

PRESBYTERIAN HOMES OBLIGATED GROUP

Combined Statements of Financial Position

December 31, 2018 and 2017

Assets	2018	2017
Cash and cash equivalents	\$ 898,783	950,523
Investments	71,716,437	73,924,560
Statutory minimum liquid reserve	14,414,768	10,790,048
Accounts receivable, net	18,775,127	23,123,294
Prepaid expenses	2,883,884	2,860,426
Assets whose use is limited	7,976,654	9,262,604
Assets whose use is limited, capital assets	25,737,965	-
Pledges receivable	327,413	364,903
Assets held for sale	10,000	229,927
Property and equipment (net of accumulated depreciation of \$269,392,896 and \$249,345,994 respectively)	356,110,951	351,683,760
Assets under capital leases (net of accumulated depreciation of \$1,421,806 and \$1,129,078 respectively)	766,121	279,974
Due from affiliates	79,009,259	75,986,437
Assets held in trust by others	17,388,344	18,910,644
Goodwill	1,836,908	1,836,908
Other assets	38,134	24,812
 Total assets	\$ 597,890,749	570,228,820

PRESBYTERIAN HOMES OBLIGATED GROUP

Combined Statements of Financial Position

December 31, 2018 and 2017

Liabilities and Net Assets	2018	2017
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Accounts payable	\$ 8,809,298	6,697,545
Accrued expenses	13,689,413	14,256,549
Lines of credit	14,518,798	15,883,024
Accrued interest	678,584	677,202
Resident deposits	1,571,124	2,008,554
Entrance fee payable	12,163,288	14,526,588
Deferred revenue – entrance fees	104,536,574	101,183,882
Deferred energy costs	1,078,129	1,140,481
Fair value of interest rate swaps	—	5,950
Annuities payable	616,464	700,820
Long-term debt		
Obligations under capital leases	843,087	288,606
Long-term debt	249,345,309	225,780,690
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Total liabilities	407,850,066	383,149,891
Net assets:		
Without donor restrictions	165,830,849	161,186,177
With donor restrictions	24,209,833	25,892,752
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Total net assets	190,040,682	187,078,929
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Total liabilities and net assets	\$ 597,890,749	570,228,820
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PRESBYTERIAN HOMES OBLIGATED GROUP

Combined Statements of Operations and Changes in Net Assets

Years ended December 31, 2018 and 2017

	<u>December 31,</u> <u>2018</u>	<u>December 31,</u> <u>2017</u>
Revenues and other support:		
Resident services, including amortization of entrance fees of \$16,854,680 and \$15,074,966, respectively	\$ 213,142,744	207,427,477
Contributions, gifts and bequests	439,582	1,916,343
Net assets released from restrictions	696,657	728,851
Total operating revenues, gains, and other support	<u>214,278,983</u>	<u>210,072,671</u>
Cost of services provided:		
Nursing services	58,037,632	56,292,409
Rehabilitation	17,048,858	14,262,438
Recreation and special services	5,636,302	5,673,398
Pharmacy	3,379,777	3,997,420
Social services	983,872	1,004,666
Physician services	728,900	704,071
Food services	23,082,692	22,820,663
Building operations and maintenance	23,973,975	23,152,327
Housekeeping	3,832,542	4,359,469
Laundry and linen	1,130,188	1,244,704
General and administrative	33,745,999	33,292,481
Employee benefits	9,823,871	13,500,541
Interest	7,749,360	7,226,199
Depreciation	20,351,309	19,176,745
Amortization	-	-
Fundraising and investment fee	692,179	546,801
Total cost of services provided	<u>210,197,456</u>	<u>207,254,332</u>
Excess of revenues and other support over expenses	4,081,527	2,818,339
Other income (expense):		
Investment income, net of investment expense	2,432,892	2,273,024
Realized (loss) gain on investments	(2,859,511)	3,713,574
Unrealized gain on investments	1,512,193	4,397,081
(Loss) gain on sale of property and equipment	(21,145)	21,064
Decrease in fair value of interest rate swaps	5,950	27,084
Loss on early extinguishment of debt	(122,288)	-
Loss on impairment of asset	(384,945)	-
Loss on abandoned project	-	(115,567)
Total other income (expense)	<u>563,145</u>	<u>10,316,260</u>
Excess of revenues, gains and other support over expenses and losses	4,644,672	13,134,599

PRESBYTERIAN HOMES OBLIGATED GROUP

Combined Statements of Operations and Changes in Net Assets

Years ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Net assets without donor restrictions		
Excess of revenues, gains and other support over expenses and losses	\$ 4,644,672	13,134,599
Change in net assets without donor restrictions	4,644,672	13,134,599
Net assets with donor restrictions		
Contributions, gifts and bequests	767,920	696,044
Interest and dividend income	112,407	81,014
Unrealized (loss) gain on investments	(1,866,589)	1,455,683
Change in fair value	-	
Asset adjustment for affiliation	-	-
Net assets released from restrictions	<u>(696,657)</u>	<u>(728,851)</u>
Change in net assets with donor restrictions	(1,682,919)	1,503,890
Change in net assets	2,961,753	14,638,489
Net assets beginning of year	<u>187,078,929</u>	<u>172,440,440</u>
Net assets, end of year	<u>\$ 190,040,682</u>	<u>187,078,929</u>

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PRESBYTERIAN HOMES OBLIGATED GROUP

Combined Statements of Cash Flows

Years ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets	\$ 2,961,755	14,638,489
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	20,351,309	19,176,745
Provision for bad debt	3,223,583	2,850,957
Proceeds from entrance fees and deposits	25,097,387	25,850,067
Amortization of entrance fees	(16,854,680)	(15,074,966)
Loss on extinguishment of debt	122,288	—
Change in fair value rate rate swap	(5,950)	(27,084)
Unrealized loss (gain) on investments and assets held in trust by other:	354,397	5,852,764
Realized loss (gain) on investments	2,859,511	(3,712,574)
Realized loss (gain) on property, plant and equipment	21,145	(21,064)
Contributions restricted for long-term purposes	(53,888)	(70,925)
Amortization of deferred financing costs	176,120	174,662
Amortization of bond discount/premium	(17,030)	(3,240)
Deferred energy cost adjustment	(62,352)	(62,352)
Loss on impairment of asset	384,945	—
Loss on abandoned projects	—	115,567
Change in assets and liabilities:		
Accounts receivable	(1,039,879)	(2,806,474)
Entrance fee receivable	2,164,463	501,328
Pledges receivable	37,490	82,044
Other assets	39,455	(95,532)
Accounts payable	2,111,753	(7,896,215)
Accrued expenses and deferred revenue other	(641,725)	(293,382)
Net cash provided by operating activities	<u>41,230,096</u>	<u>27,472,287</u>
Cash flows from investing activities:		
Acquisition of property and equipment	(25,450,810)	(22,786,164)
Purchases from sale of investments	(88,302,097)	(55,021,632)
Net proceeds from sale of investments	<u>60,741,877</u>	<u>71,289,757</u>
Net cash used in investing activities	<u>(53,011,030)</u>	<u>(6,518,039)</u>
Cash flows from financing activities:		
Refunds of entrance fees and deposits	(5,327,446)	(4,485,971)
Change in entrance fee payable	(2,363,300)	(1,616,071)
Principal payments on long-term debt	(12,674,037)	(12,293,993)
Proceeds on the issuance of bonds	33,380,681	—
Refunding, refinancing or payoff of long-term debt	(3,380,681)	—
Redemption of treasury bonds	6,197,712	170,125
Financing costs incurred	(240,700)	(6,523)
(Repayments) borrowings on notes payable and lines of credit	(1,364,226)	1,787,359
Borrowings through capital leases	840,657	138,476
Repayments on capital lease obligations	(286,176)	(229,851)
Contributions restricted for long-term purposes	53,888	70,925
Change in annuities payable	(84,356)	(160,659)
Increase in due from affiliates	<u>(3,022,822)</u>	<u>(4,765,147)</u>
Net cash provided by (used in) financing activities	<u>11,729,194</u>	<u>(21,391,330)</u>
Net decrease in cash and cash equivalents	<u>(51,740)</u>	<u>(437,082)</u>
Cash and cash equivalents, beginning of year	<u>950,523</u>	<u>1,387,605</u>
Cash and cash equivalents, end of year	<u>\$ 898,783</u>	<u>950,523</u>