafter	287,493,532
Total	$ 350,261,047

NOTE 10 DERIVATIVE INSTRUMENTS

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

Asbury Atlantic entered into a forward contract concurrent with the issuance of the Series 2006 bonds. Under this agreement, Asbury Atlantic pays a fixed rate of interest of 5.128% and receives payments based on a floating rate based upon 68% of LIBOR. Payments on this forward contract agreement began on January 1, 2013 and terminate on January 1, 2041.

AS entered into an interest rate basis swap in August 2001. AS pays a fixed rate of interest based on a floating rate derived from the Securities Industry and Financial Markets Association Municipal Swap Index and receives payments based on a floating rate based upon 73.5% of LIBOR. The interest rate swap agreement terminates on January 1, 2027.

Lehman Brothers Special Financing, Inc. (Lehman SFI) is the investment company or counterparty in the Asbury Atlantic and AS derivative agreements. These derivative obligations are guaranteed by Lehman Brothers Holding Company. Lehman SFI entered into bankruptcy in early October 2008 following its ultimate parent entering bankruptcy in mid-September 2008.

On March 16, 2012, Asbury Atlantic and AS executed novation agreements to a new entity, 1271 Counterparty Company, LLC. This company was established for the purpose of holding the AS and Asbury Atlantic swaps, and other derivative instruments. Deutsche Bank AG, London Branch stepped into the shoes of Lehman Brothers Holding Company, as the guarantor.

Interest rate swap payments have begun under the forward contract and $2,729,335 and $3,133,039 of payments were made during 2017 and 2016, respectively. Interest rate swap receipts under the Interest Rate Swap were received in the amounts of $1,970 and $9,991 during 2017 and 2016, respectively. All differences between the fixed and floating rates on the AS interest rate basis swap were accrued and recorded in interest expense or interest income in 2017 and 2016. All of the material terms of the swaps remain unchanged from the original swap agreements.

NOTE 10 DERIVATIVE INSTRUMENTS (CONTINUED)

Asbury Place entered into a forward contract concurrent with the issuance of the Series 2016 bonds. Under this agreement, Asbury Place pays a fixed rate of interest of 0.998% and received payments based on a floating rate based upon 67% of LIBOR. Payments on this forward contract agreement began on April 3, 2017 and will terminate on April 1, 2023.

The following schedule outlines the terms and fair market values of the derivative instruments on December 31, 2017 and 2016:

	Series 2006 Asbury Atlantic Forward Contract	AS Interest Rate Swap	Asbury Place Series 2016 Forward Contract	Total
Notional Amount - December 31, 2017	$ 62,417,500	$ 19,505,000	$ 5,680,730	
Trade Date	12/8/2006	8/13/2001	10/6/2016	
Effective Date	1/1/2013	8/23/2001	4/3/2017	
Termination or Cancellation Date	1/1/2041	1/1/2027	4/1/2023	
Fixed Rate	5.128%	0.9194%	0.998%	
Fair Value at December 31, 2015	(27,421,813)	9,987	-	$ (27,411,826)
Unrealized Gain (Loss)	1,817,640	(231,731)	39,679	1,625,588
Fair Value at December 31, 2016	(25,604,173)	(221,744)	39,679	(25,786,238)
Unrealized Gain	1,102,229	131,965	23,938	1,258,132
Fair Value at December 31, 2017	$ (24,501,944)	$ (89,779)	$ 63,617	$ (24,528,106)

The Company has included the fair market value of these derivative instruments as a liability of $24,528,106 and $25,786,239 in the accompanying consolidated balance sheets as of December 31, 2017 and 2016, respectively.

Net unrealized gains on derivative instruments was $1,258,132 and $1,625,588 in 2017 and 2016, respectively.

NOTE 11 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available for the following purposes at December 31:

	2017	2016
Benevolent and Charity Care	$ 1,107,892	$ 712,843
Buildings, Equipment, and Supplies	3,135,728	2,038,013
Total Temporarily Restricted Net Assets	$ 4,243,620	$ 2,750,856

NOTE 12 PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets, totaling $27,983,251 and $27,063,424 as of December 31, 2017 and 2016, respectively, consist of investments to be held in perpetuity. Investment income earned from the permanently restricted net assets is available for operations of the supported organizations including funding of benevolent and charity care.

NOTE 12 PERMANENTLY RESTRICTED NET ASSETS (CONTINUED)

Interpretation of Relevant Law

Maryland adopted the State Prudent Management of Institutional Funds Act (the Act) effective in 2008. The Board of the Company has interpreted the Act as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Company classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, and (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. For the years ended December 31, 2017 and 2016, the Company's investment income earned on endowment funds, in the absence of donor restrictions, was used to fund a portion of the cost to provide benevolent care to residents.

Substantially all investments are held in investment pools with the Company, except investment held by Asbury Place and Inverness. The investment policies, objectives, and strategies are consistent with those used in the management of unrestricted investments and disclosed in Note 2 of these financial statements.

A summary of the permanently restricted net assets is as follows at December 31:

	2017	2016
Endowment Fund - Beginning of Year	$ 27,063,424	$ 26,841,647
Contributions	1,174,168	251,927
Inherent Contribution	-	53,391
Changes in Value of Obligations under Charitable Gift Annuities	(254,341)	(83,541)
Endowment Fund - End of Year	$ 27,983,251	$ 27,063,424

NOTE 13 RETIREMENT PLAN

The Company has a defined-contribution plan (the Plan) under IRC Section 401(k). All full-time employees of the Company, except FRM, are eligible to participate in the Plan. Employees may elect to defer up to $18,000 of their base salary, subject to certain limitations. The employer's basic contribution is 3% of compensation for each eligible employee. The Company will also match the employee's contribution up to 2% of the employee's base salary. Prior to November 1, 2017, Asbury Place's employees were eligible to participate in a 403(b) tax deferred annuity plan, which was terminated on October 31, 2017.

The employer's contribution expense for the years ended December 31, 2017 and 2016 was $3,022,453 and $2,574,338, respectively.

NOTE 14 COMMITMENTS AND CONTINGENCIES

General and Professional Liability Insurance

The Company has a general and professional liability insurance policy (GL/PL), which is claims-made based, through Caring Communities, a reciprocal Risk Retention Group. The GL/PL coverage has a limit of $1,000,000 per occurrence and a $3,000,000 annual aggregate. The Company, excluding Asbury Place, also have excess coverage in effect with a limit of $10,000,000 per claim and a $30,000,000 annual aggregate. This policy has been renewed through December 31, 2018. Asbury Place became part of this GL/PL policy effective January 1, 2018. Previously, Asbury Place utilized its own insurance program.

Caring Communities, a reciprocal Risk Retention Group

In 2009, the Company began participating in an insurance risk retention group, Caring Communities, a reciprocal Risk Retention Group (CCrRRG) licensed by the District of Columbia for purposes of obtaining the following insurance coverage: (1) primary general and professional liability; (2) excess general and professional liability; and (3) excess auto liability. CCrRRG provides insurance coverage to its members, which are nonprofit, predominantly faith-based, senior housing, and healthcare providers. These members include continuing care retirement communities, affordable housing providers, and other organizations that offer a mix of product and services, including independent living, assisted living and skilled nursing. In March 2018, CCrRRG was affirmed as a rating of “A (Excellent)” for its financial strength with a stable outlook by A.M. Best Co., one of the leading rating agencies.

The Company executed a subscription agreement and made capital contributions in exchange for an interest in a CCrRRG Charter Capital Account. Through December 31, 2017, the Company’s capital contributions were $560,508 which represents 3.46% of CCrRRG’s total Charter Capital. The percentage of the total Charter Capital may be affected by the future addition of members to CCrRRG.

NOTE 14 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Workers' Compensation Insurance

The Company, excluding BV, which is covered under a separate Workers' Compensation Trust, have entered into a self-funding arrangement for workers' compensation coverage beginning February 1, 2013. The plan is administered by an insurance carrier and backed by a standby letter of credit from the Company's financial institution. The Company is responsible for funding employer liability losses, including allocated loss adjustment expenses, to a maximum of $250,000 per incident and $2,525,000 in the aggregate per policy year. Third-party stop-loss insurance coverage is in place for losses that exceed these amounts. As of December 31, 2017 and 2016, a reserve amount has been recorded related to this plan as calculated by an external actuary. The actuary based this reserve amount on historical claims and an estimate of incurred but not reported claims, including allocated claim adjustment expenses. The total workers' compensation expense, included in Employee Benefits, includes incurred claims and a reserve. Costs are allocated to the Company and each affiliate based on an average of reported claims considering the allocation of the direct and shared risk pool. Asbury Place became part of the Company's workers' compensation coverage on March 1, 2017. Previously, Asbury Place was covered under a fully insured workers' compensation plan. The Company and its affiliates, excluding BV, entered into a fully insured arrangement for workers' compensation coverage beginning March 1, 2018 and continuing through February 28, 2019.

Health Insurance

The Company has a self-funding arrangement for health insurance coverage. The Company has stop-loss coverage up to $200,000 per participant and an annual aggregate of approximately 125% of expected claims with a maximum reimbursement of $2,000,000 per year. The annual aggregate fluctuates based on the number of participants and is calculated based on historical claims information. Asbury Place became part of the Company's health insurance coverage on August 1, 2017. Previously, Asbury Place was covered under a fully insured health insurance plan.

Legal Actions and Claims

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

NOTE 14 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Energy Contract

In May 2014, the Company, excluding Asbury Place, FRM, and BDC, established a comprehensive energy procurement and management program with a facilities management company to procure electricity, water, sewer, and natural gas to the affiliates for a fixed flat amount of $7,200,000 annually for the next five years beginning on May 1, 2014. This amount also provides utility expense management services, energy audits, and energy project management services to be performed by the facilities management service company for the Company and those affiliates.

In connection with the agreement, the Company and those affiliates have agreed to spend $200,000 annually on energy saving capital purchases to improve energy consumption by the Company and those affiliates.

Lease Commitments

The Company has leases for vehicles and office equipment, which expire in 2022, and a ground lease that expires on August 1, 2039. Generally, the leases carry renewal provisions and require the Company and its affiliates to pay maintenance costs. Total lease expense for the years ended December 31, 2017 and 2016 was $2,212,158 and $1,868,535, respectively.

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

The future rental commitments for noncancelable operating leases are as follows:

Year Ending December 31,	Amount
2018	$ 987,643
2019	1,397,970
2020	1,271,403
2021	1,028,923
2022	789,800
Thereafter	3,976,032
Total	$ 9,451,771

In April 2014, TAG executed a lease agreement for approximately 6,800 square feet of office space in Mechanicsburg, Pennsylvania, to house its data center. The term of the lease is for 10 years at an annual base rent of $122,060, with a provision for an annual base rental increase of 3%. The lease agreement includes a one-time right of early termination between the end of the 54th month of the lease and no later than the end of the 59th month of the lease, for which termination will be effective six months from the date of the notice.

NOTE 15 FUNCTIONAL EXPENSES

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

	2017	2016
Continuing and Long-Term Care	$ 174,774,311	$ 158,832,337
General and Administrative	67,410,102	60,990,665
Total Functional Expenses	$ 242,184,413	$ 219,823,002

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

NOTE 16 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

NOTE 16 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The following table sets forth by level within the fair value hierarchy the Company's financial assets and liabilities that were accounted for at fair value on a recurring basis as of December 31, 2017 and 2016.

	At Fair Value as of December 31, 2017			
Recurring Fair Value Measures	Level 1	Level 2	Level 3	Total
Assets				
Cash and Short-Term Investments	$ 70,209,900	$ -	$ -	$ 70,209,900
Fixed-Income Securities and Mutual Funds	53,764,694	-	-	53,764,694
Equity Securities and Mutual Funds	55,872,974	-	-	55,872,974
Real Estate Mutual Funds	169,215	-	-	169,215
Derivative Instruments	-	63,617	-	63,617
Liabilities				
Derivative Instruments	$ -	$ (24,591,723)	$ -	$ (24,591,723)

	At Fair Value as of December 31, 2016			
Recurring Fair Value Measures	Level 1	Level 2	Level 3	Total
Assets				
Cash and Short-Term Investments	$ 83,763,040	$ -	$ -	$ 83,763,040
Fixed-Income Securities and Mutual Funds	42,376,866	-	-	42,376,866
Equity Securities and Mutual Funds	46,699,078	-	-	46,699,078
Real Estate Mutual Funds	169,215	-	-	169,215
Derivative Instruments	-	39,679	-	39,679
Liabilities				
Derivative Instruments	$ -	$ (25,825,917)	$ -	$ (25,825,917)

NOTE 17 INCOME TAXES

The components of the taxable subsidiaries' (benefit) provision for income taxes for the years ended December 31, 2017 and 2016 consist of the following:

	2017	2016
Current:		
Federal	$ -	$ -
State	5,617	1,713
Total Current	5,617	1,713
Deferred:		
Federal	168,202	(35,284)
State	(10,558)	62,857
Total Deferred	157,644	27,573
Total	$ 163,261	$ 29,286

NOTE 17 INCOME TAXES (CONTINUED)

The components of deferred tax assets and liabilities at December 31, 2017 and 2016 are as follows:

	2017	2016
Net Operating Loss Carryforwards	$ 422,262	$ 609,299
Accrued Paid Time-Off Benefits	96,949	199,626
Accrued Expenses	21,885	-
Rent	-	7,957
Deferred Revenue	55,360	53,908
Prepaid Insurance	(1,352)	(5,278)
Depreciation	(223,058)	(354,597)
Amortization	30,905	58,904
Federal Benefit of State Deferred	(3,589)	(2,221)
Provision for Bad Debt	15,842	5,730
Accrued Long-Term Compensation	1,301	-
Accrued Workers Compensation	3,415	4,235
Total	419,920	577,563
Valuation Allowance	-	-
Deferred Tax Asset	$ 419,920	$ 577,563

The effective tax rate of the taxable subsidiaries differs from the statutory federal tax rate primarily due to the impact of current year NOLs and resulting benefit thereof. In 2017, there was a higher deferred income tax expense over deferred income tax benefits resulting primarily from net operating loss carryforwards and a reduction in enacted future tax rates. In 2016, there was a higher deferred income tax expense over deferred income tax benefits resulting primarily from accelerated depreciation used for federal but not state in prior years.

ASBURY COMMUNITIES, INC.
CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2017

ASSETS	Asbury Communities, Inc.	Asbury Methodist Village	Asbury Solomons, Inc.	Bethany Village	Springhill	Inverness Village, Inc.	Asbury, Inc.	Calvert County Nursing Center	Asbury Communities HCBS, Inc.	Asbury Foundation, Inc.	The Asbury Group, Inc.	Forest Ridge Manor, Inc.	Bethany Development Corporation	Eliminations	Consolidated Balance
CURRENT ASSETS															
Cash and Cash Equivalents	$ 12,762,201	$ 1,465,589	$ 14,304	$ 909,365	$ 699,982	$ 1,112,693	$ 4,876,422	$ 11,626	$ 305,873	$ 114,190	$ 469,851	$ 18,897	$ 181,782	$ -	$ 22,942,775
Investments	32,981,421	21,029,026	200,934	5,745,236	1,010,705	5,544,182	13,057,092	-	-	2,273	36,080	-	-	-	79,606,949
Accounts Receivable, Net	-	3,428,992	544,322	1,000,848	705,921	392,453	1,429,830	1,228,290	425,581	-	371,269	-	-	-	9,527,506
Pledges Receivable, Net	-	-	-	-	-	-	-	-	-	512,131	-	-	-	-	512,131
Other Receivables and Prepaid Expenses	224,237	5,412,983	2,006,518	657,152	504,761	2,642,748	284,962	42,606	16,006	451	1,711,593	2,662	13,174	-	13,519,853
Investments Held under Bond Indenture	-	4,183,089	2,865,378	4,063,134	1,099,705	9,069,038	577,625	-	-	-	-	-	-	-	21,857,969
Assets Held for Sale	-	-	-	-	-	-	-	6,090,453	-	-	-	-	-	-	6,090,453
Total Current Assets	45,967,859	35,519,679	5,631,456	12,375,735	4,021,074	18,761,114	20,225,931	7,372,975	747,460	629,045	2,588,793	21,559	194,956	-	154,057,636
Due from ACOMM, Net	-	54,758,230	1,958,980	3,690,898	-	-	-	-	-	3,222,725	-	-	-	(63,630,833)	-
Property and Equipment, Net	3,087,883	140,407,356	43,321,212	83,479,198	18,584,267	58,319,650	64,503,282	-	31,769	33,060	1,526,453	2,651,408	1,241,233	(2,558,313)	414,628,458
Investments Restricted by Donors	-	-	-	11,190,525	-	-	53,391	-	-	20,452,072	-	-	-	-	31,695,988
Long-Term Investments	1,291,616	-	-	134,192	-	-	-	-	-	-	-	-	-	(1,291,616)	134,192
Deferred Marketing Costs, Net	-	944,059	-	147,690	6,414	-	178,444	-	-	-	-	-	-	-	1,276,607
Deposits and Other Assets	657,508	35,196	-	-	6,315	5,000	39,332	35,181	500	-	10,172	17,286	51,722		858,212
Other Intangible Assets	-	-	-	-	-	-	5,480,000	-	1,250,000	-	-	-	-	-	6,730,000
Investments Held under Bond Indenture	-	7,349,162	2,058,897	6,999,540	1,869,284	-	3,374,340	-	-	-	-	112,456	2,018,443	-	23,782,122
Statutory Reserves	-	10,591,333	2,453,451	4,601,916	1,049,170	-	-	-	-	-	-	-	-	-	18,695,870
Investments Restricted by Board	-	1,420,314	212,922	2,744,649	-	-	-	-	-	-	-	-	-	-	4,377,885
Pledges Receivable, Net	-	-	-	-	-	-	-	-	-	1,910,718	-	-	-	-	1,910,718
Funds Held in Trust	-	-	-	-	-	-	-	-	-	1,917,115	-	-	-	-	1,917,115
Beneficial Interest in Net Assets of Foundation	-	14,351,555	2,235,556	5,619,840	1,050,655	1,088,897	-	14,212	-	-	-	-	-	(24,360,715)	-
Total Assets	$ 51,004,866	$ 265,376,884	$ 57,872,474	$ 130,984,183	$ 26,587,179	$ 78,174,661	$ 93,854,720	$ 7,422,368	$ 2,029,729	$ 28,164,735	$ 4,125,418	$ 2,802,709	$ 3,506,354	$ (91,841,477)	$ 660,064,803

ASBURY COMMUNITIES, INC.
CONSOLIDATING BALANCE SHEET (CONTINUED)
DECEMBER 31, 2017

	Asbury Communities, Inc.	Asbury Methodist Village	Asbury Solomons, Inc.	Bethany Village	Springhill	Inverness Village, Inc.	Asbury, Inc.	Calvert County Nursing Center	Asbury Communities HCBS, Inc.	Asbury Foundation, Inc.	The Asbury Group, Inc.	Forest Ridge Manor, Inc.	Bethany Development Corporation	Eliminations	Consolidated Balance
LIABILITIES AND NET ASSETS (DEFICIT)															
CURRENT LIABILITIES															
Accounts Payable and Accrued Expenses	$ 6,649,301	$ 1,258,692	$ 54,214	$ 198,723	$ 197,342	$ 130,182	$ 305,374	$ 460,352	$ 23,936	$ -	$ 366,570	$ 36,864	$ 177,989	$ -	$ 9,859,539
Accrued Compensation and Related Items	13,205,837	1,429,916	517,115	-	182,598	315,176	1,165,790	159,202	555,707	-	887,985	1,453	86,667	-	18,507,446
Accrued Interest Payable	-	2,605,228	780,077	2,608,042	709,797	1,780,551	616,195	-	-	-	-	-	3,391	-	9,103,281
Construction Retainage Payable	-	-	-	-	-	-	865,323	-	-	-	-	-	-	-	865,323
Obligations under Charitable Gift Annuities	-	-	-	89,445	-	-	-	-	-	573,661	-	-	-	-	663,106
Deposits from Prospective Residents	-	2,478,744	299,110	689,960	129,642	227,500	111,900	-	-	-	-	-	-	-	3,936,856
Entrance Fees - Refundable	-	1,518,648	328,911	156,366	23,901	2,409,903	-	-	-	-	-	-	-	-	4,437,729
Deferred Revenue	-	580,394	150,603	38,127	140,554	316,909	50,143	13,938	70,620	1,140	92,064	717	-	-	1,455,209
Current Portion of Long-Term Debt	-	1,751,294	2,133,706	1,949,595	389,933	62,203,669	931,399	87,460	-	-	213,589	-	143,177	(213,589)	69,590,233
Total Current Liabilities	19,855,138	11,622,916	4,263,736	5,730,258	1,773,767	67,383,890	4,046,124	720,952	650,263	574,801	1,560,208	39,034	411,224	(213,589)	118,418,722
Due to ACOMM, Net	10,106,319	-	-	-	4,987,762	36,147,840	-	4,118,357	4,627,691	-	3,261,212	-	-	(63,249,181)	-
Long-Term Debt, Net	-	92,902,620	24,015,637	89,699,984	24,350,981	-	42,340,878	6,855	-	-	168,061	3,427,701	1,397,637	(168,061)	278,142,293
Projected Refund of Standard Entrance Fees	-	2,157,454	990,862	1,103,374	492,174	136,510	42,508	-	-	-	-	-	-	-	4,922,882
Contingent Refundable Entrance Fee Liability	-	116,966,875	28,443,719	18,466,943	20,154,466	63,773,819	26,046,131	-	-	-	-	-	-	-	273,851,953
Entrance Fees - Deferred Revenue	-	79,442,499	29,663,788	36,840,116	6,791,557	9,243,425	3,328,851	-	-	-	-	-	-	-	165,310,236
Valuation of Derivative Instruments	-	19,227,902	5,363,821	-	-	-	(63,617)	-	-	-	-	-	-	-	24,528,106
Obligations under Charitable Gift Annuities	-	-	-	299,520	-	-	-	-	-	3,051,001	-	-	-	-	3,350,521
Other Long-Term Liabilities	136,954	-	-	-	-	-	-	-	-	-	355,108	10,200	-	-	502,262
Total Liabilities	30,098,411	322,320,266	92,741,563	152,140,195	58,550,707	176,685,484	75,740,875	4,846,164	5,277,954	3,625,802	5,344,589	3,476,935	1,808,861	(63,630,831)	869,026,975
NET ASSETS (DEFICIT)															
Unrestricted	20,906,455	(71,294,937)	(37,104,645)	(34,376,082)	(33,014,183)	(99,599,720)	17,876,133	2,561,992	(3,248,225)	150,000	(1,219,171)	(674,226)	1,697,493	(3,849,927)	(241,189,043)
Temporarily Restricted	-	501,347	453,595	1,444,730	956,902	691,123	184,321	11,602	-	4,076,312	-	-	-	(4,076,312)	4,243,620
Permanently Restricted	-	13,850,208	1,781,961	11,775,340	93,753	397,774	53,391	2,610	-	20,312,621	-	-	-	(20,284,407)	27,983,251
Total Net Assets (Deficit)	20,906,455	(56,943,382)	(34,869,089)	(21,156,012)	(31,963,528)	(98,510,823)	18,113,845	2,576,204	(3,248,225)	24,538,933	(1,219,171)	(674,226)	1,697,493	(28,210,646)	(208,962,172)
Total Liabilities and Net Assets (Deficit)	$ 51,004,866	$ 265,376,884	$ 57,872,474	$ 130,984,183	$ 26,587,179	$ 78,174,661	$ 93,854,720	$ 7,422,368	$ 2,029,729	$ 28,164,735	$ 4,125,418	$ 2,802,709	$ 3,506,354	$ (91,841,477)	$ 660,064,803

ASBURY COMMUNITIES, INC.
CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET DEFICIT
YEAR ENDED DECEMBER 31, 2017

	Year Ended December 31, 2017												Five Months Ended December 31, 2017		
	Asbury Communities, Inc.	Asbury Methodist Village	Asbury Solomons, Inc.	Bethany Village	Springhill	Inverness Village, Inc.	Asbury, Inc.	Calvert County Nursing Center	Asbury Communities HCBS, Inc.	Asbury Foundation, Inc.	The Asbury Group, Inc.	Forest Ridge Manor, Inc.	Bethany Development Corporation	Eliminations	Consolidated Balance
REVENUES, GAINS, AND OTHER SUPPORT															
Net Resident Service Revenue	$ -	$ 73,371,013	$ 16,590,644	$ 26,050,607	$ 16,182,332	$ 17,217,405	$ 26,923,983	$ 12,054,367	$ 4,311,846	$ -	$ -	$ -	$ -	$ -	$ 192,702,197
Other Operating Revenue	10,789,779	1,180,536	120,071	606,199	77,589	457,150	286,434	68,495	176,298	14,939	11,362,187	216,296	544,594	(18,059,208)	7,841,359
Amortization of Entrance Fees	-	9,453,525	4,097,892	5,102,429	986,286	1,356,733	631,927	-	-	-	-	-	-	-	21,628,792
Interest and Dividend Income, Net	682,213	1,062,071	185,635	660,256	98,051	176,397	369,028	24,385	839	390,044	-	409	1,130	-	3,650,458
Net Realized Gain on Investments	4,994,457	4,912,404	426,098	3,266,188	306,109	571,529	1,341,926	-	-	2,942,569	3,410	-	-	-	18,764,690
Contributions	-	-	-	-	-	-	23,825	134,000	-	3,791,245	-	-	-	-	3,949,070
Net Assets Released from Restrictions Used for Operations	-	-	-	-	-	-	16,293	-	-	378,274	-	-	-	-	394,567
Allocations from Asbury Foundation, Inc.	-	3,913,200	465,727	593,416	211,933	493,807	-	19,017	9,020	-	-	-	-	(5,706,120)	-
Total Revenues, Gains and Other Support	16,466,449	93,892,749	21,886,067	36,279,095	17,862,300	20,273,021	29,593,416	12,300,264	4,498,003	7,517,071	11,365,597	216,705	545,724	(23,765,328)	248,931,133
EXPENSES															
Salaries	10,065,886	28,199,833	5,584,282	9,313,490	6,763,692	5,716,530	12,006,174	7,230,961	3,417,160	216	5,474,020	36,188	166,353	(172,297)	93,802,488
Employee Benefits	1,905,548	6,905,036	1,426,148	2,326,843	1,770,819	1,688,371	2,065,794	1,435,750	737,615	-	1,055,606	10,647	33,835	(26,791)	21,335,221
Cost of Goods Sold	-	-	-	-	-	-	-	-	-	-	215,284	-	-	-	215,284
Contract Labor	29,035	5,378,265	1,396,936	1,819,921	1,146,244	1,704,122	3,561,938	1,198,220	46,591	-	-	-	-	-	16,281,272
Food Purchases	-	3,463,490	822,838	963,982	707,100	1,007,104	1,463,774	344,875	-	-	-	-	-	-	8,773,163
Medical Supplies and Other Resident Costs	-	2,690,600	576,367	1,022,074	503,807	748,405	1,744,947	768,954	10,919	-	-	-	25,074	-	8,091,147
General and Administrative	2,038,881	1,485,226	539,954	401,741	471,613	1,229,006	1,354,358	253,945	309,159	528,525	1,331,091	50,741	44,119	(4,182)	10,034,177
Building and Maintenance	642,337	6,661,293	1,867,307	3,117,035	1,201,369	1,903,643	2,285,745	1,515,293	50,432	7,124	2,779,095	94,150	135,318	(409)	22,259,732
Professional Fees and Insurance	51,446	633,589	160,992	284,516	157,961	160,914	496,160	139,342	5,314	1,259	57,016	14,308	7,578	-	2,170,395
Interest	33,544	6,951,557	2,037,993	5,345,449	1,449,814	4,357,529	832,773	13,902	9,493	64	32,060	3,624	21,675	(746,889)	20,342,588
Taxes	4,546	1,655,519	771,601	882,860	137,791	202,926	1,169,665	143,310	-	100	191,116	160	3,608	-	5,163,202
Provisions for Bad Debts	-	453,351	223,816	177,389	897	8,307	579,657	186,493	165,345	5,493	44,745	116	-	-	1,845,609
Depreciation and Amortization	385,240	14,003,501	2,987,165	4,800,931	1,926,449	4,149,046	2,598,364	281,645	18,988	9,440	602,819	99,768	97,921	(91,142)	31,870,135
Management Fee and Other Fees	-	6,969,228	1,455,714	2,058,985	1,364,068	1,623,059	2,305,255	544,201	545,983	1,514	-	-	-	(16,868,007)	-
Allocations to Asbury Foundation, Inc.	-	-	-	-	-	-	-	-	-	5,706,119	-	-	-	(5,706,119)	-
Total Expenses	15,156,463	85,450,488	19,851,113	32,515,216	17,601,624	24,498,962	32,464,604	14,056,891	5,316,999	6,259,854	11,782,852	309,702	535,481	(23,615,836)	242,184,413
INCOME (LOSS) FROM OPERATIONS PRIOR TO NET UNREALIZED GAINS ON CHANGE IN MARKET VALUE OF VALUE OF DERIVATIVE INSTRUMENTS, LOSS ON DISPOSAL OF ASSETS, INHERENT CONTRIBUTION, NET AND LOSS ON RETIREMENT OF DEBT	1,309,986	8,442,261	2,034,954	3,763,879	260,676	(4,225,941)	(2,871,188)	(1,756,627)	(818,996)	1,257,217	(417,255)	(92,997)	10,243	(149,492)	6,746,720

ASBURY COMMUNITIES, INC.
CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET DEFICIT (CONTINUED)
YEAR ENDED DECEMBER 31, 2017

	Year Ended December 31, 2017												Five Months Ended December 31, 2017		
	Asbury Communities, Inc.	Asbury Methodist Village	Asbury Solomons, Inc.	Bethany Village	Springhill	Inverness Village, Inc.	Asbury, Inc.	Calvert County Nursing Center	Asbury Communities HCBS, Inc.	Asbury Foundation, Inc.	The Asbury Group, Inc.	Forest Ridge	Bethany Development Corporation	Eliminations	Consolidated Balance
UNRESTRICTED NET ASSETS (DEFICIT)															
Income (Loss) from Operations Prior to Net Unrealized Gains on Change in Market Value of Value of Derivative Instruments, Loss on Disposal of Assets, Inherent Contributions, Net and Loss on Retirement of Debt	$ 1,309,986	$ 8,442,261	$ 2,034,954	$ 3,763,879	$ 260,676	$ (4,225,941)	$ (2,871,188)	$ (1,756,627)	$ (818,996)	$ 1,257,217	$ (417,255)	$ (92,997)	$ 10,243	$ (149,492)	$ 6,746,720
Net Unrealized Gains on Change in Market Value of Derivative Instruments	-	861,717	372,477	-	-	-	23,938	-	-	-	-	-	-	-	1,258,132
Loss on Disposal of Assets	(192,898)	-	(1,767,932)	-	-	-	-	-	-	(663)	-	(21,277)	-	-	(1,982,770)
Inherent Contribution, Net	-	-	-	-	-	-	-	-	-	-	-	-	1,687,250	-	1,687,250
Loss on Retirement of Debt	-	-	-	-	-	-	(232,669)	-	-	-	-	-	-	-	(232,669)
INCOME (LOSS) FROM OPERATIONS	1,117,088	9,303,978	639,499	3,763,879	260,676	(4,225,941)	(3,079,919)	(1,756,627)	(818,996)	1,256,554	(417,255)	(114,274)	1,697,493	(149,492)	7,476,663
Transfers (to) From ACOMM, Net	579,500	(579,500)	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Assets Released from Restrictions Used for Purchases of Capital Items	-	47,657	7,596	185,489	125,239	434,363	-	-	-	-	-	-	-	-	800,344
Net Unrealized Gain (Loss) on Investments	(2,190,967)	(2,106,272)	(184,573)	(1,183,923)	(132,099)	19,909	4,671	-	-	(1,256,554)	-	-	-	-	(7,029,808)
Net (Increase) Decrease in Unrestricted Net Assets (Deficit)	(494,379)	6,665,863	462,522	2,765,445	253,816	(3,771,669)	(3,075,248)	(1,756,627)	(818,996)	-	(417,255)	(114,274)	1,697,493	(149,492)	1,247,199
TEMPORARILY RESTRICTED NET ASSETS															
Contributions	-	-	-	-	-	-	60,528	-	-	2,627,147	-	-	-	-	2,687,675
Net Assets Released from Restrictions for Operations	-	-	-	-	-	-	(16,293)	-	-	(378,274)	-	-	-	-	(394,567)
Net Assets Released from Restrictions Used for Purchases of Capital Items	-	(47,657)	(7,596)	(185,489)	(125,239)	(434,363)	-	-	-	(800,344)	-	-	-	800,344	(800,344)
Change in Beneficial Interest in Net Assets of Asbury Foundation, Inc.	-	193,146	90,650	639,532	403,063	920,717	-	1,765	-	-	-	-	-	(2,248,873)	-
Net Increase (Decrease) in Temporarily Restricted Net Assets	-	145,489	83,054	454,043	277,824	486,354	44,235	1,765	-	1,448,529	-	-	-	(1,448,529)	1,492,764
PERMANENTLY RESTRICTED NET ASSETS															
Contributions	-	-	-	-	-	-	-	-	-	1,174,168	-	-	-	-	1,174,168
Changes in Value of Obligations under Charitable Gift Annuities	-	-	-	(40,716)	-	-	-	-	-	(213,625)	-	-	-	-	(254,341)
Change in Beneficial Interest in Net Assets of Asbury Foundation, Inc.	-	238,487	62,215	659,538	(2,878)	1,506	-	1,674	-	-	-	-	-	(960,542)	-
Net Increase (Decrease) in Permanently Restricted Net Assets	-	238,487	62,215	618,822	(2,878)	1,506	-	1,674	-	960,543	-	-	-	(960,542)	919,827
CHANGES IN NET ASSETS (DEFICIT)	(494,379)	7,049,839	607,791	3,838,310	528,762	(3,283,809)	(3,031,013)	(1,753,188)	(818,996)	2,409,072	(417,255)	(114,274)	1,697,493	(2,558,563)	3,659,790
Net Assets (Deficit) - Beginning of Year	21,400,834	(63,993,221)	(35,476,880)	(24,994,322)	(32,492,290)	(95,227,014)	21,144,858	4,329,392	(2,429,229)	22,129,861	(801,916)	(559,952)	-	(25,652,083)	(212,621,962)
NET ASSETS (DEFICIT) - END OF YEAR	$ 20,906,455	$ (56,943,382)	$ (34,869,089)	$ (21,156,012)	$ (31,963,528)	$ (98,510,823)	$ 18,113,845	$ 2,576,204	$ (3,248,225)	$ 24,538,933	$ (1,219,171)	$ (674,226)	$ 1,697,493	$ (28,210,646)	$ (208,962,172)