<u>This Document is Dated as of October 1, 2015.</u>

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 Fiscal Year Ending 6/30/15

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, 2015

Good Shepherd Rehabilitation Network and Controlled Entities
Management Discussion and Analysis
As of and for the Twelve Month Period Ended June 30, 2015

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

For the fiscal year ended June 30, 2015 (FY 2015), Good Shepherd Rehabilitation Network (GSRN) generated a consolidated operating margin of $9.7 million or 6.9%. These results are inclusive of the operating performance of Good Shepherd Penn Partners (GSPP) and were calculated based upon the financial statement presentation contained within the audited financial statements. This operating margin performance is slightly lower than the operating margin achieved during the previous fiscal year (7.3%).

Total unrestricted revenues, gains and other support of $139.7 million for FY 2015 increased $5.1 million or 3.8% over the preceding fiscal year. Contained within total unrestricted revenues, gains and other support is GSRN's 70% ownership percentage of GSPP's operating results (reflected as income on investment in unconsolidated subsidiary). GSRN's ownership percentage of GSPP's operating results improved from $6.7 million to $8.1 million between fiscal years.

Unlike the internal financial statement format, the audited financial statement format classifies contributions (unrestricted gifts and bequests) as a component of unrestricted revenues, gains and other support, as well as a component of operating margin. Contributions decreased from $4.2 million to $3.1 million between fiscal years.

The following graph illustrates GSRN's consolidated operating revenues and operating margin performance over the past five fiscal years. Fiscal year 2015 continued with the strong performance as realized in fiscal year 2014. The accumulated operating margin over that five-year period aggregated $37.5 million.

Consolidated Statement of Operations

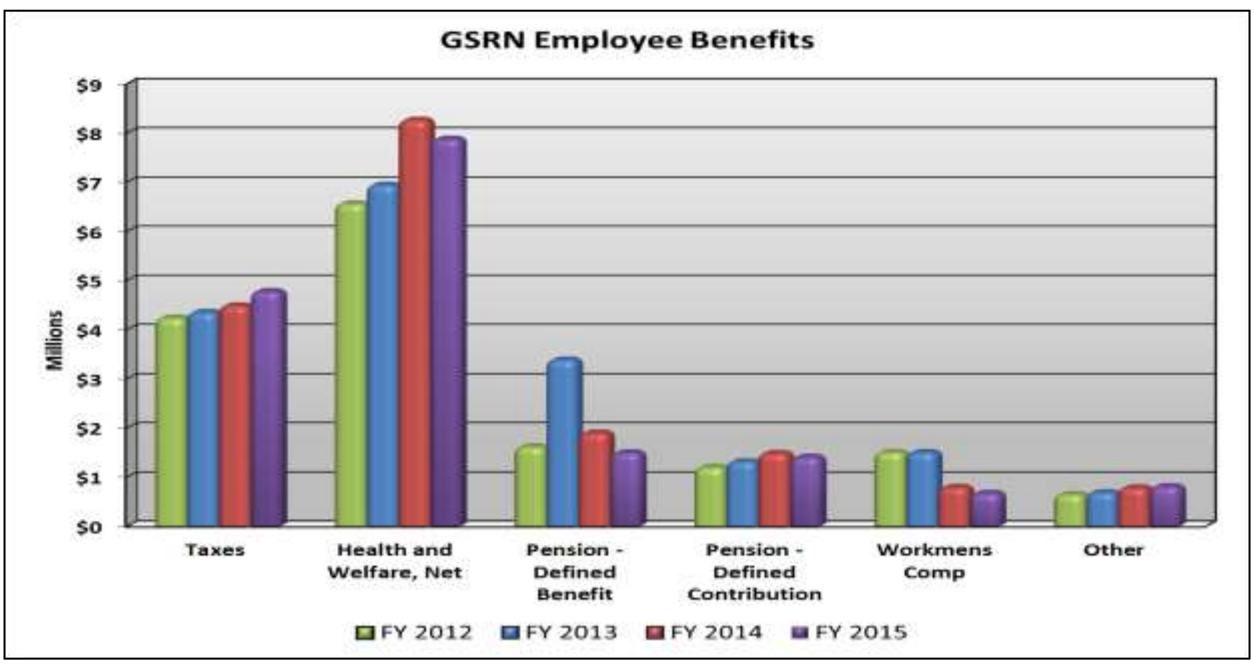
GSRN's Lehigh Valley operations generated a $2.5 million or 1.9% operating margin during FY 2015 on total unrestricted revenues, gains and other support of $131.5 million. By comparison, a $4.2 million or 3.3% operating margin was realized during FY 2014. The decrease was primarily due to the decrease in contributions.

Net patient service revenue increased by $5.2 million or 4.6% between fiscal years. Approximately $4.7 million of this increase was generated at the Rehabilitation Hospital, $300,000 was realized in Long-Term Care, and the remaining occurred at the Specialty Hospital. Admissions in FY 2015 declined from the previous fiscal year at both the Rehabilitation Hospital (7.1%) and the Specialty Hospital (6.2%), while the average daily census remained steady at the Rehabilitation Hospital and increased 4.5% at the Specialty Hospital. The decrease in admissions and increase in census was the direct result of an increase in acuity at both facilities. Finally, total outpatient visits increased by 4.8% between fiscal years.

Other operating revenues were ($746,000) or (21%) below the previous fiscal year as a result of lower insurance premiums collected from GSPP for general and professional liability insurance. This reduction in premium revenue was offset by lower required insurance reserves, which decreased professional and general liability insurance expense.

As previously mentioned, contributions decreased from $4.2 million to $3.1 million between fiscal years. Fiscal year 2014 included the receipt of unrestricted bequests which were approximately $1.5 million higher than historical trends.

GSRN's consolidated expense base increased by 4.2% from the prior fiscal year. Salaries and wages increased by 8.1%, inclusive of a 2.5% average annual performance increase. Employee benefits decreased 3.7% from the prior year. Employee health insurance costs improved 4.6% over the prior year which had seen a 19.0% increase. In addition, retirement plan expenses decreased 14.1% and workers compensation decreased 15.0%.



Supplies and other expenses increased $1.1 million or 4.1% in FY 2015 primarily as a result of increased direct patient care costs (medical supplies and services), increased advertising efforts, and higher maintenance agreements costs. These increases were partially offset by lower general and professional liability insurance costs.

From a cash flow perspective, cash flow from operations or EBIDA (defined as operating margin before interest, depreciation and amortization) produced a 15.4% cash flow margin or $21.3 million compared to 15.6% or $20.8 million in the previous fiscal year. The EBIDA calculation removes GSRN's 70% ownership percentage in GSPP and replaces it with the GSRN's portion of GSPP's dividend distributions in FY 2015 and FY 2014 of $7.4 million and $4.8 million, respectively.

Rehabilitation Hospital Division

The Rehabilitation Hospital Division includes all inpatient, outpatient, physician, and contracted rehabilitation management services at all locations. Total admissions of 1,637 represented a 7.1% decline from the prior year. Although total admissions declined, the average daily census remained steady. The Division was favorably impacted by a 4.8% increase in acuity level and a more favorable payer mix.

Outpatient visits increased by 10,300 visits or 4.8% over the previous fiscal year. Approximately half of this growth was related to the Outpatient Neuro expansion on the Allentown campus. The expansion was completed in November of 2014 and provided for an additional 5,300 visits on this campus. The remaining growth was achieved at the existing outpatient satellites throughout the Lehigh Valley.

In total, the Rehabilitation Hospital generated an operating margin of $333,000 in FY 2015 compared to an operating margin loss of ($303,000) in FY 2014. The Pediatrics service line operated at an operating margin loss of ($1.4) million in FY 2015, compared to break even in FY 2014. The Physician group's losses remained flat between fiscal years at ($2.4) million.

The outpatient service line produced a favorable operating margin in FY 2015 of 7.9%. This is a significant rebound over the 2.7% margin experienced in FY 2014. The 4.8% increase in volume noted above contributed to the 9.0% growth in revenue.

Long Term Care Division

The Long Term Care Division continues to operate at almost 100% capacity at both locations. For the first time in the division's history, the division incurred an operating margin loss. Although the loss was small ($27,000), it further demonstrates how the Long-Term Care Division's operating margins continue to erode (1.4% in FY 2014, 1.1% in FY 2013, 3.4% in FY 2012, 7.0% in FY 2011, and 8.2% in FY 2010). Operating margins continue to be negatively impacted by the reduced Medicaid rates assigned to Peer Group 13.

Long Term Acute Care Division

The Long Term Acute Care (LTCH) Division's operating margin performance declined from $2.6 million or 15.0% in FY 2014 to $1.9 million or 10.9% in FY 2015. Total admissions decreased by 6.2% between years, but the average daily census improved by 4.5%. The increase in census reflects the 3.1% increase in acuity of the patients. Unfortunately, the increase in days came from an unfavorable payer mix and as such, did not improve operating margin by a corresponding amount. Since FY 2010, the LTCH has operated under the constraints of the 25% Rule. In FY 2015, there was no revenue impact related to this rule.

Long-Term Bond Ratings

In February of 2015, Standard and Poor's affirmed GSRN's "A" long-term bond rating and changed their outlook perspective from positive to stable. The change in outlook was based on S&P's U.S. Not-For-Profit Acute-Care Stand-Alone Hospital criteria ("revised criteria") published on December 15, 2014. Basically, the criterion states that for an organization to have a positive outlook there must be more than a 1/3 chance that the organization's rating would be upgraded within the two-year outlook period. In discussion with the S&P analyst, had the new criteria been in effect at the time of the December 23, 2013 review, GSRN likely would not have had an outlook change from stable to positive. Fitch also reaffirmed GSRN's "A" rating during their semi-annual review in November 2014. In addition to reaffirming the "A" rating, Fitch also changed their outlook from stable to positive.

Balance Sheet

The Balance Sheet remained very strong. Total assets grew by 1.0% and total net assets grew by 1.9% between June 20, 2014 and 2015. Unrestricted day's cash on hand ended the year at 739 days which is just slightly lower than the 799 days at the previous fiscal year-end.

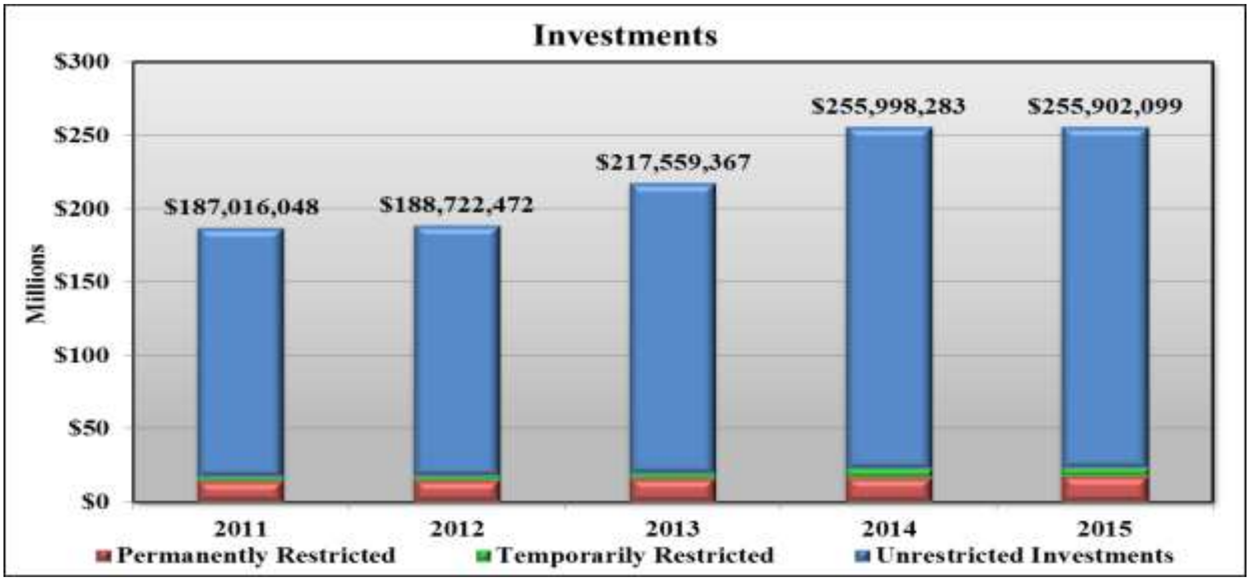
Accounts receivable increased 12.2% between years while net patient service revenue increased by 4.6%. This resulted in an increase in days in accounts receivable from 53 to 57 days.

The market value of Investments grew by $1.7 million and a 0.5% net return was earned on the investment portfolio, compared to the performance benchmark of 3.6%. During the fiscal year, one new Small Cap Equity (Replacing Artisan Partners) and two new Fixed Income funds (replacing the PIMCO Unconstrained Bond Fund and the PIMCO Global Strategic Bond Fund) were added to the portfolio. These new funds are indicated by a " * " in the table which follows:

Manager	Asset Class	Percent Of Total Portfolio	Market Value June 30, 2015 (in $ Millions)	FY 2015 Performance (Net of Fees)
Vanguard Institutional Fund	Large Cap Equity	9.9%	26.0	7.4%
Vanguard Small Cap ETF *	Small Cap Equity	5.6%	14.7	*
GMO World Fund	Global Equity	17.8%	46.7	(4.3%)
Dreyfus Global Stock Fund	Global Equity	13.6%	35.7	1.7%
Dodge & Cox Global Stock	Global Equity	14.8%	38.8	0.5%
Capital International Emerging Growth	Emerging Equity	5.2%	13.6	(7.7%)
TCW Met West Total Return	Fixed Income	3.9%	10.3	1.9%
Goldman Sachs Strategic Income Fund *	Fixed Income	3.8%	9.9	*
Alliance Bernstein Global Fixed Income Fund *	Fixed Income	4.7%	12.5	*
Prudential Real Estate Fund	Real Estate	5.7%	15.1	12.9%
Cornerstone Patriot Real Estate Fund	Real Estate	5.1%	13.4	10.6%
Blackrock Alternative Asset Fund	Absolute Return	9.9%	26.1	5.0%
Total		**100.0%**	**262.8**	**0.5%**
Performance Benchmark				**3.6%**

GSRN records the investment in the Prudential Real Estate Fund and the Cornerstone Patriot Real Estate Fund at cost. Accordingly, the Unrestricted and Restricted Investment Portfolio value on the GSRN Balance Sheet appears as $258.0 million ($255.9 million in Investments and $2.1 million in Assets Whose Use is Limited). The difference from the total market value of $262.8 million represents the $4.8 million unrealized appreciation over cost for these two real estate funds.

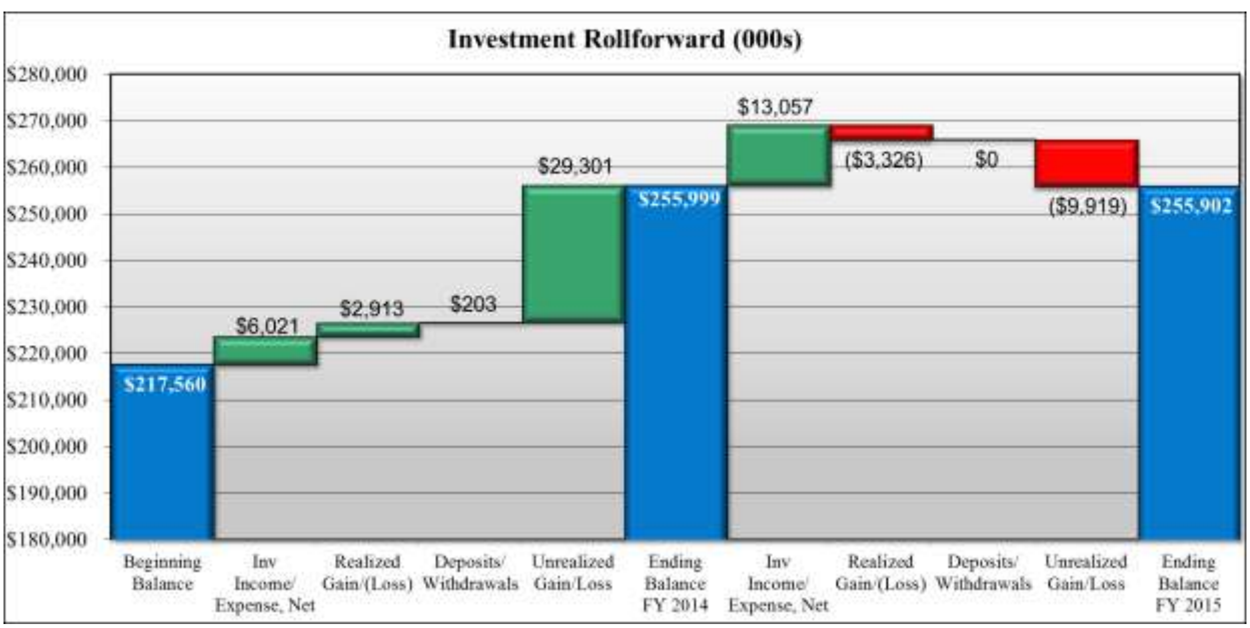
The five-year growth in GSRN's investments appears below:



The classification of investments on GSRN's Balance Sheet appears as follows:

	FY 2013	FY 2014	FY 2015
Unrestricted Investments	$197,865,882	$233,142,125	$232,809,022
Temporarily Restricted	3,458,802	6,254,845	5,256,558
Permanently Restricted	16,234,683	16,601,313	17,836,519
Total Investments	**$217,559,367**	**$255,998,283**	**$255,902,099**

During FY 2015, GSRN's investments had a 0.5% return. The investment balance was largely unchanged year over year. The components of the activity for the fiscal year include unrealized losses of $10 million, $13 million of investment income (net of expenses) and $3 million of realized losses. A two-year investment rollforward appears below.



GSRN's debt to capitalization ratio decreased slightly from 31% to 30% between fiscal years. This slight improvement resulted from an increase in unrestricted net assets (from the $9.7 million of current year operating margin) and a $3.0 million decrease in long-term debt between fiscal years.

GSRN's $12 million line of credit (Demand Note Payable) had a balance drawn of $7.4 million at June 30, 2015. During June 2015, GSRN provided an additional $9.0 million in funding to the defined benefit pension plan as well as $12.8 million in funding to Good Shepherd Development, LLC. This $12.8 million funding is represented in the consolidated $16.9 million cash balance on the Balance Sheet, but was moved to a separate corporation. Accrued expenses increased from June 30, 2014 primarily due to additional required payroll accruals and overpayments due to third party payers.

The defined benefit (DB) pension plan continues to be funded in excess of ERISA and IRS requirements although an accrued pension liability of $5.1 million is represented on the Balance Sheet as of June 30, 2015. This accrued pension liability represents a measurement of the difference between the market value of plan assets and actuarially determined benefit obligations. The pension liability decreased during the fiscal year from $12.3 million to $5.1 million. Total pension assets increased from $67 million to $77 million during the year due primarily due to $13 million of employer contributions.

During FY 2015, contributions of $1.4 million were also made to GSRN's defined contribution plan.

Total Net Assets increased $5.3 million or 1.9% during the year. The table below delineates the main components of the increase.

FY 2015	
Revenue in Excess of Expenses	$20,138,169
Unrestricted Unrealized Gains and Losses on Investments	(10,831,472)
Net Assets Released from Restriction for Operating and Capital Net of Restricted Contributions	(1,287,838)
Pension Liability Adjustment	(4,333,798)
Other	1,661,747
Total Increase in Net Assets	**$5,346,808**

Some of the more significant Balance Sheet ratios were impacted by favorable operating and investment performance. The table below captures the favorable trend in these ratios.

	FY 2013	FY 2014	FY 2015
Unrestricted Days Cash on Hand	679	799	739
Debt Service Coverage	3.59	3.98	4.01
Debt to Capitalization Ratio	37%	31%	30%
Cash To Debt	180%	223%	235%

All debt covenants associated with the Master Trust Indenture and the Wells Fargo Continuing Covenants Agreement have been comfortably achieved as noted below. The minimum requirement is based upon the most restrictive covenant.

	Minimum	Actual
Unrestricted Days Cash on Hand	Min. 120 Days	739
Debt Service Coverage	Min. 1.25x	4.01
Debt to Capitalization Ratio	Max. 60%	30%

Good Shepherd Penn Partners (GSPP)

For the fiscal year ended June 30, 2015, GSPP, on a separate company basis, generated an operating margin of $11.6 million or 13.7%. This represents an improvement from the prior year operating margin of $9.5 million or 11.9%. The following graph illustrates GSPP's operating revenue and operating margin performance since inception. GSPP's accumulated operating margin since inception aggregated $49.9 million.

Since inception, GSPP's operating revenue growth rate has been significant. However, GSPP's growth rate has slowed in recent years, resulting in a reduction in GSPP's compound annual growth rate to 10.0%, from 15.0% in the previous year.

GSPP dividend payments to Members increased from $6.9 to $10.6 million between fiscal years. GSPP also ended the year with a strong cash balance of $8.5 million. Dividends are expected to remain strong into the next fiscal year, with $11.9 million included in the fiscal year 2016 budget. GSRN receives 70% of the dividends paid by GSPP, and cumulative dividends paid by GSPP since inception are $35.3 million. GSPP's Member dividend history appears below.

GSPP's total assets grew by $1.8 million or 4.3% between fiscal years. This growth results from operating cash flow, as partially offset by Member dividends and investments in property and equipment. GSPP's operating cash flow increased between FY 2014 and FY 2015 from $10.4 million to $12.7 million.

<u>GSRN and GSPP Combined Net Revenue Base</u>

GSRN's ownership interest in GSPP is accounted for under the equity method and is not consolidated within GSRN's consolidated financial statements. The graph below depicts the combined net revenue of GSRN and GSPP as if they were a consolidated organization. On this basis, the combined net revenue base grew 4.3% in FY 2015 compared to a growth rate of 3.0% in the previous year. The compounded annual growth rate over the past five years has been 5.6%.

Outlook

GSRN's overall consolidated operating margin performance for FY 2015 of 6.9% was very respectable in terms of industry performance. GSRN's Lehigh Valley operations generated a 1.9% profit margin while GSPP generated a 13.7% operating margin on a separate company basis. GRSN's strategic diversification into the Philadelphia marketplace through the joint venture with the Trustees of the University of Pennsylvania continues to prove to be a significant initiative.

The impact of Healthcare reform, coupled with increased competition and reimbursement pressures, will require Management to focus on growing core business operating margins, while holding the line or potentially reducing the operating margin shortfalls generated by mission-based and other programs. Additionally, Management will need to focus on the creation of new strategic partnerships and relationships, as well as the development of product offerings that are responsive to the changing post-acute landscape and that deliver both quality and value to strategic partners.

GSRN's consolidated budgeted operating margin, for the 2016 fiscal year, is still a healthy 4.4%, despite the competition and reimbursement pressures described above. A primary focus on the development of new strategic partnerships and relationships will enable Management to continue delivering GSRN consolidated operating margins in excess of healthcare industry averages.

Good Shepherd Rehabilitation Network and Controlled Entities
Obligated Group and Consolidated Balance Sheet
As of June 30, 2015 and 2014

	Obligated Group		Consolidated	
	Audited as of 06/30/15	Audited as of 06/30/14	Audited as of 06/30/15	Audited as of 06/30/14
Assets				
CURRENT ASSETS:				
Cash and cash equivalents	1,493,560	8,284,915	16,920,235	9,763,936
Resident funds	153,540	141,566	153,540	141,566
Short-term investments	14,650	35,347	14,650	35,347
Assets whose use is limited	169,946	144,146	4,901,384	4,823,430
Accounts receivable, patients	15,216,895	13,716,339	18,419,750	16,414,976
Other receivables	1,924,113	2,289,243	1,924,113	2,289,244
Amount due from affiliates	745,552	1,684,452	745,553	1,684,453
Estimated third-party payor settlements	247,987	258,966	247,987	258,966
Inventories of drugs and supplies	506,605	536,898	506,605	536,898
Prepaid expenses and other current assets	1,572,249	1,296,376	1,663,785	1,409,349
Total current assets	22,045,097	28,388,248	45,497,602	37,358,165
ASSETS WHOSE USE IS LIMITED	5,704,165	7,721,146	5,704,165	7,721,146
ASSETS WHOSE USE IS LIMITED: Board Designated	2,100,000	2,250,000	2,100,000	2,250,000
INVESTMENTS				
Unrestricted	249,984,023	237,517,126	232,809,023	233,142,125
Temporarily Restricted	5,256,558	6,254,845	5,256,558	6,254,845
Permanently restricted	17,836,518	16,601,313	17,836,518	16,601,313
Total investments	273,077,099	260,373,284	255,902,099	255,998,283
INVESTMENTS IN AND OTHER ASSETS PERTAINING TO UNCONSOLIDATED SUBSIDIARY	44,383,398	44,101,730	44,383,398	44,101,730
PROPERTY AND EQUIPMENT, Net	57,951,696	59,234,602	59,660,634	61,134,908
BENEFICIAL INTEREST IN:				
Perpetual trusts	12,463,887	11,583,135	12,463,887	11,583,135
Charitable remainder trusts	8,114,461	8,969,628	8,114,461	8,969,628
PLEDGES RECEIVABLE, Net	290,228	1,436,279	290,228	1,436,279
DEFERRED FINANCING COSTS, Net	2,027,212	2,123,001	2,027,212	2,123,001
OTHER NON-CURRENT ASSETS	1,854,369	1,952,985	1,882,580	1,980,308
TOTAL	430,011,612	428,134,038	438,026,266	434,656,583

Good Shepherd Rehabilitation Network and Controlled Entities
Obligated Group and Consolidated Balance Sheet
As of June 30, 2015 and 2014

	Obligated Group		Consolidated	
	Audited as of 06/30/15	Audited as of 06/30/14	Audited as of 06/30/15	Audited as of 06/30/14
Liabilities and Net Assets				
CURRENT LIABILITIES				
Demand note payable	7,350,805	0	7,350,805	0
Current portion of long-term debt	2,955,000	2,840,000	2,955,000	2,840,000
Accounts payable, trade	4,035,004	3,603,385	4,650,527	3,985,362
Estimated third-party payor settlements	1,277,349	1,368,383	1,868,534	1,947,887
Advance from third party payor	277,900	277,900	277,900	277,900
Accrued expenses	9,328,100	8,417,113	10,898,142	9,875,039
Resident funds	153,540	141,566	153,540	141,566
Amount due to affiliates	16,084,495	15,629,686	0	0
Total current liabilities	41,462,193	32,278,033	28,154,448	19,067,754
LONG-TERM DEBT:				
Revenue bonds	105,431,747	108,461,206	105,431,747	108,461,206
Mortgages payable			1,675,500	1,675,500
Total long-term debt	105,431,747	108,461,206	107,107,247	110,136,706
DERIVATIVE FINANCIAL INSTRUMENTS	4,600,113	4,639,040	4,600,113	4,639,040
ACCRUED PENSION COST	5,141,481	12,309,485	5,141,481	12,309,485
OTHER LIABILITIES	3,490,847	4,125,748	4,826,152	5,653,581
Total liabilities	160,126,381	161,813,512	149,829,441	151,806,566
NET ASSETS				
Unrestricted	227,299,740	223,095,190	245,611,333	239,624,681
Temporarily restricted	12,215,486	13,851,866	12,215,487	13,851,866
Permanently restricted	30,370,005	29,373,470	30,370,005	29,373,470
Total net assets	269,885,231	266,320,526	288,196,825	282,850,017
TOTAL	430,011,612	428,134,038	438,026,266	434,656,583

Good Shepherd Rehabilitation Network and Controlled Entities
Obligated Group and Consolidated Statement of Operations
For the Twelve Month Periods Ended June 30, 2015 and 2014

	Obligated Group		Consolidated	
	Audited Period Ending 06/30/15	Audited Period Ending 06/30/14	Audited Period Ending 06/30/15	Audited Period Ending 06/30/14
UNRESTRICTED REVENUE, GAINS, AND OTHER SUPPORT:				
Net patient service revenues	100,555,271	95,363,099	118,179,293	112,849,360
Provision for doubtbul collections	(706,152)	(537,196)	(725,790)	(603,520)
Net patient service revenue less provision for doubtful collections	99,849,119	94,825,903	117,453,504	112,245,840
Other operating revenues	1,842,642	1,873,576	2,817,540	3,563,358
Professional services revenue	9,886,356	10,576,316	6,287,349	6,011,655
Contributions	3,070,622	4,211,859	3,070,622	4,211,859
Equity in (loss) on investment in unconsolidated subsidiary	8,145,066	6,665,750	8,145,067	6,665,750
Gains (losses) on disposal of property and equipment	0	284	(2,033)	284
Net assets released from restrictions for operations	1,900,900	1,891,965	1,909,983	1,901,355
Total unrestricted revenues, gains, and other support	124,694,705	120,045,653	139,682,032	134,600,101
EXPENSES:				
Salaries and wages	63,520,395	58,659,382	69,158,339	63,987,852
Supplies and other expenses	23,480,368	22,059,938	28,894,939	27,747,097
Employee benefits	15,643,740	17,325,416	17,045,841	17,708,324
Depreciation and amortization	7,159,282	7,418,685	7,450,782	7,708,672
Interest	4,925,683	5,028,808	4,925,683	5,028,808
Professional fees	2,052,638	2,118,278	2,511,747	2,549,211
Total	116,782,106	112,610,507	129,987,331	124,729,964
OPERATING INCOME	7,912,599	7,435,146	9,694,701	9,870,137
OTHER INCOME (EXPENSE):				
Investment (Loss) Income	8,974,164	8,174,482	8,974,164	8,174,482
Unrealized Gain / Loss Alternative Investment	1,469,299	2,136,650	1,469,299	2,136,650
REVENUE IN EXCESS OF EXPENSES	18,356,062	17,746,278	20,138,164	20,181,269
CHANGE IN NET UNREALIZED GAINS AND LOSSES ON INVESTMENTS OTHER THAN TRADING SECURITIES	(10,831,472)	24,973,713	(10,831,472)	24,973,713
CHANGE IN FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS	38,927	(211,194)	38,927	(211,194)
PENSION LIABILITY ADJUSTMENT	(4,333,798)	(533,446)	(4,333,798)	(533,446)
PENSION LIABILITY ADJUSTMENT - UNCONSOLIDATED AFFILIA	(58,510)	(207,606)	(58,509)	(207,606)
NET ASSETS RELEASED FROM RESTRICTIONS FOR PURCHASE OF PROPERTY AND EQUIPMENT	1,033,340	195,457	1,033,340	195,457
OTHER CHANGES IN UNRESTRICTED NET ASSETS	-	39,489	-	39,489
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	4,204,549	42,002,691	5,986,652	44,437,682

Good Shepherd Rehabilitation Network and Controlled Entities

Consolidated Statement of Cash Flows

For the Twelve Month Periods Ended June 30, 2015 and 2014

	Audited Period Ending 06/30/15	Audited Period Ending 06/30/14
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	5,346,808	49,264,266
Adjustments to reconcile increase (decrease) in net assets		
to net cash provided by operating activities:		
Depreciation and amortization	7,450,782	7,708,672
Amortization of debt premium	(62,515)	(68,570)
(Gain) loss on disposal of property and equipment	2,033	(284)
Provision for bad debts	725,790	603,520
Net realized and unrealized gains on investments	13,303,270	(32,064,395)
Restricted contributions and investment income	(3,916,062)	(2,767,637)
Change in fair value of derivative financial instruments	(38,927)	211,194
Valuation adjustments - permanently and temporarily restricted net assets	1,086,426	(1,867,956)
Loss on Extinguishment of Debt		-
Debt restructuring costs		-
Income on investment in unconsolidated subsidiary	(8,145,067)	(6,665,750)
Pension liability adjustment-		
The Good Shepherd Rehabilitation Hospital	4,333,798	533,446
Pension liability adjustment - unconsolidated subsidiary	58,509	207,606
Changes in assets and liabilities:		
Accounts receivable, patients	(2,730,564)	(534,217)
Other receivables	365,131	(1,067,754)
Estimated third-party payor settlements	(68,374)	(45,336)
Inventories of drugs and supplies	30,293	(33,971)
Prepaid expenses and other current assets	(176,140)	145,489
Account payable, trade	665,165	(580,450)
Accrued expenses and other liabilities	(11,057,727)	928,719
Net cash provided by operating activities	7,172,629	13,906,592
CASH FLOWS FROM INVESTING ACTIVITIES:		
Increase in investments	(10,325,372)	(4,752,297)
Decrease in investment in and other assets pertaining to unconsolidated subsidiary	1,324,489	563,614
Cash dividends received from unconsolidated subsidiary	7,419,301	4,809,000
Proceeds from sale of property and equipment	-	300
Purchase of property and equipment	(5,875,266)	(4,960,763)
Net cash used in investing activities	(7,456,848)	(4,340,146)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of demand note payable	7,350,805	(1,844,002)
Restricted contributions and investment income	2,934,281	2,096,812
Repayment of long-term debt, net	(2,840,000)	(2,530,000)
Decrease in annuities payable and trusts	(4,568)	(39,575)
Net cash used for financing activities	7,440,518	(2,316,765)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	7,156,299	7,249,681
CASH AND CASH EQUIVALENTS, BEGINNING	9,763,936	2,514,255
CASH AND CASH EQUIVALENTS, ENDING	16,920,235	9,763,936
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION,		
Cash paid for interest	4,989,976	5,099,217

Good Shepherd Rehabilitation Network Obligated Group
Selected Financial Ratios

		For the Fiscal Year Ending					Twelve Months Ended	
		2010	2011	2012	2013	2014	06/30/15	06/30/14
Operating Cash Flow Margin	(1)	12.6%	17.8%	13.8%	15.4%	16.6%	16.0%	16.6%
Long-Term Debt to Capitalization	(2)	48.7%	40.5%	42.8%	38.1%	32.7%	31.7%	32.7%
Debt Service Coverage	(3)	1.75	2.41	1.45	3.31	3.62	3.74	3.62
Operating Margin Ratio	(4)	-0.8%	5.9%	2.1%	4.1%	6.2%	6.3%	6.2%
Return on Equity Ratio	(5)	4.0%	10.2%	2.2%	5.5%	8.0%	8.1%	8.0%
Cushion Ratio	(6)	17.6	22.6	21.3	26.7	32.0	32.8	32.0
Days Cash on Hand	(7)	563	678	639	760	899	866	899
Days in Accounts Receivable	(8)	45	47	51	56	53	56	53
Obligated Group % of Total Assets	(9)	97.5%	98.0%	98.1%	98.8%	98.5%	98.2%	98.5%
Obligated Group % of NPSR	(10)	82.7%	83.8%	84.4%	85.0%	84.5%	85.0%	84.5%
Obligated Group % of Total Expenses	(11)	90.7%	90.5%	91.2%	91.0%	90.3%	89.8%	90.3%
Cash to Debt	(12)	1.20	1.56	1.65	1.86	2.29	2.41	2.29
Debt to Operating Cash Flow	(13)	9.06	5.56	6.76	6.24	5.46	5.27	5.46

(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					Twelve Months Ended	
Inpatient Utilization	**2010**	**2011**	**2012**	**2013**	**2014**	**06/30/15**	**06/30/14**
Number of Licensed Beds	98	102	102	106	106	106	106
Average Beds in Service	98	102	102	106	106	106	106
Admissions	1,796	1,908	1,895	1,940	1,763	1,637	1,763
Patient Days	24,834	27,473	29,033	29,017	28,811	28,865	28,811
Percent Occupancy	69.4%	76.0%	77.8%	75.0%	74.5%	74.6%	74.5%
Average Length of Stay	13.7	14.4	15.4	15.0	16.3	17.6	16.3

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

	Fiscal Year Ended June 30					Twelve Months Ended	
Outpatient Visits	**2010**	**2011**	**2012**	**2013**	**2014**	**06/30/15**	**06/30/14**
Hospital	81,221	81,479	87,699	91,280	91,937	97,101	91,937
Satellites	111,854	122,070	122,458	117,852	123,227	128,105	123,227
Contracted Services	22,835	20,242	11,659	9,286	10,936	11,220	10,936
Total	215,910	223,791	221,816	218,418	226,100	236,426	226,100

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

	Fiscal Year Ended June 30					Twelve Months Ended	
Payor Mix	**2010**	**2011**	**2012**	**2013**	**2014**	**06/30/15**	**06/30/14**
Medicare	34.9%	32.4%	33.5%	33.1%	33.4%	33.3%	33.4%
Managed Care	25.9%	26.8%	24.9%	27.1%	27.6%	28.0%	27.6%
Medical Assistance	13.6%	14.6%	16.1%	17.3%	16.6%	16.3%	16.6%
Commercial/Auto	7.4%	7.7%	6.0%	6.2%	6.9%	6.8%	6.9%
Blue Cross	10.0%	10.5%	11.8%	9.4%	9.4%	8.4%	9.4%
Workers' Compensation	3.5%	3.6%	3.6%	3.3%	2.9%	3.3%	2.9%
Self Pay	0.5%	0.5%	0.7%	0.8%	0.7%	0.6%	0.7%
Other	4.2%	3.9%	3.5%	2.9%	2.6%	3.4%	2.6%

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

	Fiscal Year Ended June 30					Twelve Months Ended	
	2010	**2011**	**2012**	**2013**	**2014**	**06/30/15**	**06/30/14**
Beds Available	159	159	159	159	159	159	159
Days Available	58,035	58,035	58,194	58,035	58,035	58,035	58,035
Percentage Occupancy	99.48%	99.65%	99.62%	99.44%	99.60%	99.47%	99.60%
Inpatient Days	57,733	57,829	57,972	57,711	57,801	57,727	57,801