

PRESBYTERIAN HOMES OBLIGATED GROUP

Combined Statements of Financial Position

October 31, 2018 and December 31, 2017

Assets	October 31, 2018	December 31, 2017
Cash and cash equivalents	\$ 953,176	950,523
Investments	71,693,604	73,924,560
Statutory minimum liquid reserve	10,635,839	10,790,048
Accounts receivable, net	19,317,112	23,123,294
Prepaid expenses	3,974,756	2,860,426
Assets whose use is limited	9,072,886	9,262,604
Pledges receivable	317,575	364,903
Assets held for sale	—	229,927
Property and equipment (net of accumulated depreciation of \$265,902,999 and \$249,345,994 respectively)	353,734,697	351,683,760
Assets under capital leases (net of accumulated depreciation of \$1,365,620 and \$1,129,078 respectively)	735,557	279,974
Due from affiliates	80,951,018	75,986,437
Assets held in trust by others	18,139,689	18,910,644
Goodwill	1,836,908	1,836,908
Other assets	51,181	24,812
Total assets	\$ <u>571,413,998</u>	<u>570,228,820</u>

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Combined Statements of Financial Position

October 31, 2018 and December 31, 2017

Liabilities and Net Assets	October 31, 2018	December 31, 2017
Accounts payable	\$ 6,606,091	6,697,545
Accrued expenses	12,189,541	14,256,549
Lines of credit	12,660,614	15,883,024
Accrued interest	822,712	677,202
Resident deposits	1,566,579	2,008,554
Entrance fee payable	12,717,642	14,526,588
Deferred revenue – entrance fees	105,311,146	101,183,882
Deferred energy costs	1,088,521	1,140,481
Fair value of interest rate swaps	92	5,950
Annuities payable	633,749	700,820
Long-term debt		
Obligations under capital leases	786,792	288,606
Long-term debt	223,822,199	225,780,690
Total liabilities	378,205,679	383,149,891
Net assets:		
Without donor restrictions	168,007,208	161,054,399
With donor restrictions	25,201,111	26,024,530
Total net assets	193,208,319	187,078,929
Total liabilities and net assets	\$ 571,413,998	570,228,820

PRESBYTERIAN HOMES OBLIGATED GROUP

Combined Statements of Operations and Changes in Net Assets

Periods ended October 31, 2018 and year ended December 31, 2017

	October 31, 2018	December 31, 2017
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Operating revenues, gains, and other support:		
Resident services, including amortization of entrance fees of \$13,954,449 and \$15,074,966, respectively	\$ 177,796,024	207,427,477
Interest and dividend income	1,723,725	2,688,656
Realized gain on investments	313,820	3,713,574
(Loss) gain on sale of property and equipment	(174,015)	21,064
Contributions, gifts and bequests	387,846	1,916,343
Net assets released from restrictions	435,036	431,603
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Total operating revenues, gains, and other support	180,482,437	216,198,717
Expenses:		
Nursing services	48,304,194	56,292,409
Rehabilitation	14,321,737	14,262,438
Recreation and special services	4,658,884	5,673,398
Pharmacy	2,730,342	3,997,420
Social services	824,989	1,004,666
Physician services	602,681	704,071
Food services	19,083,290	22,820,663
Building operations and maintenance	19,894,141	23,152,327
Housekeeping	3,189,887	4,359,469
Laundry and linen	935,848	1,244,704
General and administrative	27,339,609	33,292,481
Employee benefits	8,622,435	13,500,541
Interest	6,358,679	7,226,199
Depreciation	16,796,213	19,176,745
Fundraising and investment fee	619,926	962,433
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Total expenses	174,282,854	207,669,964
Income from continuing operations	6,199,583	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	6,205,440	8,440,270
Other changes:		
Unrealized gain on investments	747,367	4,397,081
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Total other changes	747,367	4,397,081
Increase in net assets without donor restrictions	6,952,807	12,837,351

PRESBYTERIAN HOMES OBLIGATED GROUP

Combined Statements of Cash Flows

Periods ended October 31, 2018 and year ended December 31, 2017

	October 31, 2018	December 31, 2017
Cash flows from operating activities:		
Change in net assets	\$ 6,129,391	14,638,489
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	16,796,213	19,176,745
Provision for bad debt	2,463,478	2,850,957
Proceeds from entrance fees and deposits	22,146,332	25,850,067
Amortization of entrance fees	(13,954,449)	(15,074,966)
Change in fair value rate swap	(5,857)	(27,084)
Unrealized loss (gain) on investments and assets held in trust by others	32,440	(5,852,764)
Realized gain on investments	(313,820)	(3,713,574)
Realized loss (gain) on property, plant and equipment	174,015	(21,064)
Contributions restricted for long-term purposes	(25,724)	(70,925)
Amortization of deferred financing costs	149,205	174,662
Amortization of bond discount/premium	(12,570)	(3,240)
Deferred energy cost adjustment	(51,960)	(62,352)
Loss on abandoned projects	—	115,567
Change in assets and liabilities:		
Accounts receivable	(107,663)	(2,806,474)
Entrance fee receivable	1,450,367	501,328
Pledges receivable	47,328	82,044
Other assets	(1,068,237)	(95,532)
Accounts payable	(91,454)	(7,896,215)
Accrued expenses and deferred revenue other	(1,993,740)	(293,382)
Net cash provided by operating activities	<u>31,763,294</u>	<u>27,472,287</u>
Cash flows from investing activities:		
Acquisition of property and equipment	(19,246,821)	(22,786,164)
Net proceeds from sale of investments	3,627,219	16,268,125
Net cash used in investing activities	<u>(15,619,602)</u>	<u>(6,518,039)</u>
Cash flows from financing activities:		
Refunds of entrance fees and deposits	(4,506,594)	(4,485,971)
Change in entrance fee payable	(1,808,946)	(1,616,071)
Principal payments on long-term debt	(10,613,454)	(12,293,993)
Proceeds on the issuance of bonds	2,324,763	—
Redemption of treasury bonds	6,320,000	170,125
Financing costs incurred	(126,658)	(6,523)
(Repayments) borrowings on notes payable and lines of credit	(3,222,410)	1,787,359
Borrowings through capital leases	726,801	138,476
Repayments on capital lease obligations	(228,615)	(229,851)
Contributions restricted for long-term purposes	25,724	70,925
Change in annuities payable	(67,071)	(160,659)
Increase in due from affiliates	(4,964,581)	(4,765,147)
Net cash used in financing activities	<u>(16,141,040)</u>	<u>(21,391,330)</u>
Net increase (decrease) in cash and cash equivalents	2,653	(437,082)
Cash and cash equivalents, beginning of year	950,523	1,387,605
Cash and cash equivalents, end of year	\$ <u>953,176</u>	<u>950,523</u>