

**PRESBYTERIAN HOMES OBLIGATED GROUP**

Combined Statements of Financial Position

June 30, 2019 and December 31, 2018

<b>Assets</b>	<b>June 30, 2019</b>	<b>December 31, 2018</b>
Cash and cash equivalents	\$ 3,550,449	898,783
Investments	72,541,582	71,716,437
Statutory minimum liquid reserve	11,379,176	14,414,768
Accounts receivable, net	17,046,508	18,775,127
Prepaid expenses	3,962,248	2,883,884
Assets whose use is limited	6,236,844	7,976,654
Assets whose use is limited, capital assets	21,824,107	25,737,965
Promises to give, net	323,549	327,413
Assets held for sale	—	10,000
Property and equipment (net of accumulated depreciation of \$279,679,521 and \$269,392,896, respectively)	352,950,872	356,110,951
Financing leases (net of accumulated depreciation of \$1,625,476 and \$1,421,806, respectively)	954,159	826,062
Assets under operating leases	104,875	158,312
Due from affiliates	82,570,512	79,009,259
Assets held in trust by others	18,345,296	17,388,344
Goodwill	1,836,908	1,836,908
Other assets	44,055	38,134
Total assets	\$ <u>593,671,138</u>	<u>598,109,001</u>

**PRESBYTERIAN HOMES OBLIGATED GROUP**

Combined Statements of Financial Position

June 30, 2019 and December 31, 2018

<b>Liabilities and Net Assets</b>	<b>June 30, 2019</b>	<b>December 31, 2018</b>
Accounts payable	\$ 5,714,929	8,809,297
Accrued expenses	13,433,688	13,689,413
Lines of credit	11,824,822	14,518,798
Accrued interest	778,180	678,584
Resident deposits	2,313,777	1,571,124
Entrance fee payable	11,689,541	12,163,288
Deferred revenue – entrance fees	105,153,288	104,536,574
Deferred energy costs	1,046,953	1,078,129
Annuities payable	597,208	616,464
Obligations under operating leases	104,875	158,312
Long-term debt		
Obligations under financing leases	966,045	901,464
Long-term debt	242,981,245	249,345,309
<b>Total liabilities</b>	<b>396,604,552</b>	<b>408,066,756</b>
Net assets:		
Without donor restrictions	171,487,242	165,657,395
With donor restrictions	25,579,345	24,384,850
<b>Total net assets</b>	<b>197,066,586</b>	<b>190,042,245</b>
<b>Total liabilities and net assets</b>	<b>\$ 593,671,138</b>	<b>598,109,001</b>

**PRESBYTERIAN HOMES OBLIGATED GROUP**

Combined Statements of Operations and Changes in Net Assets

Quarters ended June 30, 2019 and year ended December 31, 2018

	<u>June 30,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>
Revenues and other support:		
Resident services		
Resident services	\$ 99,137,639	196,288,064
Amortization of entrance fees	7,813,182	16,854,680
Implicit price concession	<u>(1,116,309)</u>	<u>(2,556,341)</u>
Total resident services	105,834,511	210,586,403
Contributions, gifts and bequests	234,932	439,582
Net assets released from restrictions	<u>419,542</u>	<u>993,352</u>
Total operating revenues, gains, and other support	106,488,985	212,019,337
Cost of services provided:		
Nursing services	29,139,823	58,037,632
Rehabilitation	8,192,861	17,048,858
Recreation and special services	2,865,070	5,636,302
Pharmacy	1,732,860	3,379,777
Social services	504,420	983,872
Physician services	365,966	728,900
Food services	11,697,848	23,082,692
Building operations and maintenance	12,265,531	23,973,975
Housekeeping	1,877,358	3,832,542
Laundry and linen	596,981	1,130,188
General and administrative	14,901,286	31,187,883
Employee benefits	5,464,657	9,823,871
Interest	4,065,255	7,749,574
Depreciation	10,554,271	20,351,309
Fundraising	<u>274,281</u>	<u>692,179</u>
Total cost of services provided	<u>104,498,469</u>	<u>207,639,554</u>
Excess of revenues and other support over expenses	1,990,516	4,379,783
Other income:		
Investment income, net of investment expense	875,083	2,432,892
Realized gain (loss) on investments	14,040	(2,859,511)
Unrealized gain on investments	3,624,381	1,337,728
Loss on sale of property and equipment	<u>(674,173)</u>	<u>(21,145)</u>
Total other income	3,839,331	889,964
Excess of revenues, gains and other support over expenses and losses	5,829,847	5,269,747
Decrease in fair value of interest rate swaps	-	5,950
Loss on early extinguishment of debt	-	(122,288)
Loss on impairment of asset	<u>-</u>	<u>(384,945)</u>
Change in net assets without donor restrictions	5,829,847	4,768,464

**PRESBYTERIAN HOMES OBLIGATED GROUP**

Combined Statements of Operations and Changes in Net Assets

Quarters ended June 30, 2019 and year ended December 31, 2018

	<b>June 30, 2019</b>	<b>December 31, 2018</b>
Net assets with donor restrictions		
Contributions, gifts and bequests	510,318	767,918
Interest and dividend income	57,736	112,411
Unrealized gain (loss) on investments	1,045,983	(1,692,125)
Net assets released from restrictions	(419,542)	(993,352)
Change in net assets with donor restrictions	1,194,494	(1,805,148)
Change in net assets	7,024,341	2,963,316
Net assets beginning of year	190,042,245	187,078,929
Net assets, end of year	\$ 197,066,586	190,042,245

**PRESBYTERIAN HOMES OBLIGATED GROUP**

Combined Statements of Cash Flows

Quarters ended June 30, 2019 and year ended December 31, 2018

	<b>June 30, 2019</b>	<b>December 31, 2018</b>
Cash flows from operating activities:		
Change in net assets	\$ 7,024,341	2,963,316
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	10,554,271	20,351,309
Provision for bad debt	932,891	3,223,583
Proceeds from entrance fees and deposits	11,702,057	25,097,388
Amortization of entrance fees	(7,813,182)	(16,854,680)
Loss on extinguishment of debt	—	122,288
Change in fair value rate swap	—	(5,950)
Unrealized (gain) loss on investments and assets held in trust by others	(4,670,363)	354,397
Realized (gain) loss on investments	(14,040)	2,859,511
Realized loss on property, plant and equipment	674,173	21,145
Contributions restricted for long-term purposes	(7,000)	(93,708)
Amortization of deferred financing costs	97,767	176,120
Amortization of bond discount/premium	(13,381)	(17,030)
Deferred energy cost adjustment	(31,176)	(62,352)
Loss on impairment of asset	—	384,945
Repayments of operating leases	(53,437)	(105,008)
Change in assets and liabilities:		
Accounts receivable	1,441,167	(1,039,879)
Entrance fee receivable	(645,439)	2,164,463
Promises to give	3,864	37,490
Other assets	(1,084,151)	(36,780)
Accounts payable	(3,094,368)	2,111,752
Accrued expenses and deferred revenue other	(156,129)	(565,754)
Net cash provided by operating activities	<u>14,847,866</u>	<u>41,086,566</u>
Cash flows from investing activities:		
Acquisition of property and equipment	(10,113,025)	(25,510,751)
Net proceeds from sale of property and equipment	1,980,000	—
Net proceeds from sale of investments	<u>5,581,558</u>	<u>18,727,345</u>
Net cash used in investing activities	(2,551,467)	(6,783,406)
Cash flows from financing activities:		
Refunds of entrance fees and deposits	(2,529,508)	(5,327,446)
Change in entrance fee payable	(473,747)	(2,363,300)
Principal payments on long-term debt	(6,421,419)	(12,551,749)
Proceeds from issuance of long-term debt	—	33,380,681
Refunding, refinancing or payoff of long-term debt	—	(3,380,681)
Redemption of treasury bonds	—	6,197,712
Financing costs incurred	(27,164)	(362,722)
Repayments on notes payable and lines of credit	(2,693,976)	(1,364,226)
Borrowings under finance leases	259,465	840,657
Repayments of finance lease obligations	(194,884)	(227,799)
Contributions restricted for long-term purposes	7,000	93,708
Change in annuities payable	(19,256)	(84,356)
Increase in due from affiliates	(3,561,253)	(3,022,822)
Net cash (used in) provided by financing activities	<u>(15,654,742)</u>	<u>11,827,657</u>
Net (decrease) increase in cash and cash equivalents	(3,358,344)	46,130,817
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	3,550,449	898,783
Restricted	<u>50,484,258</u>	<u>56,494,267</u>
	54,034,706	57,393,050