

PRESBYTERIAN HOMES OBLIGATED GROUP

Combined Statements of Financial Position

July 31, 2018 and December 31, 2017

Assets	July 31, 2018	December 31, 2017
Cash and cash equivalents	\$ 708,793	950,523
Investments	73,578,656	73,924,560
Statutory minimum liquid reserve	10,860,466	10,790,048
Accounts receivable, net	18,885,312	23,123,294
Prepaid expenses	2,980,522	2,860,426
Assets whose use is limited	8,555,459	9,262,604
Pledges receivable	330,781	364,903
Assets held for sale	—	229,927
Property and equipment (net of accumulated depreciation of \$260,766,026 and \$249,345,994 respectively)	351,337,791	351,683,760
Assets under capital leases (net of accumulated depreciation of \$1,274,756 and \$1,129,078 respectively)	659,270	279,974
Due from affiliates	78,786,328	75,986,437
Assets held in trust by others	18,891,063	18,910,644
Goodwill	1,836,908	1,836,908
Other assets	41,863	24,812
Total assets	\$ <u>567,453,212</u>	<u>570,228,820</u>

PRESBYTERIAN HOMES OBLIGATED GROUP

Combined Statements of Financial Position

July 31, 2018 and December 31, 2017

Liabilities and Net Assets	July 31, 2018	December 31, 2017
Accounts payable	\$ 4,800,183	6,697,545
Accrued expenses	13,527,383	14,256,549
Lines of credit	8,409,671	15,883,024
Accrued interest	739,917	677,202
Resident deposits	2,102,460	2,008,554
Entrance fee payable	13,239,347	14,526,588
Deferred revenue – entrance fees	103,667,144	101,183,882
Deferred energy costs	1,104,109	1,140,481
Fair value of interest rate swaps	914	5,950
Annuities payable	649,711	700,820
Long-term debt		
Obligations under capital leases	804,155	288,606
Long-term debt	224,583,485	225,780,690
Total liabilities	373,628,479	383,149,891
Net assets:		
Without donor restrictions	167,871,042	161,054,399
With donor restrictions	25,953,691	26,024,530
Total net assets	193,824,733	187,078,929
Total liabilities and net assets	\$ 567,453,212	570,228,820

PRESBYTERIAN HOMES OBLIGATED GROUP

Combined Statements of Operations and Changes in Net Assets

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

	July 31, 2018	December 31, 2017
Operating revenues, gains, and other support:		
Resident services, including amortization of entrance fees of \$9,516,627 and \$15,074,966, respectively	\$ 123,987,311	207,427,477
Interest and dividend income	1,000,524	2,688,656
Realized gain on investments	200,180	3,713,574
(Loss) gain on sale of property and equipment	(182,418)	21,064
Contributions, gifts and bequests	195,147	1,916,343
Net assets released from restrictions	427,778	431,603
Total operating revenues, gains, and other support	125,628,523	216,198,717
Expenses:		
Nursing services	33,762,575	56,292,409
Rehabilitation	9,980,398	14,262,438
Recreation and special services	3,248,628	5,673,398
Pharmacy	2,069,602	3,997,420
Social services	575,495	1,004,666
Physician services	419,852	704,071
Food services	13,292,079	22,820,663
Building operations and maintenance	13,988,780	23,152,327
Housekeeping	2,232,477	4,359,469
Laundry and linen	639,641	1,244,704
General and administrative	19,068,456	33,292,481
Employee benefits	6,093,907	13,500,541
Interest	4,358,104	7,226,199
Depreciation	11,567,110	19,176,745
Fundraising and investment fee	441,671	962,433
Total expenses	121,738,776	207,669,964
Income from continuing operations	3,889,747	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	3,894,783	8,440,270
Other changes:		
Unrealized gain on investments	2,921,861	4,397,081
Total other changes	2,921,861	4,397,081
Increase in net assets without donor restrictions	6,816,643	12,837,351

PRESBYTERIAN HOMES OBLIGATED GROUP

Combined Statements of Operations and Changes in Net Assets

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

	July 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	43,364	1,455,683
Net assets released from restrictions	<u>(427,778)</u>	<u>(431,603)</u>
Change in net assets with donor restrictions	(70,840)	1,801,138
 Change in net assets	 6,745,804	 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>\$ 193,824,733</u></u>	<u><u>187,078,929</u></u>

PRESBYTERIAN HOMES OBLIGATED GROUP

Combined Statements of Cash Flows

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

	July 31, 2018	December 31, 2017
Cash flows from operating activities:		
Change in net assets	\$ 6,745,805	14,638,489
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	11,567,110	19,176,745
Provision for bad debt	1,823,670	2,850,957
Proceeds from entrance fees and deposits	15,533,459	25,850,067
Amortization of entrance fees	(9,516,627)	(15,074,966)
Change in fair value rate swap	(5,036)	(27,084)
Unrealized gain on investments and assets held in trust by others	(2,965,226)	(5,852,764)
Realized gain on investments	(200,180)	(3,713,574)
Realized loss (gain) on property, plant and equipment	182,418	(21,064)
Contributions restricted for long-term purposes	(25,724)	(70,925)
Amortization of deferred financing costs	103,969	174,662
Amortization of bond discount/premium	(5,879)	(3,240)
Deferred energy cost adjustment	(36,372)	(62,352)
Loss on abandoned projects	—	115,567
Change in assets and liabilities:		
Accounts receivable	1,300,703	(2,806,474)
Entrance fee receivable	1,113,609	501,328
Pledges receivable	34,122	82,044
Other assets	(61,978)	(95,532)
Accounts payable	(1,897,364)	(7,896,215)
Accrued expenses and deferred revenue other	(741,466)	(293,382)
Net cash provided by operating activities	22,949,014	27,472,287
Cash flows from investing activities:		
Acquisition of property and equipment	(11,552,927)	(22,786,164)
Net proceeds from sale of investments	4,167,619	16,268,125
Net cash used in investing activities	(7,385,309)	(6,518,039)
Cash flows from financing activities:		
Refunds of entrance fees and deposits	(3,439,664)	(4,485,971)
Change in entrance fee payable	(1,287,241)	(1,616,071)
Principal payments on long-term debt	(8,068,408)	(12,293,993)
Proceeds on the issuance of bonds	577,166	—
Redemption of treasury bonds	6,320,000	170,125
Financing costs incurred	(124,209)	(6,523)
(Repayments) borrowings on notes payable and lines of credit	(7,473,353)	1,787,359
Borrowings through capital leases	658,448	138,476
Repayments on capital lease obligations	(142,899)	(229,851)
Contributions restricted for long-term purposes	25,724	70,925
Change in annuities payable	(51,109)	(160,659)
Increase in due from affiliates	(2,799,891)	(4,765,147)
Net cash used in financing activities	(15,805,435)	(21,391,330)
Net decrease in cash and cash equivalents	(241,730)	(437,082)
Cash and cash equivalents, beginning of year	950,523	1,387,605
Cash and cash equivalents, end of year	\$ 708,793	950,523