

**PRESBYTERIAN HOMES OBLIGATED GROUP**

Combined Statements of Financial Position

July 31, 2017 and December 31, 2016

<b>Assets</b>	<b>July 31, 2017</b>	<b>December 31, 2016</b>
Cash and cash equivalents	\$ 818,978	1,387,605
Investments	71,091,546	68,169,601
Statutory minimum liquid reserve	10,485,216	10,187,204
Accounts receivable, net	20,792,973	23,669,105
Prepaid expenses	4,970,504	2,765,954
Assets whose use is limited	8,413,224	8,677,793
Assets whose use is limited, capital assets	794,481	15,314,759
Pledges receivable	405,764	446,947
Property and equipment (net of accumulated depreciation of \$241,427,709 and \$230,413,839 respectively)	349,177,717	348,321,965
Assets under capital leases (net of accumulated depreciation of \$1,041,504 and \$947,830 respectively)	266,745	356,838
Due from affiliates	76,367,402	71,221,290
Assets held in trust by others	18,138,490	17,240,286
Goodwill	1,836,908	1,836,908
Other assets	24,845	23,752
Total assets	\$ <u>563,584,791</u>	<u>569,620,007</u>

**PRESBYTERIAN HOMES OBLIGATED GROUP**

Combined Statements of Financial Position

July 31, 2017 and December 31, 2016

<b>Liabilities and Net Assets</b>	<b>July 31, 2017</b>	<b>December 31, 2016</b>
Accounts payable	\$ 6,938,975	14,593,760
Accrued expenses	14,130,787	14,389,913
Note payable	2,750,000	—
Lines of credit	13,364,427	14,095,665
Accrued interest	731,325	837,278
Resident deposits	1,957,712	1,214,113
Entrance fee payable	15,121,638	16,142,659
Deferred revenue – entrance fees	97,249,217	95,689,193
Deferred energy costs	1,166,461	1,202,833
Fair value of interest rate swaps	16,255	33,034
Annuities payable	724,254	861,479
Long-term debt		
Obligations under capital leases	278,745	379,981
Long-term debt	230,179,111	237,739,659
<b>Total liabilities</b>	<b>384,608,907</b>	<b>397,179,567</b>
Net assets:		
Unrestricted	153,659,909	148,051,580
Temporarily restricted	1,946,538	1,925,316
Permanently restricted	23,369,436	22,463,544
<b>Total net assets</b>	<b>178,975,884</b>	<b>172,440,440</b>
<b>Total liabilities and net assets</b>	<b>\$ 563,584,791</b>	<b>569,620,007</b>

**PRESBYTERIAN HOMES OBLIGATED GROUP**

Combined Statements of Operations and Changes in Net Assets

Periods ended July 31, 2017 and year ended December 31, 2016

	<u>July 31,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
Operating revenues, gains, and other support:		
Resident services, including amortization of entrance fees of \$8,243,608 and \$13,657,812, respectively	\$ 118,779,718	202,058,753
Interest and dividend income	1,032,513	2,155,566
Realized gain (loss) on investments	831,715	(524,632)
Gain on sale of property and equipment	18,480	553,778
Contributions, gifts and bequests	222,629	332,132
Net assets released from restrictions	397,443	2,314,669
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Total operating revenues, gains, and other support	121,282,498	206,890,266
Expenses:		
Nursing services	32,178,879	53,260,841
Rehabilitation	7,853,810	13,711,336
Recreation and special services	3,188,258	5,586,828
Pharmacy	2,429,338	3,810,468
Social services	596,295	895,843
Physician services	404,869	662,973
Food services	13,157,291	22,881,311
Building operations and maintenance	13,501,263	22,438,710
Housekeeping	2,527,053	4,436,616
Laundry and linen	721,256	1,230,590
General and administrative	18,954,081	30,746,126
Employee benefits	8,180,273	13,398,009
Interest	4,204,461	6,640,618
Depreciation	11,143,954	17,733,907
Fundraising and investment fee	497,610	1,036,362
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Total expenses	119,538,691	198,470,538
Income from continuing operations	1,743,807	8,419,728
Decrease in fair value of interest rate swaps	16,780	47,911
Gain (loss) on early extinguishment of debt	125	(123,652)
Loss on abandoned project	(8,900)	(411,418)
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Excess of operating revenues, gains and other support over expenses	1,751,811	7,932,569
Other changes:		
Reserve for related party receivable	-	(3,000,000)
Unrealized gain on investments	3,856,517	2,339,977
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Total other changes	3,856,517	(660,023)
Increase in unrestricted net assets	5,608,328	7,272,546

**PRESBYTERIAN HOMES OBLIGATED GROUP**

Combined Statements of Operations and Changes in Net Assets

Periods ended July 31, 2017 and year ended December 31, 2016

	<b>July 31, 2017</b>	<b>December 31, 2016</b>
Temporarily restricted net assets:		
Contributions, gifts and bequests	\$ 365,612	868,058
Interest and dividend income	5,941	78,669
Unrealized gain on investments	47,113	156,629
Net assets released from restrictions	<u>(397,443)</u>	<u>(2,314,669)</u>
Change in temporarily restricted net assets	21,223	(1,211,313)
Permanently restricted net assets:		
Contributions, gifts and bequests	13,560	109,371
Change in fair value of assets held in trust by others	<u>892,333</u>	<u>177,410</u>
Change in permanently restricted net assets	<u>905,893</u>	<u>286,781</u>
Change in net assets	6,535,444	6,348,014
Net assets beginning of year	<u>172,440,440</u>	<u>166,092,426</u>
Net assets, end of year	<u>\$ 178,975,884</u>	<u>\$ 172,440,440</u>

**PRESBYTERIAN HOMES OBLIGATED GROUP**

Combined Statements of Cash Flows

Periods ended July 31, 2017 and year ended December 31, 2016

	<u>July 31,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
Cash flows from operating activities:		
Change in net assets	\$ 6,535,443	6,348,014
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	11,143,954	17,733,907
Provision for bad debt	1,680,625	1,013,140
Reserve for related party receivable	—	3,000,000
Proceeds from entrance fees and deposits	13,520,903	28,157,352
Amortization of entrance fees	(8,243,608)	(13,657,812)
(Gain) loss on extinguishment of debt	(125)	123,652
Change in fair value rate rate swap	(16,780)	(47,911)
Unrealized gain on investments and assets held in trust by others	(4,795,963)	(2,674,016)
Realized (gain) loss on investments	(831,715)	524,632
Realized gain on property, plant and equipment	(18,480)	(553,778)
Contributions restricted for long-term purposes	(13,560)	(109,371)
Amortization of bond discount/premium	1,987	—
Deferred energy cost adjustment	(36,372)	(44,167)
Loss on abandoned projects	8,900	411,418
Change in assets and liabilities:		
Accounts receivable	162,933	(2,036,174)
Entrance fee receivable	1,032,574	130,333
Pledges receivable	41,183	697,289
Other assets	(2,308,049)	332,847
Accounts payable	(7,654,784)	187,148
Accrued expenses and deferred revenue other	(262,518)	452,019
Net cash provided by operating activities	<u>9,946,549</u>	<u>39,988,522</u>
Cash flows from investing activities:		
Acquisition of property and equipment	(11,900,032)	(48,882,943)
Net proceeds from sale of investments	<u>16,294,365</u>	<u>16,263,052</u>
Net cash provided by (used in) investing activities	4,394,333	(32,619,891)
Cash flows from financing activities:		
Refunds of entrance fees and deposits	(2,973,672)	(5,077,635)
Change in entrance fee payable	(1,021,021)	(1,744,961)
Principal payments on long-term debt	(7,732,690)	(11,132,941)
Proceeds on the issuance of bonds	—	24,540,000
Refunding, refinancing or payoff of long-term debt	—	(4,435,209)
Purchase of treasury bonds	170,125	—
Financing costs incurred	—	(88,867)
Borrowing (repayments) on notes payable and lines of credit	2,018,762	(749,505)
Borrowings through capital leases	37,673	176,560
Repayments on capital lease obligations	(138,909)	(245,581)
Contributions restricted for long-term purposes	13,560	109,371
Change in annuities payable	(137,225)	(75,157)
Increase in due from affiliates	<u>(5,146,112)</u>	<u>(9,606,781)</u>
Net cash used in financing activities	<u>(14,909,509)</u>	<u>(8,330,706)</u>
Net decrease in cash and cash equivalents	(568,627)	(962,075)
Cash and cash equivalents, beginning of year	<u>1,387,605</u>	<u>2,349,680</u>
Cash and cash equivalents, end of year	\$ <u><u>818,978</u></u>	\$ <u><u>1,387,605</u></u>
Supplemental schedule of non-cash investing activities		
Increase in property and equipment through increase in deferred energy costs	\$ —	<u>1,247,000</u>