

**PRESBYTERIAN SENIOR LIVING**

Consolidated Statements of Financial Position

June 30, 2016 and December 31, 2015

<b>Assets</b>	<b>June 30, 2016</b>	<b>Restated December 31, 2015</b>
Cash and cash equivalents	\$ 3,531,988	5,494,932
Investments	71,031,793	84,443,062
Restricted deposits and funded reserves	21,153,029	21,286,053
Accounts receivable, net	21,860,534	23,393,034
Prepaid expenses and other current assets	3,496,071	3,996,007
Assets whose use is limited	9,343,906	9,652,215
Assets whose use is limited, construction funds held by trustee	26,063,969	15,191,987
Pledges receivable	578,800	1,149,236
Property and equipment (net of accumulated depreciation of \$298,695,134 and \$289,349,725, respectively)	473,291,235	464,657,748
Assets under capital leases (net of accumulated amortization of \$1,203,153 and \$1,072,258, respectively)	353,294	484,189
Goodwill	3,551,908	3,551,908
Assets held in trust by others	16,978,388	16,994,815
Other assets	658,434	648,225
Total assets	\$ 651,893,348	650,943,411

**PRESBYTERIAN SENIOR LIVING**

Consolidated Statements of Financial Position

June 30, 2016 and December 31, 2015

<b>Liabilities and Net Assets</b>	<b>June 30, 2016</b>	<b>Restated December 31, 2015</b>
Accounts payable	\$ 10,915,572	18,547,236
Accrued expenses	14,238,294	18,265,304
Lines of credit	12,659,803	19,842,069
Accrued interest	1,400,324	1,534,711
Resident deposits	7,537,317	4,368,772
Entrance fee payable	31,851,787	33,899,017
Deferred revenue - entrance fees	89,093,507	87,521,447
Fair value of interest rate hedges	80,945	80,945
Annuities payable	1,430,581	1,472,341
Obligations on capital leases	381,436	520,452
Long-term debt - senior living	269,456,210	255,262,749
Long-term debt - low income housing	32,044,687	31,513,959
Total liabilities	471,090,464	472,829,002
Net assets:		
Unrestricted (including tax credit equity of \$72,701,617 and \$73,372,852, respectively)	155,904,964	151,887,025
Temporarily restricted	2,108,989	3,400,653
Permanently restricted	22,788,931	22,826,731
Total net assets	180,802,884	178,114,409
Total liabilities and net assets	\$ 651,893,348	650,943,411

# PRESBYTERIAN SENIOR LIVING

## Consolidated Statements of Operations and Changes in Net Assets

Quarters ended June 30, 2016 and year ended December 31, 2015

	June 30, 2016	Restated December 31, 2015
Operating revenues, gains, and other support:		
Resident services, including amortization of entrance fees of \$6,717,061 and \$13,884,894, respectively)	\$ 110,968,484	207,357,991
Sales of other services and materials	18,809	97,483
Net rental income and developers fees	767,631	766,234
Interest and dividend income	892,780	2,926,395
Realized loss on investments	(405,331)	(23,156)
Loss on sale of property and equipment and other assets	(133,628)	(8,162)
Contributions, grants, gifts and bequests	600,620	1,015,423
Net assets released from restrictions	1,291,664	2,540,277
Total operating revenues, gains, and other support	114,001,029	214,672,485
Expenses:		
Nursing services	27,344,109	50,309,312
Rehabilitation	7,427,821	13,735,163
Recreation and special services	3,073,311	5,735,542
Pharmacy	1,695,538	3,402,075
Social services	860,795	1,571,227
Physician services	338,367	573,599
Food services	12,285,868	21,956,450
Building operations and maintenance	15,059,233	28,577,626
Housekeeping	2,436,299	4,395,452
Laundry and linen	625,829	1,249,307
General and administrative	16,003,626	32,391,647
Employee benefits	7,860,191	14,268,622
Interest	3,691,205	7,571,896
Depreciation	11,630,111	21,191,626
Amortization	229,569	509,497
Fundraising and investment fees	498,186	1,195,580
Total expenses	111,060,057	208,634,621
Income from continuing operations	2,940,972	6,037,864
Discontinued operations:		
Discontinued operations, net of gain of \$8,278,206 in 2015	—	8,418,006
Gain on discontinued operations	—	8,418,006
Operating income	2,940,972	14,455,870
Equity received from tax credit limited partner	707,409	9,309,053
Change in fair value of interest rate swap	—	196,719
Gain (loss) on early extinguishment of debt	77,405	(861,100)
Excess of operating revenues, gains and other support over expenses	3,725,786	23,100,542
Other changes:		
Unrealized gain (loss) on investments	292,153	(3,129,569)
Total other changes	292,153	(3,129,569)
Net assets, as adjusted for affiliation	—	9,291,850
Increase in unrestricted net assets	4,017,939	29,262,823

# PRESBYTERIAN SENIOR LIVING

## Consolidated Statements of Operations and Changes in Net Assets

Quarters ended June 30, 2016 and year ended December 31, 2015

	<b>June 30, 2016</b>	<b>Restated December 31, 2015</b>
Temporarily restricted net assets:		
Contributions, giftsts and bequests	—	1,500,871
Interest and dividend income	—	92,253
Net assets, as adjusted for affiliation	—	(68,300)
Unrealized gain on investments	—	637,138
Net assets released from restrictions	<u>(1,291,664)</u>	<u>(2,540,277)</u>
Change in temporarily restricted net assets	(1,291,664)	(378,315)
Permanently restricted net assets:		
Contributions	—	400,912
Net asset, as adjusted for affiliation	—	2,424,292
Change in fair value of funds held in trust by others	<u>(37,801)</u>	<u>(919,968)</u>
Change in permanently restricted net assets	<u>(37,801)</u>	<u>1,905,236</u>
Change in net assets	2,688,475	30,789,744
Net assets, beginning of year	<u>178,114,409</u>	<u>147,324,665</u>
Net assets, end of year	<u><u>\$ 180,802,884</u></u>	<u><u>178,114,409</u></u>

# PRESBYTERIAN SENIOR LIVING

## Consolidated Statements of Cash Flows

Quarters ended June 30, 2016 and year ended December 31, 2015

	June 30, 2016	Restated December 31, 2015
Cash flows from operating activities:		
Change in net assets	\$ 2,688,475	30,789,744
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Changes in net income resulting from affiliation	–	(12,353,280)
Depreciation	11,630,111	21,191,626
Bad debt write-offs	1,252,240	2,660,763
Proceeds non-refundable from entrance fees and deposits	16,220,027	30,236,124
Amortization of entrance fees	(6,717,061)	(13,884,894)
(Gain) loss on early extinguishment of debt	(77,405)	861,100
Change in fair value of interest rate swaps	–	(196,719)
Unrealized (gain) loss on investments and change in fair value of funds held in trust by others	(254,352)	4,117,837
Realized loss on investments	405,331	23,156
Realized loss on sale of property and equipment and other assets	133,628	8,162
Contributions restricted for long-term purposes	–	(400,912)
Amortization of deferred costs	229,569	512,733
Amortization of bond premium	–	(3,236)
Gain on discontinued operation	–	(8,418,006)
Changes in assets and liabilities:		
Decrease (increase) in accounts receivable	280,261	(2,285,451)
Decrease (increase) in pledges receivable	570,436	(20,782)
Decrease in other assets	357,310	787,582
(Decrease) increase in accounts payable	(7,631,664)	5,658,390
Decrease in accrued expenses	(4,161,397)	(1,123,214)
Net cash provided by operating activities	14,925,508	58,160,723
Cash flows from investing activities:		
Acquisition of property and equipment, net of disposals	(20,266,331)	(58,038,817)
Net proceeds from sale of property and equipment	–	10,991,064
Cash acquired in affiliation	–	84,765
Net purchases of investments	2,846,068	(4,422,756)
Net cash used in investing activities	(17,420,263)	(51,385,744)
Cash flows from financing activities:		
Refunds of entrance fees and deposits	(4,762,361)	(7,788,424)
Change in entrance fee payable	(2,047,229)	(3,606,665)
Principal payments on and redemptions of long-term debt	(6,102,835)	(15,434,523)
Proceeds from issuance of long-term debt	25,291,988	80,112,142
Refunding, refinancing, or payoff of long-term debt	(4,435,209)	(46,238,166)
Purchase of treasury stock	(25,000)	(7,569,497)
Financing costs incurred	(24,500)	(539,622)
Net repayments on notes payable	–	(4,980,267)
Net repayments on lines of credit	(7,182,266)	(524,396)
Borrowings through capital leases	–	88,313
Repayments on capital leases	(139,016)	(231,831)
Contributions restricted for long-term purposes	–	400,912
(Decrease) increase in annuities payable	(41,760)	7,365
Net cash provided by (used in) financing activities	531,811	(6,304,659)
Net (decrease) increase in cash and cash equivalents	(1,962,944)	470,320
Cash and cash equivalents, beginning of year	5,494,932	5,024,612
Cash and cash equivalents, end of year	\$ 3,531,988	5,494,932
Supplemental schedule of non-cash investing activities		
Decrease in assets held for sale through decrease in property and equipment	\$ –	39,724
Increase in goodwill by decrease in property and equipment upon affiliation	–	1,836,908