

**PRESBYTERIAN SENIOR LIVING**

Consolidated Statements of Financial Position

December 31, 2016 and 2015

<b>Assets</b>	<u><b>2016</b></u>	<u><b>2015</b></u>
Cash and cash equivalents	\$ 4,433,075	5,494,932
Investments	70,398,873	84,443,062
Restricted deposits and funded reserves	22,771,744	21,286,053
Accounts receivable, net	25,714,396	23,393,034
Prepaid expenses and other current assets	3,523,343	3,996,007
Assets whose use is limited	9,713,494	9,652,215
Assets whose use is limited, construction funds	15,314,759	15,191,987
Pledges receivable, net	466,947	1,149,236
Property and equipment (net of accumulated depreciation of \$305,229,720 and \$289,331,650, respectively)	497,043,147	464,657,748
Assets under capital leases (net of accumulated amortization of \$1,352,251 and \$1,072,258 respectively)	434,901	484,189
Goodwill	3,551,908	3,551,908
Funds held in trust by others	17,240,286	16,994,815
Other assets	<u>675,198</u>	<u>648,225</u>
Total assets	<u><u>\$ 671,282,071</u></u>	<u><u>650,943,411</u></u>

See accompanying notes to consolidated financial statements.

**PRESBYTERIAN SENIOR LIVING**

Consolidated Statements of Financial Position

December 31, 2016 and 2015

<b>Liabilities and Net Assets</b>	<u><b>2016</b></u>	<u><b>2015</b></u>
Accounts payable	\$ 16,983,238	18,547,236
Accrued expenses	17,539,570	18,265,304
Lines of credit	19,095,665	19,842,069
Accrued interest	1,588,783	1,534,711
Resident deposits	1,870,143	4,368,772
Entrance fees payable	31,107,698	33,899,017
Deferred revenue - entrance fees	99,877,965	87,521,447
Deferred energy costs	1,202,833	-
Fair value of interest rate swaps	33,034	80,945
Annuities payable	1,382,246	1,472,341
Obligations under capital leases	460,129	520,452
Long-term debt - senior living	263,184,043	255,269,165
Long-term debt - low income housing	32,055,116	31,507,543
Total liabilities	<u>486,380,463</u>	<u>472,829,002</u>
Net assets:		
Unrestricted (including tax credit equity of \$71,857,730 and \$73,372,852 respectively)	159,547,598	151,887,025
Temporarily restricted	2,230,385	3,400,653
Permanently restricted	23,123,625	22,826,731
Total net assets	<u>184,901,608</u>	<u>178,114,409</u>
Total liabilities and net assets	<u>\$ 671,282,071</u>	<u>650,943,411</u>

See accompanying notes to consolidated financial statements.

**PRESBYTERIAN SENIOR LIVING**

Consolidated Statements of Operations and Changes in Net Assets

Years ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Operating revenues, gains, and other support:		
Resident services, including amortization of entrance fees of \$14,479,177 and \$14,079,194, respectively	\$ 224,604,743	207,357,991
Sales of other services and materials	37,637	97,483
Net rental income and developers' fees	783,518	766,234
Interest and dividend income	2,276,305	2,926,395
Realized loss on investments	(489,737)	(23,156)
Loss on sale of property and equipment and other assets	(416,617)	(8,162)
Contributions, gifts, grants and bequests	535,204	1,015,423
Net assets released from restrictions	2,331,941	2,540,277
Total operating revenues, gains, and other support	<u>229,662,994</u>	<u>214,672,485</u>
Expenses:		
Nursing services	55,536,047	50,309,312
Rehabilitation	14,248,170	13,735,163
Recreation and special services	6,218,375	5,735,542
Pharmacy	3,915,396	3,402,075
Social services	1,779,436	1,571,227
Physician services	687,973	573,599
Food services	24,843,265	21,956,450
Building operations and maintenance	31,195,413	28,577,626
Housekeeping	4,851,211	4,395,452
Laundry and linen	1,280,078	1,249,307
General and administrative	32,679,049	32,391,647
Employee benefits	16,033,278	14,268,622
Interest	7,645,474	7,571,896
Depreciation	24,083,832	21,191,626
Amortization	464,198	509,497
Fundraising and investment fees	1,231,907	1,195,580
Total expenses	<u>226,693,102</u>	<u>208,634,621</u>
Income from continuing operations	<u>2,969,892</u>	<u>6,037,864</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 income	<u>2,969,892</u>	<u>14,455,870</u>

See accompanying notes to consolidated financial statements.

**PRESBYTERIAN SENIOR LIVING**

Consolidated Statements of Operations and Changes in Net Assets

Years ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Equity received from tax credit limited partners	2,526,708	9,309,053
Change in fair value of interest rate swaps	47,911	196,719
Loss on early extinguishment of debt	(123,652)	(861,100)
Loss on abandoned project	<u>(411,418)</u>	<u>—</u>
Excess of operating revenues, gains and other support over expenses	<u>5,009,441</u>	<u>23,100,542</u>
Other changes:		
Unrealized gain (loss) on investments	<u>2,651,132</u>	<u>(3,129,569)</u>
Total other changes	<u>2,651,132</u>	<u>(3,129,569)</u>
Net assets, as adjusted for affiliation	<u>—</u>	<u>9,291,850</u>
Change in unrestricted net assets	<u>7,660,573</u>	<u>29,262,823</u>
Temporarily restricted net assets:		
Contributions, gifts, grants and bequests	899,301	1,500,871
Interest and dividend income	105,743	92,253
Unrealized gain (loss) on investments	156,629	(68,300)
Net assets, as adjusted for affiliation	—	637,138
Net assets released from restrictions	<u>(2,331,941)</u>	<u>(2,540,277)</u>
Change in temporarily restricted net assets	<u>(1,170,268)</u>	<u>(378,315)</u>
Permanently restricted net assets:		
Contributions, gifts, grants and bequests	119,484	400,912
Net assets, as adjusted for affiliation	—	2,424,292
Change in fair value of funds held in trust by others	<u>177,410</u>	<u>(919,968)</u>
Change in permanently restricted net assets	<u>296,894</u>	<u>1,905,236</u>
Change in net assets	<u>6,787,199</u>	<u>30,789,744</u>
Net assets, beginning of year	<u>178,114,409</u>	<u>147,324,665</u>
Net assets, end of year	<u>\$ 184,901,608</u>	<u>178,114,409</u>

See accompanying notes to consolidated financial statements.

**PRESBYTERIAN SENIOR LIVING**

Consolidated Statements of Cash Flows

Years ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Change in net assets	\$ 6,787,199	30,789,744
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Changes in net assets resulting from affiliation	-	(12,353,280)
Depreciation	24,083,832	21,191,626
Provision for bad debt	1,005,542	2,660,763
Proceeds from non-refundable entrance fees and deposits	32,115,776	30,236,124
Amortization of entrance fees	(14,479,177)	(13,884,894)
Loss on early extinguishment of debt	123,652	861,100
Change in fair value of interest rate swaps	(47,911)	(196,719)
Unrealized (gain) loss on investments and change in fair value of funds held in trust by others	(2,985,171)	4,117,837
Realized loss on investments	489,737	23,156
Loss on sale of property and equipment and other assets	416,617	8,162
Contributions restricted for long-term purposes	(119,484)	(400,912)
Amortization of deferred costs	468,312	512,733
Amortization of bond premium	(4,114)	(3,236)
Gain on discontinued operations	-	(8,418,006)
Loss on abandoned project	411,418	-
Increase in deferred energy costs	(44,167)	-
Changes in assets and liabilities:		
Increase in accounts receivable	(3,301,677)	(1,538,019)
Increase in entrance fee receivable	(25,227)	(747,432)
Decrease (increase) in pledges receivable	682,289	(20,782)
Decrease in other assets	182,374	787,582
(Decrease) increase in accounts payable	(1,563,998)	5,658,390
Decrease in accrued expenses	(671,662)	(1,123,214)
Net cash provided by operating activities	<u>43,524,160</u>	<u>58,160,723</u>
Cash flows from investing activities:		
Acquisition of property and equipment, net of disposals	(56,000,978)	(58,038,817)
Net proceeds from sale of property and equipment	-	10,991,064
Cash acquired in affiliation	-	84,765
Purchases of investments	(75,340,717)	(70,444,866)
Proceeds from sale of investments	89,965,127	66,022,110
Net cash used in investing activities	<u>(41,376,568)</u>	<u>(51,385,744)</u>
Cash flows from financing activities:		
Refunds of entrance fees and deposits	(7,778,710)	(7,788,424)
Change in entrance fees payable	(2,791,319)	(3,606,665)
Principal payments on and redemptions of long-term debt	(12,743,757)	(15,434,523)
Proceeds from issuance of long-term debt	25,405,751	80,112,142
Refunding, refinancing or payoff of long-term debt	(4,435,209)	(46,238,166)
Purchase of treasury bonds	-	(7,569,497)
Financing costs incurred	(88,867)	(539,622)
Net repayments on note payable	-	(4,980,267)
Net repayments on lines of credit	(746,404)	(524,396)
Borrowings through capital leases	230,705	88,313
Repayments on capital leases	(291,028)	(231,831)
Contributions restricted for long-term purposes	119,484	400,912
(Decrease) increase in annuities payable	(90,095)	7,365
Net cash used in financing activities	<u>(3,209,449)</u>	<u>(6,304,659)</u>
Net (decrease) increase in cash and cash equivalents	(1,061,857)	470,320
Cash and cash equivalents, beginning of year	5,494,932	5,024,612
Cash and cash equivalents, end of year	\$ <u>4,433,075</u>	<u>5,494,932</u>
Supplemental schedule of non-cash investing activities:		
Decrease in assets held for sale through change in property and equipment	\$ -	39,724
Increase in goodwill by decrease in property and equipment upon affiliation	-	1,836,908
Increase in property and equipment through increase in deferred energy costs	<u>1,247,000</u>	-

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