

PRESBYTERIAN SENIOR LIVING

Consolidated Statements of Financial Position

March 31, 2016 and December 31, 2015

Assets	March 31, 2016	December 31, 2015
Cash and cash equivalents	\$ 6,904,075	5,494,932
Investments	69,177,181	84,443,062
Restricted deposits and funded reserves	20,204,383	21,286,053
Accounts receivable, net	21,131,754	23,393,034
Prepaid expenses and other current assets	4,691,660	3,996,007
Assets whose use is limited	9,349,693	9,652,215
Assets whose use is limited, construction funds held by trustee	10,866,459	15,191,987
Pledges receivable	538,768	555,509
Property and equipment (net of accumulated depreciation of \$292,970,412 and \$289,349,725, respectively)	466,265,102	464,657,748
Assets under capital leases (net of accumulated amortization of \$1,138,428 and \$1,072,258, respectively)	418,019	484,189
Goodwill	3,551,908	3,551,908
Assets held in trust by others	16,521,965	16,784,325
Other assets	631,052	648,225
Total assets	\$ 630,252,017	650,139,194

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March 31, 2016 and December 31, 2015

Liabilities and Net Assets	March 31, 2016	December 31, 2015
Accounts payable	\$ 13,158,407	18,547,236
Accrued expenses	15,922,770	18,265,304
Lines of credit	10,323,796	19,842,069
Accrued interest	1,670,915	1,534,711
Resident deposits	7,587,264	4,368,772
Entrance fee payable	32,054,890	33,899,017
Deferred revenue - entrance fees	86,696,805	87,327,147
Fair value of interest rate hedges	80,945	80,945
Annuities payable	1,455,387	1,472,341
Obligations on capital leases	447,284	520,452
Long-term debt - senior living	251,549,318	254,998,773
Long-term debt - low income housing	32,084,660	31,777,935
Total liabilities	453,032,442	472,634,702
Net assets:		
Unrestricted (including tax credit equity of \$64,531,225 and \$64,080,950, respectively)	152,233,581	152,081,325
Temporarily restricted	2,583,294	2,806,926
Permanently restricted	22,402,700	22,616,241
Total net assets	177,219,575	177,504,492
Total liabilities and net assets	\$ 630,252,017	650,139,194

PRESBYTERIAN SENIOR LIVING

Consolidated Statements of Operations and Changes in Net Assets

Quarter ended March 31, 2016 and year ended December 31, 2015

	<u>March 31, 2016</u>	<u>December 31, 2015</u>
Operating revenues, gains, and other support:		
Resident services, including amortization of entrance fees of \$2,964,814 and \$14,079,194, respectively)	\$ 54,573,567	207,552,291
Sales of other services and materials	94	97,483
Net rental income and developers fees	759,736	766,234
Interest and dividend income	362,868	2,926,395
Realized loss on investments	(872,495)	(23,156)
Loss on sale of property and equipment and other assets	(132,998)	(8,162)
Contributions, grants, gifts and bequests	265,019	1,015,423
Net assets released from restrictions	<u>223,632</u>	<u>2,540,277</u>
Total operating revenues, gains, and other support	<u>55,179,423</u>	<u>214,866,785</u>
Expenses:		
Nursing services	13,569,006	50,309,312
Rehabilitation	3,752,374	13,735,163
Recreation and special services	1,500,893	5,735,542
Pharmacy	825,730	3,402,075
Social services	428,994	1,571,227
Physician services	172,772	573,599
Food services	6,019,985	21,956,450
Building operations and maintenance	7,735,541	28,577,626
Housekeeping	1,200,916	4,395,452
Laundry and linen	312,629	1,249,307
General and administrative	8,099,355	32,391,647
Employee benefits	3,914,102	14,268,622
Interest	1,817,702	7,571,896
Depreciation	5,798,040	21,191,626
Amortization	122,185	509,497
Fundraising and investment fees	<u>175,245</u>	<u>1,195,580</u>
Total expenses	<u>55,445,467</u>	<u>208,634,621</u>
(Loss) income from continuing operations	<u>(266,044)</u>	<u>6,232,164</u>
Discontinued operations:		
Discontinued operations, net of gain of \$8,278,206 in 2015	<u>—</u>	<u>8,418,006</u>
Gain on discontinued operations	<u>—</u>	<u>8,418,006</u>
Operating (loss) income	(266,044)	14,650,170
Equity received from tax credit limited partner	736,557	9,309,053
Change in fair value of interest rate swap	—	196,719
Loss on early extinguishment of debt	<u>(154)</u>	<u>(861,100)</u>
Excess of operating revenues, gains and other support over expenses	470,359	23,294,842
Other changes:		
Unrealized loss on investments	<u>(318,103)</u>	<u>(3,129,569)</u>
Total other changes	<u>(318,103)</u>	<u>(3,129,569)</u>
Net assets, as adjusted for affiliation	<u>—</u>	<u>9,291,850</u>
Increase in unrestricted net assets	152,256	29,457,123

PRESBYTERIAN SENIOR LIVING

Consolidated Statements of Operations and Changes in Net Assets

Quarter ended March 31, 2016 and year ended December 31, 2015

	March 31, 2016	December 31, 2015
Temporarily restricted net assets:		
Contributions, giftsts and bequests	—	907,144
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>(223,632)</u>	<u>(2,540,277)</u>
Change in temporarily restricted net assets	(223,632)	(972,042)
Permanently restricted net assets:		
Contributions	—	190,422
Net asset, as adjusted for affiliation	—	2,424,292
Change in fair value of funds held in trust by others	<u>(213,541)</u>	<u>(919,968)</u>
Change in permanently restricted net assets	<u>(213,541)</u>	<u>1,694,746</u>
Change in net assets	(284,917)	30,179,827
Net assets, beginning of year	<u>177,504,492</u>	<u>147,324,665</u>
Net assets, end of year	<u><u>\$ 177,219,575</u></u>	<u><u>177,504,492</u></u>

PRESBYTERIAN SENIOR LIVING

Consolidated Statements of Cash Flows

Quarter ended March 31, 2016 and year ended December 31, 2015

	March 31, 2016	December 31, 2015
Cash flows from operating activities:		
Change in net assets	\$ (284,917)	30,179,827
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	5,798,040	21,191,626
Bad debt write-offs	554,597	2,660,763
Proceeds non-refundable from entrance fees and deposits	8,445,337	30,236,124
Amortization of entrance fees	(2,964,814)	(14,079,194)
Loss on early extinguishment of debt	154	861,100
Change in fair value of interest rate swaps	–	(196,719)
Unrealized loss on investments and change in fair value of funds held in trust by others	531,645	4,117,837
Realized gain on investments	872,495	23,156
Realized gain on sale of property and equipment and other assets	132,998	8,162
Contributions restricted for long-term purposes	–	(190,422)
Amortization of deferred costs	122,185	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	1,706,686	(2,285,451)
Decrease in pledges receivable	16,741	572,945
(Increase) decrease in other assets	(744,636)	787,582
(Decrease) increase in accounts payable	(5,388,829)	5,658,390
Decrease in accrued expenses	(2,206,330)	(1,123,214)
Net cash provided by operating activities	6,591,351	58,160,723
Cash flows from investing activities:		
Acquisition of property and equipment, net of disposals	(7,474,362)	(58,038,817)
Net proceeds from sale of property and equipment	–	10,991,064
Cash acquired in affiliation	–	84,765
Net purchases of investments	19,833,821	(4,212,266)
Net cash provided by (used in) investing activities	12,359,459	(51,175,254)
Cash flows from financing activities:		
Refunds of entrance fees and deposits	(2,892,373)	(7,788,424)
Change in entrance fee payable	(1,844,126)	(3,606,665)
Principal payments on and redemptions of long-term debt	(3,921,617)	(15,434,523)
Proceeds from issuance of long-term debt	750,000	80,112,142
Refunding, refinancing, or payoff of long-term debt	–	(46,238,166)
Purchase of treasury stock	(25,154)	(7,569,497)
Financing costs incurred	–	(539,622)
Net repayments on notes payable	–	(4,980,267)
Net repayments on lines of credit	(9,518,273)	(524,396)
Borrowings through capital leases	–	88,313
Repayments on capital leases	(73,169)	(231,831)
Contributions restricted for long-term purposes	–	190,422
(Decrease) increase in annuities payable	(16,954)	7,365
Net cash used in financing activities	(17,541,667)	(6,515,149)
Net increase in cash and cash equivalents	1,409,143	470,320
Cash and cash equivalents, beginning of year	5,494,932	5,024,612
Cash and cash equivalents, end of year	\$ 6,904,075	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