

PRESBYTERIAN HOMES OBLIGATED GROUP

Combined Statements of Financial Position

March 31, 2018 and December 31, 2017

Assets	March 31, 2018	December 31, 2017
Cash and cash equivalents	\$ 1,891,394	950,523
Investments	72,558,011	73,924,560
Statutory minimum liquid reserve	10,710,163	10,790,048
Accounts receivable, net	21,192,054	23,123,294
Prepaid expenses	3,757,590	2,860,426
Assets whose use is limited	8,274,069	9,262,604
Pledges receivable	336,781	364,903
Assets held for sale	69,743	229,927
Property and equipment (net of accumulated depreciation of \$254,147,243 and \$249,345,994 respectively)	351,242,201	351,683,760
Assets under capital leases (net of accumulated depreciation of \$1,192,941 and \$1,129,078 respectively)	536,767	279,974
Due from affiliates	77,936,152	75,986,437
Assets held in trust by others	18,666,184	18,910,644
Goodwill	1,836,908	1,836,908
Other assets	<u>26,230</u>	<u>24,812</u>
Total assets	<u>\$ 569,034,248</u>	<u>570,228,820</u>

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Combined Statements of Financial Position

March 31, 2018 and December 31, 2017

Liabilities and Net Assets	March 31, 2018	December 31, 2017
Accounts payable	\$ 8,995,076	6,697,545
Accrued expenses	11,907,076	14,256,549
Lines of credit	15,447,417	15,883,024
Accrued interest	823,524	677,202
Resident deposits	2,054,400	2,008,554
Entrance fee payable	14,018,666	14,526,588
Deferred revenue – entrance fees	102,411,817	101,183,882
Deferred energy costs	1,124,893	1,140,481
Fair value of interest rate swaps	2,713	5,950
Annuities payable	674,194	700,820
Long-term debt		
Obligations under capital leases	542,845	288,606
Long-term debt	<u>221,775,787</u>	<u>225,780,690</u>
Total liabilities	379,778,409	383,149,891
Net assets:		
Without donor restrictions	163,276,126	160,888,931
With donor restrictions	<u>25,979,713</u>	<u>26,189,998</u>
Total net assets	<u>189,255,839</u>	<u>187,078,929</u>
Total liabilities and net assets	<u>\$ 569,034,248</u>	<u>570,228,820</u>

PRESBYTERIAN HOMES OBLIGATED GROUP

Combined Statements of Operations and Changes in Net Assets

Quarter ended March 31, 2018 and year ended December 31, 2017

	March 31, 2018	December 31, 2017
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Operating revenues, gains, and other support:		
Resident services, including amortization of entrance fees of \$4,023,967 and \$15,074,966, respectively	\$ 53,176,807	207,427,477
Interest and dividend income	444,608	2,688,656
Realized gain on investments	229,024	3,713,574
Gain on sale of property and equipment	689	21,064
Contributions, gifts and bequests	84,513	1,916,343
Net assets released from restrictions	220,474	431,603
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Total operating revenues, gains, and other support	54,156,114	216,198,717
Expenses:		
Nursing services	14,120,371	56,292,409
Rehabilitation	4,283,140	14,262,438
Recreation and special services	1,363,948	5,673,398
Pharmacy	907,834	3,997,420
Social services	244,095	1,004,666
Physician services	173,390	704,071
Food services	5,654,757	22,820,663
Building operations and maintenance	6,095,451	23,152,327
Housekeeping	955,840	4,359,469
Laundry and linen	268,295	1,244,704
General and administrative	8,066,427	33,292,481
Employee benefits	2,576,274	13,500,541
Interest	1,780,555	7,226,199
Depreciation	4,865,112	19,176,745
Fundraising and investment fee	133,752	962,433
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Total expenses	51,489,239	207,669,964
Income from continuing operations	2,666,876	8,528,753
Decrease in fair value of interest rate swaps	3,236	27,084
Loss on impairment of asset	(183,807)	-
Loss on abandoned project	-	(115,567)
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Excess of operating revenues, gains and other support over expenses	2,486,305	8,440,270
Other changes:		
Unrealized (loss) gain on investments	(99,109)	4,397,081
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Total other changes	(99,109)	4,397,081
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Increase in net assets without donor restrictions	2,387,196	12,837,351

PRESBYTERIAN HOMES OBLIGATED GROUP

Combined Statements of Operations and Changes in Net Assets

Quarter ended March 31, 2018 and year ended December 31, 2017

	<u>March 31,</u> <u>2018</u>	<u>December 31,</u> <u>2017</u>
Net assets with donor restrictions		
Contributions, gifts and bequests	\$ 118,313	696,044
Interest and dividend income	27,641	81,014
Unrealized gain on investments	(135,765)	1,455,683
Net assets released from restrictions	<u>(220,474)</u>	<u>(431,603)</u>
Change in net assets with donor restrictions	(210,285)	1,801,138
Change in net assets	2,176,910	14,638,489
Net assets beginning of year	<u>187,078,929</u>	<u>172,440,440</u>
Net assets, end of year	<u>\$ 189,255,839</u>	<u>187,078,929</u>

PRESBYTERIAN HOMES OBLIGATED GROUP

Combined Statements of Cash Flows

Quarter ended March 31, 2018 and year ended December 31, 2017

	March 31, 2018	December 31, 2017
Cash flows from operating activities:		
Change in net assets	\$ 2,176,911	14,638,489
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	4,865,112	19,176,745
Provision for bad debt	590,457	2,850,957
Proceeds from entrance fees and deposits	6,506,177	25,850,067
Amortization of entrance fees	(4,023,967)	(15,074,966)
Change in fair value rate swap	(3,236)	(27,084)
Unrealized loss (gain) on investments and assets held in trust by others	234,873	(5,852,764)
Realized gain on investments	(229,024)	(3,713,574)
Realized gain on property, plant and equipment	(689)	(21,064)
Contributions restricted for long-term purposes	(25,724)	(70,925)
Amortization of deferred financing costs	43,655	174,662
Amortization of bond discount/premium	(851)	(3,240)
Deferred energy cost adjustment	(15,588)	(62,352)
Loss on impairment of asset	183,807	—
Loss on abandoned projects	—	115,567
Change in assets and liabilities:		
Accounts receivable	1,756,401	(2,806,474)
Entrance fee receivable	(415,618)	501,328
Pledges receivable	28,122	82,044
Other assets	(975,807)	(95,532)
Accounts payable	2,297,531	(7,896,215)
Accrued expenses and deferred revenue other	(2,125,862)	(293,382)
Net cash provided by operating activities	<u>10,866,680</u>	<u>27,472,287</u>
Cash flows from investing activities:		
Acquisition of property and equipment	(4,703,280)	(22,786,164)
Net proceeds from sale of investments	<u>2,673,580</u>	<u>16,268,125</u>
Net cash used in investing activities	<u>(2,029,700)</u>	<u>(6,518,039)</u>
Cash flows from financing activities:		
Refunds of entrance fees and deposits	(1,208,430)	(4,485,971)
Change in entrance fee payable	(507,922)	(1,616,071)
Principal payments on long-term debt	(4,035,115)	(12,293,993)
Redemption of treasury bonds	—	170,125
Financing costs incurred	(12,658)	(6,523)
(Repayments) borrowing on notes payable and lines of credit	(435,607)	1,787,359
Borrowings through capital leases	320,656	138,476
Repayments on capital lease obligations	(66,417)	(229,851)
Contributions restricted for long-term purposes	25,724	70,925
Change in annuities payable	(26,626)	(160,659)
Increase in due from affiliates	<u>(1,949,715)</u>	<u>(4,765,147)</u>
Net cash used in financing activities	<u>(7,896,109)</u>	<u>(21,391,330)</u>
Net increase (decrease) in cash and cash equivalents	940,871	(437,082)
Cash and cash equivalents, beginning of year	<u>950,523</u>	<u>1,387,605</u>
Cash and cash equivalents, end of year	\$ <u><u>1,891,394</u></u>	\$ <u><u>950,523</u></u>