ASBURY, INC. AND AFFILIATE

CONSOLIDATED FINANCIAL STATEMENTS
AND
ACCOMPANYING INFORMATION

YEARS ENDED MARCH 31, 2016 AND 2015

ASBURY, INC. AND AFFILIATE
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Asbury, Inc. and Affiliate
Maryville, Tennessee

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Asbury, Inc. and Affiliate, which comprise the consolidated statements of financial position as of March 31, 2016 and 2015, and the related consolidated statements of operations and changes in net assets, 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 did not audit the financial statements of Forest Ridge Manor, Inc., the affiliate, a wholly-owned subsidiary, which statements reflect total assets of $2,982,604 and $3,085,660 as of March 31, 2016 and 2015, respectively, and total support and revenues of $197,818 and $116,213, respectively, for the years then ended. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Forest Ridge Manor, Inc., is based solely on the report of the other auditors. 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.

Board of Directors
Asbury, Inc. and Affiliate

Opinion

In our opinion, based on our audits and the report of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Asbury, Inc. and Affiliate as of March 31, 2016 and 2015, and the results of their operations, changes in net assets, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Charlotte, North Carolina
July 20, 2016

ASBURY, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2016 AND 2015

ASSETS	2016	2015
CURRENT ASSETS		
Cash and Cash Equivalents	$ 5,228,658	$ 4,950,140
Accounts Receivable, Net	2,232,637	2,281,493
Note Receivable	-	11,673
Prepaid Expenses and Other Current Assets	845,248	1,212,834
Current Portion of Assets Whose Use is Limited Under Bond Agreement	1,048,700	1,028,559
Total Current Assets	9,355,243	9,484,699
ASSETS WHOSE USE IS LIMITED, NET OF CURRENT PORTION		
Patient Trust Funds	47,159	59,302
Under Bond Agreements	2,656,217	6,706,636
By Donors - Endowment Funds	53,391	53,391
By Board - Workers' Compensation Fund	100,335	295,892
By Board - Other Designated Funds	101,555	118,802
Total Assets Whose Use is Limited, Net of Current Portion	2,958,657	7,234,023
INVESTMENTS	10,878,042	11,201,050
PROPERTY AND EQUIPMENT		
Land	1,071,405	1,071,405
Land Improvements	1,802,396	1,735,106
Buildings	64,188,394	59,729,527
Equipment	11,090,824	10,538,272
Construction in Progress	1,874,070	1,045,277
	80,027,089	74,119,587
Less: Accumulated Depreciation	(28,874,739)	(26,878,521)
Property and Equipment, Net	51,152,350	47,241,066
OTHER ASSETS		
Deferred Costs	708,551	796,322
Other Assets	5,350	-
Total Other Assets	713,901	796,322
Total Assets	$ 75,058,193	$ 75,957,160

See accompanying Notes to Consolidated Financial Statements.

	2016	2015
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	$ 1,862,332	$ 2,611,020
Accrued Payroll Related Liabilities	923,675	848,599
Current Portion of Long-Term Debt	815,000	775,000
Current Portion of Capital Lease	12,617	6,322
Deferred Revenue - Deposits	88,376	643,809
Total Current Liabilities	3,702,000	4,884,750
LONG-TERM DEBT, NET OF CURRENT PORTION	20,600,470	21,411,960
CAPITAL LEASE, NET OF CURRENT PORTION	14,735	12,493
OTHER LIABILITIES		
Refundable Admission Fees	22,615,891	19,669,544
Deferred Admission Fees, Net	3,179,667	3,514,215
Affordable Housing Program Grant Note	134,101	134,101
HUD Capital Advance	3,293,600	3,293,600
Total Other Liabilities	29,223,259	26,611,460
Total Liabilities	53,540,464	52,920,663
NET ASSETS		
Unrestricted	21,393,957	22,909,563
Temporarily Restricted	70,381	73,543
Permanently Restricted	53,391	53,391
Total Net Assets	21,517,729	23,036,497
Total Liabilities and Net Assets	$ 75,058,193	$ 75,957,160

ASBURY, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
YEARS ENDED MARCH 31, 2016 AND 2015

	2016	2015
OPERATING REVENUES		
Net Resident Service Revenue	$ 30,843,641	$ 31,659,988
Amortization of Entrance Fees	661,609	491,057
Other Operating Revenue	529,341	290,537
Net Assets Released from Restrictions	16,878	110,408
Total Operating Revenues	32,051,469	32,551,990
OPERATING EXPENSES		
Salaries and Wages	12,625,223	12,841,867
Employee Benefits	2,890,479	2,833,253
Contract Labor	3,661,663	3,637,156
Food Purchases	1,323,618	1,482,615
Medical Supplies and Other Resident Costs	2,258,366	2,257,572
General and Administrative	3,032,816	3,181,974
Building and Maintenance	2,087,895	2,329,961
Insurance	559,568	617,476
Interest	618,555	693,011
Taxes	1,139,793	1,477,013
Bad Debts	675,709	1,443,826
Depreciation and Amortization	2,514,562	2,295,665
Total Operating Expenses	33,388,247	35,091,389
OPERATING LOSS	(1,336,778)	(2,539,399)
OTHER INCOME		
Investment Income	310,585	425,197
Loss on Disposal of Property and Equipment	(100,751)	-
Gain on Sale of Johnson City Assets	-	1,330,014
Other Income	232,507	143,766
DEFICIT OF REVENUES UNDER EXPENSES	(894,437)	(640,422)
Net Unrealized Gains (Losses) on Investments	(626,302)	42,530
Decrease in Unrestricted Net Assets	(1,520,739)	(597,892)
TEMPORARILY RESTRICTED NET ASSETS		
Contributions	18,849	38,571
Net Assets Released from Restrictions	(16,878)	(110,408)
Increase (Decrease) in Temporarily Restricted Net Assets	1,971	(71,837)
Decrease in Net Assets	(1,518,768)	(669,729)
Net Assets - Beginning of Year	23,036,497	23,706,226
NET ASSETS - END OF YEAR	$ 21,517,729	$ 23,036,497

See accompanying Notes to Consolidated Financial Statements.

ASBURY, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED MARCH 31, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Decrease in Net Assets	$ (1,518,768)	$ (669,729)
Adjustments to Reconcile Decrease in Net Assets to Net Increase in Cash Provided by Operating Activities:		
Net Unrealized (Gains) Losses on Investments	626,302	(42,530)
Depreciation and Amortization	2,514,562	2,295,665
Bad Debt Expense	675,709	1,443,826
Amortization of Admission Fees	(661,609)	(491,057)
Loss on Disposal of Property and Equipment	100,751	-
Gain on the Sale of Johnson City Assets	-	(1,330,014)
Changes in Operating Assets and Liabilities:		
Accounts Receivable	(626,853)	(1,481,287)
Note Receivable	11,673	563,637
Prepaid Expenses and Other Assets	367,586	124,948
Accounts Payable and Accrued Expenses	(748,688)	271,476
Other Liabilities	75,076	(296,182)
Net Cash Provided by Operating Activities	815,741	388,753
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(6,421,030)	(5,071,042)
Proceeds from Sale of Johnson City Assets	-	5,210,889
Net Purchases of Investments and Assets Whose Use is Limited	3,951,931	(6,390,833)
Net Cash Used in Investing Activities	(2,469,099)	(6,250,986)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Admission Fees	4,009,583	4,132,712
Refunds of Admission Fees	(1,291,608)	(926,450)
Principal Payments of Long-Term Debt	(775,000)	(1,942,200)
Principal Payments on Capital Lease	(11,099)	(4,763)
Net Cash Provided by Financing Activities	1,931,876	1,259,299
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	278,518	(4,602,934)
Cash and Cash Equivalents - Beginning of Year	4,950,140	9,553,074
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 5,228,658	$ 4,950,140
SUPPLEMENTAL CASH FLOW INFORMATION		
Property Acquired Through Capital Lease	$ 19,636	$ 23,578

See accompanying Notes to Consolidated Financial Statements.

NOTE 1 BASIS OF ACCOUNTING, OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Operations

The accompanying consolidated financial statements include the accounts of Asbury, Inc. and Forest Ridge Manor, Inc. These entities are under common control and are collectively referred to herein as the "Organization" unless otherwise noted. All significant intercompany accounts and transactions have been eliminated. The consolidated financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

The Organization was organized to provide elderly and handicapped persons housing and medical services. At March 31, 2016, the Organization operates facilities in two Tennessee communities (Maryville and Kingsport).

Use of Estimates

The preparation of consolidated financial statements in accordance 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 disclosures of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

The Organization maintains cash balances at several financial institutions within its market area. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC). At times, deposits may exceed FDIC amounts.

Accounts Receivable

Accounts receivable from residents and third-party payers are recorded on the accrual basis in the period in which services are rendered. The Organization does not require collateral on accounts receivable. Accounts are charged to bad debt expense as they are determined to be uncollectible based upon a review of aging and collections. The Organization establishes an allowance for doubtful accounts based upon factors surrounding the credit risk of specific residents, historical trends and other information. The allowance for estimated uncollectible accounts was approximately $957,000 and $789,000 at March 31, 2016 and 2015, respectively.

Investments

Investments are recorded at fair value based on quoted market prices. Donated investments are recorded at market value at the date of the gift, if applicable. Investment income or loss (including realized gains and losses on investments, interest and dividends) is included in the operating indicator unless restricted. Unrealized gains and losses on investments are excluded from the operating indicator.

NOTE 1 BASIS OF ACCOUNTING, OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets Whose Use is Limited

The Organization's Board of Directors has adopted a policy whereby certain cash and investments have been designated to fund remaining claims for a terminated self-insured workers' compensation plan and for other discretionary purposes. Cash and investments restricted under the Organization's bond agreements and custodial bank accounts used for residents' personal funds are also classified as assets whose use is limited.

Property and Equipment

Property and equipment are recorded at cost. Donated property and equipment are recorded at fair market value at the date of donation. The Organization capitalizes all assets over $1,000 and depreciates them using the straight-line method over the estimated useful lives of the assets. Maintenance and repairs are expensed as incurred, betterments are capitalized, and gains and losses from dispositions are included in revenues or expenses. Depreciation expense was approximately $2,423,000 and $2,204,000 for the years ended March 31, 2016 and 2015, respectively.

Deferred Costs

The following is a summary of deferred costs:

	Estimated Life	2016	2015
Deferred Financing Costs	Term of the Bond Issue	$ 456,631	$ 502,415
Deferred Marketing Costs	Life Expectancy of Initial Residents	251,920	293,907
		$ 708,551	$ 796,322

Deferred financing costs represent expenses incurred in connection with the issuance of debt and are deferred and amortized over the life of the related indebtedness using the straight-line method which approximates the effective interest method. Deferred financing costs are net of accumulated amortization of approximately $367,000 and $321,000 at March 31, 2016 and 2015, respectively.

Deferred marketing costs are associated with acquiring initial residential contracts and are deferred and amortized on a straight-line method over the estimated life expectancy of the initial residents. Amortization of deferred marketing costs commenced in fiscal year 2014. Deferred marketing costs are net of accumulated amortization of approximately $126,000 and $84,000 at March 31, 2016 and 2015, respectively.

NOTE 1 BASIS OF ACCOUNTING, OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Refundable Admissions Fees and Deferred Admission Fees

Admission fees are paid by the resident upon entering into a continuing care contract in return for future services and the use of facilities. The Organization offers a Type B, 90% refundable admission fee plan for its cottages and apartments at its Maryville and Kingsport-Baysmont locations. The contract provides for 60 days of nursing home care without additional daily nursing home charges. Residents benefit from immediate access to assisted living and nursing home care. Entrance fees under this plan are refundable upon contract termination and re-occupancy of the unit. The fees are recorded as refundable admission fees and are not amortized.

The Kingsport-Baysmont location also offers a standard admission fee plan for its apartments for which the refundable portion decreases two percent over a 50-month period. Although the Organization no longer charges admission fees for residents of assisted living, admission fees charged in prior years were recorded as deferred admission fees and are amortized to income over the estimated remaining life expectancy of the resident. A portion of the fees are refundable if the resident vacates the facility within 100 months.

At March 31, 2016 and 2015, the Organization held deposits related to an expansion project at the Maryville location of approximately $54,000 and $606,000, respectively.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the Organization has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Organization in perpetuity.

Resident Service Revenue

Resident service revenue is reported at the estimated net realizable amounts to be collected from residents, third-party payers, and others for services provided. The provision for bad debts is reported as an operating expense.

Revenue under third-party payer agreements is subject to audit, investigative review, and retroactive adjustment. Provisions for estimated third-party payer settlements are provided in the period the related services are rendered. Differences between the estimated amounts accrued and final settlements are reported in the consolidated statements of operations and changes in net assets in the year of settlement.

NOTE 1 BASIS OF ACCOUNTING, OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Charity Care

The Organization has a charity care policy to identify residents who meet certain criteria to provide care without charge or at amounts less than its established rates. Such residents are identified based on financial information obtained from the resident and subsequent review and analysis. Since the Organization does not charge the residents for services provided, estimated charges for charity care are not included in net resident service revenue.

The Organization has estimated its direct and indirect costs of providing charity care under its charity care policy. In order to estimate the cost of providing such care, management calculated a cost-to-charge ratio by comparing the total operating costs to total operating revenue. The cost-to-charge ratio is applied to the charges foregone to calculate the estimated direct and indirect cost of providing charity care. Using this methodology, the Organization has estimated the costs for services under the Organization's charity care policy to be approximately $37,000 and $81,000 for the years ended March 31, 2016 and 2015, respectively.

The Organization received approximately $232,000 and $43,000 to subsidize the costs of providing charity care under its charity care policy for the years ended March 31, 2016 and 2015, respectively.

Contributions

Contributions are considered available for unrestricted use unless specifically restricted by donors. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted support. When a donor restriction expires in a subsequent fiscal year, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of operations and changes in net assets as net assets released from restriction. However, if a restriction is fulfilled in the same time period in which the contribution is received, the support is reported as unrestricted. Interest earned on the temporary investment of restricted contributions is reported as unrestricted support.

Gifts of property and equipment are reported as unrestricted support and are excluded from the operating indicator, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated long-lived assets are placed in service.

NOTE 1 BASIS OF ACCOUNTING, OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

Asbury, Inc. and Forest Ridge Manor, Inc. are not-for-profit organizations as described under Section 501(c)(3) of the Internal Revenue Code (the "Code") and are exempt from Federal income taxes.

The income tax returns for Asbury, Inc. and Forest Ridge Manor, Inc. are subject to review and examination by Federal and state authorities. Asbury, Inc. and Forest Ridge Manor, Inc. are not aware of any activities that would jeopardize their tax-exempt status.

The Organization follows guidance in the income tax standard regarding the recognition and measurement of uncertain tax positions. The standard has had no impact on the Organization's consolidated financial statements.

Fair Value of Financial Instruments

Fair value measurement applies to reported balances that are required or permitted to be measured at fair value under an existing accounting standard. The Organization 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 Organization has the ability to access.

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

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

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

NOTE 1 BASIS OF ACCOUNTING, OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value of Financial Instruments (Continued)

Fair value measurement is based upon quoted prices, if available. If quoted prices are not available, fair values are measured using independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for the security's credit rating, prepayment assumptions, and other factors such as credit loss assumptions. Securities valued using Level 1 inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. Treasury and other U.S. government and agency mortgage-backed securities that are traded by dealers or brokers in active over-the-counter markets. The Organization did not have any assets or liabilities that are valued using Level 2 or Level 3 inputs.

Professional standards allow entities the irrevocable option to elect to measure certain financial instruments and other items at fair value for the initial and subsequent measurement on an instrument-by-instrument basis. The Organization has not elected to measure any existing financial instruments at fair value. The Organization may elect to measure newly acquired financial instruments at fair value in the future.

Operating Indicator

The consolidated statements of operations and changes in net assets include an operating indicator identified as the excess (deficit) of revenues over expenses. Changes in unrestricted net assets, which are excluded from the operating indicator consistent with industry practice, include unrealized gains and losses on investments other than trading securities, unrealized gains and losses on derivatives, restricted contributions, contributions of long-lived capital assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets), discontinued operations and extraordinary losses.

Reclassifications

Certain amounts in the 2015 consolidated financial statements have been reclassified to conform to the 2016 presentation with no effect on previously reported net assets, operating income, or deficit of revenues under expenses.

Subsequent Events

The Organization has evaluated subsequent events through July 20, 2016, the date the consolidated financial statements were available for issuance.

NOTE 2 NET RESIDENT SERVICE REVENUE

The Organization renders services to patients under contractual arrangements with the Medicare and Medicaid programs. Reimbursement for services under these arrangements is based on prospectively determined rates. Contractual adjustments and discounts are recorded as the services are rendered to reflect the difference between the Organization's established rates and the amounts received under these arrangements.

The Medicare and Medicaid programs accounted for approximately 20% and 15%, respectively, of 2016 net resident service revenues (20% each during 2015). Related accounts receivable as of March 31, 2016 from Medicare and Medicaid represent approximately 42% and 12%, respectively, of net accounts receivable (49% and 13%, respectively, as of March 31, 2015). Amounts earned under these programs are subject to review and final determination by various program intermediaries and other appropriate governmental authorities or their agents. Laws and regulations governing these programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates could change by a material amount in the near term. In the opinion of management, adequate provision has been made in the consolidated financial statements for any adjustments resulting from such reviews.

A reconciliation of the amount of services provided at established rates to net resident service revenue is as follows:

	2016	2015
Routine Revenue	$ 26,556,916	$ 28,011,871
Ancillary Revenue	7,552,671	7,559,689
Contractual Adjustments and Discounts	(3,265,946)	(3,911,572)
Net Resident Service Revenue	$ 30,843,641	$ 31,659,988

NOTE 3 INVESTMENTS AND ASSETS WHOSE USE IS LIMITED

Investments and assets whose use is limited are categorized by investment type as follows:

	2016	2015
Cash and Cash Equivalents	$ 320,628	$ 545,236
Pooled Growth Fund	7,282,466	7,464,237
Mutual Funds	3,704,917	7,735,197
Fixed Income	3,577,388	3,718,962
	14,885,399	19,463,632
Less: Current Portion	(1,048,700)	(1,028,559)
Investments and Assets Whose Use is Limited, Net of Current Portion	$ 13,836,699	$ 18,435,073

The pooled growth fund represents shares of equity investments.

NOTE 3 INVESTMENTS AND ASSETS WHOSE USE IS LIMITED (CONTINUED)

Investment income includes:

	2016	2015
Interest and Dividends	$ 313,370	$ 398,932
Realized Gains (Losses) and Other	(2,785)	26,265
	$ 310,585	$ 425,197

NOTE 4 LONG-TERM DEBT

Long-term debt, excluding Forest Ridge Manor, Inc. (Note 10) is summarized as follows:

	2016	2015
Series 2007 Bonds	$ 9,120,000	$ 9,895,000
Series 2010 Bonds	12,320,036	12,320,036
	21,440,036	22,215,036
Less: Current Portion	(815,000)	(775,000)
Less: Unamortized Bond Discount	(24,566)	(28,076)
Long-Term Debt, Net	$ 20,600,470	$ 21,411,960

Series 2010 Bonds

On December 30, 2010, the Organization entered into a Bond Purchase and Loan Agreement under which The Health and Educational Facilities Board of Blount County, Tennessee (the Facilities Board) issued and sold a $16 million tax-exempt revenue bond to Branch Banking and Trust Corporation (BB&T), the proceeds of which were used by the Organization to finance construction of its St. Clair Apartments on the Maryville campus, finance construction of improvements at the Johnson City nursing facility, and to pay certain fees and expenses related to the issuance and sale of the bond.

Under the terms of the agreement, the loan is non-revolving, requiring interest only payments through April 1, 2023. Interest rates are set at 68% of 1 month LIBOR plus 1.398%, which was 1.514% as of March 31, 2016. Principal payments begin on May 1, 2023. Proceeds from admission fees received on the last 12 units from the St. Clair Apartments (approximately $3 million) are to be applied toward the repayment of the loan. As of March 31, 2016, approximately $2,389,000 was repaid from admission fees proceeds. The agreement includes optional acceleration on each December 1st of 2020, 2025, 2030, and 2035. The loan is collateralized by the real property of the Organization.

NOTE 4 LONG-TERM DEBT (CONTINUED)

Series 2007 Bonds

On May 30, 2007, the Organization 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 the Organization 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 the Organization.

A schedule of sinking fund payments and minimum maturities of debt for the next five years and thereafter is as follows:

Fiscal Year Ending March 31,	
2017	$ 815,000
2018	860,000
2019	905,000
2020	950,000
2021	995,000
Thereafter	16,915,036
Total	$ 21,440,036

Under the terms of the 2010 and 2007 bond agreements, the Organization is required to meet a number of covenants in which management believes they are in compliance at March 31, 2016.

Cash paid for interest was approximately $638,000 and $721,000 for the years ended March 31, 2016 and 2015, respectively. The Organization capitalized interest of approximately $27,000 during the year ended March 31, 2016, related to construction in progress. Interest capitalized during the year ended March 31, 2015 was approximately $9,000.

NOTE 5 TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	2016	2015
Contributions Received for Specific Healthcare Services	$ 55,893	$ 59,055
Contributions Received for Telecommunications Equipment	14,488	14,488
Total	$ 70,381	$ 73,543

Permanently restricted net assets represent endowment contributions. The State of Tennessee adopted the Tennessee Prudent Management of Institutional Funds Act ("UPMIFA"). The Board of Directors of the Organization has interpreted UPMIFA 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 Organization 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 March 31, 2016 and 2015, the Organization'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. The Organization received no permanently restricted donations during the years ended March 31, 2016 and 2015.

NOTE 6 RETIREMENT PLAN

The Organization has a 403(b) tax deferred annuity plan administered by The Variable Annuity Life Insurance Company (VALIC). Employee participation in the plan is voluntary. Participating employees are permitted to contribute a portion of their earnings to the plan. The Organization contributes a matching contribution made at a rate of 3% of compensation, provided that the employee has made elected deferrals at a rate equal to at least 1.5% of compensation. During the years ended March 31, 2016 and 2015, retirement plan expense totaled approximately $110,000 and $106,000, respectively.

NOTE 7 COMMITMENTS AND CONTINGENCIES

During 2006, the Organization engaged a management services organization to oversee substantially all management functions. The term of the agreement was for 60 months, through June 2011, with two automatic 36-month renewals. Base compensation was approximately $186,000 per month, adjusted for certain expenses as specified in the agreement. Annual compensation was based on a percentage of the Organization's budgeted revenue as defined in the agreement.

Effective April 1, 2014, the Organization re-engaged the management service organization to oversee substantially all management functions. The term of the new agreement is for 39 months, with one automatic 36-month renewal. Base compensation is approximately $180,000 per month, adjusted for certain expenses as specified in the agreement. Annual compensation is based on a percentage of the Organization's budgeted revenue as defined in the agreement.

Effective March 2008, the Organization changed from a program of self-insuring the liability for workers' compensation claims to a fully insured plan. The remaining recorded liability at March 31, 2016, is to provide for claims incurred prior to the inception of the fully insured plan. In conjunction with this change, the Organization is required to maintain a letter of credit with a financial institution in the amount of $100,000 to provide for payment of claims if the Organization is unable to fund claims. In April 2012, the Organization changed to a partially self-insured plan for its workers compensation insurance. In conjunction with this change the Organization is required to maintain a separate letter of credit with a financial institution in the amount of $195,000 to provide for payment of claims if the Organization is unable to fund claims. Both letters of credit are unused as of March 31, 2016 and 2015.

The Organization utilizes a professional and general liability insurance program for general and medical malpractice liability risks. At March 31, 2016, there are potential claims and incidents that may result in the assertion of claims, as well as potential claims from unknown incidents that may be asserted arising from services provided to patients. Management of the Organization, after consultation with legal counsel, estimates that these matters will be resolved without material adverse effect on the Organization's future financial position or results of operations.

NOTE 8 FAIR VALUE MEASUREMENTS

The Organization uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how the Organization measures fair value refer to Note 1 – Basis of Accounting, Operations and Summary of Significant Accounting Policies.

The following table presents the fair value hierarchy for the balances of the assets of the Organization measured at fair value on a recurring basis as of March 31, 2016 and 2015:

	2016			
	Level 1	Level 2	Level 3	Total
Investments and Assets Limited as to Use:				
Pooled Growth Fund	$ 7,282,466	$ -	$ -	$ 7,282,466
Mutual Funds	3,704,917	-	-	3,704,917
Fixed Income	3,577,388	-	-	3,577,388
Total Assets	$ 14,564,771	$ -	$ -	$ 14,564,771

	2015			
	Level 1	Level 2	Level 3	Total
Investments and Assets Limited as to Use:				
Pooled Growth Fund	$ 7,464,237	$ -	$ -	$ 7,464,237
Mutual Funds	7,735,197	-	-	7,735,197
Fixed Income	3,718,962	-	-	3,718,962
Total Assets	$ 18,918,396	$ -	$ -	$ 18,918,396

NOTE 9 FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of the Organization's financial instruments, excluding long-term obligations, approximate their fair values. The fair value of the Organization's long-term obligations is estimated based on the quoted market prices for the same or similar issues.

The carrying amounts and fair values of the Organization's long-term obligations at March 31 are as follows:

	2016		2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-Term Obligations	$ 21,415,470	$ 21,556,000	$ 22,186,960	$ 22,431,000

NOTE 10 FOREST RIDGE MANOR, INC.

Asbury, Inc. sponsors a U.S. Department of Housing and Urban Development ("HUD") housing project developed and administered by Forest Ridge Manor, Inc. ("FRM"), a 501(c)(3) organization. Asbury, Inc. has both control of FRM through the appointment of FRM's board of directors and an economic interest in FRM. As such, the accounts of FRM are consolidated with those of Asbury, Inc.

The purpose of the HUD project is to provide affordable housing for low-income elderly persons in the Kingsport, Tennessee area. In 2005, FRM received a capital grant to construct a 38-unit apartment complex. Through March 31, 2016, FRM has drawn $3,293,600 from the capital grant and recorded a capital advance liability related to these draws. The capital advance grant acts as a 40-year mortgage that is not required to be repaid so long as the housing remains available to eligible persons in accordance with Section 202 of the Housing Act of 1959.

Selected financial information for FRM as of March 31 is as follows:

	2016	2015
Assets	$ 2,982,604	$ 3,085,660
Liabilities	3,538,777	3,554,187
Net Assets	(556,173)	(468,527)
Revenues	197,818	116,213

Assets for FRM primarily relate to housing facilities and liabilities primarily relate to the capital advance grant.

NOTE 11 NOTE RECEIVABLE

In November 2012, the Organization sold a portion of the Johnson City facility, excluding the skilled nursing facility to an unrelated outside party. As part of the sales agreement, the Organization accepted a promissory note from the buyer in the amount of $589,000 bearing interest at the annual rate of five percent, compounded annually. Per the terms of the note, principal and interest payments of $3,891 are due the first day of each month for 35 months. The 36th and final payment of $534,010, together with all remaining principal and accrued interest was due no later than December 1, 2015, and was not extended. The note is supported by a deed of trust on the property involved in the sale.

The outstanding balances of the note receivable as of March 31, 2016 and 2015 were approximately $554,000 and $559,000, respectively. During 2015, the buyer experienced financial difficulties and there is uncertainty around the ability of the buyer to pay off the note. As of March 31, 2016, the Organization has allowed for the entire note balance due to this uncertainty.

NOTE 12 JOHNSON CITY ASSET SALE

On June 11, 2014 the Organization entered into an Asset Purchase Agreement (the "Agreement") with an unrelated party to sell substantially all of the assets of its Johnson City facility for approximately $5,500,000. Prior to the execution of the sale, the Organization evaluated the proposed total sales price in comparison to the net book value of the related assets being sold and determined that no impairment appeared to exist on the assets.

The sale was approved and finalized on August 29, 2014. Due to certain restrictions around the use of the funds received from the sale under the Organization's bond agreements, these funds are held by the bond trustee and are included as Assets Whose Use is Limited Under Bond Agreements on the Consolidated Statement of Financial Position at March 31, 2015. Under the agreements, the Organization may use these funds for certain capital improvements to the Organization, as approved by the majority bond holder. The difference between the net purchase price and the net book value of the Johnson City assets was approximately $1,330,000, which was shown as a Gain on the Sale of Johnson City Assets on the Consolidated Statement of Operations and Changes in Net Assets for the year ended March 31, 2015. Subsequent to the sale, the remaining net deficit related to Johnson City was transferred internally to the Asbury Support Center.

NOTE 13 SUBSEQUENT EVENT

On June 22, 2016 the Board of Directors of Asbury, Inc. voted to amend its bylaws, to grant specific reserved powers to Asbury Communities, Inc., (AComm) a non-profit, non-stock, Federally tax-exempt IRC 501(c)(3) [509(a)(3)] Maryland corporation. On July 13, 2016, the Board of Directors of AComm voted to amend its bylaws to include Asbury, Inc. as a supported organization of AComm. These actions will establish AComm as the supporting organization of Asbury, Inc. in accordance with IRC 509(a)(3) as of the affiliation effective date of August 1, 2016.

NOTE 13 SUBSEQUENT EVENT (CONTINUED)

AComm was organized on August 1, 1994, as a Maryland not-for-profit 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); Asbury Solomons, Inc. (AS); Inverness Village, an Oklahoma not-for-profit Corporation (IV); Asbury Communities HCBS, Inc. (HCBS); and Calvert County Nursing Center (CCNC). AComm is the sole voting stockholder of The Asbury Group, Inc. (TAG). Additionally, AComm is the sole member of Asbury Foundation, Inc. (AFound).

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INDEPENDENT AUDITORS' REPORT ON ACCOMPANYING INFORMATION

Board of Directors
Asbury, Inc. and Affiliate
Maryville, Tennessee

We have audited the consolidated statements of financial position of Asbury, Inc. and Affiliate as of and for the year ended March 31, 2016, and our report thereon dated July 20, 2016, which expressed an unmodified opinion on those consolidated financial statements, appears on page 1. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information as listed under "Accompanying Information" on the table of contents is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual companies, 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 consolidating 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, which insofar as it relates to Forest Ridge Manor, Inc., is based on the report of other auditors, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Charlotte, North Carolina
July 20, 2016

ASBURY, INC. AND AFFILIATE
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
MARCH 31, 2016

	Locations						
ASSETS	Support Center	Maryville	Kingsport	Asbury at Home	Asbury, Inc.	Forest Ridge Manor, Inc.	Asbury, Inc. Consolidated
CURRENT ASSETS							
Cash and Cash Equivalents	$ 5,160,345	$ 1,500	$ 1,600	$ -	$ 5,163,445	$ 65,213	$ 5,228,658
Accounts Receivable, Net	2,007	1,433,317	711,428	85,443	2,232,195	442	2,232,637
Note Receivable	-	-	-	-	-	-	-
Prepaid Expenses and Other Current Assets	630,405	155,065	58,206	1,572	845,248	-	845,248
Current Portion of Assets Whose Use is Limited							
Under Bond Agreement	-	649,145	399,555	-	1,048,700	-	1,048,700
Total Current Assets	5,792,757	2,239,027	1,170,789	87,015	9,289,588	65,655	9,355,243
ASSETS WHOSE USE IS LIMITED, NET							
Patient Trust Funds	-	35,602	-	-	35,602	11,557	47,159
Under Bond Agreements	1,323,393	825,039	507,785	-	2,656,217	-	2,656,217
By Donors - Endowment Funds	53,391	-	-	-	53,391	-	53,391
By Board - Workers' Compensation Fund	89,822	8,376	2,137	-	100,335	-	100,335
By Board - Other Designated Funds	-	-	-	-	-	101,555	101,555
Total Assets Whose Use is Limited, Net	1,466,606	869,017	509,922	-	2,845,545	113,112	2,958,657
INVESTMENTS	7,259,916	3,316,580	301,546	-	10,878,042	-	10,878,042
PROPERTY AND EQUIPMENT							
Land	-	137,923	933,482	-	1,071,405	-	1,071,405
Land Improvements	22,667	1,415,143	339,863	-	1,777,673	24,723	1,802,396
Buildings	102,867	40,318,850	20,190,114	-	60,611,831	3,576,563	64,188,394
Equipment	779,190	5,417,489	4,835,973	-	11,032,652	58,172	11,090,824
Construction in Progress	-	850,653	1,023,417	-	1,874,070	-	1,874,070
	904,724	48,140,058	27,322,849	-	76,367,631	3,659,458	80,027,089
Less: Accumulated Depreciation	(889,652)	(17,368,070)	(9,756,046)	-	(28,013,768)	(860,971)	(28,874,739)
Property and Equipment, Net	15,072	30,771,988	17,566,803	-	48,353,863	2,798,487	51,152,350
OTHER ASSETS							
Deferred Costs	-	605,848	102,703	-	708,551	-	708,551
Other Assets	-	-	-	-	-	5,350	5,350
Total Other Assets	-	605,848	102,703	-	708,551	5,350	713,901
Total Assets	$ 14,534,351	$ 37,802,460	$ 19,651,763	$ 87,015	$ 72,075,589	$ 2,982,604	$ 75,058,193

ASBURY, INC. AND AFFILIATE
CONSOLIDATING STATEMENT OF FINANCIAL POSITION (CONTINUED)
MARCH 31, 2016

	Locations					Forest	
LIABILITIES AND NET ASSETS	Support Center	Maryville	Kingsport	Asbury at Home	Asbury, Inc.	Ridge Manor, Inc.	Asbury, Inc. Consolidated
CURRENT LIABILITIES							
Accounts Payable and Accrued Expenses	$ 1,046,819	$ 375,614	$ 419,706	$ -	$ 1,842,139	$ 20,193	$ 1,862,332
Accrued Payroll Related Liabilities	893,280	16,898	11,952	-	922,130	1,545	923,675
Current Portion of Long-Term Debt	-	504,485	310,515	-	815,000	-	815,000
Current Portion of Capital Lease	-	7,810	4,807	-	12,617	-	12,617
Deferred Revenue - Deposits	-	79,423	8,953	-	88,376	-	88,376
Total Current Liabilities	1,940,099	984,230	755,933	-	3,680,262	21,738	3,702,000
LONG-TERM DEBT, NET OF CURRENT PORTION	-	16,943,608	3,656,862	-	20,600,470	-	20,600,470
CAPITAL LEASE, NET OF CURRENT PORTION	-	9,121	5,614	-	14,735	-	14,735
OTHER LIABILITIES							
Due from (Due to) Other Facilities	8,893,373	(7,783,255)	(1,288,271)	88,815	(89,338)	89,338	-
Refundable Admission Fees	-	17,253,059	5,362,832	-	22,615,891		22,615,891
Deferred Admission Fees, Net	-	1,429,857	1,749,810	-	3,179,667	-	3,179,667
Affordable Housing Program Grant Note	-	-	-	-	-	134,101	134,101
HUD Capital Advance	-	-	-	-	-	3,293,600	3,293,600
Total Other Liabilities	8,893,373	10,899,661	5,824,371	88,815	25,706,220	3,517,039	29,223,259
Total Liabilities	10,833,472	28,836,620	10,242,780	88,815	50,001,687	3,538,777	53,540,464
NET ASSETS							
Unrestricted	3,633,000	8,915,045	9,403,885	(1,800)	21,950,130	(556,173)	21,393,957
Temporarily Restricted	14,488	50,795	5,098	-	70,381	-	70,381
Permanently Restricted	53,391	-	-	-	53,391	-	53,391
Total Net Assets	3,700,879	8,965,840	9,408,983	(1,800)	22,073,902	(556,173)	21,517,729
Total Liabilities and Net Assets	$ 14,534,351	$ 37,802,460	$ 19,651,763	$ 87,015	$ 72,075,589	$ 2,982,604	$ 75,058,193

ASBURY, INC. AND AFFILIATE
CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
YEAR ENDED MARCH 31, 2016

	Locations					Forest	
	Support Center	Maryville	Kingsport	Asbury at Home	Asbury, Inc.	Ridge Manor, Inc.	Asbury, Inc. Consolidated
OPERATING REVENUES							
Net Resident Service Revenue	$ (282)	$ 18,777,775	$ 11,215,102	$ 851,046	$ 30,843,641	$ -	$ 30,843,641
Amortization of Entrance Fees	-	220,028	441,581	-	661,609	-	661,609
Other Operating Revenue	13,990	159,372	158,161	-	331,523	197,818	529,341
Net Assets Released from Restrictions	-	16,456	422	-	16,878	-	16,878
Total Operating Revenues	13,708	19,173,631	11,815,266	851,046	31,853,651	197,818	32,051,469
OPERATING EXPENSES							
Salaries and Wages	79,439	7,615,980	4,360,827	568,977	12,625,223	-	12,625,223
Employee Benefits	6,707	1,729,445	1,089,759	64,568	2,890,479	-	2,890,479
Contract Labor	-	2,212,409	1,449,254	-	3,661,663	-	3,661,663
Food Purchases	-	788,767	534,851	-	1,323,618	-	1,323,618
Medical Supplies and Other Resident Costs	-	1,472,846	782,238	3,282	2,258,366	-	2,258,366
General and Administrative	167,848	1,694,204	1,086,581	16,993	2,965,626	67,190	3,032,816
Building and Maintenance	7,124	1,221,877	748,565	5,693	1,983,259	104,636	2,087,895
Insurance	4,111	322,368	233,089	-	559,568	-	559,568
Interest	-	445,349	173,206	-	618,555	-	618,555
Taxes	8,040	731,032	379,834	-	1,118,906	20,887	1,139,793
Bad Debts	(26,254)	700,345	55,949	(54,331)	675,709	-	675,709
Depreciation and Amortization	3,301	1,517,768	895,235	-	2,416,304	98,258	2,514,562
ASC Allocation	(237,826)	145,074	92,752	-	-	-	-
Total Operating Expenses	12,490	20,597,464	11,882,140	605,182	33,097,276	290,971	33,388,247
OPERATING INCOME (LOSS)	1,218	(1,423,833)	(66,874)	245,864	(1,243,625)	(93,153)	(1,336,778)
OTHER INCOME (LOSS)							
Investment Income	188,975	115,283	6,327	-	310,585	-	310,585
Gain (Loss) on Disposal of Property and Equipment	13,595	(114,290)	(56)	-	(100,751)	-	(100,751)
Other Income	20,830	201,513	9,790	-	232,133	374	232,507
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	224,618	(1,221,327)	(50,813)	245,864	(801,658)	(92,779)	(894,437)
Net Unrealized Losses on Investments	(382,044)	(231,732)	(12,526)	-	(626,302)	-	(626,302)
Increase (Decrease) in Unrestricted Net Assets	(157,426)	(1,453,059)	(63,339)	245,864	(1,427,960)	(92,779)	(1,520,739)
TEMPORARILY RESTRICTED NET ASSETS							
Contributions	-	13,356	360	-	13,716	5,133	18,849
Net Assets Released from Restrictions	-	(16,456)	(422)	-	(16,878)	-	(16,878)
Increase (Decrease) in Temporarily Restricted Net Assets	-	(3,100)	(62)	-	(3,162)	5,133	1,971
Increase (Decrease) in Net Assets	(157,426)	(1,456,159)	(63,401)	245,864	(1,431,122)	(87,646)	(1,518,768)
Net Assets - Beginning of Year	3,858,305	10,421,999	9,472,384	(247,664)	23,505,024	(468,527)	23,036,497
NET ASSETS - END OF YEAR	$ 3,700,879	$ 8,965,840	$ 9,408,983	$ (1,800)	$ 22,073,902	$ (556,173)	$ 21,517,729