

PRESBYTERIAN HOMES OBLIGATED GROUP

Combined Statements of Financial Position

June 30, 2018 and December 31, 2017

| Assets | June 30, 2018 | December 31, 2017 |
|--|--------------------------|------------------------------|
| Cash and cash equivalents | \$ 1,479,014 | 950,523 |
| Investments | 72,364,156 | 73,924,560 |
| Statutory minimum liquid reserve | 10,753,798 | 10,790,048 |
| Accounts receivable, net | 20,228,233 | 23,123,294 |
| Prepaid expenses | 3,303,734 | 2,860,426 |
| Assets whose use is limited | 8,481,928 | 9,262,604 |
| Pledges receivable | 331,701 | 364,903 |
| Assets held for sale | – | 229,927 |
| Property and equipment (net of accumulated depreciation of \$259,081,181 and \$249,345,994 respectively) | 350,920,841 | 351,683,760 |
| Assets under capital leases (net of accumulated depreciation of \$1,251,629 and \$1,129,078 respectively) | 553,570 | 279,974 |
| Due from affiliates | 78,486,750 | 75,986,437 |
| Assets held in trust by others | 18,583,524 | 18,910,644 |
| Goodwill | 1,836,908 | 1,836,908 |
| Other assets | 47,653 | 24,812 |
| Total assets | \$ <u>567,371,810</u> | <u>570,228,820</u> |

PRESBYTERIAN HOMES OBLIGATED GROUP

Combined Statements of Financial Position

June 30, 2018 and December 31, 2017

| Liabilities and Net Assets | June 30, 2018 | December 31, 2017 |
|---|--------------------------|------------------------------|
| Accounts payable | \$ 5,484,771 | 6,697,545 |
| Accrued expenses | 13,230,517 | 14,256,549 |
| Lines of credit | 8,315,243 | 15,883,024 |
| Accrued interest | 706,309 | 677,202 |
| Resident deposits | 2,616,176 | 2,008,554 |
| Entrance fee payable | 13,336,563 | 14,526,588 |
| Deferred revenue – entrance fees | 102,604,664 | 101,183,882 |
| Deferred energy costs | 1,109,305 | 1,140,481 |
| Fair value of interest rate swaps | 914 | 5,950 |
| Annuities payable | 655,202 | 700,820 |
| Long-term debt | | |
| Obligations under capital leases | 782,899 | 288,606 |
| Long-term debt | 226,176,479 | 225,780,690 |
| Total liabilities | 375,019,042 | 383,149,891 |
| Net assets: | | |
| Without donor restrictions | 166,627,018 | 160,888,931 |
| With donor restrictions | 25,725,750 | 26,189,998 |
| Total net assets | 192,352,768 | 187,078,929 |
| Total liabilities and net assets | \$ 567,371,810 | 570,228,820 |

PRESBYTERIAN HOMES OBLIGATED GROUP

Combined Statements of Operations and Changes in Net Assets

Quarters ended June 30, 2018 and year ended December 31, 2017

| | June 30, 2018 | December 31, 2017 |
|---|--------------------------|------------------------------|
| | <hr/> | <hr/> |
| Operating revenues, gains, and other support: | | |
| Resident services, including amortization of entrance fees of \$8,295,950 and \$15,074,966, respectively | \$ 106,420,425 | 207,427,477 |
| Interest and dividend income | 920,655 | 2,688,656 |
| Realized gain on investments | 156,915 | 3,713,574 |
| Gain on sale of property and equipment | 1,389 | 21,064 |
| Contributions, gifts and bequests | 204,196 | 1,916,343 |
| Net assets released from restrictions | 358,069 | 431,603 |
| | <hr/> | <hr/> |
| Total operating revenues, gains, and other support | 108,061,650 | 216,198,717 |
| Expenses: | | |
| Nursing services | 28,774,122 | 56,292,409 |
| Rehabilitation | 8,607,076 | 14,262,438 |
| Recreation and special services | 2,787,747 | 5,673,398 |
| Pharmacy | 1,814,567 | 3,997,420 |
| Social services | 493,309 | 1,004,666 |
| Physician services | 360,699 | 704,071 |
| Food services | 11,358,538 | 22,820,663 |
| Building operations and maintenance | 11,994,138 | 23,152,327 |
| Housekeeping | 1,915,860 | 4,359,469 |
| Laundry and linen | 542,962 | 1,244,704 |
| General and administrative | 16,113,050 | 33,292,481 |
| Employee benefits | 5,240,740 | 13,500,541 |
| Interest | 3,707,436 | 7,226,199 |
| Depreciation | 9,859,138 | 19,176,745 |
| Fundraising and investment fee | 330,855 | 962,433 |
| | <hr/> | <hr/> |
| Total expenses | 103,900,239 | 207,669,964 |
| Income from continuing operations | 4,161,410 | 8,528,753 |
| Decrease in fair value of interest rate swaps | 5,036 | 27,084 |
| Loss on impairment of asset | (183,807) | - |
| Loss on abandoned project | - | (115,567) |
| Excess of operating revenues, gains and other support over expenses | <hr/> | <hr/> |
| | 3,982,639 | 8,440,270 |
| Other changes: | | |
| Unrealized gain on investments | 1,755,448 | 4,397,081 |
| | <hr/> | <hr/> |
| Total other changes | 1,755,448 | 4,397,081 |
| Increase in net assets without donor restrictions | <hr/> | <hr/> |
| | 5,738,088 | 12,837,351 |

PRESBYTERIAN HOMES OBLIGATED GROUP

Combined Statements of Cash Flows

Quarters ended June 30, 2018 and year ended December 31, 2017

| | June 30, 2018 | December 31, 2017 |
|---|----------------------------|------------------------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ 5,273,840 | 14,638,489 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | 9,859,138 | 19,176,745 |
| Provision for bad debt | 1,602,684 | 2,850,957 |
| Proceeds from entrance fees and deposits | 13,398,490 | 25,850,067 |
| Amortization of entrance fees | (8,295,950) | (15,074,966) |
| Change in fair value rate swap | (5,036) | (27,084) |
| Unrealized gain on investments and assets held in trust by others | (1,476,204) | (5,852,764) |
| Realized gain on investments | (156,915) | (3,713,574) |
| Realized gain on property, plant and equipment | (1,389) | (21,064) |
| Contributions restricted for long-term purposes | (25,724) | (70,925) |
| Amortization of deferred financing costs | 88,891 | 174,662 |
| Amortization of bond discount/premium | (3,649) | (3,240) |
| Deferred energy cost adjustment | (31,176) | (62,352) |
| Loss on impairment of asset | 183,807 | — |
| Loss on abandoned projects | — | 115,567 |
| Change in assets and liabilities: | | |
| Accounts receivable | 889,205 | (2,806,474) |
| Entrance fee receivable | 403,172 | 501,328 |
| Pledges receivable | 33,202 | 82,044 |
| Other assets | (394,582) | (95,532) |
| Accounts payable | (1,212,774) | (7,896,215) |
| Accrued expenses and deferred revenue other | (1,068,362) | (293,382) |
| Net cash provided by operating activities | <u>19,060,668</u> | <u>27,472,287</u> |
| Cash flows from investing activities: | | |
| Acquisition of property and equipment | (9,322,305) | (22,786,164) |
| Net proceeds from sale of investments | 4,337,570 | 16,268,125 |
| Net cash used in investing activities | <u>(4,984,735)</u> | <u>(6,518,039)</u> |
| Cash flows from financing activities: | | |
| Refunds of entrance fees and deposits | (3,074,137) | (4,485,971) |
| Change in entrance fee payable | (1,190,025) | (1,616,071) |
| Principal payments on long-term debt | (5,889,603) | (12,293,993) |
| 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 | (7,567,781) | 1,787,359 |
| Borrowings through capital leases | 626,277 | 138,476 |
| Repayments on capital lease obligations | (131,984) | (229,851) |
| Contributions restricted for long-term purposes | 25,724 | 70,925 |
| Change in annuities payable | (45,618) | (160,659) |
| Increase in due from affiliates | (2,500,313) | (4,765,147) |
| Net cash used in financing activities | <u>(13,547,441)</u> | <u>(21,391,330)</u> |
| Net increase (decrease) in cash and cash equivalents | 528,491 | (437,082) |
| Cash and cash equivalents, beginning of year | 950,523 | 1,387,605 |
| Cash and cash equivalents, end of year | \$ <u><u>1,479,014</u></u> | <u><u>950,523</u></u> |