

PRESBYTERIAN HOMES AND SERVICES AND AFFILIATES
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2011 AND 2010

**PRESBYTERIAN HOMES AND SERVICES AND AFFILIATES
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**PRESBYTERIAN HOMES AND SERVICES AND AFFILIATES
BOARD OF DIRECTORS
SEPTEMBER 30, 2011**

		Past Chairs	
Chair	- Mr. Robert S. Dunbar	Dr. Edwin Kagin	- 1948-1952
Vice Chair	- Mr. Harold J. Wiens	Dr. Irving A. West	- 1952-1984
President/Chief Executive Officer	- Mr. Daniel A. Lindh	Dr. B.J. Kennedy	- 1985-1989
Secretary	- Ms. Janna R. Severance	Mr. Donald E. Garretson	- 1989-1991
Treasurer/Chief Financial Officer	- Mr. Mark T. Meyer	Mr. Hugh K. Schilling	- 1991-1993
		Mr. Robert H. Bratnober	- 1993-1995
		Mr. Peter Heegaard	- 1995-1997
		Mr. Donald M. Davies	- 1997-2001
		Mr. Martin V. Chorzempa	- 2002-2003
		Ms. Sally E. Howard	- 2004-2005
		Mr. Michael C. Bingham	- 2006-2008
		Mr. Austin Chapman	- 2009-2010

Directors			
	No. of Years Served		No. of Years Served
Carlson, Mr. Larry A.	9	Olson, Mrs. Carole Mae	7
Chapman, Mr. Austin	6	Olson, Dr. Philip K.	4
Chien, Mr. Theodore	6	Tortelli, Mr. Ronald C.	6
Doyle, Mrs. Megan A.	7	Weicht, Mr. Scott A.	9
Dunbar, Mr. Robert S.	8	Wiens, Mr. Harold J.	4
Emmerich, Mrs. Karol D.	5	Brown, Rev. Dr. Philip C.	Synod Representative (Ex-officio)
Hawley, Mrs. Sandra S.	9		
Larson, Mr. Kenneth R.	1		
Olson, Mr. Allen I.	5		

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Presbyterian Homes and Services and Affiliates
Roseville, Minnesota

We have audited the accompanying consolidated statements of financial position of Presbyterian Homes and Services and Affiliates as of September 30, 2011 and 2010, and the related consolidated statements of operations and changes in net assets, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Presbyterian Homes and Services and Affiliates as of September 30, 2011 and 2010, and the results of their operations and changes in their net assets, and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

LarsonAllen LLP
LarsonAllen LLP

Minneapolis, Minnesota
December 7, 2011



(2)

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PRESBYTERIAN HOMES AND SERVICES AND AFFILIATES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2011 AND 2010
(DOLLAR AMOUNTS IN THOUSANDS)

ASSETS	2011	2010
CURRENT ASSETS		
Cash and Cash Equivalents:		
Unrestricted	\$ 41,432	\$ 40,539
Restricted for Residents	4,926	4,326
Cash Held or Restricted, Current Portion	15,505	8,999
Accounts Receivable, Net	17,146	18,300
Pledges Receivable, Current Portion	110	218
Prepaid Expenses and Other Assets	1,637	1,666
Total Current Assets	80,756	74,048
INVESTMENTS AND OTHER ASSETS		
Investments and Cash Held or Restricted:		
By Agreements with Trustees and Others	55,479	22,547
Restricted by Donors and Others	15,074	17,212
Replacement Reserves	22,399	21,017
Endowment Funds, Including Perpetual Trust	40,562	41,815
Pledges Receivable	3,328	1,935
Deferred Financing Costs, Less Accumulated Amortization	15,697	13,552
Investment in Other Entities	19,429	21,032
Other Assets	25,171	19,515
Total Investments and Other Assets	197,139	158,625
PROPERTY AND EQUIPMENT		
Land	94,433	86,087
Building and Land Improvements	643,599	597,442
Equipment and Furnishings	88,335	75,791
Automotive Equipment	1,414	1,155
Construction in Progress	16,443	6,246
Subtotal	844,224	766,721
Less: Accumulated Depreciation	202,064	178,101
Net Property and Equipment	642,160	588,620
 Total Assets	 \$ 920,055	 \$ 821,293

See accompanying Notes to Consolidated Financial Statements.

LIABILITIES AND NET ASSETS	<u>2011</u>	<u>2010</u>
CURRENT LIABILITIES		
Current Maturities of Long-Term Debt	\$ 11,412	\$ 9,994
Accounts Payable	6,611	6,049
Construction Payable	2,043	7
Security Deposits and Other Resident Fund Payables	4,287	3,725
Accrued Payroll and Benefits	9,943	13,016
Accrued Interest and Other	15,870	13,435
Total Current Liabilities	<u>50,166</u>	<u>46,226</u>
 LONG-TERM DEBT AND OTHER OBLIGATIONS		
Long-Term Debt, Less Current Maturities	617,816	552,797
Resident Notes Payable and Entrance Loan Deposits	73,698	67,816
Other	24,991	19,457
Total Long-Term Debt and Other Obligations	<u>716,505</u>	<u>640,070</u>
 COMMITMENTS AND CONTINGENCIES		
 NET ASSETS		
Unrestricted, Undesignated	103,614	87,759
Unrestricted, Designated by Board for Endowment Fund	8,802	8,516
Non-Controlling Interest	(354)	211
Total Unrestricted	<u>112,062</u>	<u>96,486</u>
Temporarily Restricted	9,171	5,671
Permanently Restricted	32,151	32,840
Total Net Assets	<u>153,384</u>	<u>134,997</u>
Total Liabilities and Net Assets	<u>\$ 920,055</u>	<u>\$ 821,293</u>

PRESBYTERIAN HOMES AND SERVICES AND AFFILIATES
CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
YEARS ENDED SEPTEMBER 30, 2011 AND 2010
(DOLLAR AMOUNTS IN THOUSANDS)

	2011	2010
OPERATING REVENUE	\$ 268,521	\$ 253,022
OPERATING EXPENSE		
Services to Residents	167,818	159,827
General and Administrative	34,445	30,762
Interest	25,811	26,071
Depreciation and Amortization	30,502	29,108
Total Operating Expense	<u>258,576</u>	<u>245,768</u>
OPERATING INCOME	9,945	7,254
NONOPERATING GAINS (LOSSES) AND OTHER SUPPORT		
Unrestricted Contributions	3,881	2,705
Income from Endowment Investments	235	333
Net Change in Fair Value of Investments	1,069	1,188
Interest Rate Swap Market Adjustment	(3,616)	(3,910)
Loss on Refinancing	(656)	(224)
Fundraising Expense	(1,235)	(1,040)
Other Nonoperating Income	(210)	(235)
Total Nonoperating Losses and Other Support	<u>(532)</u>	<u>(1,183)</u>
EXCESS OF REVENUE OVER EXPENSE	9,413	6,071
OTHER CHANGES IN UNRESTRICTED NET ASSETS		
Net Assets Released from Restriction	6,163	915
CHANGE IN UNRESTRICTED NET ASSETS	<u>15,576</u>	<u>6,986</u>
TEMPORARILY RESTRICTED NET ASSETS		
Contributions	9,663	2,217
Net Assets Released from Restriction	(6,163)	(909)
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	<u>3,500</u>	<u>1,308</u>
PERMANENTLY RESTRICTED NET ASSETS		
Contributions	940	350
Gain (Loss) from Endowment Investments	(1,629)	1,474
CHANGE IN PERMANENTLY RESTRICTED NET ASSETS	<u>(689)</u>	<u>1,824</u>
CHANGE IN NET ASSETS	18,387	10,118
Net Assets - Beginning of Year	134,997	124,879
NET ASSETS - END OF YEAR	<u>\$ 153,384</u>	<u>\$ 134,997</u>
SUPPLEMENTAL DISCLOSURE OF TOTAL REVENUE AND EXPENSE		
Operating Revenue	\$ 268,521	\$ 253,022
Total Contributions	14,484	5,272
Total Revenue	<u>283,005</u>	<u>258,294</u>
Operating Expense	258,576	245,768
Other Nonoperating Losses	6,042	2,408
Total Operating Expenses and Other Nonoperating Losses	<u>264,618</u>	<u>248,176</u>
Change in Net Assets	<u>\$ 18,387</u>	<u>\$ 10,118</u>

See accompanying Notes to Consolidated Financial Statements.

PRESBYTERIAN HOMES AND SERVICES AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2011 AND 2010
(DOLLAR AMOUNTS IN THOUSANDS)

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 18,387	\$ 10,118
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	29,635	28,280
Amortization	867	828
Loss on Refinancing	656	224
Contributions Restricted for Capital Expenditures or Endowments	(10,603)	(2,567)
Net Change in Fair Value of Investments	560	(2,662)
Interest Rate Swap Market Adjustment	3,616	3,910
Changes in Assets and Liabilities:		
Receivables	1,154	32
Prepaid Expenses and Other Assets	(5,627)	(1,614)
Pledge Receivable	(1,285)	1,455
Accounts Payable	562	(695)
Accrued Expenses	1,280	1,256
Net Cash Provided by Operating Activities	39,202	38,565
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(81,139)	(20,877)
Change in Amounts Held with Trustees and Others	(40,167)	(8,208)
Change in Other Restricted Investments	2,140	241
Net Cash Received, Wayzata Bay Redevelopment Company, LLC	-	1,404
Investments in or Advances to Affiliated Entities and Changes in Other Assets	1,603	(1,511)
Net Cash Used by Investing Activities	(117,563)	(28,951)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Long-Term Debt	(14,657)	(14,018)
Proceeds from Long-Term Debt	81,094	7,224
Proceeds from Resident Entrance Loan Deposits	12,783	10,201
Payments on Resident Entrance Loan Deposits	(6,901)	(6,901)
Financing Costs Paid	(3,668)	(782)
Cash Received from Contributions Restricted for Capital Expenditures or Endowment	10,603	2,567
Net Cash Provided (Used) by Financing Activities	79,254	(1,709)
NET INCREASE IN UNRESTRICTED CASH AND CASH EQUIVALENTS	893	7,905
Unrestricted Cash and Cash Equivalents - Beginning	40,539	32,634
UNRESTRICTED CASH AND CASH EQUIVALENTS - ENDING	\$ 41,432	\$ 40,539

See accompanying Notes to Consolidated Financial Statements.

PRESBYTERIAN HOMES AND SERVICES AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED SEPTEMBER 30, 2011 AND 2010
(DOLLAR AMOUNTS IN THOUSANDS)

	2011	2010
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash Payments for Interest (Net of Interest Capitalized)	\$ 27,964	\$ 29,261
 SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Property Acquired through Construction Payable	\$ 4,211	\$ 358
Refinanced Long-Term Debt	\$ 26,025	\$ 12,304
 WAYZATA BAY REDEVELOPMENT COMPANY LLC TRANSFER		
Assets Transferred:		
Real Estate Development Costs	\$ -	\$ (34,329)
Prepaid Expenses	-	(2)
Liabilities Transferred:		
Contract for Deed	-	16,149
Accrued Property Taxes	-	800
Security Deposits	-	6
Assets, Net of Liabilities, Transferred	-	(17,376)
 Assets Received:		
Note Receivable	-	10,172
Investment In Wayzata Bay Commercial - Equity Contribution	-	5,800
Net Cash Received	\$ -	\$ 1,404

See accompanying Notes to Consolidated Financial Statements.

PRESBYTERIAN HOMES AND SERVICES AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2011 AND 2010
(DOLLAR AMOUNTS IN THOUSANDS)

NOTE 1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The consolidated financial statements include the consolidated accounts of Presbyterian Homes and Services and Affiliates (the Organization), a Minnesota not-for-profit corporation structured similar to a holding company for care centers and other senior residences, services to community participants and projects being developed. Several of the care centers, communities and divisions are incorporated as non-profit corporations or limited liability companies. The Organization operates primarily in the Twin Cities, Minnesota, metropolitan area, with two campuses in Iowa, located in Ankeny and Williamsburg, and three campuses in Wisconsin, located in Pewaukee, New Richmond and Waukesha. As of September 30, 2011, the Organization was comprised of the following:

<u>Divisions</u>	<u>Activity</u>
Care Centers	Care centers provide a variety of skilled nursing and other services and programs to their residents. There are currently 13 skilled nursing communities with a total of 1,320 beds in service.
Housing and Assisted Living	Housing and assisted living communities provide room rentals and services to residents at 35 communities. There are a total of 4,804 units in communities that include independent living and assisted living apartments, duplexes and town houses. Some of the units are restricted for rental to elderly tenants that meet income restrictions, and the rental rate may be restricted.
Optage	Provides a variety of services to community participants in their homes including companionship, housekeeping, transportation, medication assistance, skilled nursing care and therapies. Home delivered meals are also available through Optage Senior Dining Choices.
Management and Services	Administrative support for the affiliated organizations and similar not-for-profit organizations.
Foundation	Recipient of the Organization's fund-raising efforts.
Development, Marketing and Design Services	Provide a comprehensive package of market research, strategic planning, project development, financing, construction, interior design, marketing and management for the senior housing industry.

As of September 30, 2011, the Organization also has contributed capital and appoints board members in four non-profit and one for-profit joint venture relationships. These consolidated financial statements do not include the accounts of the joint ventures, as the Organization does not control them (see Note 5).

PRESBYTERIAN HOMES AND SERVICES AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2011 AND 2010
(DOLLAR AMOUNTS IN THOUSANDS)

NOTE 1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Affiliation and Principles of Consolidation

The consolidated financial statements include the accounts of the Organization and its affiliates. All material intercompany balances, transactions, and earnings have been eliminated in consolidation.

Non-controlling Interest

The non-controlling interest includes other partners' interests related to the ventures of PHS/CG Center, LLC dba: Norris Marketplace and Central Towers Limited Partnership, which are included in these consolidated financial statements. The Organization was the 80% partner of Norris Marketplace at September 30, 2010. The other partner's interest in Norris Marketplace was recognized as a non-controlling interest in the 2010 consolidated financial statements. During the year ended September 30, 2011, the Organization bought out the other partner's 20% interest, thus becoming the sole member and eliminating the non-controlling interest. The Organization is the general partner of Central Towers Limited Partnership, which is consolidated in these financial statements. A pro rata share of the net assets applicable to the other partner's interest in Central Towers Limited Partnership has been recognized in the Organization's consolidated financial statements as non-controlling interest.

Tax Exempt Status

The Organization and its affiliates are generally exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable sections of the state statutes; consequently, no provision has been made for income taxes. However, there are immaterial amounts of unrelated business income in certain affiliates that are taxable.

The Organization follows the accounting standard for contingencies in evaluating uncertain tax positions. The Organization files information returns as a tax-exempt organization. Should that status be challenged in the future, all years since inception could be subject to review by the IRS. The Organization's tax returns for the 2008, 2009, and 2010 fiscal years are open to examination by the IRS.

Community Benefit

The Organization provides a subsidy to certain residents, based on their income levels, to reduce the charges for rents and services. Because the Organization does not pursue collection of amounts determined to qualify as community support, they are not reported as revenue. As part of its operations, the Organization provides various services, outreach programs and support programs at a low cost to the community. The amount by which the costs of providing these services exceed the revenue earned is considered community support. During the years ended September 30, 2011 and 2010, the amount of community support provided was approximately \$2,900 and \$2,296, respectively.

PRESBYTERIAN HOMES AND SERVICES AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2011 AND 2010
(DOLLAR AMOUNTS IN THOUSANDS)

NOTE 1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Presentation

Contributions received are recorded as an increase in unrestricted, temporarily restricted or permanently restricted support, depending on the existence or nature of any donor restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted – Those resources over which the board of directors has discretionary control. Designated amounts represent those revenues which the board of directors has set aside for a particular purpose.

Temporarily Restricted – Those resources subject to donor imposed restrictions which will be satisfied by actions of the Organization or passage of time. The Organization has elected to present temporarily restricted contributions that are fulfilled in the same period within the unrestricted net assets class. These are primarily contributions that are restricted for the acquisition of property and equipment.

Permanently Restricted – Those resources subject to a donor imposed restriction that they be maintained permanently by the Organization. A significant portion of the income derived from these resources is used for capital investments, new project development, and furtherance of the Organization's mission. A large portion of the assets are held by a trust for the Organization.

Unconditional promises to give cash and other assets are accrued at estimated fair market value at the date each promise is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction is satisfied, net assets are released and reported as an increase in unrestricted net assets. Income earned on temporary or permanently restricted support, including capital appreciation is recognized in the period earned. Conditional promises to give cash or other assets are recorded when the condition has been satisfied.

PRESBYTERIAN HOMES AND SERVICES AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2011 AND 2010
(DOLLAR AMOUNTS IN THOUSANDS)

NOTE 1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Excess of Revenue Over Expense

The consolidated statements of operations and changes in net assets include excess of revenue over expense. Changes in unrestricted net assets which are excluded from excess of revenue over expense, consistent with industry practice, include unrealized gains and losses on non-trading securities, permanent transfers of assets to and from affiliates for other than goods or services, contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purpose of acquiring such assets).

The financial performance of the Organization is influenced by the startup of new projects. For each of the years ended September 30, 2011 and 2010, the Organization has been in various stages of developing, constructing and leasing new projects. The Organization expenses, as they are incurred, all of the costs associated with the marketing and preparation of these projects for opening and also incurs expense over revenue as these projects are leased up to stabilized occupancy. The Organization incurred expense in excess of revenue of approximately \$112 and \$1,364 for 2011 and 2010, respectively, related to these new projects.

Cash and Cash Equivalents

For purposes of the statements of cash flows the Organization considers all unrestricted, undesignated cash accounts, certificates of deposit and highly liquid debt instruments with a maturity of three months or less when purchased to be cash and cash equivalents. The carrying amount of cash equivalents is a reasonable estimate of fair value.

Concentration of Credit Risk

The Organization's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents and temporary cash investments. The Organization believes it places its cash and cash equivalents and temporary cash investments with high quality credit institutions. At times such investments may be in excess of the FDIC insurance limit.

The Organization has investments in a variety of investment funds. In general, investments are exposed to various risks such as interest rate, credit and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that change in the values of the investments will occur in the near term and that such changes could materially affect account balances and the statements of operations.

PRESBYTERIAN HOMES AND SERVICES AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2011 AND 2010
(DOLLAR AMOUNTS IN THOUSANDS)

**NOTE 1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Investments and Cash Held or Restricted

Investments and cash held or restricted includes assets held by trustees under bond and mortgage indenture agreements, assets held under HUD mortgage agreements, assets restricted by donors, replacement reserves (designated by the Organization over which it retains control and may, at its discretion, subsequently use for other purposes), and assets held as endowment funds, including perpetual trusts. Investments in debt and equity securities with readily determinable fair market values are measured at fair value in the accompanying consolidated statements of financial position. The fair value of the perpetual trust approximates the estimated present value of the future cash flows. The current portion of restricted cash and investments is determined based upon the amount required to meet current liabilities for which the cash is restricted.

Investment income or loss (including realized gains and losses on investments, unrealized gains and losses on investments, interest, and dividends) are included in excess of revenue over expense unless the income or loss is restricted by donor. Purchases and sales of securities are recorded on a trade-date basis. Dividend income is recorded on the ex-dividend date. Interest income is recognized when earned. Realized gains and losses are recognized based upon specific identification, and unrealized gains and losses are recognized based upon the change in fair values of investments between reporting periods and reported as net change in fair value of investments.

Under the HUD regulatory agreements, the HUD entities are required to make deposits into restricted escrow, reserve for replacement and residual receipt accounts. All disbursements from the reserve for replacement and residual receipts account require proper written approval from HUD.

Accounts Receivable

The Organization uses the allowance method to account for uncollectible accounts. The allowance is based on management's estimate of potential bad debts, historical collection history and by considering the resident's financial history, credit history, and economic condition. When the Organization has exhausted all collection efforts and accounts are deemed uncollectible, they are charged to bad debt expense. Accounts receivable are net of an allowance for doubtful accounts of approximately \$692 and \$494 as of September 30, 2011 and 2010, respectively.

PRESBYTERIAN HOMES AND SERVICES AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2011 AND 2010
(DOLLAR AMOUNTS IN THOUSANDS)

NOTE 1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Pledges Receivable

Pledges are recorded as receivables in the year made. Pledges that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using a risk-free interest rate applicable to the year in which the pledges are received. Amortization of the discount is included as additions to the appropriate donor restricted net asset classification.

Deferred Financing Costs and Amortization

Deferred financing costs of \$20,010 and \$17,363 at September 30, 2011 and 2010, respectively, are amortized over the terms of the related debt using the effective interest method. Accumulated amortization was \$4,313 and \$3,811 at September 30, 2011 and 2010, respectively.

Investment in Other Entities

Investment in other entities includes share certificates owned in a Cooperative, investments in not-for-profit unconsolidated joint ventures that are recorded at cost, and an investment in a for-profit joint venture that is recorded under the equity method of accounting.

Property and Equipment

Property and equipment are recorded at cost for purchased assets or fair value at date of receipt for donated assets. Depreciation is computed on the straight-line method over the following lives:

Buildings and Land Improvements	10 - 50 Years
Equipment and Furnishings	5 - 12 Years
Automotive Equipment	3 - 5 Years

Contributed property, equipment, and material is recorded at fair value at the date of donation. A contribution is also recognized when assets or businesses are acquired where the fair value of the assets exceeds the purchase price. If donors stipulate how long property or equipment is to be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property, equipment, and materials are recorded as unrestricted support.

Maintenance, repairs, and replacements which do not improve the assets or extend the assets' lives are expensed as incurred.

PRESBYTERIAN HOMES AND SERVICES AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2011 AND 2010
(DOLLAR AMOUNTS IN THOUSANDS)

NOTE 1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Property and Equipment (Continued)

Construction and development costs have been deferred until the projects have been completed. When the projects are completed, these costs will be capitalized and depreciated over the life of the projects. If the projects are cancelled, the construction and development costs are expensed during that period.

The Organization reviews its long-lived assets periodically to determine potential impairment by comparing the carrying value of the asset to the sum of undiscounted cash flows expected to result from the use and eventual disposition of the asset. Should the sum of the undiscounted cash flows be less than the carrying value, the Organization would determine whether an impairment loss should be recognized. An impairment loss would be measured by comparing the amount which the carrying value exceeds its fair value. To date, management has determined that no impairment of long-lived assets exists.

Interest Capitalization

Interest costs incurred on borrowed funds during the period of construction of capital assets are capitalized as a component of the cost of acquiring those assets, and depreciated over the estimated useful lives by the straight-line method of depreciation.

Resident Notes Payable and Entrance Loan Deposits

Certain residents that rented units at certain facilities made entrance loan deposits totaling approximately \$73,698 and \$67,816 as of September 30, 2011 and 2010, respectively. Some of the tenants received interest-bearing notes for their deposits, but most received non-interest bearing notes. The deposits were or are expected to be used by the Organization to fund construction costs as an alternative to conventional financing methods. The notes and deposits are due 90 to 120 days after the resident moves out. The Organization anticipates that the notes and deposits that come due, as a result of the resident moving out, will be repaid from the proceeds of the next resident moving in. However, if this does not occur, the funds designated by the board of directors as repair and replacement reserves (see Note 2) will be used. The repair and replacement reserves and the resident notes are reported as long-term asset and liability, respectively, on the consolidated statements of financial position. At each of the facilities, the contracts with the residents limit the total amount of the deposits that the Organization must return at any one time. The maximum amounts at each of the facilities range from \$100 to \$2,000. If at any time the net amount it has returned to former residents exceeds the amount that it has received from new tenants by the applicable maximum amount, the Organization is not required to refund additional deposits until new deposits are collected bringing the amount owed under the maximum amount.

PRESBYTERIAN HOMES AND SERVICES AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2011 AND 2010
(DOLLAR AMOUNTS IN THOUSANDS)

NOTE 1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Asset Retirement Obligation

Asset retirement obligation represents obligations to dispose of assets that are legally required to be removed at a future date. These are recorded at the net present value using a risk-free interest rate and inflationary rate and are included in other long-term liabilities on the consolidated statements of financial position.

Resident Service Revenue

The primary source of housing and assisted living revenue is rental charges to residents. Rental revenue is recognized ratably over the terms of the leases, which are generally on a month-to-month basis. Revenue from services provided is recognized when they are provided. Resident service revenue, where a third-party payor is responsible for paying the amount, are carried at a net amount determined by the original charge for the services provided, adjusted by an estimate made for contractual adjustments or discounts provided to third-party payors.

Certain Care Centers of the Organization charge rates for most services that are provided primarily through third party payors including the Medical Assistance and Medicare programs. The Medical Assistance programs are established in accordance with rules established by the states of Minnesota, Wisconsin and Iowa. The Medicare program is administered by the United States Centers for Medicare and Medicaid Services (CMS). The rates charged to residents in these facilities are subject to retroactive adjustment based on audits. The Organization does not expect adjustments (if any) to be material to the consolidated financial statements and, accordingly, no provision for adjustments has been recorded.

Revenues of approximately \$33,805 and \$33,979 from Medical Assistance care center residents and \$5,697 and \$5,571 from Elderly Waiver residents were recognized for the years ended September 30, 2011 and 2010, respectively. Medical Assistance accounts receivable were approximately \$3,631 and \$3,088 and Elderly Waiver accounts receivable were approximately \$697 and \$765 for the years ended September 30, 2011 and 2010, respectively. Revenues of approximately \$26,743 and \$26,314 from Medicare residents were recognized for the years ended September 30, 2011 and 2010, respectively. Medicare accounts receivable were approximately \$3,607 and \$3,371 for the years ended September 30, 2011 and 2010, respectively.

PRESBYTERIAN HOMES AND SERVICES AND AFFILIATES
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NOTE 1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Donated Services

No amounts have been reflected in the consolidated financial statements for donated services, since no objective basis is available to measure the value of such services, and the types of services received do not meet accounting principles generally accepted in the United States of America's criteria for recognition. Nevertheless, volunteers gave approximately two hundred and twenty thousand hours of their time to the Organization during the year ended September 30, 2011. The Organization tracks community impact activities which are reported separately under the Organization's annual Social Accountability Report.

Interest Rate Swaps

The Organization records all derivative instruments, currently consisting of interest rate swap agreements, on the consolidated statements of financial position at their respective fair values and all changes in fair value in the consolidated statement of operations as interest rate swap market adjustment.

Fair Value Measurements

Fair value measurement applies to reported balances that are required or permitted to be measured at fair value under an existing accounting standard. The Organization emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability and establishes a fair value hierarchy. The fair value hierarchy consists of three levels of inputs that may be used to measure fair value as follows:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

PRESBYTERIAN HOMES AND SERVICES AND AFFILIATES
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NOTE 1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Fair Value Measurements (Continued)

Additionally, from time to time, the Organization may be required to record at fair value other assets on a nonrecurring basis in accordance with accounting principles generally accepted in the United States of America. These adjustments to fair value usually result from the application of the lower-of-cost-or-market accounting or write down of individual assets. Nonfinancial assets measured at fair value on a nonrecurring basis would include nonfinancial assets and nonfinancial liabilities measured at fair value in the second step of a goodwill impairment test, other real estate owned, and other intangible assets measured at fair value for impairment assessment.

The Organization also adopted the policy of valuing certain financial instruments at fair value. This accounting policy allows entities the irrevocable option to elect fair value for the initial and subsequent measurement for certain financial assets and liabilities on an instrument-by-instrument basis. The Organization has not elected to measure any existing financial instruments at fair value, however may elect to measure newly acquired financial instruments at fair value in the future.

Reclassifications

Certain items in the prior year financial statements have been reclassified to conform with the current year basis of presentation. These reclassifications had no effect on the overall net assets of the Organization.

NOTE 2 INVESTMENTS AND CASH HELD OR RESTRICTED

The fair value of investments is based upon quoted market prices for those or similar investments. The fair value of the perpetual trust approximates the estimated present value of the future cash flows. Guaranteed investment contracts are recorded at contract cost. At September 30, 2011 and 2010, the Organization had investments in the following categories:

	2011	2010
Cash and Cash Equivalents	\$ 63,330	\$ 29,408
Mutual Funds	5,879	7,038
U.S. Government Securities	4,023	6,736
Guaranteed Investment Contracts (GICs)	5,718	8,566
Corporate Bonds	15,499	13,879
Common Stocks	6,082	6,087
Municipalities	3,879	1,134
Alternative Investments	675	637
Certificates of Deposit	19,093	11,721
Perpetual Trust	24,841	26,384
Total	\$ 149,019	\$ 111,590

PRESBYTERIAN HOMES AND SERVICES AND AFFILIATES
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NOTE 2 INVESTMENTS AND CASH HELD OR RESTRICTED (CONTINUED)

Total recorded income and gains on investments consist of the following:

	Years Ended September 30,	
	2011	2010
Operating Revenues:		
Investment Income - Other	\$ 5,088	\$ 6,322
Nonoperating Revenues:		
Investment Income - Endowment Funds	235	333
Net Change in Fair Value of Investments	(560)	2,662
Total	<u>\$ 4,763</u>	<u>\$ 9,317</u>

Investments and cash restricted for specific purposes are based on bond indentures, board designation or other agreements. A description and composition of these funds at September 30 are as follows:

	2011	2010
Reserve Fund - Available for payments to Bond Fund in the event that sufficient funds are not available to meet debt service requirements. Interest earned which accumulates in excess of reserve requirements may be transferred to the Bond Fund.	\$ 18,888	\$ 16,375
Bond Fund - Available for payment of principal and interest on bonds	8,431	6,218
Project Fund - Available for payments for construction of facilities, startup and other project costs	28,549	-
Resident entrance deposits and other cash and investments designated for future construction costs	10,887	9,431
Restricted by agreements with HUD	406	405
Restricted by agreement with Minnesota Department of Commerce pledged as security for workers' compensation self-insurance reserves (see Note 12)	3,561	3,462
Replacement Reserves - funds designated by the Organization for future repairs and replacements and restricted by HUD	22,399	21,017
Endowment Funds, including perpetual trust	40,562	41,815
Restricted by financing arrangements and other	15,336	12,867
Subtotal	<u>149,019</u>	<u>111,590</u>
Less: Current Portion	15,505	8,999
Total	<u>\$ 133,514</u>	<u>\$ 102,591</u>

PRESBYTERIAN HOMES AND SERVICES AND AFFILIATES
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NOTE 2 INVESTMENTS AND CASH HELD OR RESTRICTED (CONTINUED)

Approximately \$5,744 and \$6,918 at September 30, 2011 and 2010, respectively, of replacement reserve funds were restricted by agreements with HUD or revenue bonds. The remaining replacement reserves represent funds that are designated by the board of directors for future repairs and replacements or other operating requirements. The funds may also be used to repay resident notes and entrance deposits if required.

NOTE 3 FAIR VALUE MEASUREMENTS

The Organization uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how the Organization measures fair value refer to Note 1 – Nature of Business and Summary of Significant Accounting Policies. The following table presents the fair value hierarchy for the balances of the assets and liabilities of the Organization measured at fair value on a recurring basis as of September 30, 2011 and 2010:

Assets and Liabilities Recorded at Fair Value on a Recurring Basis

	September 30, 2011	Level 1	Level 2	Level 3
<u>Assets</u>				
Investments and Cash Held or Restricted:				
Mutual Funds	\$ 5,879	\$ 5,879	\$ -	\$ -
U.S. Government Securities	4,023	4,023	-	-
Corporate Bonds	15,499	-	15,499	-
Common Stocks	6,082	6,082	-	-
Municipalities	3,879	-	3,879	-
Alternative Investments	675	-	-	675
Perpetual Trust	24,841	-	-	24,841
Total	<u>\$ 60,878</u>	<u>\$ 15,984</u>	<u>\$ 19,378</u>	<u>\$ 25,516</u>
<u>Liabilities</u>				
Derivatives	<u>\$ 18,035</u>	<u>\$ -</u>	<u>\$ 18,035</u>	<u>\$ -</u>
	September 30, 2010	Level 1	Level 2	Level 3
<u>Assets</u>				
Investments and Cash Held or Restricted:				
Mutual Funds	\$ 7,038	\$ 7,038	\$ -	\$ -
U.S. Government Securities	6,736	6,736	-	-
Corporate Bonds	13,879	-	13,879	-
Common Stocks	6,087	6,087	-	-
Municipalities	1,134	-	1,134	-
Alternative Investments	637	-	-	637
Perpetual Trust	26,384	-	-	26,384
Total	<u>\$ 61,895</u>	<u>\$ 19,861</u>	<u>\$ 15,013</u>	<u>\$ 27,021</u>
<u>Liabilities</u>				
Derivatives	<u>\$ 14,419</u>	<u>\$ -</u>	<u>\$ 14,419</u>	<u>\$ -</u>

PRESBYTERIAN HOMES AND SERVICES AND AFFILIATES
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NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

Assets and Liabilities Recorded at Fair Value on a Recurring Basis (Continued)

The following table provides a summary of changes to fair value of the Organizations Level 3 financial assets for the years ended September 30, 2011 and 2010.

	Perpetual Trust	Alternative Investments	Total
Beginning Balance - 10/1/10	\$ 26,384	\$ 637	\$ 27,021
Total Gains or Losses (Realized or Unrealized) for the Year Included in:			
Realized Gains	1,891	-	1,891
Unrealized Gains (Losses)	(2,191)	38	(2,153)
Disbursements	(1,243)	-	(1,243)
Ending Balance - 9/30/11	<u>\$ 24,841</u>	<u>\$ 675</u>	<u>\$ 25,516</u>
	Perpetual Trust	Alternative Investments	Total
Beginning Balance - 10/1/09	\$ 24,775	\$ 497	\$ 25,272
Total Gains or Losses (Realized or Unrealized) for the Year Included in:			
Realized Gains	1,285	-	1,285
Unrealized Gains	1,614	15	1,629
Purchases, Sales, Issuances, and Settlements, Net	-	125	125
Disbursements	(1,290)	-	(1,290)
Ending Balance - 9/30/10	<u>\$ 26,384</u>	<u>\$ 637</u>	<u>\$ 27,021</u>

Investments and cash held or restricted (securities) are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted prices, if available. If quoted prices are not available, fair values are measured using independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for the security's credit rating, prepayment assumptions, and other factors such as credit loss assumptions. Securities valued using Level 1 inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. Treasury and other U.S. government and agency mortgage-backed securities that are traded by dealers or brokers in active over-the-counter markets. Securities valued using Level 2 inputs include private collateralized mortgage obligations, municipal bonds, and corporate debt securities. Securities valued using Level 3 includes alternative investments and perpetual trusts that are valued based on the present value of future cash flow from these investments.

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NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

Assets and Liabilities Recorded at Fair Value on a Recurring Basis (Continued)

Quoted market prices are available and used for exchange-traded derivatives, such as certain interest rate futures and option contracts; such derivatives are classified as using Level 1 inputs. However, substantially all of our derivatives are traded in over-the-counter markets where quoted market prices are not readily available. For those derivatives, fair values are determined using internally developed models that use primarily market observable inputs, such as yield curves and option volatilities, and, accordingly are classified as Level 2 inputs.

Fair Value of Financial Instruments

The following disclosures represent financial instruments in which the ending balances at September 30, 2011 and 2010 are not carried at fair value in their entirety on the consolidated balance sheet.

	June 30, 2011		June 30, 2010	
	Cost	Fair Value	Cost	Fair Value
Long-Term Debt	\$ 629,228	\$ 610,960	\$ 562,791	\$ 550,580

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate fair value:

Long-Term Debt

The fair value of long-term debt is calculated based on the estimated trade values as of September 30, 2011 and 2010. The value is estimated using the rates currently offered for like debt instruments with similar remaining maturities.

All Other

The carrying value is a reasonable estimate of the fair value for all other financial instruments due to the short-term nature of those financial instruments.

PRESBYTERIAN HOMES AND SERVICES AND AFFILIATES
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NOTE 4 PLEDGES RECEIVABLE

Pledges receivable as of September 30 consist of the following:

	2011	2010
Unrestricted	\$ 1,150	\$ 1,500
Temporarily Restricted	2,495	805
Permanently Restricted	95	115
Total Pledges Receivable	3,740	2,420
Less: Unamortized Discount	207	152
Total Net Pledges Receivable	3,533	2,268
Less: Current Portion	110	218
Less: Amount Reported as Endowment Funds	95	115
Non-Current Pledges Receivable	\$ 3,328	\$ 1,935

Pledges receivable that are permanently restricted, or temporarily restricted for capital, are presented as non-current assets. At September 30, 2011 the amount of pledges expected to be collected within the next five years are as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2012	\$ 775
2013	569
2014	2,002
2015	138
2016	48
Thereafter	208
Total	\$ 3,740

NOTE 5 INVESTMENT IN OTHER ENTITIES AND OTHER ASSETS

Investment in Gideon Pond Cooperative (the Cooperative)

The Organization has received or purchased share certificates (each share represents the right to occupy a cooperative housing unit in the Cooperative's buildings) and at September 30, 2011 owned 92 cooperative share certificates of 101 total shares. The share certificates are carried at the lower of amortized cost or estimated fair value. All units held by the Organization are currently available to lease to tenants.

PRESBYTERIAN HOMES AND SERVICES AND AFFILIATES
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NOTE 5 INVESTMENT IN OTHER ENTITIES AND OTHER ASSETS (CONTINUED)

Investment in Gideon Pond Cooperative (the Cooperative) (Continued)

At September 30, the investment in Gideon Pond Cooperative consisted of the following components:

	2011	2010
Share of Certificates	\$ 8,389	\$ 8,337
Notes and Accounts Receivable on Sold Certificates	184	174
Garages	236	236
Total	\$ 8,809	\$ 8,747

Unconsolidated Affiliates

The Organization assists various other not-for-profit corporations with the development of senior housing projects. For some of these entities, the Organization is generally allowed to appoint members to the entity's board of directors, but does not maintain control over the board. Other entities, while operating as not-for-profit entities, are joint ventures with another not-for-profit organization. In these joint ventures, both entities appoint board members, and distributions (if any) are determined by the entities' bylaws and membership control agreements. As a result of not having control, these affiliates (the Unconsolidated Affiliates) are not included in these consolidated financial statements.

The Organization generally provides capital to these Unconsolidated Affiliates to assist them in the project's development. Sometimes these advances fund initial costs, which are reimbursed to the Organization when the project is financed. For the years ended September 30, 2011 and 2010, the Organization has contributed capital of approximately \$11,040 and \$12,695, respectively, to these Unconsolidated Affiliates, which it has recorded as an investment at its original cost basis. These investments are reduced upon distributions received from the Unconsolidated Affiliates, and the Organization recognizes revenue from distributions received in excess of the original cost basis.

The Organization generally provides management services to the Unconsolidated Affiliates under management contracts. For the years ended September 30, 2011 and 2010, the management fees earned were approximately \$857 and \$807, respectively.

The Unconsolidated Affiliates at September 30, 2011 include PSA Housing and Assisted Living, Inc. (St. Andrews Village), Crosby Senior Services (Heartwood), PHS/VOA Rochester, Inc. (The Homestead of Rochester), and Carondelet Village, Inc. and affiliates.

During the year ended September 30, 2011, the Organization bought out its joint venture share in the former PHM/New Richmond Senior Housing, Inc. (The Deerfield) and Shepherd's Path Senior Housing, Inc. (Mckenna Crossing). As a result, these organizations are included in the consolidated financial statements as of and for the periods ended September 30, 2011, see Note 6.

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NOTE 5 INVESTMENT IN OTHER ENTITIES AND OTHER ASSETS (CONTINUED)

For-Profit Joint Venture

The Organization also has a 50% interest in Wayzata Bay Redevelopment Company, LLC which is a for-profit joint venture accounted for under the equity method of accounting. At September 30, 2011 and 2010, the Organization's investment in Wayzata Bay Redevelopment Company, LLC was \$3,650.

The following is summarized financial data for the unconsolidated affiliates and for-profit joint venture as of and for the year ended September 30, 2011.

Assets	\$ 161,534
Liabilities	155,604
Net Assets	<u>\$ 5,930</u>
Operating Revenues	\$ 12,620
Operating Expenses	8,910
Interest Expense	4,418
Depreciation and Amortization Expense	1,947
Net Loss	<u>\$ (2,655)</u>

Other Assets

Other assets include the following at September 30:

	<u>2011</u>	<u>2010</u>
Real Estate Development Costs	\$ 3,621	\$ 6,682
Donated Land Held for Future Resale	1,520	350
Notes Receivable	18,681	11,243
Other	1,350	1,240
Total	<u>\$ 25,171</u>	<u>\$ 19,515</u>

Real estate development costs include costs related to planned developments of new projects. These generally include costs related to architectural drawings, market research, site development, and other predevelopment costs. Once construction begins on these projects the costs are transferred to construction in progress. If the Organization determines to not move forward with a project, these costs will be expensed at that time.

PRESBYTERIAN HOMES AND SERVICES AND AFFILIATES
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NOTE 5 INVESTMENT IN OTHER ENTITIES AND OTHER ASSETS (CONTINUED)

Other Assets (Continued)

Notes receivable consist of an unsecured note receivable from Wayzata Bay Redevelopment Company, LLC related to the excess of assets over liabilities transferred by the Organization to this joint venture in prior years. The note earns interest at a rate of 5% per year and is payable upon the earlier of Wayzata Bay Redevelopment Company, LLC closing on the first construction loan with respect to the project or the dissolution and termination of Wayzata Bay Redevelopment Company, LLC. The balance of this note was \$16,931 and \$10,172 at September 30, 2011 and 2010, respectively. Also included in notes receivable is an unsecured note from Carondelet Village, Inc. related to funds advanced by the Organization to fund Carondelet Village, Inc.'s required debt service reserve fund. The note earns interest at a rate of 6% per year and is payable upon demand unless Carondelet Village, Inc. is in default on payment of their bonds or payment of the note would cause them to be in default on their bond payments. The balance of this note was \$1,067 and \$1,071 at September 30, 2011 and 2010, respectively. Also included in notes receivable is an unsecured note from Crosby Senior Services related to deferred development fees. The note earns interest at a rate of 2% and is payable from Crosby's entrance deposits and available cash. The balance of this note was \$683 at September 30, 2011.

NOTE 6 ACQUIRED OPERATIONS

PHM New Richmond Senior Housing, Inc.

Effective January 31, 2011, the Organization reached an agreement to buy out the other partner's share of this former joint venture between the Organization and Westfield Hospital. The acquisition included PHM New Richmond Senior Housing, Inc. (Deerfield) and its wholly owned subsidiary, Deerfield Care Center, LLC (Gables). Operations of the Deerfield include a 50-unit independent senior living facility, and a 32-unit facility consisting of 16 assisted-living units and 16 community based residential units. Operations of the Gables include a 61 bed licensed nursing care facility which the Organization is currently in the process of replacing (see Note 7). Total cost of this acquisition was funded with \$1,250 of cash and assumption of \$6,765 of outstanding debt.

Shepherd's Path Senior Housing, Inc.

Effective June 30, 2011, the Organization reached an agreement to buy out the other partner's share of this former joint venture between the Organization and Shepherd of the Lake Lutheran Church. The acquisition included Shepherd's Path Senior Housing, Inc. (McKenna Crossings) whose operations include a senior living facility consisting of 79 independent living units, 66 assisted-living units, 18 memory care units and a 35,340 square foot town center/community space. Total cost of this acquisition was funded with \$1,125 of cash and assumption of \$29,465 of outstanding debt.

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NOTE 6 ACQUIRED OPERATIONS (CONTINUED)

The following is a summary of the assets and liabilities acquired in the transactions described above:

	<u>Balance</u>
Cash	\$ 560
Accounts Receivable	661
Other Assets	1,585
Assets Limited to Use	3,721
Property and Equipment	42,857
Total Assets	<u>\$ 49,385</u>
Accounts Payable	\$ 1,014
Accrued Expenses	1,508
Other Liabilities	7,055
Long-Term Debt	36,230
Total Liabilities	<u>\$ 45,808</u>

As a result of the transaction above, the Organization recorded a gain on acquisition of approximately \$3,600, which is included in unrestricted contributions on the consolidated statements of operations and changes in net assets.

Total revenues of \$7,800, including non-operating revenues, attributable to current year acquisitions, are included in the consolidated statements of operations and changes in net assets for the period from acquisition through September 30, 2011.

The changes in net assets attributable to the acquisitions described above for the period from acquisition through September 30, 2011 are summarized in the following table:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net Assets - September 30, 2010	\$ -	\$ -	\$ -	\$ -
Change in Net Assets	1,423	999	-	2,422
Net Assets - September 30, 2011	<u>\$ 1,423</u>	<u>\$ 999</u>	<u>\$ -</u>	<u>\$ 2,422</u>

The acquired entities revenue for the year ended September 30, 2011, including non-operating revenues, would have increased by \$6,229 to \$14,029 had the entities been acquired on October 1, 2010.

The consolidated revenue for the year ended September 30, 2010, including non-operating revenues, would have increased by \$11,513 had the entities been acquired on October 1, 2009.

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NOTE 7 CONSTRUCTION IN PROGRESS

Lake Minnetonka Shores

During the year ended September 30, 2010, the Organization started construction on a major campus renovation. Total cost of the project was approximately \$16,600 and was being funded through loan proceeds of \$15,100 and \$1,500 of owner equity. The project consisted of 52 units of assisted living, which included demolition and replacement of a 37-unit assisted living building along with 18 new memory care assisted living units, 9 new independent living apartments and a 20,000 square foot town center connecting all components of the campus. As of September 30, 2010, \$3,537 had been incurred related to this project and is included in construction in progress on the consolidated financial statements. The project was completed and placed into service in August 2011.

Wayzata Bay Senior Housing, Inc.

During the year ended September 30, 2010, the Organization acquired property in Wayzata, Minnesota on which they plan to build 255 Senior Housing Units. At September 30, 2011 and 2010, approximately \$1,641 and \$1,088, respectively, has been incurred and is included in construction in progress.

Arden Hills

During the year ended September 30, 2011, the Organization started construction on a tear down and rebuild of the Arden Hills campus. The project is expected to be completed in two phases. Phase I is expected to be completed in November 2012 and Phase II is expected to be completed in August 2013. The project is being financed with proceeds from long-term debt and equity. The total estimated cost of the project is \$46,000. At September 30, 2011, \$2,991 has been incurred related to this project and is included in construction in progress on the consolidated financial statements.

Founders Ridge

During the year ended September 30, 2011, the Organization started construction on a new senior living community in Bloomington, Minnesota. Phase 1 of the project includes 56 senior apartments, 33 assisted living apartments, and 19 memory care apartments. The project is expected to be complete in the spring of 2012, and is being financed with proceeds from long-term debt and equity. The total estimated cost of the project is approximately \$23,000. At September 30, 2011, \$6,522 has been incurred related to this project and is included in construction in progress on the consolidated financial statements.

PHM/New Richmond Senior Housing, Inc.

During the year ended September 30, 2011, the Organization started construction on an 61-bed skilled nursing facility which will replace the existing nursing facility when completed. The total estimated cost of the project is \$13,140 and is being financed by tax-exempt bonds. The project is expected to be completed in the fall of 2012. At September 30, 2011, \$1,115 has been incurred related to this project and is included in construction in progress on the consolidated financial statements.

PRESBYTERIAN HOMES AND SERVICES AND AFFILIATES
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NOTE 7 CONSTRUCTION IN PROGRESS (CONTINUED)

Other

The Organization has also incurred construction costs related to the planned development of new building projects, as well as planned renovations and remodeling of existing nursing facilities and senior housing projects.

NOTE 8 LONG-TERM DEBT

Notes, Bonds and Mortgages

Notes, bonds and mortgages at September 30 consist of the following:

<u>Description</u>	<u>2011</u>	<u>2010</u>
Revenue Bonds, Series 2003 for Farmstead, payments due at a variable interest rate through 2033 (4)	\$ 11,345	\$ 11,645
Revenue Refunding Bonds, Series 1999A and B, for Presbyterian Homes of Arden Hills, Inc.; Refinanced In 2011 (1)	-	15,932
2.0% to 6.0% Revenue Refunding Bonds, Series 2010, for Mayfield, payments due through 2030	5,665	-
2.0% to 6.0% Revenue Refunding Bonds, Series 2010, for PHS Bloomington Care Center, Inc., payments due through 2030	16,240	-
Summerhouse of Bloomington, Mississippi Shores, Echo Ridge, Summerhouse of Shoreview, payments due at a variable interest rate through 2038 (6)	23,725	23,725
5% to 5.5% Revenue Bonds, Series 2006, for Bloomington Care Center, payments due through 2041	21,545	21,810
5.5% Mortgage Note for Broadmoor Apartments, payments due through 2015, with balloon payment	3,750	3,904
7.5% Revenue Note, Series 2004, for Broadmoor Apartments, payments due through 2014	7,214	7,437
Revenue Refunding Bonds, Series 2002, for Roseville Care Center - Refinanced in 2011 (1)	-	7,495
4.25% to 5.7% Revenue Bonds, Series 1998, for Castle Ridge, payments due through 2028	2,830	2,925

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NOTE 8 LONG-TERM DEBT (CONTINUED)

Notes, Bonds and Mortgages (Continued)

<u>Description</u>	<u>2011</u>	<u>2010</u>
6.77% Mortgage Note for Central Towers, payments due through 2026	2,400	2,400
2% Mortgage Note for Central Towers, payments due through 2018	150	171
1% MHFA Mortgage Note for Central Towers, payments due through 2027	125	125
2.9% to 6.25% Revenue Bonds, Series 2003 for Summerwood of Chanhassen, payments due through 2033, less unamortized bond discount (5)	22,228	22,577
5% to 6% Revenue Bonds, Series 2006, for Norris Square, payments due through 2041	29,180	29,180
7% Mortgage Note Payable with maximum borrowing limit of \$10,000 for Norris Marketplace, payments due through October 2011, with balloon payment	1,290	2,657
2.33% Loan Participation Notes, Series 2003, for Croixdale, payments due through 2025 (7)	7,954	8,234
Revenue Refunding Bonds, for EagleCrest, payments due at a variable interest rate through 2039 (8)	22,785	23,030
5.30% Mortgage Note for Country Inn & Suites, payments due through 2023 (2)	4,031	3,307
4.50% Revenue Note, Series 2005 for Maranatha, payments due through 2031, with balloon payment (7)	4,129	4,263
6.0% Mortgage Note for Maranatha, payments due through 2031, with balloon payment	964	990
5.56% HUD-Insured Mortgage Payable to Oak Grove Capital Corporation for Avalon Square, payments due through 2043	17,980	18,181
4.5% to 5.5% Subordinate Revenue Bonds, Series 2005, for Avalon Square, payments due through 2025	1,500	1,570
4.88% Mortgage Note to Department of Housing and Urban Development (HUD) for Ridgeview Terrace, payments due through 2032	1,779	1,829
4.88% Mortgage Note to HUD for Newton Manor, payments due through 2025	1,175	1,231

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NOTE 8 LONG-TERM DEBT (CONTINUED)

Notes, Bonds and Mortgages (Continued)

<u>Description</u>	<u>2011</u>	<u>2010</u>
Revenue Refunding Bonds, Series 2005 for Inver Grove Heights, payments due at a variable interest rate through 2035 (4)	27,535	28,035
4.01% mortgage for PHS Management LLC (Hamline Office Building), due through 2029	5,203	5,403
Revenue Note Payable, Series 2008 for Mill Pond Apartments, interest at 3.975% with reset every five years based upon US Treasury rate with a ceiling of 6.475%, payments due through 2028	3,435	3,575
4.75% HUD-Insured Mortgage Payable to Oak Grove Capital Corporation for Mill Pond, payments due through 2035	5,068	5,179
Revenue Bonds, Series 2003 for Oakcrest, payments due at a variable interest rate through 2033 (4)	6,760	6,960
4.0% Mortgage Note for Lake Minnetonka, Series 2010 payments due through 2020 (9)	25,667	14,575
5.25% Notes, Series 2001A and B, for Bloomington Housing - Refinanced in 2011	-	2,969
0% Note Payable for Ankeney, IA property, principal paid in equal annual installments through 2019.	563	633
Carondolet Village Debt Service Reserve Fund Notes	1,090	1,062
Founders Ridge Debt Service Reserve Fund Notes	3,429	-
5.48% Mortgage Note to HUD for Summerwood of Plymouth, payments due through 2043	16,971	17,161
7.125% Mortgage Note for 1221 Building, payments due through 2015, with balloon payment. Rate was reset to 4.05% effective 12/1/10 (2)	9,001	9,302
4.75% - 7.625% Revenue Bonds, Series 2006 for Grace-Pointe East, payments due through 2033, less unamortized bond discount.	8,160	8,310
7.625% Note Payable for GracePointe East, payments due through 2011	-	129
5.25% to 6.5% Revenue Bonds, Series 2007, for Waverly Gardens, payments due through 2047	80,680	80,680
4.5% to 5.6% Revenue Refunding Bonds, Series 2006, for Kirkland Crossings, payments due through 2041	17,690	17,915

PRESBYTERIAN HOMES AND SERVICES AND AFFILIATES
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NOTE 8 LONG-TERM DEBT (CONTINUED)

Notes, Bonds and Mortgages (Continued)

<u>Description</u>	<u>2011</u>	<u>2010</u>
Revenue Refunding Bonds, Series 2005, for Boutwells Landing, payments due at a variable interest rate through 2035 (3)	56,940	58,035
6% Mortgage Note for Boutwells Landing, payments due through 2019	1,293	1,422
4.75% Tax Exempt Loan Participation Notes, Series 2007 for Boutwells Landing, payments due through 2017 (7)	19,311	19,712
Revenue Bonds, Series 2004 for Beacon Hill, payments due at a variable interest rate through 2034 (4)	9,710	9,910
2.31% Revenue Bonds, Series 2006 and 2007 for Highland Ridge, payments due through 2017	5,168	5,477
2.31% Revenue Bonds, Series 2005B, for Highland Ridge, payments through 2017 (2)	4,634	4,910
4% to 5.75% Revenue Refunding Bonds, Series 2006, for Stonecrest, payments due through 2041	13,325	13,490
5.0% to 6.4% Revenue Bonds, Series 1999, for Stonecrest, payments due through 2034	8,000	8,140
4.5% Revenue Note, Series 2003 for GracePointe West, payments due through 2023 (7)	2,156	2,287
4.5% Revenue Note, Series 2003, for GracePointe Terrace, payments due through 2023 (7)	1,925	2,041
4.4% to 6.0% Revenue Bonds, Series 1998 for GracePointe Commons, payments due through 2033	9,955	10,160
Revenue Note, Series 2010, for Founders Ridge, payments due through 2018 (10)	16,600	-
3.45% to 6.65% Revenue Bonds, Series 2011, for Deerfield Gables, payments due through 2043	13,140	-
5.15% to 6.0% Revenue Bonds, Series 1998, for Deerfield Housing, payments due through 2032	6,140	-
4.25% to 5.75% Revenue Bonds, Series 2006, for Mckenna Crossing, due through 2042	29,300	-

PRESBYTERIAN HOMES AND SERVICES AND AFFILIATES
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NOTE 8 LONG-TERM DEBT (CONTINUED)

Notes, Bonds and Mortgages (Continued)

<u>Description</u>	<u>2011</u>	<u>2010</u>
7.125% Note Payable, payments due through 2011; refinanced (see Note 13)	9,069	9,233
Loan Payable, for Arden Hills, Maximum Borrowing Limit of \$20,000, due at a variable interest rate through 2033	100	-
Other	1,226	1,468
Subtotal	629,228	562,791
Less: Current Maturities	11,412	9,994
Total	<u>\$ 617,816</u>	<u>\$ 552,797</u>

- (1) During the year ended September 30, 2010, the 1999B bonds were refinanced by the Series 2010 mortgage note described in (9) below. During the year ended September 30, 2011, the 1999A and 2002 revenue bonds were refinanced.
- (2) The interest rate and monthly payment will be adjusted in 2015 (if applicable).
- (3) The 2005 Revenue Bonds are scheduled to be paid in varying annual installments through 2035; however, the 2005 Revenue Bonds can be called on a daily basis by the bondholders. The Organization has remarketing agreement with underwriters that provides for a "best efforts" remarketing of the 2005 Revenue Bonds. The 2005 Revenue Bonds are secured by a credit enhancement from Federal Home Loan Mortgage Corporation (Freddie Mac), which is effective for the term of the bonds. If the credit enhancement is used to pay for Revenue Bonds that were not remarketed, such amounts are due 13 months after the draw. Accordingly based on the terms of the credit enhancement, the 2005 Revenue Bonds, other than the original amount scheduled to be paid in fiscal year 2012, are reported as long-term liabilities.
- (4) The mortgage loan is secured by a letter of credit enhancement agreement with Fannie Mae, which guarantees the payment of the mortgage loan.
- (5) The Chanhassen 2004 Revenue Bonds require that an \$1,700 reserve fund be maintained. The Organization has obtained a letter of credit from a bank to fulfill this requirement. No amounts are drawn on the letter of credit at September 30, 2011.
- (6) The bonds are secured by a credit enhancement agreement with Freddie Mac which guarantees the payment of the bonds.

PRESBYTERIAN HOMES AND SERVICES AND AFFILIATES
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NOTE 8 LONG-TERM DEBT (CONTINUED)

Notes, Bonds and Mortgages (Continued)

- (7) The interest rate is set upon issuance, and re-set every five years through a predetermined index, and have interest rate floors and ceilings as set in the agreement.
- (8) The EagleCrest Revenue Bonds that were issued in 2009 are scheduled to be paid in varying annual principal installments, but can be called on a weekly basis by the bondholders. The bonds are secured by a credit enhancement agreement with Freddie Mac which guarantees the payment of the bonds. In addition, any draws upon the liquidity agreement are to be repaid 365 plus 1 days after drawn upon which supports the classification as a long-term liability.
- (9) The mortgage note was issued in 2010 for Lake Minnetonka Housing, Lake Minnetonka Care Center, and Lake Minnetonka Employee Housing. The interest rate on the note was 4% until June 1, 2010, at which time the rate reset to the greater of 3% plus 70% times the sum of the current 30-day LIBOR rate or 4%. At any time after the date of substantial completion of the project improvements and the note has been fully funded or the Organization agrees in writing that no further advances shall be made under this note, the Organization may elect to fix the interest rate for either (I) a period of five years at a rate equal to the greater of 70% times the sum of the current five year LIBOR swap rate plus 3% or 5%; or (II) fixed through May 31, 2015, at rate equal to the greater of 70% times the sum of a comparable term LIBOR swap rate plus 3% or 5%. If the Organization has failed to notify the lender which option they select by June 1, 2012, option (I) above shall be the default option.
- (10) The revenue note was issued to finance construction of the Founders Ridge project. The interest rate on the note is variable throughout the construction period, calculated as the one month LIBOR rate plus a spread. The rate will become fixed at 4.42% on October 1, 2012.

Substantially all of the Organization's property, equipment and assets, plus the assignment of rents and income contracts, is pledged as collateral on the above debts.

Many of the notes and bonds include various restrictive covenants requiring adherence to be in compliance with the terms of the note or bond.

PRESBYTERIAN HOMES AND SERVICES AND AFFILIATES
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NOTE 8 LONG-TERM DEBT (CONTINUED)

Notes, Bonds and Mortgages (Continued)

Annual maturities on the notes, bonds and mortgages for the five years subsequent to September 30, 2011 based on the terms of letters of credit or credit enhancement agreements as well as managements expectation are approximately as follows, the maturities reflect any changes made to the requirements subsequent to September 30, 2011.

<u>Year Ending September 30,</u>	<u>Management's Expected Amount</u>	<u>Credit Terms Amount</u>
2012	\$ 11,412	\$ 11,412
2013	12,270	164,840
2014	14,398	11,008
2015	31,860	25,768
2016	13,805	10,122
Thereafter	545,483	406,078
Total	<u>\$ 629,228</u>	<u>\$ 629,228</u>

Interest Cost

The total interest cost incurred during the construction period, net of interest earnings on invested tax-exempt bond proceeds, for the years ended September 30, 2011 and 2010, was approximately \$1,044 and \$694, respectively. These amounts are capitalized as part of the cost of construction.

PRESBYTERIAN HOMES AND SERVICES AND AFFILIATES
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NOTE 8 LONG-TERM DEBT (CONTINUED)

Derivatives and Variable Interest Rate Risk Management

The Organization uses derivative instruments to manage variable interest rates on certain of the Organization's long-term debt issues. As part of the Organization's strategy to manage the variability of interest rates, the Organization has entered into interest rate swap agreements to reduce the impact of changes in interest rates. At September 30, 2011, the Organization has the following interest rate swap agreements with commercial banks which effectively limit the Organization's interest rate exposure.

	Notional Amount	Swap Rate	Termination Date
Agreement related to Series 1999 and 2002 Revenue bonds for Presbyterian Homes of Arden Hills, Inc. and Presbyterian Home Care Centers, Inc. Transferred to Presbyterian Homes and Services in 2011	\$ 28,691	3.391% Fixed	10/1/2029
Agreement related to Series 2005 Revenue Bonds for Boutwells Landing	36,342	3.566% Fixed	11/1/2015
Agreement related to Series 2007 Revenue bonds for Waverly Gardens	81,680	USD-SIFMA Municipal Swap Index	10/1/2047
Agreement related to Series 2007 Revenue bonds for EagleCrest, agreement transferred to Presbyterian Homes and Services in 2009	22,755	USD-SIFMA Municipal Swap Index	7/1/2042

The fair value of the derivative instruments was as follows at September 30, 2011 and 2010:

	Balance Sheet Location	September 30, 2011	September 30, 2010
Derivatives not Designated as Hedging Instruments	Other Long-Term Liabilities	\$ 18,035	\$ 14,419

The effect of the derivative instruments on the consolidated statements of operations and changes in net assets was as follows for the years ended September 30, 2011 and 2010:

	Location of Loss Recognized in Excess (Deficit) of Revenue Over Expense	Amount of Loss on Derivatives Recognized in Excess of Revenue Over Expense	
		Years Ended September 30, 2011	2010
Derivatives not Designated as Hedging Instruments	Interest Rate Swap Market Adjustment	\$ 3,616	\$ 3,910

PRESBYTERIAN HOMES AND SERVICES AND AFFILIATES
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NOTE 8 LONG-TERM DEBT (CONTINUED)

Derivatives and Variable Interest Rate Risk Management (Continued)

The fair value of the derivatives reflects the price that a third-party would be willing to pay or receive in arm's-length transactions and includes mark-to-market adjustments to reflect the effects of changes in the related index. The Organization recognized its derivatives as a net asset or liability at fair value on the consolidated statements of financial position. Changes in the fair value of the fixed-rate swaps are recorded in the consolidated statements of operations as nonoperating gains or losses and are included in excess of revenue over expense, as these transactions do not qualify for hedge accounting.

The Organization also purchases interest rate cap agreements on other variable rate bonds, which have terms of three to five years. The Organization amortizes these costs over the term of the agreement. In addition, the Organization funds an escrow account over the term of the agreement in anticipation of purchasing another interest rate cap upon maturity. At September 30, 2011 and 2010 the value of these interest rate caps were approximately \$946 and \$856, respectively and are included in prepaids and other assets on the consolidated statement of financial position.

NOTE 9 NET ASSETS

Temporarily Restricted Net Assets

Temporarily restricted net assets are contributions that are restricted by the donor for the following, which are mainly related to capital acquisitions at September 30:

	2011	2010
Arden Hills Care Center	\$ 1,255	\$ 1,609
Highland Ridge	1,849	-
Lake Minnetonka Housing	140	110
Boutwells Landing	135	141
Optage Senior Dining Solutions	112	-
Cottage Grove	178	172
Gracepointe Crossing	257	258
Bloomington Care Center	230	224
Endowment Earnings	1,506	1,509
Other	3,509	1,648
Total	<u>\$ 9,171</u>	<u>\$ 5,671</u>

PRESBYTERIAN HOMES AND SERVICES AND AFFILIATES
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NOTE 9 NET ASSETS (CONTINUED)

Permanently Restricted Net Assets

At September 30, permanently restricted net assets consist of the following:

	2011	2010
John S. Holl Trust	\$ 24,841	\$ 26,384
Presbyterian Homes of Wisconsin Endowment	2,247	2,283
PHS General Endowment	5,063	4,173
Total Permanently Restricted Net Assets	<u>\$ 32,151</u>	<u>\$ 32,840</u>

Investment income on the John S. Holl trust and other endowment funds is unrestricted. The John S. Holl trust is a perpetual trust held by third-party trustee for the Organization. The fair value of this trust at September 30 is reported as permanently restricted net assets.

Board Designated Net Assets

At September 30, board designated net assets consist of the following:

	2011	2010
Highland Ridge Endowment	2,548	2,726
Croixdale Endowment	1,602	1,650
North Oaks Endowment	1,633	1,546
PHS General Endowment Funds	3,019	2,594
Total Board Designated Endowments:	<u>\$ 8,802</u>	<u>\$ 8,516</u>

Debt agreements or bylaws of certain affiliates may limit the ability of the Organization to transfer, advance or use these unrestricted funds for the benefit of the other affiliates.

The bylaws of Croixdale do not allow for the net assets of Croixdale, \$14,097 at September 30, 2011, to be used by or transferred to the Organization or its affiliates. The bylaws of Highland Ridge do not allow for the net assets of Highland Ridge, \$18,235 at September 30, 2011, to be used by or transferred to the Organization or its affiliates.

Interpretation of Relevant Law

The Organization interpreted the State Prudent Management of Institutional Funds Act (the Act) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

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NOTE 9 NET ASSETS (CONTINUED)

Interpretation of Relevant Law (Continued)

As a result of this interpretation, the Organization classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, and (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed in the Act. In accordance with the Act, the Organization considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The investment policy of the Organization

The following table shows the changes in endowment net assets for the years ended September 30, 2011 and 2010:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Net Assets, Beginning of Year - 10/1/10	\$ 8,516	\$ 1,509	\$ 6,456	\$ 16,481
Investment Return:				
Investment Income	287	227	-	514
Net Appreciation/(Depreciation) (Realized and Unrealized)	80	(307)	-	(227)
Contributions	306	437	854	1,597
Net Assets Appropriated for Expenditure and Sales	<u>(387)</u>	<u>(360)</u>	<u>-</u>	<u>(747)</u>
Endowment Net Assets, End of Year - 9/30/11	<u>\$ 8,802</u>	<u>\$ 1,506</u>	<u>\$ 7,310</u>	<u>\$ 17,618</u>

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NOTE 9 NET ASSETS (CONTINUED)

Interpretation of Relevant Law (Continued)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Net Assets, Beginning of Year - 10/1/09	\$ 7,100	\$ 821	\$ 6,241	\$ 14,162
Investment Return:				
Investment Income	161	224	-	385
Net Appreciation/(Depreciation) (Realized and Unrealized)	1,587	634	-	2,221
Contributions	71	-	215	286
Net Assets Appropriated for Expenditure and Sales	<u>(403)</u>	<u>(170)</u>	<u>-</u>	<u>(573)</u>
Endowment Net Assets, End of Year - 9/30/10	<u>\$ 8,516</u>	<u>\$ 1,509</u>	<u>\$ 6,456</u>	<u>\$ 16,481</u>

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to preserve and grow capital, strive for consistent absolute returns, preserve purchasing power by striving for long-term returns which either match or exceed the set payout, fees and inflation without putting the principal value at imprudent risk, and diversify investments consistent with commonly accepted industry standard to minimize the risk of large losses. The Organization expects its endowment funds, over time, to provide an average rate of return in line with or better than their respective benchmarks or peer groups. Actual results in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that meets the Organization's long-term rate-of-return objectives while avoiding undue risk from imprudent concentration in any single asset class or investment vehicle.

PRESBYTERIAN HOMES AND SERVICES AND AFFILIATES
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NOTE 9 NET ASSETS (CONTINUED)

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization has a policy of appropriating for distribution each year, three to five percent of the previous 16 quarter trailing average of its endowment fund's fair value on June 30th of the fiscal year in which the distribution is planned. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, over the long term, the Organization expects the current spending policy to allow its endowment to grow annually. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment return.

NOTE 10 PENSION PLAN

The Organization participates in contributory, defined contribution pension plan 403(b). All employees who have one year or more of service, have reached the age of 21 and work more than 20 hours per week are eligible to participate in the plan. Participants vest in the employer contribution at graduated rates, up to full vesting after five years.

The Organization contributes 3% of eligible employee salaries for those employee who have 1 to 5 years of service and have elected to contribute 1% of their salaries, 4% of eligible employee salaries for those employees who have 6 to 11 years of service and have elected to contribute 2% of their salaries, and 5% of eligible employee salaries for those employees who have 12 or more years of service and have elected to contribute 3% of their salaries.

Contributions to the plan by the Organization approximated \$2,349 and \$2,150 for the years ended September 30, 2011 and 2010, respectively.

NOTE 11 FUNCTIONAL EXPENSE

Expense by classifications for the years ended September 30, 2011 and 2010 were:

	<u>2011</u>	<u>2010</u>
Program Services:		
Services to Residents	\$ 167,818	\$ 159,827
Supporting Services:		
Management and General	90,758	85,941
Fundraising	1,235	1,040
Total Program Expenses	<u>\$ 259,811</u>	<u>\$ 246,808</u>

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NOTE 12 COMMITMENTS AND CONTINGENCIES

Workers' Compensation Self-Insurance

The Organization self-insures its workers' compensation claims. The Organization has purchased reinsurance for specific claims greater than \$430 and annual aggregate claims greater than \$2,845 up to a maximum of \$5,000. Expenses are recorded as claims are incurred. Incurred but not reported claims and expected claim adjustment costs are actuarially estimated and accrued. As required by the state of Minnesota, the Organization has pledged cash and investments of \$3,561 to secure the payment of claims. Expenses incurred were approximately \$2,071 and \$1,727 for the years ended September 30, 2011 and 2010, respectively. At September 30, 2011 and 2010, management has estimated reserves and recorded liabilities for outstanding claims of approximately \$3,070 and \$2,946, respectively, which is included in other long-term liabilities on the consolidated statements of financial position.

The Organization's provision for outstanding losses, although supported by actuarial projections and other data, is ultimately based on management's expectations of future events. It is possible that these estimates could change as more detailed information concerning the losses is received and the effect of such changes could be material to the consolidated financial statements.

Employee Health Self-Insurance

The Organization has self-insured for employee health insurance claims. The Organization has purchased reinsurance for specific claims greater than \$175 and annual aggregate claims greater than \$10,946. Expenses are recorded as claims are incurred. An estimate of incurred but not reported claims is accrued and amounted to approximately \$1,775 and \$1,568 at September 30, 2011 and 2010, respectively. This accrual is included in accrued payroll and benefits on the consolidated statements of financial position. Claims and administrative expenses incurred were approximately \$6,990 and \$6,353 for the years ended September 30, 2011 and 2010, respectively.

Professional Liability Insurance

The Organization is covered by professional liability insurance on a claims made basis. For the year ended September 30, 2011, per claim, per location, and aggregate maximum annual coverage was \$5,000, \$7,000 and \$30,000, respectively. The deductible on professional liability is \$1,000. The Organization records its estimate of claim liabilities for deductibles and claims in excess of coverage based on actuarial estimates which amounted to \$1,430 and \$1,074 at September 30, 2011 and 2010, respectively, which is included in other long-term liabilities on the consolidated statements of financial position. If this policy should lapse and not be replaced with equivalent coverage, claims occurring during, but reported subsequent to, its term will be uninsured.

PRESBYTERIAN HOMES AND SERVICES AND AFFILIATES
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NOTE 12 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Cooperative Units Acquisition Commitments

In 2000, the Organization entered into an agreement to acquire the remaining membership unit certificates (9 as of September 30, 2011) in Gideon Pond Cooperative (the Cooperative) as those units become available for sale. The price established by the Cooperative's bylaws as of September 30, 2011, for the remaining units have an average value of \$165 each. Because the individual unit owner determines when they will sell their unit, the Organization will not recognize an asset or liability until the title is transferred to the Organization.

Heartwood Guarantee

The Organization has provided a guarantee in the amount of \$600 for tax-exempt revenue bonds issued in the amount of \$22,935 used to finance a 98-unit senior housing, assisted living and memory care campus in Crosby, Minnesota. The project is a joint venture between the Organization and the Cuyuna Regional Medical Center and opened in October 2008. The project is an unconsolidated affiliate of the Organization (see Note 5).

Tax Credit Guarantee

The Organization has guaranteed the limited partner in Central Towers that the requirements to retain approximately \$2,100 of low income housing tax credits will be met through 2012.

Litigation

The health care industry is subject to numerous laws and regulations of federal, state and local governments. Compliance with these laws and regulations, specifically those relating to the Medicare and Medicaid programs, can be subject to government review and interpretation, as well as regulatory actions unknown and unasserted at this time. Federal government activity has increased with respect to investigations and allegations concerning possible violations by health care providers of regulations, which could result in the imposition of significant fines and penalties, as well as significant repayments of previously billed and collected revenues from resident and patient services. Management believes that the Organization is in substantial compliance with current laws and regulations.

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NOTE 12 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Litigation (Continued)

In March 2011, Presbyterian Homes Management and Services, Inc (PHM&S), an affiliate of the Organization, entered an “Alford plea” with a “stay of adjudication” to a gross misdemeanor charge of criminal neglect of a vulnerable adult. The charge stemmed from the death of a Care Center resident after a fall from a mechanical lift during a transfer. An “Alford plea” means that the defendant asserts its innocence yet pleads guilty because it believes that the evidence that is likely to be presented at trial could be sufficient to lead to a conviction. A “stay of adjudication” means that no conviction will result from the guilty plea if the defendant complies with the terms of its probation. In this case, the terms of probation are that no same or similar offenses at the Care Center where the fall occurred for a period of one year following the plea. As a result of the plea, PHM&S has been excluded from any participation in any federally funded health care program. A new and different management company, PHS Management, LLC, has been formed and has assumed the management role previously filled by PHM&S.

NOTE 13 SUBSEQUENT EVENTS

Subsequent Events

Subsequent to year-end, the Organization refinanced a note payable which had a balance of \$9,069 at September 30, 2011. The mortgage payable was refinanced by a \$6,500 note payable bearing interest at 7.125% per year with a balloon maturity date of November 1, 2014. The remaining balance of the original mortgage was paid down with cash by the Organization.

Subsequent to year-end, the Organization purchased an office building adjacent to its Arden Hills Campus. The building was purchased for approximately \$1,000 and was paid for with cash.

In preparing these consolidated financial statements, the Organization has considered events and transactions that have occurred through December 7, 2011.

LarsonAllen[®] LLP

CPAs, Consultants & Advisors

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INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

Board of Directors and Stockholders
Presbyterian Homes and Services and Affiliates
Shoreview, Minnesota

Our report on our audits of the consolidated financial statements of Presbyterian Homes and Services and Affiliates for 2011 and 2010 appears on page 2. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The consolidating information is presented for purposes of additional analysis of the basic consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual organizations or divisions. The consolidating information has been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

LarsonAllen LLP
LarsonAllen LLP

Minneapolis, Minnesota
December 7, 2011

PRESBYTERIAN HOMES AND SERVICES AND AFFILIATES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2011
(DOLLAR AMOUNTS IN THOUSANDS)

	Presbyterian Homes & Services				Presbyterian Homes Hospice, Inc. Optage Hospice	Presbyterian Homes of Andover, Inc. Farmstead	Presbyterian
	International Nurse Recruitment	Optage Senior Dining Choices	Optage Home and Community Based Services	Optage Primary Care			Homes of Johanna Shores
ASSETS							
CURRENT ASSETS							
Cash and Cash Equivalents:							
Unrestricted	\$ (1,312)	\$ (1,218)	\$ 2,767	\$ (24)	\$ (349)	\$ 3,857	\$ 3,558
Restricted for Residents	-	-	-	-	-	-	18
Cash Held or Restricted, Current Portion	-	-	-	-	-	289	-
Accounts Receivable, Less Allowance for Doubtful Accounts	39	935	716	-	59	28	1,369
Pledges Receivable, Current Portion	-	-	-	-	-	-	-
Prepaid Expenses and Other Assets	-	1	1	-	-	47	71
Total Current Assets	<u>(1,273)</u>	<u>(282)</u>	<u>3,484</u>	<u>(24)</u>	<u>(290)</u>	<u>4,221</u>	<u>5,016</u>
INVESTMENTS AND OTHER ASSETS							
Investments and Cash Held or Restricted:							
By Agreements with Trustees and Others	-	-	-	-	-	-	4,775
Restricted by Donors and Others	-	-	-	-	-	-	39
Replacement Reserves	-	-	-	-	-	514	4,146
Endowment Funds	-	-	-	-	-	-	-
Pledges Receivable	-	-	-	-	-	-	-
Deferred Financing Costs, Less Accumulated Amortization	-	-	-	-	-	292	605
Investment in Other Entities	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	93
Due from Affiliates	-	15	-	-	-	329	-
Total Investments and Other Assets	-	15	-	-	-	1,135	9,658
PROPERTY AND EQUIPMENT							
Land	-	-	-	-	-	720	475
Buildings and Land Improvements	-	-	16	-	-	11,536	15,075
Equipment and Furnishings	-	1,506	364	-	13	2,075	4,335
Automotive Equipment	-	228	-	-	-	7	89
Construction in Progress	-	-	-	-	-	-	2,991
Subtotal	-	1,734	380	-	13	14,338	22,965
Less: Accumulated Depreciation	-	152	200	-	3	6,136	9,875
Net Property and Equipment	-	1,582	180	-	10	8,202	13,090
Total Assets	<u>\$ (1,273)</u>	<u>\$ 1,315</u>	<u>\$ 3,664</u>	<u>\$ (24)</u>	<u>\$ (280)</u>	<u>\$ 13,558</u>	<u>\$ 27,764</u>

Presbyterian Homes of Bloomington, Inc. Summerhouse of Bloomington	Presbyterian Homes Bloomington Care Center, Inc.		Bloomington Bethany Senior Housing, Inc. Founders Ridge	Broadmoor Apartments, Inc. Broadmoor	Presbyterian Homes Care Centers, Inc. Langton Place	Castle Ridge Care Center, Inc. Castle Ridge	Central Towers Limited Partnership Central Towers	PHS/ Chanhassen, Inc Summerwood of Chanhassen
\$ 279	\$ 6,726	\$ 283	\$ 2	\$ 31	\$ (4,435)	\$ 1,807	\$ 167	\$ 1,544
-	-	8	-	114	1	6	55	-
99	328	863	1,643	103	-	82	-	300
5	68	1,478	-	(1,719)	1,188	368	3	40
-	-	-	-	-	-	-	-	-
49	14	10	-	-	37	8	9	6
<u>432</u>	<u>7,136</u>	<u>2,642</u>	<u>1,645</u>	<u>(1,471)</u>	<u>(3,209)</u>	<u>2,271</u>	<u>234</u>	<u>1,890</u>
-	1,342	1,488	12,685	-	-	133	-	1,043
439	-	-	451	-	-	-	-	-
185	1,269	1,080	-	-	150	358	389	151
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
251	336	421	736	47	-	79	7	597
-	8,898	-	-	-	147	-	-	-
-	184	-	-	929	1	-	-	-
-	1,695	-	-	-	828	-	-	-
<u>875</u>	<u>13,724</u>	<u>2,989</u>	<u>13,872</u>	<u>976</u>	<u>1,126</u>	<u>570</u>	<u>396</u>	<u>1,791</u>
545	360	342	2,151	6,000	231	718	348	3,565
9,323	5,147	24,684	-	7,006	9,191	4,459	9,549	21,798
1,640	684	3,397	-	1,562	1,906	873	1,197	2,730
-	-	63	-	-	55	47	-	-
-	-	-	6,522	-	-	-	-	-
<u>11,508</u>	<u>6,191</u>	<u>28,486</u>	<u>8,673</u>	<u>14,568</u>	<u>11,383</u>	<u>6,097</u>	<u>11,094</u>	<u>28,093</u>
<u>4,242</u>	<u>3,322</u>	<u>6,163</u>	<u>-</u>	<u>3,502</u>	<u>6,356</u>	<u>3,258</u>	<u>4,348</u>	<u>6,188</u>
<u>7,266</u>	<u>2,869</u>	<u>22,323</u>	<u>8,673</u>	<u>11,066</u>	<u>5,027</u>	<u>2,839</u>	<u>6,746</u>	<u>21,905</u>
<u>\$ 8,573</u>	<u>\$ 23,729</u>	<u>\$ 27,954</u>	<u>\$ 24,190</u>	<u>\$ 10,571</u>	<u>\$ 2,944</u>	<u>\$ 5,680</u>	<u>\$ 7,376</u>	<u>\$ 25,586</u>

PRESBYTERIAN HOMES AND SERVICES AND AFFILIATES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION (CONTINUED)
SEPTEMBER 30, 2011
(DOLLAR AMOUNTS IN THOUSANDS)

	PHS/CG Center LLC		PHM New Richmond Senior Housing, Inc.			PHS/EagleCrest, Inc.		
	Norris	Croixdale	Deerfield	Deerfield		Country Inn &	Hamline	
	Marketplace	Croixdale	Housing	Gables	EagleCrest	Suites	Center	
	PHS/Cottage Grove, Inc.							
	Norris Square							
ASSETS								
CURRENT ASSETS								
Cash and Cash Equivalents:								
Unrestricted	\$ 1,937	\$ (3,612)	\$ 5,777	\$ 632	\$ (337)	\$ 10,298	\$ 1,116	\$ (4,737)
Restricted for Residents	-	-	-	74	-	-	-	-
Cash Held or Restricted, Current Portion	594	-	-	321	944	448	-	-
Accounts Receivable, Less Allowance for Doubtful Accounts	60	-	33	29	384	90	21	-
Pledges Receivable	-	-	100	-	-	-	-	-
Prepaid Expenses and Other Assets	7	-	4	3	3	255	10	-
Total Current Assets	<u>2,598</u>	<u>(3,612)</u>	<u>5,914</u>	<u>1,059</u>	<u>994</u>	<u>11,091</u>	<u>1,147</u>	<u>(4,737)</u>
INVESTMENTS AND OTHER ASSETS								
Investments and Cash Held or Restricted:								
By Agreements with Trustees and Others	1,859	-	-	253	12,086	-	-	-
Restricted by Donors and Others	150	-	-	-	-	-	-	-
Replacement Reserves	66	-	105	381	28	2,335	671	-
Endowment Funds	-	-	1,602	-	-	-	-	-
Pledges Receivable	-	-	278	-	-	-	-	-
Deferred Financing Costs, Less Amortization	811	133	109	149	448	773	50	-
Investment in Other Entities	1,791	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	4
Due from Affiliates	-	-	717	220	-	4,567	-	-
Total Investments and Other Assets	<u>4,677</u>	<u>133</u>	<u>2,811</u>	<u>1,003</u>	<u>12,562</u>	<u>7,675</u>	<u>721</u>	<u>4</u>
PROPERTY AND EQUIPMENT								
Land	3,375	5,314	533	12	923	3,950	810	2,061
Buildings and Land Improvements	19,996	-	15,621	7,821	610	21,938	4,792	288
Equipment and Furnishings	2,985	-	1,613	286	56	2,401	1,046	9
Automotive Equipment	-	-	-	29	-	116	15	-
Construction in Progress	-	867	-	-	1,115	6	109	2,880
	<u>26,356</u>	<u>6,181</u>	<u>17,767</u>	<u>8,148</u>	<u>2,704</u>	<u>28,411</u>	<u>6,772</u>	<u>5,238</u>
Less: Accumulated Depreciation	3,224	-	4,118	230	16	9,619	2,402	26
Net Property and Equipment	<u>23,132</u>	<u>6,181</u>	<u>13,649</u>	<u>7,918</u>	<u>2,688</u>	<u>18,792</u>	<u>4,370</u>	<u>5,212</u>
Total Assets	<u>\$ 30,407</u>	<u>\$ 2,702</u>	<u>\$ 22,374</u>	<u>\$ 9,980</u>	<u>\$ 16,244</u>	<u>\$ 37,558</u>	<u>\$ 6,238</u>	<u>\$ 479</u>

Maranatha Conservative Baptist Home, Inc. and Center Park Senior Apartments, Inc. Maranatha	Presbyterian Homes Foundation	Presbyterian Homes of Wisconsin, Inc.		Gideon Pond West, Inc.	Gideon Pond Housing Corporation	PHS/Inver Grove, Inc.	Presbyterian Homes Management & Services, Inc.	Presbyterian Homes Mill Pond Apartments, Inc.	Presbyterian Homes Mill Pond Care Center, Inc.	PHS Monticello, Inc. Mississippi Shores
		PHW/ Helpmates	Avalon Square	Ridgeview Terrace	Newton Manor	Timber Hills	Management & Services	Mill Pond Apartments	Mill Pond	
\$ 2,443	\$ 476	\$ 1,071	\$ 528	\$ 46	\$ 78	\$ 4,072	\$ -	\$ 600	\$ 644	\$ 31
9	-	-	79	18	18	180	-	-	-	-
-	-	-	82	34	32	423	-	-	46	56
973	(7)	19	52	3	9	42	-	3	223	(1)
-	10	-	-	-	-	-	-	-	-	-
11	-	-	74	8	6	236	-	2	28	16
<u>3,436</u>	<u>479</u>	<u>1,090</u>	<u>815</u>	<u>109</u>	<u>143</u>	<u>4,953</u>	<u>-</u>	<u>605</u>	<u>941</u>	<u>102</u>
-	-	-	-	-	-	266	-	-	-	-
-	568	257	-	-	-	-	-	-	-	-
172	-	-	922	42	92	485	-	116	827	237
-	32,532	2,247	-	-	-	-	-	-	-	-
-	1,131	-	-	-	-	-	-	-	-	-
141	-	-	764	40	41	476	-	84	70	80
-	-	1,916	-	-	-	-	-	-	-	-
-	6,387	-	-	-	-	-	-	-	-	-
-	-	964	-	-	-	-	-	-	-	-
<u>313</u>	<u>40,618</u>	<u>5,384</u>	<u>1,686</u>	<u>82</u>	<u>133</u>	<u>1,227</u>	<u>-</u>	<u>200</u>	<u>897</u>	<u>317</u>
1,110	-	-	1,580	230	100	4,414	-	1,165	1,064	190
8,632	-	-	20,096	1,862	2,487	31,477	-	3,622	9,144	3,498
1,122	-	9	1,925	285	341	2,485	-	326	1,127	814
65	-	-	45	-	-	21	-	-	31	-
76	-	-	-	-	-	-	-	-	-	-
<u>11,005</u>	<u>-</u>	<u>9</u>	<u>23,646</u>	<u>2,377</u>	<u>2,928</u>	<u>38,397</u>	<u>-</u>	<u>5,113</u>	<u>11,366</u>	<u>4,502</u>
<u>2,071</u>	<u>-</u>	<u>5</u>	<u>6,519</u>	<u>1,164</u>	<u>1,383</u>	<u>10,478</u>	<u>-</u>	<u>1,604</u>	<u>4,227</u>	<u>1,841</u>
<u>8,934</u>	<u>-</u>	<u>4</u>	<u>17,127</u>	<u>1,213</u>	<u>1,545</u>	<u>27,919</u>	<u>-</u>	<u>3,509</u>	<u>7,139</u>	<u>2,661</u>
<u>\$ 12,683</u>	<u>\$ 41,097</u>	<u>\$ 6,478</u>	<u>\$ 19,628</u>	<u>\$ 1,404</u>	<u>\$ 1,821</u>	<u>\$ 34,099</u>	<u>\$ -</u>	<u>\$ 4,314</u>	<u>\$ 8,977</u>	<u>\$ 3,080</u>

PRESBYTERIAN HOMES AND SERVICES AND AFFILIATES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION (CONTINUED)
SEPTEMBER 30, 2011
(DOLLAR AMOUNTS IN THOUSANDS)

Presbyterian Homes Housing and Assisted Living, Inc.

	PHS Lake		PHS	Senior	Senior	1221	GracePointe	Mission	Valley			
	Noah's Ark Affordable Housing, Inc.	Minnetonka Lake										Management LLC
ASSETS	Oakcrest	Shores	PHHAL	LLC	of Plymouth	Partners	Design	Nicollet	Gables East	Mayfield	Development	Ridge
CURRENT ASSETS												
Cash and Cash Equivalents:												
Unrestricted	\$ 977	\$ (245)	\$ (13,251)	\$ 4,630	\$ 964	\$ 3,771	\$ 675	\$ (1,936)	\$ 760	\$ 2,738	\$ (3,247)	\$ 550
Restricted for Residents	95	7	-	-	-	-	-	-	21	-	2,863	-
Cash Held or Restricted, Current Portion	229	-	-	-	213	-	-	-	207	163	-	-
Accounts Receivable, Less Allowance for Doubtful Accounts	11	1,174	2,994	49	54	23	1,222	(1)	832	-	267	-
Pledges Receivable	-	-	-	-	-	-	-	-	-	-	-	-
Prepaid Expenses and Other Assets	22	37	-	159	4	-	-	3	9	4	-	-
Total Current Assets	<u>1,334</u>	<u>973</u>	<u>(10,257)</u>	<u>4,838</u>	<u>1,235</u>	<u>3,794</u>	<u>1,897</u>	<u>(1,934)</u>	<u>1,829</u>	<u>2,905</u>	<u>(117)</u>	<u>550</u>
INVESTMENTS AND OTHER ASSETS												
Investments and Cash Held or Restricted:												
By Agreements with Trustees and Others	223	-	-	3,561	-	-	-	-	560	241	-	-
Restricted by Donors and Others	-	-	-	-	-	-	-	-	-	-	12,491	-
Replacement Reserves	331	1,885	-	1,029	937	-	-	50	155	350	-	-
Endowment Funds	-	-	-	-	-	-	-	-	-	-	-	-
Pledges Receivable	-	-	-	-	-	-	-	-	-	-	-	-
Deferred Financing Costs, Less Accumulated Amortization	184	779	-	170	940	-	-	87	314	181	-	-
Investment in Other Entities	-	-	8,705	-	-	-	-	-	-	-	357	-
Other Assets	-	-	6,140	-	-	683	-	-	-	-	-	-
Due from Affiliates	-	122	9,154	2,573	-	459	-	-	-	1,785	19,324	-
Total Investments and Other Assets	<u>738</u>	<u>2,786</u>	<u>23,999</u>	<u>7,333</u>	<u>1,877</u>	<u>1,142</u>	<u>-</u>	<u>137</u>	<u>1,029</u>	<u>2,557</u>	<u>32,172</u>	<u>-</u>
PROPERTY AND EQUIPMENT												
Land	794	3,709	2,738	400	1,770	-	-	6,403	113	273	-	-
Buildings and Land Improvements	9,255	23,233	512	8,002	14,815	-	-	6,265	8,644	4,291	-	-
Equipment and Furnishings	1,576	6,220	-	3,209	1,587	99	13	206	702	826	-	-
Automotive Equipment	20	7	-	85	1	-	-	-	36	-	-	-
Construction in Progress	-	-	-	-	-	-	-	35	-	-	-	-
Total Property and Equipment	<u>11,645</u>	<u>33,169</u>	<u>3,250</u>	<u>11,696</u>	<u>18,173</u>	<u>99</u>	<u>13</u>	<u>12,909</u>	<u>9,495</u>	<u>5,390</u>	<u>-</u>	<u>-</u>
Less: Accumulated Depreciation	4,328	6,981	239	3,240	4,038	71	10	1,614	1,119	2,724	-	-
Net Property and Equipment	<u>7,317</u>	<u>26,188</u>	<u>3,011</u>	<u>8,456</u>	<u>14,135</u>	<u>28</u>	<u>3</u>	<u>11,295</u>	<u>8,376</u>	<u>2,666</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 9,389</u>	<u>\$ 29,947</u>	<u>\$ 16,753</u>	<u>\$ 20,627</u>	<u>\$ 17,247</u>	<u>\$ 4,964</u>	<u>\$ 1,900</u>	<u>\$ 9,498</u>	<u>\$ 11,234</u>	<u>\$ 8,128</u>	<u>\$ 32,055</u>	<u>\$ 550</u>

PHS/ Oakdale, Inc.	Presbyterian Homes of North Oaks, Inc.	Kirkland Crossings, Inc.	Wayzata Bay Senior Housing, Inc.	Shepherd's Path Senior Housing, Inc.	PHS/ Shoreview, Inc.	Valley Senior Service Alliance Boutwells	PHS/Beacon Hill, Inc.	Williamsburg Retirement Community, Inc.	PHS/ Woodbury, Inc.	Grandview Christian Homes GracePointe
Echo Ridge	Waverly Gardens	Kirkland Crossings	Folkestone	Mckenna Crossing	Summerhouse of Shoreview	Landing	Beacon Hill	Highland Ridge	Stonecrest	Gables West
\$ 1,505	\$ 7,150	\$ 2,825	\$ (15,393)	\$ (2,516)	\$ 1,308	\$ 5,821	\$ 4,151	\$ 1,016	\$ 2,944	\$ 471
-	-	134	-	155	-	426	-	81	-	23
107	4,951	315	-	367	56	908	244	-	527	-
-	481	20	-	363	13	2,034	16	164	61	1,234
-	-	-	-	-	-	-	-	-	-	-
43	33	5	-	8	36	200	123	7	4	20
1,655	12,615	3,299	(15,393)	(1,623)	1,413	9,389	4,534	1,268	3,536	1,748
-	7,717	1,196	-	2,000	-	2,500	-	-	1,135	-
-	-	240	-	-	439	-	-	-	-	-
190	208	276	-	53	162	733	643	117	241	256
-	1,633	-	-	-	-	-	-	2,548	-	-
-	-	-	-	-	-	70	-	1,849	-	-
218	1,163	326	98	1,060	177	1,257	235	54	586	50
-	-	-	3,650	-	-	-	-	-	-	-
-	-	-	16,931	-	-	-	-	-	-	121
-	-	-	-	-	-	201	1	-	287	-
408	10,721	2,038	20,679	3,113	778	4,761	879	4,568	2,249	427
470	13,205	1,235	4,215	5,260	579	6,516	1,281	1,176	1,776	134
6,968	65,466	14,412	-	27,219	7,032	107,212	9,826	29,037	17,408	4,008
1,035	6,532	1,623	-	2,663	646	10,978	2,212	3,569	2,136	2,104
21	66	14	-	-	2	107	-	88	21	118
-	-	-	1,642	-	-	-	-	200	-	-
8,494	85,269	17,284	5,857	35,142	8,259	124,813	13,319	34,070	21,341	6,364
3,134	11,823	5,437	-	356	2,740	31,592	5,768	7,181	3,970	1,397
5,360	73,446	11,847	5,857	34,786	5,519	93,221	7,551	26,889	17,371	4,967
\$ 7,423	\$ 96,782	\$ 17,184	\$ 11,143	\$ 36,276	\$ 7,710	\$ 107,371	\$ 12,964	\$ 32,725	\$ 23,156	\$ 7,142

PRESBYTERIAN HOMES AND SERVICES AND AFFILIATES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION (CONTINUED)
SEPTEMBER 30, 2011
(DOLLAR AMOUNTS IN THOUSANDS)

	Mill Ridge Commons GracePointe Terrace	Grandview West, Inc. GracePointe Commons	Eliminations	Consolidated
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents:				
Unrestricted	\$ 383	\$ 635	\$ -	\$ 41,432
Restricted for Residents	-	541	-	4,926
Cash Held or Restricted, Current Portion	-	531	-	15,505
Accounts Receivable, Less Allowance for Doubtful Accounts	6	63	(444)	17,146
Pledges Receivable	-	-	-	110
Prepaid Expenses and Other Assets	1	3	-	1,637
Total Current Assets	<u>390</u>	<u>1,773</u>	<u>(444)</u>	<u>80,756</u>
INVESTMENTS AND OTHER ASSETS				
Investments and Cash Held or Restricted:				
By Agreements with Trustees and Others	-	416	-	55,479
Restricted by Donors and Others	-	-	-	15,074
Replacement Reserves	14	48	-	22,399
Endowment Funds	-	-	-	40,562
Pledges Receivable	-	-	-	3,328
Deferred Financing Costs, Less Accumulated Amortization	46	232	-	15,697
Investment in Other Entities	-	-	(6,035)	19,429
Other Assets	-	-	(6,302)	25,171
Due from Affiliates	-	400	(43,641)	-
Total Investments and Other Assets	<u>60</u>	<u>1,096</u>	<u>(55,978)</u>	<u>197,139</u>
PROPERTY AND EQUIPMENT				
Land	6	94	-	94,433
Buildings and Land Improvements	3,142	11,579	(4,395)	643,599
Equipment and Furnishings	468	819	-	88,335
Automotive Equipment	6	11	-	1,414
Construction in Progress	-	-	-	16,443
	<u>3,622</u>	<u>12,503</u>	<u>(4,395)</u>	<u>844,224</u>
Less: Accumulated Depreciation	555	1,673	(598)	202,064
Net Property and Equipment	<u>3,067</u>	<u>10,830</u>	<u>(3,797)</u>	<u>642,160</u>
Total Assets	<u>\$ 3,517</u>	<u>\$ 13,699</u>	<u>\$ (60,219)</u>	<u>\$ 920,055</u>

PRESBYTERIAN HOMES AND SERVICES AND AFFILIATES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION (CONTINUED)
SEPTEMBER 30, 2011
(DOLLAR AMOUNTS IN THOUSANDS)

	Presbyterian Homes & Services				Presbyterian Homes Hospice, Inc. Optage Hospice	Presbyterian Homes of Andover, Inc. Farmstead	Presbyterian Homes of Arden Hills, Inc. Johanna Shores
	International Nurse Recruitment	Optage Senior Dining Choices	Optage Inc. Optage Home and Community Based Services	Optage Primary Care			
LIABILITIES AND NET ASSETS							
CURRENT LIABILITIES							
Current Maturities of Long-Term Debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 445	\$ -
Accounts Payable	25	108	63	-	15	121	507
Construction Payable	-	-	-	-	-	-	-
Security Deposits and Other Resident Fund Payables	-	-	-	-	-	-	21
Accrued Payroll and Benefits	(1)	74	352	3	34	96	698
Accrued Interest and Other	-	-	-	-	-	90	553
Total Current Liabilities	<u>24</u>	<u>182</u>	<u>415</u>	<u>3</u>	<u>49</u>	<u>752</u>	<u>1,779</u>
LONG-TERM DEBT AND OTHER OBLIGATIONS							
Long-Term Debt, Less Current Maturities	77	-	-	-	-	10,900	100
Resident Notes Payable and Entrance Loan Deposits	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	6,882
Due to Affiliates	805	-	378	-	-	-	4,784
Total Long-Term Debt and Other Obligations	<u>882</u>	<u>-</u>	<u>378</u>	<u>-</u>	<u>-</u>	<u>10,900</u>	<u>11,766</u>
NET ASSETS							
Unrestricted, Undesignated	(2,179)	1,133	2,871	(27)	(329)	1,906	14,219
Unrestricted, Designated by Board for Endowment Fund	-	-	-	-	-	-	-
Non-Controlling Interest	-	-	-	-	-	-	-
Total Unrestricted	<u>(2,179)</u>	<u>1,133</u>	<u>2,871</u>	<u>(27)</u>	<u>(329)</u>	<u>1,906</u>	<u>14,219</u>
Temporarily Restricted	-	-	-	-	-	-	-
Permanently Restricted	-	-	-	-	-	-	-
Total Net Assets (Deficit)	<u>(2,179)</u>	<u>1,133</u>	<u>2,871</u>	<u>(27)</u>	<u>(329)</u>	<u>1,906</u>	<u>14,219</u>
Total Liabilities and Net Assets	<u>\$ (1,273)</u>	<u>\$ 1,315</u>	<u>\$ 3,664</u>	<u>\$ (24)</u>	<u>\$ (280)</u>	<u>\$ 13,558</u>	<u>\$ 27,764</u>

Presbyterian Homes of Bloomington, Inc. Summerhouse of Bloomington	Presbyterian Homes Bloomington Care Center, Inc.		Bloomington Bethany Senior Housing, Inc. Founders Ridge	Broadmoor Apartments, Inc. Broadmoor	Presbyterian Homes Care Centers, Inc. Langton Place	Castle Ridge Care Center, Inc. Castle Ridge	Central Towers Limited Partnership Central Towers	PHS/ Chanhassen, Inc Summerwood of Chanhassen
\$ 120	\$ 565	\$ 285	\$ -	\$ 406	\$ -	\$ 105	\$ 21	\$ 365
46	75	140	-	75	450	115	193	145
-	-	-	1,643	-	-	-	-	-
13	-	8	-	102	1	-	53	-
1	170	370	-	-	484	159	71	96
260	672	699	-	328	173	164	178	305
440	1,482	1,502	1,643	911	1,108	543	516	911
7,870	15,420	21,215	20,028	10,557	-	2,699	5,073	21,863
1,887	-	-	201	-	-	-	-	3,000
-	-	-	1,323	3	25	3	273	-
253	-	3,721	2,411	3,165	-	871	804	1,602
10,010	15,420	24,936	23,963	13,725	25	3,573	6,150	26,465
(1,877)	6,827	1,516	(1,416)	(4,065)	1,811	1,564	1,064	(1,790)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	(354)	-
(1,877)	6,827	1,516	(1,416)	(4,065)	1,811	1,564	710	(1,790)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
(1,877)	6,827	1,516	(1,416)	(4,065)	1,811	1,564	710	(1,790)
\$ 8,573	\$ 23,729	\$ 27,954	\$ 24,190	\$ 10,571	\$ 2,944	\$ 5,680	\$ 7,376	\$ 25,586

PRESBYTERIAN HOMES AND SERVICES AND AFFILIATES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION (CONTINUED)
SEPTEMBER 30, 2011
(DOLLAR AMOUNTS IN THOUSANDS)

	PHS/CG			PHM New Richmond		PHS/EagleCrest, Inc.		
	PHS/Cottage Grove, Inc.	Center LLC		Senior Housing, Inc.				
	Norris Square	Norris Marketplace	Croixdale Croixdale	Deerfield Housing	Deerfield Gables	EagleCrest	Country Inn & Suites	Hamline Center
LIABILITIES AND NET ASSETS								
CURRENT LIABILITIES								
Current Maturities of Long-Term Debt	\$ 140	\$ 168	\$ 475	\$ 140	\$ -	\$ 460	\$ 254	\$ -
Accounts Payable	77	21	107	584	412	276	55	34
Construction Payable	-	-	-	-	400	-	-	-
Security Deposits and Other Resident Fund Payables	-	-	-	74	-	20	-	-
Accrued Payroll and Benefits	94	-	101	94	100	238	37	2
Accrued Interest and Other	585	240	115	182	70	483	352	130
Total Current Liabilities	<u>896</u>	<u>429</u>	<u>798</u>	<u>1,074</u>	<u>982</u>	<u>1,477</u>	<u>698</u>	<u>166</u>
LONG-TERM DEBT AND OTHER OBLIGATIONS								
Long-Term Debt, Less Current Maturities	29,200	1,122	7,479	6,000	13,107	22,325	3,777	-
Resident Notes Payable and Entrance Loan Deposits	960	-	-	-	-	-	-	-
Other	-	-	-	-	13	1,448	-	-
Due to Affiliates	-	1,118	-	10	2,094	-	-	876
Total Long-Term Debt and Other Obligations	<u>30,160</u>	<u>2,240</u>	<u>7,479</u>	<u>6,010</u>	<u>15,214</u>	<u>23,773</u>	<u>3,777</u>	<u>876</u>
NET ASSETS								
Unrestricted, Undesignated	(649)	33	12,495	1,897	48	12,308	1,763	(563)
Unrestricted, Designated by Board for Endowment Fund	-	-	1,602	-	-	-	-	-
Non-Controlling Interest	-	-	-	-	-	-	-	-
Total Unrestricted	<u>(649)</u>	<u>33</u>	<u>14,097</u>	<u>1,897</u>	<u>48</u>	<u>12,308</u>	<u>1,763</u>	<u>(563)</u>
Temporarily Restricted	-	-	-	999	-	-	-	-
Permanently Restricted	-	-	-	-	-	-	-	-
Total Net Assets (Deficit)	<u>(649)</u>	<u>33</u>	<u>14,097</u>	<u>2,896</u>	<u>48</u>	<u>12,308</u>	<u>1,763</u>	<u>(563)</u>
	<u>\$ 30,407</u>	<u>\$ 2,702</u>	<u>\$ 22,374</u>	<u>\$ 9,980</u>	<u>\$ 16,244</u>	<u>\$ 37,558</u>	<u>\$ 6,238</u>	<u>\$ 479</u>

Conservative Baptist Home, Inc. and Center Park Senior Apartments, Inc. Maranatha	Presbyterian Homes Foundation	Presbyterian Homes of Wisconsin, Inc.		Gideon Pond West, Inc.	Gideon Pond Housing Corporation	PHS/Inver Grove, Inc.	Presbyterian Homes Management & Services, Inc.	Presbyterian Homes Mill Pond Apartments, Inc.	Presbyterian Homes Mill Pond Care Center, Inc.	PHS Monticello, Inc.
		PHW/ Helpmates	Avalon Square	Ridgeview Terrace	Newton Manor	Timber Hills	Management & Services	Mill Pond Apartments	Mill Pond	Mississippi Shores
\$ 170	\$ -	\$ -	\$ 288	\$ 52	\$ 59	\$ 696	\$ -	\$ 146	\$ 116	\$ 42
585	51	6	63	4	4	237	-	48	111	158
-	-	-	-	-	-	-	-	-	-	-
-	-	-	78	17	14	172	-	-	-	-
218	-	49	122	-	-	94	-	-	164	7
246	113	-	106	65	38	488	-	85	20	20
<u>1,219</u>	<u>164</u>	<u>55</u>	<u>657</u>	<u>138</u>	<u>115</u>	<u>1,687</u>	<u>-</u>	<u>279</u>	<u>411</u>	<u>227</u>
4,923	-	-	19,192	1,727	1,116	26,839	-	3,289	4,952	2,768
-	-	-	-	-	-	8,088	-	-	-	-
221	209	-	-	-	-	-	-	-	-	-
287	6,286	-	1,234	27	75	-	-	193	1,780	202
<u>5,431</u>	<u>6,495</u>	<u>-</u>	<u>20,426</u>	<u>1,754</u>	<u>1,191</u>	<u>34,927</u>	<u>-</u>	<u>3,482</u>	<u>6,732</u>	<u>2,970</u>
6,033	(4,793)	4,161	(1,455)	(488)	515	(2,515)	-	553	1,834	(117)
-	3,019	-	-	-	-	-	-	-	-	-
<u>6,033</u>	<u>(1,774)</u>	<u>4,161</u>	<u>(1,455)</u>	<u>(488)</u>	<u>515</u>	<u>(2,515)</u>	<u>-</u>	<u>553</u>	<u>1,834</u>	<u>(117)</u>
-	6,308	15	-	-	-	-	-	-	-	-
<u>6,033</u>	<u>34,438</u>	<u>6,423</u>	<u>(1,455)</u>	<u>(488)</u>	<u>515</u>	<u>(2,515)</u>	<u>-</u>	<u>553</u>	<u>1,834</u>	<u>(117)</u>
<u>\$ 12,683</u>	<u>\$ 41,097</u>	<u>\$ 6,478</u>	<u>\$ 19,628</u>	<u>\$ 1,404</u>	<u>\$ 1,821</u>	<u>\$ 34,099</u>	<u>\$ -</u>	<u>\$ 4,314</u>	<u>\$ 8,977</u>	<u>\$ 3,080</u>

PRESBYTERIAN HOMES AND SERVICES AND AFFILIATES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION (CONTINUED)
SEPTEMBER 30, 2011
(DOLLAR AMOUNTS IN THOUSANDS)

Presbyterian Homes Housing and Assisted Living, Inc.												
	Noah's Ark Affordable Housing, Inc. Oakcrest	PHS Lake Minnetonka Lake Shores	PHHAL	PHS Management LLC	Summerwood of Plymouth	Senior Housing Partners	Senior Lifestyle Design	1221 Nicollet	GracePointe Gables East	Mayfield	Mission Development	Valley Ridge
LIABILITIES AND NET ASSETS												
CURRENT LIABILITIES												
Current Maturities of Long-Term Debt	\$ 266	\$ 139	\$ -	\$ 210	\$ 201	\$ -	\$ -	\$ 340	\$ 160	\$ 190	\$ -	\$ -
Accounts Payable	33	507	(4,455)	496	47	22	29	68	1,826	-	19	-
Construction Payable	-	-	-	-	-	-	-	-	-	-	-	-
Security Deposits and Other Resident Fund Payables	80	7	4	-	-	-	-	41	23	-	2,857	-
Accrued Payroll and Benefits	17	565	(464)	3,480	84	152	41	-	323	11	-	-
Accrued Interest and Other	247	563	-	249	269	46	-	100	241	243	401	-
Total Current Liabilities	643	1,781	(4,915)	4,435	601	220	70	549	2,573	444	3,277	-
LONG-TERM DEBT AND OTHER OBLIGATIONS												
Long-Term Debt, Less Current Maturities	6,494	25,528	5,011	4,993	16,770	-	-	8,661	7,933	5,475	-	550
Resident Notes Payable and Entrance Loan Deposits	-	-	-	-	-	-	-	-	-	-	1,679	-
Other	-	929	-	2,297	-	-	-	-	21	-	1,029	-
Due to Affiliates	185	-	-	-	-	-	348	580	1,097	-	-	-
Total Long-Term Debt and Other Obligations	6,679	26,457	5,011	7,290	16,770	-	348	9,241	9,051	5,475	2,708	550
NET ASSETS												
Unrestricted, Undesignated	2,067	1,709	16,657	8,902	(124)	4,744	1,482	(292)	(390)	2,209	26,070	-
Unrestricted, Designated by Board for Endowment Fund	-	-	-	-	-	-	-	-	-	-	-	-
Non-Controlling Interest	-	-	-	-	-	-	-	-	-	-	-	-
Total Unrestricted	2,067	1,709	16,657	8,902	(124)	4,744	1,482	(292)	(390)	2,209	26,070	-
Temporarily Restricted	-	-	-	-	-	-	-	-	-	-	-	-
Permanently Restricted	-	-	-	-	-	-	-	-	-	-	-	-
Total Net Assets (Deficit)	2,067	1,709	16,657	8,902	(124)	4,744	1,482	(292)	(390)	2,209	26,070	-
Total Liabilities and Net Assets	\$ 9,389	\$ 29,947	\$ 16,753	\$ 20,627	\$ 17,247	\$ 4,964	\$ 1,900	\$ 9,498	\$ 11,234	\$ 8,128	\$ 32,055	\$ 550

PHS/ Oakdale, Inc. Echo Ridge	Presbyterian Homes of North Oaks, Inc. Waverly Gardens	Kirkland Crossings, Inc. Kirkland Crossings	Wayzata Bay Senior Housing, Inc. Folkestone	Shepherd's Path Senior Housing, Inc. Mckenna Crossing	PHS/ Shoreview, Inc. Summerhouse of Shoreview	Valley Senior Service Alliance Boutwells Landing	PHS/Beacon Hill, Inc. Beacon Hill	Williamsburg Retirement Community, Inc. Highland Ridge	PHS/ Woodbury, Inc. Stonecrest	Grandview Christian Homes GracePointe Gables West
\$ 108	\$ -	\$ 235	\$ 88	\$ 345	\$ 85	\$ 1,850	\$ 279	\$ 599	\$ 325	\$ 137
76	320	112	169	107	37	682	134	120	135	1,521
-	-	-	-	-	-	-	-	-	-	-
-	-	133	-	148	-	398	-	-	-	23
14	260	87	-	119	9	404	89	134	67	552
34	3,290	341	52	415	127	1,210	(1)	34	631	165
232	3,870	908	309	1,134	258	4,544	501	887	1,158	2,398
7,132	79,977	17,226	8,981	28,955	5,600	75,694	9,431	9,202	21,000	2,020
-	19,382	541	-	4,668	3,138	26,936	-	2,731	-	-
-	6,355	-	-	-	-	4,027	-	-	-	9
164	1,130	62	1,870	1,088	-	-	-	1,670	-	2,464
7,296	106,844	17,829	10,851	34,711	8,738	106,657	9,431	13,603	21,000	4,493
(105)	(15,565)	(1,553)	(17)	431	(1,286)	(3,830)	3,032	13,838	998	251
-	1,633	-	-	-	-	-	-	2,548	-	-
(105)	(13,932)	(1,553)	(17)	431	(1,286)	(3,830)	3,032	16,386	998	251
-	-	-	-	-	-	-	-	1,849	-	-
(105)	(13,932)	(1,553)	(17)	431	(1,286)	(3,830)	3,032	18,235	998	251
<u>\$ 7,423</u>	<u>\$ 96,782</u>	<u>\$ 17,184</u>	<u>\$ 11,143</u>	<u>\$ 36,276</u>	<u>\$ 7,710</u>	<u>\$ 107,371</u>	<u>\$ 12,964</u>	<u>\$ 32,725</u>	<u>\$ 23,156</u>	<u>\$ 7,142</u>

PRESBYTERIAN HOMES AND SERVICES AND AFFILIATES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION (CONTINUED)
SEPTEMBER 30, 2011
(DOLLAR AMOUNTS IN THOUSANDS)

	Mill Ridge Commons	Grandview West, Inc.		
	GracePointe Terrace	GracePointe Commons	Eliminations	Consolidated
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Current Maturities of Long-Term Debt	\$ 122	\$ 215	\$ -	\$ 11,412
Accounts Payable	13	33	(351)	6,611
Construction Payable	-	-	-	2,043
Security Deposits and Other Resident Fund Payables	-	-	-	4,287
Accrued Payroll and Benefits	6	66	-	9,943
Accrued Interest and Other	72	381	-	15,870
Total Current Liabilities	<u>213</u>	<u>695</u>	<u>(351)</u>	<u>50,166</u>
LONG-TERM DEBT AND OTHER OBLIGATIONS				
Long-Term Debt, Less Current Maturities	1,803	9,740	(3,978)	617,816
Resident Notes Payable and Entrance Loan Deposits	132	355	-	73,698
Other	-	-	(76)	24,991
Due to Affiliates	7	-	(43,641)	-
Total Long-Term Debt and Other Obligations	<u>1,942</u>	<u>10,095</u>	<u>(47,695)</u>	<u>716,505</u>
NET ASSETS				
Unrestricted, Undesignated	1,362	2,909	(12,173)	103,614
Unrestricted, Designated by Board for Endowment Fund	-	-	-	8,802
Non-Controlling Interest	-	-	-	(354)
Total Unrestricted	<u>1,362</u>	<u>2,909</u>	<u>(12,173)</u>	<u>112,062</u>
Temporarily Restricted	-	-	-	9,171
Permanently Restricted	-	-	-	32,151
Total Net Assets (Deficit)	<u>1,362</u>	<u>2,909</u>	<u>(12,173)</u>	<u>153,384</u>
Total Liabilities and Net Assets	<u>\$ 3,517</u>	<u>\$ 13,699</u>	<u>\$ (60,219)</u>	<u>\$ 920,055</u>

PRESBYTERIAN HOMES AND SERVICES AND AFFILIATES
CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
SEPTEMBER 30, 2011
(DOLLAR AMOUNTS IN THOUSANDS)

	Presbyterian Homes & Services				Presbyterian Homes Hospice, Inc. Optage Hospice	Presbyterian Homes of Andover, Inc. Farmstead	Presbyterian
	International Nurse Recruitment	Optage Senior Dining Choices	Optage Inc. Optage Home and Community Based Services	Optage Primary Care			Homes of Arden Hills, Inc. Johanna Shores
OPERATING REVENUE							
Net Services to Residents	\$ 72	\$ 3,901	\$ 8,186	\$ 17	\$ 374	\$ 5,032	\$ 21,512
Other Operating Revenues	-	-	8	4	-	40	267
OPERATING REVENUE	<u>72</u>	<u>3,901</u>	<u>8,194</u>	<u>21</u>	<u>374</u>	<u>5,072</u>	<u>21,779</u>
OPERATING EXPENSE							
Services to Residents	401	3,150	6,783	47	336	2,513	17,322
General and Administrative	13	413	1,097	1	156	638	2,061
Interest	-	-	-	-	-	611	325
Depreciation and Amortization	-	119	64	-	3	498	2,411
Total Operating Expense	<u>414</u>	<u>3,682</u>	<u>7,944</u>	<u>48</u>	<u>495</u>	<u>4,260</u>	<u>22,119</u>
OPERATING INCOME (LOSS)	(342)	219	250	(27)	(121)	812	(340)
NONOPERATING GAINS (LOSSES) AND OTHER SUPPORT							
Unrestricted Contributions	-	-	-	-	-	-	-
Income From Endowment Investments	-	-	-	-	-	-	-
Net Change in Fair Value of Investments	-	-	-	-	-	-	-
Interest Rate Swap Market Adjustment	-	-	-	-	-	-	(893)
(Gain) Loss on Refinancing	-	-	-	-	-	-	(50)
Fundraising Expenses	-	-	-	-	-	-	-
Other Nonoperating Expenses	-	-	-	-	-	-	(3)
Total Nonoperating Gains (Losses) and Other Support	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(946)</u>
EXCESS (DEFICIT) OF REVENUE OVER EXPENSE	(342)	219	250	(27)	(121)	812	(1,286)
OTHER CHANGES IN UNRESTRICTED NET ASSETS							
Transfers (to) from Affiliates	-	507	-	-	5	-	1,209
Unrestricted Capital Contributions	-	-	-	-	-	-	-
Minority Interest in Expenses Over Revenues	-	-	-	-	-	-	-
Net Assets Released From Restriction	-	-	-	-	-	-	-
CHANGE IN UNRESTRICTED NET ASSETS	<u>(342)</u>	<u>726</u>	<u>250</u>	<u>(27)</u>	<u>(116)</u>	<u>812</u>	<u>(77)</u>
TEMPORARILY RESTRICTED NET ASSETS							
Temporarily Restricted Contributions	-	-	-	-	-	-	-
Released from Restriction	-	-	-	-	-	-	-
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
PERMANENTLY RESTRICTED NET ASSETS							
Permanently Restricted Contributions	-	-	-	-	-	-	-
Gain From Endowment Investments	-	-	-	-	-	-	-
CHANGE IN PERMANENTLY RESTRICTED NET ASSETS	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL CHANGE IN NET ASSETS	<u>\$ (342)</u>	<u>\$ 726</u>	<u>\$ 250</u>	<u>\$ (27)</u>	<u>\$ (116)</u>	<u>\$ 812</u>	<u>\$ (77)</u>

Presbyterian Homes of Bloomington, Inc. Summerhouse of Bloomington	Presbyterian Homes Bloomington Care Center, Inc.		Bloomington Bethany Senior Housing, Inc. Founders Ridge	Broadmoor Apartments, Inc. Broadmoor	Presbyterian Homes Care Centers, Inc. Langton Place	Castle Ridge Care Center, Inc. Castle Ridge	Central Towers Limited Partnership Central Towers	PHS/ Chanhassen, Inc Summerwood of Chanhassen
	Gideon Pond Commons	Bloomington Care Center						
\$ 1,247	\$ 6,217	\$ 13,188	\$ -	\$ 2	\$ 14,216	\$ 5,390	\$ 1,473	\$ 5,765
201	175	44	-	2,072	83	38	37	102
<u>1,448</u>	<u>6,392</u>	<u>13,232</u>	<u>-</u>	<u>2,074</u>	<u>14,299</u>	<u>5,428</u>	<u>1,510</u>	<u>5,867</u>
512	3,624	9,900	-	1,008	11,708	4,222	759	2,512
237	753	985	92	54	1,302	452	487	732
523	554	1,188	-	762	435	167	167	1,366
383	275	1,148	-	593	429	243	337	1,015
<u>1,655</u>	<u>5,206</u>	<u>13,221</u>	<u>92</u>	<u>2,417</u>	<u>13,874</u>	<u>5,084</u>	<u>1,750</u>	<u>5,625</u>
(207)	1,186	11	(92)	(343)	425	344	(240)	242
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	(1,324)	-	-	-	-	-
-	(124)	-	-	-	(199)	-	-	-
-	-	-	-	-	-	-	-	-
-	-	(12)	-	-	(7)	(5)	(2)	(2)
-	(124)	(12)	(1,324)	-	(206)	(5)	(2)	(2)
(207)	1,062	(1)	(1,416)	(343)	219	339	(242)	240
-	6,397	23	-	-	13	5	4	2
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>(207)</u>	<u>7,459</u>	<u>22</u>	<u>(1,416)</u>	<u>(343)</u>	<u>232</u>	<u>344</u>	<u>(238)</u>	<u>242</u>
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>(207)</u>	<u>7,459</u>	<u>22</u>	<u>(1,416)</u>	<u>(343)</u>	<u>232</u>	<u>344</u>	<u>(238)</u>	<u>242</u>

PRESBYTERIAN HOMES AND SERVICES AND AFFILIATES
CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2011
(DOLLAR AMOUNTS IN THOUSANDS)

	PHS/Cottage		PHS/CG		PHM New Richmond		PHS/EagleCrest, Inc.		
	Grove, Inc.		Center LLC		Senior Housing, Inc.				
	Norris Square	Marketplace	Norris	Croixdale	Deerfield	Deerfield	EagleCrest	Country Inn & Suites	Hamline Center
OPERATING REVENUE									
Net Services to Residents	\$ 5,480	\$ -	\$ 3,885	\$ 1,635	\$ 1,525	\$ 9,748	\$ -	\$ -	
Other Operating Revenues	80	-	102	2	8	106	2,049	287	
OPERATING REVENUE	5,560	-	3,987	1,637	1,533	9,854	2,049	287	
OPERATING EXPENSE									
Services to Residents	2,698	(45)	2,011	897	1,336	4,838	713	294	
General and Administrative	680	85	539	234	109	1,195	713	39	
Interest	1,570	128	189	243	16	1,344	239	-	
Depreciation and Amortization	946	44	648	256	26	1,001	250	18	
Total Operating Expense	5,894	212	3,387	1,630	1,487	8,378	1,915	351	
OPERATING INCOME (LOSS)	(334)	(212)	600	7	46	1,476	134	(64)	
NONOPERATING GAINS (LOSSES) AND OTHER SUPPORT									
Unrestricted Contributions	-	-	15	1,859	(248)	-	-	-	
Income From Endowment Investments	-	-	17	-	-	-	-	-	
Net Change in Fair Value of Investments	-	-	-	-	-	-	-	-	
Interest Rate Swap Market Adjustment	-	-	-	-	-	(41)	-	-	
(Gain) Loss on Refinancing	-	-	-	-	-	-	(78)	-	
Fundraising Expenses	-	-	-	-	-	-	-	-	
Other Nonoperating Expenses	(1)	-	(2)	-	-	(2)	-	-	
Total Nonoperating Gains (Losses) and Other Support	(1)	-	30	1,859	(248)	(43)	(78)	-	
EXCESS (DEFICIT) OF REVENUE OVER EXPENSE	(335)	(212)	630	1,866	(202)	1,433	56	(64)	
OTHER CHANGES IN UNRESTRICTED NET ASSETS									
Transfers (to) from Affiliates	1	-	5	31	250	2	-	-	
Unrestricted Capital Contributions	-	-	-	-	-	-	-	-	
Minority Interest in Expenses Over Revenues	-	-	-	-	-	-	-	-	
Net Assets Released From Restriction	-	-	-	-	-	-	-	-	
CHANGE IN UNRESTRICTED NET ASSETS	(334)	(212)	635	1,897	48	1,435	56	(64)	
TEMPORARILY RESTRICTED NET ASSETS									
Temporarily Restricted Contributions	-	-	-	999	-	-	-	-	
Released from Restriction	-	-	-	-	-	-	-	-	
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	-	-	-	999	-	-	-	-	
PERMANENTLY RESTRICTED NET ASSETS									
Permanently Restricted Contributions	-	-	-	-	-	-	-	-	
Gain From Endowment Investments	-	-	-	-	-	-	-	-	
CHANGE IN PERMANENTLY RESTRICTED NET ASSETS	-	-	-	-	-	-	-	-	
TOTAL CHANGE IN NET ASSETS	\$ (334)	\$ (212)	\$ 635	\$ 2,896	\$ 48	\$ 1,435	\$ 56	\$ (64)	

Maranatha Conservative Baptist Home, Inc. and Center Park Senior Apartments, Inc. Maranatha	Presbyterian Homes Foundation	Presbyterian Homes of Wisconsin, Inc.		Gideon Pond West, Inc.	Gideon Pond Housing Corporation	PHS/Inver Grove, Inc.	Presbyterian Homes Management & Services, Inc.	Presbyterian Homes Mill Pond Apartments, Inc.	Presbyterian Homes Mill Pond Care Center, Inc.	PHS Monticello, Inc.
		PHW/ Helpmates	Avalon Square	Ridgeview Terrace	Newton Manor	Timber Hills	Management & Services	Mill Pond Apartments	Mill Pond	Mississippi Shores
\$ 9,156	\$ -	\$ 175	\$ 5,002	\$ 461	\$ 447	\$ 7,823	\$ -	\$ 774	\$ 5,678	\$ 560
43	-	24	147	4	2	66	4,836	4	30	5
<u>9,199</u>	<u>-</u>	<u>199</u>	<u>5,149</u>	<u>465</u>	<u>449</u>	<u>7,889</u>	<u>4,836</u>	<u>778</u>	<u>5,708</u>	<u>565</u>
7,521	2,267	200	2,545	142	120	3,504	-	247	4,028	120
974	3	33	788	139	150	975	4,123	82	593	125
250	-	-	1,087	88	59	1,556	89	139	243	116
434	-	1	881	78	107	1,270	284	141	361	199
<u>9,179</u>	<u>2,270</u>	<u>234</u>	<u>5,301</u>	<u>447</u>	<u>436</u>	<u>7,305</u>	<u>4,496</u>	<u>609</u>	<u>5,225</u>	<u>560</u>
20	(2,270)	(35)	(152)	18	13	584	340	169	483	5
-	1,601	-	-	-	-	-	-	-	-	-
-	4	118	-	-	-	-	-	-	-	-
-	1,208	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	(462)	-	-	-
-	-	(76)	(26)	-	-	(5)	-	-	(8)	-
-	2,813	42	(26)	-	-	(5)	(462)	-	(8)	-
20	543	7	(178)	18	13	579	(122)	169	475	5
-	(8,211)	107	49	-	-	5	(8,277)	-	11	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	6,163	-	-	-	-	-	-	-	-	-
20	(1,505)	114	(129)	18	13	584	(8,399)	169	486	5
-	6,815	-	-	-	-	-	-	-	-	-
-	(6,163)	-	-	-	-	-	-	-	-	-
-	652	-	-	-	-	-	-	-	-	-
-	940	-	-	-	-	-	-	-	-	-
-	(1,593)	(36)	-	-	-	-	-	-	-	-
-	(653)	(36)	-	-	-	-	-	-	-	-
<u>\$ 20</u>	<u>\$ (1,506)</u>	<u>\$ 78</u>	<u>\$ (129)</u>	<u>\$ 18</u>	<u>\$ 13</u>	<u>\$ 584</u>	<u>\$ (8,399)</u>	<u>\$ 169</u>	<u>\$ 486</u>	<u>\$ 5</u>

PRESBYTERIAN HOMES AND SERVICES AND AFFILIATES
CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2011
(DOLLAR AMOUNTS IN THOUSANDS)

Presbyterian Homes Housing & Assisted Living, Inc.												
	PHS Lake		PHS Management LLC	Summerwood of Plymouth	Senior Housing Partners	Senior Lifestyle Design	1221 Niccollet	GracePointe Gables East	Mayfield	Mission Development	Valley Ridge	
	Noah's Ark Affordable Housing, Inc.	Minnetonka Lake										
	Oakcrest	Shores										
OPERATING REVENUE												
Net Services to Residents	\$ 1,248	\$ 17,541	\$ 22	\$ -	\$ 5,076	\$ -	\$ -	\$ -	\$ 6,488	\$ 1,069	\$ -	\$ -
Other Operating Revenues	23	531	181	6,633	43	2,801	5,855	1,817	29	34	3,722	-
OPERATING REVENUE	1,271	18,072	203	6,633	5,119	2,801	5,855	1,817	6,517	1,103	3,722	-
OPERATING EXPENSE												
Services to Residents	461	13,664	3	-	2,432	-	-	667	5,147	343	-	-
General and Administrative	200	2,217	79	5,791	534	1,849	5,024	275	745	175	-	-
Interest	143	608	155	127	935	-	-	418	478	306	-	-
Depreciation and Amortization	461	980	-	387	664	13	1	361	364	242	-	-
Total Operating Expense	1,265	17,469	237	6,305	4,565	1,862	5,025	1,721	6,734	1,066	-	-
OPERATING INCOME (LOSS)	6	603	(34)	328	554	939	830	96	(217)	37	3,722	-
NONOPERATING GAINS (LOSSES)												
AND OTHER SUPPORT												
Unrestricted Contributions	-	8	-	(153)	-	-	-	-	-	-	-	-
Income From Endowment Investments	-	-	-	-	-	-	-	-	-	-	-	-
Net Change in Fair Value of Investments	-	-	-	-	-	-	-	-	-	-	-	-
Interest Rate Swap Market Adjustment	-	-	-	-	-	-	-	-	-	-	-	-
(Gain) Loss on Refinancing	-	-	(116)	-	-	-	-	-	-	(89)	-	-
Fundraising Expenses	-	-	-	(773)	-	-	-	-	-	-	-	-
Other Nonoperating Expenses	(1)	-	-	-	(10)	-	-	-	-	-	-	-
Total Nonoperating Gains (Losses) and Other Support	(1)	8	(116)	(926)	(10)	-	-	-	-	(89)	-	-
EXCESS (DEFICIT) OF REVENUE OVER EXPENSE	5	611	(150)	(598)	544	939	830	96	(217)	(52)	3,722	-
OTHER CHANGES IN UNRESTRICTED NET ASSETS												
Transfers (to) from Affiliates	1	279	(6,397)	9,500	32	-	-	-	3	1	3,704	-
Unrestricted Capital Contributions	-	-	-	-	-	-	-	-	-	-	-	-
Minority Interest in Expenses Over Revenues	-	-	-	-	-	-	-	-	-	-	-	-
Net Assets Released From Restriction	-	-	-	-	-	-	-	-	-	-	-	-
CHANGE IN UNRESTRICTED NET ASSETS	6	890	(6,547)	8,902	576	939	830	96	(214)	(51)	7,426	-
TEMPORARILY RESTRICTED NET ASSETS												
Temporarily Restricted Contributions	-	-	-	-	-	-	-	-	-	-	-	-
Released from Restriction	-	-	-	-	-	-	-	-	-	-	-	-
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	-	-	-	-	-	-	-	-	-	-	-	-
PERMANENTLY RESTRICTED NET ASSETS												
Permanently Restricted Contributions	-	-	-	-	-	-	-	-	-	-	-	-
Gain From Endowment Investments	-	-	-	-	-	-	-	-	-	-	-	-
CHANGE IN PERMANENTLY RESTRICTED NET ASSETS	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL CHANGE IN NET ASSETS	\$ 6	\$ 890	\$ (6,547)	\$ 8,902	\$ 576	\$ 939	\$ 830	\$ 96	\$ (214)	\$ (51)	\$ 7,426	\$ -

PHS/ Oakdale, Inc. Echo Ridge	Presbyterian Homes of North Oaks, Inc. Waverly Gardens	Kirkland Crossings, Inc. Kirkland Crossings	Wayzata Bay Senior Housing, Inc. Folkestone	Shepherd's Path Senior Housing, Inc. Mckenna Crossing	PHS/ Shoreview, Inc. Summerhouse of Shoreview	Valley Senior Service Alliance Boutwells Landing	PHS/Beacon Hill, Inc. Beacon Hill	Williamsburg Retirement Community, Inc. Highland Ridge	PHS/ Woodbury, Inc. Stonecrest	Grandview Christian Homes GracePointe Gables West
\$ 1,326	\$ 17,167	\$ 5,071	\$ -	\$ 1,716	\$ 1,101	\$ 25,052	\$ 4,081	\$ 5,599	\$ 5,662	\$ 10,673
16	626	57	45	30	13	406	25	84	79	138
1,342	17,793	5,128	45	1,746	1,114	25,458	4,106	5,683	5,741	10,811
289	9,008	2,497	-	993	310	14,912	1,881	3,763	2,547	8,770
221	1,622	626	20	288	183	2,992	584	662	686	1,039
413	4,995	971	-	415	361	2,774	520	235	1,257	101
345	2,688	639	-	369	261	4,686	549	1,241	825	390
1,268	18,313	4,733	20	2,065	1,115	25,364	3,534	5,901	5,315	10,300
74	(520)	395	25	(319)	(1)	94	572	(218)	426	511
-	-	-	-	750	-	11	-	38	-	-
-	-	-	-	-	-	-	-	96	-	-
-	-	-	-	-	-	-	-	(139)	-	-
-	(1,764)	-	-	-	-	406	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	(21)	(4)	-	-	-	(16)	(2)	-	(4)	(1)
-	(1,785)	(4)	-	750	-	401	(2)	(5)	(4)	(1)
74	(2,305)	391	25	431	(1)	495	570	(223)	422	510
-	21	4	-	-	5	186	8	507	4	4
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
74	(2,284)	395	25	431	4	681	578	284	426	514
-	-	-	-	-	-	-	-	1,849	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	1,849	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
\$ 74	\$ (2,284)	\$ 395	\$ 25	\$ 431	\$ 4	\$ 681	\$ 578	\$ 2,133	\$ 426	\$ 514

PRESBYTERIAN HOMES AND SERVICES AND AFFILIATES
CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2011
(DOLLAR AMOUNTS IN THOUSANDS)

	Mill Ridge Commons GracePointe Terrace	Grandview West, Inc. GracePointe Commons	Eliminations	Consolidated
OPERATING REVENUE				
Net Services to Residents	\$ 844	\$ 2,993	\$ -	\$ 251,670
Other Operating Revenues	2	27	(17,232)	16,851
OPERATING REVENUE	846	3,020	(17,232)	268,521
OPERATING EXPENSE				
Services to Residents	309	1,589	-	167,818
General and Administrative	131	427	(12,977)	34,445
Interest	90	595	(3,540)	25,811
Depreciation and Amortization	148	435	(10)	30,502
Total Operating Expense	678	3,046	(16,527)	258,576
OPERATING INCOME (LOSS)	168	(26)	(705)	9,945
NONOPERATING GAINS (LOSSES) AND OTHER SUPPORT				
Unrestricted Contributions	-	-	-	3,881
Income From Endowment Investments	-	-	-	235
Net Change in Fair Value of Investments	-	-	-	1,069
Interest Rate Swap Market Adjustment	-	-	-	(3,616)
(Gain) Loss on Refinancing	-	-	-	(656)
Fundraising Expenses	-	-	-	(1,235)
Other Nonoperating Expenses	-	-	-	(210)
Total Nonoperating Gains (Losses) and Other Support	-	-	-	(532)
EXCESS (DEFICIT) OF REVENUE OVER EXPENSE	168	(26)	(705)	9,413
OTHER CHANGES IN UNRESTRICTED NET ASSETS				
Transfers (to) from Affiliates	-	-	-	-
Unrestricted Capital Contributions	-	-	-	-
Minority Interest in Expenses Over Revenues	-	-	-	-
Net Assets Released From Restriction	-	-	-	6,163
CHANGE IN UNRESTRICTED NET ASSETS	168	(26)	(705)	15,576
TEMPORARILY RESTRICTED NET ASSETS				
Temporarily Restricted Contributions	-	-	-	9,663
Released from Restriction	-	-	-	(6,163)
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	-	-	-	3,500
PERMANENTLY RESTRICTED NET ASSETS				
Permanently Restricted Contributions	-	-	-	940
Gain From Endowment Investments	-	-	-	(1,629)
CHANGE IN PERMANENTLY RESTRICTED NET ASSETS	-	-	-	(689)
TOTAL CHANGE IN NET ASSETS	\$ 168	\$ (26)	\$ (705)	\$ 18,387