

Shepherd Center, Inc. and Subsidiaries
(A Not-for-Profit Organization)

Consolidated Statements of Financial Position
March 31, 2023 and 2022

	2023	2022
Assets		
Current assets:		
Cash and cash equivalents	\$ 77,778,392	\$ 99,116,755
Patient accounts receivable, less allowance for doubtful accounts of \$2,051,589 in 2023 and \$1,864,902 in 2022	80,641,062	70,995,320
Current portion of contributions receivable	66,448,718	49,327,766
Other current assets	<u>13,486,268</u>	<u>13,513,746</u>
Total current assets	238,354,440	232,953,587
Investments	424,024,569	408,981,980
Assets limited as to use	4,155,668	4,145,681
Property and equipment, at cost less accumulated depreciation	150,615,546	129,947,249
Contributions receivable, less current portion and discount of \$17,469,400 in 2023 and \$13,320,627 in 2022	79,759,393	87,177,672
Other assets	<u>13,913,881</u>	<u>15,505,061</u>
Total assets	<u>\$ 910,823,497</u>	<u>\$ 878,711,230</u>
Liabilities and Net Assets		
Current liabilities:		
Current portion of long-term debt	\$ 2,600,000	\$ 2,500,000
Accounts payable	14,839,189	8,608,757
Accrued compensation and expenses	24,024,983	26,032,468
Deferred revenue and other liabilities	<u>826,434</u>	<u>7,226,399</u>
Total current liabilities	<u>42,290,606</u>	<u>44,367,624</u>
Annuities payable	5,695,099	5,769,952
Long-term debt, less current portion and unamortized bond issuance costs	<u>40,700,294</u>	<u>43,237,710</u>
Total liabilities	<u>88,685,999</u>	<u>93,375,286</u>
Net assets:		
Without donor restrictions	463,181,046	457,936,021
With donor restrictions	<u>358,956,452</u>	<u>327,399,923</u>
Total net assets	<u>822,137,498</u>	<u>785,335,944</u>
Total liabilities and net assets	<u>\$ 910,823,497</u>	<u>\$ 878,711,230</u>

See accompanying notes to consolidated financial statements.

Note 8: Long-Term Debt and Line of Credit

Bonds Payable – Series 2009

Under a Trust Indenture, dated February 1, 2005, between Development Authority of Fulton County (Issuer) and a commercial bank (Trustee), Development Authority of Fulton County Revenue Bonds (Shepherd Center, Inc. Project), Series 2005 (2005 Bonds) totaling \$56,000,000 were issued on April 19, 2005. The Issuer loaned the net proceeds of the sale of the Bonds to the Center, pursuant to a Loan Agreement, dated February 1, 2005 between the Issuer and the Center to enable the Center to finance the acquisition, construction and equipping of improvements to the Center.

Under a Trust Indenture, dated November 4, 2009, between Development Authority of Fulton County (Issuer) and a commercial bank (Trustee), Development Authority of Fulton County Refunding Revenue Bonds (Shepherd Center, Inc. Project), Series 2009 (2009 Bonds) totaling \$56,000,000 were issued on November 4, 2009. The Issuer loaned the net proceeds of the sale of the 2009 Bonds to the Center, pursuant to a Loan Agreement, dated November 1, 2009, between the Issuer and the Center to enable the Center to use the proceeds of the sale of the 2009 Bonds for the purpose of refunding the 2005 Bonds.

Outstanding borrowings totaled \$43,400,000 and \$45,900,000 at March 31, 2023 and 2022, respectively, which are presented net of unamortized bond issuance costs of \$149,806 and \$162,290, respectively.

The Bonds bear interest at a variable rate set not to exceed 12% per annum (4.53% at March 31, 2023) as determined by the remarketing agent (see below) and interest is paid monthly. The average interest rate during 2023 and 2022 was 1.99% and 0.14%, respectively. Interest expense, which included remarketing fees, letter of credit fees, and amortization of bond issuance costs, totaled \$1,173,515 and \$368,123 for 2023 and 2022, respectively.

The Bonds are redeemable at the option of the Center, in whole or in part, at various redemption prices on any interest payment date and have required escalating principal payments due annually beginning in December 2019 and maturing in September 2035. Fiscal year contractual maturities of the Bonds payable at March 31, 2023, are as follows:

Year Ending March 31,

2024	\$ 2,600,000
2025	2,700,000
2026	2,800,000
2027	2,900,000
2028	3,100,000
2029	3,200,000
2030	3,300,000
2031	3,400,000
2032	3,600,000
2033	3,700,000
2034	3,900,000
2035	4,000,000
2036	4,200,000
	<u>\$ 43,400,000</u>

In connection with the issuance of the 2009 Bonds, the Center obtained an irrevocable letter of credit in the initial amount of \$56,736,439 from a financial institution (Credit Provider). The letter of credit served as a credit enhancement and as security for the bonds. The letter of credit, which is secured by the Center's revenues, was issued on November 4, 2009. On September 2, 2015, the Center obtained a new letter of credit with another financial institution in the initial amount of \$51,873,315 and simultaneously terminated the existing letter of credit. For the years ended March 31, 2023 and 2022, the Center was subject to an annual fee of 0.50% of the letter of credit amount, payable semi-annually in advance. The letter of credit was scheduled to expire on September 2, 2020. In April 2020, the letter of credit was extended effective September 2, 2020 and expires on September 2, 2025. The balance at March 31, 2023 and 2022 was \$43,400,000 and \$45,900,000, respectively.

In addition, the Center entered into a remarketing agent agreement with a financial institution. The remarketing agent determines the weekly variable interest rate and remarkets all Bonds redeemed at the option of the Bond holders for an annual fee of 0.08% of the weighted average daily principal amount of Bonds outstanding.

Bonds Payable – Series 2022

Under a Bond Purchase and Loan Agreement (the Loan Agreement), dated December 22, 2022, between Development Authority of Fulton County (Issuer) and a commercial bank (Lender), Development Authority of Fulton County Revenue Bonds (Shepherd Center, Inc. Project), Series 2022 (2022 Bonds) up to \$175,000,000 may be issued pursuant to the Loan Agreement. The Loan Agreement will support the Center in financing the construction and equipping of improvements to the Center.

Outstanding borrowings totaled \$50,100 at March 31, 2023. The related unamortized bond issuance costs of \$783,830 are included as a component of other assets within the accompanying consolidated statements of financial position.

The Bonds bear interest at a variable rate set at the Securities Industry and Financial Markets Association (SIFMA) index rate plus 0.711% (4.68% at March 31, 2023) as determined by the remarketing agent (see below) and interest is paid monthly. The average interest rate during 2023 was 3.69%. Interest expense, which included remarketing fees, letter of credit fees, and amortization of bond issuance costs, totaled \$45,652 for 2023.

The Bonds are redeemable at the option of the Center, in whole or in part, at various redemption prices on any interest payment date and mature in December 2027, at which time the Center would be required to either refinance or repay the bonds in full.

Line of Credit

During October 2015, the Center entered into an unsecured revolving loan agreement with a financial institution that allows for borrowings up to \$15,000,000, which matured on October 1, 2016. On May 7, 2021, the line was extended and the maximum borrowing capacity was changed to \$20,000,000.

The line was amended on August 31, 2022 and the maturity date was extended to August 31, 2025, at which time the balance, if any, plus accrued interest is due. Outstanding borrowings bear interest at Adjusted Term Secured Overnight Financing Rate (SOFR), which is defined as the sum of the Term SOFR for the period plus a margin of 0.64%. As of March 31, 2023, and 2022, there was no outstanding balance on the line of credit. Interest expense, which included certain legal and commitment fees, totaled \$39,260 and \$80,743 for 2023 and 2022, respectively.

The Center is subject to certain financial and nonfinancial covenants under the various Bond and line of credit agreements. At March 31, 2023, the Center was in compliance with these covenants.