This Document is Dated as of October 4, 2013.

SPECIAL NOTE CONCERNING FORWARD-LOOKING STATEMENTS:

Certain of the discussions included in the Management Discussion and Analysis section of the following document may include "forward-looking statements" which involve known and unknown risks and uncertainties inherent in the operation of healthcare facilities. Actual actions or results may differ materially from those discussed below. Specific factors that might cause such differences include competition from other healthcare facilities in the service areas of Good Shepherd's facilities, federal and state regulation of healthcare providers, and reimbursement policies of the state and federal governments and managed care organizations. In particular, statements preceded by, followed by or that include the words "believes," "estimates," "expects," "anticipates," "plans," "intends," "scheduled," or other similar expressions are or may constitute forward-looking statements.

Annual Report
For the Year Ending 6/30/13

Concerning

Good Shepherd Rehabilitation Network
And Controlled Entities

The information in this report
has been provided by

Good Shepherd Rehabilitation Network
and Controlled Entities

Good Shepherd Rehabilitation Network
And Controlled Entities
Reporting Package

As of and for the Twelve Month Period Ended
June 30, 2013

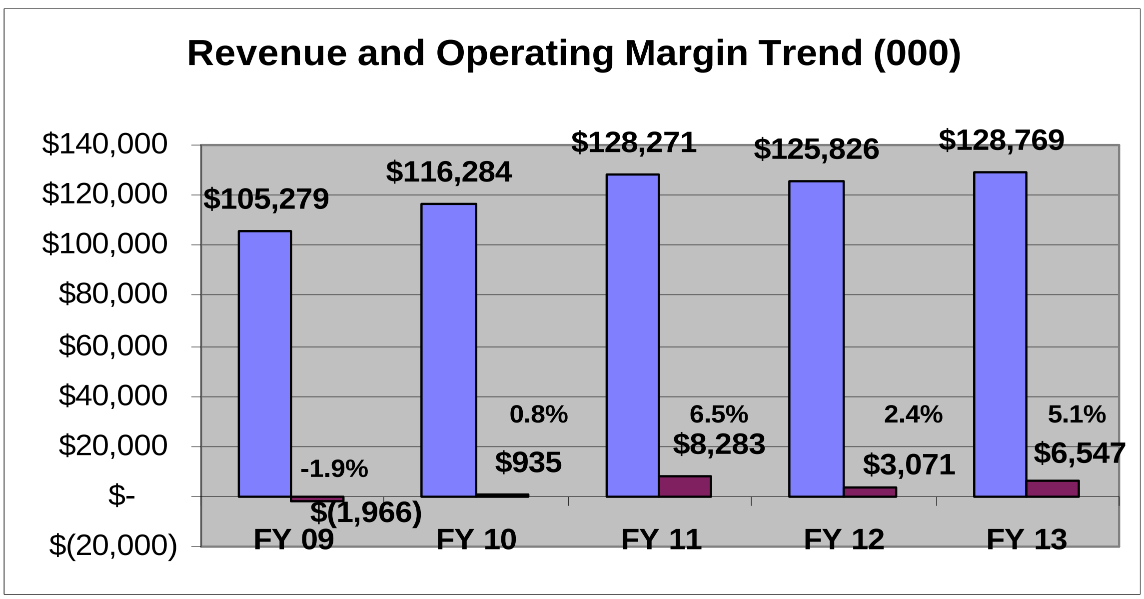
Good Shepherd Rehabilitation Network and Controlled Entities
Management Discussion and Analysis
As of and for the Twelve Month Period Ended June 30, 2013

Introduction

SPECIAL NOTE CONCERNING FORWARD-LOOKING STATEMENTS: Certain of the discussions included in this document may include "forward-looking statements" which involve known and unknown risks and uncertainties inherent in the operation of healthcare facilities. Actual actions or results may differ materially from those discussed below. Specific factors that might cause such differences include competition from other healthcare facilities in the service areas of Good Shepherd's facilities, federal and state regulation of healthcare providers, and reimbursement policies of the state and federal governments and managed care organizations. In particular, statements preceded by, followed by or that include the words "believes," "estimates," "expects," "anticipates," "plans," "intends," "scheduled" or other similar expressions are or may constitute forward-looking statements.

Performance Overview

The consolidated operating results of Good Shepherd Rehabilitation Network (GSRN) had a positive Operating Margin for a fourth year in a row. The audit report reflects an operating gain of $6.5 million, or a 5.1% operating margin, compared to a profit of $3.1 million, or a 2.4% margin in FY 12. FY 13 includes a $6.9 million equity share of the profits generated by Good Shepherd Penn Partners (GSPP) compared to $4.7 million in FY 12. The Consolidated 5-year revenue and operating margin trend is noted below. The accumulated consolidated profit over the 5 years is $16.9 million.



There are several items impacting the **Consolidated Statement of Operations** that are noteworthy.

1. GSPP had a high level of profitability in FY 13 and achieved a 12.4% margin, or $9.9 million which is reflected at 70% in GSRN consolidated operations. The margin at GSPP improved by $3.2 million from FY 12.

2. Supplies and other expenses reflect a decrease of $4.3 million primarily because of reduction insurance-related reserves.
3. Other Income/Loss includes a $3.7 million Loss on Extinguishment of Debt relating to the refinancing of $32 million of debt in December 2012.
4. The Pension Liability decreased by $10 million related to a 60 basis point increase in the discount rate used to value benefit obligations.

GSRN Lehigh Valley operations had a 0.5% operating margin or $597,000 profit in FY 13 on revenues of $121.8 million. In FY 12 there was a $2.9 million profit or a 2.4% operating margin before discontinued operations. This comparison excludes the insurance reserves increase required in FY 12.

Patient Service Revenue decreased 0.5%, or $0.5 million, during the year primarily related to the Specialty Hospital. Overall, inpatient admissions in FY 13 were up 3.5% in the Rehab Hospital offset by decreased admissions in Pediatrics and the Specialty Hospital. Outpatient visits were flat with prior year. In April, the 2% Medicare sequester and the additional reduction in multiple procedure payments negatively impacted revenue in the last quarter. During the year, the Specialty Hospital's revenue was down $706,000 or 4.1% from prior year relating to a shift in payor mix to Medicare Advantage plans from traditional Medicare which impacted length of stay.

The expense base decreased 0.4% from prior year. The majority of the decrease related to the higher level of insurance reserves in prior year which were not included in current year. Salaries increased at a rate of 2.5% which takes into account the annual performance increase which averaged 2.75%. Total FTE's were down by 1% from prior year which helped reduce salaries. Benefits increased 16.5% from prior year mostly from the additional expense for the defined benefit pension plan as impacted by the increased discount rate.

Reviewing performance from a cash flow perspective; cash flow from operations or EBIDA (defined as operating margin earnings before interest, depreciation and amortization) produced a 15.8% cash flow margin, or $20 million compared to 13.1% last year, or $16 million. The EBIDA calculation removes the GSPP 70% revenue and replaces it with the cash dividend of $7.3 million received in FY 13, and $4.1 million received in FY 12.

The Balance Sheet remained very strong as Total Assets grew by 4.9% and Total Net Assets grew by 20%. Unrestricted Day's Cash on Hand ended the year at 642 days which is up 81 days from FY 12. The Debt to Capitalization ratio decreased to 36% from 41% from prior year. The change was mainly a result of the increase in Net Assets relating to the $10 million impact of the lower pension liability. Accrued expenses decreased from prior year as it relates to the decrease in insurance reserves. The defined benefit (DB) pension plan continues to be funded in excess of the ERISA and IRS requirements although the Balance Sheet recognizes a pension liability of $14 million which is a measurement of the difference between plan assets and actuarially determined benefit obligations. During the plan year, contributions of $3.9 million were made to the DB plan. In addition, during the year, contributions of $1.3 million were made to the defined contribution (DC) plan.

In December 2012, $31,730,000 of Series 2012 bonds were sold in order to accommodate the advance refunding of Series 2004 debt and borrowing an additional $4 million in new money for prior and future capital purchases. Because of lower interest rates, the advance refunding provided $300,000 a year savings in interest costs.

In October 2011, Fitch affirmed the GSRN rating as “A” with a stabile outlook. In November 2011, associated with the debt conversion, Standard and Poor’s maintained the GSRN rating as an “A” rating and improved their outlook perspective from negative to a stabile outlook. Both “A” ratings and outlooks remained the same through the 2012 refinancing.

Divisional Review

Rehabilitation Hospital

The Rehab Hospital division includes all inpatient, outpatient, physician, and contracted rehab management services at all locations. Total admissions of 1,940 cases were a 2.3% growth from last year. Neurorehab cases increased 3% from prior year primarily within the Spinal Cord diagnosis and Ortho cases decreased 1% from prior year. The Miscellaneous category increased 12% primarily within the Lower Extremity Fracture and General Debilities categories. Outpatient visits remained flat with last year primarily because of managed care payor reductions in the number of approved visits and increased co-pays and deductibles. In FY 13 one new site was opened in Bethlehem on Eaton Avenue and the Souderton site doubled in square footage.

In total, the rehab division experienced a loss of $1.4 million in FY 13 compared to a profit of $774,000 profit in prior year. The division received the fourth year of a settlement payment of $878,000 under Act 49 where the state and the hospital community developed a new MA payment system. The Pediatrics service line had a $2.1 million loss in FY 13 compared to a similar loss in FY 12. The rehab division also includes the Physician group’s losses which increased by $459,000 from prior year to $2.2 million.

The outpatient business produced a favorable margin between years despite fee reductions instituted by Medicare for multiple procedures, and limitations on the number of approved therapy visits for managed care subscribers. As a result, the margin in the satellites decreased from 16% to 12% from prior year.

Long Term Care

The Long Term Care division continues to operate at almost 100% capacity at the two sites. There is a continued decline in the MA rates paid to Peer Group 13 (PG13) which impacted profitability in the LTC division in FY13; the margin dropped to 1.1% in FY 13 from 3.4% in FY 12. In FY 11 the margin was 7%, and in FY 10 was 8.2%.

Specialty Hospital – Long Term Acute Care

The long term acute care hospital division repeated the 11% margin performance from year to year. In FY 13, the Specialty Hospital reported a profit of $1.8 million, or 11.3%. Total cases were slightly down from prior year as was length of stay. This resulted in about $706,000 or 4% less in revenue from prior year. Expenses also decreased by 4% from prior year.

Management continues to operate under the Medicare 25% Rule. FY 10 was the first fiscal year operating under the 25% Rule. This rule has a penalty for all cases that exceed 25% of admissions from a single hospital. In FY 13 there was no revenue impact related to this rule.

GSRN and GSPP Net Revenue Base

The interest in GSPP is accounted for under the equity method and not consolidated within the financials. The table below represents the combined revenue of GSRN and GSPP as if they were a consolidated organization. The combined operations revenue base grew 6.1% in FY 13 and 4.1% in prior year.

Total Operating Revenue

	FY 13	FY 12	Change	Percent
GSRN	$ 121,841,599	$ 121,134,469	$ 707,130	0.6%
GSPP	79,630,901	68,741,409	10,889,492	15.8%
Total	**$ 201,472,500**	**$ 189,875,878**	**$ 11,596,622**	**6.1%**

Balance Sheet

Balance Sheet strength improved again in FY 13. The market value of Investments grew $29 million and had a 12.5% net return on the investment portfolio during the year in comparison to a benchmark return of 13%. Equity and Absolute Return funds returned at 20% for the former and 10% for the latter during the year. Real Estate investments were also up 10%. Fixed Income had nominal returns in the year.

The Investments line on the Balance Sheet is comprised of several categories as noted below:

	FY 13	FY 12	FY 11
Unrestricted Investments	$197,865,882	$170,799,553	$169,733,758
Temporarily Restricted	3,458,802	2,531,365	2,735,077
Permanently Restricted	16,234,683	15,391,554	14,547,213
Investments	**$217,559,367**	**$188,722,472**	**$187,016,048**

Other sources of unrestricted cash during the year included positive cash flows from operations and the receipt of GSPP's second annual dividend of $7.3 million which was added to investments.

During the year the Investment Committee liquidated the Brandes Partners global equity fund and temporarily allocated it to the Vanguard World Stock Index ETF in anticipation of adding a new global equity manager. Also, the Walter Scott international equity fund was liquidated and transferred to the Dreyfus global stock fund.

Accounts receivable increased 5% while net patient service revenue was comparable to prior year resulting in a slight increase in days in accounts receivable to 55 days from 53. The revenue cycle continues to function at an acceptable level given the higher dollar co-pays and deductibles that are presently in employer health plan benefits. Management successfully instituted a renewed emphasis on point of service collections and the collection of patient demographics during the registration process. Additionally, a great deal of emphasis was put into reducing the insurance denials.

The decrease in Other receivables and Accrued expenses relate to the resolution of the insurance reserves from prior.

A review of the capital position remains very favorable as the Debt-to-Capitalization ratio decreased significantly to 36% from 41% last year. A lower ratio is desirable in terms of having the ability for future financing of the strategic plan. Long term debt increased by $2.2 million related to the new money that was received in the December advanced refinancing noted earlier.

Total Net Assets increased 20% or $39.1 million during the year. The table below delineates the components of the increase.

Net Assets Growth	
Revenue in excess of expenses	11,661,857
Change in SWAP value	2,329,795
Unrealized investment gains	12,532,116
Pension Liability adjustment	10,176,936
Other	2,393,252
	$ 39,093,956

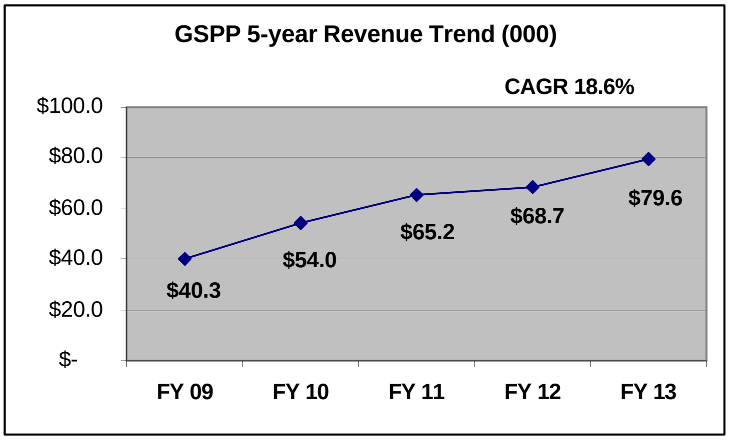
The Accrued Pension Liability decreased during the fiscal year from $24 million to $14 million. The primary reason for the decreased liability is because of the increase in the discount rate used to value projected benefit obligations from 4.3% to 4.9%. The defined benefit pension plan assets increased to $57 million in FY 13 from $50 million last year. The pension plan is fully funded by ERISA and IRS standards.

Bond Covenants

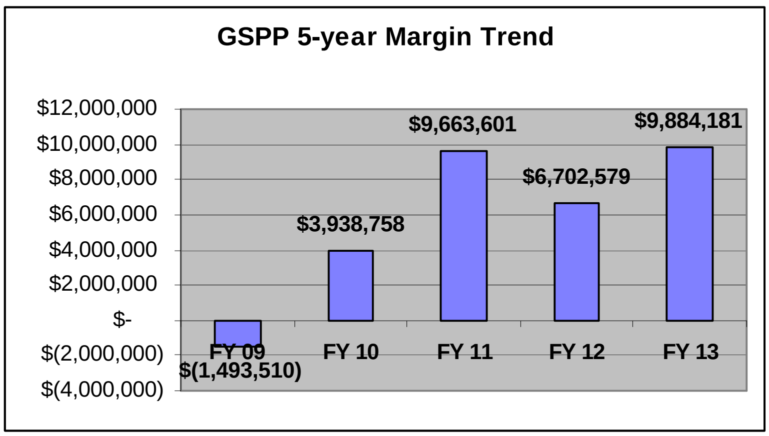
Good Shepherd Rehabilitation Network and Controlled Entities, through the Obligated Group, as defined, is required to meet certain financial covenants under their various Long-Term Debt Agreements. One of the covenants requires the Obligated Group to maintain a Debt Service Coverage ratio of 1.15. The calculation compares Maximum Annual Debt Service to Revenue in Excess of Expenses, adjusted for Depreciation, Amortization and Interest Expense. The calculation also provides that certain items, such as the Loss on Extinguishment of Debt and Unrealized Losses on Securities are excluded from the Debt Service Coverage calculation. Management interpreted two matters with respect to the Debt Service Coverage calculation. Management excluded the Equity in (Loss) on Investment in Unconsolidated Subsidiary from the calculation because GSPP is not a member of the Obligated Group. Also, unrealized gains and losses relating to an alternative investments (Walter Scott Global) are required to be included as part of Revenue in Excess of Expenses, per recent accounting guidance. Since Unrealized Losses on Securities represent a specific exclusion from the Debt Service Coverage calculation, they were excluded. All debt covenants associated with the Master Trust Indenture have been comfortably achieved.

Good Shepherd Penn Partners (GSPP)

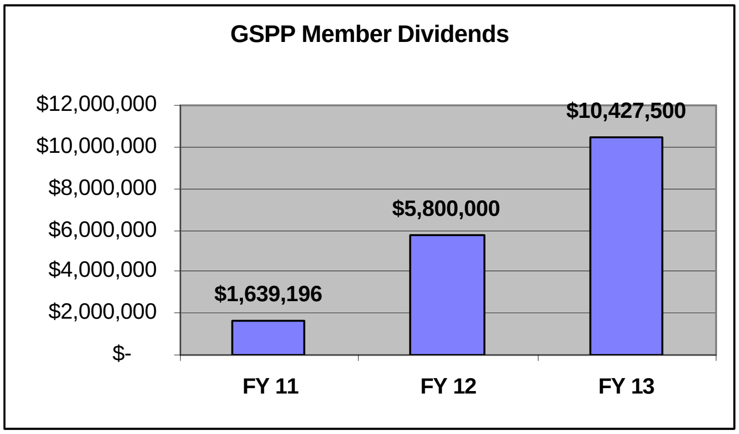
In its fifth year of operations, GSPP had a positive Operating Margin for the fourth year in a row of $9.9 million, or 12.4% compared to $6.7 million, or 9.8% in prior year. Revenue grew in each of the five years of operations at a Compound Annual Growth Rate of 18.6%.



The 5-year margin trend is noted below. GSPP has generated $28.7 million in margin since becoming operational in FY 09. GSRN utilizes the equity method of accounting for GSPP as an unconsolidated affiliate. Therefore 70% of the profit/(loss) is consider Other Operating Income on the GSRN consolidated statement of operations.



The Balance Sheet remained relatively consistent between periods as assets decreased to the same level that liabilities decreased relating to the payoff of the original loan of $9 million from Philadelphia Industrial Development Corporation. Cash flow generated by operations was $10.8 million in FY 13 which is an increase of $3.3 million from FY 12. During the year the GSPP Board declared a $10.4 million dividend payment to the Members. Cumulative dividends over the last three years were $17.9 million. The dividend history is noted below.



Outlook

The overall consolidated performance of GSRN in FY 13 of 5.1% was very respectable in terms of industry performance. The Lehigh Valley operation on its own generated a 0.5% profit margin and, GSPP generated a positive 12.4% margin for the year. Management feels these margins could have been better but considering the Medicare cuts imposed in the Patient Protection and Affordable Care Act (PPACA) and the 2% sequester that occurred on April 1, 2013, a positive margin is a challenge. The strategic diversification into the Philadelphia market through the joint venture with Penn Medicine accomplished the objective to diversify the revenue base for the organization and continues to prove to be a significant initiative. The overall financial stability of the organization improved again during the year despite healthcare reforms negative impact on revenue. Cash and investments grew between periods and borrowing capacity increased, should the need arise.

The FY 13 budget anticipates a consolidated margin of 6.7%. This includes an anticipated $2.1 million reduction in Medicare payments resulting from decreased payments from the 2% sequester and the Affordable Care Act. The challenge will be to maintain increased inpatient utilization at both sites and provide the anticipated salary increases and market adjustments to the workforce while adjusting our cost base for the Medicare cuts within the PPACA. The Medicare environment at both locations will add many challenges during the current year as well as in future years as the healthcare reform bill has scheduled cuts to inpatient Medicare rates through 2019. The two inpatient services at both GSRN and GSPP are highly dependent on the level of occupancy at the referring hospitals. The acute care hospitals referral base has also had its own challenges with census volatility and that risk remains a concern. Management has undertaken many initiatives in the FY 14 budget to support the referral process by recruiting several new PM&R physicians to our staff that will add depth in the practice as well as provide resources for doing consults at referral hospitals.

Good Shepherd Rehabilitation Network and Controlled Entities
Obligated Group and Consolidated Balance Sheet
As of June 30, 2013 and 2012

	Obligated Group		Consolidated	
	Audited as of 06/30/13	Audited as of 06/30/12	Audited as of 06/30/13	Audited as of 06/30/12
Assets				
CURRENT ASSETS:				
Cash and cash equivalents	1,703,216	1,932,440	2,514,255	4,321,095
Resident funds	146,175	143,870	146,175	143,870
Short Term Investments	363,499	805,172	363,499	805,172
Assets whose use is limited	21,715	(5,354)	3,575,285	2,691,318
Accounts receivable, patients	14,167,149	13,234,934	16,484,279	15,677,497
Other receivables	1,221,490	6,856,020	1,221,490	6,856,020
Amount due from affiliates	1,878,714	2,407,011	1,878,714	2,407,011
Estimated third-party payor settlements	212,907	636,823	212,907	636,823
Inventories of drugs and supplies	502,927	515,569	502,927	515,569
Prepaid expenses and other current assets	1,390,505	1,857,593	1,487,594	1,942,868
Total current assets	21,608,297	28,384,078	28,387,125	35,997,243
ASSETS WHOSE USE IS LIMITED	9,277,983	8,824,292	9,277,983	8,824,292
ASSETS WHOSE USE IS LIMITED: Board Designated	2,400,000	2,550,000	2,400,000	2,550,000
INVESTMENTS				
Unrestricted	202,240,882	174,424,553	197,865,882	170,799,553
Temporarily Restricted	3,458,802	2,531,365	3,458,802	2,531,365
Permanently restricted	16,234,683	15,391,554	16,234,683	15,391,554
Total investments	221,934,367	192,347,472	217,559,367	188,722,472
INVESTMENTS IN AND OTHER ASSETS PERTAINING TO UNCONSOLIDATED SUBSIDIARY	42,821,939	42,922,455	42,821,939	42,922,455
PROPERTY AND EQUIPMENT, Net	61,686,885	64,466,638	63,779,873	66,918,823
BENEFICIAL INTEREST IN:				
Perpetual trusts	10,477,027	10,171,747	10,477,027	10,171,747
Charitable remainder trusts	10,997,513	10,974,209	10,997,513	10,974,209
PLEDGES RECEIVABLE, Net	1,542,690	1,307,208	1,542,690	1,307,208
DEFERRED FINANCING COSTS, Net	2,218,790	2,593,223	2,218,790	2,593,223
OTHER NON-CURRENT ASSETS	2,047,090	2,142,883	2,066,668	2,275,672
TOTAL	387,012,581	366,684,205	391,528,975	373,257,344

Good Shepherd Rehabilitation Network and Controlled Entities
Obligated Group and Consolidated Balance Sheet
As of June 30, 2013 and 2012

	Obligated Group		Consolidated	
	Audited as of 06/30/13	Audited as of 06/30/12	Audited as of 06/30/13	Audited as of 06/30/12
Liabilities and Net Assets				
CURRENT LIABILITIES				
Demand note payable	1,844,002	3,558,916	1,844,002	3,558,916
Current portion of long-term debt	2,530,000	2,935,000	2,530,000	2,935,000
Accounts payable, trade	4,255,010	4,613,566	4,565,812	5,097,597
Estimated third-party payor settlements	1,354,793	736,659	1,947,164	1,530,633
Advance from third party payor	277,900	277,900	277,900	277,900
Accrued expenses	5,696,543	12,473,761	6,783,164	15,609,465
Resident funds	146,175	143,870	146,175	143,870
Amount due to affiliates	14,123,323	13,483,674	0	0
Total current liabilities	30,227,746	38,223,346	18,094,217	29,153,381
LONG-TERM DEBT:				
Revenue bonds	111,381,721	109,153,356	111,381,721	109,153,356
Mortgages payable			1,675,500	1,675,500
Total long-term debt	111,381,721	109,153,356	113,057,221	110,828,856
DERIVATIVE FINANCIAL INSTRUMENTS	4,427,846	6,757,641	4,427,846	6,757,641
ACCRUED PENSION COST	13,874,640	23,983,901	13,874,640	23,983,901
OTHER LIABILITIES	7,609,376	6,557,369	8,489,300	8,041,769
Total liabilities	167,521,329	184,675,613	157,943,224	178,765,548
NET ASSETS				
Unrestricted	181,092,500	145,759,186	195,186,999	158,242,390
Temporarily restricted	10,481,046	9,469,125	10,481,046	9,469,125
Permanently restricted	27,917,706	26,780,281	27,917,706	26,780,281
Total net assets	219,491,252	182,008,592	233,585,751	194,491,796
TOTAL	387,012,581	366,684,205	391,528,975	373,257,344

Good Shepherd Rehabilitation Network and Controlled Entities
Obligated Group and Consolidated Statement of Operations
For the Twelve Month Periods Ended June 30, 2013 and 2012

	Obligated Group		Consolidated	
	Audited Period Ending 06/30/13	Audited Period Ending 06/30/12	Audited Period Ending 06/30/13	Audited Period Ending 06/30/12
UNRESTRICTED REVENUE, GAINS, AND OTHER SUPPORT:				
Net patient service revenues	92,894,590	92,432,649	109,150,668	109,679,665
Provision for doubtbul collections	(502,645)	(646,696)	(444,847)	(869,127)
Net patient service revenue less provision for doubtful collections	92,391,945	91,785,953	108,705,820	108,810,538
Other operating revenues	1,789,255	4,746,814	3,016,413	2,451,451
Professional services revenue	10,477,179	10,284,482	5,682,914	5,390,944
Contributions	2,693,855	2,873,167	2,693,855	2,873,167
Equity in (loss) on investment in unconsolidated subsidiary	6,927,463	4,691,804	6,927,463	4,691,804
Gains (losses) on disposal of property and equipment	(7,301)	1,101,792	(7,301)	(35,486)
Net assets released from restrictions for operations	1,747,550	1,734,182	1,749,898	1,643,855
Total unrestricted revenues, gains, and other support	116,019,946	117,218,194	128,769,062	125,826,273
EXPENSES:				
Salaries and wages	57,518,033	57,653,378	62,560,889	61,064,076
Supplies and other expenses	21,333,408	26,318,247	26,094,441	30,355,284
Employee benefits	17,822,594	15,623,323	18,188,639	15,606,561
Depreciation and amortization	7,671,864	7,962,492	8,088,559	8,274,242
Interest	5,362,212	5,685,774	5,362,212	5,685,774
Professional fees	1,504,405	1,468,716	1,926,967	1,769,070
Total	111,212,516	114,711,930	122,221,707	122,755,007
OPERATING INCOME FROM CONTINUING OPERATIONS	4,807,430	2,506,264	6,547,355	3,071,266
OTHER INCOME (EXPENSE):				
Debt Restructuring Costs	-	(621,214)	-	(621,214)
Loss on Extinguishment of Debt	(3,684,534)		(3,684,534)	-
Investment (Loss) Income	7,793,832	2,149,540	7,793,832	2,149,540
Unrealized Gain / Loss Alternative Investment	1,005,204	(1,017,427)	1,005,204	(1,017,427)
Ineffectiveness of Derivative Financial Instrument	-	245,314	-	245,314
REVENUE IN EXCESS OF EXPENSES FROM CONTINUING OPERATIONS	9,921,932	3,262,477	11,661,857	3,827,479
CHANGE IN NET UNREALIZED GAINS AND LOSSES ON INVESTMENTS OTHER THAN TRADING SECURITIES	12,532,115	(3,996,994)	12,532,115	(3,996,994)
CHANGE IN FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS	2,329,795	(3,030,678)	2,329,795	(3,030,678)
PENSION LIABILITY ADJUSTMENT	9,551,532	(17,320,005)	9,551,532	(17,320,005)
PENSION LIABILITY ADJUSTMENT - UNCONSOLIDATED SUBSIDIARY	625,404	(490,421)	625,404	(490,421)
OTHER CHANGES IN UNRESTRICTED NET ASSETS	275,224	(609,494)	157,441	(609,494)
NET ASSETS RELEASED FROM RESTRICTIONS FOR PURCHASE OF PROPERTY AND EQUIPMENT	86,465	158,296	86,465	149,431
(DECREASE) INCREASE IN UNRESTRICTED NET ASSETS FROM CONTINUING OPERATIONS	35,322,467	(22,026,819)	36,944,609	(21,470,682)
GAIN (LOSS) FROM DISCONTINUED OPERATIONS	-	-	-	1,106,884
(DECREASE) INCREASE IN UNRESTRICTED NET ASSETS	35,322,467	(22,026,819)	36,944,609	(20,363,798)

Good Shepherd Rehabilitation Network and Controlled Entities
Consolidated Statement of Cash Flows
For the Twelve Month Periods Ended June 30, 2013 and 2012

	Audited Period Ending 06/30/13	Audited Period Ending 06/30/12
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	$ 39,093,955	$ (20,558,658)
Adjustments to reconcile increase (decrease) in net assets		
to net cash provided by operating activities:		
Depreciation and amortization	8,088,559	8,274,242
Amortization of bond premium	(44,368)	-
Loss (gain) on disposal of property and equipment	7,301	35,486
(Gain) loss from discontinied operations	-	(994,564)
Provision for doubtful collections	444,847	869,127
Net realized and unrealized (gains) losses on investments	(17,780,631)	6,771,508
Restricted contributions and investment income	(2,637,141)	(2,452,558)
Change in fair value of derivative financial instruments	(2,329,795)	2,785,364
Valuation adjustments - permanently and temporarily restricted net assets	(407,753)	842,153
Loss on Extinguishment of Debt	3,684,534	-
Debt restructuring costs	-	327,760
Income on investment in unconsolidated subsidiary	(6,927,463)	(4,691,804)
Pension liability adjustment-		
The Good Shepherd Rehabilitation Hospital	(9,551,532)	17,320,005
Pension liability adjustment - unconsolidated subsidiary	(625,404)	490,421
Changes in assets and liabilities:		
Accounts receivable, patients	(1,251,629)	(1,650,518)
Other receivables	5,634,530	(7,027,374)
Estimated third-party payor settlements	840,447	57,674
Inventories of drugs and supplies	12,642	(57,997)
Prepaid expenses and other current assets	705,535	(1,790,714)
Account payable, trade	(531,785)	1,966,319
Accrued expenses and other liabilities	(8,890,775)	6,878,024
Net cash used by operating activities	7,534,074	7,393,896
CASH FLOWS FROM INVESTING ACTIVITIES:		
Decrease (increase) in investments	(10,894,456)	(4,678,585)
Increase in investment in and other assets pertaining to unconsolidated subsidiary	882,430	(438,377)
Cash dividends received from unconsolidated subsidiary	7,299,250	4,060,000
Proceeds from sale of property and equipment	-	1,985,358
Purchase of property and equipment	(4,821,671)	(5,479,928)
Decrease (increase) in other assets	(63,000)	(170,471)
Net cash used in investing activities	(7,597,447)	(4,722,003)
CASH FLOWS FROM FINANCING ACTIVITIES:		
(Repayment of) proceeds from demand note payable	(1,714,914)	2,586,916
Restricted contributions and investment income	1,600,881	1,793,286
Repayment of long-term debt, net	(30,830,001)	(4,945,000)
Proceeds from issuance of long term debt, net	31,730,000	-
Payment of interest from escrow and related to refunded debt	(2,741,605)	-
Increase in bond discount and premium, net	572,416	-
Payment of financing costs	(286,674)	-
Decrease in annuities payable and trusts	(73,570)	(24,160)
Net cash provided by financing activities	(1,743,467)	(588,958)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,806,840)	2,082,935
CASH AND CASH EQUIVALENTS, BEGINNING	4,321,095	2,238,160
CASH AND CASH EQUIVALENTS, ENDING	2,514,255	4,321,095
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION,		
Cash paid for interest	5,717,224	5,658,818

Good Shepherd Rehabilitation Network Obligated Group
Selected Financial Ratios

		For the Fiscal Year Ending				
		2009	**2010**	**2011**	**2012**	**2013**
Operating Cash Flow Margin	(1)	10.9%	12.6%	17.8%	13.8%	15.4%
Long-Term Debt to Capitalization	(2)	50.5%	48.7%	40.5%	42.8%	38.1%
Debt Service Coverage	(3)	2.02	1.75	2.41	1.45	3.31
Operating Margin Ratio	(4)	-3.3%	-0.8%	5.9%	2.1%	4.1%
Return on Equity Ratio	(5)	-3.0%	4.0%	10.2%	2.2%	5.5%
Cushion Ratio	(6)	16.0	17.6	22.6	21.3	26.7
Days Cash on Hand	(7)	549	563	678	639	760
Days in Accounts Receivable	(8)	46	45	47	51	56
Obligated Group % of Total Assets	(9)	97.5%	97.5%	98.0%	98.1%	98.8%
Obligated Group % of NPSR	(10)	81.6%	82.7%	83.8%	84.4%	85.0%
Obligated Group % of Total Expenses	(11)	90.0%	90.7%	90.5%	91.2%	91.0%
Cash to Debt	(12)	1.06	1.20	1.56	1.65	1.86
Debt to Operating Cash Flow	(13)	11.82	9.06	5.56	6.76	6.24

(1) Defined as the sum of Operating Income (Loss) before Abandonment of Capital Project and Extinguishment of Debt, Interest Expense and Depreciation and Amortization Expense divided by Total Operating Revenue.

(2) Defined as Non-Current Portion of Long-Term Debt divided by the sum of Non-Current Portion of Long-Term Debt and Unrestricted Net Assets.

(3) Defined as the sum of Revenue in Excess of Expenses and Interest Expense and Depreciation and Amortization Expense divided by Maximum Annual Debt Service.

(4) Defined as Operating Income (Loss) before Abandonment of Capital Project and Extinguishment of Debt divided by Total Operating Revenue.

(5) Defined as Revenue in Excess of Expenses (Annualized) divided by Unrestricted Net Assets.

(6) Defined as the sum of Cash, Unrestricted Investments (Short and Long Term), and Board Designated Funds divided by Maximum Annual Debt Service.

(7) Defined as the sum of Cash, Unrestricted Investments (Short and Long Term), and Board Designated Funds less 50% of all outstanding Short-term Indebtedness divided by the quotient of the sum of Total Expenses less Depreciation, Amortization, and Interest Expense divided by 365 days.

(8) Defined as Total Net Patient Accounts Receivable and Work Services Accounts Receivable multiplied by 365 days divided by Net Patient Service Revenues and Work Services revenue.

(9) Defined as Obligated Group's Total Assets divided by Total Consolidated Assets.

(10) Defined as Obligated Group's NPSR divided by Total Consolidated NPSR.

(11) Defined as Obligated Group's Total Expenses divided by Total Consolidated Expenses.

(12) Defined as the sum of Cash, Unrestricted Investments (Short and Long Term) and Assets Whose Use is Limited-Board Restricted divided by Long Term Debt net of Current Portion.

(13) Defined as Long Term Debt net of Current portion divided by the sum of Operating Income (Loss) before Abandonment of Capital Project and Extinguishment of Debt, Depreciation and Amortization Expense and Interest Expense.

Good Shepherd Rehabilitation Network and Controlled Entities
The Good Shepherd Rehabilitation Hospital - Utilization of Services

The following table sets forth historical inpatient utilization statistics for the Rehabilitation

	Fiscal Year Ended June 30				
Inpatient Utilization	**2009**	**2010**	**2011***	**2012**	**2013**
Number of Licensed Beds	82	98	102	102	106
Average Beds in Service	82	98	102	102	106
Admissions	1,738	1,796	1,908	1,895	1,940
Patient Days	22,386	24,834	27,473	29,033	29,017
Percent Occupancy	74.8%	69.4%	76.0%	77.8%	75.0%
Average Length of Stay	12.9	13.7	14.4	15.4	15.0

The following table sets forth historical outpatient visit statistics for the Rehabilitation Hospitals and their satellites:

	Fiscal Year Ended June 30				
Outpatient Visits	**2009**	**2010**	**2011**	**2012**	**2013**
Hospital	78,139	81,221	81,479	87,699	91,280
Satellites	105,311	111,854	122,070	122,458	117,852
Contracted Services	21,145	22,835	20,242	11,659	9,286
Total	204,595	215,910	223,791	221,816	218,418

The following table delineates the payor mix based on gross revenues for the Rehabilitation Hospitals' business line:

	Fiscal Year Ended June 30				
Payor Mix	**2009**	**2010**	**2011**	**2012**	**2013**
Medicare	39.0%	34.9%	32.4%	33.5%	33.1%
Medical Assistance	11.1%	13.6%	14.6%	16.1%	17.3%
Blue Cross	10.4%	10.0%	10.5%	11.8%	9.4%
Commercial/Auto	7.3%	7.4%	7.7%	6.0%	6.2%
Managed Care	23.0%	25.9%	26.8%	24.9%	27.1%
Workers' Compensation	3.9%	3.5%	3.6%	3.6%	3.3%
Self Pay	0.6%	0.5%	0.5%	0.7%	0.8%
Other	4.7%	4.2%	3.9%	3.5%	2.9%

Good Shepherd Rehabilitation Network and Controlled Entities
The Good Shepherd Home Long Term Care Facility, Inc. - Utilization

	Fiscal Year Ended June 30				
	2009	**2010**	**2011**	**2012**	**2013**
Beds Available	159	159	159	159	159
Days Available	58,035	58,035	58,035	58,194	58,035
Percentage Occupancy	99.59%	99.48%	99.65%	99.62%	99.44%
Inpatient Days	57,795	57,733	57,829	57,972	57,711