

PRESBYTERIAN HOMES OBLIGATED GROUP

Combined Statements of Financial Position

September 30, 2018 and December 31, 2017

Assets	September 30, 2018	December 31, 2017
Cash and cash equivalents	\$ 1,337,373	950,523
Investments	74,287,831	73,924,560
Statutory minimum liquid reserve	10,917,870	10,790,048
Accounts receivable, net	19,199,960	23,123,294
Prepaid expenses	4,598,111	2,860,426
Assets whose use is limited	9,119,136	9,262,604
Pledges receivable	320,629	364,903
Assets held for sale	—	229,927
Property and equipment (net of accumulated depreciation of \$264,194,392 and \$249,345,994 respectively)	352,281,084	351,683,760
Assets under capital leases (net of accumulated depreciation of \$1,340,876 and \$1,129,078 respectively)	752,792	279,974
Due from affiliates	80,861,689	75,986,437
Assets held in trust by others	18,986,058	18,910,644
Goodwill	1,836,908	1,836,908
Other assets	48,614	24,812
Total assets	\$ <u>574,548,056</u>	<u>570,228,820</u>

PRESBYTERIAN HOMES OBLIGATED GROUP

Combined Statements of Financial Position

September 30, 2018 and December 31, 2017

Liabilities and Net Assets	September 30, 2018	December 31, 2017
Accounts payable	\$ 5,432,501	6,697,545
Accrued expenses	12,674,514	14,256,549
Lines of credit	13,367,168	15,883,024
Accrued interest	892,776	677,202
Resident deposits	1,553,295	2,008,554
Entrance fee payable	12,806,855	14,526,588
Deferred revenue – entrance fees	105,095,472	101,183,882
Deferred energy costs	1,093,717	1,140,481
Fair value of interest rate swaps	92	5,950
Annuities payable	637,003	700,820
Long-term debt		
Obligations under capital leases	824,909	288,606
Long-term debt	<u>223,989,987</u>	<u>225,780,690</u>
Total liabilities	378,368,290	383,149,891
Net assets:		
Without donor restrictions	170,132,285	161,054,399
With donor restrictions	<u>26,047,480</u>	<u>26,024,530</u>
Total net assets	<u>196,179,765</u>	<u>187,078,929</u>
Total liabilities and net assets	<u>\$ 574,548,056</u>	<u>570,228,820</u>

PRESBYTERIAN HOMES OBLIGATED GROUP

Combined Statements of Operations and Changes in Net Assets

Quarters ended September 30, 2018 and year ended December 31, 2017

	September 30, 2018	December 31, 2017
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Operating revenues, gains, and other support:		
Resident services, including amortization of entrance fees of \$12,327,654 and \$15,074,966, respectively	\$ 159,424,239	207,427,477
Interest and dividend income	1,346,934	2,688,656
Realized gain on investments	320,929	3,713,574
(Loss) gain on sale of property and equipment	(174,194)	21,064
Contributions, gifts and bequests	284,019	1,916,343
Net assets released from restrictions	435,036	431,603
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Total operating revenues, gains, and other support	161,636,962	216,198,717
Expenses:		
Nursing services	43,449,642	56,292,409
Rehabilitation	12,795,917	14,262,438
Recreation and special services	4,162,908	5,673,398
Pharmacy	2,493,765	3,997,420
Social services	740,612	1,004,666
Physician services	542,322	704,071
Food services	17,181,520	22,820,663
Building operations and maintenance	17,979,033	23,152,327
Housekeeping	2,865,089	4,359,469
Laundry and linen	842,343	1,244,704
General and administrative	24,445,152	33,292,481
Employee benefits	7,775,517	13,500,541
Interest	5,684,817	7,226,199
Depreciation	15,061,595	19,176,745
Fundraising and investment fee	538,814	962,433
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Total expenses	156,559,047	207,669,964
Income from continuing operations	5,077,915	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/>
	5,083,772	8,440,270
Other changes:		
Unrealized gain on investments	3,994,112	4,397,081
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Total other changes	3,994,112	4,397,081
Increase in net assets without donor restrictions	<hr/>	<hr/>
	9,077,884	12,837,351

PRESBYTERIAN HOMES OBLIGATED GROUP

Combined Statements of Operations and Changes in Net Assets

Quarters ended September 30, 2018 and year ended December 31, 2017

	<u>September 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 gain on investments	66,561	1,455,683
Net assets released from restrictions	<u>(435,036)</u>	<u>(431,603)</u>
Change in net assets with donor restrictions	22,952	1,801,138
Change in net assets	9,100,836	14,638,489
Net assets beginning of year	<u>187,078,929</u>	<u>172,440,440</u>
Net assets, end of year	<u>\$ 196,179,765</u>	<u>187,078,929</u>

PRESBYTERIAN HOMES OBLIGATED GROUP

Combined Statements of Cash Flows

Quarters ended September 30, 2018 and year ended December 31, 2017

	September 30, 2018	December 31, 2017
Cash flows from operating activities:		
Change in net assets	\$ 9,100,838	14,638,489
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	15,061,595	19,176,745
Provision for bad debt	2,262,580	2,850,957
Proceeds from entrance fees and deposits	20,154,544	25,850,067
Amortization of entrance fees	(12,327,654)	(15,074,966)
Change in fair value rate swap	(5,857)	(27,084)
Unrealized gain on investments and assets held in trust by others	(4,060,674)	(5,852,764)
Realized gain on investments	(320,929)	(3,713,574)
Realized loss (gain) on property, plant and equipment	174,194	(21,064)
Contributions restricted for long-term purposes	(25,724)	(70,925)
Amortization of deferred financing costs	134,126	174,662
Amortization of bond discount/premium	(10,340)	(3,240)
Deferred energy cost adjustment	(46,764)	(62,352)
Loss on abandoned projects	—	115,567
Change in assets and liabilities:		
Accounts receivable	(95,171)	(2,806,474)
Entrance fee receivable	1,755,925	501,328
Pledges receivable	44,274	82,044
Other assets	(1,688,114)	(95,532)
Accounts payable	(1,265,044)	(7,896,215)
Accrued expenses and deferred revenue other	(1,439,637)	(293,382)
Net cash provided by operating activities	<u>27,402,168</u>	<u>27,472,287</u>
Cash flows from investing activities:		
Acquisition of property and equipment	(16,076,004)	(22,786,164)
Net proceeds from sale of investments	<u>3,958,565</u>	<u>16,268,125</u>
Net cash used in investing activities	<u>(12,117,439)</u>	<u>(6,518,039)</u>
Cash flows from financing activities:		
Refunds of entrance fees and deposits	(4,370,559)	(4,485,971)
Change in entrance fee payable	(1,719,733)	(1,616,071)
Principal payments on long-term debt	(9,549,859)	(12,293,993)
Proceeds on the issuance of bonds	1,435,151	—
Redemption of treasury bonds	6,320,000	170,125
Financing costs incurred	(119,982)	(6,523)
(Repayments) borrowings on notes payable and lines of credit	(2,515,856)	1,787,359
Borrowings through capital leases	676,661	138,476
Repayments on capital lease obligations	(140,358)	(229,851)
Contributions restricted for long-term purposes	25,724	70,925
Change in annuities payable	(63,817)	(160,659)
Increase in due from affiliates	<u>(4,875,252)</u>	<u>(4,765,147)</u>
Net cash used in financing activities	<u>(14,897,879)</u>	<u>(21,391,330)</u>
Net increase (decrease) in cash and cash equivalents	386,850	(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>\$ 1,337,373</u>	<u>950,523</u>