



Good Shepherd Plaza
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May 5, 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

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

\$30,535,000 Lehigh County General Purpose Authority Hospital Revenue Bonds (The Good Shepherd Group) Series of 2021

Attached are the unaudited obligated group Statement of Operations, Statement of Financial Position, Selected Financial Ratios, and Utilization of Services for the period January 1, 2021 through March 31, 2021.

Sincerely,

Benjamin T. Jarmul, Jr.

Interim Chief Financial Officer

Good Shepherd Rehabilitation Network and Controlled Entities
Statement of Financial Position
As of March 31, 2021 and 2020

	<u>Obligated Group</u>	
	<u>Unaudited</u> as of <u>3/31/21</u>	<u>Unaudited</u> as of <u>3/31/20</u>
<u>Assets</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 165,011	\$ 2,762
Resident funds	342,392	205,166
Short-term investments	14,928	14,311
Accounts receivable, patients	17,617,143	14,501,435
Other receivables	601,430	2,611,243
Amount due from affiliates	1,159,910	834,353
Estimated third-party payor settlements	19,179	201,114
Inventories of drugs and supplies	1,060,927	612,148
Prepaid expenses and other current assets	2,307,912	2,536,044
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Total current assets	23,288,832	21,518,576
ASSETS WHOSE USE IS LIMITED:		
Unrestricted	706,398	618,402
Board designated	1,237,500	1,387,500
INVESTMENTS		
Unrestricted	299,212,642	243,667,804
Temporarily restricted	12,981,370	7,703,663
Permanently restricted	24,434,283	21,139,193
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Total investments	336,628,295	272,510,660
INVESTMENTS IN AND OTHER ASSETS PERTAINING TO UNCONSOLIDATED SUBSIDIARY	34,351,077	37,088,214
PROPERTY AND EQUIPMENT, Net	58,265,903	61,762,849
BENEFICIAL INTEREST IN:		
Perpetual trusts	11,756,967	12,113,676
Charitable remainder trusts	6,571,808	6,942,388
PLEDGES RECEIVABLE, Net	420,599	4,037,596
DEFERRED FINANCING COSTS, Net	2,053,139	2,085,321
OTHER NON-CURRENT ASSETS	274,429	295,754
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TOTAL	<u>\$ 475,554,947</u>	<u>\$ 420,360,936</u>

Good Shepherd Rehabilitation Network and Controlled Entities
Statement of Financial Position
As of March 31, 2021 and 2020

	Obligated Group	
	Unaudited as of 3/31/21	Unaudited as of 3/31/20
<u>Liabilities and Net Assets</u>		
CURRENT LIABILITIES		
Demand note payable	\$ 4,256,916	\$ 6,482,115
Current portion of long-term debt	2,730,000	2,485,000
Accounts payable, trade	7,746,755	5,071,962
Estimated third-party payor settlements	716,016	457,637
Advance from third party payor	5,040,343	277,900
Accrued expenses	11,742,918	10,128,982
Resident funds	342,392	205,166
Amount due to affiliates	4,615,682	5,687,528
	37,191,022	30,796,290
LONG-TERM DEBT		
Revenue bonds	91,267,845	91,777,304
DERIVATIVE FINANCIAL INSTRUMENTS		
	2,629,447	3,912,997
ACCRUED PENSION COST		
	9,119,111	5,751,077
OTHER LIABILITIES		
	3,431,432	4,195,744
	143,638,857	136,433,412
NET ASSETS		
Unrestricted	277,015,381	233,248,387
Temporarily restricted	18,665,839	17,378,279
Permanently restricted	36,234,870	33,300,858
	331,916,090	283,927,524
TOTAL	\$ 475,554,947	\$ 420,360,936

Good Shepherd Rehabilitation Network and Controlled Entities
Statement of Operations
For the Nine Month Periods Ended March 31, 2021 and 2020

	Obligated Group	
	Unaudited Period Ending 3/31/21	Unaudited Period Ending 3/31/20
UNRESTRICTED REVENUE, GAINS, AND OTHER SUPPORT:		
Net patient service revenue	\$ 74,800,250	\$ 77,079,031
Other operating revenues	1,033,465	1,153,443
Professional services revenue	7,547,062	7,670,147
Contributions	2,877,573	1,784,733
Stimulus Grant Revenue (Covid)	2,062,292	-
Equity in income on investment in unconsolidated subsidiary	162,944	1,856,371
Gain on sale of investment in unconsolidated subsidiary	-	1,713,623
Loss on disposal of property and equipment	-	(53,297)
Net assets released from restrictions for operations	1,977,360	3,035,340
	<u>90,460,946</u>	<u>94,239,391</u>
EXPENSES:		
Salaries and wages	49,424,296	52,371,364
Supplies and other expenses	21,327,036	20,028,684
Employee benefits	13,588,147	13,203,375
Depreciation and amortization	5,250,548	5,636,704
Interest	2,673,959	2,895,718
Professional fees	2,002,653	4,192,230
	<u>94,266,639</u>	<u>98,328,075</u>
OPERATING LOSS	(3,805,693)	(4,088,684)
OTHER INCOME (EXPENSE):		
Investment income	11,742,276	8,713,445
Unrealized gain (loss) on alternative investments	14,320,156	(3,888,798)
Other net periodic pension income	2,243,545	1,745,250
Debt restructuring costs	(2,048,023)	-
	<u>22,452,261</u>	<u>2,481,213</u>
REVENUE IN EXCESS OF EXPENSES		
	<u>18,968,971</u>	<u>(16,141,523)</u>
CHANGE IN NET UNREALIZED GAINS AND LOSSES ON INVESTMENTS OTHER THAN TRADING SECURITIES		
	<u>1,160,013</u>	<u>(815,087)</u>
CHANGE IN FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS		
	<u>190,451</u>	<u>6,155</u>
NET ASSETS RELEASED FROM RESTRICTIONS FOR PURCHASE OF PROPERTY AND EQUIPMENT		
	<u>190,451</u>	<u>6,155</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	\$ 42,771,696	\$ (14,469,242)

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	Nine Months Ended	
						3/31/21	3/31/20
Net Patient Service Revenues	\$ 97,072	\$ 102,909	\$ 102,822	\$ 100,698	\$ 96,699	\$ 74,800	\$ 77,079
Other Operating Revenues	1,784	1,744	1,629	1,581	1,494	1,033	1,153
Contributions	1,689	2,445	2,094	1,467	2,033	2,877	1,785
Professional Services Revenue	10,493	7,108	6,232	7,743	9,968	7,547	7,670
Stimulus Grant Revenue (Covid)	-	-	-	-	2,410	2,062	-
Equity in Income (Loss) of Unconsolidated Affiliate ⁽¹⁾	5,984	2,821	5,140	(1,337)	(107)	163	1,856
Loss on Disposal of Equipment	-	(95)	-	-	(413)	-	(53)
Gain on Sale of Investment in Unconsolidated Subsidiary	-	-	-	-	1,939	-	1,714
Net Assets Released from Restrictions for Operations	2,223	3,012	4,372	3,416	3,854	1,977	3,035
Total Operating Revenue	119,245	119,944	122,289	113,568	117,877	90,459	94,239
Salaries and Benefits	82,799	82,006	84,778	90,684	85,602	63,012	65,575
Supplies and Other Expenses	24,051	23,482	27,298	27,128	26,445	21,324	20,028
Depreciation and Amortization	6,700	6,432	7,001	7,790	7,465	5,251	5,636
Interest	4,817	4,067	3,895	4,103	3,834	2,674	2,896
Professional Fees	1,910	1,422	1,893	2,609	5,262	2,003	4,192
Total Operating Expenses	120,277	117,409	124,865	132,314	128,608	94,264	98,327
Operating Income (Loss)	(1,032)	2,535	(2,576)	(18,746)	(10,731)	(3,805)	(4,088)
Other Income (Expense)							
Investment Income	9,699	13,499	16,410	21,833	12,323	11,742	8,713
Unrealized Gain (Loss) on Alternative Investments	146	5,675	(3,685)	2,950	(4,503)	14,320	(3,888)
Other Net Periodic Pension Income	-	-	-	-	2,327	2,244	1,745
Debt Restructuring Costs	(4,236)	-	-	-	-	(2,048)	-
Revenues in Excess of (Less Than) Expenses	4,577	21,709	10,149	6,037	(584)	22,453	2,482
Change in Net Unrealized Gains and Losses on Investments Other Than Trading Securities	(14,384)	8,990	1,858	(11,873)	(4,938)	18,969	(16,142)
Change in Fair Value of Derivative Financial Instrument	(1,081)	1,969	1,314	(701)	(692)	1,160	(815)
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	190	6
Increase (Decrease) in Unrestricted Net Assets	\$ (24,583)	\$ 41,554	\$ 18,747	\$ (14,689)	\$ (13,474)	\$ 42,772	\$ (14,469)

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

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

		For the Fiscal Year Ending					Nine Months Ended	
		2016	2017	2018	2019	2020	3/31/21	3/31/20
Operating Cash Flow Margin	(1)	8.8%	10.9%	6.8%	-6.0%	0.5%	4.6%	4.7%
Long-Term Debt to Capitalization	(2)	33.7%	28.9%	26.9%	27.6%	28.2%	24.8%	28.3%
Debt Service Coverage	(3)	2.12	3.51	3.28	1.99	1.76	1.88	1.17
Operating Margin Ratio	(4)	-0.9%	2.1%	-2.1%	-16.5%	-9.1%	-4.2%	-4.3%
Return on Equity Ratio	(5)	2.3%	8.9%	3.9%	3.3%	-0.2%	10.8%	1.4%
Cushion Ratio	(6)	31.3	32.5	34.1	34.1	34.6	40.8	32.5
Days Cash on Hand	(7)	783	834	817	763	810	943	737
Days in Accounts Receivable	(8)	51	60	58	50	57	65	52
Obligated Group % of Total Assets	(9)	97.8%	97.4%	96.8%	97.2%	96.5%	96.4%	96.6%
Obligated Group % of NPSR	(10)	85.9%	87.5%	86.6%	85.8%	83.3%	83.9%	84.3%
Obligated Group % of Total Expenses	(11)	89.8%	89.2%	88.7%	88.8%	89.1%	89.2%	89.4%
Cash to Debt	(12)	2.29	2.48	2.66	2.73	2.84	3.29	2.67
Debt to Operating Cash Flow	(13)	9.82	7.60	11.62	-13.76	161.65	16.63	15.52

(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					Nine Months Ended	
	2016	2017	2018	2019	2020	3/31/21	3/31/20
<u>Inpatient Utilization</u>							
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	851	824
Patient Days	26,487	29,437	26,429	25,571	23,259	16,908	17,433
Percent Occupancy	68.3%	76.1%	68.3%	66.1%	66.2%	65.6%	59.8%
Average Length of Stay	19.0	19.7	21.2	19.1	21.1	19.9	21.2

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

	Fiscal Year Ended June 30					Nine Months Ended	
	2016	2017	2018	2019	2020	3/31/21	3/31/20
<u>Outpatient Visits</u>							
Hospital	101,262	87,507	93,508	93,853	78,827	62,319	67,238
Satellites	136,130	140,743	153,900	155,281	141,382	109,546	122,121
Contracted Services	10,151	4,023	-	-	-	-	-
Total	<u>247,543</u>	<u>232,273</u>	<u>247,408</u>	<u>249,134</u>	<u>220,209</u>	<u>171,865</u>	<u>189,359</u>

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

	Fiscal Year Ended June 30					Nine Months Ended	
	2016	2017	2018	2019	2020	3/31/21	3/31/20
<u>Payor Mix</u>							
Medicare	33.0%	34.2%	33.3%	35.3%	31.3%	31.2%	31.6%
Managed Care	24.5%	20.5%	18.5%	19.5%	27.9%	32.9%	25.5%
Medical Assistance	18.8%	20.3%	26.4%	25.4%	20.3%	14.2%	23.1%
Commercial/Auto	6.0%	7.6%	5.0%	4.8%	3.7%	5.0%	3.3%
Blue Cross	10.1%	10.0%	11.2%	9.1%	10.1%	9.3%	9.7%
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%	3.2%

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

	Fiscal Year Ended June 30					Nine Months Ended	
	2016	2017	2018	2019	2020	3/31/21	3/31/20
Beds Available	159	159	159	159	159	159	159
Days Available	58,194	58,035	58,035	58,035	58,194	43,566	43,725
Percentage Occupancy	99.71%	99.75%	99.61%	99.46%	99.24%	99.53%	99.61%
Inpatient Days	58,023	57,889	57,809	57,723	57,749	43,363	43,553

Source: Hospital Records

Good Shepherd Rehabilitation Network and Controlled Entities
Payor Mix based on Total Gross Charges
For the Nine Months Ended March 31, 2021

Rehabilitation Hospitals	Total Gross Charges	Percentage
Medicare	80,332,484	31.2%
Medical Assistance	36,594,142	14.2%
Blue Cross	23,865,808	9.3%
Commercial/Auto	12,988,498	5.0%
Managed Care	84,559,605	32.9%
Workers' Compensation	10,150,249	3.9%
Self Pay	1,129,850	0.4%
Other	8,126,290	3.2%
Total	257,746,926	100.0%