PRESBYTERIAN HOMES AND SERVICES AND AFFILIATES

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2009 AND 2008

PRESBYTERIAN HOMES AND SERVICES AND AFFILIATES
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PRESBYTERIAN HOMES AND SERVICES AND AFFILIATES
BOARD OF DIRECTORS
SEPTEMBER 30, 2009

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

Directors

	No. of Years Served		No. of Years Served
Bingham, Mr. Michael C.	8	Olson, Mrs. Carole Mae	5
Carlson, Mr. Larry A.	8	Olson, Mr. Philip K.	2
Chapman, Mr. Austin	5	Serier, Mr. John G.	6
Chien, Mr. Theodore	5	Tortelli, Mr. Ronald C.	4
Doyle, Mrs. Megan A.	6	Weicht, Mr. Scott A.	7
Dunbar, Mr. Robert S.	7	Weins, Mr. Harold J.	2
Emmerich, Mrs. Karol D.	4	Brown, Rev. Dr. Philip C.	Synod Representative (Ex-officio)
Hawley, Mrs. Sandra S.	8		
Olson, Mr. Allen I.	4		

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated statements of financial position of Presbyterian Homes and Services and Affiliates as of September 30, 2009 and 2008, and the related consolidated statements of operations and changes in net assets, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Presbyterian Homes and Services and Affiliates as of September 30, 2009 and 2008, and the results of their operations and changes in their net assets, and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

LarsonAllen LLP

LarsonAllen LLP

Minneapolis, Minnesota
December 11, 2009

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PRESBYTERIAN HOMES AND SERVICES AND AFFILIATES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2009 AND 2008
(DOLLAR AMOUNTS IN THOUSANDS)

	2009	2008
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents:		
Unrestricted	$ 32,635	$ 35,375
Restricted for Residents	4,042	4,471
Cash Held or Restricted, Current Portion	8,640	8,281
Accounts Receivable, Net	18,332	12,611
Pledges Receivable, Current Portion	218	236
Prepaid Expenses and Other Assets	1,361	1,106
Total Current Assets	65,228	62,080
INVESTMENTS AND OTHER ASSETS		
Investments and Cash Held or Restriced:		
By Agreements with Trustees and Others	21,897	28,573
Restricted by Donors and Others	14,517	11,791
Replacement Reserves	18,054	14,979
Endowment Funds, Including Perpetual Trust	38,937	40,298
Pledges Receivable	3,390	5,274
Deferred Financing Costs, Less Accumulated Amortization	13,805	13,820
Investment in Other Entities	13,721	12,357
Other Assets	6,604	10,803
Total Investments and Other Assets	130,925	137,895
PROPERTY AND EQUIPMENT		
Land	81,136	80,999
Building and Land Improvements	593,030	566,704
Equipment and Furnishings	70,011	59,616
Automotive Equipment	968	889
Construction in Progress	39,470	16,449
Subtotal	784,615	724,657
Less: Accumulated Depreciation	152,903	127,138
Net Property and Equipment	631,712	597,519
Total Assets	$ 827,865	$ 797,494

See accompanying Notes to Consolidated Financial Statements.

LIABILITIES AND NET ASSETS	2009	2008
CURRENT LIABILITIES		
Current Maturities of Long-Term Debt	$ 10,462	$ 8,852
Accounts Payable	6,744	7,500
Construction Payable	1,009	447
Security Deposits and Other Resident Fund Payables	3,451	3,166
Accrued Payroll and Benefits	12,358	11,189
Accrued Interest and Other	12,664	11,679
Total Current Liabilities	46,688	42,833
LONG-TERM DEBT AND OTHER OBLIGATIONS		
Workers' Compensation and Other	16,526	13,055
Long-Term Debt, Less Current Maturities	575,255	552,805
Resident Notes	64,516	66,785
Total Long-Term Debt and Other Obligations	656,297	632,645
MINORITY INTEREST IN AFFILIATES	548	988
COMMITMENTS AND CONTINGENCIES		
NET ASSETS		
Unrestricted, Undesignated	81,853	66,528
Unrestricted, Designated by Board for Endowment Fund	7,100	7,174
Total Unrestricted	88,953	73,702
Temporarily Restricted	4,363	14,202
Permanently Restricted	31,016	33,124
Total Net Assets	124,332	121,028
Total Liabilities and Net Assets	$ 827,865	$ 797,494

See accompanying Notes to Consolidated Financial Statements.

PRESBYTERIAN HOMES AND SERVICES AND AFFILIATES
CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
YEARS ENDED SEPTEMBER 30, 2009 AND 2008
(DOLLAR AMOUNTS IN THOUSANDS)

	2009	2008
OPERATING REVENUE	$ 238,665	$ 223,574
OPERATING EXPENSE		
Services to Residents	154,225	137,503
General and Administrative	29,039	33,042
Interest	26,787	27,292
Depreciation and Amortization	26,654	23,917
Total Operating Expense	236,705	221,754
OPERATING INCOME	1,960	1,820
NONOPERATING GAINS (LOSSES) AND OTHER SUPPORT		
Unrestricted Contributions	279	666
Income from Endowment Investments	1,368	871
Net Change in Fair Value of Investments	57	(1,765)
Interest Rate Swap Market Adjustment	(3,399)	(7,051)
Gain (Loss) on Refinancing	4,614	(1,229)
Fundraising Expense	(1,020)	(838)
Other Non-Operating Expense	(330)	(215)
Total Nonoperating Gains (Losses) and Other Support	1,569	(9,561)
EXCESS (DEFICIT) OF REVENUE OVER EXPENSE	3,529	(7,741)
OTHER CHANGES IN UNRESTRICTED NET ASSETS		
Minority Interest in Expense Over Revenue	440	1,131
Unrestricted Capital Contributions	-	5,092
Net Assets Released from Restriction	11,282	4,583
CHANGE IN UNRESTRICTED NET ASSETS	15,251	3,065
TEMPORARILY RESTRICTED NET ASSETS		
Contributions	1,443	4,039
Transfer Of Net Assets From Acquisition Of Related Party Entity	-	274
Net Assets Released From Restriction	(11,282)	(4,583)
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	(9,839)	(270)
PERMANENTLY RESTRICTED NET ASSETS		
Contributions	226	578
Loss From Endowment Investments	(2,334)	(5,524)
CHANGE IN PERMANENTLY RESTRICTED NET ASSETS	(2,108)	(4,946)
CHANGE IN NET ASSETS	3,304	(2,151)
Net Assets - Beginning of Year	121,028	123,179
NET ASSETS - END OF YEAR	$ 124,332	$ 121,028
SUPPLEMENTAL DISCLOSURE OF TOTAL REVENUE AND EXPENSE		
Operating Revenue	$ 238,665	$ 223,574
Total Contributions	1,948	10,375
Total Revenue	240,613	233,949
Operating Expense	236,705	221,754
Other Non-Operating Losses	604	14,346
Total Operating Expenses and Other Non-Operating Losses	237,309	236,100
Change in Net Assets	$ 3,304	$ (2,151)

See accompanying Notes to Consolidated Financial Statements.

PRESBYTERIAN HOMES AND SERVICES AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2009 AND 2008
(DOLLAR AMOUNTS IN THOUSANDS)

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 3,304	$ (2,151)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	25,853	23,154
Amortization	801	763
Transfer of Net Assets from Acquisition of Related Entities	-	(274)
(Gain) Loss on Refinancing	(4,614)	1,229
Change in Minority Interest in Affiliates	(440)	(1,131)
Contributions Restricted for Capital Expenditures or Endowments	(1,669)	(9,983)
Net Change in Fair Value of Investments	2,277	7,289
Interest Rate Swap Market Adjustment	3,399	7,051
Changes in Assets and Liabilities, Net of Organizations Acquired:		
Receivables	(5,721)	(511)
Prepaid Expenses and Other Assets	3,944	(3,027)
Pledge Receivable	1,902	1,689
Accounts Payable	(756)	(733)
Accrued Expenses	2,226	4,325
Net Cash Provided by Operating Activities	30,506	27,690
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(59,484)	(77,418)
Acquisitions of Organizations, Net of Cash and Cash Equivalents Acquired	-	891
Change in Amounts Held with Trustees and Others	5,032	47,048
Change in Other Restricted Investments	(4,718)	(13,732)
Equity Distribution from Affiliated Entity	-	69
Investments in or Advances to Affiliated Entities and Changes in Other Assets	(1,364)	(1,701)
Net Cash Used by Investing Activities	(60,534)	(44,843)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Long-Term Debt	(12,925)	(8,394)
Proceeds from Long-Term Debt	41,986	22,057
Proceeds from Resident Entrance Loan Deposits	7,158	7,449
Payments on Resident Entrance Loan Deposits	(9,427)	(1,635)
Financing Costs Paid	(1,173)	(1,925)
Cash Received from Contributions Restricted for Capital Expenditures or Endowment	1,669	4,891
Net Cash Provided by Financing Activities	27,288	22,443
NET INCREASE (DECREASE) IN UNRESTRICTED CASH AND CASH EQUIVALENTS	(2,740)	5,320
Unrestricted Cash and Cash Equivalents - Beginning	35,375	30,055
UNRESTRICTED CASH AND CASH EQUIVALENTS - ENDING	$ 32,635	$ 35,375

See accompanying Notes to Consolidated Financial Statements.

PRESBYTERIAN HOMES AND SERVICES AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED SEPTEMBER 30, 2009 AND 2008
(DOLLAR AMOUNTS IN THOUSANDS)

	2009	2008
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash Payments for Interest (Net of Interest Capitalized)	$ 29,842	$ 22,998
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Property Acquired through Construction Payable	$ 562	$ 3,220
Refinanced Long-Term Debt	$ 23,390	$ 29,727
Acquisition and Contribution:		
Working Capital Acquired, Net of Cash and Cash Equivalents	$ -	$ 1,039
Fair Value of Other Assets Acquired, Principally Property and Equipment	-	28,771
Long-Term Debt Assumed	-	(25,609)
Contribution Revenue	-	(5,092)
Cash Paid (Acquired)	$ -	$ (891)

See accompanying Notes to Consolidated Financial Statements.

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 not-for-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 two campuses in Wisconsin, located in Pewaukee and Waukesha. As of September 30, 2009, the Organization was comprised of the following:

Divisions	Activity
Care Centers	Care centers provide a variety of skilled nursing and other services and programs to their residents. There are currently 12 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 33 communities. There are a total of 4,294 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.
Creative Independence	Provides a variety of services to community participants.
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, 2009, the Organization also has contributed capital and appoints board members in six non-profit joint venture relationships. These consolidated financial statements do not include the accounts of the joint ventures, as the Organization does not control them (See Note 5).

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.

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

Minority Interest

The minority interest includes other partners' interests related to the ventures of PHS/CG Center, LLC dba: Norris Marketplace and Central Towers Limited Partnership, which are included in these consolidated financial statements. The Organization is the 80% partner of Norris Marketplace, which is consolidated due to the Organization's majority ownership. The Organization is the general partner of Central Towers Limited Partnership, which is consolidated in these financial statements with earnings and losses allocated to each partner in accordance with the operating agreement. A pro rata share of the income or losses and net assets applicable to other partner's interests has been recognized in the Organization's consolidated financial statements as minority 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 2006, 2007, and 2008 tax 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, 2009 and 2008, the amount of community support provided was approximately $2,329 and $1,799, respectively.

Standards of Accounting and Financial Reporting

The Organization follows the accounting guidance in the audit and accounting guide, *Health Care Organizations,* which is in conformity with the recommendations of the American Institute of Certified Public Accountants.

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 result could differ from those estimates.

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 (Deficit) of Revenue Over Expense

The consolidated statements of operations and changes in net assets include excess (deficit) of revenue over expense. Changes in unrestricted net assets which are excluded from excess (deficit) 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) and minority interest in expense over revenue.

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

Excess (Deficit) 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, 2009 and 2008, the Organization has been in various stages of developing, constructing and leasing new housing and assisted living 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 revenues as these projects are leased up to stabilized occupancy. The Organization incurred expenses in excess of revenue of approximately $7,109 and $2,100 for 2009 and 2008, 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 statement 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.

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

Investments and Cash Held or Restricted (Continued)

In previous years, the Organization's investments were classified as non-trading. As such unrealized gains and losses that were considered temporary were excluded from the excess of revenue over expense. During 2009, the Organization determined that its entire investment portfolio was more accurately classified as trading, with unrealized gains and losses included in the excess of revenue over expense.

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 $599 and $495 as of September 30, 2009 and 2008, respectively.

Pledges Receivable

Pledges, less an allowance for uncollectible 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. The Organization accounts for uncollectible pledges receivable under the reserve method.

Deferred Financing Costs and Amortization

Deferred financing costs of $17,053 and $16,398 at September 30, 2009 and 2008, respectively, are amortized over the terms of the related debt using the effective interest method. Accumulated amortization at September 30, 2009 and 2008 was $3,248 and $2,578, respectively.

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

Investment in Other Entities

Investment in other entities includes share certificates owned in a Cooperative and investments in unconsolidated joint ventures that are recorded at cost.

Property and Equipment

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

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

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

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

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

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

Interest Capitalization

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

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

Resident Notes Payable and Entrance Loan Deposits

Certain residents that rented units at certain facilities made entrance loan deposits totaling approximately $64,516 and $66,785 as of September 30, 2009 and 2008, respectively. Some of the tenants received interest-bearing notes for their deposits, but most did not. The residents' monthly rent is reduced as a result of making the deposit. The deposits were or are expected to be used by the Organization to fund construction costs. 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 is has received from new tenants by the applicable maximum amount, the Organization is not required to refund additional deposits.

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 Workers' Compensation and Other on the consolidated statements of financial position.

Resident Service Revenue

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

Certain Care Centers of the Organization charge rates for most services that are provided primarily through third party payors through the Medical Assistance and Medicare programs. The Medical Assistance programs are established in accordance with rules established by the states of Minnesota 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 performed by the states. 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 $32,839 and $27,854 from Medical Assistance residents were recognized for the years ended September 30, 2009 and 2008, respectively.

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

Resident Service Revenue (Continued)

Medical Assistance accounts receivable were approximately $3,457 and $2,674 for the years ended September 30, 2009 and 2008, respectively. Revenues of approximately $24,590 and $19,161 from Medicare residents were recognized for the years ended September 30, 2009 and 2008, respectively. Medicare accounts receivable were approximately $4,558 and $3,364 for the years ended September 30, 2009 and 2008, 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 seven thousand hours of their time to the Organization during the year ended September 30, 2009.

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.

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

Fair Value Measurements (Continued)

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 generally accepted accounting principles. These adjustments to fair value usually result from the application of the lower-of-cost-or-market accounting or write down of individual assets. The Organization has delayed applying the above policies for nonfinancial assets and nonfinancial liabilities that are recognized or disclosed in the consolidated financial statements on a nonrecurring basis to the fiscal year beginning October 1, 2009. Nonfinancial assets measured at fair value on a nonrecurring basis would include nonfinancial assets and nonfinancial liabilities measured at fair value in the second step of a goodwill impairment test, other real estate owned, and other intangible assets measured at fair value for impairment assessment.

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

Reclassifications

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

NOTE 2 INVESTMENTS AND CASH HELD OR RESTRICTED

The fair value of investments is based upon quoted market prices for those or similar investments. The fair value of the perpetual trust approximates the estimated present value of the future cash flows. Guaranteed investment contracts are recorded at contract cost. At September 30, 2009 and 2008, the Organization had investments in the following categories:

	2009	2008
Cash and Cash Equivalents	$ 29,632	$ 30,161
Mutual Funds	7,473	3,169
U.S. Government Securities	6,850	9,737
Guaranteed Investment Contracts (GICs)	2,848	11,828
Corporate Bonds	13,652	5,799
Common Stocks	5,859	5,559
Municipalities	1,413	1,151
Alternative Investments	497	-
Certificates of Deposit	9,046	9,801
Perpetual Trust	24,775	26,717
Total	$ 102,045	$ 103,922

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

	Years Ended September 30,	
	2009	2008
Operating Revenues:		
Investment Income - Other	$ 6,109	$ 4,469
Nonoperating Revenues:		
Investment Income (Loss) - Endowment Funds	1,368	871
Net Change in Fair Value of Investments (Primarily Endowment Funds)	(2,277)	(7,289)
Total	$ 5,200	$ (1,949)

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 follows:

	2009	2008
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.	$ 16,359	$ 18,136
Bond Fund - Available for payment of principal and interest on bonds	6,311	5,232
Project Fund - Available for payments for construction of facilities, startup and other project costs	403	3,258
Resident entrance deposits and other cash and investments designated for future construction costs	6,188	5,493
Restricted by agreements with HUD	396	360
Restricted by agreement with Minnesota Department of Commerce pledged as security for workers' compensation self-insurance reserves (see Note 11)	2,727	2,582
Replacement Reserves - funds designated by the Organization for future repairs and replacements and restricted by HUD	18,054	14,979
Endowment Funds, including perpetual trust	38,937	40,298
Restricted by financing arrangements and other	12,670	13,584
Subtotal	102,045	103,922
Less: Current Portion	8,640	8,281
Total	$ 93,405	$ 95,641

Approximately $6,299 and $6,168 at September 30, 2009 and 2008, respectively, of replacement reserve funds were restricted by agreements with HUD or revenue bonds. The remaining replacement reserves represent funds that are designed by the board of directors for future repairs and replacements or other operating requirements. The funds may also be used to repay resident notes and entrance deposits if required.

NOTE 3 FAIR VALUE MEASUREMENTS

The Organization uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how the Organization measures fair value refer to Note 1 – Nature of Business and Summary of Significant Accounting Policies. The following table presents the fair value hierarchy for the balances of the assets and liabilities of the Organization measured at fair value on a recurring basis as of September 30, 2009:

Assets and Liabilities Recorded at Fair Value on a Recurring Basis

Assets	September 30, 2009	Level 1	Level 2	Level 3
Investments and Cash Held or Restricted				
Mutual Funds	$ 7,473	$ 7,473	$ -	$ -
U.S. Government Securities	6,850	6,850	-	-
Corporate Bonds	13,652	-	13,652	-
Common Stocks	5,859	5,859	-	-
Municipalities	1,413	-	1,413	-
Alternative Investments	497	-	-	497
Perpetual Trust	24,775	-	-	24,775
Total	$ 60,519	$ 20,182	$ 15,065	$ 25,272
Liabilities				
Derivatives	$ 10,807	$ -	$ 10,807	$ -

The following table provides a summary of changes to fair value of the Organizations Level 3 financial assets for the year ended September 30, 2009.

	Perpetual Trust	Alternative Investments	Total
Beginning Balance	$ 26,717	$ -	$ 26,717
Total Gains or Losses (Realized or Unrealized) for the Year Included in:			
Realized Losses	(2,435)	-	(2,435)
Unrealized Gains	1,834	-	1,834
Purchases, Sales, Issuances, and Settlements, Net	-	497	497
Disbursements	(1,341)	-	(1,341)
Ending Balance	$ 24,775	$ 497	$ 25,272

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.

NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

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

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.

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, 2009, are not carried at fair value in their entirety on the consolidated balance sheet.

	Cost	Fair Value
Long-Term Debt	$ 585,717	$ 556,310

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, 2009. The value is estimated using the rates currently offered for like debt instruments with similar remaining maturities.

All Other

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

NOTE 4 PLEDGES RECEIVABLE

Pledges receivable as of September 30 consist of the following:

	2009	2008
Unrestricted	$ 1,800	$ 3,123
Temporarily Restricted	1,863	2,463
Permanently Restricted	123	1,169
Total Pledges Receivable	3,786	6,755
Less: Unamortized Discount	55	76
Total Net Pledges Receivable	3,731	6,679
Less: Current Portion	218	236
Less: Amount Reported as Endowment Funds	123	1,169
Noncurrent Pledges Receivable	$ 3,390	$ 5,274

Pledges receivable that are permanently restricted, or temporarily restricted for capital, are presented as non-current assets. At September 30, 2009 the amount of pledges expected to be collected within the next five years are as follows:

Year Ending September 30,	Amount
2010	$ 1,182
2011	937
2012	935
2013	105
2014	105
Thereafter	522
Total	$ 3,786

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, 2009 and 2008, respectively, owned 90 and 89 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.

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

	2009	2008
Share of Certificates	$ 8,379	$ 8,111
Notes and Accounts Receivable on Sold Certificates	163	152
Garages	236	229
Total	$ 8,778	$ 8,492

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

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, 2009 and 2008, the Organization has contributed capital of approximately $4,943 and $3,865, 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, 2009 and 2008, the management fees earned were approximately $788 and $509, respectively.

The Unconsolidated Affiliates at September 30, 2009 include PHM/New Richmond Senior Housing, Inc. (The Deerfield), PSA Housing and Assisted Living, Inc. (St. Andrews Village), Shepherd's Path Senior Housing, Inc. (McKenna Crossing), Crosby Senior Services (Heartwood), PHS/VOA Rochester, Inc. (The Homestead of Rochester) and Carondelet Village, Inc. Following is summarized financial data for these Unconsolidated Affiliates as of and for the year ended September 30, 2009.

Assets	$	104,429
Liabilities		109,729
Net Deficit	$	(5,300)
Operating Revenues	$	17,939
Operating Expenses		13,384
Interest Expense		4,558
Depreciation and Amortization Expense		3,060
Net Loss	$	(3,063)

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

Other Assets

Other assets include the following at September 30:

	2009	2008
Real Estate Development Costs	$ 5,124	$ 9,318
Donated Land Held for Future Resale	350	350
Notes Receivable	26	38
Other	1,104	1,097
Total	$ 6,604	$ 10,803

Real estate development costs included 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.

NOTE 6 CONSTRUCTION IN PROGRESS

Boutwells Landing

During the year ended September 30, 2009, the Organization completed construction of a 108-bed care center on the current Boutwells Landing campus in Oak Park Heights, Minnesota. Total cost of the project was approximately $28,000 and was funded through loan proceeds of $20,000 in addition to $8,000 in owner equity.

Management Office

The Organization has begun construction on a twenty seven thousand square foot addition to the management office, in Roseville, Minnesota. Total cost of the project is approximately $7,400 and is being funded through loan proceeds of $5,500 in addition to $1,900 in owner equity. The project is expected to be completed in January, 2010. As of September 30, 2009, approximately $3,700 has been incurred and is included in construction in progress on the consolidated financial statements.

Wayzata Bay

During the year ended September 30, 2009, the Organization acquired property in Wayzata, Minnesota. The Organization plans to develop this property into a mixed-use facility containing 255 senior housing units, 155 condominiums, a 100-room hotel, twenty seven thousand square feet of office space, and one hundred thirty thousand square feet of retail space. As of September 30, 2009, approximately $12,000 has been incurred related to the development of this property and is included in construction in progress on the consolidated financial statements. Also included in construction in progress at September 30, 2009 is $22,700 of land that is being held for development related to this project. See subsequent events (Note 12) for further discussion of this project.

NOTE 6 CONSTRUCTION IN PROGRESS (CONTINUED)

Other

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

NOTE 7 LONG-TERM DEBT

Notes, Bonds and Mortgages

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

Description	2009	2008
$2,500 Revolving Note for Bloomington Housing, interest at prime rate, due 2011	$ 1,500	$ 2,290
Revenue Bonds, Series 2003 for Farmstead, payments due at a variable interest rate through 2033 (4)	11,945	12,145
Revenue Refunding Bonds, Series 1999A and B, for Presbyterian Homes of Arden Hills, Inc., payments due at a variable interest rate through 2029 (1)	22,661	23,236
7.86% Mortgage Note for Arden Hills Care Center, payments due through 2016, repaid in 2009	-	4,101
Revenue Refunding Bonds, Series 2008, for Summerhouse of Bloomington, Mississippi Shores, Echo Ridge, Summerhouse of Shoreview, payments due at a variable interest rate through 2038 (6)	23,725	23,725
5% to 5.5% Revenue Bonds, Series 2006, for Bloomington Care Center, payments due through 2041	22,065	22,935
5.5% Mortgage Note for Broadmoor Apartments, payments due through 2015, with balloon payment	4,049	4,176
7.5% Revenue Note, Series 2004, for Broadmoor Apartments, payments due through 2014	7,644	7,836
Revenue Refunding Bonds, Series 2002, for Roseville Care Center, payments due at a variable interest rate, through 2029 (1)	7,730	7,955
4.25% to 5.7% Revenue Bonds, Series 1998, for Castle Ridge, payments due through 2028	3,015	3,100
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	191	212
1% MHFA Mortgage Note for Central Towers, payments due through 2027	125	125
2.9% to 6.25% Revenue Bonds, Series 2003 for Summerwood of Chanhassen, payments due through 2033, less unamortized bond discount (5)	22,907	23,226

NOTE 7 LONG-TERM DEBT (CONTINUED)

Notes, Bonds and Mortgages (Continued)

Description	2009	2008
5% to 6% Revenue Bonds, Series 2006, for Norris Square, payments due through 2041	29,180	29,180
7% Mortgage Note Payable with maximum borrowing limit of $10,000 for Norris Marketplace, payments due through October 2011, with balloon payment	2,718	2,718
2.33% Loan Participation Notes, Series 2003, for Croixdale, payments due through 2025 (7)	8,471	8,688
5.375% Revenue Refunding Bonds, Series 2007, for EagleCrest, payments due until 2042, refinanced in 2009	-	23,505
Revenue Refunding Bonds, for EagleCrest, payments due at a variable interest rate through 2039 (8)	23,390	-
6.85% Mortgage Note for Country Inn & Suites, payments due through 2020 (2)	3,534	3,745
4.75% Revenue Note, Series 2005 for Maranatha, payments due through 2031, with balloon payment (7)	4,384	4,501
6.0% Mortgage Note for Maranatha, payments due through 2031, with balloon payment	1,014	1,037
6.5% Mortgage Note for Maranatha, payments due through 2010	292	438
5.56% HUD-Insured Mortgage Payable to Oak Grove Capital Corporation for Avalon Square, payments due through 2043	18,372	18,552
4.5% to 5.5% Subordinate Revenue Bonds, Series 2005, for Avalon Square, payments due through 2025	1,640	1,705
4.88% Mortgage Note to Department of Housing and Urban Development (HUD) for Ridgeview Terrace, payments due through 2032	1,877	1,922
4.88% Mortgage Note to HUD for Newton Manor, payments due through 2025	1,285	1,336
Revenue Refunding Bonds, Series 2005 for Inver Grove Heights, payments due at a variable interest rate through 2035 (4)	28,535	29,035
4.01% mortgage for Management & Services (Hamline Office Building), due through 2029	2,406	-
Revenue Note Payable, Series 2008 for Mill Pond Apartments, interest at 3.975% with reset every five years based upon US Treasury rate with a ceiling of 6.475%, payments due through 2028	3,710	3,840

NOTE 7 LONG-TERM DEBT (CONTINUED)

Notes, Bonds and Mortgages (Continued)

Description	2009	2008
4.75% HUD-Insured Mortgage Payable to Oak Grove Capital Corporation for Mill Pond, payments due through 2035	5,284	5,385
Revenue Bonds, Series 2003 for Oakcrest, payments due at a variable interest rate through 2033 (4)	7,160	7,360
7.0% Mortgage Notes for Lake Minnetonka, interest due monthly, principal due 2011	1,200	1,200
Multi-family Housing Revenue bonds, for Shoreview Apartments, payments due at variable interest rate through 2032	6,345	6,618
5.25% Notes, Series 2001A and B, for Bloomington Housing, payments due through 2021	3,229	3,477
5.48% Mortgage Note to HUD for Summerwood of Plymouth, payments due through 2043	17,341	17,511
7.125% mortgage note for 1221 Building, payments due through 2015, with balloon payment (2)	9,510	9,713
4.75% - 7.625% Revenue Bonds, Series 2006 for Grace-Pointe East, payments due through 2033, less unamortized bond discount.	8,450	8,580
7.625% Note Payable for GracePointe East, payments due through 2011	386	515
5.25% to 6.5% Revenue Bonds, Series 2007, for Waverly Gardens, payments due through 2047	80,680	81,680
6% Contract for deed, for Waverly Gardens, payments due in $700 installments in December 2009, 2010, & 2011	2,100	2,100
4.5% to 5.6% Revenue Refunding Bonds, Series 2006, for Kirkland Crossings, payments due through 2041	18,130	18,335
Revenue Refunding Bonds, Series 2005, for Boutwells Landing, payments due at a variable interest rate through 2035 (3)	59,075	60,060
6% Mortgage Note for Boutwells Landing, payments due through 2019	1,543	1,658
4.75% Tax Exempt Loan Participation Notes, Series 2007 for Boutwells Landing, payments due through 2017 (7)	20,000	9,708
Revenue Bonds, Series 2004 for Beacon Hill, payments due at a variable interest rate through 2034 (4)	10,010	10,210
4.61% Revenue Bonds, Series 2006 and 2007 for Highland Ridge, payments due through 2017	5,477	5,477
3.89% Revenue Bonds, Series 2005B, for Highland Ridge, payments through 2017 (2)	5,145	5,372
4% to 5.75% Revenue Refunding Bonds, Series 2006, for Stonecrest, payments due through 2041	13,650	13,805

NOTE 7 LONG-TERM DEBT (CONTINUED)

Notes, Bonds and Mortgages (Continued)

Description	2009	2008
5.0% to 6.4% Revenue Bonds, Series 1999, for Stonecrest, payments due through 2034	8,270	8,395
4.5% Revenue Note, Series 2003 for GracePointe West, payments due through 2023 (7)	2,412	2,532
4.5% Revenue Note, Series 2003, for GracePointe Terrace, payments due through 2023 (7)	2,153	2,259
4.4% to 6.0% Revenue Bonds, Series 1998 for GracePointe Commons, payments due through 2033	10,355	10,630
6.75% Mortgage Payable for GracePointe Commons, payments due through 2009	-	366
6% Mortgage Payable for Wayzata Bay, payments due through October 2010	16,149	-
7.125% Mortgage Payable for Wayzata Bay, payments due through 2011	9,387	-
Other	1,511	1,047
Subtotal	585,717	561,657
Less: Current Maturities	10,462	8,852
Total	$ 575,255	$ 552,805

(1) The 1999A, 1999B and 2002 Revenue Bonds are scheduled to be paid in varying annual principal installments, but can be called on a daily basis by the bondholders. The Organization has a remarketing agreement with underwriters that provides for a “best efforts” remarketing of the Revenue Bonds. The 1999A, 1999B and 2002 Revenue Bonds are secured by letters of credit of $16,635, $6,407 and $7,836, respectively, which expire September 2012. If the letters of credit are drawn on 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 letters of credit, the Revenue Bonds, other than the original amount scheduled to be paid in fiscal year 2010, are reported as long-term debt liabilities. Interest would be due monthly at a rate equal to the prime rate plus 2%. Substantially all of the property, equipment and assets, plus the assignment of rents, collateralize the letters of credit.

(2) The interest rate and monthly payment will be adjusted in 2010 and 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 2010, are reported as long-term liabilities.

NOTE 7 LONG-TERM DEBT (CONTINUED)

Notes, Bonds and Mortgages (Continued)

(4) The mortgage loan is secured by a letter of credit enhancement agreement with Fannie Mae, which guarantees the payment of the mortgage loan.

(5) The Chanhassen 2004 Revenue Bonds require that an $850 reserve fund be maintained. The Organization has obtained a letter of credit from a bank to fulfill this requirement. No amounts are drawn on the letter of credit at September 30, 2009.

(6) The bonds are secured by a credit enhancement agreement with Freddie Mac which guarantees the payment of the bonds.

(7) The interest rate on these bonds are set upon issuance, and re-set every five years through a predetermined index, and have interest rate floors and ceilings as set in the agreement.

(8) The EagleCrest Revenue Bonds that were refinanced 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.

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.

Annual maturities on the notes, bonds and mortgages for the five years subsequent to September 30, 2009 based on the terms of letters of credit or credit enhancement agreements, are approximately as follows, the maturities reflect any changes made to the requirements subsequent to September 30, 2009.

Year Ending September 30,	Amount
2010	$ 10,462
2011	157,303
2012	19,596
2013	8,069
2014	8,812
Thereafter	381,475
Total	$ 585,717

NOTE 7 LONG-TERM DEBT (CONTINUED)

Following is a summary of management's expectation of annual maturities of the Organization's long-term debt, assuming that the bonds referred to above are successfully remarketed with the original maturity dates.

Year Ending September 30,	Amount
2010	$ 10,462
2011	29,098
2012	22,183
2013	10,810
2014	11,714
Thereafter	501,450
Total	$ 585,717

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, 2009 and 2008, was approximately $2,074 and $3,663, respectively. These amounts are capitalized as part of the cost of construction.

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, 2009, 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.	$ 30,391	3.391% Fixed	10/1/2029
Agreement related to Series 2005 Revenue Bonds for Boutwells Landing	38,488	3.566% Fixed	11/1/2015
Agreement related to Series 2007 Revenue bonds for Waverly Gardens	81,680	USD-SIFMA Municipal Swap Index	10/1/2047
Agreement related to Series 2007 Revenue bonds for EagleCrest	23,390	USD-SIFMA Municipal Swap Index	7/1/2042
Agreement related to 2008 Revenue bonds for Lake Minnetonka Employee Housing	6,345	USD-SIFMA Municipal Swap Index	2/1/2013

NOTE 7 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. At September 30, 2009, the fair value of the swaps was approximately ($10,807) and is included in workers' compensation and other obligations on the consolidated statements of financial position.

The Organization also purchases interest rate cap agreements on other variable rate bonds, which have terms of 3 to 5 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, 2009 the value of these interest rate caps were approximately $750 and are included in prepaids and other assets on the consolidated statement of financial position.

NOTE 8 CONTRIBUTIONS AND NET ASSETS

Contributions

The Organization received the following significant contributions that were recognized as revenue on the consolidated statements of operations for the years ended September 30:

	2009	2008
GracePointe (Grandview)	$ -	$ 5,092
Arden Hills Restricted for Facility	-	3,000

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:

	2009	2008
Arden Hills Care Center	$ 1,946	$ 2,535
Lake Minnetonka Housing	94	88
Boutwells Landing	-	10,010
Cottage Grove	168	164
Gracepointe Crossing	291	-
Bloomington Care Center	229	-
Endowment Earnings	821	-
Other	814	1,405
Total	$ 4,363	$ 14,202

NOTE 8 CONTRIBUTIONS AND NET ASSETS (CONTINUED)

Permanently Restricted Net Assets (Endowment Funds)

At September 30, endowment funds consist of the following:

	2009	2008
John S. Holl Endowment	$ 24,775	$ 26,718
Highland Ridge Endowment	2,661	2,645
Croixdale Endowment	1,650	1,627
North Oaks Endowment	1,245	1,289
Presbyterian Homes of Wisconsin Endowment	2,169	2,234
PHS General Endowment	6,437	5,785
	38,937	40,298
Less Portion of Endowment Funds Designated by Board for:		
General Endowment	1,544	1,612
Highland Ridge Endowment	2,661	2,645
Croixdale Endowment	1,650	1,627
North Oaks Endowment	1,245	1,289
Presbyterian Homes of Wisconsin Endowment	-	1
Less: Endowment Earnings in Temporarily Restricted	821	-
Total	$ 31,016	$ 33,124

Investment income on the John S. Holl and other endowment funds is unrestricted. The John S. Holl endowment 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.

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, $12,878 at September 30, 2009, 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, $16,575 at September 30, 2009, to be used by or transferred to the Organization or its affiliates.

Interpretation of Relevant Law

The Organization complied with the State Prudent Management of Institutional Funds Act (the Act) in 2009. The Organization has interpreted 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.

NOTE 8 CONTRIBUTIONS AND 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, (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, and (4) the portion of investment return added to the permanent endowment to maintain its purchasing power. For purposes of determining that portion, each year the Organization adjusts permanently restricted net assets by the change in the Consumer Price Index (CPI) for that year. 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 year ended September 30, 2009:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, Beginning of Year	$ 7,174	$ -	$ 6,406	$ 13,580
Net Asset Reclassification	-	491	(491)	-
Investment Return:				
Investment Income	205	182	-	387
Net Appreciation/(Depreciation) (Realized and Unrealized)	57	432	100	589
Contributions and Purchases	279	-	226	505
Net Assets Appropriated for Expenditure and Sales	(615)	(284)	-	(899)
Endowment Net Assets, End of Year	$ 7,100	$ 821	$ 6,241	$ 14,162

NOTE 8 CONTRIBUTIONS AND NET ASSETS (CONTINUED)

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.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization has a policy of appropriating for distribution each year a percentage (4.5% to 5% in 2009) 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 9 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 one to five years of service and have elected to contribute 1% of their salaries, 4% of eligible employee salaries for those employees who have six to eleven 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.

NOTE 9 PENSION PLAN (CONTINUED)

Contributions to the plan by the Organization approximated $2,140 and $1,904 for the years ended September 30, 2009 and 2008, respectively.

NOTE 10 FUNCTIONAL EXPENSE

Expense by classifications for the years ended September 30, 2009 and 2008 were:

	2009	2008
Program Services:		
Services to Residents	$ 154,225	$ 137,503
Supporting Services:		
Management and General	82,480	84,251
Fundraising	1,020	838
Total Program Expenses	$ 237,725	$ 222,592

NOTE 11 COMMITMENTS AND CONTINGENCIES

Workers' Compensation Self-Insurance

The Organization self-insures its workers' compensation claims. The Organization has purchased reinsurance for specific claims greater than $430 and annual aggregate claims greater than $2,845 up to a maximum of $5,000. Expenses are recorded as claims are incurred. Incurred but not reported claims and expected claim adjustment costs are actuarially estimated and accrued. As required by the state of Minnesota, the Organization has pledged cash and investments of $2,727 to secure the payment of claims. Expenses incurred were approximately $1,752 and $1,617 for the years ended September 30, 2009 and 2008, respectively. At September 30, 2009 and 2008, management has estimated reserves and recorded liabilities for outstanding claims of approximately $2,675 and $2,401, respectively, which is included in workers' compensation and other 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.

NOTE 11 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Employee Health Self-Insurance

The Organization has self-insured for employee health insurance claims. The Organization has purchased reinsurance for specific claims greater than $150 and annual aggregate claims greater than $9,830. Expenses are recorded as claims are incurred. An estimate of incurred but not reported claims is accrued and amounted to approximately $1,164 and $1,500 at September 30, 2009 and 2008, respectively. This accrual is included in workers' compensation and other on the consolidated statements of financial position. Claims and administrative expenses incurred were approximately $5,595 and $5,364 for the years ended September 30, 2009 and 2008, respectively.

Professional Liability Insurance

The Organization is covered by professional liability insurance on a claims made basis. For the year ended September 30, 2009, 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 insurance has increased from September 30, 2008 as per claim, per location, and aggregate maximum annual coverage was $1,000, $3,000 and $20,000, respectively. The deductible in the prior year was $750. The Organization records its estimate of claim liabilities for deductibles and claims in excess of coverage based on actuarial estimates which amounted to $1,337 and $1,000 at September 30, 2009 and 2008, respectively, which is included in workers' compensation and other 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.

Cooperative Units Acquisition Commitments

In 2000, the Organization entered into an agreement to acquire the remaining membership unit certificates (11 as of September 30, 2009) 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, 2009, for the remaining units have an average value of $152 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.

McKenna Crossing Guarantee

The Organization has provided a guarantee in the amount of $4,000 for tax-exempt revenue bonds issued in the amount of $31,445 used to finance a 154-unit senior housing and assisted living campus in Prior Lake, Minnesota. The project is a joint venture between the Organization and Shepherd of the Lake Evangelical Lutheran Church and opened in July 2007. The project is a nonconsolidated affiliate of the Organization (see Note 5).

NOTE 11 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Homestead of Rochester Guarantee

The Organization has provided a guarantee in the amount of $2,000 for tax-exempt loan participations issued in the amount of $20,475 used to finance a 137-unit senior housing and assisted living campus in Rochester, Minnesota. The project is a joint venture between the Organization and Volunteers of America and opened in November 2006. The project is a nonconsolidated affiliate of the Organization (see Note 5). In March of 2009, the requirements of the guaranty agreement were met and the Organization was released from its guaranty.

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 a nonconsolidated affiliate of the Organization (see Note 5).

Tax Credit Guarantee

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

Litigation

In the normal course of business, the Organization is a party to various claims and litigation. Management is of the opinion that the outcome of these matters will not have a material adverse effect on the financial condition of the Organization.

NOTE 12 SUBSEQUENT EVENTS

Subsequent to year-end, the Organization entered into a 50/50 partnership agreement with Northern Holding VII, LLC related to the Wayzata Bay project currently in development (see Note 6). In accordance with this agreement, each partner shall have equal voting rights in the Wayzata Bay Redevelopment Company, Inc. (with the exception that Northern Holding VII, LLC has veto rights pertaining to certain major transactions) and share in profits and losses equally. Both partners contributed $5,800 in cash for their 50/50 partnership share. In addition, Wayzata Bay Senior Housing, Inc. purchased from the partnership, the land designated for construction of the senior housing for $4,215 in cash. The partnership will develop the non-senior living components of the project, expected to be retail, condominiums, and a hotel.

Subsequent Events

In preparing these consolidated financial statements, the Organization has considered events and transactions that have occurred through December 11, 2009.

LarsonAllen LLP

CPAs, Consultants & Advisors

www.larsonallen.com

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

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

Our report on our audits of the consolidated financial statements of Presbyterian Homes and Services and Affiliates for 2009 and 2008 appears on page 2. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The consolidating information is presented for purposes of additional analysis of the basic consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual organizations or divisions. The consolidating information has been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

LarsonAllen LLP

LarsonAllen LLP

Minneapolis, Minnesota
December 11, 2009

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PRESBYTERIAN HOMES AND SERVICES AND AFFILIATES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2009
(DOLLAR AMOUNTS IN THOUSANDS)

	Presbyterian Homes & Services		Presbyterian	Presbyterian Homes of Arden Hills, Inc.			
	Creative Independence	International Nurse Recruitment	Homes of Andover, Inc. Farmstead	Lake Minnetonka Care Center	Arden Hills	Bloomington Commons	Mayfield
ASSETS							
CURRENT ASSETS							
Cash and Cash Equivalents:							
Unrestricted	$ (194)	$ (635)	$ 2,594	$ (1,913)	$ 5,467	$ 739	$ 1,747
Restricted for Residents	-	-	-	9	17	-	-
Cash Held or Restricted, Current Portion	-	-	213	21	54	-	10
Accounts Receivable, Less Allowance for Doubtful Accounts	3,714	64	18	1,184	1,504	57	8
Pledges Receivable, Current Portion	-	-	-	-	-	-	-
Prepaid Expenses and Other Assets	1	-	47	19	64	5	(4)
Total Current Assets	3,521	(571)	2,872	(680)	7,106	801	1,761
INVESTMENTS AND OTHER ASSETS							
Investments and Cash Held or Restricted:							
By Agreements with Trustees and Others	-	-	-	651	708	921	554
Restricted by Donors and Others	-	-	-	-	2,408	-	-
Replacement Reserves	-	-	402	633	2,270	1,055	277
Endowment Funds	-	-	-	-	-	-	-
Pledges Receivable	-	-	-	-	-	-	-
Deferred Financing Costs, Less Accumulated Amortization	-	-	339	121	55	162	100
Investment in Other Entities	-	-	-	-	-	-	-
Other Assets	-	-	-	-	93	-	-
Due from Affiliates	-	-	330	-	-	4,280	2,382
Total Investments and Other Assets	-	-	1,071	1,405	5,534	6,418	3,313
PROPERTY AND EQUIPMENT							
Land	-	-	720	435	475	360	273
Buildings and Land Improvements	16	-	11,498	4,708	20,118	5,147	4,238
Equipment and Furnishings	279	-	1,878	1,719	3,639	678	747
Automotive Equipment	23	-	7	-	67	-	-
Construction in Progress	-	-	-	-	18	-	-
Subtotal	318	-	14,103	6,862	24,317	6,185	5,258
Less: Accumulated Depreciation	93	-	5,191	4,041	11,940	2,924	2,272
Net Property and Equipment	225	-	8,912	2,821	12,377	3,261	2,986
Total Assets	$ 3,746	$ (571)	$ 12,855	$ 3,546	$ 25,017	$ 10,480	$ 8,060

Presbyterian Homes of Bloomington, Inc. Summerhouse of Bloomington	Presbyterian Homes Bloomington Care Center, Inc. Bloomington Care Center	Broadmoor Apartments, Inc. Broadmoor	Presbyterian Homes Hospice, Inc. Peace Hospice	Presbyterian Homes Care Centers, Inc. Roseville	Castle Ridge Care Center, Inc. Castle Ridge	Central Towers Limited Partnership Central Towers	PHS/ Chanhassen, Inc Summerwood of Chanhassen	PHS/Cottage Grove, Inc. Norris Square
$ 498	$ 1,582	$ 25	$ (95)	$ 392	$ 951	$ 65	$ 725	$ 738
-	9	89	-	2	7	54	-	-
58	805	100	-	-	74	-	297	649
4	1,062	(912)	-	1,674	511	4	81	46
-	-	-	-	-	-	-	-	-
49	4	-	-	32	8	9	6	7
609	3,462	(698)	(95)	2,100	1,551	132	1,109	1,440
-	1,488	-	-	-	133	-	432	1,859
326	-	-	-	-	-	-	-	151
146	1,002	-	-	1,482	225	304	74	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
278	464	67	-	222	96	13	675	880
-	-	-	-	147	-	-	-	1,791
-	-	797	-	1	-	-	-	-
-	-	-	-	807	-	-	-	-
750	2,954	864	-	2,659	454	317	1,181	4,681
545	342	6,000	-	231	718	348	3,565	3,375
9,301	24,565	6,975	-	9,099	4,383	9,522	21,740	19,992
958	2,841	1,434	-	1,468	741	1,073	2,469	2,898
-	63	-	-	55	47	-	-	-
-	-	-	-	-	-	-	-	-
10,804	27,811	14,409	-	10,853	5,889	10,943	27,774	26,265
3,533	3,988	2,336	-	5,502	2,796	3,704	4,252	1,405
7,271	23,823	12,073	-	5,351	3,093	7,239	23,522	24,860
$ 8,630	$ 30,239	$ 12,239	$ (95)	$ 10,110	$ 5,098	$ 7,688	$ 25,812	$ 30,981

PRESBYTERIAN HOMES AND SERVICES AND AFFILIATES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION (CONTINUED)
SEPTEMBER 30, 2009
(DOLLAR AMOUNTS IN THOUSANDS)

	PHS/CG Center LLC		PHS/EagleCrest, Inc.			Maranatha Conservative Baptist Home, Inc. and Center Park Senior Apartments, Inc.	Presbyterian Homes Foundation
	Norris Marketplace	Croixdale Croixdale	EagleCrest	Country Inn & Suites	Hamline Center	Maranatha	Foundation
ASSETS							
CURRENT ASSETS							
Cash and Cash Equivalents:							
Unrestricted	$ (2,324)	$ 4,170	$ 6,021	$ 848	$ (1,566)	$ 1,689	$ 380
Restricted for Residents	-	-	-	-	-	9	-
Cash Held or Restricted, Current Portion	-	-	256	-	-	-	-
Accounts Receivable, Less Allowance for Doubtful Accounts	-	49	86	20	(1)	1,082	(4)
Pledges Receivable	-	100	-	-	-	-	118
Prepaid Expenses and Other Assets	-	4	259	2	-	9	-
Total Current Assets	(2,324)	4,323	6,622	870	(1,567)	2,789	494
INVESTMENTS AND OTHER ASSETS							
Investments and Cash Held or Restricted:							
By Agreements with Trustees and Others	-	-	-	-	-	-	-
Restricted by Donors and Others	-	-	-	-	-	-	353
Replacement Reserves	-	50	2,512	107	-	84	-
Endowment Funds	-	1,650	-	-	-	-	31,212
Pledges Receivable	-	445	-	-	-	-	1,775
Deferred Financing Costs, Less Accumulated Amortization	222	135	865	93	15	168	-
Investment in Other Entities	-	-	-	-	-	-	-
Other Assets	-	-	-	26	1	-	5,882
Due from Affiliates	-	432	4,595	-	-	-	-
Total Investments and Other Assets	222	2,712	7,972	226	16	252	39,222
PROPERTY AND EQUIPMENT							
Land	5,314	533	3,950	810	2,061	1,110	-
Buildings and Land Improvements	-	15,594	21,447	4,765	-	8,488	-
Equipment and Furnishings	-	1,491	2,170	820	-	791	-
Automotive Equipment	-	-	119	15	-	1	-
Construction in Progress	867	-	-	-	-	44	-
	6,181	17,618	27,686	6,410	2,061	10,434	-
Less: Accumulated Depreciation	-	2,858	7,716	1,904	-	1,284	-
Net Property and Equipment	6,181	14,760	19,970	4,506	2,061	9,150	-
Total Assets	$ 4,079	$ 21,795	$ 34,564	$ 5,602	$ 510	$ 12,191	$ 39,716

Presbyterian Homes of Wisconsin, Inc.		Gideon Pond West, Inc.	Gideon Pond Housing Corporation	PHS/Inver Grove, Inc.	Presbyterian Homes Management & Services, Inc.	Presbyterian Homes Mill Pond Apartments, Inc.	Presbyterian Homes Mill Pond Care Center, Inc.	PHS Monticello, Inc.	Noah's Ark Affordable Housing, Inc.
PHW/ Helpmates	Avalon Square	Ridgeview Terrace	Newton Manor	Inver, Grove Heights	Management & Services	Mill Pond Apartments	Mill Pond	Mississippi Shores	Oakcrest
$ 1,035	$ 158	$ 5	$ 27	$ 2,191	$ 4,483	$ 364	$ 750	$ 123	$ 1,176
-	75	18	16	131	-	-	-	32	68
-	102	32	33	397	-	-	45	8	120
19	119	-	5	60	51	1	202	2	6
-	-	-	-	-	-	-	-	-	-
-	76	9	6	134	139	2	29	16	26
1,054	530	64	87	2,913	4,673	367	1,026	181	1,396
-	-	-	-	265	2,727	-	-	-	231
81	-	-	-	-	-	-	-	-	-
-	662	29	78	340	1,638	90	716	197	271
2,169	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	834	48	36	545	203	103	82	88	214
1,916	-	-	-	-	153	-	-	-	-
-	-	-	-	-	-	-	-	-	-
989	-	-	-	(1)	-	-	3	-	3
5,155	1,496	77	114	1,149	4,721	193	801	285	719
-	1,580	230	100	4,414	400	1,165	1,064	190	794
-	19,893	1,854	2,477	31,199	2,705	3,602	9,102	3,339	9,156
6	1,686	270	321	2,212	1,827	217	750	631	774
-	45	-	-	22	54	-	31	-	20
-	-	-	-	-	3,746	-	-	-	-
6	23,204	2,354	2,898	37,847	8,732	4,984	10,947	4,160	10,744
3	4,840	1,006	1,177	8,030	1,874	1,344	3,525	1,456	3,428
3	18,364	1,348	1,721	29,817	6,858	3,640	7,422	2,704	7,316
$ 6,212	$ 20,390	$ 1,489	$ 1,922	$ 33,879	$ 16,252	$ 4,200	$ 9,249	$ 3,170	$ 9,431

PRESBYTERIAN HOMES AND SERVICES AND AFFILIATES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION (CONTINUED)
SEPTEMBER 30, 2009
(DOLLAR AMOUNTS IN THOUSANDS)

	Presbyterian Homes Housing and Assisted Living, Inc.									
	Lake Minnetonka Housing	Lake Minnetonka Employee Housing	Bloomington Housing	Summerwood of Plymouth	Senior Housing Partners	Senior Lifestyle Design	1221 Nicollet	GracePointe Gables East	Mission Development	PHS/ Oakdale, Inc. Echo Ridge
ASSETS										
CURRENT ASSETS										
Cash and Cash Equivalents:										
Unrestricted	$ 3,110	$ (2,364)	$ (12,893)	$ 763	$ 2,304	$ 328	$ (1,459)	$ 668	$ (89)	$ 1,301
Restricted for Residents	-	-	-	-	-	-	-	23	2,377	-
Cash Held or Restricted, Current Portion	-	-	-	210	-	-	-	188	-	35
Accounts Receivable, Less Allowance for Doubtful Accounts	46	5	1,734	18	898	400	6	476	1,640	3
Pledges Receivable	-	-	-	-	-	-	-	-	-	-
Prepaid Expenses and Other Assets	10	4	-	4	-	-	3	1	-	43
Total Current Assets	3,166	(2,355)	(11,159)	995	3,202	728	(1,450)	1,356	3,928	1,382
INVESTMENTS AND OTHER ASSETS										
Investments and Cash Held or Restricted:										
By Agreements with Trustees and Others	-	-	-	-	-	-	-	560	-	-
Restricted by Donors and Others	613	-	-	-	-	-	-	-	5,896	-
Replacement Reserves	689	173	-	696	-	-	-	34	-	132
Endowment Funds	-	-	-	-	-	-	-	-	-	-
Pledges Receivable	-	-	-	-	-	-	-	-	-	-
Deferred Financing Costs, Less Accumulated Amortization	12	105	106	1,033	-	-	127	363	-	242
Investment in Other Entities	-	-	15,392	-	-	-	-	-	357	-
Other Assets	-	-	2,007	-	-	-	-	-	-	-
Due from Affiliates	105	-	12,958	-	129	-	-	-	10,848	1
Total Investments and Other Assets	1,419	278	30,463	1,729	129	-	127	957	17,101	375
PROPERTY AND EQUIPMENT										
Land	1,016	2,258	2,002	1,770	-	-	6,403	113	-	470
Buildings and Land Improvements	2,249	5,628	512	14,765	-	-	5,869	8,586	-	6,730
Equipment and Furnishings	1,441	531	6	1,368	70	11	31	379	-	819
Automotive Equipment	7	-	-	1	-	-	-	-	-	22
Construction in Progress	73	-	-	-	-	-	25	-	-	-
	4,786	8,417	2,520	17,904	70	11	12,328	9,078	-	8,041
Less: Accumulated Depreciation	1,847	1,140	209	2,821	44	8	960	461	-	2,484
Net Property and Equipment	2,939	7,277	2,311	15,083	26	3	11,368	8,617	-	5,557
Total Assets	$ 7,524	$ 5,200	$ 21,615	$ 17,807	$ 3,357	$ 731	$ 10,045	$ 10,930	$ 21,029	$ 7,314

Presbyterian Homes of North Oaks, Inc. Waverly Gardens	Kirkland Crossings, Inc. Kirkland Crossings	Wayzata Bay Senior Housing, Inc. Wayzata Bay	PHS/ Shoreview, Inc. Summerhouse of Shoreview	Valley Senior Service Alliance Boutwells Landing	PHS/Beacon Hill, Inc. Beacon Hill	Williamsburg Retirement Community, Inc. Highland Ridge	PHS/ Woodbury, Inc. Stonecrest	Grandview Christian Homes GracePointe Gables West	Mill Ridge Commons GracePointe Terrace	Grandview West, Inc. GracePointe Commons	Eliminations	Consolidated
$ 4,411	$ 1,708	$ (5,572)	$ 1,041	$ 2,322	$ 2,777	$ 227	$ 1,352	$ 40	$ 126	$ 318	$ -	$ 32,635
-	191	-	-	346	-	65	-	29	-	475	-	4,042
2,857	343	-	60	543	188	-	431	-	-	511	-	8,640
695	16	-	15	1,102	38	145	(1)	1,057	4	85	(766)	18,332
-	-	-	-	-	-	-	-	-	-	-	-	218
30	5	2	35	104	123	27	4	15	(1)	(6)	-	1,361
7,993	2,263	(5,570)	1,151	4,417	3,126	464	1,786	1,141	129	1,383	(766)	65,228
6,121	1,196	-	-	2,500	-	-	1,135	-	-	416	-	21,897
3,398	-	-	326	965	-	-	-	-	-	-	-	14,517
87	192	-	113	491	529	50	145	79	-	-	-	18,054
1,245	-	-	-	-	-	2,661	-	-	-	-	-	38,937
-	-	-	-	1,170	-	-	-	-	-	-	-	3,390
1,256	359	98	195	1,435	270	61	654	59	54	253	-	13,805
-	-	-	-	-	-	-	-	-	-	-	(6,035)	13,721
-	-	-	-	-	-	-	-	121	-	-	(2,324)	6,604
-	92	-	-	430	-	-	566	-	18	380	(39,347)	-
12,107	1,839	98	634	6,991	799	2,772	2,500	259	72	1,049	(47,706)	130,925
13,205	1,235	-	579	6,516	1,281	1,176	1,776	134	6	94	-	81,136
65,693	14,247	-	7,024	106,283	9,719	28,365	17,343	3,960	3,138	11,564	(3,568)	593,030
6,258	1,389	-	517	10,109	1,998	3,275	2,040	1,794	438	749	-	70,011
66	8	-	-	52	-	88	22	116	6	11	-	968
-	-	34,697	-	-	-	-	-	-	-	-	-	39,470
85,222	16,879	34,697	8,120	122,960	12,998	32,904	21,181	6,004	3,588	12,418	(3,568)	784,615
6,565	4,209	-	2,224	22,509	4,709	4,740	2,303	639	268	823	(482)	152,903
78,657	12,670	34,697	5,896	100,451	8,289	28,164	18,878	5,365	3,320	11,595	(3,086)	631,712
$ 98,757	$ 16,772	$ 29,225	$ 7,681	$ 111,859	$ 12,214	$ 31,400	$ 23,164	$ 6,765	$ 3,521	$ 14,027	$ (51,558)	$ 827,865

PRESBYTERIAN HOMES AND SERVICES AND AFFILIATES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION (CONTINUED)
SEPTEMBER 30, 2009
(DOLLAR AMOUNTS IN THOUSANDS)

	Presbyterian Homes & Services		Presbyterian Homes of Andover, Inc.	Presbyterian Homes of Arden Hills, Inc.			
	Creative Independence	International Nurse Recruitment	Farmstead	Lake Minnetonka Care Center	Arden Hills	Bloomington Commons	Mayfield
LIABILITIES AND NET ASSETS							
CURRENT LIABILITIES							
Current Maturities of Long-Term Debt	$ -	$ -	$ 419	$ 139	$ 23	$ 283	$ 150
Accounts Payable	116	12	124	267	421	122	33
Construction Payable	-	-	-	-	-	-	-
Security Deposits and Other Resident Fund Payables	-	-	-	10	21	-	-
Accrued Payroll and Benefits	486	3	159	618	1,141	252	13
Accrued Interest and Other	-	-	(24)	151	317	207	133
Total Current Liabilities	602	15	678	1,185	1,923	864	329
LONG-TERM DEBT AND OTHER OBLIGATIONS							
Workers' Compensation and Other	-	-	-	10	3,091	-	-
Long-Term Debt, less current maturities	-	77	11,526	5,139	856	10,505	5,566
Resident Notes	-	-	-	-	-	-	-
Due to Affiliates	193	802	-	2	6,039	-	-
Total Long-Term Debt and Other Obligations	193	879	11,526	5,151	9,986	10,505	5,566
MINORITY INTEREST IN AFFILIATES	-	-	-	-	-	-	-
NET ASSETS (DEFICIT)							
Unrestricted, Undesignated	2,951	(1,465)	651	(2,790)	13,108	(889)	2,165
Unrestricted, Designated by Board for Endowment Fund	-	-	-	-	-	-	-
Total Unrestricted	2,951	(1,465)	651	(2,790)	13,108	(889)	2,165
Temporarily Restricted	-	-	-	-	-	-	-
Permanently Restricted	-	-	-	-	-	-	-
Total Net Assets (Deficit)	2,951	(1,465)	651	(2,790)	13,108	(889)	2,165
Total Liabilities and Net Assets	$ 3,746	$ (571)	$ 12,855	$ 3,546	$ 25,017	$ 10,480	$ 8,060

Presbyterian Homes of Bloomington, Inc. Summerhouse of Bloomington	Presbyterian Homes Bloomington Care Center, Inc. Bloomington Care Center	Broadmoor Apartments, Inc. Broadmoor	Peace Hospice	Presbyterian Homes Care Centers, Inc. Roseville	Castle Ridge Care Center, Inc. Castle Ridge	Central Towers Limited Partnership Central Towers	PHS/ Chanhassen, Inc Summerwood of Chanhassen	PHS/Cottage Grove, Inc. Norris Square
$ -	$ 255	$ 354	$ -	$ 235	$ 90	$ 22	$ 335	$ -
55	239	110	-	274	122	274	89	86
-	-	-	-	-	-	-	-	-
14	9	87	-	2	-	52	-	-
4	548	-	4	816	269	58	142	127
245	648	321	-	186	103	148	289	490
318	1,699	872	4	1,513	584	554	855	703
-	-	3	-	22	3	245	-	150
7,990	21,762	11,340	-	7,495	2,895	4,788	22,572	29,349
1,588	-	-	-	-	-	-	2,836	728
253	5,052	2,980	-	-	866	816	1,603	-
9,831	26,814	14,323	-	7,517	3,764	5,849	27,011	30,227
-	-	-	-	-	-	267	-	-
(1,519)	1,726	(2,956)	(99)	1,080	750	1,018	(2,054)	51
-	-	-	-	-	-	-	-	-
(1,519)	1,726	(2,956)	(99)	1,080	750	1,018	(2,054)	51
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
(1,519)	1,726	(2,956)	(99)	1,080	750	1,018	(2,054)	51
$ 8,630	$ 30,239	$ 12,239	$ (95)	$ 10,110	$ 5,098	$ 7,688	$ 25,812	$ 30,981

PRESBYTERIAN HOMES AND SERVICES AND AFFILIATES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION (CONTINUED)
SEPTEMBER 30, 2009
(DOLLAR AMOUNTS IN THOUSANDS)

	PHS/CG Center LLC		PHS/EagleCrest, Inc.			Maranatha Conservative Baptist Home, Inc. and Center Park Senior Apartments, Inc.	Presbyterian Homes Foundation
	Norris Marketplace	Croixdale Croixdale	EagleCrest	Country Inn & Suites	Hamline Center	Maranatha	Foundation
LIABILITIES AND NET ASSETS							
CURRENT LIABILITIES							
Current Maturities of Long-Term Debt	$ 65	$ 237	$ 386	$ 227	$ -	$ 292	$ -
Accounts Payable	35	94	207	57	8	210	1,001
Construction Payable	-	-	-	-	-	-	-
Security Deposits and Other Resident Fund Payables	-	-	15	-	-	-	-
Accrued Payroll and Benefits	-	248	329	45	1	473	-
Accrued Interest and Other	290	104	(36)	243	105	173	65
Total Current Liabilities	390	683	901	572	114	1,148	1,066
LONG-TERM DEBT AND OTHER OBLIGATIONS,							
Workers' Compensation and Other	-	-	1,168	-	-	196	34
Long-Term Debt, less current maturities	2,653	8,234	23,004	3,307	-	5,398	-
Resident Notes	-	-	-	-	-	-	-
Due to Affiliates	398	-	-	-	876	293	3,655
Total Long-Term Debt and Other Obligations	3,051	8,234	24,172	3,307	876	5,887	3,689
MINORITY INTEREST IN AFFILIATES	281	-	-	-	-	-	-
NET ASSETS (DEFICIT)							
Unrestricted, Undesignated	357	11,228	9,491	1,723	(480)	5,156	222
Unrestricted, Designated by Board for Endowment Fund	-	1,650	-	-	-	-	1,544
Total Unrestricted	357	12,878	9,491	1,723	(480)	5,156	1,766
Temporarily Restricted	-	-	-	-	-	-	4,348
Permanently Restricted	-	-	-	-	-	-	28,847
Total Net Assets (Deficit)	357	12,878	9,491	1,723	(480)	5,156	34,961
Total Liabilities and Net Assets	$ 4,079	$ 21,795	$ 34,564	$ 5,602	$ 510	$ 12,191	$ 39,716

Presbyterian Homes of Wisconsin, Inc.		Gideon Pond West, Inc.	Gideon Pond Housing Corporation	PHS/Inver Grove, Inc.	Presbyterian Homes Management & Services, Inc.	Presbyterian Homes Mill Pond Apartments, Inc.	Presbyterian Homes Mill Pond Care Center, Inc.	PHS Monticello, Inc.	Noah's Ark Affordable Housing, Inc.
PHW/ Helpmates	Avalon Square	Ridgeview Terrace	Newton Manor	Inver, Grove Heights	Management & Services	Mill Pond Apartments	Mill Pond	Mississippi Shores	Oakcrest
$ -	$ 260	$ 48	$ 54	$ 607	$ 50	$ 135	$ 106	$ -	$ 322
12	86	21	17	195	265	19	189	223	32
-	-	-	-	-	-	-	-	-	-
-	75	17	13	125	-	-	-	31	60
23	159	-	-	177	2,841	-	256	13	18
-	109	53	35	439	108	66	21	1	(33)
35	689	139	119	1,543	3,264	220	572	268	399
-	-	-	-	-	3,118	-	-	-	-
-	19,751	1,829	1,231	27,928	2,356	3,575	5,179	2,810	6,838
-	-	-	-	7,818	-	-	-	-	-
-	1,158	25	72	-	62	155	2,650	203	-
-	20,909	1,854	1,303	35,746	5,536	3,730	7,829	3,013	6,838
-	-	-	-	-	-	-	-	-	-
3,993	(1,208)	(504)	500	(3,410)	7,452	250	848	(111)	2,194
-	-	-	-	-	-	-	-	-	-
3,993	(1,208)	(504)	500	(3,410)	7,452	250	848	(111)	2,194
15	-	-	-	-	-	-	-	-	-
2,169	-	-	-	-	-	-	-	-	-
6,177	(1,208)	(504)	500	(3,410)	7,452	250	848	(111)	2,194
$ 6,212	$ 20,390	$ 1,489	$ 1,922	$ 33,879	$ 16,252	$ 4,200	$ 9,249	$ 3,170	$ 9,431

PRESBYTERIAN HOMES AND SERVICES AND AFFILIATES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION (CONTINUED)
SEPTEMBER 30, 2009
(DOLLAR AMOUNTS IN THOUSANDS)

	Presbyterian Homes Housing and Assisted Living, Inc.									
	Lake Minnetonka Housing	Lake Minnetonka Employee Housing	Bloomington Housing	Summerwood of Plymouth	Senior Housing Partners	Senior Lifestyle Design	1221 Nicollet	GracePointe Gables East	Mission Development	PHS/ Oakdale, Inc. Echo Ridge
LIABILITIES AND NET ASSETS										
CURRENT LIABILITIES										
Current Maturities of Long-Term Debt	$ -	$ 273	$ 256	$ 180	$ -	$ -	$ 197	$ 398	$ -	$ -
Accounts Payable	83	305	(2,259)	150	19	182	1	465	27	156
Construction Payable	-	-	-	-	-	-	-	-	-	-
Security Deposits and Other Resident Fund Payables	-	-	3	-	-	-	43	24	2,372	-
Accrued Payroll and Benefits	213	-	(234)	125	219	48	-	391	-	21
Accrued Interest and Other	250	116	169	259	-	-	156	169	287	(50)
Total Current Liabilities	546	694	(2,065)	714	238	230	397	1,447	2,686	127
LONG-TERM DEBT AND OTHER OBLIGATIONS,										
Workers' Compensation and Other	-	306	-	-	-	-	-	19	1,057	-
Long-Term Debt, less current maturities	1,200	6,072	3,123	17,161	-	-	9,313	8,366	1,500	7,240
Resident Notes	-	-	-	-	-	-	-	-	1,250	-
Due to Affiliates	-	-	-	1,052	-	-	580	1,039	-	164
Total Long-Term Debt and Other Obligations	1,200	6,378	3,123	18,213	-	-	9,893	9,424	3,807	7,404
MINORITY INTEREST IN AFFILIATES	-	-	-	-	-	-	-	-	-	-
NET ASSETS (DEFICIT)										
Unrestricted, Undesignated	5,778	(1,872)	20,557	(1,120)	3,119	501	(245)	59	14,536	(217)
Unrestricted, Designated by Board for Endowment Fund	-	-	-	-	-	-	-	-	-	-
Total Unrestricted	5,778	(1,872)	20,557	(1,120)	3,119	501	(245)	59	14,536	(217)
Temporarily Restricted	-	-	-	-	-	-	-	-	-	-
Permanently Restricted	-	-	-	-	-	-	-	-	-	-
Total Net Assets (Deficit)	5,778	(1,872)	20,557	(1,120)	3,119	501	(245)	59	14,536	(217)
Total Liabilities and Net Assets	$ 7,524	$ 5,200	$ 21,615	$ 17,807	$ 3,357	$ 731	$ 10,045	$ 10,930	$ 21,029	$ 7,314

Presbyterian Homes of North Oaks, Inc. Waverly Gardens	Kirkland Crossings, Inc. Kirkland Crossings	Wayzata Bay Senior Housing, Inc. Wayzata Bay	PHS/ Shoreview, Inc. Summerhouse of Shoreview	Valley Senior Service Alliance Boutwells Landing	PHS/Beacon Hill, Inc. Beacon Hill	Williamsburg Retirement Community, Inc. Highland Ridge	PHS/ Woodbury, Inc. Stonecrest	Grandview Christian Homes GracePointe Gables West	Mill Ridge Commons GracePointe Terrace	Grandview West, Inc. GracePointe Commons	Eliminations	Consolidated
$ 700	$ 215	$ 225	$ -	$ 1,625	$ 206	$ 363	$ 290	$ 131	$ 112	$ 197	$ -	$ 10,462
216	136	22	30	1,129	97	120	61	1,457	14	59	(741)	6,744
364	-	-	-	670	-	-	-	-	-	-	(25)	1,009
-	125	6	-	320	-	-	-	27	-	-	-	3,451
427	121	-	15	655	127	199	127	581	14	86	-	12,358
3,166	304	855	119	731	33	30	557	84	66	406	-	12,664
4,873	901	1,108	164	5,130	463	712	1,035	2,280	206	748	(766)	46,688
3,574	-	-	-	3,500	-	22	-	8	-	-	-	16,526
81,338	17,670	25,536	5,685	78,993	9,804	10,260	21,630	2,287	2,041	10,160	(77)	575,255
16,660	551	-	3,062	26,700	-	2,663	-	-	196	464	-	64,516
2,029	-	2,620	-	-	-	1,168	-	2,542	-	-	(39,347)	-
103,601	18,221	28,156	8,747	109,193	9,804	14,113	21,630	4,837	2,237	10,624	(39,424)	656,297
-	-	-	-	-	-	-	-	-	-	-	-	548
(10,962)	(2,350)	(39)	(1,230)	(2,464)	1,947	13,914	499	(352)	1,078	2,655	(11,368)	81,853
1,245	-	-	-	-	-	2,661	-	-	-	-	-	7,100
(9,717)	(2,350)	(39)	(1,230)	(2,464)	1,947	16,575	499	(352)	1,078	2,655	(11,368)	88,953
-	-	-	-	-	-	-	-	-	-	-	-	4,363
-	-	-	-	-	-	-	-	-	-	-	-	31,016
(9,717)	(2,350)	(39)	(1,230)	(2,464)	1,947	16,575	499	(352)	1,078	2,655	(11,368)	124,332
$ 98,757	$ 16,772	$ 29,225	$ 7,681	$ 111,859	$ 12,214	$ 31,400	$ 23,164	$ 6,765	$ 3,521	$ 14,027	$ (51,558)	$ 827,865

PRESBYTERIAN HOMES AND SERVICES AND AFFILIATES
CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
SEPTEMBER 30, 2009
(DOLLAR AMOUNTS IN THOUSANDS)

	Presbyterian Homes & Services		Presbyterian Homes of Andover, Inc.	Presbyterian Homes of Arden Hills, Inc.			
	Creative Independence	International Nurse Recruitment	Farmstead	Lake Minnetonka Care Center	Arden Hills	Bloomington Commons	Mayfield
OPERATING REVENUE	$ 7,319	$ 207	$ 4,659	$ 12,519	$ 23,321	$ 4,499	$ 1,172
OPERATING EXPENSE							
Services to Residents	6,406	443	2,524	10,052	17,326	2,884	357
General and Administrative	690	48	650	1,098	2,248	682	181
Interest	-	-	632	277	593	568	300
Depreciation and Amortization	38	-	491	418	1,041	199	231
Total Operating Expense	7,134	491	4,297	11,845	21,208	4,333	1,069
OPERATING INCOME (LOSS)	185	(284)	362	674	2,113	166	103
NONOPERATING GAINS (LOSSES) AND OTHER SUPPORT							
Unrestricted Contributions	63	-	-	-	-	-	-
Income From Endowment Investments	-	-	-	-	-	-	-
Net Change in Fair Value of Investments	-	-	-	-	-	-	-
Interest Rate Swap Market Adjustment	-	-	-	-	(1,375)	-	-
(Gain) Loss on Refinancing	-	-	-	-	-	-	-
Fundraising Expenses	-	-	-	-	-	-	-
Other Non-Operating Expenses	(63)	-	(1)	-	(4)	-	-
Total Nonoperating Gains (Losses) and Other Support	-	-	(1)	-	(1,379)	-	-
EXCESS (DEFICIT) OF REVENUE OVER EXPENSE	185	(284)	361	674	734	166	103
OTHER CHANGES IN UNRESTRICTED NET ASSETS							
Transfers (to) from Affiliates	-	-	3	-	1,153	-	1
Unrestricted Capital Contributions	-	-	-	-	-	-	-
Minority Interest in Expenses Over Revenues	-	-	-	-	-	-	-
Net Assets Released From Restriction	-	-	-	-	-	-	-
CHANGE IN UNRESTRICTED NET ASSETS	185	(284)	364	674	1,887	166	104
TEMPORARILY RESTRICTED NET ASSETS							
Temporarily Restricted Contributions	-	-	-	-	-	-	-
Released from Restriction	-	-	-	-	-	-	-
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	-	-	-	-	-	-	-
PERMANENTLY RESTRICTED NET ASSETS							
Permanently Restricted Contributions	-	-	-	-	-	-	-
Loss From Endowment Investments	-	-	-	-	-	-	-
CHANGE IN PERMANENTLY RESTRICTED NET ASSETS	-	-	-	-	-	-	-
TOTAL CHANGE IN NET ASSETS	$ 185	$ (284)	$ 364	$ 674	$ 1,887	$ 166	$ 104

Presbyterian Homes of Bloomington, Inc. Summerhouse of Bloomington	Presbyterian Homes Bloomington Care Center, Inc. Bloomington Care Center	Broadmoor Apartments, Inc. Broadmoor	Peace Hospice	Presbyterian Homes Care Centers, Inc. Roseville	Castle Ridge Care Center, Inc. Castle Ridge	Central Towers Limited Partnership Central Towers	PHS/ Chanhassen, Inc Summerwood of Chanhassen	PHS/Cottage Grove, Inc. Norris Square
$ 1,392	$ 12,709	$ 1,922	$ -	$ 15,230	$ 5,542	$ 1,405	$ 5,352	$ 4,094
552	9,546	1,103	7	12,514	4,204	902	2,450	1,939
222	886	80	66	1,493	487	496	698	684
491	1,201	821	-	406	177	168	1,393	1,570
383	1,090	579	-	443	235	363	989	931
1,648	12,723	2,583	73	14,856	5,103	1,929	5,530	5,124
(256)	(14)	(661)	(73)	374	439	(524)	(178)	(1,030)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	(13)	-	-	(12)	-	(6)	(2)	(1)
-	(13)	-	-	(12)	-	(6)	(2)	(1)
(256)	(27)	(661)	(73)	362	439	(530)	(180)	(1,031)
-	130	-	-	9	-	6	3	1
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	440	-	-
-	-	-	-	-	-	-	-	-
(256)	103	(661)	(73)	371	439	(84)	(177)	(1,030)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
$ (256)	$ 103	$ (661)	$ (73)	$ 371	$ 439	$ (84)	$ (177)	$ (1,030)

PRESBYTERIAN HOMES AND SERVICES AND AFFILIATES
CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2009

	PHS/CG Center LLC		PHS/EagleCrest, Inc.			Maranatha Conservative Baptist Home, Inc. and Center Park Senior Apartments, Inc.	Presbyterian Homes Foundation
	Norris Marketplace	Croixdale Croixdale	EagleCrest	Country Inn & Suites	Hamline Center	Maranatha	Foundation
OPERATING REVENUE	$ -	$ 3,659	$ 9,801	$ 2,018	$ 267	$ 9,777	$ -
OPERATING EXPENSE							
Services to Residents	282	2,074	4,576	646	261	7,198	1,365
General and Administrative	11	496	1,227	712	404	876	3
Interest	177	238	1,367	282	-	293	-
Depreciation and Amortization	-	624	978	264	-	346	-
Total Operating Expense	470	3,432	8,148	1,904	665	8,713	1,368
OPERATING INCOME (LOSS)	(470)	227	1,653	114	(398)	1,064	(1,368)
NONOPERATING GAINS (LOSSES) AND OTHER SUPPORT							
Unrestricted Contributions	-	21	-	-	-	-	488
Income From Endowment Investments	-	23	-	-	-	-	1,167
Net Change in Fair Value of Investments	-	-	-	-	-	-	66
Interest Rate Swap Market Adjustment	-	-	(3)	-	-	-	-
(Gain) Loss on Refinancing	-	-	4,040	-	-	-	-
Fundraising Expenses	-	-	-	-	-	-	-
Other Non-Operating Expenses	-	(1)	-	-	-	(1)	-
Total Nonoperating Gains (Losses) and Other Support	-	43	4,037	-	-	(1)	1,721
EXCESS (DEFICIT) OF REVENUE OVER EXPENSE	(470)	270	5,690	114	(398)	1,063	353
OTHER CHANGES IN UNRESTRICTED NET ASSETS							
Transfers (to) from Affiliates	-	101	14	-	-	1	(2,536)
Unrestricted Capital Contributions	-	-	-	-	-	-	-
Minority Interest in Expenses Over Revenues	-	-	-	-	-	-	-
Net Assets Released From Restriction	-	-	-	-	-	-	1,317
CHANGE IN UNRESTRICTED NET ASSETS	(470)	371	5,704	114	(398)	1,064	(866)
TEMPORARILY RESTRICTED NET ASSETS							
Temporarily Restricted Contributions	-	-	-	-	-	-	1,443
Released from Restriction	-	-	-	-	-	-	(1,317)
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	-	-	-	-	-	-	126
PERMANENTLY RESTRICTED NET ASSETS							
Permanently Restricted Contributions	-	-	-	-	-	-	226
Loss From Endowment Investments	-	-	-	-	-	-	(2,270)
CHANGE IN PERMANENTLY RESTRICTED NET ASSETS	-	-	-	-	-	-	(2,044)
TOTAL CHANGE IN NET ASSETS	$ (470)	$ 371	$ 5,704	$ 114	$ (398)	$ 1,064	$ (2,784)

Presbyterian Homes of Wisconsin, Inc.		Gideon Pond West, Inc.	Gideon Pond Housing Corporation	PHS/Inver Grove, Inc.	Presbyterian Homes Management & Services, Inc.	Presbyterian Homes Mill Pond Apartments, Inc.	Presbyterian Homes Mill Pond Care Center, Inc.	PHS Monticello, Inc.	Noah's Ark Affordable Housing, Inc.
PHW/ Helpmates	Avalon Square	Ridgeview Terrace	Newton Manor	Inver, Grove Heights	Management & Services	Mill Pond Apartments	Mill Pond	Mississippi Shores	Oakcrest
$ 290	$ 4,865	$ 459	$ 421	$ 7,593	$ 11,508	$ 729	$ 5,583	$ 556	$ 1,137
293	2,396	146	121	3,448	-	250	3,872	133	302
29	751	145	161	1,014	8,346	85	567	124	193
-	1,115	93	64	1,607	27	151	253	116	146
1	856	91	109	1,240	403	138	345	159	458
323	5,118	475	455	7,309	8,776	624	5,037	532	1,099
(33)	(253)	(16)	(34)	284	2,732	105	546	24	38
-	-	-	-	-	-	-	-	-	-
99	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	(1,020)	-	-	-	-
(149)	(8)	-	-	(11)	-	-	(11)	-	-
(50)	(8)	-	-	(11)	(1,020)	-	(11)	-	-
(83)	(261)	(16)	(34)	273	1,712	105	535	24	38
-	73	-	-	30	5	-	18	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
67	-	-	-	-	-	-	-	-	-
(16)	(188)	(16)	(34)	303	1,717	105	553	24	38
-	-	-	-	-	-	-	-	-	-
(67)	-	-	-	-	-	-	-	-	-
(67)	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
(64)	-	-	-	-	-	-	-	-	-
(64)	-	-	-	-	-	-	-	-	-
$ (147)	$ (188)	$ (16)	$ (34)	$ 303	$ 1,717	$ 105	$ 553	$ 24	$ 38

PRESBYTERIAN HOMES AND SERVICES AND AFFILIATES
CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2009

	Presbyterian Homes Housing & Assisted Living, Inc.									
	Lake Minnetonka Housing	Lake Minnetonka Employee Housing	Blmgtn Housing	Summerwood of Plymouth	Senior Housing Partners	Senior Lifestyle Design	1221 Nicollet	GracePointe Gables East	Mission Development	PHS/ Oakdale, Inc. Echo Ridge
OPERATING REVENUE	$ 4,967	$ 864	$ 1,738	$ 4,571	$ 997	$ 4,647	$ 1,899	$ 7,340	$ 3,628	$ 1,265
OPERATING EXPENSE										
Services to Residents	3,323	561	656	2,383	-	-	719	5,752	-	292
General and Administrative	812	193	39	508	1,838	4,803	238	819	-	218
Interest	98	230	185	954	-	-	674	542	29	378
Depreciation and Amortization	281	269	82	648	13	1	308	340	-	280
Total Operating Expense	4,514	1,253	962	4,493	1,851	4,804	1,939	7,453	29	1,168
OPERATING INCOME (LOSS)	453	(389)	776	78	(854)	(157)	(40)	(113)	3,599	97
NONOPERATING GAINS (LOSSES) AND OTHER SUPPORT										
Unrestricted Contributions	-	-	-	-	-	-	-	-	-	-
Income From Endowment Investments	-	-	-	-	-	-	-	-	-	-
Net Change in Fair Value of Investments	-	-	-	-	-	-	-	-	-	-
Interest Rate Swap Market Adjustment	-	(260)	-	-	-	-	-	-	-	-
(Gain) Loss on Refinancing	-	-	-	-	-	-	-	-	188	-
Fundraising Expenses	-	-	-	-	-	-	-	-	-	-
Other Non-Operating Expenses	-	-	-	(7)	-	-	-	-	-	(1)
Total Nonoperating Gains (Losses) and Other Support	-	(260)	-	(7)	-	-	-	-	188	(1)
EXCESS (DEFICIT) OF REVENUE OVER EXPENSE	453	(649)	776	71	(854)	(157)	(40)	(113)	3,787	96
OTHER CHANGES IN UNRESTRICTED NET ASSETS										
Transfers (to) from Affiliates	613	-	(197)	7	-	-	-	-	-	3
Unrestricted Capital Contributions	-	-	-	-	-	-	-	-	-	-
Minority Interest in Expenses Over Revenues	-	-	-	-	-	-	-	-	-	-
Net Assets Released From Restriction	-	-	-	-	-	-	-	-	-	-
CHANGE IN UNRESTRICTED NET ASSETS	1,066	(649)	579	78	(854)	(157)	(40)	(113)	3,787	99
TEMPORARILY RESTRICTED NET ASSETS										
Temporarily Restricted Contributions	-	-	-	-	-	-	-	-	-	-
Released from Restriction	-	-	-	-	-	-	-	-	-	-
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	-	-	-	-	-	-	-	-	-	-
PERMANENTLY RESTRICTED NET ASSETS										
Permanently Restricted Contributions	-	-	-	-	-	-	-	-	-	-
Loss From Endowment Investments	-	-	-	-	-	-	-	-	-	-
CHANGE IN PERMANENTLY RESTRICTED NET ASSETS	-	-	-	-	-	-	-	-	-	-
TOTAL CHANGE IN NET ASSETS	$ 1,066	$ (649)	$ 579	$ 78	$ (854)	$ (157)	$ (40)	$ (113)	$ 3,787	$ 99

PRESBYTERIAN HOMES AND SERVICES AND AFFILIATES
CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2009

Presbyterian Homes of North Oaks, Inc. Waverly Gardens	Kirkland Crossings, Inc. Kirkland Crossings	Wayzata Bay Senior Housing, Inc. Wayzata Bay	PHS/ Shoreview, Inc. Summerhouse of Shoreview	Valley Senior Service Alliance Boutwells Landing	PHS/Beacon Hill, Inc. Beacon Hill	Williamsburg Retirement Community, Inc. Highland Ridge	PHS/ Woodbury, Inc. Stonecrest	Grandview Christian Homes GracePointe Gables West	Mill Ridge Commons GracePointe Terrace	Grandview West, Inc. GracePointe Commons	Eliminations	Consolidated
$ 14,365	$ 4,725	$ 916	$ 1,102	$ 14,663	$ 4,139	$ 5,145	$ 5,325	$ 11,154	$ 754	$ 3,013	$ (18,557)	$ 238,665
8,360	2,292	868	294	8,903	1,885	3,825	2,317	10,056	304	1,536	(673)	154,225
1,599	592	87	189	2,288	564	678	640	1,197	111	385	(14,612)	29,039
5,156	990	-	340	3,012	511	460	1,286	114	101	643	(3,442)	26,787
2,675	603	-	272	4,026	519	1,179	902	343	142	428	(100)	26,654
17,790	4,477	955	1,095	18,229	3,479	6,142	5,145	11,710	658	2,992	(18,827)	236,705
(3,425)	248	(39)	7	(3,566)	660	(997)	180	(556)	96	21	270	1,960
10	-	-	-	(14)	-	(10)	-	-	-	-	(279)	279
-	-	-	-	-	-	79	-	-	-	-	-	1,368
-	-	-	-	-	-	20	-	-	-	(29)	-	57
(118)	-	-	-	(1,643)	-	-	-	-	-	-	-	(3,399)
386	-	-	-	-	-	-	-	-	-	-	-	4,614
-	-	-	-	-	-	-	-	-	-	-	-	(1,020)
(13)	(4)	-	-	(18)	(2)	-	-	(2)	-	-	-	(330)
265	(4)	-	-	(1,675)	(2)	89	-	(2)	-	(29)	(279)	1,569
(3,160)	244	(39)	7	(5,241)	658	(908)	180	(558)	96	(8)	(9)	3,529
13	15	-	-	264	8	247	-	15	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	440
-	-	-	-	9,898	-	-	-	-	-	-	-	11,282
(3,147)	259	(39)	7	4,921	666	(661)	180	(543)	96	(8)	(9)	15,251
-	-	-	-	-	-	-	-	-	-	-	-	1,443
-	-	-	-	(9,898)	-	-	-	-	-	-	-	(11,282)
-	-	-	-	(9,898)	-	-	-	-	-	-	-	(9,839)
-	-	-	-	-	-	-	-	-	-	-	-	226
-	-	-	-	-	-	-	-	-	-	-		(2,334)
-	-	-	-	-	-	-	-	-	-	-	-	(2,108)
$ (3,147)	$ 259	$ (39)	$ 7	$ (4,977)	$ 666	$ (661)	$ 180	$ (543)	$ 96	$ (8)	$ (9)	$ 3,304