

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 for list of current NRMSIRs and SIDs

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

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.)

TYPE OF FILING:

Electronic (number of pages attached) 56 Paper (number of pages attached) _____

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

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, 2005 – September 30, 2006 (FY2006)

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

Fiscal Period Covered: October 1, 2005 – September 30, 2006 (FY2006)

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): Announcements

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
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, 2006, 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 the Midwest (formerly known as 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, 2006.

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 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 most recent amendments, the Fifth Amendment to the 1996 Reimbursement Agreement and the Fifth Amendment to the 1997 Reimbursement Agreement, each dated January 18, 2006 modified the fees charged on the 1996 Letter of Credit and the 1997 Letter of Credit, but did not modify covenants any further. The definitions of the 1996 Reimbursement Agreement and the 1997 Reimbursement Agreement shall include all amendments thereto that are applicable to FY2006. The 1996 Reimbursement Agreement and the 1997 Reimbursement Agreement shall be hereinafter defined as the "Reimbursement Agreements."

DELIVERY OF REQUIRED INFORMATION RELATING TO FY2006

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 FY2006:

- 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 FY2006) 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.

CONTENTS OF THIS MUNICIPAL SECONDARY MARKET DISCLOSURE FILING

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

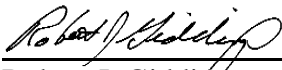
1. An Omnibus Officer's Certificate, in compliance with the requirements of Section 501(a)(v) of Supplemental Indenture No. 9, which addresses certain covenants contained in the Master Indenture, Supplemental Indenture No. 9, the 1996 Related Loan Agreement, the 1998 Related Loan Agreement, the 1996 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 FY2006) 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 FY2006) are presented on a consolidated basis along with several subsidiaries of the Corporation which are not Members of the Obligated Group. A consolidating balance sheet and consolidating statement of operations and changes in net assets, included in the "Other Financial Information" section of the audited financial statements, isolates the Corporation's information.

4. An Announcement of information of interest to market participants.

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
Garden City Hospital, Osteopathic

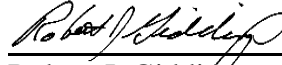
Date: February 6, 2007

GARDEN CITY HOSPITAL OBLIGATED GROUP
OMNIBUS OFFICER'S CERTIFICATE
RELATING TO THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

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 FY2006 of 2.38 (supporting calculations appear in Exhibit A hereto);
- d. 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 FY2006 in the amount of \$914,000, which is less than the limit of \$1,250,000;
- e. the Obligated Group has complied with Section 5.04(i) of the 1996 Reimbursement Agreement and Section 5.04(i) of the 1997 Reimbursement Agreement by having recorded a ratio of Debt to Capitalization for FY2006 of 0.51, which is less than the limit of 0.65 (supporting calculations appear in Exhibit B hereto); and

- f. the Obligated Group has complied with Section 5.04(j) of the 1996 Reimbursement Agreement and Section 5.04(j) of the 1997 Reimbursement Agreement by having recorded Unrestricted Liquid Assets for FY2006 equivalent to 73.3 Days' Cash, which exceeds the minimum of 65 Days' Cash for FY2006 (supporting calculations appear in Exhibit C hereto).



By: Robert J. Giddings
Title: Vice President
Garden City Hospital, Osteopathic

Date: February 6, 2007

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, 2006**

<i>Calculation of Debt Service Requirements</i>				
	<i>Obligations or Other Indebtedness</i>	<i>Related Bonds</i>	<i>Maximum Annual Debt Service Requirements¹</i>	<i>Debt Service Requirements for FY2006</i>
Obligations	Note No. 6	Series 1996 Bonds	\$1,414,482	\$1,400,180
	Note No. 8	Series 1997 Notes	577,157	571,617
	Note No. 9	Series 1998A Bonds	2,759,544	2,514,075
Other Indebtedness	Capitalized Leases		249,084	265,861
	Trade Grant Note		38,040	38,040
	Other		25,006	25,006
	TOTAL		\$5,063,313	\$4,814,779

¹ 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, 2006</i>			
		<i>Based on Maximum Annual Debt Service Requirements in FY2007</i>	<i>Based on Debt Service Requirements for FY2006</i>
Excess of Revenue over Expenses		5,571,259	5,571,259
Plus:	Interest	1,648,980	1,648,980
Plus:	Depreciation	4,216,164	4,216,164
Net Income Available for Debt Service		11,436,403	11,436,403
Debt Service Requirements		5,063,313	4,814,779
Debt Service Coverage Ratio		2.26	2.38

EXHIBIT B
TO THE OMNIBUS OFFICER'S CERTIFICATE

GARDEN CITY HOSPITAL OBLIGATED GROUP

DEBT TO CAPITALIZATION RATIO CALCULATIONS
Relating to the Fiscal Year Ended September 30, 2006

<i>Debt to Capitalization Ratio Calculation for the Fiscal Year Ended September 30, 2006</i>	
Long-Term Indebtedness	\$23,844,996
Current Portion of Long-Term Indebtedness	3,625,836
Short-Term Indebtedness	0
Total Indebtedness (Numerator)	\$27,470,832
Unrestricted Net Assets	\$26,556,459
Total Indebtedness + Unrestricted Net Assets (Denominator)	\$54,027,291
Debt to Capitalization Ratio	0.51

EXHIBIT C
TO THE OMNIBUS OFFICER'S CERTIFICATE

GARDEN CITY HOSPITAL OBLIGATED GROUP

UNRESTRICTED LIQUID ASSETS (DAYS' CASH) CALCULATIONS
Relating to the Fiscal Year Ended September 30, 2006

<i>Unrestricted Liquid Assets (Days' Cash) Calculation for the Fiscal Year Ended September 30, 2006</i>	
Cash and cash equivalents	\$8,962,191
Unrestricted Board-designated funds	\$16,958,566
Unrestricted Liquid Assets	\$25,920,757
times 365 (numerator)	\$9,461,076,305
Total operating expenses	\$133,288,028
Depreciation and amortization	(\$4,216,164)
Cash operating expenses	\$129,071,864
Days' Cash	73.3

GARDEN CITY HOSPITAL OBLIGATED GROUP

ANNOUNCEMENTS

FEBRUARY 2007

PLANNED DEBT ISSUANCE

The Corporation plans to issue approximately \$36 million principal amount of tax-exempt, long-term, fixed-rate Series 2007 Bonds. The Series 2007 Bonds are expected to finance a replacement of the Corporation's surgical suites and related functions and various facilities improvement projects and equipment acquisitions, and refinance the Corporation's Series 1996 Bonds. The Corporation also plans to apply its own financial reserves to prepay the Series 1997 Notes. The Series 2007 Bonds will be secured on a *pari passu* basis with the Series 1998A Bonds, which are expected to remain outstanding. Amortization of the Series 2007 Bonds is expected to commence in 2018, after the final redemption of the Series 1998A Bonds, and continue according to a substantially level debt service schedule until their final maturity in approximately 2038.

In connection with the issuance of the Series 2007 Bonds, the Corporation is contemplating refunding and/or making an offer to purchase all or part of the outstanding Series 1998A at a price to be determined.. A notice to this effect was circulated via the Bloomberg Municipal Wire on February 5, 2007 (the Notice). This Announcement and the Notice are advisory only and are not intended to contemplate offers to buy or sell the Series 1998A Bonds. If the Corporation were to determine to proceed with its offer to purchase, a formal tender offer will be prepared. If the Corporation were to determine to proceed with the contemplated refunding, such offering will be made only via a prospectus that should be read in its entirety.

RATING AFFIRMATION

On January 22, 2007, Moody's Investors Service announced that the Ba1 rating on the Series 1998A Bonds was affirmed, and the outlook remained stable. Moody's rating analysis took into consideration the planned issuance of the Series 2007 Bonds and the prepayment of the Series 1997 Notes. However, the Corporation did not request that Moody's issue a rating on the Series 2007 Bonds.

INCOMING CHIEF FINANCIAL OFFICER

On February 5, 2007, Daniel R. Babb, assumed the position of Vice President of Finance and Chief Financial Officer. Robert J. Giddings, CPA, who had held this position since 2001, remains employed by the Corporation. Mr. Giddings will continue to be responsible for certain clinical and support departments. His functions will also encompass special project management and new program development, including leadership of the Corporation's information systems replacement strategy and the evaluation of joint venture opportunities with affiliated physicians and other partners.

Mr. Babb, age 46, has held increasing responsible financial management positions with St. John Health (St. John), Warren, Michigan, an affiliate of Ascension Health, the largest non-profit Catholic health system in the United States. Most recently, Mr. Babb had been the Vice President of Finance at St. John Detroit Riverview Hospital (Riverview), an operating unit of St. John. In that capacity, Mr. Babb managed Riverview's finance, admitting and registration, patient accounting, budgeting, decision support and health information management functions. Prior to this assignment, Mr. Babb served as Director of Finance at St. John Hospital and Medical Center, another St. John operating unit, and Controller and Assistant Controller at Riverview. Before joining St. John in 1993, Mr. Babb held management positions in accounting, reimbursement and financial analysis at Oakwood Health System, Dearborn, Michigan, since 1986. He began his health care financial management career in 1983 as a reimbursement analyst at Henry Ford Health System, Detroit, Michigan. Mr. Babb holds a bachelors degree in accounting from the University of Michigan at Dearborn. He is an advanced member of the Healthcare Financial Management Association.

GARDEN CITY HOSPITAL OBLIGATED GROUP

ANNUAL REPORT FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006 (FY2006)

Unless otherwise noted, all data apply to the Fiscal Year Ended September 30, 2006, or are accurate as of September 30, 2006, 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>2006</i>	<i>2005</i>	<i>2004</i>	<i>2003</i>	<i>2002</i>
Days in Period	365	365	366	365	365
Licensed Beds ¹	323	323	323	323	323
Available Beds	180	220	220	220	220
Admissions ²	8,572	8,752	9,602	9,406	8,974
Patient Days ²	43,002	43,881	46,710	46,083	53,067
Average Daily Census	117.8	120.2	127.6	126.3	145.4
Average Length of Stay	5.0	5.0	4.9	4.9	5.9
Occupancy Rate ³ (%)	65.5	54.6	58.0	57.4	66.1

¹ Corrects information previously reported by the Corporation
² Corrects FY2005 information previously reported by the Corporation
³ Based on Available Beds

MUNICIPAL SECONDARY MARKET DISCLOSURE

**Garden City Hospital Finance Authority / Garden City Hospital Obligated Group
Fiscal Year Ended September 30, 2006**

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<i>Historical Pediatrics Utilization (excludes newborns) [OS Page A-20]</i>					
	<i>Fiscal Years Ended September 30</i>				
	<i>2006</i>	<i>2005</i>	<i>2004</i>	<i>2003</i>	<i>2002</i>
Days in Period	365	365	366	365	365
Licensed Beds ¹	0	0	0	0	0
Available Beds	18	16	16	16	16
Admissions	313	341	313	386	273
Patient Days	626	629	603	716	713
Average Daily Census	1.7	1.7	1.6	2.0	2.0
Average Length of Stay	2.0	1.8	1.9	1.9	2.6
Occupancy Rate ² (%)	9.5	10.8	10.3	12.3	12.2

¹ Corrects information previously reported by the Corporation. There is no separate licensure category for pediatric beds in Michigan – they are licensed as acute care beds.
² Based on Available Beds

MUNICIPAL SECONDARY MARKET DISCLOSURE

Garden City Hospital Finance Authority / Garden City Hospital Obligated Group
 Fiscal Year Ended September 30, 2006

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<i>Historical Obstetrics Utilization (excludes newborns) [OS Page A-21]</i>					
	<i>Fiscal Years Ended September 30</i>				
	<i>2006</i>	<i>2005</i>	<i>2004</i>	<i>2003</i>	<i>2002</i>
Days in Period	365	365	366	365	365
Licensed Beds ¹	0	0	0	0	0
Available Beds	6	10	10	10	10
Admissions	780	757	837	897	884
Patient Days	1,476	1,506	1,629	1,678	1,526
Average Daily Census	4.0	4.1	4.5	4.6	4.2
Average Length of Stay	1.9	2.0	1.9	1.9	1.7
Occupancy Rate ² (%)	67.4	41.3	44.5	46.0	41.8
¹ Corrects information previously reported by the Corporation. There is no separate licensure category for obstetrics beds in Michigan – they are licensed as acute care beds. ² Based on Available Beds					

MUNICIPAL SECONDARY MARKET DISCLOSURE

Garden City Hospital Finance Authority / Garden City Hospital Obligated Group
Fiscal Year Ended September 30, 2006

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<i>Historical Rehabilitation Utilization</i>					
<i>[OS Page A-21]</i>					
	<i>Fiscal Years Ended September 30</i>				
	<i>2006</i>	<i>2005</i>	<i>2004</i>	<i>2003</i>	<i>2002</i>
Days in Period	365	365	366	365	365
Licensed Beds ¹	0	0	0	0	0
Available Beds	18	24	24	24	24
Admissions	413	524	695	711	711
Patient Days	5,275	6,587	7,667	7,774	7,668
Average Daily Census	14.5	18.0	20.9	21.3	21.0
Average Length of Stay	12.8	12.6	11.0	10.9	10.8
Occupancy Rate ² (%)	80.3	75.2	87.3	88.7	87.5
¹ Corrects information previously reported by the Corporation. There is no separate licensure category for rehabilitation beds in Michigan – they are licensed as acute care beds.					
² Based on Available Beds					

<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>2006</i>	<i>2005</i>	<i>2004</i>	<i>2003</i>	<i>2002</i>
Days in Period	365	365	366	365	365
Licensed Beds	323	323	323	323	323
Available Beds	222	270	270	270	270
Admissions	10,078	10,374	11,447	11,400	10,842
Patient Days	50,379	52,603	56,609	56,251	62,974
Average Daily Census	138.0	144.1	154.7	154.1	172.5
Average Length of Stay	5.0	5.1	4.9	4.9	5.8
Occupancy Rate ¹ (%)	62.2	53.4	57.3	57.1	63.9
¹ Based on Available Beds					

MUNICIPAL SECONDARY MARKET DISCLOSURE

Garden City Hospital Finance Authority / Garden City Hospital Obligated Group

Fiscal Year Ended September 30, 2006

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OUTPATIENT UTILIZATION

<i>Historical Outpatient Utilization, in Visits [OS Page A-23]</i>					
	<i>Fiscal Years Ended September 30</i>				
	<i>2006</i>	<i>2005</i>	<i>2004</i>	<i>2003</i>	<i>2002</i>
Emergency Department	43,712	42,924	41,810	41,777	43,715
Scheduled Outpatient Registrations	59,911	62,248	58,770	51,188	46,220
Note: FY2004 figures were revised to correct errors contained in the FY2004 report.					

ANCILLARY SERVICES UTILIZATION

<i>Surgical Procedures [OS Page A-24]</i>					
	<i>Fiscal Years Ended September 30</i>				
	<i>2006</i>	<i>2005</i>	<i>2004</i>	<i>2003</i>	<i>2002</i>
Inpatient	2,201	2,375	2,443	2,417	2,443
Outpatient	4,574	4,550	4,621	4,870	4,870
Total	6,775	6,925	7,064	7,287	7,313
Percent Outpatient	67.5%	65.7%	65.4%	66.8%	66.6%

MUNICIPAL SECONDARY MARKET DISCLOSURE

Garden City Hospital Finance Authority / Garden City Hospital Obligated Group
 Fiscal Year Ended September 30, 2006

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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>2006</i>	<i>2005</i>	<i>2004</i>	<i>2003</i>	<i>2002</i>
Laboratory ¹	434,213	459,473	457,639	461,071	351,397
CT Scanning ²	6,446	6,494	6,057	5,688	6,038
MRI Scans ²	519	463	332	348	398
Other Radiology ²	21,606	21,110	21,666	21,913	24,826
Ultrasonography ²	3,615	3,490	2,991	2,505	2,402
Nuclear Medicine ²	3,980	3,579	4,205	4,269	4,238
Electrocardiography ¹	13,487	7,564	6,286	7,808	9,212
Electroencephalography ¹	547	754	951	1,055	1,860
Cardiac Catheterization ³	798	581	555	639	760
Cardiovascular Lab ^{4,5}	9,356	8,038	8,532	5,856	7,741
Cardiac Rehabilitation ⁵				150	180
Physical Therapy ⁵	34,310	37,775	41,167	42,625	37,618
Occupational Therapy ⁵	10,678	9,413	9,352	11,319	10,173
Speech Therapy ⁵	6,427	4,046	3,774	4,474	3,483
Endoscopy ³	1,217	1,206	1,184	1,187	1,159
Respiratory Therapy ³	124,378	119,448	113,793	107,510	133,501
¹ Tests ² Examinations ³ Procedures ⁴ Includes stress tests, echocardiograms and Holter monitors ⁵ Encounters					

MUNICIPAL SECONDARY MARKET DISCLOSURE

Garden City Hospital Finance Authority / Garden City Hospital Obligated Group
 Fiscal Year Ended September 30, 2006

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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>2006</i>	<i>2005</i>	<i>2004</i>	<i>2003</i>	<i>2002</i>
Laboratory ¹	293,408	312,798	313,034	289,825	299,338
CT Scanning ³	11,420	11,578	10,271	8,968	7,687
MRI Scans ²	3,413	3,296	3,238	3,170	3,025
Other Radiology ³	32,408	30,508	29,194	27,583	33,424
Ultrasonography ²	7,735	7,430	6,838	5,614	5,492
Nuclear Medicine ²	4,701	4,809	5,266	4,812	4,617
Electrocardiography ¹	7,627	13,238	12,274	13,303	14,295
Electroencephalography ¹	222	322	591	589	690
Cardiac Catheterization ⁴	783	392	360	296	265
Cardiovascular Lab ^{4,5}	5,450	2,679	2,844	1,952	2,580
Cardiac Rehabilitation ⁶	7,840	8,783	10,161	10,337	10,899
Physical Therapy ⁶	39,177	47,658	44,345	47,528	61,671
Occupational Therapy ⁶	2,147	1,092	1,227	1,168	1,238
Speech Therapy ⁶	1,994	1,863	2,150	2,200	1,715
Endoscopy ⁴	4,534	4,326	3,877	3,912	3,916
Respiratory Therapy ⁴	6,749	7,390	7,838	7,584	9,234
¹ Tests ² Examinations ³ Patients ⁴ Procedures ⁵ Includes stress tests, echocardiograms and Holter monitors ⁶ Encounters					

MUNICIPAL SECONDARY MARKET DISCLOSURE

Garden City Hospital Finance Authority / Garden City Hospital Obligated Group
Fiscal Year Ended September 30, 2006

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FINANCIAL INFORMATION

SOURCES OF REVENUE

<i>Percentage of Gross Revenue by Payor Category, Acute Care Services, FY2006 [OS Page A-28]</i>	
Medicare	45.2%
Medicaid	12.7%
Blue Cross Traditional (indemnity)	2.6%
Blue Preferred, Blue Care Network (managed care)	17.3%
Self Pay	5.4%
Commercial Insurers, Managed Care Organizations ¹ and Other	16.9%
Total	100.0%
¹ 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, 2006

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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>2006</i>	<i>2005</i>	<i>2004</i> <i>Restated</i>	<i>2003</i>	<i>2002</i>
Net Patient Service Revenue	134,260	128,611	132,281	121,679	118,408
Other Revenue	<u>4,599</u>	<u>4,180</u>	<u>3,481</u>	<u>4,049</u>	<u>2,653</u>
Total Revenue and Other Support	138,859	132,790	135,762	125,729	121,061
Depreciation Expense	4,216	3,659	3,747	4,170	4,386
Interest Expense	1,649	1,663	1,732	1,737	1,845
Other Operating Expenses	<u>127,423</u>	<u>126,592</u>	<u>120,677</u>	<u>108,991</u>	<u>110,236</u>
Total Operating Expenses	133,288	131,913	126,156	114,898	116,467
Income from Operations	5,571	877	9,606	10,830	4,594
Net Nonoperating Revenue (Loss)	<u>0</u>	<u>0</u>	<u>(249)</u>	<u>(327)</u>	<u>(282)</u>
Excess of Revenue / Expenses	5,571	877	9,357	10,503	4,312

FY2004 figures appearing above were restated in connection with the FY2005 audit. The above restated figures differ from those reported previously. Restatements applicable to the Corporation for FY2002 and FY2003 were never made. Accordingly, such FY2002 and FY2003 data previously reported should not be relied upon.

MUNICIPAL SECONDARY MARKET DISCLOSURE

Garden City Hospital Finance Authority / Garden City Hospital Obligated Group
 Fiscal Year Ended September 30, 2006

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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 Requirements¹</i>	<i>Debt Service Requirements for FY2006</i>
<i>Obligations</i>	Note No. 6	Series 1996 Bonds	\$1,414,482	\$1,400,657
	Note No. 8	Series 1997 Notes	577,157	570,182
	Note No. 9	Series 1998A Bonds	2,759,544	2,514,075
<i>Other Indebtedness</i>	Capitalized Leases		249,084	265,861
	Trade Grant Note		38,040	38,040
	Other		25,006	25,006
	TOTAL		\$5,063,313	\$4,813,821

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

<i>Debt Service Coverage Ratio Calculations¹</i> <i>[OS Page A-31]</i>			
	<i>Fiscal Years Ended September 30</i>		
	<i>2006</i>	<i>2005</i>	<i>2004</i>
Excess of Revenue over Expenses, plus Depreciation and Interest Expenses (Net Income Available for Debt Service)	\$11,436	\$6,199	\$14,836
Debt Service Requirements for each FY ²	\$4,814	\$4,510	\$4,514
Debt Service Coverage Ratio	2.38	1.37	3.29
Maximum Annual Debt Service Requirements ³	\$5,063	\$4,939	\$4,766
Debt Service Coverage Ratio	2.26	1.26	3.11

¹ Takes into account debt service on Indebtedness Outstanding at the end of each respective FY.
² Calculated for each FY in accordance with the provisions of the Master Indenture.
³ 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, 2006

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<i>Percentages of Gross Patient Service Revenue, By Service</i> <i>[OS Page A-32]</i>					
	<i>Fiscal Years Ended September 30</i>				
	<i>2006</i>	<i>2005</i>	<i>2004</i>	<i>2003</i>	<i>2002</i>
Inpatient	53.3%	53.2%	53.8%	56.0%	58.2%
Outpatient	46.7%	46.8%	46.2%	44.0%	41.8%

CONSOLIDATED FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION

Garden City Hospital and Subsidiaries
Years Ended September 30, 2006 and 2005
With Report of Independent Auditors

Garden City Hospital and Subsidiaries

Consolidated Financial Statements
and Other Financial Information

Years Ended September 30, 2006 and 2005

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Report of Independent Auditors

The Board of Trustees
Garden City Hospital

We have audited the accompanying consolidated balance sheets of Garden City Hospital and subsidiaries as of September 30, 2006 and 2005, 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. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and 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, 2006 and 2005, 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 8, 2006

Garden City Hospital and Subsidiaries

Consolidated Balance Sheets

	September 30	
	2006	2005
Assets		
Current assets:		
Cash and cash equivalents	\$ 9,911,630	\$ 12,799,044
Accounts receivable, less allowance for uncollectible accounts of \$12,606,000 in 2006 and \$11,395,000 in 2005 (<i>Note 2</i>)	10,184,733	8,818,318
Due from third-party payors (<i>Note 2</i>)	–	4,126
Inventories	619,688	554,696
Prepaid expenses and other assets	2,362,558	1,833,530
Total current assets	23,078,609	24,009,714
Assets whose use is limited (<i>Notes 6 and 11</i>)	24,703,323	21,740,670
Other assets:		
Deferred bond costs, less accumulated amortization of \$686,000 in 2006 and \$612,000 in 2005	521,130	594,691
Other	647,361	657,231
Total other assets	1,168,491	1,251,922
Property and equipment, net (<i>Note 7</i>)	33,475,351	32,824,491
Total assets	\$ 82,425,774	\$ 79,826,797

	September 30	
	2006	2005
Liabilities and net assets		
Current liabilities:		
Current portion of obligations under capital leases (<i>Note 9</i>)	\$ 224,026	\$ 223,542
Current portion of long-term debt (<i>Note 8</i>)	3,433,810	3,008,428
Due to third-party payors	1,154,955	704,889
Accounts payable	5,367,352	4,838,296
Accrued benefits payable	4,954,667	3,887,135
Total current liabilities	<u>15,134,810</u>	<u>12,662,290</u>
Other liabilities:		
Reserve for professional liability claims (<i>Note 11</i>)	4,590,753	3,920,992
Pension liability (<i>Note 10</i>)	9,253,970	13,556,219
Obligations under capital leases, less current portion (<i>Note 9</i>)	171,827	397,334
Long-term debt, less current portion (<i>Note 8</i>)	23,673,169	27,074,979
Total other liabilities	<u>37,689,719</u>	<u>44,949,524</u>
Total liabilities	<u>52,824,529</u>	<u>57,611,814</u>
Net assets:		
Unrestricted	29,400,390	22,012,605
Temporarily restricted	200,855	202,378
Total net assets	<u>29,601,245</u>	<u>22,214,983</u>
Total liabilities and net assets	<u>\$ 82,425,774</u>	<u>\$ 79,826,797</u>

See accompanying notes.

Garden City Hospital and Subsidiaries

Consolidated Statements of Operations
and Changes in Net Assets

	Year Ended September 30	
	2006	2005
Unrestricted revenue and other support		
Net patient service revenue <i>(Note 2)</i>	\$ 147,406,569	\$ 141,158,805
Other revenue <i>(Note 3)</i>	4,955,299	4,662,213
Total unrestricted revenue and other support	152,361,868	145,821,018
Expenses		
Wages	59,071,355	59,384,146
Employee benefits	15,312,473	14,354,647
Professional fees	1,283,439	1,159,752
Supplies	24,401,847	22,390,273
Utilities	1,959,758	1,879,402
Purchased services	11,171,956	11,774,319
Other	8,071,756	8,382,290
Insurance	4,750,431	7,194,141
Interest	1,649,631	1,668,974
Depreciation and amortization	4,453,936	3,931,753
Bad debt	15,564,308	13,660,443
Total expenses	147,690,890	145,780,140
Income from operations	4,670,978	40,878
Net nonoperating losses	-	(12,054)
Excess of revenue over expenses	4,670,978	28,824

Continued on next page.

Garden City Hospital and Subsidiaries

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

	Year Ended September 30	
	2006	2005
Unrestricted net assets		
Excess of revenue over expenses	\$ 4,670,978	\$ 28,824
Change in net unrealized appreciation in fair value of investments	220,171	483,545
Change in additional minimum pension liability	<u>2,496,636</u>	<u>(2,152,979)</u>
Increase (decrease) in unrestricted net assets	<u>7,387,785</u>	<u>(1,640,610)</u>
Temporarily restricted net assets		
Contributions	891	164,779
Net assets released from restrictions	<u>(2,414)</u>	<u>–</u>
(Decrease) increase in temporarily restricted net assets	<u>(1,523)</u>	<u>164,779</u>
Increase (decrease) in net assets	7,386,262	(1,475,831)
Net assets at beginning of year	<u>22,214,983</u>	<u>23,690,814</u>
Net assets at end of year	<u>\$ 29,601,245</u>	<u>\$ 22,214,983</u>

See accompanying notes.

Garden City Hospital and Subsidiaries

Consolidated Statements of Cash Flows

	Year Ended September 30	
	2006	2005
Operating activities		
Increase (decrease) in net assets	\$ 7,386,262	\$ (1,475,831)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation and amortization	4,453,936	3,931,753
Change in net unrealized depreciation in fair value of investments	(220,171)	(483,545)
Change in additional minimum pension liability	(2,496,396)	2,152,979
Changes in assets and liabilities:		
Accounts receivable	(1,366,415)	7,891,463
Due to/from third-party payors	454,192	150,973
Inventories, prepaid expenses, and other assets	(584,150)	57,153
Accounts payable	529,056	(358,490)
Accrued benefits payable	1,067,532	(886,553)
Reserve for professional liability claims	669,761	(307,821)
Pension liability	(1,805,853)	(2,170,494)
Net cash provided by operating activities	8,087,754	8,501,587
Investing activities		
Additions to property and equipment – net	(5,031,235)	(5,446,294)
Increase in assets whose use is limited	(2,742,482)	(49,905)
Net cash used in investing activities	(7,773,717)	(5,496,199)
Financing activities		
Payments on capital leases	(225,023)	(216,525)
Payments on long-term debt	(2,976,428)	(2,892,270)
Net cash used in financing activities	(3,201,451)	(3,108,795)
Decrease in cash and cash equivalents	(2,887,414)	(103,407)
Cash and cash equivalents at beginning of year	12,799,044	12,902,451
Cash and cash equivalents at end of year	\$ 9,911,630	\$ 12,799,044
Supplemental disclosures of cash flow information		
Cash paid during the year for interest	\$ 1,649,631	\$ 1,668,974

See accompanying notes.

Garden City Hospital and Subsidiaries

Notes to Consolidated Financial Statements

September 30, 2006

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.

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.

Garden City Hospital and Subsidiaries

Notes to Consolidated Financial Statements (continued)

1. Organization and Significant Accounting Policies (continued)

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

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. 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 by a material amount 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.

The majority of the Corporation's services are reimbursed under fixed price provisions of third-party payment programs (primarily Medicare, Medicaid, and Blue Cross). Net patient service revenue from Medicare, Medicaid and Blue Cross programs accounted for approximately 47%, 9%, and 17% in 2006 and 48%, 10%, and 17% in 2005, respectively. 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.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. Management believes that it is in compliance with such laws and regulations. Compliance with such laws and regulations is subject to government review and interpretation as well as significant regulatory actions, including fines, penalties, and possible exclusion from the Medicare and Medicaid programs

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 (36% and 29%), Blue Cross (10% and 12%), Medicaid (14% and 16%), and managed care, commercial, and self-pay (40% and 43%) at September 30, 2006 and 2005, 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.

Garden City Hospital and Subsidiaries

Notes to Consolidated Financial Statements (continued)

1. Organization and Significant Accounting Policies (continued)

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.

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.

Reclassification

Certain 2005 amounts have been reclassified to conform with the 2006 financial statement presentation.

Garden City Hospital and Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Net Patient Service Revenue

Net patient service revenue consists of the following:

	Year Ended September 30	
	2006	2005
Gross patient service revenue	\$ 313,853,734	\$ 314,124,762
Provisions for contractual and other adjustments	(166,447,165)	(172,965,957)
Net patient service revenue	<u>\$ 147,406,569</u>	<u>\$ 141,158,805</u>

A major portion of the Corporation's gross charges (approximately \$244,559,000 in 2006 and \$243,283,000 in 2005) was provided to patients under health benefit contracts with third-party payors (Medicare, Medicaid, and Blue Cross Blue Shield of Michigan). During 2006, the Hospital recognized an increase of \$2,500,000 in net patient service revenue due to favorable changes in prior year settlement estimates.

3. Other Revenue

Other revenue consists of the following:

	Year Ended September 30	
	2006	2005
Medical office building, rental income	\$ 739,470	\$ 701,949
Cafeteria income	305,418	322,293
Neurosurgery	288,640	302,104
Durable medical supplies revenue	1,211,232	1,428,945
Investment income	1,158,846	798,464
Other	1,251,693	1,108,458
Total	<u>\$ 4,955,299</u>	<u>\$ 4,662,213</u>

Garden City Hospital and Subsidiaries

Notes to Consolidated Financial Statements (continued)

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 \$972,159 and \$(293,827) at September 30, 2006, and \$734,124 and \$(275,963) at September 30, 2005. The following tables summarize 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, 2006 and 2005. The tables further segregates the securities that have been in a gross unrealized gain or loss position as of September 30, 2006 and 2005, for less than twelve months and those for twelve months or longer. The gross unrealized losses of less than twelve months at September 30, 2006 of \$(95,447) 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 at September 30, 2006 of \$(198,380) represent an average 7.2% 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.

	September 30, 2006					
	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:						
Cash and cash equivalents	\$ 2,690,759	\$ (54,879)	\$ -	\$ -	\$ 2,690,759	\$ (54,879)
United States government obligations	297,843	(1,637)	1,336,951	(29,040)	1,634,794	(30,677)
Corporate obligations	268,321	(2,272)	733,043	(33,722)	1,001,364	(35,994)
Subtotal, debt securities	566,164	(3,909)	2,069,994	(62,762)	2,636,158	(66,671)
Marketable equity securities	556,772	(36,659)	473,449	(135,618)	1,030,221	(172,277)
Total investments in loss position	3,813,695	(95,447)	2,543,443	(198,380)	6,357,138	(293,827)
Investments in gain position:						
Cash and cash equivalents	9,952,786	-	-	-	9,952,786	-
United States government obligations	6,605,465	84,861	-	-	6,605,465	84,861
Corporate obligations	534,975	7,757	-	-	534,975	7,757
Subtotal, debt securities	7,140,440	92,618	-	-	7,140,440	92,618
Marketable equity securities	1,085,728	141,466	4,871,756	738,075	5,957,484	879,541
Total investments in gain position	18,178,954	234,084	4,871,756	738,075	23,050,710	972,159
Total investments	<u>\$ 21,992,649</u>	<u>\$ 138,637</u>	<u>\$ 7,415,199</u>	<u>\$ 539,695</u>	<u>\$29,407,848</u>	<u>\$ 678,332</u>

Garden City Hospital and Subsidiaries

Notes to Consolidated Financial Statements (continued)

4. Investments (continued)

	September 30, 2005					
	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	\$ 6,747,933	\$ (56,793)	\$ 1,645,236	\$ (45,869)	\$ 8,393,169	\$(102,662)
Corporate obligations	1,774,361	(35,979)	437,881	(10,774)	2,212,242	(46,753)
Subtotal, debt securities	8,522,294	(92,772)	2,083,117	(56,643)	10,605,411	(149,415)
Marketable equity securities	350,101	(11,709)	1,091,063	(114,839)	1,441,164	(126,548)
Total investments in loss position	8,872,395	(104,481)	3,174,180	(171,482)	12,046,575	(275,963)
Investments in gain position:						
Cash and cash equivalents	14,726,864	-	-	-	14,726,864	-
Marketable equity securities	2,502,854	208,738	2,347,115	525,386	4,849,969	734,124
Total investments in gain position	17,229,718	208,738	2,347,115	525,386	19,576,833	734,124
Total investments	<u>\$ 26,102,113</u>	<u>\$ 104,257</u>	<u>\$ 5,521,295</u>	<u>\$ 353,904</u>	<u>\$ 31,623,408</u>	<u>\$ 458,161</u>

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:

	Year Ended September 30	
	2006	2005
Interest, dividends and realized gains	\$ 1,158,846	\$ 798,464
Change in net unrealized gains	220,171	483,545
Total investment gain	\$ 1,379,017	\$ 1,282,009
Included in operating income	\$ 1,158,846	\$ 798,464
Reported separately as increase in unrestricted net assets	220,171	483,545
Total investment gain	\$ 1,379,017	\$ 1,282,009

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:

	September 30	
	2006	2005
Cash and cash equivalents	\$ 12,643,545	\$ 14,726,864
Marketable equity securities, including mutual funds	6,987,705	6,291,133
Marketable debt securities	9,776,598	10,605,411
	\$ 29,407,848	\$ 31,623,408

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 carrying amount and fair value are as follows:

	September 30, 2006		September 30, 2005	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	\$ 12,643,545	\$ 12,643,545	\$ 14,726,864	\$ 14,726,864
Marketable securities:				
Mutual funds	6,987,705	6,987,705	6,291,133	6,291,133
Debt securities	9,776,598	9,776,598	10,605,411	10,605,411
	\$ 29,407,848	\$ 29,407,848	\$ 31,623,408	\$ 31,623,408
Long-term debt	\$ 27,106,979	\$ 27,037,487	\$ 30,083,407	\$ 30,083,407

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:

	September 30	
	2006	2005
Bond proceeds held by trustee	\$ 2,253,723	\$ 2,258,716
Board designated for capital improvements	16,958,566	16,069,540
Funds held as security for operating lease	235,600	344,696
Funds held in escrow	–	103,383
Investment in multi-provider captive insurance company (<i>Notes 1 and 11</i>)	5,117,105	2,781,306
Pledges receivable	90,000	135,000
Temporarily restricted investments	48,329	48,029
Total	\$ 24,703,323	\$ 21,740,670

7. Property and Equipment

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

	September 30	
	2006	2005
Land and land improvements	\$ 1,944,233	\$ 1,926,312
Buildings and fixed equipment	53,606,604	51,468,153
Furniture and equipment	45,408,362	43,262,660
Construction-in-progress	1,210,297	698,745
	102,169,496	97,355,870
Less accumulated depreciation	68,694,145	64,531,379
Total property and equipment	\$ 33,475,351	\$ 32,824,491

Garden City Hospital and Subsidiaries

Notes to Consolidated Financial Statements (continued)

8. Long-Term Debt

Long-term debt consists of:

	September 30	
	2006	2005
Garden City Hospital Finance Authority:		
Revenue Bonds – Series 1998A	\$ 19,520,000	\$ 20,845,000
Revenue Bonds – Series 1996A	4,035,000	5,265,000
Variable Rate Demand Notes – Series 1997	3,405,000	3,795,000
Other	146,979	178,407
	27,106,979	30,083,407
Less current portion	3,433,810	3,008,428
	\$ 23,673,169	\$ 27,074,979

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 \$1,285,000 to \$1,405,000 through 2009. The Series 1996A Bonds bear interest at a variable rate (3.76% at September 30, 2006) 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 \$410,000 to \$570,000 in 2012. The Series 1997 Notes bear interest at a variable rate (5.33% at September 30, 2006).

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 \$1,420,000 to \$2,305,000 in 2017. The bonds bear interest at rates ranging from 5.62% 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 1996A 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 Corporation's intent to remarket these obligations, if presented. The letters of credit expire on October 15, 2009. There were no borrowings on these letters of credit during fiscal years 2006 and 2005.

The aggregate maturities of long-term debt for years subsequent to September 30, 2006, are as follows:

2007	\$ 3,433,810
2008	3,543,162
2009	3,305,007
2010	1,970,000
2011	2,090,000
Thereafter	<u>12,765,000</u>
Total	<u>\$ 27,106,979</u>

The Corporation has a \$300,000 Letter of Credit outstanding through April 30, 2007, related to workers' compensation claims.

9. Lease Commitments

The Corporation has commitments under various capitalized leases as follows:

2007	\$ 249,084
2008	142,562
2009	<u>39,348</u>
	430,994
Less amounts representing interest	<u>35,141</u>
Minimum lease payments	<u>\$ 395,853</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 at September 30, 2006 and 2005. Related accumulated amortization was approximately \$756,051 and \$556,760 at September 30, 2006 and 2005, respectively.

Total rental expense attributable to operating leases amounted to approximately \$1,978,000 and \$1,926,000 for years ended September 30, 2006 and 2005, 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. The Corporation elected to freeze the pension benefits to reduce the expected increase in pension for future years.

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 \$850,027 and \$858,806 for the years ended September 30, 2006 and 2005, respectively.

Garden City Hospital and Subsidiaries

Notes to Consolidated Financial Statements (continued)

10. Employee Benefits (continued)

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, 2006 and 2005.

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, 2006 and 2005, and a statement of the funded status as of September 30, 2006 and 2005:

	Year Ended September 30	
	2006	2005
Reconciliation of benefit obligation:		
Benefit obligation at the beginning of year	\$ 55,432,674	\$ 52,072,168
Interest cost	3,033,719	3,018,151
Actuarial loss (gain)	(1,419,850)	2,452,308
Benefits paid	(2,053,519)	(2,109,953)
Benefit obligation at the end of year	<u>54,993,024</u>	<u>55,432,674</u>
Reconciliation of fair value of plan assets:		
Fair value of plan assets at beginning of year	41,876,455	38,498,434
Actual return on plan assets	3,316,118	2,787,974
Employer contributions	2,600,000	2,700,000
Benefits paid	(2,053,519)	(2,109,953)
Fair value of plan assets at end of year	<u>45,739,054</u>	<u>41,876,455</u>
Funded status at September 30	(9,253,970)	(13,556,219)
Unrecognized net actuarial loss	16,525,706	19,022,342
Additional minimum pension liability	(16,525,706)	(19,022,342)
Accrued benefit cost	<u>\$ (9,253,970)</u>	<u>\$ (13,556,219)</u>

Garden City Hospital and Subsidiaries

Notes to Consolidated Financial Statements (continued)

10. Employee Benefits (continued)

The accumulated benefit obligation for the plan was \$54,993,024 and \$55,432,674 at September 30, 2006 and 2005, respectively. The Hospital recorded an additional minimum pension liability of \$16,525,706 and \$19,022,342 at September 30, 2006 and 2005, respectively to bring the recorded pension liability to equal the excess of the accumulated benefit obligation over the fair value of plan assets. The change in the additional minimum pension liability resulted in a \$2,496,396 and \$2,152,979 increase to unrestricted net assets during the at September 30, 2006 and 2005, respectively.

Amounts recognized in the statement of financial position consist of:

	Year Ended September 30	
	2006	2005
Accrued pension liability	\$ (9,253,970)	\$(13,556,219)
Decrease in unrestricted net assets	16,525,706	19,022,342
Net amount recognized	\$ 7,271,736	\$ 5,466,123

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

	Year Ended September 30	
	2006	2005
Interest cost on projected benefit obligation	\$ 3,033,719	\$ 3,018,151
Expected return on assets gain	(3,574,031)	(3,489,971)
Amortization of loss	1,334,699	1,001,326
Net pension expense	794,387	529,506
Defined contribution plan expense	850,027	858,806
Net pension expense	\$ 1,644,414	\$ 1,388,312

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:

	September 30	
	2006	2005
Weighted-average discount rate	5.80%	5.60%
Weighted-average rate of compensation increase	N/A%	4.00%
Measurement date	September 30	September 30

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

	September 30	
	2006	2005
Weighted-average discount rate	5.60%	6.00%
Weighted-average rate of compensation increase	N/A%	4.00%
Weighted-average expected long term rate of return on plan assets	8.50%	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 2006 and 2005, and the target allocation for fiscal 2007, by asset category, is as follows:

<u>Asset Category</u>	Target Allocation	Percentage of Plan Assets at Year End	
	2007	2006	2005
Equity securities	58.0%	59.6%	58.8%
Debt securities	42.0	38.2	40.4
Other	–	2.2	0.8
Total	<u>100.0%</u>	<u>100.0%</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:

	<u>Pension Benefits</u>
Expected employer contributions:	
2007	\$ –
Expected benefit payments:	
2007	\$ 2,249,000
2008	2,337,000
2009	2,363,000
2010	2,509,000
2011	2,598,000
2012– 2016	15,446,000

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.

On September 29, 2006, the Financial Accounting Standards Board (the FASB) issued Statement of Financial Accounting Standards No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106 and 132(R)* (Statement 158). The new standard applies to all plan sponsors who offer defined benefit postretirement benefit plans. Statement 158 requires an entity to recognize in its balance sheet an asset for a defined benefit postretirement plan's overfunded status or a liability for a plan's underfunded status, measure a defined benefit postretirement plan's assets and obligations that determine its funded status as of the end of the employer's fiscal year, and recognize changes in the funded status of defined benefit postretirement plan in changes in unrestricted net assets in the year in which the change occurs.

Statement 158 does not change the amount of net periodic benefit cost included in the excess of revenue over expenses or address the various measurement issues associated with postretirement plan accounting. The requirement to recognize the funded status of a defined benefit postretirement plan and disclosure requirements are effective for the year ending September 30, 2007.

Garden City Hospital and Subsidiaries

Notes to Consolidated Financial Statements (continued)

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. On July 1, 2006, the Corporation obtained a 50% interest in Medilink Insurance Company, Ltd. The investment is recorded on the equity method of accounting and net carrying value of the Corporation's interest was \$5,117,105 at September 30, 2006 and \$2,781,306 at September 30, 2005. 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 5.5% per annum at September 30, 2006 (5.5% at September 30, 2005). The premiums paid to the multi-provider captive are offset against the estimated liability. Approximately \$3,828,000 and \$6,059,000 was included in insurance expense for professional liability for the years ended September 30, 2006 and 2005, respectively.

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.

Garden City Hospital and Subsidiaries

Notes to Consolidated Financial Statements (continued)

12. Functional Expenses

Expenses classified by function are as follows:

	Year Ended September 30	
	2006	2005
Health care services	\$ 88,027,660	\$ 85,786,372
General and administrative	37,995,355	40,732,598
Bad debts	15,564,308	13,660,443
Depreciation and amortization	4,453,936	3,931,753
Interest	1,649,631	1,668,974
Total	<u>\$ 147,690,890</u>	<u>\$ 145,780,140</u>

13. Commitments

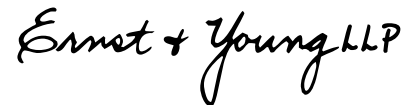
The Corporation had commitments of approximately \$20,000,000 for the acquisition of property and equipment at September 30, 2006.

Other Financial Information

Report of Independent Auditors on Other Financial Information

The 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 and the consolidating statement 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.



December 8, 2006

Garden City Hospital and Subsidiaries

Consolidating Balance Sheet

September 30, 2006

	Consolidated	Consolidation Adjustments	Garden City Hospital	Garden City Hospital Foundation	Amerigard Development	United Home Health Services	United Home Care Services	Amerigard Diagnostic Centre	Advance Nursing Center
Assets									
Current assets:									
Cash and cash equivalents	\$ 9,911,630	\$ —	\$ 8,962,191	\$ 82,571	\$ 145,416	\$ 237,923	\$ —	\$ 104,220	\$ 379,309
Accounts receivable	10,184,733	—	8,812,198	—	281,149	258,089	—	212,244	621,053
Due from third-party payors	—	—	—	—	—	—	—	—	—
Inventories	619,688	—	619,688	—	—	—	—	—	—
Prepaid expenses and other assets	2,362,558	—	1,965,466	—	218,372	18,348	—	10,467	149,905
Total current assets	<u>23,078,609</u>	<u>—</u>	<u>20,359,543</u>	<u>82,571</u>	<u>644,937</u>	<u>514,360</u>	<u>—</u>	<u>326,931</u>	<u>1,150,267</u>
Assets who use is limited	24,703,323	—	24,613,323	90,000	—	—	—	—	—
Due from related parties	—	(1,346,059)	520,729	78,838	—	—	—	—	746,492
Other assets:									
Deferred bond costs, net	521,130	—	521,130	—	—	—	—	—	—
Other	647,361	—	610,140	4,000	—	16,535	—	16,686	—
Total other assets	<u>1,168,491</u>	<u>—</u>	<u>1,131,270</u>	<u>4,000</u>	<u>—</u>	<u>16,535</u>	<u>—</u>	<u>16,686</u>	<u>—</u>
Property and equipment, net	33,475,351	—	31,925,833	3,330	769,707	78,294	—	20,977	677,210
Total assets	<u>\$ 82,425,774</u>	<u>\$ (1,346,059)</u>	<u>\$ 78,550,698</u>	<u>\$ 258,739</u>	<u>\$ 1,414,644</u>	<u>\$ 609,189</u>	<u>\$ —</u>	<u>\$ 364,594</u>	<u>\$ 2,573,969</u>

Garden City Hospital and Subsidiaries
Consolidating Balance Sheet (continued)

	Consolidated	Consolidation Adjustments	Garden City Hospital	Garden City Hospital Foundation	Amerigard Development	United Home Health Services	United Home Care Services	Amerigard Diagnostic Centre	Advance Nursing Center
Liabilities and net assets									
Current liabilities:									
Current portion of obligations under capital leases	\$ 224,026	\$ –	\$ 224,026	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –
Current portion of long-term debt	3,433,810	–	3,401,810	–	–	32,000	–	–	–
Due to third-party payors	1,154,955	–	1,144,896	–	–	–	–	–	10,059
Accounts payable	5,367,352	–	4,934,877	38,661	57,433	25,823	–	50,530	260,028
Accrued benefits payable	4,954,667	–	4,550,582	–	95,725	166,267	–	10,501	131,592
Total current liabilities	15,134,810	–	14,256,191	38,661	153,158	224,090	–	61,031	401,679
Other liabilities:									
Reserve for professional liability claims	4,590,753	–	4,590,753	–	–	–	–	–	–
Pension liability	9,253,970	–	9,253,970	–	–	–	–	–	–
Due to related parties	–	(1,346,059)	–	–	(348,690)	205,255	48,000	1,441,494	–
Obligations under capital leases, less current portion	171,827	–	171,827	–	–	–	–	–	–
Long-term debt, less current portion	23,673,169	–	23,673,169	–	–	–	–	–	–
Total other liabilities	37,689,719	(1,346,059)	37,689,719	–	(348,690)	205,255	48,000	1,441,494	–
Total liabilities	52,824,529	(1,346,059)	51,945,910	38,661	(195,532)	429,345	48,000	1,502,525	401,679
Net assets:									
Unrestricted (deficit)	29,400,390	–	26,556,459	67,552	1,610,176	179,844	(48,000)	(1,137,931)	2,172,290
Temporarily restricted	200,855	–	48,329	152,526	–	–	–	–	–
Total net assets (deficit)	29,601,245	–	26,604,788	220,078	1,610,176	179,844	(48,000)	(1,137,931)	2,172,290
Total liabilities and net assets	\$ 82,425,774	\$ (1,346,059)	\$78,550,698	\$ 258,739	\$ 1,414,644	\$ 609,189	\$ –	\$ 364,594	\$2,573,969

Garden City Hospital and Subsidiaries
Consolidating Statement of Operations and
Changes in Net Assets

Year Ended September 30, 2006

	Consolidated	Consolidating Adjustments	Garden City Hospital	Garden City Hospital Foundation	Amerigard Development	United Home Health Services	United Home Care Services	Amerigard Diagnostic Centre	Advance Nursing Center
Unrestricted revenue and other support									
Net patient service revenue	\$147,406,569	\$ –	\$134,260,301	\$ –	\$ 4,315,919	\$ 3,043,684	\$ –	\$ 1,295,842	\$ 4,490,823
Other revenue	4,955,299	(155,288)	4,598,986	356,296	115,020	20,928	–	2,462	16,895
Total unrestricted revenue and other support	152,361,868	(155,288)	138,859,287	356,296	4,430,939	3,064,612	–	1,298,304	4,507,718
Expenses									
Wages	59,071,355	–	50,797,955	130,676	3,422,281	1,988,461	–	220,248	2,511,734
Employee benefits	15,312,473	–	14,041,281	22,517	509,933	390,651	–	37,068	311,023
Professional fees	1,283,439	–	1,175,754	13,386	30,752	9,669	–	1,993	51,885
Supplies	24,401,847	–	23,511,373	18,262	300,974	76,622	–	56,460	438,156
Utilities	1,959,758	–	1,696,928	–	89,160	50,999	–	17,454	105,217
Purchased services	11,171,956	–	9,737,766	84,240	229,894	121,481	–	577,044	421,531
Other	8,071,756	(155,288)	6,739,314	88,738	399,209	302,486	–	264,697	432,600
Insurance	4,750,431	–	4,246,215	–	281,909	52,451	–	3,154	166,702
Interest	1,649,631	–	1,648,980	–	–	651	–	–	–
Depreciation/amortization	4,453,936	–	4,216,164	2,748	108,143	42,514	–	10,757	73,610
Bad debt	15,564,308	–	15,476,298	–	80,448	–	–	7,562	–
Total expenses	147,690,890	(155,288)	133,288,028	360,567	5,452,703	3,035,985	–	1,196,437	4,512,458
Income (loss) from operations	4,670,978	–	5,571,259	(4,271)	(1,021,764)	28,627	–	101,867	(4,740)
Excess of revenue over expenses (expenses over revenue)	4,670,978	–	5,571,259	(4,271)	(1,021,764)	28,627	–	101,867	(4,740)

Garden City Hospital and Subsidiaries

Consolidating Statement of Operations and Changes in Net Assets (continued)

	Consolidated	Consolidating Adjustments	Garden City Hospital	Garden City Hospital Foundation	Amerigard Development	United Home Health Services	United Home Care Services	Amerigard Diagnostic Centre	Advance Nursing Center
Unrestricted net assets									
Excess of (expenses over revenue) revenue over expenses	4,670,978	-	5,571,259	(4,271)	(1,021,764)	28,627	-	101,867	(4,740)
Change in net unrealized appreciation in fair value of investments	220,171	-	220,171	-	-	-	-	-	-
Change in additional minimum pension liability	2,496,636	-	2,496,636	-	-	-	-	-	-
Transfer to/from affiliate	-	-	(914,000)	(9,505,316)	10,419,316	-	-	-	-
(Decrease) increase in unrestricted net assets	7,387,785	-	7,374,066	(9,509,587)	9,397,552	28,627	-	101,867	(4,740)
Temporarily restricted net assets									
Contributions	891	-	300	591	-	-	-	-	-
	(2,414)	-	-	(2,414)	-	-	-	-	-
Increase in temporarily restricted net assets	(1,523)	-	300	(1,823)	-	-	-	-	-
(Decrease) increase in net assets	7,386,262	-	7,374,366	(9,511,410)	9,397,552	28,627	-	101,867	(4,740)
Net assets at beginning of year	22,214,983	-	19,230,422	9,731,488	(7,787,376)	151,217	(48,000)	(1,239,798)	2,177,030
Net assets at end of year	<u>\$ 29,601,245</u>	<u>\$ -</u>	<u>\$ 26,604,788</u>	<u>\$ 220,078</u>	<u>\$ 1,610,176</u>	<u>\$ 179,844</u>	<u>\$ (48,000)</u>	<u>\$(1,137,931)</u>	<u>\$ 2,172,290</u>