

PRESBYTERIAN HOMES AND SERVICES AND AFFILIATES
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2013 AND 2012

**PRESBYTERIAN HOMES AND SERVICES AND AFFILIATES
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YEARS ENDED SEPTEMBER 30, 2013 AND 2012**

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**PRESBYTERIAN HOMES AND SERVICES AND AFFILIATES
BOARD OF DIRECTORS
SEPTEMBER 30, 2013**

Past Chairs		Officers	
Dr. Edwin Kagin	- 1948-1952	Chair	- Mr. Harold J. Wiens
Dr. Irving A. West	- 1952-1984	Vice Chair	- Mr. Kenneth S. Larson
Dr. B.J. Kennedy	- 1985-1989	President/Chief Executive Officer	- Mr. Daniel A. Lindh
Mr. Donald E. Garretson	- 1989-1991	Secretary	- Ms. Janna R. Severance
Mr. Hugh K. Schilling	- 1991-1993	Treasurer/Chief Financial Officer	- Mr. Mark T. Meyer
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		
Mr. Robert S. Dunbar	- 2011-2012		

Directors			
	No. of Years <u>Served</u>		No. of Years <u>Served</u>
Berglund, Mr. Donald	2	Olson, Mrs. Carole Mae	8
Chapman, Mr. Austin	8	Olson, Dr. Philip K.	5
Chien, Mr. Theodore	8	Tortelli, Mr. Ronald C.	7
Clymer, Mr. John	1	Wessner, Mr. David	1
Doyle, Mrs. Megan A.	9	Wiens, Mr. Harold J.	5
Emmerich, Mrs. Karol D.	7	Crittenden, Rev. David D.	Synod Representative (Ex-officio)
Larson, Mr. Kenneth S.	2		
Olson, Mr. Allen I.	7		

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of Presbyterian Homes and Services and Affiliates, which comprise the consolidated statements of financial position as of September 30, 2013 and 2012, and the related consolidated statements of operations and changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2013 and 2012, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
December 5, 2013

PRESBYTERIAN HOMES AND SERVICES AND AFFILIATES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2013 AND 2012
(DOLLAR AMOUNTS IN THOUSANDS)

ASSETS	2013	2012
CURRENT ASSETS		
Cash and Cash Equivalents:		
Unrestricted	\$ 50,814	\$ 45,318
Restricted for Residents	5,741	5,487
Cash Held or Restricted, Current Portion	35,346	25,565
Accounts Receivable, Net	24,479	18,341
Pledges Receivable, Current Portion	2,100	110
Prepaid Expenses and Other Assets	1,687	1,870
Total Current Assets	120,167	96,691
INVESTMENTS AND OTHER ASSETS		
Investments and Cash Held or Restricted:		
By Agreements with Trustees and Others	53,762	117,508
Restricted by Donors and Others	21,472	11,881
Replacement Reserves	17,606	13,537
Endowment Funds, Including Perpetual Trust	52,459	47,422
Pledges Receivable	516	2,182
Deferred Financing Costs, Less Accumulated Amortization	14,786	15,854
Investment in Other Entities	16,192	15,821
Other Assets	12,210	9,675
Total Investments and Other Assets	189,003	233,880
PROPERTY AND EQUIPMENT		
Land	138,760	138,562
Building and Land Improvements	702,749	666,993
Equipment and Furnishings	109,160	99,688
Automotive Equipment	1,722	1,545
Construction in Progress	100,121	46,714
Subtotal	1,052,512	953,502
Less: Accumulated Depreciation	260,209	228,918
Net Property and Equipment	792,303	724,584
 Total Assets	 \$ 1,101,473	 \$ 1,055,155

See accompanying Notes to Consolidated Financial Statements.

LIABILITIES AND NET ASSETS	<u>2013</u>	<u>2012</u>
CURRENT LIABILITIES		
Current Maturities of Long-Term Debt	\$ 18,254	\$ 12,570
Accounts Payable	10,938	6,604
Construction Payable	15,174	7,673
Security Deposits and Other Resident Fund Payables	4,997	4,766
Accrued Payroll and Benefits	11,566	11,427
Accrued Interest and Other	20,868	20,156
Total Current Liabilities	<u>81,797</u>	<u>63,196</u>
LONG-TERM DEBT AND OTHER OBLIGATIONS		
Long-Term Debt, Less Current Maturities	732,721	724,915
Resident Notes Payable and Entrance Loan Deposits	84,501	81,278
Other	19,442	21,512
Total Long-Term Debt and Other Obligations	<u>836,664</u>	<u>827,705</u>
COMMITMENTS AND CONTINGENCIES		
NET ASSETS		
Unrestricted, Undesignated	132,493	114,186
Unrestricted, Designated by Board for Endowment Fund	8,945	9,748
Non-Controlling Interest	(354)	(354)
Total Unrestricted	<u>141,084</u>	<u>123,580</u>
Temporarily Restricted	3,713	3,836
Permanently Restricted	38,215	36,838
Total Net Assets	<u>183,012</u>	<u>164,254</u>
Total Liabilities and Net Assets	<u><u>\$ 1,101,473</u></u>	<u><u>\$ 1,055,155</u></u>

PRESBYTERIAN HOMES AND SERVICES AND AFFILIATES
CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
YEARS ENDED SEPTEMBER 30, 2013 AND 2012
(DOLLAR AMOUNTS IN THOUSANDS)

	2013	2012
OPERATING REVENUE	\$ 290,519	\$ 279,147
OPERATING EXPENSE		
Services to Residents	184,535	177,196
General and Administrative	37,117	35,601
Interest	27,221	27,065
Depreciation and Amortization	32,813	31,321
Total Operating Expense	281,686	271,183
OPERATING INCOME	8,833	7,964
NONOPERATING GAINS (LOSSES) AND OTHER SUPPORT		
Unrestricted Contributions	1,203	1,198
Income from Endowment Investments	434	522
Net Change in Fair Value of Investments	5,650	3,391
Interest Rate Swap Market Adjustment	2,943	2,117
Loss on Refinancing	(602)	(2,610)
Loss on Asset Disposal	(244)	(5,275)
Fundraising Expense	(1,552)	(1,585)
Other Nonoperating Income	(255)	(212)
Total Nonoperating Gains (Losses) and Other Support	7,577	(2,454)
EXCESS OF REVENUE OVER EXPENSE	16,410	5,510
OTHER CHANGES IN UNRESTRICTED NET ASSETS		
Distributions	(110)	(200)
Net Assets Released from Restriction	1,204	6,208
CHANGE IN UNRESTRICTED NET ASSETS	17,504	11,518
TEMPORARILY RESTRICTED NET ASSETS		
Contributions	1,081	873
Net Assets Released from Restriction	(1,204)	(6,208)
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	(123)	(5,335)
PERMANENTLY RESTRICTED NET ASSETS		
Contributions	2,178	601
Gain (Loss) from Endowment Investments	(801)	4,086
CHANGE IN PERMANENTLY RESTRICTED NET ASSETS	1,377	4,687
CHANGE IN NET ASSETS	18,758	10,870
Net Assets - Beginning of Year	164,254	153,384
NET ASSETS - END OF YEAR	\$ 183,012	\$ 164,254
SUPPLEMENTAL DISCLOSURE OF TOTAL REVENUE AND EXPENSE		
Operating Revenue	\$ 290,519	\$ 279,147
Total Contributions	4,462	2,672
Total Revenue	294,981	281,819
Operating Expense	281,686	271,183
Other Nonoperating Losses	(5,463)	(234)
Total Operating Expenses and Other Nonoperating Losses	276,223	270,949
Change in Net Assets	\$ 18,758	\$ 10,870

PRESBYTERIAN HOMES AND SERVICES AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2013 AND 2012
(DOLLAR AMOUNTS IN THOUSANDS)

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 18,758	\$ 10,870
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	31,515	30,388
Amortization	1,298	933
Loss on Refinancing	602	2,610
Contributions Restricted for Capital Expenditures or Endowments	(3,259)	(1,474)
Net Change in Fair Value of Investments	(4,849)	(7,477)
Interest Rate Swap Market Adjustment	(2,943)	(2,117)
Changes in Assets and Liabilities:		
Receivables	(6,138)	(1,195)
Prepaid Expenses and Other Assets	(2,352)	(1,668)
Pledge Receivable	(324)	1,146
Accounts Payable	4,334	(7)
Accrued Expenses	1,724	4,408
Net Cash Provided by Operating Activities	38,366	36,417
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(91,733)	(107,182)
Change in Amounts Held with Trustees and Others	44,605	(70,648)
Change in Other Restricted Investments	(4,511)	11,149
Investments in or Advances to Affiliated Entities and Changes in Other Assets	(371)	3,608
Net Cash Used by Investing Activities	(52,010)	(163,073)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Long-Term Debt	(20,352)	(18,821)
Proceeds from Long-Term Debt	33,842	144,009
Proceeds from Resident Entrance Loan Deposits	14,635	16,964
Payments on Resident Entrance Loan Deposits	(11,412)	(9,384)
Financing Costs Paid	(832)	(3,700)
Cash Received from Contributions Restricted for Capital Expenditures or Endowment	3,259	1,474
Net Cash Provided by Financing Activities	19,140	130,542
NET INCREASE IN UNRESTRICTED CASH AND CASH EQUIVALENTS	5,496	3,886
Unrestricted Cash and Cash Equivalents - Beginning	45,318	41,432
UNRESTRICTED CASH AND CASH EQUIVALENTS - ENDING	\$ 50,814	\$ 45,318

PRESBYTERIAN HOMES AND SERVICES AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED SEPTEMBER 30, 2013 AND 2012
(DOLLAR AMOUNTS IN THOUSANDS)

	2013	2012
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash Payments for Interest (Net of Interest Capitalized)	\$ 23,782	\$ 24,606
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Property Acquired through Construction Payable	\$ 19,428	\$ 7,788
Refinanced Long-Term Debt	\$ 28,631	\$ 66,649

PRESBYTERIAN HOMES AND SERVICES AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012
(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. During the year ended September 30, 2012, the Organization sold 1221 Nicollet. As of September 30, 2013, 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 1,298 beds in service.
Housing and Assisted Living	Housing and assisted living communities provide room rentals and services to residents at 31 communities. There are a total of 5,074 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 from home-delivered meals and companionship to personal care, therapies, physician and end-of-life care.
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, 2013, the Organization also has contributed capital and appoints board members in four non-profit 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, 2013 AND 2012
(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 venture of Central Towers Limited Partnership. 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 2010, 2011, and 2012 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, 2013 and 2012, the amount of community support provided was approximately \$2,042 and \$2,221, respectively.

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.

PRESBYTERIAN HOMES AND SERVICES AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012
(DOLLAR AMOUNTS IN THOUSANDS)

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

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.

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).

PRESBYTERIAN HOMES AND SERVICES AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012
(DOLLAR AMOUNTS IN THOUSANDS)

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

Excess of Revenue Over Expense (Continued)

The financial performance of the Organization is influenced by the startup of new projects. For each of the years ended September 30, 2013 and 2012, 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 \$2,854 and \$2,336 for 2013 and 2012, 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.

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.

PRESBYTERIAN HOMES AND SERVICES AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012
(DOLLAR AMOUNTS IN THOUSANDS)

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

Investments and Cash Held or Restricted (Continued)

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 \$1,057 and \$482 as of September 30, 2013 and 2012, respectively.

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.

Tax Increment Financing

The Organization has various tax increment financing (TIF) agreements, whereby the Organization will receive a portion of the annual tax increment generated by the project facilities with the TIF agreements. The Organization does not record the notes receivable as an asset, as the realization of the notes is contingent on the Organization complying with the terms and conditions of the TIF agreements and paying future annual real estate taxes.

The Organization reports the annual real estate tax expense net of the estimated annual TIF reimbursement. The annual TIF reimbursement was approximately \$722 and \$1,017 for the years ended September 30, 2013 and 2012, respectively.

PRESBYTERIAN HOMES AND SERVICES AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012
(DOLLAR AMOUNTS IN THOUSANDS)

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

Deferred Financing Costs and Amortization

Deferred financing costs of \$19,962 and \$19,917 at September 30, 2013 and 2012, respectively, are amortized over the terms of the related debt using the effective interest method. Accumulated amortization was \$5,176 and \$4,063 at September 30, 2013 and 2012, respectively.

Investment in Other Entities

Investment in other entities includes share certificates owned in a Cooperative, and 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. During the year ended September 30, 2012, the Organization bought out the other member's share of a joint venture. As a result, the Organization consolidated this entity (see Note 6).

Property and Equipment

Property and equipment with an original cost at or above one thousand dollars 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.

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.

PRESBYTERIAN HOMES AND SERVICES AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012
(DOLLAR AMOUNTS IN THOUSANDS)

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

Property and Equipment (Continued)

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.

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 \$84,501 and \$81,278 as of September 30, 2013 and 2012, 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.

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.

PRESBYTERIAN HOMES AND SERVICES AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012
(DOLLAR AMOUNTS IN THOUSANDS)

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

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 \$34,379 and \$34,610 from Medical Assistance care center residents and \$4,421 and \$5,272 from Elderly Waiver residents were recognized for the years ended September 30, 2013 and 2012, respectively. Medical Assistance accounts receivable were approximately \$3,275 and \$3,312 and Elderly Waiver accounts receivable were approximately \$631 and \$168 for the years ended September 30, 2013 and 2012, respectively. Revenues of approximately \$26,656 and \$24,553 from Medicare residents were recognized for the years ended September 30, 2013 and 2012, respectively. Medicare accounts receivable were approximately \$3,132 and \$3,158 for the years ended September 30, 2013 and 2012, respectively.

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 five thousand hours of their time to the Organization during the year ended September 30, 2013. The Organization tracks community impact activities which are reported separately under the Organization's annual Social Accountability Report.

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

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.

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.

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)

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.

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, 2013 and 2012, the Organization had investments in the following categories:

	<u>2013</u>	<u>2012</u>
Cash and Cash Equivalents	\$ 55,158	\$ 43,237
Mutual Funds	5,848	7,721
U.S. Government Securities	15,366	24,920
Corporate Bonds	39,869	81,312
Common Stocks	10,116	7,700
Municipalities	1,799	1,177
Alternative Investments	589	671
Certificates of Deposit	21,025	20,362
Perpetual Trust	30,875	28,813
Total	<u>\$ 180,645</u>	<u>\$ 215,913</u>

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

	<u>Years Ended September 30,</u>	
	<u>2013</u>	<u>2012</u>
Operating Revenues:		
Investment Income - Other	\$ 5,268	\$ 5,604
Nonoperating Revenues:		
Investment Income - Endowment Funds	434	522
Net Change in Fair Value of Investments	4,849	7,477
Total	<u>\$ 10,551</u>	<u>\$ 13,603</u>

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NOTE 2 INVESTMENTS AND CASH HELD OR RESTRICTED (CONTINUED)

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:

<u>Description</u>	<u>2013</u>	<u>2012</u>
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.	\$ 31,888	\$ 29,722
Bond Fund - Available for payment of principal and interest on bonds	12,250	27,240
Project Fund - Available for payments for construction of facilities, startup and other project costs	35,087	74,191
Resident entrance deposits and other cash and investments designated for future construction costs	13,161	10,083
Restricted by agreements with HUD	429	377
Restricted by agreement with Minnesota Department of Commerce pledged as security for workers' compensation self-insurance reserves (see Note 12)	4,167	3,802
Replacement Reserves - funds designated by the Organization for future repairs and replacements and restricted by HUD	17,606	13,537
Endowment Funds, including perpetual trust	52,459	47,422
Restricted by financing arrangements and other	13,598	9,539
Subtotal	<u>180,645</u>	<u>215,913</u>
Less: Current Portion	35,346	25,565
Total	<u>\$ 145,299</u>	<u>\$ 190,348</u>

Approximately \$7,137 and \$6,582 at September 30, 2013 and 2012, 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.

PRESBYTERIAN HOMES AND SERVICES AND AFFILIATES
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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, 2013 and 2012:

Assets and Liabilities Recorded at Fair Value on a Recurring Basis

<u>Assets</u>	September 30, 2013	Level 1	Level 2	Level 3
Investments and Cash Held or Restricted:				
Mutual Funds	\$ 5,848	\$ 5,848	\$ -	\$ -
U.S. Government Securities	15,366	15,366	-	-
Corporate Bonds	39,869	-	39,869	-
Common Stocks	10,116	10,116	-	-
Municipalities	1,799	-	1,799	-
Alternative Investments	589	-	-	589
Perpetual Trust	30,875	-	-	30,875
Total	<u>\$ 104,462</u>	<u>\$ 31,330</u>	<u>\$ 41,668</u>	<u>\$ 31,464</u>
<u>Liabilities</u>				
Derivatives	<u>\$ 12,974</u>	<u>\$ -</u>	<u>\$ 12,974</u>	<u>\$ -</u>
<u>Assets</u>	September 30, 2012	Level 1	Level 2	Level 3
Investments and Cash Held or Restricted:				
Mutual Funds	\$ 7,721	\$ 7,721	\$ -	\$ -
U.S. Government Securities	24,920	24,920	-	-
Corporate Bonds	81,312	-	81,312	-
Common Stocks	7,700	7,700	-	-
Municipalities	1,177	-	1,177	-
Alternative Investments	671	-	-	671
Perpetual Trust	28,813	-	-	28,813
Total	<u>\$ 152,314</u>	<u>\$ 40,341</u>	<u>\$ 82,489</u>	<u>\$ 29,484</u>
<u>Liabilities</u>				
Derivatives	<u>\$ 15,918</u>	<u>\$ -</u>	<u>\$ 15,918</u>	<u>\$ -</u>

PRESBYTERIAN HOMES AND SERVICES AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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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, 2013 and 2012.

	Perpetual Trust	Alternative Investments	Total
Beginning Balance - 10/1/12	\$ 28,813	\$ 671	\$ 29,484
Total Gains or Losses (Realized or Unrealized) for the Year Included in:			
Realized Gains	1,945	-	1,945
Unrealized Gains (Losses)	1,294	(82)	1,212
Disbursements	(1,177)	-	(1,177)
Ending Balance - 9/30/13	<u>\$ 30,875</u>	<u>\$ 589</u>	<u>\$ 31,464</u>
	Perpetual Trust	Alternative Investments	Total
Beginning Balance - 10/1/11	\$ 24,841	\$ 675	\$ 25,516
Total Gains or Losses (Realized or Unrealized) for the Year Included in:			
Realized Gains	1,885	-	1,885
Unrealized Gains (Losses)	3,267	(4)	3,263
Disbursements	(1,180)	-	(1,180)
Ending Balance - 9/30/12	<u>\$ 28,813</u>	<u>\$ 671</u>	<u>\$ 29,484</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. Significant changes in any of these inputs would result in a significant change to the fair value measurement.

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)

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, 2013 and 2012 are not carried at fair value in their entirety on the consolidated balance sheet.

	September 30, 2013		September 30, 2012	
	Cost	Fair Value	Cost	Fair Value
Long-Term Debt	\$ 750,975	\$ 714,675	\$ 737,485	\$ 732,878

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, 2013 and 2012. The value is estimated using the rates currently offered for like debt instruments with similar remaining maturities. Based upon these inputs the fair market value of long-term debt would have been classified as a level three liability.

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:

	<u>2013</u>	<u>2012</u>
Unrestricted	\$ -	\$ 10
Temporarily Restricted	2,692	2,435
Permanently Restricted	35	40
Total Pledges Receivable	<u>2,727</u>	<u>2,485</u>
Less: Unamortized Discount	76	153
Total Net Pledges Receivable	<u>2,651</u>	<u>2,332</u>
Less: Current Portion	2,100	110
Less: Amount Reported as Endowment Funds	35	40
Non-Current Pledges Receivable	<u>\$ 516</u>	<u>\$ 2,182</u>

Pledges receivable that are permanently restricted, or temporarily restricted for capital, are presented as non-current assets. At September 30, 2013, 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>
2014	\$ 2,100
2015	604
2016	13
2017	5
2018	5
Thereafter	-
Total	<u>\$ 2,727</u>

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, 2013 owned 97 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:

	2013	2012
Share of Certificates	\$ 9,204	\$ 8,844
Garages	265	250
Total	\$ 9,469	\$ 9,094

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, 2013 and 2012, the Organization has contributed capital of approximately \$6,723 and \$6,727, 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, 2013 and 2012, the management fees earned were approximately \$785 and \$615, respectively.

The Unconsolidated Affiliates at September 30, 2013 include PSA Housing and Assisted Living, Inc. (St. Andrews Village), Crosby Senior Services (Heartwood), Carondelet Village, Inc., and PHS Walnut Ridge, LLC. PHS/VOA Rochester, Inc. (The Homestead of Rochester) was an unconsolidated affiliate at September 30, 2011, VOA bought out PHS's share during the year ended September 30, 2012.

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

For-Profit Joint Venture

The Organization also had a 50% interest in Wayzata Bay Redevelopment Company, LLC which was a for-profit joint venture accounted for under the equity method of accounting. During the year ended September 30, 2012, the Organization bought out its joint venture share in Wayzata Bay Redevelopment Company, LLC (see Note 6).

The following is summarized financial data for the Unconsolidated Affiliates as of and for the years ended September 30, 2013 and 2012:

	2013	2012
Assets	\$ 126,657	128,123
Liabilities	122,776	125,158
Net Assets	<u>\$ 3,881</u>	<u>\$ 2,965</u>
Operating Revenues	\$ 20,049	17,494
Operating Expenses	12,990	11,058
Interest Expense	5,216	4,418
Depreciation and Amortization Expense	3,352	2,703
Net Loss	<u>\$ (1,509)</u>	<u>\$ (685)</u>

Other Assets

Other assets include the following at September 30:

	2013	2012
Real Estate Development Costs	\$ 7,872	\$ 5,307
Donated Land Held for Future Resale	1,520	1,520
Notes Receivable	1,674	1,704
Other	1,144	1,144
Total	<u>\$ 12,210</u>	<u>\$ 9,675</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 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 at September 30, 2013 and 2012. Collection of this note is fully expected and accordingly, no allowance has been provided. 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 .5% and is payable from Crosby's entrance deposits and available cash. The balance of this note was \$607 and \$637 as of September 30, 2013 and 2012, respectively. Collection of this note is fully expected and accordingly, no allowance has been provided.

NOTE 6 ACQUIRED OPERATIONS

Wayzata Bay Redevelopment Company, LLC

Effective March 29, 2012, the Organization reached an agreement to buy out the other partner's share of this former joint venture which was originally organized to develop the retail portions of a master development in Wayzata, Minnesota. The acquisition included the land to be developed, in addition to pre-development costs incurred to get the land ready for construction. The total cost of the acquisition was approximately \$17,100, which was funded with cash and replacement reserves plus a \$5,800 option to purchase a portion of the retail space in the future.

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

	2012
Cash	\$ -
Accounts Receivable	-
Other Assets	59
Assets Limited to Use	-
Property and Equipment	36,553
Total Assets	<u>\$ 36,612</u>
Accounts Payable	\$ 83
Accrued Expenses	1,664
Other Liabilities	462
Long-Term Debt	34,403
Total Liabilities	<u>\$ 36,612</u>

The transaction during the year ended September 30, 2012 did not result in a gain.

PRESBYTERIAN HOMES AND SERVICES AND AFFILIATES
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NOTE 6 ACQUIRED OPERATIONS (CONTINUED)

Wayzata Bay Redevelopment Company, LLC (Continued)

Total revenues of \$-0-, including non-operating revenues, attributable to prior year acquisitions, are included in the consolidated statements of operations and changes in net assets for the period from acquisition through September 30, 2012.

The changes in net assets attributable to the acquisition described above for the period from acquisition through September 30, 2012 are summarized in the following table:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net Assets - September 30, 2011	\$ -	\$ -	\$ -	\$ -
Change in Net Assets	-	-	-	-
Net Assets - September 30, 2012	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The acquired entity's revenue for the year ended September 30, 2012, including nonoperating revenues, would not have changed had entity been acquired on October 1, 2011.

NOTE 7 CONSTRUCTION IN PROGRESS

Wayzata Bay Senior Housing, Inc.

During the year ended September 30, 2010, the Organization acquired property in Wayzata, Minnesota to be used in a planned master development. The development is to be completed in multiple stages. The first stage of the project, currently underway, will add 254 senior living units and approximately 32,000 square feet of retail space. Total construction costs of the first stage are expected to be approximately \$97,467 and are being financed with proceeds from long-term debt and equity. At September 30, 2013 and 2012, approximately \$85,471 and \$18,235, respectively, has been incurred and is included in construction in progress. This first stage of construction was completed in October 2013.

Financing for the second stage was obtained subsequent to year end as described in Note 13 and construction began in October.

Arden Hills

During the year ended September 30, 2011, the Organization started construction on a tear down and rebuild of the Arden Hills campus. Phase I was completed in November 2012 and Phase II was completed in September 2013. The project was financed with proceeds from long-term debt and equity at a total cost of approximately \$46,000. At September 30, 2013 and 2012, \$-0- and \$26,285 is included in construction in progress on the consolidated financial statements, respectively.

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

Maranatha

During the year ended September 30, 2012, the Organization began construction on a rebuild of the Maranatha campus which consists of 97 care center beds through the moratorium exception process. The total estimated cost of the project is approximately \$15,737 and is being financed with proceeds from long-term debt and equity. At September 30, 2013 and 2012, approximately \$13,753 and \$1,185, respectively, has been incurred related to this project and is included in construction in progress on the consolidated financial statements. The project opened in November 2013.

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>2013</u>	<u>2012</u>
Revenue Bonds, Series 2003 for Farmstead, payments due at a variable interest rate through 2033	(4) \$ 10,645	\$ 11,045
2.0% to 6.0% Revenue Refunding Bonds, Series 2010, for Mayfield, payments due through 2030	5,285	5,475
2.0% to 6.0% Revenue Refunding Bonds, Series 2010, for Gideon Pond Commons, LLC, payments due through 2030	15,240	15,745
Summerhouse of Bloomington, Mississippi Shores, Echo Ridge, Summerhouse of Shoreview, payments due at a variable interest rate through 2038	(5) 23,195	23,420
5% to 5.5% Revenue Bonds, Series 2006, for Bloomington Care Center, payments due through 2041	20,965	21,260
5.5% Mortgage Note for Broadmoor Apartments, payments due through 2015, with balloon payment	3,415	3,587
7.5% Revenue Note, Series 2004, for Broadmoor payment	6,714	6,973

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NOTE 8 LONG-TERM DEBT

Notes, Bonds and Mortgages (Continued)

<u>Description</u>	<u>2013</u>	<u>2012</u>
4.25% to 5.7% Revenue Bonds, Series 1998, for Castle Ridge, payments due through 2028	2,615	2,725
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	106	128
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	21,489	21,868
5% to 6% Revenue Bonds, Series 2006, for Norris Square, payments due through 2041	28,750	29,040
2.33% Loan Participation Notes, Series 2003, for Croixdale, payments due through 2025	(6) 6,994	7,480
Revenue Refunding Bonds, for EagleCrest, payments due at a variable interest rate through 2039	(7) 22,115	22,355
5.30% Mortgage Note for Country Inn & Suites, payments due through 2023	(2) 3,509	3,777
Note payable, for Maranatha, Maximum Borrowing Limit of \$20,000	(10) 16,959	4,562
6.0% Mortgage Note for Maranatha, payments due through 2031	907	936
2.34% HUD-Insured Mortgage Payable to Oak Grove Capital Corporation for Avalon Square, payments due through 2043.	17,933	18,311
4.88% Mortgage Note to Department of Housing and Urban Development (HUD) for Ridgeview Terrace, payments due through 2032	1,672	1,727
4.88% Mortgage Note to HUD for Newton Manor, payments due through 2025	1,054	1,116
Revenue Refunding Bonds, Series 2005 for Inver Grove Heights, payments due at a variable interest rate through 2035	(4) 26,335	26,935
3.12% mortgage for PHS Management LLC (Hamline Office Building), due through 2029	4,778	4,995

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NOTE 8 LONG-TERM DEBT (CONTINUED)

Notes, Bonds and Mortgages (Continued)

<u>Description</u>		<u>2013</u>	<u>2012</u>
2.63% Revenue Note Payable, Series 2008 for Mill Pond Apartments, payments due through 2028	(6)	3,133	3,289
4.75% HUD-Insured Mortgage Payable to Oak Grove Capital Corporation for Mill Pond, payments due through 2035		4,830	4,952
Revenue Bonds, Series 2003 for Oakcrest, payments due at a variable interest rate through 2033	(4)	6,260	6,460
5.0% Mortgage Note for Lake Minnetonka, Series 2010 payments due through 2020	(8)	27,295	27,863
0% Note Payable for Ankeney, IA property, principal paid in equal annual installments through 2019.		397	467
3.26% HUD-Insured Mortgage Payable to Oak Grove Capital Corporation for Summerwood of Plymouth, payments due through 2047		17,352	17,631
4.75% - 7.625% Revenue Bonds, Series 2006 for Grace-Pointe East, payments due through 2033, less unamortized bond discount.		7,830	8,000
5.25% to 6.5% Revenue Bonds, Series 2007, for Waverly Gardens, payments due through 2047		80,345	80,680
4.5% to 5.6% Revenue Refunding Bonds, Series 2006, for Kirkland Crossings, payments due through 2041		17,205	17,455
Revenue Refunding Bonds, Series 2005, for Boutwells Landing, payments due at a variable interest rate through 2035	(3)	54,660	55,780
6% Mortgage Note for Boutwells Landing, payments due through 2019		1,010	1,156
1.4% to 6.0% Revenue Refunding Bonds, Series 2013 for Boutwells Landing, payments due through 2036		20,760	-
4.5% Tax Exempt Loan Participation Notes, Series 2007 for Boutwells Landing, payments due through 2036, Refinanced in 2013	(6)	-	18,891
Revenue Bonds, Series 2004 for Beacon Hill, payments due at a variable interest rate through 2034	(4)	9,310	9,510

PRESBYTERIAN HOMES AND SERVICES AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 8 LONG-TERM DEBT (CONTINUED)

Notes, Bonds and Mortgages (Continued)

<u>Description</u>	<u>2013</u>	<u>2012</u>
2.31% Revenue Bonds, Series 2006 and 2007 for payments through 2017 with balloon payment	4,528	4,851
2.31% Revenue Bonds, Series 2005B, for Highland Ridge, payments through 2017 with balloon payment	(2) 4,061	4,351
Unsecured note payable for Highland Ridge. Limit of \$2,000. Interest at the short term applicable federal rate for the month of the advance, as published by the IRS. Due 1/31/2014.	1,952	1,285
4% to 5.75% Revenue Refunding Bonds, Series 2006, for Stonecrest, payments due through 2041	12,960	13,150
1.75% to 5.25% Revenue Refunding Bonds, Series 2012, for Stonecrest, payments due through 2034.	7,490	7,665
4.25% Revenue Note, Series 2003 for GracePointe West, payments due through 2023	(6) 1,876	2,020
4.25% Revenue Note, Series 2003, for GracePointe Terrace, payments due through 2023	(6) 1,675	1,803
1.75% to 4.65% Revenue Bonds, Series 2013 for GracePointe Commons, payments due through 2033	9,515	-
4.4% to 6.0% Revenue Bonds, Series 1998 for GracePointe Commons, payments due through 2033 Refinanced in 2013	-	9,740
Revenue Note, Series 2010, for Founders Ridge, payments due through 2018, with balloon payment	(9) 16,268	16,600
3.45% to 6.65% Revenue Bonds, Series 2011, for Deerfield Gables, payments due through 2043	13,140	13,140
5.15% to 6.0% Revenue Bonds, Series 1998, for Deerfield Housing, payments due through 2032	5,855	6,000
4.25% to 5.75% Revenue Bonds, Series 2006, for Mckenna Crossing, due through 2042	28,585	28,955
7.125% Note Payable, for Wayzata Bay Commercial, payments due through 2014	-	6,421
Loan Payable, for Arden Hills, due at a variable interest rate through 2033	32,000	19,339

PRESBYTERIAN HOMES AND SERVICES AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 8 LONG-TERM DEBT (CONTINUED)

Notes, Bonds and Mortgages (Continued)

<u>Description</u>	<u>2013</u>	<u>2012</u>
4.70% to 6.00% Revenue Bonds, Series 2012, for Folkestone Senior Living Community, due through 2047	104,375	104,375
\$5,800 Option Agreement, Lot 1, Block 1, Wayzata Bay Commercial, Interest accrues at 5.0% through the option term of April 1, 2016	(1) 6,235	5,945
.25% Note Payable for Wayzata Bay Commercial, payments due through 2013.	1,160	1,157
Other	<u>5,713</u>	<u>2,569</u>
Subtotal	750,975	737,485
Less: Current Maturities	<u>18,254</u>	<u>12,570</u>
Total	<u>\$ 732,721</u>	<u>\$ 724,915</u>

- (1) In conjunction with the acquisition of 100% interest in Wayzata Bay Redevelopment Company during 2012 (see Note 6), an option was granted to the former partner to purchase a portion of the retail property once developed. In consideration for this option, the former partner paid \$5,800. This option payment accrues interest at 5% and shall be applied against the purchase price of the property if the option is exercised. If the option is not exercised, the option payment, including accrued interest, is refundable. The option expires April 1, 2016.
- (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 2014, 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.

PRESBYTERIAN HOMES AND SERVICES AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 8 LONG-TERM DEBT (CONTINUED)

Notes, Bonds and Mortgages (Continued)

- (5) The bonds are secured by a credit enhancement agreement with Freddie Mac, which guarantees the payment of the bonds.
- (6) 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.
- (7) 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.
- (8) 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. The Organization selected option (I) and fixed the interest rate at 5% for five years.
- (9) 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 became fixed through a swap at 4.42% on October 1, 2012 through maturity.
- (10) The interest rate on the note is fixed at 7% through June 30, 2014. Beginning July 1, 2014, the interest rate shall become fixed per annum at a rate equal to the greater of 4.75% or 1.5% plus the highest U.S. prime rate of interest.

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
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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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, 2013 based on the terms of letters of credit or credit enhancement agreements as well as management's expectation are approximately as follows, the maturities reflect any changes made to the requirements subsequent to September 30, 2013.

<u>Year Ending September 30,</u>	<u>Management's Expected Amount</u>	<u>Credit Terms Amount</u>
2014	\$ 18,254	\$ 18,254
2015	25,047	170,643
2016	16,460	12,772
2017	38,510	34,602
2018	16,740	12,599
Thereafter	635,964	502,105
Total	<u>\$ 750,975</u>	<u>\$ 750,975</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, 2013 and 2012, was approximately \$7,074 and \$4,098, respectively. These amounts are capitalized as part of the cost of construction.

PRESBYTERIAN HOMES AND SERVICES AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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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, 2013, 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	\$ 26,831	3.391% Fixed	October 1, 2029
Agreement related to Series 2005 Revenue Revenue bonds for Boutwells Landing	33,949	3.566% Fixed	November 1, 2015
Agreement related to Series 2007 Revenue bonds for Waverly Gardens	81,345	USD-SIFMA Municipal Swap Index	October 1, 2047
Agreement related to Series 2007 Revenue bonds for EagleCrest, agreement transferred to Presbyterian Homes and Services in 2009	22,185	USD-SIFMA Municipal Swap Index	July 1, 2042
Agreement related to Series 2010 Revenue Bonds for Founders Ridge	16,268	2.74% Fixed	April 1, 2018

The fair value of the derivative instruments was as follows at September 30, 2013 and 2012:

	Balance Sheet Location	September 30, 2013	September 30, 2012
Derivatives not Designated as Hedging Instruments	Other Long-Term Liabilities	\$ 12,974	\$ 15,918

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, 2013 and 2012:

	Location of Loss Recognized in Excess (Deficit) of Revenue Over Expense	Amount of Loss on Derivatives Recognized in Excess of Revenue Over Expense Year Ended September 30,
		2013 2012
Derivatives not Designated as Hedging Instruments	Interest Rate Swap Market Adjustment	\$ (2,943) \$ (2,117)

PRESBYTERIAN HOMES AND SERVICES AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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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, 2013 and 2012, the value of these interest rate caps were approximately \$943 and \$963, 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:

	2013	2012
Arden Hills Care Center	\$ 148	\$ 117
Highland Ridge	2,000	1,923
Gracepointe Crossing	245	236
Bloomington Care Center	257	243
Endowment Earnings	1,050	1,278
Other	13	39
Total	<u>\$ 3,713</u>	<u>\$ 3,836</u>

PRESBYTERIAN HOMES AND SERVICES AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012
(DOLLAR AMOUNTS IN THOUSANDS)

NOTE 9 NET ASSETS (CONTINUED)

Permanently Restricted Net Assets

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

	2013	2012
John S. Holl Trust	\$ 30,875	\$ 28,813
Presbyterian Homes of Wisconsin Endowment	2,675	2,524
PHS General Endowment	4,665	5,501
Total Permanently Restricted Net Assets	<u>\$ 38,215</u>	<u>\$ 36,838</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:

	2013	2012
Highland Ridge Endowment	\$ 3,386	\$ 2,948
Croixdale Endowment	1,979	1,901
North Oaks Endowment	1,806	1,719
PHS General Endowment Funds	1,774	3,180
Total Board Designated Endowments	<u>\$ 8,945</u>	<u>\$ 9,748</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, \$15,674 at September 30, 2013, 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, \$20,117 at September 30, 2013, 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.

PRESBYTERIAN HOMES AND SERVICES AND AFFILIATES
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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, 2013 and 2012:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Net Assets, Beginning of Year - 10/1/12	\$ 9,748	\$ 1,278	\$ 8,025	\$ 19,051
Investment Return:				
Investment Income	240	174	-	414
Net Appreciation/(Depreciation) (Realized and Unrealized)	(869)	-	-	(869)
Contributions	818	-	(685)	133
Net Assets Appropriated for Expenditure and Sales	<u>(992)</u>	<u>(402)</u>	<u>-</u>	<u>(1,394)</u>
Endowment Net Assets, End of Year - 9/30/13	<u>\$ 8,945</u>	<u>\$ 1,050</u>	<u>\$ 7,340</u>	<u>\$ 17,335</u>

PRESBYTERIAN HOMES AND SERVICES AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012
(DOLLAR AMOUNTS IN THOUSANDS)

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 - 10/1/11	\$ 8,802	\$ 1,506	\$ 7,310	\$ 17,618
Investment Return:				
Investment Income	242	247	-	489
Net Appreciation/(Depreciation) (Realized and Unrealized)	764	-	-	764
Contributions	267	-	715	982
Net Assets Appropriated for Expenditure and Sales	<u>(327)</u>	<u>(475)</u>	<u>-</u>	<u>(802)</u>
Endowment Net Assets, End of Year - 9/30/12	<u>\$ 9,748</u>	<u>\$ 1,278</u>	<u>\$ 8,025</u>	<u>\$ 19,051</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
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012
(DOLLAR AMOUNTS IN THOUSANDS)

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 \$2,564 and \$2,384 for the years ended September 30, 2013 and 2012, respectively.

NOTE 11 FUNCTIONAL EXPENSE

Expense by classifications for the years ended September 30, 2013 and 2012 were:

	<u>2013</u>	<u>2012</u>
Program Services:		
Services to Residents	\$ 244,569	\$ 235,582
Supporting Services:		
Management and General	37,117	35,601
Fundraising	1,552	1,585
Total Program Expenses	<u>\$ 283,238</u>	<u>\$ 272,768</u>

PRESBYTERIAN HOMES AND SERVICES AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012
(DOLLAR AMOUNTS IN THOUSANDS)

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 \$470 and annual aggregate claims greater than \$3,716 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 \$4,167 to secure the payment of claims. Expenses incurred were approximately \$2,090 and \$2,001 for the years ended September 30, 2013 and 2012, respectively. At September 30, 2013 and 2012, management has estimated reserves and recorded liabilities for outstanding claims of approximately \$3,460 and \$3,254, 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 \$220 and annual aggregate claims greater than \$12,920. Expenses are recorded as claims are incurred. An estimate of incurred but not reported claims is accrued and amounted to approximately \$1,831 and \$1,994 at September 30, 2013 and 2012, respectively. This accrual is included in accrued payroll and benefits on the consolidated statements of financial position. Claims and administrative expenses incurred were approximately \$8,833 and \$7,826 for the years ended September 30, 2013 and 2012, respectively.

Professional Liability Insurance

The Organization is covered by professional liability insurance on a claims made basis. For the year ended September 30, 2013, 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 \$2,441 and \$1,641 at September 30, 2013 and 2012, 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
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012
(DOLLAR AMOUNTS IN THOUSANDS)

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 (4 as of September 30, 2013) 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, 2013, for the remaining units have an average value of \$147 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).

Walnut Ridge Guarantee

The Organization has provided a guarantee in the amount of \$6,400 for tax-exempt revenue bonds in the amount of \$25,600 used to finance acquisition of a 178-unit joint venture in Clive, Iowa. The project is a joint venture between the Organization and Wedum and formed in September 2012. The project is an Unconsolidated Affiliate of the Organization (see Note 5).

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.

PRESBYTERIAN HOMES AND SERVICES AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012
(DOLLAR AMOUNTS IN THOUSANDS)

NOTE 13 SUBSEQUENT EVENTS

Subsequent to year-end, the Organization refinanced bonds payable, which had a balance of \$21,489 at September 30, 2013. The bonds payable were refinanced using tax exempt, bank qualified loan participations bearing interest at 2.90%. The loan participations are due in installment payments to 2033.

Subsequent to year-end, the Organization financed a Transitional Care Campus in Plymouth, Minnesota, which will include 50 transitional care apartments and 5 care suites. The cost of constructing and equipping the project is approximately \$17,000 and will be financed with tax exempt loan participations in the amount of \$13,080 and equity. The project is a partnership between Presbyterian Homes and Services (90%) and Allina Health System (10%).

Subsequent to year-end, the Organization completed the financing of the Wayzata Bay Plaza Block retail and the sale of the air rights for the development of 59 for sale condominium units. The cost of constructing and equipping the twenty one thousand, seven hundred square feet of retail in the Plaza Block is approximately \$14,700 and will be funded with a \$9,200 bank loan and equity. The sale of the air rights to the condominium developer will generate proceeds of \$9,800 to the Organization. Of this amount \$8,400 was paid in October, 2013 and the balance will be due in the Summer of 2014 upon completion of construction.

In preparing these consolidated financial statements, the Organization has considered events and transactions that have occurred through December 5, 2013, the date the consolidated financial statements were available to be issued.

**INDEPENDENT AUDITORS' REPORT ON
SUPPLEMENTARY INFORMATION**

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

We have audited the consolidated financial statements of Presbyterian Homes and Services and Affiliates as of and for the years ended September 31, 2013 and 2012, and our report thereon dated December 5, 2013, which expressed an unqualified opinion on those consolidated financial statements, appears on page 2. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary consolidating information is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual companies, and it is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
December 5, 2013

PRESBYTERIAN HOMES AND SERVICES AND AFFILIATES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2013
(DOLLAR AMOUNTS IN THOUSANDS)

	Presbyterian Homes & Services		Optage Inc.			Presbyterian Homes Hospice, Inc. Optage Hospice	Presbyterian Homes of Andover, Inc. Farmstead
	International Nurse Recruitment	Optage Senior Dining Choices	Optage Assisted Living	Optage Home and Community Based Services	Optage Primary Care		
ASSETS							
CURRENT ASSETS							
Cash and Cash Equivalents:							
Unrestricted	\$ (1,951)	\$ (381)	\$ 3,480	\$ (582)	\$ (1,812)	\$ 860	\$ 5,388
Restricted for Residents Cash Held or Restricted, Current Portion	-	-	-	-	-	-	263
Accounts Receivable, Less Allowance for Doubtful Accounts	31	1,221	138	171	206	331	39
Pledges Receivable, Current Portion	-	-	-	-	-	-	-
Prepaid Expenses and Other Assets	-	1	-	1	-	-	64
Total Current Assets	<u>(1,920)</u>	<u>841</u>	<u>3,618</u>	<u>(410)</u>	<u>(1,606)</u>	<u>1,191</u>	<u>5,754</u>
INVESTMENTS AND OTHER ASSETS							
Investments and Cash Held or Restricted:							
By Agreements with Trustees and Others	-	-	-	-	-	-	-
Restricted by Donors and Others	-	-	-	-	-	-	-
Replacement Reserves	-	-	-	-	-	-	641
Endowment Funds	-	-	-	-	-	-	-
Pledges Receivable	-	-	-	-	-	-	-
Deferred Financing Costs, Less Accumulated Amortization	-	-	-	-	-	-	249
Investment in Other Entities	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-
Due from Affiliates	-	20	-	-	-	-	329
Total Investments and Other Assets	<u>-</u>	<u>20</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,219</u>
PROPERTY AND EQUIPMENT							
Land	-	-	-	-	-	-	720
Buildings and Land Improvements	-	3	16	-	-	-	11,623
Equipment and Furnishings	-	1,833	153	410	31	289	2,246
Automotive Equipment	-	405	-	-	-	-	11
Construction in Progress	-	-	-	-	-	-	-
Subtotal	<u>-</u>	<u>2,241</u>	<u>169</u>	<u>410</u>	<u>31</u>	<u>289</u>	<u>14,600</u>
Less: Accumulated Depreciation	<u>-</u>	<u>634</u>	<u>85</u>	<u>153</u>	<u>9</u>	<u>62</u>	<u>7,099</u>
Net Property and Equipment	<u>-</u>	<u>1,607</u>	<u>84</u>	<u>257</u>	<u>22</u>	<u>227</u>	<u>7,501</u>
Total Assets	<u>\$ (1,920)</u>	<u>\$ 2,468</u>	<u>\$ 3,702</u>	<u>\$ (153)</u>	<u>\$ (1,584)</u>	<u>\$ 1,418</u>	<u>\$ 14,474</u>

Presbyterian Homes of Arden Hills, Inc.	Presbyterian Homes of Bloomington, Inc.	Presbyterian Homes Bloomington Care Center, Inc.		Bloomington Bethany Senior Housing, Inc.	Broadmoor Apartments, Inc.	Presbyterian Homes Care Centers, Inc.	Castle Ridge Care Center, Inc.	Central Towers Limited Partnership
Johanna Shores	Summerhouse of Bloomington	Gideon Pond Commons	Bloomington Care Center	Founders Ridge	Broadmoor	Langton Place	Castle Ridge	Central Towers
\$ 4,358	\$ 645	\$ 7,930	\$ 247	\$ 1,934	\$ 209	\$ (4,407)	\$ 1,922	\$ 209
11	-	-	6	-	115	-	2	53
1,693	(48)	406	874	-	109	-	82	-
1,121	9	52	1,407	17	(2,318)	1,209	496	14
-	-	-	-	-	-	-	-	-
55	40	15	11	4	-	43	8	10
<u>7,238</u>	<u>646</u>	<u>8,403</u>	<u>2,545</u>	<u>1,955</u>	<u>(1,885)</u>	<u>(3,155)</u>	<u>2,510</u>	<u>286</u>
381	-	1,342	1,488	-	-	-	133	-
484	550	-	-	-	-	810	-	-
5,076	244	1,461	1,146	-	-	408	509	488
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
654	225	280	378	570	27	-	63	1
-	-	9,469	-	-	-	147	-	-
93	-	-	-	-	929	1	-	-
-	-	948	-	-	-	805	-	-
<u>6,688</u>	<u>1,019</u>	<u>13,500</u>	<u>3,012</u>	<u>570</u>	<u>956</u>	<u>2,171</u>	<u>705</u>	<u>489</u>
475	545	360	342	2,151	6,000	231	718	348
47,389	9,423	5,659	24,318	15,143	7,110	9,251	4,520	9,579
8,477	1,721	684	3,752	2,374	1,607	2,300	1,054	1,362
89	8	-	61	-	-	55	47	-
-	-	-	-	-	-	-	-	-
<u>56,430</u>	<u>11,697</u>	<u>6,703</u>	<u>28,473</u>	<u>19,668</u>	<u>14,717</u>	<u>11,837</u>	<u>6,339</u>	<u>11,289</u>
<u>11,506</u>	<u>5,015</u>	<u>4,015</u>	<u>8,054</u>	<u>883</u>	<u>4,525</u>	<u>7,188</u>	<u>3,709</u>	<u>4,969</u>
<u>44,924</u>	<u>6,682</u>	<u>2,688</u>	<u>20,419</u>	<u>18,785</u>	<u>10,192</u>	<u>4,649</u>	<u>2,630</u>	<u>6,320</u>
<u>\$ 58,850</u>	<u>\$ 8,347</u>	<u>\$ 24,591</u>	<u>\$ 25,976</u>	<u>\$ 21,310</u>	<u>\$ 9,263</u>	<u>\$ 3,665</u>	<u>\$ 5,845</u>	<u>\$ 7,095</u>

PRESBYTERIAN HOMES AND SERVICES AND AFFILIATES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION (CONTINUED)
SEPTEMBER 30, 2013
(DOLLAR AMOUNTS IN THOUSANDS)

	PHS/ Chanhassen, Inc		PHS/CG Center LLC		PHM New Richmond Senior Housing, Inc.		PHS/EagleCrest, Inc.	
	Summerwood of Chanhassen	Grove, Inc. Norris Square	Norris Marketplace	Croixdale Croixdale	Housing, Inc. Deerfield	EagleCrest	Country Inn & Suites	Hamline Center
ASSETS								
CURRENT ASSETS								
Cash and Cash Equivalents:								
Unrestricted	\$ 1,567	\$ 1,986	\$ (3,865)	\$ 7,295	\$ 877	\$ 14,425	\$ 1,509	\$ (5,269)
Restricted for Residents	-	-	-	-	80	-	-	-
Cash Held or Restricted, Current Portion	305	679	-	-	453	541	-	-
Accounts Receivable, Less Allowance for Doubtful Accounts	39	32	-	34	563	104	19	-
Pledges Receivable, Current Portion	-	-	-	100	-	-	-	-
Prepaid Expenses and Other Assets	8	8	-	4	6	255	(14)	1
Total Current Assets	<u>1,919</u>	<u>2,705</u>	<u>(3,865)</u>	<u>7,433</u>	<u>1,979</u>	<u>15,325</u>	<u>1,514</u>	<u>(5,268)</u>
INVESTMENTS AND OTHER ASSETS								
Investments and Cash Held or Restricted:								
By Agreements with Trustees and Others	1,709	1,859	-	-	1,249	-	-	-
Restricted by Donors and Others	-	150	-	-	-	-	-	-
Replacement Reserves	247	162	-	188	537	2,647	349	-
Endowment Funds	-	-	-	1,979	-	-	-	-
Pledges Receivable	-	-	-	96	-	-	-	-
Deferred Financing Costs, Less Accumulated Amortization	641	742	44	85	551	684	42	-
Investment in Other Entities	-	1,791	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	1
Due from Affiliates	-	167	-	566	-	4,027	-	-
Total Investments and Other Assets	<u>2,597</u>	<u>4,871</u>	<u>44</u>	<u>2,914</u>	<u>2,337</u>	<u>7,358</u>	<u>391</u>	<u>1</u>
PROPERTY AND EQUIPMENT								
Land	3,565	3,375	5,314	603	935	3,950	810	2,061
Buildings and Land Improvements	21,851	20,041	-	15,788	18,987	22,140	5,164	3,848
Equipment and Furnishings	2,995	3,103	-	1,724	3,667	3,004	1,197	20
Automotive Equipment	-	-	-	-	33	116	15	-
Construction in Progress	-	-	879	-	-	-	-	-
Subtotal	<u>28,411</u>	<u>26,519</u>	<u>6,193</u>	<u>18,115</u>	<u>23,622</u>	<u>29,210</u>	<u>7,186</u>	<u>5,929</u>
Less: Accumulated Depreciation	8,202	5,071	-	5,405	1,776	11,509	2,951	408
Net Property and Equipment	<u>20,209</u>	<u>21,448</u>	<u>6,193</u>	<u>12,710</u>	<u>21,846</u>	<u>17,701</u>	<u>4,235</u>	<u>5,521</u>
Total Assets	<u>\$ 24,725</u>	<u>\$ 29,024</u>	<u>\$ 2,372</u>	<u>\$ 23,057</u>	<u>\$ 26,162</u>	<u>\$ 40,384</u>	<u>\$ 6,140</u>	<u>\$ 254</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 Mill Pond Apartments, Inc.	Presbyterian Homes Mill Pond Care Center, Inc.	PHS Monticello, Inc.	Noah's Ark Affordable Housing, Inc.
		PHW/ Helpmates	Avalon Square	Ridgeview Terrace	Newton Manor	Timber Hills	Mill Pond Apartments	Mill Pond	Mississippi Shores	Oakcrest
\$ 540	\$ 885	\$ 1,348	\$ 811	\$ 21	\$ 57	\$ 6,298	\$ 678	\$ 413	\$ 42	\$ 1,306
10	-	-	85	18	18	206	-	-	-	108
-	-	-	166	35	32	398	-	47	224	179
902	(111)	31	48	2	8	48	1	220	(1)	7
-	-	-	-	-	-	-	-	-	-	-
11	-	-	15	8	6	237	2	27	14	27
<u>1,463</u>	<u>774</u>	<u>1,379</u>	<u>1,125</u>	<u>84</u>	<u>121</u>	<u>7,187</u>	<u>681</u>	<u>707</u>	<u>279</u>	<u>1,627</u>
-	-	-	-	-	-	267	-	-	-	216
-	923	60	-	-	-	-	-	-	-	-
309	-	-	396	59	173	630	142	945	276	408
-	41,586	2,675	-	-	-	-	-	-	-	-
-	350	-	-	-	-	-	-	-	-	-
-	-	-	171	58	58	410	66	60	71	156
-	-	1,916	-	-	-	-	-	-	-	-
-	6,372	-	-	-	-	-	-	-	-	-
-	-	3,026	-	-	-	-	-	-	-	-
<u>309</u>	<u>49,231</u>	<u>7,677</u>	<u>567</u>	<u>117</u>	<u>231</u>	<u>1,307</u>	<u>208</u>	<u>1,005</u>	<u>347</u>	<u>780</u>
1,110	-	-	1,580	230	100	4,414	1,165	1,064	190	794
5,804	-	-	20,857	1,865	2,506	31,581	3,637	9,191	3,532	9,312
1,446	-	16	2,228	313	371	2,794	405	1,388	858	1,690
65	-	-	61	-	-	24	-	87	-	21
13,753	-	-	-	-	-	-	-	-	-	-
<u>22,178</u>	<u>-</u>	<u>16</u>	<u>24,726</u>	<u>2,408</u>	<u>2,977</u>	<u>38,813</u>	<u>5,207</u>	<u>11,730</u>	<u>4,580</u>	<u>11,817</u>
2,283	-	8	8,239	1,298	1,566	12,837	1,874	4,976	2,222	5,173
<u>19,895</u>	<u>-</u>	<u>8</u>	<u>16,487</u>	<u>1,110</u>	<u>1,411</u>	<u>25,976</u>	<u>3,333</u>	<u>6,754</u>	<u>2,358</u>	<u>6,644</u>
<u>\$ 21,667</u>	<u>\$ 50,005</u>	<u>\$ 9,064</u>	<u>\$ 18,179</u>	<u>\$ 1,311</u>	<u>\$ 1,763</u>	<u>\$ 34,470</u>	<u>\$ 4,222</u>	<u>\$ 8,466</u>	<u>\$ 2,984</u>	<u>\$ 9,051</u>

PRESBYTERIAN HOMES AND SERVICES AND AFFILIATES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION (CONTINUED)
SEPTEMBER 30, 2013
(DOLLAR AMOUNTS IN THOUSANDS)

Presbyterian Homes Housing and Assisted Living, Inc.											
	PHS Lake Minnetonka		PHS Management		Senior Housing	Senior Lifestyle	1221	GracePointe		Mission	Valley
	Lake Minnetonka	PHHAL	LLC	Summerwood of Plymouth	Partners	Design	Nicollet	Gables East	Mayfield	Development	Ridge
ASSETS											
CURRENT ASSETS											
Cash and Cash Equivalents:											
Unrestricted	\$ (93)	\$ (23,364)	\$ 7,176	\$ 890	\$ 5,682	\$ 264	\$ -	\$ 805	\$ 3,599	\$ (8,313)	\$ (14)
Restricted for Residents	8	-	-	-	-	-	-	15	-	3,504	-
Cash Held or Restricted, Current Portion	-	-	-	150	-	-	-	143	196	-	-
Accounts Receivable, Less Allowance for Doubtful Accounts	1,465	4,351	153	59	2,097	1,125	-	470	7	331	31
Pledges Receivable, Current Portion	-	-	-	-	-	-	-	-	-	-	-
Prepaid Expenses and Other Assets	38	-	230	62	7	-	-	9	4	-	-
Total Current Assets	1,418	(19,013)	7,559	1,161	7,786	1,389	-	1,442	3,806	(4,478)	17
INVESTMENTS AND OTHER ASSETS											
Investments and Cash Held or Restricted:											
By Agreements with Trustees and Others											
Restricted by Donors and Others	-	-	4,167	-	-	-	-	558	241	-	-
Replacement Reserves	2,262	(938)	1,337	1,942	-	-	-	356	425	-	-
Endowment Funds	-	-	-	-	-	-	-	-	-	-	-
Pledges Receivable	-	-	-	-	-	-	-	-	-	-	-
Deferred Financing Costs, Less Accumulated Amortization	678	-	136	206	-	-	-	268	149	-	-
Investment in Other Entities	-	8,550	-	-	-	-	-	-	-	357	-
Other Assets	-	4,663	-	-	601	-	-	-	-	-	-
Due from Affiliates	87	9,943	4,380	26	138	33	-	-	926	39,109	-
Total Investments and Other Assets	3,027	22,218	10,020	2,174	739	33	-	1,182	1,741	48,540	-
PROPERTY AND EQUIPMENT											
Land	3,709	7,951	400	1,770	-	-	-	113	273	-	-
Buildings and Land Improvements	24,965	1,254	8,069	14,878	-	-	-	8,647	4,354	-	-
Equipment and Furnishings	8,248	33	3,480	1,716	102	14	-	808	923	-	139
Automotive Equipment	30	-	85	4	-	-	-	38	-	-	-
Construction in Progress	-	-	-	-	-	-	-	-	-	-	-
Subtotal	36,952	9,238	12,034	18,368	102	14	-	9,606	5,550	-	139
Less: Accumulated Depreciation	10,104	386	4,377	5,297	89	12	-	1,819	3,180	-	14
Net Property and Equipment	26,848	8,852	7,657	13,071	13	2	-	7,787	2,370	-	125
Total Assets	\$ 31,293	\$ 12,057	\$ 25,236	\$ 16,406	\$ 8,538	\$ 1,424	\$ -	\$ 10,411	\$ 7,917	\$ 44,062	\$ 142

PHS/ Oakdale, Inc.	Presbyterian Homes of North Oaks, Inc.	Kirkland Crossings, Inc.	Wayzata Bay Senior Housing, Inc.	Wayzata Bay Commercial	Shepherd's Path Senior Housing, Inc.	PHS/ Shoreview, Inc.	Valley Senior Service Alliance Boutwells Landing	PHS/Beacon Hill, Inc.	Williamsburg Retirement Community, Inc.	
Echo Ridge	Waverly Gardens	Kirkland Crossings	Folkestone		Mckenna Crossing	Summerhouse of Shoreview	Housing Care Center	Beacon Hill	Highland Ridge	
\$ 1,658	\$ 9,561	\$ 3,011	\$ (8,614)	\$ (14,206)	\$ (3,353)	\$ 1,298	\$ 10,036	\$ 2,165	\$ 5,822	\$ 992
-	1	186	-	-	161	-	487	-	-	94
282	7,440	321	17,739	-	423	(42)	1,086	140	252	-
1	480	49	-	8,311	240	2	167	1,035	79	147
-	-	-	-	-	-	-	-	-	-	2,000
36	33	6	-	-	8	30	181	20	123	6
1,977	17,515	3,573	9,125	(5,895)	(2,521)	1,288	11,957	3,360	6,276	3,239
-	5,718	1,196	26,039	-	2,000	-	2,500	1,583	-	-
-	2,000	-	6,579	-	-	550	-	-	-	-
256	369	380	-	(9,530)	149	211	934	103	748	229
-	1,806	-	-	-	-	-	-	-	-	4,413
-	-	-	-	-	-	-	70	-	-	-
195	1,070	294	1,957	35	953	158	719	548	201	47
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	2,007	-	-	-	-	-	-
-	-	-	-	-	-	-	-	1,322	5	-
451	10,963	1,870	34,575	(7,488)	3,102	919	4,223	3,556	954	4,689
470	13,205	1,235	12,280	34,444	5,260	579	5,864	652	1,281	1,176
7,080	65,532	14,463	-	-	27,359	7,048	84,121	23,375	9,932	31,700
1,123	6,927	1,854	-	-	2,828	778	7,448	4,428	2,421	4,142
21	66	19	-	-	-	2	71	40	-	88
-	-	-	85,471	-	-	-	-	-	-	-
8,694	85,730	17,571	97,751	34,444	35,447	8,407	97,504	28,495	13,634	37,106
3,809	17,186	6,550	-	36	3,230	3,270	35,230	5,180	6,842	9,843
4,885	68,544	11,021	97,751	34,408	32,217	5,137	62,274	23,315	6,792	27,263
\$ 7,313	\$ 97,022	\$ 16,464	\$ 141,451	\$ 21,025	\$ 32,798	\$ 7,344	\$ 78,454	\$ 30,231	\$ 14,022	\$ 35,191

PRESBYTERIAN HOMES AND SERVICES AND AFFILIATES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION (CONTINUED)
SEPTEMBER 30, 2013
(DOLLAR AMOUNTS IN THOUSANDS)

	PHS/ Woodbury, Inc.	Grandview Christian Homes	Mill Ridge Commons	Grandview West, Inc.	PHS West Health, Inc.	PHW Memomonee Falls, Inc.	Eliminations	Consolidated
	Stonecrest	Gables West	GracePointe Terrace	GracePointe Commons	Interlude			
ASSETS								
CURRENT ASSETS								
Cash and Cash Equivalents:								
Unrestricted	\$ 4,295	\$ 1,055	\$ 512	\$ 1,339	\$ (362)	\$ -	\$ -	\$ 50,814
Restricted for Residents	-	14	-	559	-	-	-	5,741
Cash Held or Restricted, Current Portion	613	-	-	165	-	-	-	35,346
Accounts Receivable, Less Allowance for Doubtful Accounts	50	1,007	3	47	43	-	(3,361)	24,479
Pledges Receivable, Current Portion	-	-	-	-	-	-	-	2,100
Prepaid Expenses and Other Assets	4	19	1	3	-	-	-	1,687
Total Current Assets	<u>4,962</u>	<u>2,095</u>	<u>516</u>	<u>2,113</u>	<u>(319)</u>	<u>-</u>	<u>(3,361)</u>	<u>120,167</u>
INVESTMENTS AND OTHER ASSETS								
Investments and Cash Held or Restricted:								
By Agreements with Trustees and Others	758	-	-	358	-	-	-	53,762
Restricted by Donors and Others	-	-	-	-	-	292	-	21,472
Replacement Reserves	344	452	44	92	-	-	-	17,606
Endowment Funds	-	-	-	-	-	-	-	52,459
Pledges Receivable	-	-	-	-	-	-	-	516
Deferred Financing Costs, Less Accumulated Amortization	556	42	39	247	2	-	-	14,786
Investment in Other Entities	-	-	-	-	-	-	(6,038)	16,192
Other Assets	-	121	-	-	340	-	(2,918)	12,210
Due from Affiliates	651	-	-	551	-	-	(67,059)	-
Total Investments and Other Assets	<u>2,309</u>	<u>615</u>	<u>83</u>	<u>1,248</u>	<u>342</u>	<u>292</u>	<u>(76,015)</u>	<u>189,003</u>
PROPERTY AND EQUIPMENT								
Land	1,776	134	6	94	-	2,938	-	138,760
Buildings and Land Improvements	17,447	3,941	3,143	11,586	-	-	(6,283)	702,749
Equipment and Furnishings	2,464	2,299	554	917	2	-	-	109,160
Automotive Equipment	21	120	6	13	-	-	-	1,722
Construction in Progress	-	-	-	-	-	18	-	100,121
Subtotal	<u>21,708</u>	<u>6,494</u>	<u>3,709</u>	<u>12,610</u>	<u>2</u>	<u>2,956</u>	<u>(6,283)</u>	<u>1,052,512</u>
Less: Accumulated Depreciation	5,590	2,156	857	2,532	-	-	(1,084)	260,209
Net Property and Equipment	<u>16,118</u>	<u>4,338</u>	<u>2,852</u>	<u>10,078</u>	<u>2</u>	<u>2,956</u>	<u>(5,199)</u>	<u>792,303</u>
Total Assets	<u>\$ 23,389</u>	<u>\$ 7,048</u>	<u>\$ 3,451</u>	<u>\$ 13,439</u>	<u>\$ 25</u>	<u>\$ 3,248</u>	<u>\$ (84,575)</u>	<u>\$ 1,101,473</u>

PRESBYTERIAN HOMES AND SERVICES AND AFFILIATES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION (CONTINUED)
SEPTEMBER 30, 2013
(DOLLAR AMOUNTS IN THOUSANDS)

	Presbyterian Homes & Services		Optage Inc.			Presbyterian Homes Hospice, Inc.	Presbyterian Homes of Andover, Inc.
	International Nurse Recruitment	Optage Senior Dining Choices	Optage Assisted Living	Optage Home and Community Based Services	Optage Primary Care	Optage Hospice	Farmstead
LIABILITIES AND NET ASSETS							
CURRENT LIABILITIES							
Current Maturities of Long-Term Debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 459
Accounts Payable	17	237	12	36	22	57	130
Construction Payable	-	-	-	-	-	-	-
Security Deposits and Other Resident Fund Payables	-	-	-	-	-	-	-
Accrued Payroll and Benefits	-	101	151	197	130	79	99
Accrued Interest and Other	-	-	-	-	-	-	108
Total Current Liabilities	17	338	163	233	152	136	796
LONG-TERM DEBT AND OTHER OBLIGATIONS							
Long-Term Debt, Less Current Maturities	77	-	-	-	-	-	10,186
Resident Notes Payable and Entrance Loan Deposits	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Due to Affiliates	805	-	736	-	-	-	-
Total Long-Term Debt and Other Obligations	882	-	736	-	-	-	10,186
NET ASSETS							
Unrestricted, Undesignated	(2,819)	2,130	2,803	(386)	(1,736)	1,282	3,492
Unrestricted, Designated by Board for Endowment Fund	-	-	-	-	-	-	-
Non-Controlling Interest	-	-	-	-	-	-	-
Total Unrestricted	(2,819)	2,130	2,803	(386)	(1,736)	1,282	3,492
Temporarily Restricted	-	-	-	-	-	-	-
Permanently Restricted	-	-	-	-	-	-	-
Total Net Assets (Deficit)	(2,819)	2,130	2,803	(386)	(1,736)	1,282	3,492
Total Liabilities and Net Assets	\$ (1,920)	\$ 2,468	\$ 3,702	\$ (153)	\$ (1,584)	\$ 1,418	\$ 14,474

Presbyterian Homes of Arden Hills, Inc.	Presbyterian Homes of Bloomington, Inc.	Presbyterian Homes Bloomington Care Center, Inc.		Bloomington Bethany Senior Housing, Inc.	Broadmoor Apartments, Inc.	Presbyterian Homes Care Centers, Inc.	Castle Ridge Care Center, Inc.	Central Towers Limited Partnership
Johanna Shores	Summerhouse of Bloomington	Gideon Pond Commons	Bloomington Care Center	Founders Ridge	Broadmoor	Langton Place	Castle Ridge	Central Towers
\$ 810	\$ 154	\$ 525	\$ 310	\$ 664	\$ 465	\$ -	\$ 115	\$ 22
449	68	103	199	73	49	315	155	277
1,693	-	-	-	-	-	-	-	-
13	13	-	6	-	102	-	2	46
796	2	200	435	93	-	475	207	46
516	260	636	708	340	352	211	117	223
<u>4,277</u>	<u>497</u>	<u>1,464</u>	<u>1,658</u>	<u>1,170</u>	<u>968</u>	<u>1,001</u>	<u>596</u>	<u>614</u>
31,190	7,658	14,423	20,613	15,604	9,664	-	2,477	5,356
-	2,019	-	-	3,061	-	-	-	-
3,520	-	-	-	1,327	4	28	4	306
<u>4,556</u>	<u>253</u>	<u>-</u>	<u>2,973</u>	<u>2,412</u>	<u>3,226</u>	<u>-</u>	<u>871</u>	<u>815</u>
39,266	9,930	14,423	23,586	22,404	12,894	28	3,352	6,477
15,307	(2,080)	8,704	732	(2,264)	(4,599)	2,636	1,897	358
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	(354)
<u>15,307</u>	<u>(2,080)</u>	<u>8,704</u>	<u>732</u>	<u>(2,264)</u>	<u>(4,599)</u>	<u>2,636</u>	<u>1,897</u>	<u>4</u>
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>15,307</u>	<u>(2,080)</u>	<u>8,704</u>	<u>732</u>	<u>(2,264)</u>	<u>(4,599)</u>	<u>2,636</u>	<u>1,897</u>	<u>4</u>
<u>\$ 58,850</u>	<u>\$ 8,347</u>	<u>\$ 24,591</u>	<u>\$ 25,976</u>	<u>\$ 21,310</u>	<u>\$ 9,263</u>	<u>\$ 3,665</u>	<u>\$ 5,845</u>	<u>\$ 7,095</u>

PRESBYTERIAN HOMES AND SERVICES AND AFFILIATES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION (CONTINUED)
SEPTEMBER 30, 2013
(DOLLAR AMOUNTS IN THOUSANDS)

	PHS/ Chanhassen, Inc	PHS/Cottage Grove, Inc. Norris Square	PHS/CG Center LLC Norris Marketplace	Croixdale Croixdale	PHM New Richmond Senior Housing, Inc. Deerfield	PHS/EagleCrest, Inc.		
	Summerwood of Chanhassen					EagleCrest	Country Inn & Suites	Hamline Center
LIABILITIES AND NET ASSETS								
CURRENT LIABILITIES								
Current Maturities of Long-Term Debt	\$ 405	\$ 300	\$ -	\$ 498	\$ 245	\$ 549	\$ 283	\$ -
Accounts Payable	116	89	9	78	2,518	260	89	30
Construction Payable	-	-	-	-	-	-	-	-
Security Deposits and Other Resident Fund Payables	-	-	-	-	80	25	-	-
Accrued Payroll and Benefits	107	127	-	173	356	276	38	-
Accrued Interest and Other	597	607	240	138	242	606	349	150
Total Current Liabilities	<u>1,225</u>	<u>1,123</u>	<u>249</u>	<u>887</u>	<u>3,441</u>	<u>1,716</u>	<u>759</u>	<u>180</u>
LONG-TERM DEBT AND OTHER OBLIGATIONS								
Long-Term Debt, Less Current Maturities	21,084	28,601	-	6,496	18,720	21,566	3,226	-
Resident Notes Payable and Entrance Loan Deposits	-	990	-	-	-	-	-	-
Other	-	-	-	-	14	1,258	-	-
Due to Affiliates	4,477	-	2,386	-	2,752	-	-	876
Total Long-Term Debt and Other Obligations	<u>25,561</u>	<u>29,591</u>	<u>2,386</u>	<u>6,496</u>	<u>21,486</u>	<u>22,824</u>	<u>3,226</u>	<u>876</u>
NET ASSETS								
Unrestricted, Undesignated	(2,061)	(1,690)	(263)	13,695	1,235	15,844	2,155	(802)
Unrestricted, Designated by Board for Endowment Fund	-	-	-	1,979	-	-	-	-
Non-Controlling Interest	-	-	-	-	-	-	-	-
Total Unrestricted	<u>(2,061)</u>	<u>(1,690)</u>	<u>(263)</u>	<u>15,674</u>	<u>1,235</u>	<u>15,844</u>	<u>2,155</u>	<u>(802)</u>
Temporarily Restricted	-	-	-	-	-	-	-	-
Permanently Restricted	-	-	-	-	-	-	-	-
Total Net Assets (Deficit)	<u>(2,061)</u>	<u>(1,690)</u>	<u>(263)</u>	<u>15,674</u>	<u>1,235</u>	<u>15,844</u>	<u>2,155</u>	<u>(802)</u>
Total Liabilities and Net Assets	<u>\$ 24,725</u>	<u>\$ 29,024</u>	<u>\$ 2,372</u>	<u>\$ 23,057</u>	<u>\$ 26,162</u>	<u>\$ 40,384</u>	<u>\$ 6,140</u>	<u>\$ 254</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 Mill Pond Apartments, Inc.	Presbyterian Homes Mill Pond Care Center, Inc.	PHS Monticello, Inc.	Noah's Ark Affordable Housing, Inc.
	Foundation	PHW/ Helpmates	Avalon Square	Ridgeview Terrace	Newton Manor	Timber Hills	Mill Pond Apartments	Mill Pond	Mississippi Shores	Oakcrest
	Foundation	Helpmates	Square	Terrace	Newton Manor	Hills	Apartments	Mill Pond	Shores	Oakcrest
\$ 147	\$ -	\$ -	\$ 422	\$ 58	\$ 65	\$ 718	\$ 175	\$ 128	\$ 54	\$ 235
270	369	42	111	38	26	207	14	168	137	27
-	-	-	-	-	-	-	-	-	-	-
10	-	-	84	17	14	198	-	-	-	93
299	-	61	220	-	-	119	-	212	13	18
254	200	-	44	10	41	567	90	19	61	268
<u>980</u>	<u>569</u>	<u>103</u>	<u>881</u>	<u>123</u>	<u>146</u>	<u>1,809</u>	<u>279</u>	<u>527</u>	<u>265</u>	<u>641</u>
17,719	-	-	17,510	1,614	989	25,617	2,958	4,703	2,693	6,025
-	-	-	-	-	-	7,787	-	-	-	-
249	449	-	-	-	-	-	-	-	-	-
<u>323</u>	<u>8,409</u>	<u>-</u>	<u>1,354</u>	<u>19</u>	<u>47</u>	<u>1</u>	<u>146</u>	<u>923</u>	<u>226</u>	<u>37</u>
18,291	8,858	-	18,864	1,633	1,036	33,405	3,104	5,626	2,919	6,062
2,396	2,593	6,271	(1,566)	(445)	581	(744)	839	2,313	(200)	2,348
-	1,774	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
<u>2,396</u>	<u>4,367</u>	<u>6,271</u>	<u>(1,566)</u>	<u>(445)</u>	<u>581</u>	<u>(744)</u>	<u>839</u>	<u>2,313</u>	<u>(200)</u>	<u>2,348</u>
-	1,698	15	-	-	-	-	-	-	-	-
-	34,513	2,675	-	-	-	-	-	-	-	-
<u>2,396</u>	<u>40,578</u>	<u>8,961</u>	<u>(1,566)</u>	<u>(445)</u>	<u>581</u>	<u>(744)</u>	<u>839</u>	<u>2,313</u>	<u>(200)</u>	<u>2,348</u>
<u>\$ 21,667</u>	<u>\$ 50,005</u>	<u>\$ 9,064</u>	<u>\$ 18,179</u>	<u>\$ 1,311</u>	<u>\$ 1,763</u>	<u>\$ 34,470</u>	<u>\$ 4,222</u>	<u>\$ 8,466</u>	<u>\$ 2,984</u>	<u>\$ 9,051</u>

PRESBYTERIAN HOMES AND SERVICES AND AFFILIATES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION (CONTINUED)
SEPTEMBER 30, 2013
(DOLLAR AMOUNTS IN THOUSANDS)

Presbyterian Homes Housing and Assisted Living, Inc.												
	PHS Lake Minnetonka		PHS Management		Summerwood of Plymouth	Senior Housing Partners	Senior Lifestyle Design	1221 Nicollet	GracePointe Gables East	Mayfield	Mission Development	Valley Ridge
	Lake Minnetonka Shores	PHHAL	LLC									
LIABILITIES AND NET ASSETS												
CURRENT LIABILITIES												
Current Maturities of Long-Term Debt	\$ 609	\$ 45	\$ 228	\$ 288	\$ -	\$ -	\$ -	\$ 180	\$ 200	\$ -	\$ -	
Accounts Payable	644	(2,265)	536	79	25	7	-	2,354	30	(7)	62	
Construction Payable	-	-	-	-	-	-	-	-	-	-	-	
Security Deposits and Other Resident Fund Payables	8	3	-	-	-	-	-	16	-	3,497	-	
Accrued Payroll and Benefits	659	(2,017)	3,933	178	153	67	-	614	13	-	29	
Accrued Interest and Other	692	40	278	272	46	-	-	146	279	217	60	
Total Current Liabilities	<u>2,612</u>	<u>(4,194)</u>	<u>4,975</u>	<u>817</u>	<u>224</u>	<u>74</u>	<u>-</u>	<u>3,310</u>	<u>522</u>	<u>3,707</u>	<u>151</u>	
LONG-TERM DEBT AND OTHER OBLIGATIONS												
Long-Term Debt, Less Current Maturities	26,685	352	4,551	17,064	-	-	-	7,589	5,085	1,709	594	
Resident Notes Payable and Entrance Loan Deposits	-	-	-	-	-	-	-	-	-	1,951	-	
Other	25	-	2,676	-	-	-	-	23	-	2,229	-	
Due to Affiliates	-	-	-	-	-	-	-	331	-	-	-	
Total Long-Term Debt and Other Obligations	<u>26,710</u>	<u>352</u>	<u>7,227</u>	<u>17,064</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,943</u>	<u>5,085</u>	<u>5,889</u>	<u>594</u>	
NET ASSETS												
Unrestricted, Undesignated	1,971	15,899	13,034	(1,475)	8,314	1,350	-	(842)	2,310	34,466	(603)	
Unrestricted, Designated by Board for Endowment Fund	-	-	-	-	-	-	-	-	-	-	-	
Non-Controlling Interest	-	-	-	-	-	-	-	-	-	-	-	
Total Unrestricted	<u>1,971</u>	<u>15,899</u>	<u>13,034</u>	<u>(1,475)</u>	<u>8,314</u>	<u>1,350</u>	<u>-</u>	<u>(842)</u>	<u>2,310</u>	<u>34,466</u>	<u>(603)</u>	
Temporarily Restricted	-	-	-	-	-	-	-	-	-	-	-	
Permanently Restricted	-	-	-	-	-	-	-	-	-	-	-	
Total Net Assets (Deficit)	<u>1,971</u>	<u>15,899</u>	<u>13,034</u>	<u>(1,475)</u>	<u>8,314</u>	<u>1,350</u>	<u>-</u>	<u>(842)</u>	<u>2,310</u>	<u>34,466</u>	<u>(603)</u>	
Total Liabilities and Net Assets	<u>\$ 31,293</u>	<u>\$ 12,057</u>	<u>\$ 25,236</u>	<u>\$ 16,406</u>	<u>\$ 8,538</u>	<u>\$ 1,424</u>	<u>\$ -</u>	<u>\$ 10,411</u>	<u>\$ 7,917</u>	<u>\$ 44,062</u>	<u>\$ 142</u>	

PHS/ Oakdale, Inc.	Presbyterian Homes of North Oaks, Inc.	Kirkland Crossings, Inc. Kirkland Crossings	Wayzata Bay Senior Housing, Inc. Folkestone	Wayzata Bay Commercial	Shepherd's Path Senior Housing, Inc. Mckenna Crossing	PHS/ Shoreview, Inc. Summerhouse of Shoreview	Valley Senior Service Alliance Boutwells Landing Housing	Care Center	PHS/Beacon Hill, Inc. Beacon Hill	Williamsburg Retirement Community, Inc. Highland Ridge
\$ 139	\$ 700	\$ 260	\$ 152	\$ 1,156	\$ 390	\$ 109	\$ 1,769	\$ 475	\$ 303	\$ 2,580
58	340	89	134	18	119	43	322	280	128	187
-	-	-	14,283	-	-	-	-	-	-	-
-	1	137	-	-	154	-	463	-	-	1
15	329	173	12	-	165	12	376	640	97	182
170	3,536	314	3,387	450	424	168	1,168	211	72	40
382	4,906	973	17,968	1,624	1,252	332	4,098	1,606	600	2,990
6,939	78,982	16,731	106,961	6,239	28,195	5,449	53,594	20,285	9,007	7,961
-	21,183	498	9,729	-	4,155	2,901	27,425	-	-	2,453
-	4,969	-	2,000	-	-	-	2,352	-	-	-
164	1,138	6	4,500	12,901	613	-	1,355	-	-	1,670
7,103	106,272	17,235	123,190	19,140	32,963	8,350	84,726	20,285	9,007	12,084
(172)	(15,962)	(1,744)	293	261	(1,417)	(1,338)	(10,370)	8,340	4,415	13,704
-	1,806	-	-	-	-	-	-	-	-	3,386
-	-	-	-	-	-	-	-	-	-	-
(172)	(14,156)	(1,744)	293	261	(1,417)	(1,338)	(10,370)	8,340	4,415	17,090
-	-	-	-	-	-	-	-	-	-	2,000
-	-	-	-	-	-	-	-	-	-	1,027
(172)	(14,156)	(1,744)	293	261	(1,417)	(1,338)	(10,370)	8,340	4,415	20,117
\$ 7,313	\$ 97,022	\$ 16,464	\$ 141,451	\$ 21,025	\$ 32,798	\$ 7,344	\$ 78,454	\$ 30,231	\$ 14,022	\$ 35,191

PRESBYTERIAN HOMES AND SERVICES AND AFFILIATES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION (CONTINUED)
SEPTEMBER 30, 2013
(DOLLAR AMOUNTS IN THOUSANDS)

	PHS/ Woodbury, Inc. Stonecrest	Grandview Christian Homes GracePointe Gables West	Mill Ridge Commons GracePointe Terrace	Grandview West, Inc. GracePointe Commons	PHS West Health, Inc. Interlude	PHW Menomonee Falls, Inc.	Eliminations	Consolidated
LIABILITIES AND NET ASSETS								
CURRENT LIABILITIES								
Current Maturities of Long-Term Debt	\$ 405	\$ 153	\$ 137	\$ 170	\$ -	\$ -	\$ -	\$ 18,254
Accounts Payable	86	1,243	37	69	38	44	(559)	10,938
Construction Payable	-	-	-	-	-	-	(802)	15,174
Security Deposits and Other Resident Fund Payables	-	14	-	-	-	-	-	4,997
Accrued Payroll and Benefits	154	579	16	151	6	-	-	11,566
Accrued Interest and Other	618	62	85	179	-	-	-	20,868
Total Current Liabilities	1,263	2,051	275	569	44	44	(1,361)	81,797
LONG-TERM DEBT AND OTHER OBLIGATIONS								
Long-Term Debt, Less Current Maturities	20,045	1,723	1,538	9,345	-	-	(671)	732,721
Resident Notes Payable and Entrance Loan Deposits	-	-	83	266	-	-	-	84,501
Other	-	9	-	-	-	-	(2,000)	19,442
Due to Affiliates	-	2,541	13	-	-	3,204	(67,059)	-
Total Long-Term Debt and Other Obligations	20,045	4,273	1,634	9,611	-	3,204	(69,730)	836,664
NET ASSETS								
Unrestricted, Undesignated	2,081	724	1,542	3,259	(19)	-	(13,484)	132,493
Unrestricted, Designated by Board for Endowment Fund	-	-	-	-	-	-	-	8,945
Non-Controlling Interest	-	-	-	-	-	-	-	(354)
Total Unrestricted	2,081	724	1,542	3,259	(19)	-	(13,484)	141,084
Temporarily Restricted	-	-	-	-	-	-	-	3,713
Permanently Restricted	-	-	-	-	-	-	-	38,215
Total Net Assets (Deficit)	2,081	724	1,542	3,259	(19)	-	(13,484)	183,012
Total Liabilities and Net Assets	\$ 23,389	\$ 7,048	\$ 3,451	\$ 13,439	\$ 25	\$ 3,248	\$ (84,575)	\$ 1,101,473

PRESBYTERIAN HOMES AND SERVICES AND AFFILIATES
CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
SEPTEMBER 30, 2013
(DOLLAR AMOUNTS IN THOUSANDS)

	Presbyterian Homes & Services					Presbyterian Homes Hospice, Inc. Optage Hospice	Presbyterian Homes of Andover, Inc. Farmstead
	International Nurse Recruitment	Optage Senior Dining Choices	Optage Assisted Living	Optage Home and Community Based Services	Optage Primary Care		
OPERATING REVENUE							
Net Services to Residents	\$ 85	\$ 5,829	\$ 3,731	\$ 3,370	\$ 516	\$ 2,859	\$ 4,944
Other Operating Revenues	-	16	2	2	226	4	47
OPERATING REVENUE	85	5,845	3,733	3,372	742	2,863	4,991
OPERATING EXPENSE							
Services to Residents	424	4,462	3,526	2,825	1,038	1,759	2,466
General and Administrative	2	799	199	896	828	466	661
Interest	-	-	-	-	-	-	579
Depreciation and Amortization	-	265	23	62	7	44	504
Total Operating Expense	426	5,526	3,748	3,783	1,873	2,269	4,210
OPERATING INCOME (LOSS)	(341)	319	(15)	(411)	(1,131)	594	781
NONOPERATING GAINS (LOSSES) AND OTHER SUPPORT							
Unrestricted Contributions	-	-	-	-	-	-	-
Income From Endowment Investments	-	-	-	-	-	-	-
Net Change in Fair Value of Investments	-	-	-	-	-	-	-
Interest Rate Swap Market Adjustment	-	-	-	-	-	-	-
(Gain) Loss on Refinancing	-	-	-	-	-	-	-
Loss on Asset Disposal	-	(2)	(7)	-	-	-	(5)
Fundraising Expenses	-	-	-	-	-	-	-
Other Nonoperating Expenses	-	-	-	-	-	-	(3)
Total Nonoperating Gains (Losses) and Other Support	-	(2)	(7)	-	-	-	(8)
EXCESS (DEFICIT) OF REVENUE OVER EXPENSE	(341)	317	(22)	(411)	(1,131)	594	773
OTHER CHANGES IN UNRESTRICTED NET ASSETS							
Transfers (to) from Affiliates	-	-	13	25	9	-	14
Distributions	-	-	-	-	-	-	-
Unrestricted Capital Contributions	-	-	-	-	-	-	-
Minority Interest in Expenses Over Revenues	-	-	-	-	-	-	-
Net Assets Released From Restriction	-	-	-	-	-	-	-
CHANGE IN UNRESTRICTED NET ASSETS	(341)	317	(9)	(386)	(1,122)	594	787
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	\$ (341)	\$ 317	\$ (9)	\$ (386)	\$ (1,122)	\$ 594	\$ 787

Presbyterian Homes of Arden Hills, Inc. Johanna Shores	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
		Gideon Pond Commons	Bloomington Care Center					
\$ 19,642	\$ 1,381	\$ 6,483	\$ 13,553	\$ 4,306	\$ 11	\$ 13,819	\$ 5,712	\$ 1,385
298	222	180	27	26	2,118	51	34	32
<u>19,940</u>	<u>1,603</u>	<u>6,663</u>	<u>13,580</u>	<u>4,332</u>	<u>2,129</u>	<u>13,870</u>	<u>5,746</u>	<u>1,417</u>
16,521	560	3,733	10,402	2,395	1,084	11,555	4,498	785
2,499	234	811	1,045	682	31	1,436	577	587
542	512	844	1,147	752	716	435	159	166
1,769	401	240	1,200	832	500	414	228	334
<u>21,331</u>	<u>1,707</u>	<u>5,628</u>	<u>13,794</u>	<u>4,661</u>	<u>2,331</u>	<u>13,840</u>	<u>5,462</u>	<u>1,872</u>
(1,391)	(104)	1,035	(214)	(329)	(202)	30	284	(455)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
2,189	-	-	-	523	-	-	-	-
-	-	-	-	-	-	-	-	-
(20)	(2)	-	-	-	-	(11)	-	-
-	-	-	-	-	-	-	-	-
<u>(12)</u>	<u>-</u>	<u>-</u>	<u>(7)</u>	<u>-</u>	<u>-</u>	<u>(5)</u>	<u>(1)</u>	<u>(3)</u>
<u>2,157</u>	<u>(2)</u>	<u>-</u>	<u>(7)</u>	<u>523</u>	<u>-</u>	<u>(16)</u>	<u>(1)</u>	<u>(3)</u>
766	(106)	1,035	(221)	194	(202)	14	283	(458)
87	-	-	120	-	-	512	3	9
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>853</u>	<u>(106)</u>	<u>1,035</u>	<u>(101)</u>	<u>194</u>	<u>(202)</u>	<u>526</u>	<u>286</u>	<u>(449)</u>
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 853</u>	<u>\$ (106)</u>	<u>\$ 1,035</u>	<u>\$ (101)</u>	<u>\$ 194</u>	<u>\$ (202)</u>	<u>\$ 526</u>	<u>\$ 286</u>	<u>\$ (449)</u>

PRESBYTERIAN HOMES AND SERVICES AND AFFILIATES
CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2013
(DOLLAR AMOUNTS IN THOUSANDS)

	PHS/ Chanhassen, Inc Summerwood of Chanhassen	PHS/Cottage Grove, Inc. Norris Square	PHS/CG Center LLC Norris Marketplace	Croixdale Croixdale	PHM New Richmond Senior Housing, Inc. Deerfield	PHS/EagleCrest, Inc.		
						EagleCrest	Country Inn & Suites	Hamline Center
OPERATING REVENUE								
Net Services to Residents	\$ 5,874	\$ 5,400	\$ -	\$ 3,977	\$ 6,770	\$ 10,820	\$ -	\$ -
Other Operating Revenues	125	77	-	83	48	92	2,299	502
OPERATING REVENUE	5,999	5,477	-	4,060	6,818	10,912	2,299	502
OPERATING EXPENSE								
Services to Residents	2,851	2,982	91	2,144	5,191	5,568	752	333
General and Administrative	789	756	6	589	874	1,262	871	46
Interest	1,336	1,554	-	169	1,161	1,316	218	-
Depreciation and Amortization	1,054	963	44	663	1,097	998	285	212
Total Operating Expense	6,030	6,255	141	3,565	8,323	9,144	2,126	591
OPERATING INCOME (LOSS)	(31)	(778)	(141)	495	(1,505)	1,768	173	(89)
NONOPERATING GAINS (LOSSES) AND OTHER SUPPORT								
Unrestricted Contributions	-	-	-	8	-	-	-	-
Income From Endowment Investments	-	-	-	215	-	-	-	-
Net Change in Fair Value of Investments	-	-	-	-	-	-	-	-
Interest Rate Swap Market Adjustment	-	-	-	-	-	(375)	-	-
(Gain) Loss on Refinancing	-	-	-	-	-	-	-	-
Loss on Asset Disposal	(5)	(5)	-	-	(5)	(8)	-	-
Fundraising Expenses	-	-	-	-	-	-	-	-
Other Nonoperating Expenses	(6)	(4)	-	(2)	(1)	(5)	-	-
Total Nonoperating Gains (Losses) and Other Support	(11)	(9)	-	221	(6)	(388)	-	-
EXCESS (DEFICIT) OF REVENUE OVER EXPENSE	(42)	(787)	(141)	716	(1,511)	1,380	173	(89)
OTHER CHANGES IN UNRESTRICTED NET ASSETS								
Transfers (to) from Affiliates	9	21	-	7	110	5	-	-
Distributions	(110)	-	-	-	-	-	-	-
Unrestricted Capital Contributions	-	-	-	-	-	-	-	-
Minority Interest in Expenses Over Revenues	-	-	-	-	-	-	-	-
Net Assets Released From Restriction	-	-	-	-	-	-	-	-
CHANGE IN UNRESTRICTED NET ASSETS	(143)	(766)	(141)	723	(1,401)	1,385	173	(89)
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	\$ (143)	\$ (766)	\$ (141)	\$ 723	\$ (1,401)	\$ 1,385	\$ 173	\$ (89)

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 Mill Pond Apartments, Inc.	Presbyterian Homes Mill Pond Care Center, Inc.	PHS Monticello, Inc.	Noah's Ark Affordable Housing, Inc.
		PHW/ Helpmates	Avalon Square	Ridgeview Terrace	Newton Manor	Timber Hills	Mill Pond Apartments	Mill Pond	Mississippi Shores	Oakcrest
\$ 9,158	\$ -	\$ 249	\$ 5,321	\$ 467	\$ 446	\$ 8,179	\$ 763	\$ 5,943	\$ 590	\$ 1,328
85	-	196	149	5	2	50	2	34	4	141
9,243	-	445	5,470	472	448	8,229	765	5,977	594	1,469
7,572	400	213	2,726	149	112	3,578	266	4,419	175	482
1,306	7	18	832	143	155	1,027	87	705	140	225
231	-	-	497	83	53	1,512	119	232	111	101
744	-	2	871	70	90	1,155	144	393	195	426
9,853	407	233	4,926	445	410	7,272	616	5,749	621	1,234
(610)	(407)	212	544	27	38	957	149	228	(27)	235
-	616	-	-	-	-	-	-	-	-	-
-	1	123	-	-	-	-	-	-	-	-
-	5,307	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
(8)	-	-	-	-	-	(7)	(1)	-	(1)	(2)
-	-	-	-	-	-	-	-	-	-	-
-	-	(83)	(23)	-	-	(6)	-	(5)	-	-
(8)	5,924	40	(23)	-	-	(13)	(1)	(5)	(1)	(2)
(618)	5,517	252	521	27	38	944	148	223	(28)	233
100	(3,666)	1,557	72	-	-	13	-	5	-	3
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	1,204	-	-	-	-	-	-	-	-	-
(518)	3,055	1,809	593	27	38	957	148	228	(28)	236
-	1,004	-	-	-	-	-	-	-	-	-
-	(1,204)	-	-	-	-	-	-	-	-	-
-	(200)	-	-	-	-	-	-	-	-	-
-	1,178	-	-	-	-	-	-	-	-	-
-	(979)	151	-	-	-	-	-	-	-	-
-	199	151	-	-	-	-	-	-	-	-
\$ (518)	\$ 3,054	\$ 1,960	\$ 593	\$ 27	\$ 38	\$ 957	\$ 148	\$ 228	\$ (28)	\$ 236

PRESBYTERIAN HOMES AND SERVICES AND AFFILIATES
CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2013
(DOLLAR AMOUNTS IN THOUSANDS)

Presbyterian Homes Housing & Assisted Living, Inc.													
	PHS Lake Minnetonka		PHS Lake Minnetonka Shores		PHS Management LLC	Senior Summerwood of Plymouth	Senior Housing Partners	Senior Lifestyle Design	1221 Nicollet	GracePointe Gables East	Mayfield	Mission Development	Valley Ridge
OPERATING REVENUE													
Net Services to Residents	\$ 20,767	\$ 18	\$ -	\$ 5,466	\$ 2	\$ -	\$ -	\$ -	\$ 5,230	\$ 1,116	\$ -	\$ -	\$ 681
Other Operating Revenues	562	123	13,276	25	3,594	3,740	-	31	36	3,855	3		
OPERATING REVENUE	21,329	141	13,276	5,491	3,596	3,740	-	5,261	1,152	3,855	684		
OPERATING EXPENSE													
Services to Residents	15,148	43	-	2,616	-	-	3	4,330	381	-	-	-	725
General and Administrative	2,717	34	10,505	712	1,771	4,097	(2)	656	204	(856)	466		
Interest	1,393	-	199	570	-	-	-	462	283	17	44		
Depreciation and Amortization	1,665	93	553	647	8	1	-	378	241	-	14		
Total Operating Expense	20,923	170	11,257	4,545	1,779	4,098	1	5,826	1,109	(839)	1,249		
OPERATING INCOME (LOSS)	406	(29)	2,019	946	1,817	(358)	(1)	(565)	43	4,694	(565)		
NONOPERATING GAINS (LOSSES) AND OTHER SUPPORT													
Unrestricted Contributions	-	-	-	-	-	-	-	-	-	-	-	-	-
Income From Endowment Investments	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Change in Fair Value of Investments	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest Rate Swap Market Adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-
(Gain) Loss on Refinancing	-	-	-	-	-	-	-	-	-	-	-	-	-
Loss on Asset Disposal	(17)	-	(72)	-	-	-	-	(6)	(2)	-	-	-	-
Fundraising Expenses	-	-	(1,552)	-	-	-	-	-	-	-	-	-	-
Other Nonoperating Expenses	(1)	-	-	(15)	-	-	-	-	(1)	-	-	-	-
Total Nonoperating Gains (Losses) and Other Support	(18)	-	(1,624)	(15)	-	-	-	(6)	(3)	-	-	-	-
EXCESS (DEFICIT) OF REVENUE OVER EXPENSE	388	(29)	395	931	1,817	(358)	(1)	(571)	40	4,694	(565)		
OTHER CHANGES IN UNRESTRICTED NET ASSETS													
Transfers (to) from Affiliates	25	1,652	1,627	(1,534)	-	-	(104)	350	8	(550)	-	-	-
Distributions	-	-	-	-	-	-	-	-	-	-	-	-	-
Unrestricted Capital Contributions	-	-	-	-	-	-	-	-	-	-	-	-	-
Minority Interest in Expenses Over Revenues	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Assets Released From Restriction	-	-	-	-	-	-	-	-	-	-	-	-	-
CHANGE IN UNRESTRICTED NET ASSETS	413	1,623	2,022	(603)	1,817	(358)	(105)	(221)	48	4,144	(565)		
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	\$ 413	\$ 1,623	\$ 2,022	\$ (603)	\$ 1,817	\$ (358)	\$ (105)	\$ (221)	\$ 48	\$ 4,144	\$ (565)		

PHS/ Oakdale, Inc. Echo Ridge	Presbyterian Homes of North Oaks, Inc. Waverly Gardens	Kirkland Crossings, Inc. Kirkland Crossings	Wayzata Bay Senior Housing, Inc. Folkestone	Wayzata Bay Commercial	Shepherd's Path Senior Housing, Inc. Mckenna Crossing	PHS/ Shoreview, Inc. Summerhouse of Shoreview	Valley Senior Service Alliance Boutwells Landing Housing	Care Center	PHS/Beacon Hill, Inc. Beacon Hill	Williamsburg Retirement Community, Inc. Highland Ridge
\$ 1,376	\$ 18,427	\$ 5,348	\$ -	\$ -	\$ 6,924	\$ 1,163	\$ 14,728	\$ 11,932	\$ 4,157	\$ 6,854
27	313	65	-	-	115	21	155	141	29	47
1,403	18,740	5,413	-	-	7,039	1,184	14,883	12,073	4,186	6,901
410	9,974	2,585	1	23	4,080	384	7,097	9,018	1,859	4,635
242	1,739	693	127	8	949	197	1,809	1,209	614	802
408	4,995	948	-	-	1,626	351	1,771	845	499	217
350	2,752	565	-	-	1,500	279	3,310	1,103	557	1,392
1,410	19,460	4,791	128	31	8,155	1,211	13,987	12,175	3,529	7,046
(7)	(720)	622	(128)	(31)	(1,116)	(27)	896	(102)	657	(145)
-	-	-	489	-	-	-	51	-	-	39
-	-	-	-	-	-	-	-	-	-	95
-	-	-	-	-	-	-	-	-	-	343
-	(454)	-	-	-	-	-	1,060	-	-	-
-	-	-	-	-	-	-	-	(369)	-	-
(2)	-	(5)	-	-	(6)	(1)	(16)	(5)	(4)	-
-	-	-	-	-	-	-	-	-	-	-
-	(27)	(10)	-	-	(6)	-	-	(8)	(3)	(2)
(2)	(481)	(15)	489	-	(12)	(1)	1,095	(382)	(7)	475
(9)	(1,201)	607	361	(31)	(1,128)	(28)	1,991	(484)	650	330
4	40	(1,364)	-	292	208	-	113	160	9	2
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
(5)	(1,161)	(757)	361	261	(920)	(28)	2,104	(324)	659	332
-	-	-	-	-	-	-	-	-	-	77
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	77
-	-	-	-	-	-	-	-	-	-	1,000
-	-	-	-	-	-	-	-	-	-	27
-	-	-	-	-	-	-	-	-	-	1,027
\$ (5)	\$ (1,161)	\$ (757)	\$ 361	\$ 261	\$ (920)	\$ (28)	\$ 2,104	\$ (324)	\$ 659	\$ 1,436

PRESBYTERIAN HOMES AND SERVICES AND AFFILIATES
CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2013
(DOLLAR AMOUNTS IN THOUSANDS)

	PHS/ Woodbury, Inc. Stonecrest	Grandview Christian Homes GracePointe Gables West	Mill Ridge Commons GracePointe Terrace	Grandview West, Inc. GracePointe Commons	PHS West Health, Inc. Interlude	PHW Menomonee Falls, Inc.	Eliminations	Consolidated
OPERATING REVENUE								
Net Services to Residents	\$ 5,945	\$ 10,047	\$ 793	\$ 3,620	\$ -	\$ -	\$ -	\$ 277,505
Other Operating Revenues	68	113	7	18	left	-	(20,529)	13,014
OPERATING REVENUE	6,013	10,160	800	3,638	-	-	(20,529)	290,519
OPERATING EXPENSE								
Services to Residents	2,683	8,395	325	1,749	34	-	-	184,535
General and Administrative	715	1,099	177	486	(15)	-	(15,629)	37,117
Interest	1,080	88	79	527	-	-	(3,726)	27,221
Depreciation and Amortization	856	379	157	446	-	-	(662)	32,813
Total Operating Expense	5,334	9,961	738	3,208	19	-	(20,017)	281,686
OPERATING INCOME (LOSS)	679	199	62	430	(19)	-	(512)	8,833
NONOPERATING GAINS (LOSSES)								
AND OTHER SUPPORT								
Unrestricted Contributions	-	-	-	-	-	-	-	1,203
Income From Endowment Investments	-	-	-	-	-	-	-	434
Net Change in Fair Value of Investments	-	-	-	-	-	-	-	5,650
Interest Rate Swap Market Adjustment	-	-	-	-	-	-	-	2,943
(Gain) Loss on Refinancing	-	-	-	(233)	-	-	-	(602)
Loss on Asset Disposal	(5)	(10)	(1)	(3)	-	-	-	(244)
Fundraising Expenses	-	-	-	-	-	-	-	(1,552)
Other Nonoperating Expenses	(11)	(5)	-	-	-	-	-	(255)
Total Nonoperating Gains (Losses) and Other Support	(16)	(15)	(1)	(236)	-	-	-	7,577
EXCESS (DEFICIT) OF								
REVENUE OVER EXPENSE	663	184	61	194	(19)	-	(512)	16,410
OTHER CHANGES IN								
UNRESTRICTED NET ASSETS								
Transfers (to) from Affiliates	13	17	-	4	-	-	-	-
Distributions	-	-	-	-	-	-	-	(110)
Unrestricted Capital Contributions	-	-	-	-	-	-	-	-
Minority Interest in Expenses Over Revenues	-	-	-	-	-	-	-	-
Net Assets Released From Restriction	-	-	-	-	-	-	-	1,204
CHANGE IN UNRESTRICTED NET ASSETS	676	201	61	198	(19)	-	(512)	17,504
TEMPORARILY RESTRICTED NET ASSETS								
Temporarily Restricted Contributions	-	-	-	-	-	-	-	1,081
Released from Restriction	-	-	-	-	-	-	-	(1,204)
CHANGE IN TEMPORARILY								
RESTRICTED NET ASSETS	-	-	-	-	-	-	-	(123)
PERMANENTLY RESTRICTED NET ASSETS								
Permanently Restricted Contributions	-	-	-	-	-	-	-	2,178
Gain From Endowment Investments	-	-	-	-	-	-	-	(801)
CHANGE IN PERMANENTLY								
RESTRICTED NET ASSETS	-	-	-	-	-	-	-	1,377
TOTAL CHANGE IN NET ASSETS	\$ 676	\$ 201	\$ 61	\$ 198	\$ (19)	\$ -	\$ (512)	\$ 18,758