

# Municipal Secondary Market Disclosure Information Cover Sheet

This cover sheet should be sent with all submissions made to the Municipal Securities Rulemaking Board, Nationally Recognized Municipal Securities Information Repositories, and any applicable State Information Depository, whether the filing is voluntary or made pursuant to Securities and Exchange Commission rule 15c2-12 or any analogous state statute.

See [www.sec.gov/info/municipal/nrmsir.htm](http://www.sec.gov/info/municipal/nrmsir.htm) for list of current NRMSIRs and SIDs

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**IF THIS FILING RELATES TO A SINGLE BOND ISSUE:**

Provide name of bond issue exactly as it appears on the cover of the Official Statement  
(please include name of state where issuer is located):

\$25,040,000

Garden City Hospital Finance Authority (Michigan)

Hospital Revenue and Refunding Bonds, Series 1998A

Garden City Hospital Obligated Group

Provide nine-digit CUSIP\* numbers if available, to which the information relates:

365128AE7

365128AF4

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**IF THIS FILING RELATES TO ALL SECURITIES ISSUED BY THE ISSUER OR ALL SECURITIES OF A SPECIFIC CREDIT OR ISSUED UNDER A SINGLE INDENTURE:**

Issuer's Name (please include name of state where Issuer is located): \_\_\_\_\_

Other Obligated Person's Name (if any): \_\_\_\_\_

(Exactly as it appears on the Official Statement Cover)

Provide six-digit CUSIP\* number(s), if available, of Issuer: \_\_\_\_\_

\*(Contact CUSIP's Municipal Disclosure Assistance Line at 212.438.6518 for assistance with obtaining the proper CUSIP numbers.)

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**TYPE OF FILING:**

Electronic (number of pages attached) 51  Paper (number of pages attached) \_\_\_\_\_

If information is also available on the Internet, give URL: www.firstriver.com

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**WHAT TYPE OF INFORMATION ARE YOU PROVIDING? (Check all that apply)**

A.  Annual Financial Information and Operating Data pursuant to Rule 15c2-12  
(Financial information and operating data should not be filed with the MSRB.)

Fiscal Period Covered: October 1, 2003 – September 30, 2004 (FY2004)

B.  Audited Financial Statements or CAFR pursuant to Rule 15c2-12

Fiscal Period Covered: October 1, 2003 – September 30, 2004 (FY2004)

C.  Notice of a Material Event pursuant to Rule 15c2-12 (Check as appropriate)

- |  |  |
|--|--|
| 1. <input type="checkbox"/> Principal and interest payment delinquencies                                 | 6. <input type="checkbox"/> Adverse tax opinions or events affecting the tax-exempt status of the security   |
| 2. <input type="checkbox"/> Non-payment related defaults   | 7. <input type="checkbox"/> Modifications to the rights of security holders                                  |
| 3. <input type="checkbox"/> Unscheduled draws on debt service reserves reflecting financial difficulties | 8. <input type="checkbox"/> Bond calls   |
| 4. <input type="checkbox"/> Unscheduled draws on credit enhancements reflecting financial difficulties   | 9. <input type="checkbox"/> Defeasances  |
| 5. <input type="checkbox"/> Substitution of credit or liquidity providers, or their failure to perform   | 10. <input type="checkbox"/> Release, substitution, or sale of property securing repayment of the securities |
|  | 11. <input type="checkbox"/> Rating changes  |

D.  Notice of Failure to Provide Annual Financial Information as Required

E.  Quarterly or Monthly Financial Information and Operating Data  
(Financial information and operating data should not be filed with the MSRB.)

Period Covered: \_\_\_\_\_

F.  Other Secondary Market Information (Specify): \_\_\_\_\_

I hereby represent that I am authorized by the issuer or obligor or its agent to distribute this information publicly:

**Issuer Contact:**

Name \_\_\_\_\_ Title \_\_\_\_\_  
Employer \_\_\_\_\_  
Address \_\_\_\_\_ City \_\_\_\_\_ State \_\_\_\_\_ Zip Code \_\_\_\_\_  
Telephone \_\_\_\_\_ Fax \_\_\_\_\_  
Email Address \_\_\_\_\_ Issuer Web Site Address \_\_\_\_\_

**Dissemination Agent Contact, if any:**

Name Shelley J. Aronson Title President  
Employer First River Advisory L.L.C.  
Address 2640 Override Drive City Ann Arbor State MI Zip Code 48104  
Telephone (734) 761-3624 Fax (734) 761-3614  
Email Address aronson@firstriver.com Relationship to Issuer Dissemination Agent

**Obligor Contact, if any:**

Name Robert I. Giddings Title Vice President and Chief Financial Officer  
Employer Garden City Hospital  
Address 6245 Inkster Road City Garden City State MI Zip Code 48135  
Telephone (734) 458-4642 Fax (734) 422-0273  
Email Address GiddingsRobert@gchosp.org Obligor Web Site Address www.gchosp.org

**Investor Relations Contact, if any:**

Name \_\_\_\_\_ Title \_\_\_\_\_  
Telephone \_\_\_\_\_ Email Address \_\_\_\_\_

# INTRODUCTORY STATEMENT AND APPOINTMENT OF DISSEMINATION AGENT

This Municipal Secondary Market Disclosure filing is submitted by Garden City Hospital, Osteopathic (the “Corporation”), for itself and as Obligated Group Agent on behalf of the Garden City Hospital Obligated Group (the “Obligated Group”). As of September 30, 2004, the Corporation was the only Member of the Obligated Group.

In addition to the Securities specified on the cover page hereof, the Corporation has certain other debt instruments outstanding. The financing documents relating to such debt instruments specify certain annual reporting requirements. This Municipal Secondary Market Disclosure filing is intended to comply with all such annual reporting requirements in a consolidated fashion.

All capitalized terms used in this Municipal Secondary Market Disclosure filing shall have the meaning defined in the Amended and Restated Master Indenture and Security Agreement dated as of February 1, 1998 (the “Master Indenture”) between the Corporation, on behalf of itself and as Obligated Group Agent on behalf of the Obligated Group, and U.S. Bank Trust National Association, as successor to Comerica Bank-Detroit (the “Master Trustee”).

## **BACKGROUND**

The Corporation has Outstanding four Obligations under the Master Indenture:

- a. Note No. 6, dated as of August 1, 1996, issued in favor of the Garden City Hospital Finance Authority (the “Local Authority”) in the original principal amount of \$11,150,000, and issued pursuant to Supplemental Indenture No. 6 to the Master Indenture dated as of August 1, 1996 (“Supplemental Indenture No. 6”) between the Corporation and the Master Trustee;
- b. Note No. 7, dated as of August 1, 1996, issued in favor of National City Bank of Michigan/Illinois (formerly known as First of America Bank - Michigan National Association) (the “Bank”) which evidences amounts due on account of unreimbursed draws on a certain letter of credit issued on August 22, 1996 (the “1996 Letter of Credit”) by the Bank pursuant to a certain Reimbursement Agreement between the Corporation and the Bank dated as of August 1, 1996 (the “1996 Reimbursement Agreement”), and issued pursuant to Supplemental Indenture No. 7 to the Master Indenture dated as of August 1, 1996 (“Supplemental Indenture No. 7”) between the Corporation and the Master Trustee;
- c. Note No. 8, dated as of September 1, 1997, issued in favor of the Bank which evidences amounts due on account of unreimbursed draws on a certain letter of credit issued on September 17, 1997 (the “1997 Letter of Credit”) by the Bank pursuant to a certain Reimbursement Agreement between the Corporation and the Bank dated as of September 1, 1997 (the “1997 Reimbursement Agreement”), and issued pursuant to Supplemental Indenture No. 8 to the Master Indenture dated as of September 1, 1997 (“Supplemental Indenture No. 8”) between the Corporation and the Master Trustee, which 1997 Letter of Credit

secures the Corporation's Taxable Notes, Series 1997 (the "Series 1997 Notes") in the original principal amount of \$6,000,000; and

- d. Note No. 9, dated as of February 1, 1998, issued in favor of the Local Authority in the original principal amount of \$25,040,000, and issued pursuant to Supplemental Indenture No. 9 to the Master Indenture dated as of February 1, 1998 ("Supplemental Indenture No. 9") between the Corporation and the Master Trustee.

The Master Indenture, Supplemental Indenture No. 9, the 1996 Reimbursement Agreement and the 1997 Reimbursement Agreement specify certain annual reporting requirements. There are no reporting requirements associated with the instruments of Other Indebtedness that were Outstanding at September 30, 2004.

The Obligations and Other Indebtedness are summarized in the table below.

<i>Summary of Obligations and Other Indebtedness</i>				
	<i>Obligations or Other Indebtedness</i>	<i>Related Bonds</i>	<i>For Reporting Purposes</i>	
			<i>Lender</i>	<i>Guarantor</i>
<i>Obligations</i>	Note No. 6	Series 1996A Bonds	Local Authority	N/A
	Note No. 7	N/A	N/A	Bank
	Note No. 8	Series 1997 Notes	N/A	Bank
	Note No. 9	Series 1998A Bonds	Local Authority	None
<i>Other Indebtedness</i>	Capitalized Leases		N/A	N/A
	Trade Grant Note		N/A	N/A
	Other Debt		N/A	N/A

The 1996 Reimbursement Agreement and the 1997 Reimbursement Agreement have been amended from time to time in order to modify certain financial covenants and other provisions. Modifications to covenants relating to FY2003 are contained in the Second Amendment to the 1996 Reimbursement Agreement and the Second Amendment to the 1997 Reimbursement Agreement, both dated April 7, 2003. The most recent amendments, the Third and Fourth Amendments to the 1996 Reimbursement Agreement and the Third and Fourth Amendments to the 1997 Reimbursement Agreement, dated March 2, 2004 and March 25, 2004, respectively, contain further modifications that apply to periods subsequent to FY2003. The definitions of the 1996 Reimbursement Agreement and the 1997 Reimbursement Agreement shall include all amendments thereto that are applicable to FY2004. The 1996 Reimbursement Agreement and the 1997 Reimbursement Agreement shall be hereinafter defined as the "Reimbursement Agreements."

## **DELIVERY OF REQUIRED INFORMATION RELATING TO FY2004**

The Corporation, as Obligated Group Agent, represents that it has complied with the provisions of Sections 601(a)(ii)(A) through 601(a)(ii)(C). Accordingly, no Event of Default under the Master Indenture occurred due to its failure to deliver certain Officer's Certificates and audited financial statements within four months following the close of FY2004:

- a. an Officer's Certificate stating that no default has occurred under the Master Indenture or either the 1996 Related Loan Agreement or the 1998 Related Loan Agreement, pursuant to:  
Section 506(b)(i) of the Master Indenture;
- b. an Officer's Certificate stating that no default has occurred under the Reimbursement Agreements, pursuant to:  
Section 501(g) of the 1996 Reimbursement Agreement, and  
Section 501(g) of the 1997 Reimbursement Agreement; and
- c. audited financial statements of the Obligated Group and the Corporation (one and the same with respect to FY2004) prepared in accordance with GAAP by an Independent Public Accountant, in compliance with:  
Section 506(a)(i) of the Master Indenture,  
Section 501(e)(i)(A) of Supplemental Indenture No. 9,  
Sections 501(d)(i) and 501(d)(iv) of the 1996 Reimbursement Agreement, and  
Sections 501(d)(i) and 501(d)(iv) of the 1997 Reimbursement Agreement.

Amerigard Health Services Corporation was dissolved during FY2003. Accordingly, the Corporation is no longer required to comply with:

- Section 501(d)(iii) of the 1996 Reimbursement Agreement, and  
Section 501(d)(iii) of the 1997 Reimbursement Agreement

by delivering audited financial statements prepared in accordance with GAAP by an Independent Public Accountant.

The Officer's Certificates referred to in paragraphs a and b above could not be delivered within the time frame permitted due to the lack of availability of audited financial statements. Both are delivered herewith.

## **CONTENTS OF THIS MUNICIPAL SECONDARY MARKET DISCLOSURE FILING**

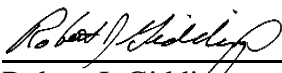
Included in this Municipal Secondary Market Disclosure filing are the following documents:

1. An Omnibus Officer's Certificate, in compliance with the requirements of Section 501(a)(v) of Supplemental Indenture No. 9, which addresses certain covenants contained in the Master Indenture, Supplemental Indenture No. 9, the 1996 Related Loan Agreement, the 1998 Related Loan Agreement, the 1996 Reimbursement Agreement, and the 1997 Reimbursement Agreement;

2. The Annual Report referred to in the Continuing Disclosure Agreement dated as of February 1, 1998 and executed in connection with the issuance of the Series 1998A Bonds, in accordance with Rule 15c2-12 of the Securities Exchange Commission, which Annual Report satisfies the requirements of Section 506(c) of the Master Indenture;
3. Audited financial statements of the Obligated Group and the Corporation (one and the same with respect to FY2004) prepared in accordance with GAAP by an Independent Public Accountant, in compliance with:
  - Section 506(a)(i) of the Master Indenture,
  - Section 501(e)(i)(A) of Supplemental Indenture No. 9
  - Sections 501(d)(i) and 501(d)(iv) of the 1996 Reimbursement Agreement, and
  - Sections 501(d)(i) and 501(d)(iv) of the 1997 Reimbursement Agreement.

Such Audited financial statements of the Obligated Group and the Corporation (one and the same with respect to FY2004) are also presented on a consolidated basis along with several subsidiaries of the Corporation which are not Members of the Obligated Group.

The Corporation hereby appoints First River Advisory L.L.C. as the Dissemination Agent pursuant to Section 7 of the Continuing Disclosure Agreement.

  
\_\_\_\_\_  
By: Robert J. Giddings  
Title: Vice President &  
Chief Financial Officer  
Garden City Hospital, Osteopathic

Date: February 11, 2005

**GARDEN CITY HOSPITAL OBLIGATED GROUP**  
**OMNIBUS OFFICER'S CERTIFICATE**  
**RELATING TO THE FISCAL YEAR ENDED SEPTEMBER 30, 2004**

The undersigned hereby certifies that:

- a. the Obligated Group has complied with Section 506(b)(i) of the Master Indenture, for to the best of my knowledge, no Event of Default exists under the Master Indenture, or the 1996 Related Loan Agreement or the 1998 Related Loan Agreement, nor has any event occurred which, with notice and/or passage of time, would constitute such an Event of Default;
- b. the Obligated Group has complied with Section 501(g) of the 1996 Reimbursement Agreement, and Section 501(g) of the 1997 Reimbursement Agreement, for to the best of my knowledge, no Event of Default exists under the Reimbursement Agreements, nor has any event occurred which, with notice and/or passage of time, would constitute such an Event of Default;
- c. the Obligated Group has complied with Section 501(a)(ii) of the Master Indenture, Section 501(a)(i) of Supplemental Indenture No. 9, Section 5.04(a) of the 1996 Reimbursement Agreement, and Section 5.04(a) of the 1997 Reimbursement Agreement by having recorded a Debt Service Coverage Ratio for FY2004 of 3.11 (supporting calculations appear in Exhibit A hereto);
- d. the Obligated Group has complied with Section 501(a)(ii) of Supplemental Indenture No. 9, Section 5.04(c) of the 1996 Reimbursement Agreement, and Section 5.04(c) of the 1997 Reimbursement Agreement by having recorded a Cushion Ratio (as defined in Supplemental Indenture No. 9) for FY2004 of 3.49 (supporting calculations appear in Exhibit B hereto);
- e. the Obligated Group has complied with Section 501(a)(iii) of Supplemental Indenture No. 9, Section 5.04(d) of the 1996 Reimbursement Agreement, and Section 5.04(d) of the 1997 Reimbursement Agreement by having recorded Net Assets at FYE2004 of \$24,819,419;
- f. the Obligated Group has complied with Section 501(a)(iv) of Supplemental Indenture No. 9, Section 5.04(b) of the 1996 Reimbursement Agreement, and Section 5.04(b) of the 1997 Reimbursement Agreement, by having recorded a ratio of Net Assets to Total Liabilities (as defined in Supplemental Indenture No. 9) for FY2004 of 41.7 percent (supporting calculations appear in Exhibit C hereto); and

g. the Obligated Group has complied with Section 5.04(g) of the 1996 Reimbursement Agreement, and Section 5.04(g) of the 1997 Reimbursement Agreement, by having transferred assets during FY2004 in the amount of \$645,000.



By: Robert J. Giddings  
Title: Vice President &  
Chief Financial Officer  
Garden City Hospital, Osteopathic

Date: February 11, 2005

**EXHIBIT A**  
**TO THE OMNIBUS OFFICER'S CERTIFICATE**

**GARDEN CITY HOSPITAL OBLIGATED GROUP**

**DEBT SERVICE REQUIREMENTS AND  
DEBT SERVICE COVERAGE RATIO CALCULATIONS  
Relating to the Fiscal Year Ended September 30, 2004**

<i>Calculation of Debt Service Requirements</i>				
	<i>Obligations or Other Indebtedness</i>	<i>Related Bonds</i>	<i>Maximum Annual Debt Service Requirements<sup>1</sup></i>	<i>Debt Service Requirements for FY2004</i>
<b>Obligations</b>	Note No. 6	Series 1996 Bonds	\$1,328,452	\$1,697,152
	Note No. 8	Series 1997 Notes	472,515	742,299
	Note No. 9	Series 1998A Bonds	2,759,544	1,757,169
<b>Other Indebtedness</b>	Capitalized Leases		142,562	274,807
	Trade Grant Note		38,040	38,040
	Other		25,006	4,168
	<b>TOTAL</b>		<b>\$4,766,119</b>	<b>\$4,513,635</b>
<sup>1</sup> In FY2007, the FY in which Annual Principal and Interest Requirements reach their maximum.				

<i>Debt Service Coverage Ratio Calculation for the Fiscal Year Ended September 30, 2004</i>			
		<i>Based on Maximum Annual Debt Service Requirements in FY2007</i>	<i>Based on Debt Service Requirements for FY2004</i>
Excess of Revenue over Expenses		8,561,980	8,561,980
Plus:	Interest	1,731,660	1,731,660
Plus:	Depreciation	3,746,670	3,746,670
Net Income Available for Debt Service		14,040,310	14,040,310
Debt Service Requirements		4,766,119	4,513,635
Debt Service Coverage Ratio		2.95	3.11

**EXHIBIT B**  
**TO THE OMNIBUS OFFICER'S CERTIFICATE**

**GARDEN CITY HOSPITAL OBLIGATED GROUP**

**CUSHION RATIO CALCULATIONS**  
**Relating to the Fiscal Year Ended September 30, 2004**

<i>Cushion Ratio Calculation for the Fiscal Year Ended September 30, 2004</i>	
Current Assets	\$29,461,887
Unrestricted Board-Designated Funds	15,075,210
Total (Numerator)	\$44,537,097
Current Liabilities (Denominator)	\$12,748,640
Cushion Ratio	3.49

**EXHIBIT C**  
**TO THE OMNIBUS OFFICER'S CERTIFICATE**

**GARDEN CITY HOSPITAL OBLIGATED GROUP**

**NET ASSETS TO TOTAL LIABILITIES CALCULATIONS**  
**Relating to the Fiscal Year Ended September 30, 2004**

<i>Net Assets to Total Liabilities Calculation for the Fiscal Year Ended September 30, 2004</i>	
Net Assets	\$24,819,419
Total Liabilities	\$59,455,988
Ratio	41.7%

# GARDEN CITY HOSPITAL OBLIGATED GROUP

## ANNUAL REPORT FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2004 (FY2004)

Unless otherwise noted, all data apply to the Fiscal Year Ended September 30, 2004, or are accurate as of September 30, 2004, as appropriate. OS pages refer to the Official Statement relating to the Securities, dated February 19, 1998. The source of all data is the Corporation's records.

### SERVICE VOLUMES AND UTILIZATION

#### INPATIENT UTILIZATION

In all cases, Occupancy Rates are based on Available Beds rather than Licensed Beds.

<i>Historical Adult Medical/Surgical Utilization (excludes newborns) [OS Page A-20]</i>					
	<i>Fiscal Years Ended September 30</i>				
	<i>2004</i>	<i>2003</i>	<i>2002</i>	<i>2001</i>	<i>2000</i>
Days in Period	366	365	365	365	366
Licensed Beds	262	262	262	262	262
Available Beds	220	220	220	220	220
Admissions	9,602	9,406	8,974	8,633	8,358
Patient Days	46,710	46,083	53,067	48,475	48,266
Average Daily Census	127.6	126.3	145.4	132.8	131.9
Average Length of Stay	4.9	4.9	5.9	5.6	5.8
Occupancy Rate (%)	58.0	57.4	66.1	60.4	59.9

**MUNICIPAL SECONDARY MARKET DISCLOSURE**

Garden City Hospital Finance Authority / Garden City Hospital Obligated Group  
 Fiscal Year Ended September 30, 2004

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<i>Historical Pediatrics Utilization (excludes newborns) [OS Page A-20]</i>					
	<i>Fiscal Years Ended September 30</i>				
	<i>2004</i>	<i>2003</i>	<i>2002</i>	<i>2001</i>	<i>2000</i>
Days in Period	366	365	365	365	366
Licensed Beds	23	23	23	23	23
Available Beds	16	16	16	16	16
Admissions	313	386	273	333	239
Patient Days	603	716	713	769	447
Average Daily Census	1.6	2.0	2.0	2.1	1.2
Average Length of Stay	1.9	1.9	2.6	2.3	1.9
Occupancy Rate (%)	10.3	12.3	12.2	13.2	7.6

The distinct Pediatric Unit was closed in October 2000. Since then, pediatric services have been integrated into an existing adult medical unit

<i>Historical Obstetrics Utilization (excludes newborns) [OS Page A-21]</i>					
	<i>Fiscal Years Ended September 30</i>				
	<i>2004</i>	<i>2003</i>	<i>2002</i>	<i>2001</i>	<i>2000</i>
Days in Period	366	365	365	365	366
Licensed Beds	14	14	14	14	14
Available Beds	10	10	10	10	10
Admissions	837	897	884	724	737
Patient Days	1,629	1,678	1,526	1,389	1,292
Average Daily Census	4.5	4.6	4.2	3.8	3.5
Average Length of Stay	1.9	1.9	1.7	1.9	1.8
Occupancy Rate (%)	44.5	46.0	41.8	38.1	35.3

**MUNICIPAL SECONDARY MARKET DISCLOSURE**

Garden City Hospital Finance Authority / Garden City Hospital Obligated Group  
 Fiscal Year Ended September 30, 2004

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<i>Historical Rehabilitation Utilization</i>					
<i>[OS Page A-21]</i>					
	<i>Fiscal Years Ended September 30</i>				
	<i>2004</i>	<i>2003</i>	<i>2002</i>	<i>2001</i>	<i>2000</i>
Days in Period	366	365	365	365	366
Licensed Beds	24	24	24	24	24
Available Beds	24	24	24	24	24
Admissions	695	711	711	693	672
Patient Days	7,667	7,774	7,668	7,591	8,113
Average Daily Census	20.9	21.3	21.0	20.8	22.2
Average Length of Stay	11.0	10.9	10.8	11.0	12.1
Occupancy Rate (%)	87.3	88.7	87.5	86.7	92.4

<i>Historical Total Acute Care Utilization</i>					
<i>(excludes newborns and includes Rehabilitation Unit)</i>					
<i>[OS Page A-22]</i>					
	<i>Fiscal Years Ended September 30</i>				
	<i>2004</i>	<i>2003</i>	<i>2002</i>	<i>2001</i>	<i>2000</i>
Days in Period	366	365	365	365	366
Licensed Beds	323	323	323	323	323
Available Beds	270	270	270	270	270
Admissions	11,447	11,400	10,842	10,383	10,006
Patient Days	56,609	56,251	62,974	58,224	58,118
Average Daily Census	154.7	154.1	172.5	159.5	158.8
Average Length of Stay	4.9	4.9	5.8	5.6	5.8
Occupancy Rate (%)	57.3	57.1	63.9	59.1	58.8

**MUNICIPAL SECONDARY MARKET DISCLOSURE**

Garden City Hospital Finance Authority / Garden City Hospital Obligated Group

Fiscal Year Ended September 30, 2004

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**OUTPATIENT UTILIZATION**

<i>Historical Outpatient Utilization, in Visits</i> <i>[OS Page A-23]</i>					
	<i>Fiscal Years Ended September 30</i>				
	<i>2004</i>	<i>2003</i>	<i>2002</i>	<i>2001</i>	<i>2000</i>
Emergency Department	43,330	41,777	43,715	40,974	41,155
Scheduled Outpatient Registrations	57,185	51,188	46,220	50,457	58,014

**ANCILLARY SERVICES UTILIZATION**

<i>Surgical Procedures</i> <i>[OS Page A-24]</i>					
	<i>Fiscal Years Ended September 30</i>				
	<i>2004</i>	<i>2003</i>	<i>2002</i>	<i>2001</i>	<i>2000</i>
Inpatient	2,443	2,417	2,443	2,744	2,636
Outpatient	4,621	4,870	4,870	4,292	4,426
Total	7,064	7,287	7,313	7,036	7,062
Percent Outpatient	65.4%	66.8%	66.6%	61.0%	62.7%

**MUNICIPAL SECONDARY MARKET DISCLOSURE**

Garden City Hospital Finance Authority / Garden City Hospital Obligated Group  
 Fiscal Year Ended September 30, 2004

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<i>Ancillary Services Provided to <u>Inpatients</u></i>					
<i>[OS Page A-25]</i>					
	<i>Fiscal Years Ended September 30</i>				
	<i>2004</i>	<i>2003</i>	<i>2002</i>	<i>2001</i>	<i>2000</i>
Laboratory <sup>1,2</sup>	457,639	461,071	351,397	344,579	725,390
CT Scanning <sup>3</sup>	6,057	5,688	6,038	5,132	4,374
MRI Scans <sup>3</sup>	332	348	398	285	252
Other Radiology <sup>3</sup>	21,666	21,913	24,826	24,047	23,865
Ultrasonography <sup>3</sup>	2,991	2,505	2,402	2,722	2,867
Nuclear Medicine <sup>3</sup>	4,205	4,269	4,238	5,076	4,520
Electrocardiography <sup>1</sup>	6,286	7,808	9,212	9,244	13,953
Electroencephalography <sup>1</sup>	951	1,055	1,860	1,890	1,838
Cardiac Catheterization <sup>4</sup>	555	639	760	703	634
Cardiovascular Lab <sup>5,6</sup>	8,532	5,856	7,741	7,727	6,831
Cardiac Rehabilitation <sup>6</sup>	-	150	180	299	326
Physical Therapy <sup>6</sup>	41,167	42,625	37,618	42,549	46,308
Occupational Therapy <sup>6</sup>	9,352	11,319	10,173	8,507	10,041
Speech Therapy <sup>6</sup>	3,774	4,474	3,483	2,049	3,977
Endoscopy <sup>4</sup>	1,184	1,187	1,159	998	864
Respiratory Therapy <sup>4</sup>	113,793	107,510	133,501	144,678	244,738
<sup>1</sup> Tests					
<sup>2</sup> Billable tests in FY2001 and thereafter; College of American Pathologists work units in FY2000					
<sup>3</sup> Examinations					
<sup>4</sup> Procedures					
<sup>5</sup> Includes stress tests, echocardiograms and Holter monitors					
<sup>6</sup> Encounters					

**MUNICIPAL SECONDARY MARKET DISCLOSURE**

Garden City Hospital Finance Authority / Garden City Hospital Obligated Group  
 Fiscal Year Ended September 30, 2004

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<i>Ancillary Services Provided to <u>Outpatients</u></i>					
<i>[OS Page A-26]</i>					
	<i>Fiscal Years Ended September 30</i>				
	<i>2004</i>	<i>2003</i>	<i>2002</i>	<i>2001</i>	<i>2000</i>
Laboratory <sup>1,2</sup>	313,034	289,825	299,338	275,240	887,582
CT Scanning <sup>4</sup>	10,271	8,968	7,687	6,577	6,189
MRI Scans <sup>3</sup>	3,238	3,170	3,025	2,574	2,149
Other Radiology <sup>4</sup>	29,194	27,583	33,424	30,967	33,287
Ultrasonography <sup>3</sup>	6,838	5,614	5,492	5,158	4,285
Nuclear Medicine <sup>3</sup>	5,266	4,812	4,617	4,978	5,427
Electrocardiography <sup>1</sup>	12,274	13,303	14,295	14,513	11,660
Electroencephalography <sup>1</sup>	591	589	690	641	701
Cardiac Catheterization <sup>5</sup>	360	296	265	255	275
Cardiovascular Lab <sup>5,6</sup>	2,844	1,952	2,580	2,588	3,211
Cardiac Rehabilitation <sup>7</sup>	10,161	10,337	10,899	11,237	9,678
Physical Therapy <sup>7</sup>	44,345	47,528	61,671	66,384	71,613
Occupational Therapy <sup>7</sup>	1,227	1,168	1,238	1,679	2,178
Occupational Medicine <sup>7</sup>					7,274
Speech Therapy <sup>7</sup>	2,150	2,200	1,715	1,679	899
Endoscopy <sup>5</sup>	3,877	3,912	3,916	3,167	4,307
Respiratory Therapy <sup>5</sup>	7,838	7,584	9,234	10,135	13,109
<sup>1</sup> Tests <sup>2</sup> Billable tests in FY2001 and thereafter; College of American Pathologists work units in prior FYs <sup>3</sup> Examinations <sup>4</sup> Patients; figure for FY2000 has been restated to "Patients" from "Examinations" <sup>5</sup> Procedures <sup>6</sup> Includes stress tests, echocardiograms and Holter monitors <sup>7</sup> Encounters					

The Occupational Medicine program was discontinued in August 2000.

**MUNICIPAL SECONDARY MARKET DISCLOSURE**

Garden City Hospital Finance Authority / Garden City Hospital Obligated Group  
Fiscal Year Ended September 30, 2004

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**FINANCIAL INFORMATION**

**SOURCES OF REVENUE**

<i>Percentage of Gross Revenue by Payor Category, Acute Care Services, FY2004 [OS Page A-28]</i>	
Blue Cross Traditional (indemnity)	8.7%
Blue Preferred, Blue Care Network (managed care)	14.8%
Commercial Insurers, Managed Care Organizations* and Private Payors	27.4%
Medicare	45.0%
Medicaid (enrollees not in managed care plans)	4.1%
Total	100.0%
* Other than Blue Preferred and Blue Care Network	

**MUNICIPAL SECONDARY MARKET DISCLOSURE**

Garden City Hospital Finance Authority / Garden City Hospital Obligated Group

Fiscal Year Ended September 30, 2004

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**CORPORATION FINANCIAL OPERATIONS**

<i>Summary of Financial Operations of the Corporation</i>					
<i>(\$000s omitted)</i>					
<i>[OS Page A-29]</i>					
	<i>Fiscal Years Ended September 30</i>				
	<i>2004</i>	<i>2003</i>	<i>2002</i>	<i>2001</i>	<i>2000</i>
Net Patient Service Revenue	132,281	121,679	118,408	110,504	104,968
Other Revenue	<u>3,481</u>	<u>4,049</u>	<u>2,653</u>	<u>3,837</u>	<u>3,329</u>
Total Revenue and Other Support	135,762	125,729	121,061	114,341	108,297
Depreciation Expense	3,747	4,170	4,386	4,764	4,846
Interest Expense	1,732	1,737	1,845	2,277	2,479
Other Operating Expenses	<u>121,473</u>	<u>108,991</u>	<u>110,236</u>	<u>109,666</u>	<u>102,204</u>
Total Operating Expenses	126,951	114,898	116,467	116,706	109,529
Income (Loss) from Operations	8,811	10,830	4,594	(2,366)	(1,232)
Write-off due to MCO Insolvency	<u>0</u>	<u>0</u>	<u>0</u>	<u>(1,200)</u>	<u>0</u>
Income (Loss) from Operations after Write-off	8,811	10,830	4,594	(3,566)	(1,232)
Net Nonoperating Revenue (Loss)	<u>(249)</u>	<u>(327)</u>	<u>(282)</u>	<u>(162)</u>	<u>1,227</u>
Excess (Deficiency) of Revenue / Expenses	8,562	10,503	4,312	(3,728)	(5)

Certain FY2000 figures published in the FY2000 Disclosure Report have been reclassified in a manner consistent with the FY2001 audited financial statements. Neither the Loss from Operations nor the Deficiency of Revenue / Expenses were affected by the reclassifications.

**MUNICIPAL SECONDARY MARKET DISCLOSURE**

Garden City Hospital Finance Authority / Garden City Hospital Obligated Group  
 Fiscal Year Ended September 30, 2004

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**INDEBTEDNESS AND DEBT SERVICE COVERAGE RATIOS**

<i>Calculation of Debt Service Requirements</i>				
	<i>Obligations or Other Indebtedness</i>	<i>Related Bonds</i>	<i>Maximum Annual Debt Service Requirements<sup>1</sup></i>	<i>Debt Service Requirements for FY2004</i>
<i>Obligations</i>	Note No. 6	Series 1996 Bonds	\$1,328,452	\$1,697,152
	Note No. 8	Series 1997 Notes	472,515	742,299
	Note No. 9	Series 1998A Bonds	2,759,544	1,757,169
<i>Other Indebtedness</i>	Capitalized Leases		142,562	274,807
	Trade Grant Note		38,040	38,040
	Other		25,006	4,168
	<b>TOTAL</b>		<b>\$4,766,119</b>	<b>\$4,513,635</b>

<sup>1</sup> In FY2007, the FY in which Annual Principal and Interest Requirements reach their maximum.

<i>Debt Service Coverage Ratio Calculations<sup>1</sup></i>					
<i>[OS Page A-31]</i>					
	<i>Fiscal Years Ended September 30</i>				
	<i>2004</i>	<i>2003</i>	<i>2002</i>	<i>2001</i>	<i>2000</i>
Excess of Revenue over Expenses, plus Depreciation and Interest Expenses (Net Income Available for Debt Service)	\$14,040	\$16,737	\$10,825	\$4,675	\$6,093
Debt Service Requirements for each FY <sup>2</sup>	\$4,514	\$3,837	\$2,883	\$3,212	\$3,520
Debt Service Coverage Ratio	3.11	4.36	3.75	1.46	1.73
Maximum Annual Debt Service Requirements <sup>3</sup>	\$4,766	\$4,730	\$4,656	\$4,781	\$4,837
Debt Service Coverage Ratio	2.95	3.54	2.33	0.98	1.26

<sup>1</sup> Takes into account debt service on Indebtedness Outstanding at the end of each respective FY.  
<sup>2</sup> Calculated for each FY in accordance with the provisions of the Master Indenture.  
<sup>3</sup> Based on the Maximum Annual Debt Service Requirements calculated on the table entitled, "Calculation of Debt Service Requirements"

**MUNICIPAL SECONDARY MARKET DISCLOSURE**

**Garden City Hospital Finance Authority / Garden City Hospital Obligated Group**

**Fiscal Year Ended September 30, 2004**

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Without consideration of a \$1.2 million loss associated with an insolvent managed care organization, the Debt Service Coverage Ratio for FY2001 would have been approximately 1.40.

<i>Percentages of Gross Patient Service Revenue, By Service</i> <i>[OS Page A-32]</i>						
	<i>Fiscal Years Ended September 30</i>					
	<i>2004</i>	<i>2003</i>	<i>2002</i>	<i>2001</i>	<i>2000</i>	<i>1999</i>
Inpatient	53.8%	56.0%	58.2%	58.8%	59.8%	62.4%
Outpatient	46.2%	44.0%	41.8%	41.2%	40.2%	37.6%

CONSOLIDATED FINANCIAL STATEMENTS  
AND OTHER FINANCIAL INFORMATION

Garden City Hospital and Subsidiaries

Years ended September 30, 2004 and 2003

With Report of Independent Auditors

Garden City Hospital and Subsidiaries

Consolidated Financial Statements  
and Other Financial Information

Years ended September 30, 2004 and 2003

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## Report of Independent Auditors

Board of Trustees  
Garden City Hospital

We have audited the accompanying consolidated balance sheets of Garden City Hospital and Subsidiaries as of September 30, 2004 and 2003, and the related consolidated statements of operations and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes an assessment of the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Garden City Hospital and Subsidiaries at September 30, 2004 and 2003, and the consolidated results of their operations and changes in net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

*Ernst & Young LLP*

December 10, 2004

# Garden City Hospital and Subsidiaries

## Consolidated Balance Sheets

	<b>September 30</b>	
	<b>2004</b>	<b>2003</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	<b>\$ 12,902,451</b>	\$ 20,474,708
Investments	-	4,954,062
Accounts receivable, less allowance for uncollectible accounts of \$14,347,000 in 2004 and \$12,018,000 in 2003 ( <i>Note 2</i> )	<b>16,709,781</b>	14,738,597
Due from third-party payors ( <i>Note 2</i> )	-	449,844
Inventories	<b>611,637</b>	647,039
Prepaid expenses and other assets	<b>1,860,049</b>	957,728
Total current assets	<b>32,083,918</b>	42,221,978
Assets whose use is limited ( <i>Note 6</i> )	<b>23,694,831</b>	10,366,885
Other assets:		
Deferred bond costs, less accumulated amortization of \$540,000 in 2004 and \$466,000 in 2003	<b>668,252</b>	741,813
Other	<b>630,924</b>	475,214
Total other assets	<b>1,299,176</b>	1,217,027
Property and equipment, net ( <i>Note 7</i> )	<b>31,236,389</b>	32,261,301
 Total assets	 <b>\$ 88,314,314</b>	 \$ 86,067,191

	<b>September 30</b>	
	<b>2004</b>	<b>2003</b>
<b>Liabilities and net assets</b>		
Current liabilities:		
Current portion of obligations under capital leases ( <i>Note 9</i> )	\$ 215,413	\$ 188,570
Current portion of long-term debt ( <i>Note 8</i> )	2,895,791	1,981,385
Due to third-party payors	549,790	-
Accounts payable	5,196,786	5,230,291
Accrued benefits payable	4,773,688	4,935,801
Total current liabilities	<u>13,631,468</u>	<u>12,336,047</u>
Other liabilities:		
Reserve for professional liability claims ( <i>Note 11</i> )	2,431,740	1,916,152
Pension liability ( <i>Note 10</i> )	13,573,734	12,968,519
Obligations under capital leases, less current portion ( <i>Note 9</i> )	621,988	410,792
Long-term debt, less current portion ( <i>Note 8</i> )	30,079,886	32,745,021
Total other liabilities	<u>46,707,348</u>	<u>48,040,484</u>
Total liabilities	<u>60,338,816</u>	<u>60,376,531</u>
Net assets:		
Unrestricted	27,937,899	25,657,736
Temporarily restricted	37,599	32,924
Total net assets	<u>27,975,498</u>	<u>25,690,660</u>
Total liabilities and net assets	<u>\$ 88,314,314</u>	<u>\$ 86,067,191</u>

*See accompanying notes.*

## Garden City Hospital and Subsidiaries

### Consolidated Statements of Operations and Changes in Net Assets

	<b>Years ended September 30</b>	
	<b>2004</b>	<b>2003</b>
<b>Unrestricted revenue and other support</b>		
Net patient service revenue <i>(Note 2)</i>	<b>\$ 144,165,829</b>	\$ 132,944,004
Other revenue <i>(Note 3)</i>	<b>3,900,740</b>	4,126,138
Total unrestricted revenue and other support	<b>148,066,569</b>	137,070,142
 <b>Expenses</b>		
Wages	<b>56,706,299</b>	54,212,688
Employee benefits	<b>10,409,297</b>	12,136,138
Professional fees	<b>1,091,763</b>	1,256,306
Supplies	<b>21,016,079</b>	19,809,182
Utilities	<b>1,753,492</b>	1,659,006
Purchased services	<b>12,808,153</b>	11,557,252
Other	<b>7,949,090</b>	6,764,090
Insurance	<b>8,476,012</b>	2,783,056
Interest	<b>1,736,997</b>	1,742,798
Depreciation and amortization	<b>4,085,523</b>	4,542,752
Bad debt	<b>13,957,799</b>	10,569,387
Total expenses	<b>139,990,504</b>	127,032,655
Income from operations	<b>8,076,065</b>	10,037,487
Net nonoperating losses	<b>(248,537)</b>	(327,234)
Excess of revenue over expenses	<b>7,827,528</b>	9,710,253

*Continued on next page.*

## Garden City Hospital and Subsidiaries

### Consolidated Statements of Operations and Changes in Net Assets (continued)

	<b>Years ended September 30</b>	
	<b>2004</b>	<b>2003</b>
<b>Unrestricted net assets</b>		
Excess of revenue over expenses	\$ 7,827,528	\$ 9,710,253
Change in net unrealized depreciation in fair value of investments	(25,457)	706,916
Change in additional minimum pension liability	(5,521,908)	(1,433,155)
Increase in unrestricted net assets	<u>2,280,163</u>	<u>8,984,014</u>
<b>Temporarily restricted net assets</b>		
Contributions	9,014	5,600
Net assets released from restrictions	(4,339)	(8,900)
Increase (decrease) in temporarily restricted net assets	<u>4,675</u>	<u>(3,300)</u>
Increase in net assets	2,284,838	8,980,714
Net assets at beginning of year	25,690,660	16,709,946
Net assets at end of year	<u>\$ 27,975,498</u>	<u>\$ 25,690,660</u>

*See accompanying notes.*

# Garden City Hospital and Subsidiaries

## Statements of Cash Flows

	<b>Years ended September 30</b>	
	<b>2004</b>	<b>2003</b>
<b>Operating activities</b>		
Increase in net assets	\$ 2,284,838	\$ 8,980,714
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	4,085,523	4,542,752
Change in net unrealized depreciation in fair value of investments	25,457	(706,916)
Change in additional minimum pension liability	5,521,908	1,433,155
Changes in assets and liabilities:		
Accounts receivable	(1,971,184)	5,036,475
Due to/from third-party payors	999,634	1,410,722
Inventories, prepaid expenses and other assets	(1,022,629)	(174,584)
Accounts payable	(33,505)	637,967
Accrued benefits payable	(162,113)	460,694
Reserve for professional liability claims	515,588	(346,975)
Pension liability	(4,916,693)	(626,227)
Net cash provided by operating activities	5,326,824	20,647,777
<b>Investing activities</b>		
Additions to property and equipment – net	(2,515,527)	(1,008,060)
Increase in assets whose use is limited	(13,353,403)	(1,682,090)
Decrease (increase) in investments	4,954,062	(4,022,282)
Net cash used in investing activities	(10,914,868)	(6,712,432)
<b>Financing activities</b>		
Payments on capital leases	(233,484)	(117,173)
Payments on long-term debt	(1,750,729)	(1,973,949)
Net cash used in financing activities	(1,984,213)	(2,091,122)
(Decrease) increase in cash and cash equivalents	(7,572,257)	11,844,223
Cash and cash equivalents at beginning of year	20,474,708	8,630,485
Cash and cash equivalents at end of year	\$ 12,902,451	\$ 20,474,708
<b>Supplemental disclosures of cash flow information</b>		
Cash paid during the year for interest	\$ 1,734,038	\$ 1,750,416

*See accompanying notes.*

# Garden City Hospital and Subsidiaries

## Notes to Consolidated Financial Statements

September 30, 2004

### **1. Organization and Significant Accounting Policies**

Garden City Hospital (the Corporation), a Michigan nonprofit organization, is the parent corporation of Garden City Hospital Foundation (the Foundation), Garden Nursing Center, Inc., Amerigard Development, Inc., United Home Health Services, Inc., United Home Care Services, Inc., and Amerigard Diagnostic Centre. Garden Nursing Center, Inc. owns and operates Advance Nursing Center (Advance).

Effective March 1, 2003, Amerigard Health Services was officially renamed Garden City Hospital Foundation. As part of the reorganization the Corporation became the sole corporate member of the Foundation, Garden Nursing Center, Amerigard Development, Inc., United Home Health Services, Inc., United Home Care Services, Inc., and Amerigard Diagnostic Centre.

The consolidated financial statements include the accounts of the Hospital and the above subsidiaries. All intercompany balances and transactions have been eliminated.

### **Cash and Cash Equivalents**

The Corporation considers all investments with an original maturity of three months or less when purchased, excluding amounts whose use is limited by other arrangements and under trust agreements, to be cash equivalents.

### **Assets Whose Use Is Limited**

Assets whose use is limited include those assets held by trustees under indenture agreements, funds designated by the board of trustees for capital improvements, donor restricted funds which arise through specific contributions to the Corporation, and deposits held by the Hospital's multi-provider captive insurance company. As such, these assets are available to fund only approved expenditures.

Assets whose use is limited are comprised substantially of cash and cash equivalents, marketable securities, and debt securities (see Note 6), and are stated at fair value.

# Garden City Hospital and Subsidiaries

## Notes to Consolidated Financial Statements (continued)

### **1. Organization and Significant Accounting Policies (continued)**

#### **Property and Equipment**

Property and equipment, including amounts under capital lease, are stated at cost or estimated fair value at the date of donation, and are depreciated by the straight-line method over their estimated useful lives or lease term.

#### **Bond Issue Costs and Unamortized Bond Discounts**

Bond issue costs and unamortized bond discounts are amortized by the bonds outstanding method over the terms of the bonds.

#### **Net Patient Service Revenue**

The majority of the Corporation's services are reimbursed under fixed price provisions of third-party payment programs (primarily Medicare, Medicaid, and Blue Cross). Under these provisions, payment rates for patient care are determined prospectively on various bases, and the Corporation's revenues are limited to such amounts. Payments are also received for the Corporation's capital and medical education costs, subject to certain limits. Additionally, the Corporation has entered into agreements with commercial insurance carriers, certain health maintenance organizations, and preferred provider organizations. The basis for payment under these agreements includes prospectively determined per diem rates and discounts from established charges.

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Charges made for certain outpatient and physician services are subject to fee restrictions for which allowances have been provided. Estimated settlements are recorded in the period the related services are rendered and adjusted in future periods as final settlements are determined. As a result, there is at least a reasonable possibility that recorded estimates will change in the near term. Management believes that adequate provision has been made in the financial statements for any adjustments that may result from final settlements.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. The Corporation believes that it is in compliance with such laws and regulations.

## Garden City Hospital and Subsidiaries

### Notes to Consolidated Financial Statements (continued)

#### **1. Organization and Significant Accounting Policies (continued)**

The Corporation grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor arrangements. Significant concentrations of accounts receivable include Medicare (27% and 25%), Blue Cross (15% and 15%), Medicaid (6% and 9%), and managed care, commercial and self-pay (52% and 51%) at September 30, 2004 and 2003, respectively.

The provision for bad debts is based upon management's assessment of historical and expected net collections considering business and economic conditions, trends in health care coverage and other collection indicators. Periodically throughout the year management assesses the adequacy of allowance for uncollectible accounts based upon historical write off experience by payor category. The results of this review are then used to make any modifications to the provisions for bad debts to establish an appropriate allowance for uncollectible receivables. After satisfactions of amounts due from insurance, the Corporation follows established guidelines for placing certain past due patient balances with collection agencies.

#### **Charity Care**

The Corporation provides health care services to patients regardless of their ability to pay. The Corporation provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Corporation does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

#### **Excess of Revenue Over Expenses**

The statement of operations includes the excess of revenue over expenses. Changes in unrestricted net assets which are excluded from the excess of revenue over expenses, consistent with industry practice, include unrealized gains and losses on investments, net assets released from restrictions for long-lived assets and recognition of additional minimum pension liability adjustments.

#### **Nonoperating Gains and Losses**

Activities directly associated with the provision of health care services in furtherance of the Corporation's mission are considered to be operating activities. Other activities unrelated to the primary mission are excluded from operating income.

# Garden City Hospital and Subsidiaries

## Notes to Consolidated Financial Statements (continued)

### 1. Organization and Significant Accounting Policies (continued)

#### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

#### Tax Status

The Corporation, Foundation, Garden Nursing Center, Inc., and United Home Health Services, Inc. have been determined by the Internal Revenue Service to be organizations as described under Internal Revenue Code Section 501(c)(3), and as such are exempt from federal income taxes under Code Section 501(a). Amerigard Development, Inc., United Home Care Services, Inc., and Amerigard Diagnostic Centre are subject to corporate income taxes.

#### Reclassifications

Certain 2003 amounts have been reclassified to conform to the 2004 presentation.

### 2. Net Patient Service Revenue

Net patient service revenue consists of the following:

	Years ended September 30	
	2004	2003
Gross patient service revenue	\$ 318,415,833	\$ 278,001,199
Provisions for contractual and other adjustments	(174,250,004)	(145,057,195)
Net patient service revenue	<u>\$ 144,165,829</u>	<u>\$ 132,944,004</u>

A major portion of the Corporation's gross charges (approximately \$225,197,000 in 2004 and \$201,103,000 in 2003) was provided to patients under health benefit contracts with third-party payors (Medicare, Medicaid and Blue Cross Blue Shield of Michigan). During 2004 and 2003, the Hospital recognized an increase of \$3,200,000 and \$2,500,000, respectively, in net patient service revenue due to favorable changes in settlement estimates.

## Garden City Hospital and Subsidiaries

### Notes to Consolidated Financial Statements (continued)

#### 3. Other Revenue

Other revenue consists of the following:

	Years ended September 30	
	2004	2003
Medical office building, rental income	\$ 691,974	\$ 572,356
Cafeteria income	349,698	386,643
Neurosurgery	316,423	307,071
Durable medical supplies revenue	1,420,652	1,394,611
Investment income	330,674	325,663
Other	791,319	1,139,794
Total	<u>\$ 3,900,740</u>	<u>\$ 4,126,138</u>

#### 4. Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are recorded at fair value, which is determined based on quoted market prices. The Corporation evaluates its holdings for other-than-temporary declines in fair value below the cost basis. If an investment is determined to have an other-than-temporary decline in fair value, the unrealized losses for the investment are realized in investment income.

The gross unrealized gains (losses) on investments were \$141,217 and \$(166,601) at September 30, 2004, and \$2,242 and \$(2,179) at September 30, 2003. The following schedule summarizes the fair value of investments that have gross unrealized gains (the amount by which fair value exceeds historical cost) and gross unrealized losses (the amount by which historical cost exceeds fair value) as of September 30, 2004. The schedule further segregates the securities that have been in a gross unrealized gain or loss position as of September 30, 2004, for less than twelve months and those for twelve months or longer. The gross unrealized losses of less than twelve months of \$(144,002) are a reflection of the normal fluctuations of the stock market and are therefore considered temporary. The gross unrealized losses of twelve months or longer of \$(22,609) represent an average 1% decline in fair value below cost. The decline in value is assessed by management to be temporary based on their assessment of projected recoveries in the next twelve months.

## Garden City Hospital and Subsidiaries

### Notes to Consolidated Financial Statements (continued)

#### 4. Investments (continued)

	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Gains (Losses)	Fair Value	Unrealized Gains (Losses)	Fair Value	Unrealized Gains (Losses)
Investments in loss position:						
United States government obligations	\$ 1,621,319	\$ (6,660)	\$ 1,381,925	\$ (22,609)	\$ 3,003,244	\$ (29,269)
Corporate obligations	1,224,114	(4,001)	-	-	1,224,114	(4,001)
Subtotal, debt securities	2,845,433	(10,661)	1,381,925	(22,609)	4,227,358	(33,270)
Marketable equity securities	2,936,266	(133,331)	-	-	2,936,266	(133,331)
Total investments in loss position	5,781,699	(143,992)	1,381,925	(22,609)	7,163,624	(166,601)
Investments in gain position:						
Cash and cash equivalents	14,466,761	-	-	-	14,466,761	-
United States government obligations	5,003,972	14,007	-	-	5,003,972	14,007
Corporate obligations	1,564,873	4,524	-	-	1,564,873	4,524
Subtotal, debt securities	6,568,845	18,531	-	-	6,568,845	18,531
Marketable equity securities	2,376,687	122,686	-	-	2,376,687	122,686
Total investments in gain position	23,412,293	141,217	-	-	23,412,293	141,217
Total investments	\$ 29,193,992	\$ (2,775)	\$ 1,381,925	\$ (22,609)	\$ 30,575,917	\$ (25,384)

In order to evaluate the realizable value of its investments, the Corporation's management evaluates the available facts and circumstances, including the investment intent of the Corporation's investment managers and estimated twelve-month target prices. This evaluation requires significant judgment including determinations involving the estimation of the outcome of future events, and also consists of an accumulation of factors about general market conditions which reflect prospects for the economy as a whole, the specific industries, and/or the specific securities under consideration. These factors are considered by management in determining whether the security still has earnings potential in the near future, and whether the security has an anticipated recovery in market value.

As such, the following sets forth the Corporation's management's position as to why the impairment is temporary and no adjustment to the cost basis is deemed necessary:

- The decline in fair value has not been precipitous, nor existed for an extended period of time to suggest other than routine market fluctuations.
- The individual stocks still have earnings potential in the near term sufficient to recover any decline in investment balance.
- The investment managers have the intent and ability to retain the investments for a period of time sufficient to allow for the anticipated recovery in market value.

Garden City Hospital and Subsidiaries

Notes to Consolidated Financial Statements (continued)

**4. Investments (continued)**

Investment return is summarized as follows:

	<b>Years ended September 30</b>	
	<b>2004</b>	<b>2003</b>
Interest, dividends and realized gains	\$ 330,674	\$ 325,663
Change in net unrealized gains	(25,457)	706,916
Total investment gain	<b>\$ 305,217</b>	<b>\$ 1,032,579</b>
Included in operating income	\$ 330,674	\$ 325,663
Reported separately as (decrease) increase in unrestricted net assets	(25,457)	706,916
Total investment gain	<b>\$ 305,217</b>	<b>\$ 1,032,579</b>

Investment return, excluding unrealized gains and losses, on temporary cash investments, professional liability funds, funds designated for capital improvements, and funds held in trust under bond agreements is included in operating income.

Cash and investments are summarized as follows:

	<b>September 30</b>	
	<b>2004</b>	<b>2003</b>
Cash and cash equivalents	<b>\$14,466,761</b>	\$22,120,891
Marketable equity securities, including mutual funds	<b>5,312,953</b>	4,428,523
Marketable debt securities	<b>10,796,203</b>	1,460,055
	<b>\$30,575,917</b>	<b>\$28,009,469</b>

The Corporation records its investments in equity securities with readily determinable fair values and all investments in debt securities at fair value. Fair value is determined based on quoted market prices.

## Garden City Hospital and Subsidiaries

### Notes to Consolidated Financial Statements (continued)

#### 5. Financial Instruments

The following methods and assumptions were used in estimating fair value disclosures for financial instruments:

*Cash and cash equivalents:* The carrying amounts in the balance sheet for cash and cash equivalents approximate fair value.

*Marketable securities:* The fair values for marketable equity and debt securities are based on quoted market prices.

*Long-term debt:* The fair values for long-term debt are estimated using discounted cash flow analyses based on current borrowing rates for similar types of borrowing arrangements.

The cost and carrying amounts are as follows:

	September 30, 2004		September 30, 2003	
	Cost	Carrying Amount	Cost	Carrying Amount
Cash and cash equivalents	\$ 14,466,761	\$ 14,466,761	\$ 22,120,891	\$ 22,120,891
Marketable securities:				
Mutual funds	5,323,598	5,312,953	4,420,998	4,428,523
Debt securities	10,810,942	10,796,203	1,467,517	1,460,055
	\$ 30,601,301	\$ 30,575,917	\$ 28,009,406	\$ 28,009,469
Long-term debt	\$ 32,975,677	\$ 32,975,677	\$ 34,726,406	\$ 34,726,406

Garden City Hospital and Subsidiaries

Notes to Consolidated Financial Statements (continued)

**6. Assets Whose Use is Limited**

Assets whose use is limited consists of the following:

	<b>September 30</b>	
	<b>2004</b>	<b>2003</b>
Bond proceeds held by trustee	<b>\$ 2,017,506</b>	\$ 1,996,125
Board designated for capital improvements	<b>15,075,210</b>	-
Funds held as security for operating lease	<b>444,343</b>	551,650
Funds held in escrow	<b>101,222</b>	-
Investment in multi-provider captive insurance company ( <i>Note 11</i> )	<b>6,021,365</b>	7,786,186
Temporarily restricted net assets	<b>35,185</b>	32,924
Total	<b>\$ 23,694,831</b>	<b>\$ 10,366,885</b>

**7. Property and Equipment**

Property and equipment, which are stated at cost, consists of the following:

	<b>September 30</b>	
	<b>2004</b>	<b>2003</b>
Land and land improvements	<b>\$ 1,907,622</b>	\$ 1,901,073
Buildings and fixed equipment	<b>50,169,684</b>	50,045,874
Furniture and equipment	<b>39,891,964</b>	37,140,931
	<b>91,969,270</b>	89,087,878
Less accumulated depreciation	<b>60,732,881</b>	56,826,577
Total property and equipment	<b>\$ 31,236,389</b>	<b>\$ 32,261,301</b>

Garden City Hospital and Subsidiaries

Notes to Consolidated Financial Statements (continued)

**8. Long-Term Debt**

Long-term debt consists of:

	<b>September 30</b>	
	<b>2004</b>	<b>2003</b>
Garden City Hospital Finance Authority:		
Revenue Bonds – Series 1998A	<b>\$ 22,025,000</b>	\$ 22,500,000
Revenue Bonds – Series 1996A	<b>6,445,000</b>	7,570,000
Variable Rate Demand Notes – Series 1997	<b>4,165,000</b>	4,515,000
Other	<b>340,677</b>	141,406
	<b>32,975,677</b>	34,726,406
Less current portion	<b>2,895,791</b>	1,981,385
	<b>\$ 30,079,886</b>	\$ 32,745,021

The Corporation is the sole member of the Garden City Hospital Obligated Group (the Obligated Group). The Bonds are secured by a security interest in certain tangible and intangible property of the Corporation.

During 1996, the Obligated Group issued Garden City Hospital Finance Authority Hospital Revenue Bonds, Series 1996A, subject to redemption in annual amounts ranging from \$1,180,000 to \$1,405,000 through 2009. The Series 1996A Bonds bear interest at a variable rate (1.73% at September 30, 2004) that changes weekly. In no event will interest accrue at a rate greater than the lesser of twelve percent per annum or the maximum rate permitted by law. These bonds are subject to conversion from weekly bonds to fixed rate bonds.

In 1997, the Obligated Group issued Variable Rate Demand Notes, Series 1997, subject to redemption in annual amounts ranging from \$370,000 to \$570,000 in 2012. The Series 1997 Notes bear interest at a variable rate (1.86% at September 30, 2004).

In 1998, the Obligated Group issued Garden City Hospital Finance Authority Hospital Revenue and Refunding Bonds, Series 1998A, subject to redemption in amounts ranging from \$1,180,000 to \$2,305,000 in 2017. The bonds bear interest at rates ranging from 5.38% to 5.75%.

## Garden City Hospital and Subsidiaries

### Notes to Consolidated Financial Statements (continued)

#### 8. Long-Term Debt (continued)

The Corporation has two letters of credit which support the Series 1996 Revenue Bonds and the Variable Rate Demand Notes, Series 1997. The letters of credit are available to the Corporation if the holders of the obligations tender such obligations for purchase and the obligations are not remarketed. Accordingly, the variable term bonds have been classified as long term as it is the Hospital's intent to remarket these obligations, if presented. The letters of credit expire on October 15, 2007. There were no borrowings on these letters of credit during fiscal years 2004 and 2003.

The aggregate maturities of long-term debt for years subsequent to September 30, 2004 are as follows:

2005	\$ 2,895,791
2006	3,004,908
2007	3,401,810
2008	3,543,162
2009	3,305,006
Thereafter	16,825,000
Total	<u>\$ 32,975,677</u>

The Corporation has a \$300,000 Letter of Credit outstanding through April 30, 2005 related to workers' compensation claims.

#### 9. Lease Commitments

The Corporation has commitments under various capitalized leases as follows:

2005	\$ 274,806
2006	268,454
2007	249,084
2008	142,562
2009	39,348
Less amounts representing interest	(136,853)
Minimum lease payments	<u>\$ 837,401</u>

## Garden City Hospital and Subsidiaries

### Notes to Consolidated Financial Statements (continued)

#### **9. Lease Commitments (continued)**

Equipment relating to the capitalized lease obligations is included in property and equipment. The capitalized cost of this equipment was approximately \$1,138,575 and \$667,040 at September 30, 2004 and 2003, respectively. Related accumulated amortization was approximately \$360,450 and \$184,400 at September 30, 2004 and 2003, respectively.

Total rental expense attributable to operating leases amounted to approximately \$1,773,000 and \$1,483,000 for years ended September 30, 2004 and 2003, respectively.

#### **10. Employee Benefits**

The Corporation has a qualified defined benefit pension plan covering substantially all eligible employees hired prior to January 1, 2003, as defined by the Employee Retirement Income Security Act of 1974 (ERISA). The benefits are based on years of service and employee compensation. The Corporation's funding policy is to contribute annually an amount necessary to meet or exceed the minimum funding requirements of ERISA. Contributions are intended to provide for benefits attributed to service rendered through May 15, 2004.

Effective May 5, 2003, the Corporation froze the benefits for employees at the compensation levels in effect at December 31, 2002. As a result of the benefit freeze, the Corporation recognized a reduction in prior service cost. Additionally, effective May 15, 2004, the Corporation announced that benefits under the defined benefit plan would be frozen. Management elected to freeze the pension benefits to reduce the expected increase in pension for 2004. As a result of the changes in pension benefits, the Corporation recognized a curtailment gain of \$2,786,843, which reduced the projected benefit obligation at September 30, 2004 and employee benefit expense for the year ending September 30, 2004.

During 2003, the Hospital instituted a defined contribution plan covering most of its employees. Employees who meet eligibility requirements specified by the plan may contribute to the plan. The Hospital may make contributions to eligible employees at its discretion. Expense under the defined contribution plan was \$911,083 and \$324,053 for the years ended September 30, 2004 and 2003, respectively.

Under Statement of Financial Accounting Standards No. 87, *Employers' Accounting for Pensions*, a minimum liability must be recognized equal to the excess of the accumulated benefit obligation over the plan assets. A corresponding amount is required to be recognized as an intangible asset to the extent that it does not exceed the amount of unrecognized prior service cost. As such these amounts have been recognized in the balance sheet at September 30, 2004.

## Garden City Hospital and Subsidiaries

### Notes to Consolidated Financial Statements (continued)

#### 10. Employee Benefits (continued)

The following table provides a reconciliation of the changes in the benefit obligation and fair value of plan assets for the years ended September 30, 2004 and 2003, and a statement of the funded status as of September 30, 2004 and 2003:

	Years ended September 30	
	2004	2003
Reconciliation of benefit obligation:		
Benefit obligation at the beginning of year	\$ 48,035,218	\$ 52,240,438
Service cost	108,176	458,382
Interest cost	2,984,760	2,980,914
Amendments	-	(5,499,164)
Actuarial loss (gain)	2,738,586	(430,805)
Benefits paid	(1,794,572)	(1,714,547)
Benefit obligation at the end of year	<u>52,072,168</u>	<u>48,035,218</u>
Reconciliation of fair value of plan assets:		
Fair value of plan assets at beginning of year	35,066,699	30,337,149
Actual return on plan assets	2,376,307	4,024,097
Employer contributions	2,850,000	2,420,000
Benefits paid	(1,794,572)	(1,714,547)
Fair value of plan assets at end of year	<u>38,498,434</u>	<u>35,066,699</u>
Funded status at September 30	(13,573,734)	(12,968,519)
Unrecognized prior service cost	-	(2,786,843)
Unrecognized net actuarial loss	16,869,363	14,134,298
Additional minimum pension liability	(16,869,363)	(11,347,455)
Accrued benefit cost	<u>\$ (13,573,734)</u>	<u>\$ 12,968,519</u>

The accumulated benefit obligation for the plan was \$52,072,168 and \$48,035,218 at September 30, 2004 and 2003, respectively. The Hospital recorded an additional minimum pension liability of \$16,869,363 and \$11,347,455 at September 30, 2004 and 2003, respectively to bring the recorded pension liability to equal the excess of the accumulated benefit obligation over the fair value of plan assets. The additional minimum pension liability resulted in a \$5,521,908 and \$1,433,155 reduction to unrestricted net assets at September 30, 2004 and 2003, respectively.

Garden City Hospital and Subsidiaries

Notes to Consolidated Financial Statements (continued)

**10. Employee Benefits (continued)**

Amounts recognized in the statement of financial position consist of:

	<b>Years ended September 30</b>	
	<b>2004</b>	<b>2003</b>
Accrued benefit cost	<b>\$ (13,573,734)</b>	\$ (12,968,519)
Unrestricted net assets	<b>16,869,363</b>	11,347,455
Net asset (liability) recognized	<b>\$ 3,295,629</b>	\$ (1,621,064)

A summary of the components of net pension expense (income) are as follows:

	<b>Years ended September 30</b>	
	<b>2004</b>	<b>2003</b>
Service cost – benefits earned during the period	<b>\$ 108,176</b>	\$ 458,382
Interest cost on projected benefit obligation	<b>2,984,760</b>	2,980,914
Expected return on assets gain	<b>(3,186,390)</b>	(2,754,031)
Amortization of prior service cost	-	144,454
Curtailment gain	<b>(2,786,843)</b>	-
Amortization of loss	<b>813,604</b>	964,054
Net pension (income) expense	<b>(2,066,693)</b>	1,793,773
Defined contribution plan expense	<b>911,083</b>	324,053
Net pension (income) expense	<b>\$ (1,155,610)</b>	\$ 2,117,826

Garden City Hospital and Subsidiaries

Notes to Consolidated Financial Statements (continued)

**10. Employee Benefits (continued)**

The assumptions used to determine the benefit obligations at September 30 are set forth below:

	<b>September 30</b>	
	<b>2004</b>	<b>2003</b>
Weighted-average discount rate	<b>6.00%</b>	6.40%
Weighted-average rate of compensation increase	<b>4.00%</b>	4.00%
Measurement date	<b>September 30</b>	September 30

The assumptions used to determine the net periodic benefit cost for the years ended September 30 are as follows:

	<b>September 30</b>	
	<b>2004</b>	<b>2003</b>
Weighted-average discount rate	<b>6.40%</b>	6.75%
Weighted-average rate of compensation increase	<b>4.00%</b>	4.00%
Weighted-average expected long term rate of return on plan assets	<b>9.00%</b>	9.00%

**Expected Rate of Return**

The expected long-term rate of return on plan assets is based on historical and projected rates of return for current and planned asset categories in the plan's investment portfolio. Assumed projected rates of return for each asset category were selected after analyzing historical experience and future expectations of the returns and volatility for assets of that category using benchmark rates. Based on the target asset allocation among the asset categories, the overall expected rate of return for the portfolio was developed and adjusted for historical and expected experience of active portfolio management results compared to benchmark returns and for the effect of expenses paid from plan assets.

Garden City Hospital and Subsidiaries

Notes to Consolidated Financial Statements (continued)

**10. Employee Benefits (continued)**

**Asset Allocation**

The weighted-average asset allocation for the Hospital's pension plan at the end of fiscal 2004 and 2003, and the target allocation for fiscal 2005, by asset category, is as follows:

<u>Asset Category</u>	<u>Target Allocation 2005</u>	<u>Percentage of Plan Assets At Year End</u>	
		<u>2004</u>	<u>2003</u>
Equity securities	58.0%	<b>56.2%</b>	54.3%
Debt securities	42.0%	<b>42.0%</b>	43.3%
Other	0.0%	<b>1.8%</b>	2.4%
Total	<u>100.0%</u>	<u><b>100.0%</b></u>	<u>100.0%</u>

**Investment Strategy**

The Plan's asset allocation and investment strategy are designed to earn superior returns on plan assets consistent with a reasonable and prudent level of risk. Investments are diversified across classes, sectors and manager style to minimize the risk of large losses. The Hospital uses investment management specializing in each asset category and where appropriate, provides the investment manager with specific guidelines which include allowable and/or prohibited investment types. The Hospital regularly monitors manager performance and compliance with investment guidelines.

# Garden City Hospital and Subsidiaries

## Notes to Consolidated Financial Statements (continued)

### 10. Employee Benefits (continued)

#### Expected Cash Flows

Information about the expected cash flows for the pension plans follows:

	<b>Pension Benefits</b>
Expected employer contributions:	
2005	\$ -
Expected benefit payments:	
2005	\$ 2,000,764
2006	2,105,508
2007	2,216,207
2008	2,289,972
2009	2,489,242
2010 – 2014	14,955,713

The contribution amounts above include amounts paid to the trust. The benefit payment amounts above also reflect the total benefits expected to be paid from the trust.

### 11. Professional Liability

Effective July 1, 1985, the Corporation holds a 25% interest in Medilink Insurance Company Ltd., a Cayman Island captive insurance company, which was organized to provide primary comprehensive hospital liability insurance for a group of osteopathic hospitals. Premiums under the retrospectively rated claims policy are determined based on the ultimate cost of the experience to date of the group of hospitals. Management anticipates that deposits held by the multi-provider captive will be used to reduce future premiums.

The Corporation estimates a range of loss for its liability for professional liability claims based on its own past experience along with that of the other members of the multi-provider captive. This estimate includes a reserve for known claims and unreported incidents. The Hospital has accrued the present value of what it believes to be the most likely amount of the loss in the range, discounted at approximately 6.5% per annum at September 30, 2004 (8% at September 30, 2003). The premiums paid to the multi-provider captive are offset against the estimated liability. Approximately \$7,518,000 and \$1,289,000 was included in insurance expense for professional liability for the years ended September 30, 2004 and 2003, respectively.

## Garden City Hospital and Subsidiaries

### Notes to Consolidated Financial Statements (continued)

#### 11. Professional Liability (continued)

The Corporation is self-insured for professional malpractice liability claims from 1977 to 1985. Patients have brought claims against the Hospital for the self insurance period. The Hospital has accrued its best estimate of the ultimate cost to settle such claims, however actual losses may differ from amounts accrued.

#### 12. Functional Expenses

Expenses classified by function are as follows:

	Years ended September 30	
	2004	2003
Health care services	\$ 82,741,432	\$ 76,738,602
General and administrative	37,468,753	33,439,116
Bad debts	13,957,799	10,569,387
Depreciation and amortization	4,085,523	4,542,752
Interest	1,736,997	1,742,798
Total	<u>\$ 139,990,504</u>	<u>\$ 127,032,655</u>

#### 13. Commitments

The Corporation had commitments of approximately \$1,737,000 for the acquisition of property and equipment at September 30, 2004.

# Other Financial Information

## Report of Independent Auditors on Other Financial Information

Board of Trustees  
Garden City Hospital

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating balance sheet, consolidating statements of operations and changes in net assets are presented for purposes of additional analysis and are not a required part of the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in our audit of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

*Ernst & Young LLP*

December 10, 2004

# Garden City Hospital and Subsidiaries

## Consolidating Balance Sheet

September 30, 2004

	Consolidated	Consolidation Adjustments	Amerigard Health Services	Garden City Hospital	Garden City Hospital Foundation	Amerigard Development	United Home Health Services	United Home Care Services	Amerigard Diagnostic Centre	Advance Nursing Center
<b>Assets</b>										
Current assets:										
Cash and cash equivalents	\$ 12,902,451	\$ -	\$ 77,365	\$ 11,775,771	\$ -	\$ 128,869	\$ 8,044	\$ -	\$ 62,184	\$ 850,218
Accounts receivable	16,709,781	-	-	15,433,363	-	430,014	387,879	-	93,855	364,670
Inventories	611,637	-	-	611,637	-	-	-	-	-	-
Prepaid expenses and other assets	1,860,049	-	-	1,641,116	-	46,427	14,360	-	8,307	149,839
<b>Total current assets</b>	<b>32,083,918</b>	<b>-</b>	<b>77,365</b>	<b>29,461,887</b>	<b>-</b>	<b>605,310</b>	<b>410,283</b>	<b>-</b>	<b>164,346</b>	<b>1,364,727</b>
Assets who use is limited	23,694,831	-	-	23,694,831	-	-	-	-	-	-
Due from related parties	-	(10,415,242)	9,367,570	281,695	12,337	-	-	-	-	753,640
Other assets:										
Deferred bond costs, net	668,252	-	-	668,252	-	-	-	-	-	-
Other	630,924	-	4,000	558,038	-	22,335	16,536	-	30,015	-
<b>Total other assets</b>	<b>1,299,176</b>	<b>-</b>	<b>4,000</b>	<b>1,226,290</b>	<b>-</b>	<b>22,335</b>	<b>16,536</b>	<b>-</b>	<b>30,015</b>	<b>-</b>
Property and equipment, net	31,236,389	-	-	29,610,704	9,036	804,956	69,233	-	11,705	730,755
<b>Total assets</b>	<b>\$ 88,314,314</b>	<b>\$ (10,415,242)</b>	<b>\$ 9,448,935</b>	<b>\$ 84,275,407</b>	<b>\$ 21,373</b>	<b>\$ 1,432,601</b>	<b>\$ 496,052</b>	<b>\$ -</b>	<b>\$ 206,066</b>	<b>\$2,849,122</b>

## Garden City Hospital and Subsidiaries

### Consolidating Balance Sheet (continued)

September 30, 2004

	Consolidated	Consolidation Adjustments	Amerigard Health Services	Garden City Hospital	Garden City Hospital Foundation	Amerigard Development	United Home Health Services	United Home Care Services	Amerigard Diagnostic Centre	Advance Nursing Center
<b>Liabilities and net assets</b>										
Current liabilities:										
Current portion of obligations under capital leases	\$ 215,413	\$ -	\$ -	\$ 215,413	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Current portion of long-term debt	2,895,791	-	-	2,788,102	-	-	107,689	-	-	-
Due to third-party payors	549,790	-	-	499,697	-	-	13,610	-	-	36,483
Accounts payable	5,196,786	-	10,879	4,814,943	-	65,851	28,421	-	45,543	231,149
Accrued benefits payable	4,773,688	-	-	4,430,485	-	74,391	139,767	-	10,112	118,933
<b>Total current liabilities</b>	<b>13,631,468</b>	<b>-</b>	<b>10,879</b>	<b>12,748,640</b>	<b>-</b>	<b>140,242</b>	<b>289,487</b>	<b>-</b>	<b>55,655</b>	<b>386,565</b>
Reserve for professional liability claims	2,431,740	-	-	2,431,740	-	-	-	-	-	-
Pension liability	13,573,734	-	-	13,573,734	-	-	-	-	-	-
Due to related parties	-	(10,415,242)	-	-	-	8,968,798	220,615	48,000	1,177,829	-
Obligations under capital leases, less current portion	621,988	-	-	621,988	-	-	-	-	-	-
Long-term debt, less current portion	30,079,886	-	-	30,079,886	-	-	-	-	-	-
<b>Total other liabilities</b>	<b>46,707,348</b>	<b>(10,415,242)</b>	<b>-</b>	<b>46,707,348</b>	<b>-</b>	<b>8,968,798</b>	<b>220,615</b>	<b>48,000</b>	<b>1,177,829</b>	<b>-</b>
<b>Total liabilities</b>	<b>60,338,816</b>	<b>(10,415,242)</b>	<b>10,879</b>	<b>59,455,988</b>	<b>-</b>	<b>9,109,040</b>	<b>510,102</b>	<b>48,000</b>	<b>1,233,484</b>	<b>386,565</b>
Net assets:										
Unrestricted (deficit)	27,937,899	-	9,438,056	24,784,234	18,959	(7,676,439)	(14,050)	(48,000)	(1,027,418)	2,462,557
Temporarily restricted	37,599	-	-	35,185	2,414	-	-	-	-	-
<b>Total net assets (deficit)</b>	<b>27,975,498</b>	<b>-</b>	<b>9,438,056</b>	<b>24,819,419</b>	<b>21,373</b>	<b>(7,676,439)</b>	<b>(14,050)</b>	<b>(48,000)</b>	<b>(1,027,418)</b>	<b>2,462,557</b>
<b>Total liabilities and net assets</b>	<b>\$ 88,314,314</b>	<b>\$ (10,415,242)</b>	<b>\$ 9,448,935</b>	<b>\$ 84,275,407</b>	<b>\$ 21,373</b>	<b>\$ 1,432,601</b>	<b>\$ 496,052</b>	<b>\$ -</b>	<b>\$ 206,066</b>	<b>\$ 2,849,122</b>

## Garden City Hospital and Subsidiaries

### Consolidating Statement of Operations and Changes in Unrestricted Net Assets

Year ended September 30, 2004

	<b>Consolidated</b>	<b>Amerigard Health Services</b>	<b>Garden City Hospital</b>	<b>Garden City Hospital Foundation</b>	<b>Amerigard Development</b>	<b>United Home Health Services</b>	<b>United Home Care Services</b>	<b>Amerigard Diagnostic Centre</b>	<b>Advance Nursing Center</b>
<b>Unrestricted revenue and other support</b>									
Net patient service revenue	\$ 144,165,829	\$ -	\$ 132,281,029	\$ -	\$ 3,926,195	\$ 2,834,415	\$ -	\$ 851,892	\$ 4,272,298
Other revenue	3,900,740	468	3,480,661	333,142	72,720	5,829	-	1,831	6,089
Total unrestricted revenue and other support	<u>148,066,569</u>	468	135,761,690	333,142	3,998,915	2,840,244	-	853,723	4,278,387
<b>Expenses</b>									
Wages	56,706,299	-	48,797,683	143,476	3,390,739	1,792,355	-	266,254	2,315,792
Employee benefits	10,409,297	-	9,549,570	21,022	232,757	295,054	-	36,379	274,515
Professional fees	1,091,763	-	1,074,499	-	17,264	-	-	-	-
Supplies	21,016,079	-	20,194,305	15,580	226,778	63,484	-	81,787	434,145
Utilities	1,753,492	-	1,509,598	-	90,940	52,750	-	16,876	83,328
Purchased services	12,808,153	-	11,534,197	40,166	156,651	175,604	-	447,037	454,498
Other	7,949,090	-	6,682,937	93,939	311,098	257,722	-	274,392	329,002
Insurance	8,476,012	-	8,243,840	-	33,777	44,670	-	3,002	150,723
Interest	1,736,997	-	1,731,660	-	-	5,337	-	-	-
Depreciation/amortization	4,085,523	-	3,746,670	-	227,853	32,757	-	12,851	65,392
Bad debt	13,957,799	-	13,886,214	-	64,542	-	-	7,043	-
Total expenses	<u>139,990,504</u>	-	126,951,173	314,183	4,752,399	2,719,733	-	1,145,621	4,107,395
Income (loss) from operations	8,076,065	468	8,810,517	18,959	(753,484)	120,511	-	(291,898)	170,992
Net nonoperating loss	(248,537)	-	(248,537)	-	-	-	-	-	-
Excess of revenue over expenses (expenses over revenue)	<u>7,827,528</u>	468	8,561,980	18,959	(753,484)	120,511	-	(291,898)	170,992
<b>Other changes in unrestricted net assets</b>									
Change in net unrealized depreciation in fair value of investments	(25,457)	-	(25,457)	-	-	-	-	-	-
Additional minimum pension liability	(5,521,908)	-	(5,521,908)	-	-	-	-	-	-
Transfer to/from affiliate	-	-	(645,000)	-	645,000	-	-	-	-
Increase (decrease) in unrestricted net assets	<u>2,280,163</u>	468	2,369,615	18,959	(108,484)	120,511	-	(291,898)	170,992

## Garden City Hospital and Subsidiaries

### Consolidating Statement of Changes in Net Assets (continued)

Year ended September 30, 2004

	Consolidated	Amerigard Health Services	Garden City Hospital	Garden City Hospital Foundation	Amerigard Development	United Home Health Services	United Home Care Services	Amerigard Diagnostic Centre	Advance Nursing Center
<b>Unrestricted net assets</b>									
Excess of (expenses over revenue) revenue over expenses	7,827,528	468	8,561,980	18,959	(753,484)	120,511	-	(291,898)	170,992
Change in net unrealized depreciation in fair value of investments	(25,457)	-	(25,457)	-	-	-	-	-	-
Change in additional minimum pension liability	(5,521,908)	-	(5,521,908)	-	-	-	-	-	-
Transfer to/from affiliate	-	-	(645,000)	-	645,000	-	-	-	-
Increase (decrease) in unrestricted net assets	2,280,163	468	2,369,615	18,959	(108,484)	120,511	-	(291,898)	170,992
<b>Temporarily restricted net assets</b>									
Contributions	9,014	-	6,600	2,414	-	-	-	-	-
Net assets released from restrictions	(4,339)	-	(4,339)	-	-	-	-	-	-
Increase in temporarily restricted net assets	4,675	-	2,261	2,414	-	-	-	-	-
Increase (decrease) in net assets	2,284,838	468	2,371,876	21,373	(108,484)	120,511	-	(291,898)	170,992
Net assets at beginning of year	25,690,660	9,437,588	22,447,543	-	(7,567,955)	(134,561)	(48,000)	(735,520)	2,291,565
Net assets at end of year	<u>\$ 27,975,498</u>	<u>\$ 9,438,056</u>	<u>\$ 24,819,419</u>	<u>\$ 21,373</u>	<u>\$ (7,676,439)</u>	<u>\$ (14,050)</u>	<u>\$ (48,000)</u>	<u>\$ (1,027,418)</u>	<u>\$ 2,462,557</u>