



850 South 5th Street  
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GoodShepherdRehab.org

February 1, 2021

Re: \$29,395,000 Lehigh County General Purpose Authority Hospital Revenue Bonds (Good Shepherd Group) Series B of 2007

\$13,015,000 Lehigh County General Purpose Authority Hospital Revenue Bonds (Good Shepherd Group) Series A of 2008

\$31,730,000 Lehigh County General Purpose Authority Hospital Revenue Bonds (Good Shepherd Group) Series of 2012

\$43,425,000 Lehigh County General Purpose Authority Hospital Revenue Bonds (The Good Shepherd Group) Series of 2016

Attached are the unaudited obligated group Statement of Operations, Statement of Financial Position, Selected Financial Ratios, and Utilization of Services for the period October 1, 2020 through December 31, 2020.

Sincerely,

Benjamin T. Jarmul, Jr.

Interim Chief Financial Officer

**Good Shepherd Rehabilitation Network and Controlled Entities**  
**Statement of Financial Position**  
**As of December 31, 2020 and 2019**

	<b>Obligated Group</b>	
	<b>Unaudited as of 12/31/20</b>	<b>Unaudited as of 12/31/19</b>
<b><u>Assets</u></b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 604,103	\$ 664,400
Resident funds	301,833	205,805
Short-term investments	14,958	14,588
Accounts receivable, patients	15,032,100	15,265,391
Other receivables	357,206	2,265,052
Amount due from affiliates	1,195,099	1,048,318
Estimated third-party payor settlements	833,512	1,596,819
Inventories of drugs and supplies	784,749	572,317
Prepaid expenses and other current assets	2,172,567	2,533,820
Total current assets	21,296,127	24,166,510
ASSETS WHOSE USE IS LIMITED	706,398	579,539
ASSETS WHOSE USE IS LIMITED: Board Designated	1,275,000	1,425,000
<b>INVESTMENTS</b>		
Unrestricted	290,196,212	265,253,221
Temporarily Restricted	9,770,467	11,208,155
Permanently restricted	23,814,387	20,865,664
Total investments	323,781,066	297,327,040
INVESTMENTS IN AND OTHER ASSETS PERTAINING TO UNCONSOLIDATED SUBSIDIARY	33,403,882	37,484,912
PROPERTY AND EQUIPMENT, Net	58,430,732	63,062,852
<b>BENEFICIAL INTEREST IN:</b>		
Perpetual trusts	11,756,967	12,113,676
Charitable remainder trusts	6,571,808	6,974,778
PLEDGES RECEIVABLE, Net	419,489	4,004,549
DEFERRED FINANCING COSTS, Net	2,060,770	2,101,029
OTHER NON-CURRENT ASSETS	274,429	295,754
<b>TOTAL</b>	<b>\$ 459,976,668</b>	<b>\$ 449,535,639</b>

**Good Shepherd Rehabilitation Network and Controlled Entities**  
**Statement of Financial Position**  
**As of December 31, 2020 and 2019**

	<b>Obligated Group</b>	
	<b>Unaudited as of 12/31/20</b>	<b>Unaudited as of 12/31/19</b>
<b><u>Liabilities and Net Assets</u></b>		
<b>CURRENT LIABILITIES</b>		
Demand note payable	\$ 3,778,539	\$ 2,696,475
Current portion of long-term debt	2,590,000	2,485,000
Accounts payable, trade	9,851,991	5,865,863
Estimated third-party payor settlements	598,828	1,318,713
Advance from third party payor	5,040,343	277,900
Accrued expenses	9,713,119	10,634,875
Resident funds	301,833	205,805
Amount due to affiliates	5,131,245	7,052,679
	<u>37,005,898</u>	<u>30,537,310</u>
<b>TOTAL current liabilities</b>		
	<u>37,005,898</u>	<u>30,537,310</u>
<b>LONG-TERM DEBT:</b>		
Revenue bonds	89,163,666	91,785,782
Mortgages payable		
	<u>89,163,666</u>	<u>91,785,782</u>
<b>TOTAL long-term debt</b>		
	<u>89,163,666</u>	<u>91,785,782</u>
<b>DERIVATIVE FINANCIAL INSTRUMENTS</b>		
	3,418,438	2,912,621
<b>ACCRUED PENSION COST</b>		
	9,866,959	6,332,827
<b>OTHER LIABILITIES</b>		
	3,848,717	4,057,739
	<u>3,848,717</u>	<u>4,057,739</u>
<b>TOTAL liabilities</b>		
	<u>143,303,678</u>	<u>135,626,279</u>
<b>NET ASSETS</b>		
Unrestricted	263,794,193	259,587,858
Temporarily restricted	17,257,248	21,158,251
Permanently restricted	35,621,549	33,163,251
	<u>316,672,990</u>	<u>313,909,360</u>
<b>TOTAL net assets</b>		
	<u>316,672,990</u>	<u>313,909,360</u>
<b>TOTAL</b>		
	<u>\$ 459,976,668</u>	<u>\$ 449,535,639</u>

**Good Shepherd Rehabilitation Network and Controlled Entities**  
**Statement of Operations**  
**For the Six Month Periods Ended December 31, 2020 and 2019**

	<u>Obligated Group</u>	
	<u>Unaudited Period Ending 12/31/20</u>	<u>Unaudited Period Ending 12/31/19</u>
UNRESTRICTED REVENUE, GAINS, AND OTHER SUPPORT:		
Net patient service revenues	\$ 50,492,836	\$ 52,764,463
Provision for doubtful collections	(817,231)	(1,023,724)
Net patient service revenue less provision for doubtful collections	49,675,605	51,740,739
Other operating revenues	675,881	755,274
Professional services revenue	4,941,612	5,088,183
Stimulus Grant Revenue (Covid)	1,970,930	-
Contributions	2,083,589	1,420,209
Equity in (loss) income on investment in unconsolidated subsidiary	(908,045)	2,134,856
Loss on disposal of property and equipment	-	(53,297)
Gain on Sale of JV Interest	-	1,713,623
Net assets released from restrictions for operations	1,331,998	1,910,181
Total unrestricted revenues, gains, and other support	<u>59,771,570</u>	<u>64,709,768</u>
EXPENSES:		
Salaries and wages	33,513,711	34,956,150
Supplies and other expenses	13,676,516	13,442,144
Employee benefits	9,990,276	8,090,822
Depreciation and amortization	3,532,748	3,778,942
Interest	1,834,342	1,940,900
Professional fees	1,342,070	3,071,176
Total	<u>63,889,663</u>	<u>65,280,134</u>
OPERATING LOSS	(4,118,093)	(570,366)
OTHER INCOME (EXPENSE):		
Investment (Loss) Income	10,518,428	7,487,293
Other Net Periodic Pension Income	1,495,697	1,163,500
Unrealized Gain / Loss Alternative Investment	6,995,409	1,454,749
REVENUE IN EXCESS OF EXPENSES	14,891,441	9,535,176
CHANGE IN NET UNREALIZED GAINS AND LOSSES ON INVESTMENTS OTHER THAN TRADING SECURITIES	14,192,102	2,143,611
CHANGE IN FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS	371,022	185,289
NET ASSETS RELEASED FROM RESTRICTIONS FOR PURCHASE OF PROPERTY AND EQUIPMENT	<u>95,944</u>	<u>6,155</u>
INCREASE IN UNRESTRICTED NET ASSETS	<u>\$ 29,550,509</u>	<u>\$ 11,870,231</u>

**Good Shepherd Rehabilitation Network and Certain Controlled Entities**  
**Combined Statements of Operations and Changes in Unrestricted Net Assets**  
**Obligated Group**  
**(\$ in Thousands)**

	2016	2017	2018	2019	2020	Six Months Ended	
						12/31/20	12/31/19
Net Patient Service Revenues	\$ 97,721	\$ 103,897	\$ 103,463	\$ 103,320	\$ 98,478	\$ 50,493	\$ 52,764
Provision for Doubtful Accounts	(649)	(988)	(641)	(2,622)	(1,779)	(817)	(1,024)
Net Patient Service Revenues Less Provision for Doubtful Accounts	97,072	102,909	102,822	100,698	96,699	49,676	51,740
Other Operating Revenues	1,784	1,744	1,629	1,581	1,494	676	755
Contributions	1,689	2,445	2,094	1,467	2,033	2,084	1,420
Professional Services Revenue	10,493	7,108	6,232	7,743	9,968	4,942	5,088
Stimulus Grant Revenue (Covid)	-	-	-	-	2,410	1,971	-
Equity in Income (Loss) of Unconsolidated Affiliate <sup>(1)</sup>	5,984	2,821	5,140	(1,337)	(107)	(908)	2,135
Loss on Disposal of Equipment	-	(95)	-	-	(413)	-	(53)
Gain on Sale of JV Interest	-	-	-	-	1,939	-	1,714
Net Assets Released from Restriction for Operations	2,223	3,012	4,372	3,416	3,854	1,332	1,911
Total Operating Revenue	119,245	119,944	122,289	113,568	117,877	59,773	64,710
Salaries and Benefits	82,799	82,006	84,778	90,684	85,602	43,504	43,047
Supplies and Other Expenses	24,051	23,482	27,298	27,128	26,445	13,678	13,442
Depreciation and Amortization	6,700	6,432	7,001	7,790	7,465	3,533	3,779
Interest	4,817	4,067	3,895	4,103	3,834	1,834	1,941
Professional Fees	1,910	1,422	1,893	2,609	5,262	1,342	3,071
Total Operating Expenses	120,277	117,409	124,865	132,314	128,608	63,891	65,280
Operating Income (Loss)	(1,032)	2,535	(2,576)	(18,746)	(10,731)	(4,118)	(570)
Other Income (Expense)							
Debt Restructuring Costs	(4,236)	-	-	-	-	-	-
Investment Income	9,699	13,499	16,410	21,833	12,323	10,518	7,487
Other Net Periodic Pension Income	-	-	-	-	2,327	6,995	1,163
Unrealized Gain (Loss) on Alternative Investments	146	5,675	(3,685)	2,950	(4,503)	1,496	1,455
Revenues in Excess of (Less Than) Expenses	4,577	21,709	10,149	6,037	(584)	14,891	9,535
Change in Net Unrealized Gains and Losses on							
Investments Other Than Trading Securities	(14,384)	8,990	1,858	(11,873)	(4,938)	14,192	2,144
Change in Fair Value of Derivative Financial Instrument	(1,081)	1,969	1,314	(701)	(692)	371	185
Pension Liability Adjustment	(13,820)	8,807	4,641	(8,221)	(7,266)	-	-
Net Assets Released from Restriction for Purchase of Property and Equipment	125	79	785	69	6	96	6
Increase (Decrease) in Unrestricted Net Assets	\$ (24,583)	\$ 41,554	\$ 18,747	\$ (14,689)	\$ (13,474)	\$ 29,550	\$ 11,870

(1) Reflects Good Shepherd's portion of income from GSPP.

**Good Shepherd Rehabilitation Network and Controlled Entities**  
**The Obligated Group - Selected Financial Ratios**

		For the Fiscal Year Ending					Six Months Ended	
		2016	2017	2018	2019	2020	12/31/20	12/31/19
Operating Cash Flow Margin	(1)	8.8%	10.9%	6.8%	-6.0%	0.5%	2.1%	8.0%
Long-Term Debt to Capitalization	(2)	33.7%	28.9%	26.9%	27.6%	28.2%	25.3%	26.2%
Debt Service Coverage	(3)	2.12	3.51	3.28	1.99	1.76	1.56	1.05
Operating Margin Ratio	(4)	-0.9%	2.1%	-2.1%	-16.5%	-9.1%	-6.9%	-0.9%
Return on Equity Ratio	(5)	2.3%	8.9%	3.9%	3.3%	-0.2%	11.2%	14.6%
Cushion Ratio	(6)	31.3	32.5	34.1	34.1	34.6	38.7	35.5
Days Cash on Hand	(7)	783	834	817	763	810	908	818
Days in Accounts Receivable	(8)	51	60	58	50	57	56	54
Obligated Group % of Total Assets	(9)	97.8%	97.4%	96.8%	97.2%	96.5%	97.2%	96.7%
Obligated Group % of NPSR	(10)	85.9%	87.5%	86.6%	85.8%	83.3%	84.6%	84.7%
Obligated Group % of Total Expenses	(11)	89.8%	89.2%	88.7%	88.8%	89.1%	88.9%	90.1%
Cash to Debt	(12)	2.29	2.48	2.66	2.73	2.84	3.28	2.91
Debt to Operating Cash Flow	(13)	9.82	7.60	11.62	-13.76	161.65	35.99	4.48

(1) Defined as the sum of Operating Income (Loss) before 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 Revenues in Excess of (Less Than) Expenses, Interest Expense and Depreciation and Amortization Expense divided by Maximum Annual Debt Service.

(4) Defined as Operating Income (Loss) divided by Total Operating Revenue.

(5) Defined as Revenues in Excess of (Less Than) Expenses divided by Unrestricted Net Assets.

(6) Defined as the sum of Cash and Unrestricted Investments divided by Maximum Annual Debt Service.

(7) Defined as the sum of Cash and Unrestricted Investments divided by the quotient of the sum of Total Expenses less Provision for Doubtful Accounts and Depreciation and Amortization Expense divided by 365 days.

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

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

(10) Defined as Obligated Group's Net Patient Service Revenue ("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 Unrestricted Cash, Investments and Assets Whose Use is Limited-Board Designated 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 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

	Fiscal Year Ended June 30					Six Months Ended	
	2016	2017	2018	2019	2020	12/31/20	12/31/19
<b>Inpatient Utilization</b>							
Number of Licensed Beds	106	106	106	106	94	94	106
Average Beds in Service	106	106	106	106	96	94	106
Admissions	1,394	1,494	1,248	1,337	1,104	577	546
Patient Days	26,487	29,437	26,429	25,571	23,259	11,460	11,887
Percent Occupancy	68.3%	76.1%	68.3%	66.1%	66.2%	66.3%	60.9%
Average Length of Stay	19.0	19.7	21.2	19.1	21.1	19.9	21.8

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

	Fiscal Year Ended June 30					Six Months Ended	
	2016	2017	2018	2019	2020	12/31/20	12/31/19
<b>Outpatient Visits</b>							
Hospital	101,262	87,507	93,508	93,853	78,827	40,846	47,680
Satellites	136,130	140,743	153,900	155,281	141,382	73,831	84,290
Contracted Services	10,151	4,023	-	-	-	-	-
Total	247,543	232,273	247,408	249,134	220,209	114,677	131,970

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

	Fiscal Year Ended June 30					Six Months Ended	
	2016	2017	2018	2019	2020	12/31/20	12/31/19
<b>Payor Mix</b>							
Medicare	33.0%	34.2%	33.3%	35.3%	31.3%	31.5%	30.9%
Managed Care	24.5%	20.5%	18.5%	19.5%	27.9%	33.0%	22.0%
Medical Assistance	18.8%	20.3%	26.4%	25.4%	20.3%	13.7%	27.4%
Commercial/Auto	6.0%	7.6%	5.0%	4.8%	3.7%	5.1%	3.3%
Blue Cross	10.1%	10.0%	11.2%	9.1%	10.1%	9.3%	9.5%
Workers' Compensation	3.1%	3.2%	2.1%	2.1%	3.3%	3.9%	3.3%
Self Pay	0.8%	0.6%	0.5%	0.3%	0.3%	0.4%	0.3%
Other	3.6%	3.6%	3.0%	3.5%	3.1%	3.1%	3.3%

**The Good Shepherd Home Long Term Care Facility, Inc. - Utilization of Services**

	Fiscal Year Ended June 30					Six Months Ended	
	2016	2017	2018	2019	2020	12/31/20	12/31/19
Beds Available	159	159	159	159	159	159	159
Days Available	58,194	58,035	58,035	58,035	58,194	29,256	29,189
Percentage Occupancy	99.71%	99.75%	99.61%	99.46%	99.24%	99.66%	100.00%
Inpatient Days	58,023	57,889	57,809	57,723	57,749	29,156	29,189

Source: Hospital Records

**Good Shepherd Rehabilitation Network and Controlled Entities**  
**Payor Mix based on Total Gross Charges**  
**For the Six Months Ended December 31, 2020**

<b>Rehabilitation Hospitals</b>	<b>Total Gross Charges</b>	<b>Percentage</b>
Medicare	54,063,285	31.5%
Medical Assistance	23,548,521	13.7%
Blue Cross	15,925,691	9.3%
Commercial/Auto	8,723,444	5.1%
Managed Care	56,366,338	33.0%
Workers' Compensation	6,606,488	3.9%
Self Pay	786,304	0.5%
Other	5,355,704	3.1%
Total	171,375,775	100.0%