

PRESBYTERIAN HOMES OBLIGATED GROUP

Combined Statements of Financial Position

August 31, 2018 and December 31, 2017

Assets	August 31, 2018	December 31, 2017
Cash and cash equivalents	\$ 1,316,909	950,523
Investments	74,092,645	73,924,560
Statutory minimum liquid reserve	10,923,689	10,790,048
Accounts receivable, net	17,798,427	23,123,294
Prepaid expenses	4,680,530	2,860,426
Assets whose use is limited	8,731,515	9,262,604
Pledges receivable	322,325	364,903
Assets held for sale	—	229,927
Property and equipment (net of accumulated depreciation of \$262,452,602 and \$249,345,994 respectively)	350,874,362	351,683,760
Assets under capital leases (net of accumulated depreciation of \$1,300,544 and \$1,129,078 respectively)	793,124	279,974
Due from affiliates	80,592,416	75,986,437
Assets held in trust by others	19,026,433	18,910,644
Goodwill	1,836,908	1,836,908
Other assets	46,855	24,812
Total assets	\$ <u>571,036,137</u>	<u>570,228,820</u>

PRESBYTERIAN HOMES OBLIGATED GROUP

Combined Statements of Financial Position

August 31, 2018 and December 31, 2017

Liabilities and Net Assets	August 31, 2018	December 31, 2017
Accounts payable	\$ 5,380,217	6,697,545
Accrued expenses	12,077,333	14,256,549
Lines of credit	11,442,982	15,883,024
Accrued interest	888,229	677,202
Resident deposits	1,910,527	2,008,554
Entrance fee payable	13,217,220	14,526,588
Deferred revenue – entrance fees	104,636,914	101,183,882
Deferred energy costs	1,098,913	1,140,481
Fair value of interest rate swaps	914	5,950
Annuities payable	646,457	700,820
Long-term debt		
Obligations under capital leases	774,362	288,606
Long-term debt	224,092,097	225,780,690
Total liabilities	376,166,165	383,149,891
Net assets:		
Without donor restrictions	168,780,911	161,054,399
With donor restrictions	26,089,061	26,024,530
Total net assets	194,869,972	187,078,929
Total liabilities and net assets	\$ 571,036,137	570,228,820

PRESBYTERIAN HOMES OBLIGATED GROUP

Combined Statements of Operations and Changes in Net Assets

Periods ended August 31, 2018 and year ended December 31, 2017

	August 31, 2018	December 31, 2017
Operating revenues, gains, and other support:		
Resident services, including amortization of entrance fees of \$10,766,248 and \$15,074,966, respectively	\$ 141,797,615	207,427,477
Interest and dividend income	1,094,550	2,688,656
Realized gain on investments	228,819	3,713,574
(Loss) gain on sale of property and equipment	(174,194)	21,064
Contributions, gifts and bequests	271,779	1,916,343
Net assets released from restrictions	427,778	431,603
Total operating revenues, gains, and other support	143,646,347	216,198,717
Expenses:		
Nursing services	38,750,663	56,292,409
Rehabilitation	11,488,720	14,262,438
Recreation and special services	3,723,716	5,673,398
Pharmacy	2,144,980	3,997,420
Social services	659,015	1,004,666
Physician services	480,590	704,071
Food services	15,280,255	22,820,663
Building operations and maintenance	16,017,096	23,152,327
Housekeeping	2,564,203	4,359,469
Laundry and linen	738,574	1,244,704
General and administrative	21,809,752	33,292,481
Employee benefits	6,940,740	13,500,541
Interest	5,055,313	7,226,199
Depreciation	13,279,473	19,176,745
Fundraising and investment fee	432,984	962,433
Total expenses	139,366,074	207,669,964
Income from continuing operations	4,280,273	8,528,753
Decrease in fair value of interest rate swaps	5,036	27,084
Loss on abandoned project	—	(115,567)
Excess of operating revenues, gains and other support over expenses	4,285,309	8,440,270
Other changes:		
Unrealized gain on investments	3,441,204	4,397,081
Total other changes	3,441,204	4,397,081
Increase in net assets without donor restrictions	7,726,512	12,837,351

PRESBYTERIAN HOMES OBLIGATED GROUP

Combined Statements of Operations and Changes in Net Assets

Periods ended August 31, 2018 and year ended December 31, 2017

	August 31, 2018	December 31, 2017
Net assets with donor restrictions		
Contributions, gifts and bequests	\$ 248,669	696,044
Interest and dividend income	64,906	81,014
Unrealized gain on investments	178,734	1,455,683
Net assets released from restrictions	<u>(427,778)</u>	<u>(431,603)</u>
Change in net assets with donor restrictions	64,531	1,801,138
Change in net assets	7,791,043	14,638,489
Net assets beginning of year	<u>187,078,929</u>	<u>172,440,440</u>
Net assets, end of year	<u><u>\$ 194,869,972</u></u>	<u><u>187,078,929</u></u>

PRESBYTERIAN HOMES OBLIGATED GROUP

Combined Statements of Cash Flows

Periods ended August 31, 2018 and year ended December 31, 2017

	August 31, 2018	December 31, 2017
Cash flows from operating activities:		
Change in net assets	\$ 7,791,045	14,638,489
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	13,279,473	19,176,745
Provision for bad debt	2,037,898	2,850,957
Proceeds from entrance fees and deposits	17,696,049	25,850,067
Amortization of entrance fees	(10,766,248)	(15,074,966)
Change in fair value rate swap	(5,036)	(27,084)
Unrealized gain on investments and assets held in trust by others	(3,619,939)	(5,852,764)
Realized gain on investments	(228,819)	(3,713,574)
Realized loss (gain) on property, plant and equipment	174,194	(21,064)
Contributions restricted for long-term purposes	(25,724)	(70,925)
Amortization of deferred financing costs	119,048	174,662
Amortization of bond discount/premium	(8,110)	(3,240)
Deferred energy cost adjustment	(41,568)	(62,352)
Loss on abandoned projects	—	115,567
Change in assets and liabilities:		
Accounts receivable	1,467,284	(2,806,474)
Entrance fee receivable	1,819,685	501,328
Pledges receivable	42,578	82,044
Other assets	(1,767,891)	(95,532)
Accounts payable	(1,317,328)	(7,896,215)
Accrued expenses and deferred revenue other	(2,042,270)	(293,382)
Net cash provided by operating activities	24,604,322	27,472,287
Cash flows from investing activities:		
Acquisition of property and equipment	(12,927,492)	(22,786,164)
Net proceeds from sale of investments	3,962,333	16,268,125
Net cash used in investing activities	(8,965,159)	(6,518,039)
Cash flows from financing activities:		
Refunds of entrance fees and deposits	(3,574,796)	(4,485,971)
Change in entrance fee payable	(1,309,368)	(1,616,071)
Principal payments on long-term debt	(8,885,495)	(12,293,993)
Proceeds on the issuance of bonds	885,768	—
Redemption of treasury bonds	6,320,000	170,125
Financing costs incurred	(119,982)	(6,523)
(Repayments) borrowings on notes payable and lines of credit	(4,440,042)	1,787,359
Borrowings through capital leases	676,661	138,476
Repayments on capital lease obligations	(190,905)	(229,851)
Contributions restricted for long-term purposes	25,724	70,925
Change in annuities payable	(54,363)	(160,659)
Increase in due from affiliates	(4,605,979)	(4,765,147)
Net cash used in financing activities	(15,272,777)	(21,391,330)
Net decrease in cash and cash equivalents	366,386	(437,082)
Cash and cash equivalents, beginning of year	950,523	1,387,605
Cash and cash equivalents, end of year	\$ 1,316,909	950,523