Faithful Service

“Above all, love each other deeply, because love covers over a multitude of sins. Offer hospitality to one another without grumbling. Each of you should use whatever gift you have received to serve others, faithfully administering God’s grace in its various forms. If you speak, you should do it as those who speak the very words of God. If you serve, you should do it with the strength God provides, so that in all things God may be praised through Jesus Christ. To him be the glory and the power for ever and ever. Amen.”

-1 Peter 4:8-11
Dear Friends of Presbyterian Homes & Services,

With this report, we give thanks for our calling—to honor God by enriching the lives and touching the hearts of older adults.

We do not always get to see what lies ahead, but we set out wholeheartedly to follow Jesus in the path of service. We are inspired by our many partners in ministry and are truly honored by the friendships and trust of those we serve. We gather in the hope of a better future for older adults and set our convictions on big prayers for God’s children.

This was truly a meaningful year of ministry. We were blessed in 2017 to have:

- enriched the lives of 24,682 older adults
- partnered with over 6,400 employees and nearly 4,000 volunteers
- received $6.7 million in charitable support from over 3,200 donors to help fund our commitments to spiritual care, low-income older adults, employee development and extending our mission
- provided Benevolence support of $2.4 million to help residents weather financial hardships
- extended our continuum of care into the broader community through our Optage® home and community services division
- advanced the missions of eight other faith-based, non-profit providers around the country through our project development work

This year the Board of Directors focused strategic work on updating our Biblical Framework, which you can read more about in this report. The Board also continued discernment around healthcare reform and advanced work to further our strategic priorities of expanding to 80 communities and doubling the reach of our Optage services by 2030. As we look ahead, we are called to serve a greater number of older adults despite declining growth in the labor force. We pray that individuals seeking purposeful work will see the opportunities in older adult services. We invite you to spread the word!

On behalf of the Board of Directors, thank you for your faithful and generous support and partnership in ministry.

Together in Christ,

Julie M. White
Board Chair
Presbyterian Homes & Services

Daniel A. Lindh
President & CEO
Presbyterian Homes & Services

“Now faith is the assurance of things hoped for, the conviction of things not seen.”
Hebrews 11:1
Since 1953, when Presbyterian Homes & Services (PHS) was incorporated, strong volunteer leadership and governance have been a hallmark of our ministry. The purpose of the PHS Board of Directors is to be a steward in ensuring that the mission of PHS is achieved. The Board is legally responsible for the actions and performance of PHS. Governance is about creating the future; about building what can be out of what is; about creating a dynamic community by linking the organization to an even wider and more involved community of stakeholders. Modeled after Acts 6, Board members are selected because they "are known to be full of the Spirit and wisdom."

Incoming Members

**Elizabeth Kautz** is the mayor of Burnsville, Minnesota. She chaired the U.S. Conference of Mayors, serves on the Governor’s Workforce Council and is the Chairperson for the Council of Regents at St. Mary’s University. She was the Executive Vice President for the Hartford Group, Inc. until 2006 and has also worked in the areas of organizational development, business administration, education, pastoral ministry and counseling psychology. Mayor Kautz received her Master’s degree in Counseling Psychology from the Alfred Adler Institute of Chicago, Illinois. She received her undergraduate degree in Theology with a Psychology focus from the College of St. Catherine in St. Paul, Minnesota.

Outgoing Members

**Philip Olson** joined the Board in 2008, offering his leadership as Board Growth Committee Chair, Finance Committee member, Geographic Expansion Committee member, primary board liaison to PHS Chief Medical Officer and head of the Biblical Framework update process. Phil is a retired physician whose most recent service was at the Veterans Administration Hospital in Minneapolis. Phil has served on several boards, including Blue Cross Blue Shield of Minnesota, Prime Therapeutics, Evangelical Free Churches in Minneapolis and Willmar and Heritage Bank in Willmar. Phil is also an advocate and leader in education of ministries in the urban core, with extensive work at Hope Academy.

**Harold Wiens** joined the Board in 2008, offering his leadership as Board Chair and serving on the Finance Committee, Board Growth Committee, Geographic Expansion Committee and Long Term Availability of Employees Committee. Harold retired in 2007 as an Executive Vice President of 3M Corporation. Harold worked his way through the ranks to be responsible and provide oversight for the Industrial Products and Services Division and operations worldwide, approximately $4.5 billion of 3M’s total budget. Harold is known for his ability to recruit and develop high capacity leaders. This was a hallmark of his leadership at 3M. Harold also brought significant experience in quality improvement, customer relations and business development.

**Biblical Framework**

In 2017 the PHS Board of Directors reviewed and expanded the Biblical Framework that was laid by our founders 60 years ago. These framework passages are integrated into the fabric of PHS and represent the legacy of our founders and a true commitment to our God-inspired calling to serve older adults.

**John 19:25-27** “…When Jesus saw his mother there, and the disciple whom he loved standing nearby, he said to his mother, ‘Dear woman, here is your son,’ and to the disciple, ‘Here is your mother.’ From that time on, this disciple took her into his home.”

**Leviticus 19:32** “Rise in the presence of the aged, show respect for the elderly and revere your God. I am the Lord.”

**John 13:34-35** “A new commandment I give to you: Love one another. As I have loved you, so you must love one another. By this everyone will know that you are my disciples, if you love one another.”

**1 Peter 4:10** “Each of you should use whatever gift you have received to serve others, faithfully administering God’s grace in its various forms.”

**Exodus 18:17-21** “Moses’ father-in-law replied, ‘What you are doing is not good. [...] Listen now to me and I will give you some advice, and may God be with you. You must be the people’s representative before God and bring their disputes to him. [...] But select capable men from all the people [...] and appoint them as officials over thousands, hundreds, fifties and tens.’”

**Acts 6:1-7** “…Brothers and sisters, choose seven men from among you who are known to be full of the Spirit and wisdom. We will turn this responsibility over to them and will give our attention to prayer and the ministry of the word…”

**Ephesians 4:1-8** “…Be completely humble and gentle; be patient, bearing with one another in love. Make every effort to keep the unity of the Spirit through the bond of peace. There is one body and one Spirit…”

**1 Chronicles 4:9-10** “Jabez was more honorable than his brothers. His mother had named him Jabez saying, ‘I gave birth to him in pain.’ Jabez cried out to the God of Israel, ‘Oh, that you would bless me and enlarge my territory! Let your hand be with me, and keep me from harm so that I will be free from pain.’ And God granted his request.”

## 2017 Financials

### Total Revenues

Excluding Partnered Revenue (dollar amount in millions)

<table>
<thead>
<tr>
<th>Year</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
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<tr>
<td></td>
<td>$ 281.8</td>
<td>$ 295.9</td>
<td>$ 325.2</td>
<td>$ 340.5</td>
<td>$ 369.1</td>
<td>$ 390.6</td>
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### Consolidated Statements of Operations

(dollar amount in thousands)

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Revenue</td>
<td>$369,100</td>
<td>$390,558</td>
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<tr>
<td>Operating Revenue</td>
<td>$363,626</td>
<td>$383,860</td>
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<tr>
<td>Contribution Revenue</td>
<td>$5,474</td>
<td>$6,698</td>
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<tr>
<td>Total Operating Expenses</td>
<td>$351,503</td>
<td>$365,167</td>
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<tr>
<td>Services to Residents</td>
<td>$228,160</td>
<td>$234,412</td>
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<tr>
<td>General and Administrative</td>
<td>$46,165</td>
<td>$51,941</td>
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<tr>
<td>Interest</td>
<td>$34,065</td>
<td>$34,054</td>
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<tr>
<td>Depreciation and Amortization</td>
<td>$43,113</td>
<td>$44,760</td>
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<tr>
<td>Non-Operating Gains (Losses)</td>
<td>$(260)</td>
<td>$(3,497)</td>
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<tr>
<td>Excess of Revenue Over Expense</td>
<td>$17,337</td>
<td>$21,894</td>
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</table>

### Consolidated Statements of Financial Position

(dollar amount in thousands)

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<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
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</thead>
<tbody>
<tr>
<td>Total Assets</td>
<td>$1,268,762</td>
<td>$1,358,982</td>
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<tr>
<td>Current Assets</td>
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<td>Endowment</td>
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<td>Other Investments and Assets</td>
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<td>Property and Equipment</td>
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<tr>
<td>Total Liabilities and Net Assets</td>
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<td>$1,358,982</td>
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<tr>
<td>Current Liabilities</td>
<td>$81,762</td>
<td>$97,659</td>
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<tr>
<td>Long-Term Debt and Other Obligations</td>
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<tr>
<td>Net Assets</td>
<td>$235,356</td>
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In 2017 we were blessed by the support of over 3,200 donors and nearly 4,000 volunteers. Through their financial gifts and equivalent gifts of time, these individuals contributed just over $11.3 million to the ministry of Presbyterian Homes & Services.

“As a prisoner for the Lord, then, I urge you to live a life worthy of the calling you have received. Be completely humble and gentle; be patient, bearing with one another in love. Make every effort to keep the unity of the Spirit through the bond of peace. There is one body and one Spirit, just as you were called to one hope when you were called; one Lord, one faith, one baptism; one God and Father of all, who is over all and through all and in all. But to each one of us grace has been given as Christ apportioned it. This is why it says: ‘When he ascended on high, he led captives in his train and gave gifts to his people.’”

- Ephesians 4:1-8
Senior Housing Partners, the development arm of PHS, continues to provide consulting and project development services to other non-profit senior housing organizations across the nation. Demand for their services is growing.

NEW PHS COMMUNITIES

Orchard Path | *Apple Valley, Minnesota*
www.OrchardPath.org

The Terrace senior apartments have opened their doors at Orchard Path, a new senior living community on the western shoreline of Cobblestone Lake in Apple Valley. Residents started to move to their new homes in February 2018. This community includes 115 senior apartments, 58 assisted living apartments and 20 memory care apartments. A town center featuring a chapel, fellowship hall, market, bistro, wellness center, salon, club room, woodworking shop and theater are included in the plan.

Fairway Knoll | *Germantown, Wisconsin*
www.FairwayKnoll.org

Our newest project in collaboration with Presbyterian Homes of Wisconsin, the eastern Wisconsin affiliate of PHS, is well underway. Located adjacent to the lush fairways of Blackstone Creek Golf Course, this new community will include 92 senior apartments, 42 assisted living apartments and 18 memory care apartments. The campus will open in stages beginning with senior apartments in summer 2018. A town center will offer residents a market, bistro, chapel, theater, salon, wellness center and other amenities to enhance community life.

Interlude™ Restorative Suites | *Fridley, Minnesota*
www.InterludeRestorativeSuites.org

On November 1, 2017 PHS assumed ownership and management of Interlude Restorative Suites in Fridley from the Benedictine Health System (BHS). Interlude offers state-of-the-art rehabilitation with hotel-like accommodations. The Interlude brand was launched at two locations in 2015 by Allina Health System, BHS and PHS. PHS managed the Plymouth location on the Abbott Northwestern-WestHealth campus and BHS managed the Fridley location on the Mercy Hospital-Unity campus. Over time, the partners agreed that a unified operational approach would best support guests across the two locations.
Mill Pond | Ankeny, Iowa
www.MillPondPHS.org

Construction at Mill Pond is now complete. The newly expanded and redeveloped campus added 64 senior apartments and included a full replacement of assisted living. This created 40 new apartments, 18 new memory care apartments and a remodeled care center, serving a total of over 235 older adults in the Ankeny and Greater Des Moines area. A comprehensive therapy center was added, as well as a town center featuring a theater, wellness center, club lounge, chapel, library and more.

Maranatha | Brooklyn Center, Minnesota
www.MaranathaPHS.org

The final phase of Maranatha's redevelopment opened its doors in late summer 2017. The project added 34 one- and two-bedroom senior apartments to expand the living options available on the campus. The new construction connects to the current assisted living and care center buildings and adds approximately 3,000 square feet to the existing town center. A club room and bistro are new features available as part of the town center amenities and enclosed parking is also available.

GracePointe Crossing | Cambridge, Minnesota
www.GracePointeCrossing.org

GracePointe Crossing welcomed residents in the new Terrace senior apartments in January 2018. The redevelopment began in fall 2016 with construction of a comprehensive campus, which combines the two existing care centers into one location. The redevelopment adds a new town center to connect several living options, consolidate services and amenities, and enrich community life. The construction also includes a new assisted living option, the Commons Suites, expanding choices for older adults looking for personal care services. The town center, which will feature a chapel/auditorium, bistro, wellness center, salon and theater, will be completed in spring 2018.

Norris Square | Cottage Grove, Minnesota
www.PHSNorrisSquare.org

Norris Square launched its expansion project in summer 2017 for a new, two-story care center and a three-story senior apartment building north of the existing buildings. The project also includes renovation and expansion of the town center. When complete, new spaces in the town center will include a chapel/community room, an outdoor patio attached to the bistro, classroom space in the wellness center, relocated administrative offices and a new main entrance.
SOCIAL ACCOUNTABILITY

2017 Community Benefit - $19,535,668

One of the ways that PHS lives out its mission is through a dedication to social accountability—the community benefit that is provided as a not-for-profit, faith-based organization. Added together, the services in this report have returned nearly five percent of PHS’ net revenues back to the community. We know that much more is given, but not recorded.

Improving the quality of life of older adults - $9,005,687
Music, art, education and intergenerational programs cultivate hearts and minds. Our campus pastors and chaplains offer spiritual care. Volunteers of all ages find meaningful engagement and vocation.

Improving the health of older adults in the community - $223,986
Wellness education promotes physical activity and self-management of chronic diseases. Preventive health services help improve health outcomes and grief groups support caregivers. PHS is also active with the Alzheimer’s Association to help create dementia-friendly communities.

Improving access to needed services - $2,012,848
About 20% of PHS residents are low-income and some residents are supported by HUD-subsidized rent where PHS provides amenities and services like transportation at low or no added cost. PHS covered shortfalls from Medical Assistance reimbursements to maintain uninterrupted care and provided on-site space for medical and dental clinics, banking services and tax preparation.

Helping contain costs of care and services - $2,390,803
PHS turns to its Benevolence Fund to help individuals bridge the gap between income and expenses. The Elderly Waiver program also assists eligible older adults who, with adequate care and support, are able to remain in assisted living.

Reaching out to underserved persons - $5,481,768
Optage Senior Dining Choices served over 1.6 million meals in 2017 to support healthy eating, with 70% going to low-income seniors, often without obligation to pay. Residents and staff also reach out to help people in need through food, clothing and toy drives, special outreach initiatives and veterans’ recognitions.

Demonstrating leadership - $420,576
PHS staff offer their time and talents to the local community and non-profit senior housing and services organizations as speakers, trainers, board members, advocates, professional event hosts and more.
Presbyterian Homes & Services (PHS), based in St. Paul, Minnesota, is a non-profit, faith-based organization providing a broad array of high quality housing choices, care and service options for older adults. 6,400 employees serve 25,000 older adults through 45 PHS-affiliated senior living communities in Minnesota, Wisconsin and Iowa and through Optage® home and community services. Established in 1955, PHS has earned the reputation as an innovative leader concerned with promoting independence, vitality and well-being for those they serve.

MISSION
To honor God by enriching the lives and touching the hearts of older adults.

VISION
To provide more choices and opportunities for more older adults to live well.

VALUES
Christian Ministry
Ready & Engaged People
Operational Integrity
Service Excellence
Stewardship

Faithful Service: Stephanie’s Story
There are so many examples of how we are blessed in our service. One true highlight for us this year was when Stephanie moved to our Central Towers community in Minnesota after she lost everything in the aftermath of Hurricane Harvey.

Check out Stephanie’s story, and many others on the PHS Perspectives Blog: www.PresHomes.org/Stephanie
LOCATIONS

Twin Cities-North

EagleCrest
Roseville, MN
The Farmstead
Andover, MN
GracePointe Crossing
Cambridge, MN
Interlude™ Restorative Suites*
Fridley, MN
Johanna Shores
Arden Hills, MN
Langton Place
Roseville, MN
Maranatha
Brooklyn Center, MN
The Mayfield
Little Canada, MN
Mississippi Shores
Monticello, MN
Oak Crest
Spring Lake Park, MN
SummerHouse of Shoreview
Shoreview, MN
Waverly Gardens
North Oaks, MN

Twin Cities-South

Founders Ridge
Bloomington, MN
McKenna Crossing
Prior Lake, MN
Orchard Path
Apple Valley, MN
Presbyterian Homes of Bloomington
Bloomington, MN
Ridgeview Terrace
Bloomington, MN
SummerHouse of Bloomington
Bloomington, MN
Timber Hills
Inver Grove Heights, MN
Valley Ridge*
Burnsville, MN

Twin Cities-East

Boutwells Landing*
Oak Park Heights, MN
Carondelet Village*
St. Paul, MN
Central Towers
St. Paul, MN
Croixdale
Bayport, MN
Echo Ridge
Oakdale, MN
Norris Square
Cottage Grove, MN
St. Andrew’s Village*
Mahtomedi, MN
Stonecrest
Woodbury, MN

Outstate Minnesota

Harmony River*
Hutchinson, MN
Heartwood*
Crosby, MN

Iowa

Highland Ridge
Williamsburg, IA
Mill Pond
Ankeny, IA
Walnut Ridge
Clive, IA

Wisconsin

Avalon Square
Waukesha, WI
The Deerfield
New Richmond, WI
Dickson Hollow
Menomonee Falls, WI
Kirkland Crossings
Pewaukee, WI
Woodland Hill
Hudson, WI

*Shared-venture communities and/or managed by PHS Management, LLC

Coming Soon

Fairway Knoll
Germantown, WI

See pages 6-7 for more updates