

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

Consolidated Statements of Financial Position
March 31, 2019 and 2018

	2019	2018
Assets		
Current assets:		
Cash and cash equivalents	\$ 19,750,149	\$ 35,797,208
Patient accounts receivable, less allowance for doubtful accounts of \$2,734,358 in 2019 and \$2,413,719 in 2018	64,902,919	60,150,363
Current portion of contributions receivable	3,379,315	2,218,106
Other current assets	<u>8,798,451</u>	<u>8,251,383</u>
Total current assets	96,830,834	106,417,060
Investments	299,462,211	279,872,039
Assets limited as to use	3,113,800	2,772,601
Property and equipment, at cost less accumulated depreciation	134,021,448	115,191,298
Contributions receivable, less current portion and discount of \$186,974 in 2019 and \$112,629 in 2018	809,026	192,751
Other assets	<u>11,148,678</u>	<u>2,349,878</u>
Total assets	<u>\$ 545,385,997</u>	<u>\$ 506,795,627</u>
Liabilities and Net Assets		
Current liabilities:		
Current portion of annuities payable	\$ 432,203	\$ 433,168
Current portion of long-term debt	600,000	-
Accounts payable	4,301,782	4,444,268
Accrued compensation and expenses	19,929,898	18,411,722
Deferred revenue	<u>516,086</u>	<u>1,790,986</u>
Total current liabilities	25,779,969	25,080,144
Annuities payable, less current portion	5,358,474	5,418,043
Long-term debt, less current portion and unamortized bond issuance costs	<u>50,360,772</u>	<u>50,920,416</u>
Total liabilities	<u>81,499,215</u>	<u>81,418,603</u>
Net assets:		
Without donor restrictions	345,823,133	319,100,191
With donor restrictions	<u>118,063,649</u>	<u>106,276,833</u>
Total net assets	<u>463,886,782</u>	<u>425,377,024</u>
Total liabilities and net assets	<u>\$ 545,385,997</u>	<u>\$ 506,795,627</u>

See accompanying notes to consolidated financial statements.

Note 7: 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 \$51,200,000 at March 31, 2019 and 2018, respectively, which are presented net of unamortized bond issuance costs of \$239,228 and \$279,584, respectively.

The Bonds bear interest at a variable rate set not to exceed 12% per annum (1.56% at March 31, 2019) as determined by the remarketing agent (see below) and interest is paid monthly. The average interest rate during 2019 and 2018 was 1.53% and 1.03%, respectively. Interest expense, which included remarketing fees, letter of credit fees, and amortization of bond issuance costs, totaled \$1,131,721 and \$864,209 for 2019 and 2018, 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, 2019, are as follows:

Year Ending March 31,

2020	\$ 600,000
2021	2,300,000
2022	2,400,000
2023	2,500,000
2024	2,600,000
Thereafter	<u>40,800,000</u>
	<u>\$ 51,200,000</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, 2019 and 2018, 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 expires September 2, 2020. The balance at March 31, 2019 and 2018 was \$51,200,000 and \$51,492,528, 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.

Line of Credit

On October 5, 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. The loan was extended and matures on October 31, 2019, at which time the balance plus accrued interest is due. Outstanding borrowings bear interest at one-month LIBOR plus 0.85%. As of March 31, 2019 and 2018, there was no outstanding balance. Interest expense, which included certain legal and commitment fees, totaled \$30,865 and \$27,407 for 2019 and 2018, respectively.

The Center is subject to certain financial and nonfinancial covenants under the various Bond and line of credit agreements. At March 31, 2019, the Center was in compliance with these covenants.

Note 8: Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes at March 31, 2019 and 2018:

	2019	2018
Net Assets With Donor Restrictions:		
Share Initiative	\$ 8,125,077	\$ 6,178,111
Capital Projects and Maintenance	7,846,122	3,854,593
Other Miscellaneous Funds	5,000,051	3,507,310
Jesse Crawford Research Fund	4,279,043	4,203,402
Charitable Gift Annuity Program	2,340,465	2,372,405
Housing/Transportation Fund	2,320,585	2,681,336
Shepherd Center Fund	2,259,742	2,140,151
MS Rehab and Wellness Fund	2,040,634	1,644,475
MS General Fund	1,605,714	620,265
Therapeutic Recreation Fund	1,390,662	594,387
Andee's Army	1,259,243	1,349,153
SCI Research Program	993,465	946,526
Transition Support	626,771	512,752
Assistive Technology Fund	360,092	306,434
Acquired Brain Injury Fund	195,409	262,814
Prevention Fund	47,289	106,935
	<u>40,690,364</u>	<u>31,281,049</u>