

PRESBYTERIAN HOMES OBLIGATED GROUP

Combined Statements of Financial Position

March 31, 2019 and December 31, 2018

| Assets | March 31, 2019 | December 31, 2018 |
|--|---------------------------|------------------------------|
| Cash and cash equivalents | \$ 930,856 | 898,783 |
| Investments | 74,057,173 | 71,716,437 |
| Statutory minimum liquid reserve | 10,862,215 | 14,414,768 |
| Accounts receivable, net | 18,456,919 | 18,775,127 |
| Prepaid expenses | 3,916,824 | 2,883,884 |
| Assets whose use is limited | 6,424,619 | 7,976,654 |
| Assets whose use is limited, capital assets | 23,802,499 | 25,737,965 |
| Promises to give, net | 389,245 | 327,413 |
| Assets held for sale | 9,000 | 10,000 |
| Property and equipment (net of accumulated depreciation of \$274,565,055 and \$269,392,896, respectively) | 354,287,871 | 356,110,951 |
| Financing leases (net of accumulated depreciation of \$1,521,442 and \$1,421,806, respectively) | 954,057 | 826,062 |
| Assets under operating leases | 130,795 | 144,379 |
| Due from affiliates | 80,063,924 | 79,009,259 |
| Assets held in trust by others | 17,877,806 | 17,388,344 |
| Goodwill | 1,836,908 | 1,836,908 |
| Other assets | 31,131 | 38,134 |
| Total assets | \$ <u>594,031,843</u> | <u>598,095,068</u> |

PRESBYTERIAN HOMES OBLIGATED GROUP

Combined Statements of Financial Position

March 31, 2019 and December 31, 2018

| Liabilities and Net Assets | March 31, 2019 | December 31, 2018 |
|---|---------------------------|------------------------------|
| Accounts payable | \$ 5,631,183 | 8,809,297 |
| Accrued expenses | 12,605,620 | 13,689,413 |
| Lines of credit | 12,486,189 | 14,518,798 |
| Accrued interest | 1,046,569 | 678,584 |
| Resident deposits | 1,814,383 | 1,571,124 |
| Entrance fee payable | 12,017,682 | 12,163,288 |
| Deferred revenue – entrance fees | 105,137,138 | 104,536,574 |
| Deferred energy costs | 1,062,541 | 1,078,129 |
| Annuities payable | 597,497 | 616,464 |
| Obligations under operating leases | 130,795 | 144,379 |
| Long-term debt | | |
| Obligations under financing leases | 962,786 | 901,464 |
| Long-term debt | 245,515,600 | 249,345,309 |
| Total liabilities | 399,007,984 | 408,052,823 |
| Net assets: | | |
| Without donor restrictions | 170,072,254 | 165,657,395 |
| With donor restrictions | 24,951,605 | 24,384,850 |
| Total net assets | 195,023,859 | 190,042,245 |
| Total liabilities and net assets | \$ 594,031,843 | 598,095,068 |

PRESBYTERIAN HOMES OBLIGATED GROUP

Combined Statements of Operations and Changes in Net Assets

Quarter ended March 31, 2019 and year ended December 31, 2018

| | <u>March 31,</u> <u>2019</u> | <u>December 31,</u> <u>2018</u> |
|--|---------------------------------|------------------------------------|
| Revenues and other support: | | |
| Resident services | | |
| Resident services | \$ 49,282,314 | 196,288,064 |
| Amortization of entrance fees | 4,123,078 | 16,854,680 |
| Implicit price concession | <u>(293,389)</u> | <u>(1,328,991)</u> |
| Total resident services | 53,112,002 | 211,813,753 |
| Contributions, gifts and bequests | 185,502 | 439,582 |
| Net assets released from restrictions | <u>391,639</u> | <u>993,352</u> |
| Total operating revenues, gains, and other support | 53,689,143 | 213,246,687 |
| Cost of services provided: | | |
| Nursing services | 14,349,420 | 58,037,632 |
| Rehabilitation | 4,111,751 | 17,048,858 |
| Recreation and special services | 1,421,135 | 5,636,302 |
| Pharmacy | 851,322 | 3,379,777 |
| Social services | 248,713 | 983,872 |
| Physician services | 182,719 | 728,900 |
| Food services | 5,821,050 | 23,082,692 |
| Building operations and maintenance | 6,411,165 | 23,973,975 |
| Housekeeping | 911,929 | 3,832,542 |
| Laundry and linen | 303,135 | 1,130,188 |
| General and administrative | 7,608,480 | 32,415,233 |
| Employee benefits | 2,805,419 | 9,823,871 |
| Interest | 2,063,692 | 7,749,574 |
| Depreciation | 5,271,795 | 20,351,309 |
| Fundraising | <u>128,720</u> | <u>692,179</u> |
| Total cost of services provided | <u>52,490,444</u> | <u>208,866,904</u> |
| Excess of revenues and other support over expenses | 1,198,699 | 4,379,783 |
| Other income (expense): | | |
| Investment income, net of investment expense | 420,997 | 2,432,892 |
| Realized loss on investments | (122,214) | (2,859,511) |
| Unrealized gain on investments | 2,827,172 | 1,337,728 |
| Gain (loss) on sale of property and equipment | <u>90,205</u> | <u>(21,145)</u> |
| Total other income | 3,216,160 | 889,964 |
| Excess of revenues, gains and other support over expenses and losses | 4,414,859 | 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 | 4,414,859 | 4,768,464 |

PRESBYTERIAN HOMES OBLIGATED GROUP

Combined Statements of Operations and Changes in Net Assets

Quarter ended March 31, 2019 and year ended December 31, 2018

| | March 31, 2019 | December 31, 2018 |
|--|---------------------------|------------------------------|
| Net assets with donor restrictions | | |
| Contributions, gifts and bequests | 214,330 | 767,918 |
| Interest and dividend income | 28,741 | 112,411 |
| Unrealized gain (loss) on investments | 715,322 | (1,692,125) |
| Net assets released from restrictions | (391,639) | (993,352) |
| Change in net assets with donor restrictions | 566,754 | (1,805,148) |
| Change in net assets | 4,981,614 | 2,963,316 |
| Net assets beginning of year | 190,042,245 | 187,078,929 |
| Net assets, end of year | <u>\$ 195,023,859</u> | <u>190,042,245</u> |

PRESBYTERIAN HOMES OBLIGATED GROUP

Combined Statements of Cash Flows

Quarter ended March 31, 2019 and year ended December 31, 2018

| | <u>March 31, 2019</u> | <u>December 31, 2018</u> |
|---|---------------------------|------------------------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ 4,981,614 | 2,963,316 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | 5,271,795 | 20,351,309 |
| Provision for bad debt | 519,717 | 3,223,583 |
| Proceeds from entrance fees and deposits | 5,835,102 | 25,097,388 |
| Amortization of entrance fees | (4,123,078) | (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 | (3,542,494) | 354,397 |
| Realized loss on investments | 122,214 | 2,859,511 |
| Realized (gain) loss on property, plant and equipment | (90,205) | 21,145 |
| Contributions restricted for long-term purposes | (7,000) | (93,708) |
| Amortization of deferred financing costs | 48,959 | 176,120 |
| Amortization of bond discount/premium | (6,690) | (17,030) |
| Deferred energy cost adjustment | (15,588) | (62,352) |
| Loss on impairment of asset | — | 384,945 |
| Change in assets and liabilities: | | |
| Accounts receivable | 235,045 | (1,039,879) |
| Entrance fee receivable | (436,554) | 2,164,463 |
| Promises to give | (61,832) | 37,490 |
| Other assets | (1,025,871) | (36,780) |
| Accounts payable | (3,178,114) | 2,111,752 |
| Accrued expenses and deferred revenue other | (715,808) | (565,754) |
| Net cash provided by operating activities | <u>3,811,213</u> | <u>41,191,574</u> |
| Cash flows from investing activities: | | |
| Acquisition of property and equipment | (3,471,921) | (25,510,751) |
| Net proceeds from sale of investments | <u>1,620,127</u> | <u>18,727,345</u> |
| Net cash used in investing activities | <u>(1,851,794)</u> | <u>(6,783,406)</u> |
| Cash flows from financing activities: | | |
| Refunds of entrance fees and deposits | (868,201) | (5,327,446) |
| Change in entrance fee payable | (145,606) | (2,363,300) |
| Principal payments on long-term debt | (3,844,880) | (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 | (2,032,609) | (1,364,226) |
| Borrowings under finance leases | 155,329 | 840,657 |
| Repayments of finance lease obligations | (94,007) | (227,799) |
| Repayments of operating leases | (13,584) | — |
| Contributions restricted for long-term purposes | 7,000 | 93,708 |
| Change in annuities payable | (18,967) | (84,356) |
| Increase in due from affiliates | <u>(1,054,665)</u> | <u>(3,022,822)</u> |
| Net cash (used in) provided by financing activities | <u>(7,937,354)</u> | <u>11,827,657</u> |
| Net (decrease) increase in cash and cash equivalents | <u>(5,977,936)</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 | 930,856 | 898,783 |
| Restricted | <u>50,484,258</u> | <u>56,494,267</u> |
| | 51,415,114 | 57,393,050 |