

**PRESBYTERIAN HOMES OBLIGATED GROUP**

Combined Statements of Financial Position

December 31, 2019 and 2018

| <b>Assets</b>   | <b>2019</b>           | <b>2018</b>        |
|---|-----------------------|--------------------|
| Cash and cash equivalents   | \$ 11,139,633         | 898,783            |
| Investments   | 72,958,043            | 71,716,437         |
| Statutory minimum liquid reserve  | 12,216,204            | 14,414,768         |
| Accounts receivable, net  | 16,406,914            | 18,775,127         |
| Prepaid expenses  | 3,543,510             | 2,883,884          |
| Assets whose use is limited   | 6,245,481             | 7,976,654          |
| Assets whose use is limited, capital assets   | 17,324,107            | 25,737,965         |
| Promises to give, net   | 255,968               | 327,413            |
| Assets held for sale  | 3,619,230             | 10,000             |
| Property and equipment (net of accumulated depreciation of \$290,466,288 and \$269,392,896, respectively) | 356,488,553           | 356,110,951        |
| Financing leases (net of accumulated depreciation of \$797,499 and \$1,421,806, respectively)             | 1,139,573             | 826,062            |
| Assets under operating leases   | 96,643                | 156,617            |
| Due from affiliates, net  | 80,989,105            | 79,009,259         |
| Funds held in trust by others   | 19,321,794            | 17,388,344         |
| Goodwill (net of accumulated amortization of \$282,601 and \$0, respectively)                             | 1,554,307             | 1,836,908          |
| Other assets  | 27,230                | 38,134             |
| Total assets  | <u>\$ 603,326,294</u> | <u>598,107,306</u> |

**PRESBYTERIAN HOMES OBLIGATED GROUP**

Combined Statements of Financial Position

December 31, 2019 and 2018

| <b>Liabilities and Net Assets</b>       | <b>2019</b>           | <b>2018</b>        |
|---|-----------------------|--------------------|
| Accounts payable                        | \$ 8,604,404          | 8,809,297          |
| Accrued expenses                        | 15,957,412            | 13,689,413         |
| Lines of credit                         | 15,198,790            | 14,518,798         |
| Accrued interest                        | 743,757               | 678,584            |
| Resident deposits                       | 2,338,788             | 1,571,124          |
| Entrance fee payable                    | 10,850,556            | 12,163,288         |
| Deferred revenue – entrance fees        | 107,392,209           | 104,536,574        |
| Deferred energy costs                   | 1,015,777             | 1,078,129          |
| Annuities payable                       | 608,759               | 616,464            |
| Obligations under operating leases      | 96,643                | 156,617            |
| Long-term debt                          |                       |                    |
| Obligations under financing leases      | 1,155,723             | 901,464            |
| Long-term debt                          | 236,946,145           | 249,345,309        |
| <b>Total liabilities</b>                | <b>400,908,963</b>    | <b>408,065,061</b> |
| Net assets:                             |                       |                    |
| Without donor restrictions              | 175,879,819           | 165,657,395        |
| With donor restrictions                 | 26,537,512            | 24,384,850         |
| <b>Total net assets</b>                 | <b>202,417,331</b>    | <b>190,042,245</b> |
| <b>Total liabilities and net assets</b> | <b>\$ 603,326,294</b> | <b>598,107,306</b> |

**PRESBYTERIAN HOMES OBLIGATED GROUP**

Combined Statements of Operations and Changes in Net Assets

Years ended December 31, 2019 and 2018

|  | <u>2019</u>        | <u>2018</u>        |
|--|--------------------|--------------------|
| Revenues and other support:  |                    |                    |
| Resident services  |                    |                    |
| Resident services  | \$ 199,622,256     | 196,288,064        |
| Amortization of entrance fees  | 16,955,577         | 16,854,680         |
| Implicit price concession  | <u>(2,209,959)</u> | <u>(2,556,341)</u> |
| Total resident services  | 214,367,873        | 210,586,403        |
| Contributions, gifts and bequests                                    | 472,252            | 439,582            |
| Net assets released from restrictions                                | <u>1,216,581</u>   | <u>993,352</u>     |
| Total operating revenues, gains, and other support                   | 216,056,706        | 212,019,337        |
| Cost of services provided:   |                    |                    |
| Nursing services   | 59,488,679         | 58,037,632         |
| Rehabilitation   | 16,118,459         | 17,048,858         |
| Recreation and special services                                      | 5,847,631          | 5,636,302          |
| Pharmacy   | 3,354,446          | 3,379,777          |
| Social services  | 1,015,769          | 983,872            |
| Physician services   | 729,176            | 728,900            |
| Food services  | 23,819,083         | 23,082,692         |
| Building operations and maintenance                                  | 24,579,664         | 23,973,975         |
| Housekeeping   | 3,871,340          | 3,832,542          |
| Laundry and linen  | 1,272,211          | 1,130,188          |
| General and administrative   | 30,547,236         | 31,187,883         |
| Employee benefits  | 11,494,826         | 9,823,871          |
| Interest   | 7,966,263          | 7,749,574          |
| Depreciation   | 21,525,057         | 20,351,309         |
| Amortization   | 282,601            | -                  |
| Fundraising  | 726,845            | 692,179            |
| Total cost of services provided                                      | <u>212,639,284</u> | <u>207,639,554</u> |
| Excess of revenues and other support over expenses                   | 3,417,422          | 4,379,783          |
| Other income:  |                    |                    |
| Investment income, net of investment expense                         | 2,085,992          | 2,432,892          |
| Realized gain (loss) on investments                                  | 1,982,030          | (2,859,511)        |
| Unrealized gain on investments                                       | 4,078,370          | 1,337,728          |
| Loss on sale of property and equipment                               | <u>(670,883)</u>   | <u>(21,145)</u>    |
| Total other income   | 7,475,509          | 889,964            |
| Excess of revenues, gains and other support over expenses and losses | 10,892,931         | 5,269,747          |
| Decrease in fair value of interest rate swaps                        | -                  | 5,950              |
| Loss on early extinguishment of debt                                 | (165,422)          | (122,288)          |
| Loss on impairment of asset  | <u>(505,085)</u>   | <u>(384,945)</u>   |
| Change in net assets without donor restrictions                      | 10,222,425         | 4,768,464          |

**PRESBYTERIAN HOMES OBLIGATED GROUP**

Combined Statements of Operations and Changes in Net Assets

Years ended December 31, 2019 and 2018

|  | <u>2019</u>           | <u>2018</u>        |
|--|-----------------------|--------------------|
| Net assets with donor restrictions           |                       |                    |
| Contributions, gifts and bequests            | 960,403               | 767,918            |
| Interest and dividend income                 | 116,614               | 112,411            |
| Unrealized gain (loss) on investments        | 2,292,226             | (1,692,125)        |
| Net assets released from restrictions        | (1,216,581)           | (993,352)          |
|  | <u>2,152,662</u>      | <u>(1,805,148)</u> |
| Change in net assets with donor restrictions |                       |                    |
|  | 2,152,662             | (1,805,148)        |
| Change in net assets                         | 12,375,086            | 2,963,316          |
| Net assets beginning of year                 | 190,042,245           | 187,078,929        |
| Net assets, end of year                      | <u>\$ 202,417,331</u> | <u>190,042,245</u> |

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**PRESBYTERIAN HOMES OBLIGATED GROUP**

Combined Statements of Cash Flows

Years ended December 31, 2019 and 2018

|   | <u>2019</u>         | <u>2018</u>        |
|---|---------------------|--------------------|
| Cash flows from operating activities:   |                     |                    |
| Change in net assets  | \$ 12,375,086       | 2,963,316          |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: |                     |                    |
| Depreciation  | 21,525,057          | 20,351,309         |
| Provision for implicit price concession   | 1,914,132           | 3,223,583          |
| Proceeds from entrance fees and deposits  | 25,063,394          | 25,097,388         |
| Amortization of entrance fees   | (16,955,577)        | (16,854,680)       |
| Loss on extinguishment of debt  | 165,422             | 122,288            |
| Change in fair value rate swap  | -                   | (5,950)            |
| Unrealized (gain) loss on investments and assets held in trust by others                    | (6,370,597)         | 354,397            |
| Realized (gain) loss on investments   | (1,982,030)         | 2,859,511          |
| Realized loss on property, plant and equipment  | 670,883             | 21,145             |
| Contributions restricted for long-term purposes   | (59,112)            | (93,708)           |
| Amortization of deferred financing costs  | 195,666             | 176,120            |
| Amortization of bond discount/premium   | (26,762)            | (17,030)           |
| Amortization of goodwill  | 282,601             | -                  |
| Deferred energy cost adjustment   | (62,352)            | (62,352)           |
| Loss on impairment of asset   | 505,085             | 384,945            |
| Change in assets and liabilities:   |                     |                    |
| Accounts receivable   | 833,808             | (1,039,879)        |
| Entrance fee receivable   | (379,727)           | 2,164,463          |
| Promises to give  | 71,445              | 37,490             |
| Other assets  | (648,456)           | (36,780)           |
| Accounts payable  | (204,893)           | 2,111,752          |
| Accrued expenses and deferred revenue other   | 2,333,172           | (565,754)          |
| Net cash provided by operating activities   | <u>39,246,246</u>   | <u>41,191,574</u>  |
| Cash flows from investing activities:   |                     |                    |
| Acquisition of property and equipment   | (28,981,368)        | (25,510,751)       |
| Net proceeds from sale of property and equipment  | 1,980,000           | -                  |
| Net (purchase of) proceeds from sale of investments   | (30,968,348)        | (88,302,097)       |
| Net proceeds from sale of investments   | <u>26,700,984</u>   | <u>107,029,442</u> |
| Net cash used in investing activities   | <u>(31,268,732)</u> | <u>(6,783,406)</u> |
| Cash flows from financing activities:   |                     |                    |
| Refunds of entrance fees and deposits   | (4,484,519)         | (5,327,446)        |
| Change in entrance fee payable  | (1,312,732)         | (2,363,300)        |
| Principal payments on long-term debt  | (12,573,501)        | (12,551,749)       |
| Proceeds from issuance of long-term debt  | 14,805,170          | 33,380,681         |
| Refunding, refinancing or payoff of long-term debt  | (14,922,141)        | (3,380,681)        |
| Redemption of treasury bonds  | 50,000              | 6,197,712          |
| Financing costs incurred  | (93,285)            | (362,722)          |
| Borrowings (repayments) on notes payable and lines of credit                                | 679,992             | (1,364,226)        |
| Borrowings under finance leases   | 670,619             | 840,657            |
| Repayments of finance lease obligations   | (416,360)           | (227,799)          |
| Contributions restricted for long-term purposes   | 59,112              | 93,708             |
| Change in annuities payable   | (7,705)             | (84,356)           |
| Increase in due from affiliates   | <u>(1,979,846)</u>  | <u>(3,022,822)</u> |
| Net cash (used in) provided by financing activities   | <u>(19,525,195)</u> | <u>11,827,657</u>  |
| Net (decrease) increase in cash and cash equivalents  | <u>(11,547,681)</u> | <u>46,235,825</u>  |
| Cash, cash equivalents, and restricted cash, beginning of year                              |                     |                    |
| Unrestricted  | 898,783             | 950,523            |
| Restricted  | <u>56,494,267</u>   | <u>10,206,702</u>  |
|   | 57,393,050          | 11,157,225         |
| Cash, cash equivalents and restricted cash, end of year                                     |                     |                    |
| Unrestricted  | 11,139,633          | 898,783            |
| Restricted  | <u>34,705,737</u>   | <u>56,494,267</u>  |
|   | 45,845,370          | 57,393,050         |