

**PRESBYTERIAN HOMES OBLIGATED GROUP**

Combined Statements of Financial Position

November 30, 2018 and December 31, 2017

<b>Assets</b>	<b>November 30, 2018</b>	<b>December 31, 2017</b>
Cash and cash equivalents	\$ 921,279	950,523
Investments	72,359,339	73,924,560
Statutory minimum liquid reserve	10,704,202	10,790,048
Accounts receivable, net	18,996,370	23,123,294
Prepaid expenses	3,413,739	2,860,426
Assets whose use is limited	9,239,987	9,262,604
Pledges receivable	371,565	364,903
Assets held for sale	—	229,927
Property and equipment (net of accumulated depreciation of \$267,604,739 and \$249,345,994 respectively)	353,865,700	351,683,760
Assets under capital leases (net of accumulated depreciation of \$1,392,966 and \$1,129,078 respectively)	749,576	279,974
Due from affiliates	79,897,771	75,986,437
Assets held in trust by others	18,256,728	18,910,644
Goodwill	1,836,908	1,836,908
Other assets	49,030	24,812
Total assets	\$ <u>570,662,193</u>	<u>570,228,820</u>

**PRESBYTERIAN HOMES OBLIGATED GROUP**

Combined Statements of Financial Position

November 30, 2018 and December 31, 2017

<b>Liabilities and Net Assets</b>	<b>November 30, 2018</b>	<b>December 31, 2017</b>
Accounts payable	\$ 7,047,532	6,697,545
Accrued expenses	12,582,889	14,256,549
Lines of credit	10,328,436	15,883,024
Accrued interest	1,010,044	677,202
Resident deposits	1,677,639	2,008,554
Entrance fee payable	12,179,500	14,526,588
Deferred revenue – entrance fees	104,885,761	101,183,882
Deferred energy costs	1,083,325	1,140,481
Fair value of interest rate swaps	92	5,950
Annuities payable	616,464	700,820
Long-term debt		
Obligations under capital leases	751,477	288,606
Long-term debt	224,129,951	225,780,690
<b>Total liabilities</b>	<b>376,293,111</b>	<b>383,149,891</b>
Net assets:		
Without donor restrictions	169,050,932	161,054,399
With donor restrictions	25,318,150	26,024,530
<b>Total net assets</b>	<b>194,369,082</b>	<b>187,078,929</b>
<b>Total liabilities and net assets</b>	<b>\$ 570,662,193</b>	<b>570,228,820</b>

**PRESBYTERIAN HOMES OBLIGATED GROUP**

Combined Statements of Operations and Changes in Net Assets

Periods ended November 30, 2018 and year ended December 31, 2017

	<b>November 30, 2018</b>	<b>December 31, 2017</b>
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Operating revenues, gains, and other support:		
Resident services, including amortization of entrance fees of \$15,558,575 and \$15,074,966, respectively	\$ 195,473,824	207,427,477
Interest and dividend income	1,829,364	2,688,656
Realized gain on investments	316,596	3,713,574
(Loss) gain on sale of property and equipment	(432,684)	21,064
Contributions, gifts and bequests	597,551	1,916,343
Net assets released from restrictions	435,036	431,603
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Total operating revenues, gains, and other support	198,219,688	216,198,717
Expenses:		
Nursing services	53,164,389	56,292,409
Rehabilitation	15,706,527	14,262,438
Recreation and special services	5,124,335	5,673,398
Pharmacy	2,996,363	3,997,420
Social services	903,071	1,004,666
Physician services	661,510	704,071
Food services	21,050,154	22,820,663
Building operations and maintenance	21,845,406	23,152,327
Housekeeping	3,501,081	4,359,469
Laundry and linen	1,033,567	1,244,704
General and administrative	30,320,118	33,292,481
Employee benefits	9,168,156	13,500,541
Interest	7,081,798	7,226,199
Depreciation	18,536,447	19,176,745
Fundraising and investment fee	661,162	962,433
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Total expenses	191,754,083	207,669,964
Income from continuing operations	6,465,606	8,528,753
Decrease in fair value of interest rate swaps	5,857	27,084
Loss on abandoned project	-	(115,567)
Excess of operating revenues, gains and other support over expenses	<hr/>	<hr/>
	6,471,463	8,440,270
Other changes:		
Unrealized gain on investments	1,525,068	4,397,081
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Total other changes	1,525,068	4,397,081
Increase in net assets without donor restrictions	<hr/>	<hr/>
	7,996,531	12,837,351

**PRESBYTERIAN HOMES OBLIGATED GROUP**

Combined Statements of Operations and Changes in Net Assets

Periods ended November 30, 2018 and year ended December 31, 2017

	<u>November 30, 2018</u>	<u>December 31, 2017</u>
Net assets with donor restrictions		
Contributions, gifts and bequests	\$ 307,524	696,044
Interest and dividend income	83,903	81,014
Unrealized (loss) gain on investments	(662,769)	1,455,683
Net assets released from restrictions	<u>(435,036)</u>	<u>(431,603)</u>
Change in net assets with donor restrictions	(706,378)	1,801,138
 Change in net assets	 7,290,153	 14,638,489
Net assets beginning of year	<u>187,078,929</u>	<u>172,440,440</u>
Net assets, end of year	<u>\$ 194,369,082</u>	<u>187,078,929</u>

**PRESBYTERIAN HOMES OBLIGATED GROUP**

Combined Statements of Cash Flows

Periods ended November 30, 2018 and year ended December 31, 2017

	<b>November 30, 2018</b>	<b>December 31, 2017</b>
Cash flows from operating activities:		
Change in net assets	\$ 7,290,154	14,638,489
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	18,536,447	19,176,745
Provision for bad debt	3,012,825	2,850,957
Proceeds from entrance fees and deposits	24,104,187	25,850,067
Amortization of entrance fees	(15,558,575)	(15,074,966)
Change in fair value rate rate swap	(5,857)	(27,084)
Unrealized gain on investments and assets held in trust by others	(862,300)	(5,852,764)
Realized gain on investments	(316,596)	(3,713,574)
Realized loss (gain) on property, plant and equipment	432,684	(21,064)
Contributions restricted for long-term purposes	(25,724)	(70,925)
Amortization of deferred financing costs	164,284	174,662
Amortization of bond discount/premium	(14,800)	(3,240)
Deferred energy cost adjustment	(57,156)	(62,352)
Loss on abandoned projects	—	115,567
Change in assets and liabilities:		
Accounts receivable	(757,263)	(2,806,474)
Entrance fee receivable	1,871,363	501,328
Pledges receivable	(6,662)	82,044
Other assets	(505,951)	(95,532)
Accounts payable	349,987	(7,896,215)
Accrued expenses and deferred revenue other	(1,412,156)	(293,382)
Net cash provided by operating activities	<u>36,238,889</u>	<u>27,472,287</u>
Cash flows from investing activities:		
Acquisition of property and equipment	(21,390,745)	(22,786,164)
Net proceeds from sale of investments	<u>3,506,498</u>	<u>16,268,125</u>
Net cash used in investing activities	<u>(17,884,247)</u>	<u>(6,518,039)</u>
Cash flows from financing activities:		
Refunds of entrance fees and deposits	(5,174,648)	(4,485,971)
Change in entrance fee payable	(2,347,088)	(1,616,071)
Principal payments on long-term debt	(11,290,431)	(12,293,993)
Proceeds on the issuance of bonds	3,380,681	—
Redemption of treasury bonds	6,320,000	170,125
Financing costs incurred	(210,717)	(6,523)
(Repayments) borrowings on notes payable and lines of credit	(5,554,588)	1,787,359
Borrowings through capital leases	726,801	138,476
Repayments on capital lease obligations	(263,930)	(229,851)
Contributions restricted for long-term purposes	25,724	70,925
Change in annuities payable	(84,356)	(160,659)
Increase in due from affiliates	<u>(3,911,334)</u>	<u>(4,765,147)</u>
Net cash used in financing activities	<u>(18,383,885)</u>	<u>(21,391,330)</u>
Net decrease in cash and cash equivalents	(29,244)	(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>\$ 921,279</u>	<u>950,523</u>