

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

(originally assigned)

365128AJ6

365128AK3

(new - prerefunded)

365128AL1

365128AM9

(new - unrefunded balance)

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) 46 Paper (number of pages attached) _____

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

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):

\$46,870,000

Garden City Hospital Finance Authority (Michigan)

Hospital Revenue and Refunding Bonds, Series 2007A

Garden City Hospital Obligated Group

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

365128AG2

365128AH0

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) 46 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 2006 – September 2007 (FY2007)

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

Fiscal Period Covered: October 2006 – September 2007 (FY2007)

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 I. 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 Daniel R. Babb 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 Dhabb@gchosp.org Obligor Web Site Address www.gchosp.org

Investor Relations Contact, if any:

Name _____ Title _____
Telephone _____ Email Address _____

GARDEN CITY HOSPITAL, OSTEOPATHIC
6245 INKSTER ROAD
GARDEN CITY, MI 48135

OFFICER'S CERTIFICATE

DATED: March 3, 2008

This Officer's Certificate is delivered pursuant to Section 5.10(b)(iii) of the Loan Agreement between Garden City Hospital (the Corporation) and the Garden City Hospital Finance Authority (the Issuer), dated as of February 15, 2007. All capitalized terms used herein are as defined in the Loan Agreement, in the Trust Indenture between the Issuer and Wells Fargo Bank, N.A., as Bond Trustee, dated as of February 15, 2007, or in the Amended and Restated Master Indenture and Security Agreement between the Corporation and Wells Fargo Bank, N.A., as Master Trustee, dated as of February 15, 2007.

As required by Section 5.10(a) of the Loan Agreement, attached is the Annual Report referenced therein. The Annual Report contains audited financial statements for the Fiscal Year (FY) ended September 30, 2007 as required by Section 5.10(b)(i) of the Loan Agreement, updates of certain tables of financial and statistical data contained in Appendix A to the Official Statement dated March 7, 2007 relating to the Series 2007 Bonds as required by Section 5.10(b)(ii) of the Loan Agreement.

As required by Section 5.10(b)(iii) of the Loan Agreement, the undersigned certifies that:

1. I am the Chief Financial Officer of the Corporation and duly authorized to deliver this Officer's Certificate;
2. the Obligated Group is in compliance with the Debt Service Coverage Ratio financial covenant, as required by Section 501(b)(ii) of the Master Indenture, with respect to the Fiscal Year ended September 30, 2007, the calculation for which follows:

<i>Debt Service Coverage Ratio Calculation</i> <i>Fiscal Year Ended September 30, 2007</i> <i>Per Section 5.01(b)(ii) of the Master Indenture</i> <i>(\$000s omitted, except for the Debt Service Coverage Ratio)</i>		
	Excess of Revenue over Expenses	3,784
	Plus: Depreciation and Amortization Expense	4,527
	Plus: Interest Expense	1,440
	Plus: Loss on Extinguishment of Debt included in Excess of Revenue over Expenses	326
NIADS	Net Income Available for Debt Service	10,077
MADS	Maximum Annual Debt Service Requirements	3,650
NIADS ÷ MADS	Debt Service Coverage Ratio	2.76
	Required Level	1.20

3. the Obligated Group is in compliance with the Days Cash on Hand financial covenant, as required by Section 5.01(e) of the Master Indenture, with respect to the last day of the Fiscal Year ended September 30, 2007 and based on Daily Operating Expenses for the Fiscal Year ended September 30, 2007, the calculation for which follows:

<i>Days Cash on Hand Calculation</i> <i>at the September 30, 2007</i> <i>Per Section 5.01(e) of the Master Indenture</i> <i>(\$000s omitted, except for Days Cash on Hand)</i>		
	Non-restricted Cash	8,877
	Plus: Funded Depreciation and Unrestricted Investments	15,272
	Minus: Short-Term Indebtedness	0
FA	Financial Assets	24,149
	Operating Expenses	137,257
	Minus: Depreciation	4,527
DOE	Daily Operating Expenses	364
FA ÷ DOE	Days Cash on Hand	66
	Required Level	50

4. the Obligated Group is in compliance with the trade accounts payable financial covenant, as required by Section 501(d) of the Master Indenture, the calculation for which follows

<i>Average Age of Trade Accounts Payable, FY2007</i> <i>Master Indenture §501(d)</i>		
Trade Accounts Payable at FYE2007	AP	6,875,139
Average Daily Trade Accounts Payable during FY2007	ADAP	128,008
Average Age of Trade Accounts Payable (days)	AP / ADAP	53.7

5. no Events of Default under the Master Indenture, the Loan Agreement or any other document relating to the Series 1998 Bonds or the Series 2007 Bonds have occurred or are continuing.

In addition, pursuant to Section 5.10(b)(iv) of the Loan Agreement, management offered comments on the Obligated Group's financial condition and other matters via the quarterly continuing disclosure report relating to FY2007Q4. The next such comments will be included with the quarterly continuing disclosure report relating to FY2008Q1.

GARDEN CITY HOSPITAL, OSTEOPATHIC
for itself and as Obligated Group Agent on behalf of the Obligated Group



By: Daniel R. Babb, Vice President and Chief Financial Officer

GARDEN CITY HOSPITAL OBLIGATED GROUP

ANNUAL REPORT FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007 (FY2007)

Unless otherwise noted, all data apply to the Fiscal Year Ended September 30, 2007, or are accurate as of September 30, 2007, as appropriate. OS pages refer to the Official Statement relating to the Securities, dated March 7, 2007. The source of all data is the Corporation's records.

<i>Historical Adult Medical/Surgical Utilization (excludes newborns) [OS Page A-36]</i>					
	<i>Fiscal Years Ended September 30</i>				
	<i>2007</i>	<i>2006</i>	<i>2005</i>	<i>2004</i>	<i>2003</i>
Days in Period	365	365	365	366	365
Licensed Beds	323	323	323	323	323
Available Beds	180	180	180	180	180
Admissions	7,895	8,572	8,752	9,602	9,406
Patient Days	41,326	43,002	43,881	46,710	46,083
Average Daily Census	113.2	117.8	120.2	127.6	126.3
Average Length of Stay	5.2	5.0	5.0	4.9	4.9
Occupancy Rate ¹ (%)	62.9	65.5	66.8	70.9	70.1
¹ Based on Available Beds					

MUNICIPAL SECONDARY MARKET DISCLOSURE
Garden City Hospital Finance Authority / Garden City Hospital Obligated Group
Fiscal Year Ended September 30, 2007
Page 2

<i>Historical Pediatrics Utilization</i> (excludes newborns) [OS Page A-37]					
	<i>Fiscal Years Ended September 30</i>				
	<i>2007</i>	<i>2006</i>	<i>2005</i>	<i>2004</i>	<i>2003</i>
Days in Period	365	365	365	366	365
Licensed Beds ¹	23	23	23	23	23
Available Beds	18	18	16	16	16
Admissions	300	313	341	313	386
Patient Days	600	626	629	603	716
Average Daily Census	1.6	1.7	1.7	1.6	2.0
Average Length of Stay	2.0	2.0	1.8	1.9	1.9
Occupancy Rate ¹ (%)	9.1	9.5	10.8	10.3	12.3
¹ Based on Available Beds					

<i>Historical Obstetrics Utilization</i> (excludes newborns) [OS Page A-37]					
	<i>Fiscal Years Ended September 30</i>				
	<i>2007</i>	<i>2006</i>	<i>2005</i>	<i>2004</i>	<i>2003</i>
Days in Period	365	365	365	366	365
Licensed Beds	14	14	14	14	14
Available Beds	6	6	10	10	10
Admissions	887	780	757	837	897
Patient Days	1,751	1,476	1,506	1,629	1,678
Average Daily Census	4.8	4.0	4.1	4.5	4.6
Average Length of Stay	2.0	1.9	2.0	1.9	1.9
Occupancy Rate ¹ (%)	80.0	67.4	41.3	44.5	46.0
¹ Based on Available Beds					

MUNICIPAL SECONDARY MARKET DISCLOSURE
Garden City Hospital Finance Authority / Garden City Hospital Obligated Group
Fiscal Year Ended September 30, 2007
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<i>Historical Rehabilitation Utilization</i>					
<i>[OS Page A-38]</i>					
	<i>Fiscal Years Ended September 30</i>				
	<i>2007</i>	<i>2006</i>	<i>2005</i>	<i>2004</i>	<i>2003</i>
Days in Period	365	365	365	366	365
Licensed Beds ¹	0	0	0	0	0
Available Beds	18	18	24	24	24
Admissions	397	413	524	695	711
Patient Days	5,276	5,275	6,587	7,667	7,774
Average Daily Census	14.5	14.5	18.0	20.9	21.3
Average Length of Stay	13.3	12.8	12.6	11.0	10.9
Occupancy Rate ² (%)	80.3	80.3	75.2	87.3	88.7
¹ 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-38]</i>					
	<i>Fiscal Years Ended September 30</i>				
	<i>2007</i>	<i>2006</i>	<i>2005</i>	<i>2004</i>	<i>2003</i>
Days in Period	365	365	365	366	365
Licensed Beds	323	323	323	323	323
Available Beds	222	222	230	230	230
Admissions	9,479	10,078	10,374	11,447	11,400
Patient Days	48,953	50,379	52,603	56,609	56,251
Average Daily Census	134.1	138.0	144.1	154.7	154.1
Average Length of Stay	5.2	5.0	5.1	4.9	4.9
Occupancy Rate ¹ (%)	60.4	62.2	62.7	67.2	67.0
¹ Based on Available Beds					

MUNICIPAL SECONDARY MARKET DISCLOSURE

Garden City Hospital Finance Authority / Garden City Hospital Obligated Group

Fiscal Year Ended September 30, 2007

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<i>Historical Outpatient Utilization, in Visits</i> <i>[OS Page A-39]</i>					
	<i>Fiscal Years Ended September 30</i>				
	<i>2007</i>	<i>2006</i>	<i>2005</i>	<i>2004</i>	<i>2003</i>
Emergency Department	44,191	43,712	42,924	41,810	41,777
Scheduled Outpatient Registrations	61,585	59,911	62,248	58,770	51,188

<i>Surgical Procedures</i> <i>[OS Page A-39]</i>					
	<i>Fiscal Years Ended September 30</i>				
	<i>2007</i>	<i>2006</i>	<i>2005</i>	<i>2004</i>	<i>2003</i>
Inpatient	2,162	2,201	2,375	2,443	2,417
Outpatient	4,460	4,574	4,550	4,621	4,870
Total	6,622	6,775	6,925	7,064	7,287
Percent Outpatient	67.4%	67.5%	65.7%	65.4%	66.8%

MUNICIPAL SECONDARY MARKET DISCLOSURE
Garden City Hospital Finance Authority / Garden City Hospital Obligated Group
Fiscal Year Ended September 30, 2007
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<i>Ancillary Services Provided to Inpatients</i>					
<i>[OS Page A-40]</i>					
	<i>Fiscal Years Ended September 30</i>				
	<i>2007</i>	<i>2006</i>	<i>2005</i>	<i>2004</i>	<i>2003</i>
Laboratory ¹	455,982	434,213	459,473	457,639	461,071
CT Scanning ²	6,339	6,446	6,494	6,057	5,688
MRI Scans ²	625	519	463	332	348
Other Radiology ²	21,286	21,606	21,110	21,666	21,913
Ultrasonography ²	3,625	3,615	3,490	2,991	2,505
Nuclear Medicine ²	3,129	3,980	3,579	4,205	4,269
Electrocardiography ¹	12,898	13,487	7,564	6,286	7,808
Electroencephalography ¹	495	547	754	951	1,055
Cardiac Catheterization ³	1,032	798	581	555	639
Cardiovascular Lab ^{4,5}	9,410	9,356	8,038	8,532	5,856
Physical Therapy ⁵	38,924	34,310	37,775	41,167	42,625
Occupational Therapy ⁵	14,670	10,678	9,413	9,352	11,319
Speech Therapy ⁵	6,817	6,427	4,046	3,774	4,474
Endoscopy ³	985	1,217	1,206	1,184	1,187
Respiratory Therapy ³	122,626	124,378	119,448	113,793	107,510
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, 2007
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<i>Ancillary Services Provided to Outpatients</i>					
<i>[OS Page A-41]</i>					
	<i>Fiscal Years Ended September 30</i>				
	<i>2007</i>	<i>2006</i>	<i>2005</i>	<i>2004</i>	<i>2003</i>
Laboratory ¹	334,231	293,408	312,798	313,034	289,825
CT Scanning ³	11,546	11,420	11,578	10,271	8,968
MRI Scans ²	3,384	3,413	3,296	3,238	3,170
Other Radiology ³	31,676	32,408	30,508	29,194	27,583
Ultrasonography ²	7,835	7,735	7,430	6,838	5,614
Nuclear Medicine ²	4,116	4,701	4,809	5,266	4,812
Electrocardiography ¹	14,767	7,627	13,238	12,274	13,303
Electroencephalography ¹	224	222	322	591	589
Cardiac Catheterization ⁴	864	783	392	360	296
Cardiovascular Lab ^{4,5}	6,648	5,450	2,679	2,844	1,952
Cardiac Rehabilitation ⁶	7,000	7,840	8,783	10,161	10,337
Physical Therapy ⁶	40,423	39,177	47,658	44,345	47,528
Occupational Therapy ⁶	2,486	2,147	1,092	1,227	1,168
Speech Therapy ⁶	1,937	1,994	1,863	2,150	2,200
Endoscopy ⁴	4,361	4,534	4,326	3,877	3,912
Respiratory Therapy ⁴	6,607	6,749	7,390	7,838	7,584
Pain Management ⁶	1,737				
Wound Care ⁶	3,554				
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, 2007

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<i>Percentage of Gross Revenue by Payor Category</i> <i>[OS Page A-46]</i>					
	<i>Fiscal Years Ended September 30</i>				
	<i>2007</i>	<i>2006</i>	<i>2005</i>	<i>2004</i>	<i>2003</i>
Medicare	47.3%	45.2%	46.3%	45.5%	47.0%
Medicaid (QHPs and other)	12.9%	12.7%	12.1%	10.7%	11.6%
Blue Cross Traditional (indemnity)	2.1%	2.5%	3.6%	5.5%	8.4%
Blue Preferred and Blue Care Network (managed care)	19.0%	17.3%	15.5%	16.2%	14.3%
Self Pay	5.9%	5.4%	5.1%	4.4%	3.5%
Commercial Insurers, Managed Care Plans ¹ and Other	12.8%	16.9%	17.4%	17.7%	15.2%
Total	100.0%	100.0%	100.0%	100.0%	100.0%
¹ Other than Blue Preferred and Blue Care Network					

<i>Percentages of Gross Patient Service Revenue, By Service</i> <i>[OS Page A-46]</i>					
	<i>Fiscal Years Ended September 30</i>				
	<i>2007</i>	<i>2006</i>	<i>2005</i>	<i>2004</i>	<i>2003</i>
Inpatient	51.0%	53.3%	53.2%	53.8%	56.0%
Outpatient	49.0%	46.7%	46.8%	46.2%	44.0%

MUNICIPAL SECONDARY MARKET DISCLOSURE

**Garden City Hospital Finance Authority / Garden City Hospital Obligated Group
Fiscal Year Ended September 30, 2007**

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<i>Summary of Financial Operations of the Corporation</i> <i>(\$000s omitted)</i> <i>[OS Page A-47]</i>				
	<i>Fiscal Years Ended September 30</i>			
	<i>2007</i>	<i>2006</i>	<i>2005</i>	<i>2004</i>
Net Patient Service Revenue	\$135,601	\$134,260	\$128,610	\$132,281
Other Revenue	<u>5,767</u>	<u>4,599</u>	<u>4,180</u>	<u>3,481</u>
Total Revenue and Other Support	141,368	138,859	132,790	135,762
Depreciation Expense	4,527	4,216	3,659	3,747
Interest Expense	1,440	1,649	1,663	1,732
Bad Debt Expense	15,063	15,476	13,581	13,886
Other Operating Expenses	<u>116,228</u>	<u>111,947</u>	<u>113,010</u>	<u>106,791</u>
Total Operating Expenses	137,257	133,288	131,913	126,156
Income (Loss) from Operations	4,110	5,571	877	9,606
Net Nonoperating Revenue (Loss) ¹	<u>(326)</u>	<u>0</u>	<u>0</u>	<u>(249)</u>
Excess of Revenue over Expenses	<u>\$3,784</u>	<u>\$5,571</u>	<u>\$877</u>	<u>\$9,357</u>
Net Income Available for Debt Service ²	\$10,077	\$11,436	\$6,199	\$14,836
¹ The FY2007 Net Nonoperating Loss represented a loss on extinguishment of debt ² Equal to Excess of Revenue over Expenses (without recognition of the loss on extinguishment of debt) + Depreciation Expense + Interest Expense				

MUNICIPAL SECONDARY MARKET DISCLOSURE

Garden City Hospital Finance Authority / Garden City Hospital Obligated Group

Fiscal Year Ended September 30, 2007

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<i>Balance Sheet Summary</i> (<i>\$000s omitted</i>) (<i>OS Page A-52</i>)				
	<i>Fiscal Years Ended September 30</i>			
	<i>2007</i>	<i>2006</i>	<i>2005</i>	<i>2004</i>
Cash and Cash Equivalents ¹	\$8,877	\$8,962	\$11,789	\$11,776
Net Patient Accounts Receivable	8,133	8,812	7,575	15,433
Other Current Assets	<u>2,526</u>	<u>2,586</u>	<u>2,094</u>	<u>2,253</u>
Total Current Assets	19,537	20,360	21,458	29,462
Board-Designated Investments ¹	15,272	16,959	16,070	15,075
Net Property and Equipment	38,283	31,926	31,279	29,611
Other Non-Current Assets	<u>37,245</u>	<u>9,306</u>	<u>7,112</u>	<u>6,735</u>
Total Assets	\$110,336	\$78,551	\$75,919	\$80,883
Current Liabilities	\$13,191	\$14,256	\$11,739	\$12,749
Long-Term Debt, net of Current Portion	55,519	23,845	27,472	30,702
Other Non-Current Liabilities	5,633	13,845	17,478	16,897
Unrestricted Net Assets ²	<u>35,994</u>	<u>26,605</u>	<u>19,230</u>	<u>20,535</u>
Total Liabilities and Net Assets	\$110,336	\$78,551	\$75,919	\$80,883
¹ Used in "Days' Cash on Hand," "Pro Forma Cushion Ratio" and "Unrestricted Cash / Pro Forma Debt" calculations ² Includes less than \$100,000 of Temporarily Restricted Net Assets in each FY Note: some figures might not add precisely due to rounding				

MUNICIPAL SECONDARY MARKET DISCLOSURE

**Garden City Hospital Finance Authority / Garden City Hospital Obligated Group
Fiscal Year Ended September 30, 2007**

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<i>Case-Mix Indices (Acute Care Services except the Rehab Unit) [OS Page A-56]</i>					
<i>Fiscal Years Ended September 30</i>					
	<i>2007</i>	<i>2006</i>	<i>2005</i>	<i>2004</i>	<i>2003</i>
Overall	1.1626	1.1844	1.1684	1.1466	1.1356
Medicare	1.3632	1.3445	1.3532	1.3120	1.3166

<i>Most Prevalent DRGs, FY2007 (excludes newborns and Rehab Unit discharges) [OS Page A-56]</i>				
<i>DRG</i>	<i>Description</i>	<i>Discharges</i>	<i>Percent</i>	<i>Cumulative Percent</i>
373	Vaginal delivery without comorbidities and/or complications	544	5.3%	5.3%
127	Heart failure and shock	391	3.8%	9.2%
89	Simple pneumonia and pleurisy, age > 17, with comorbidities and/or complications	360	3.5%	12.7%
88	Chronic obstructive pulmonary disease	359	3.5%	16.3%
143	Chest pain	274	2.7%	19.0%
544	Major joint replacement or reattachment of lower extremity	274	2.7%	21.6%
320	Kidney and urinary tract infections age > 17, with comorbidities and/or complications	218	2.1%	23.8%
316	Renal failure	196	1.9%	25.7%
371	Cesarean section without comorbidities and/or complications	184	1.8%	27.5%
174	Gastrointestinal hemorrhage with comorbidities and/or complications	132	1.3%	28.8%

CONSOLIDATED FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION

Garden City Hospital and Subsidiaries
Years Ended September 30, 2007 and 2006
With Report of Independent Auditors

Garden City Hospital and Subsidiaries

Consolidated Financial Statements
and Other Financial Information

Years Ended September 30, 2007 and 2006

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Report of Independent Auditors

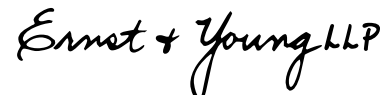
The Board of Trustees
Garden City Hospital

We have audited the accompanying consolidated balance sheets of Garden City Hospital and subsidiaries as of September 30, 2007 and 2006, 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 Corporation'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 Corporation'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 Corporation'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, 2007 and 2006, 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.

As discussed in Notes 1 and 11 to the consolidated financial statements, the Corporation adopted the recognition provisions of 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)*, in 2007, which changed its method of accounting for its defined benefit pension plan.



January 22, 2008

Garden City Hospital and Subsidiaries

Consolidated Balance Sheets

	September 30	
	2007	2006
Assets		
Current assets:		
Cash and cash equivalents	\$ 9,584,028	\$ 9,911,630
Accounts receivable, less allowance for uncollectible accounts of \$12,366,000 in 2007 and \$12,606,000 in 2006 (<i>Note 3</i>)	9,287,140	10,184,733
Inventories	669,705	619,688
Assets held for sale	623,009	-
Prepaid expenses and other assets	2,150,271	2,362,558
Total current assets	22,314,153	23,078,609
Assets whose use is limited (<i>Notes 7 and 12</i>)	51,394,822	24,703,323
Other assets:		
Deferred bond costs, less accumulated amortization of \$547,000 in 2007 and \$686,000 in 2006	896,687	521,130
Other	153,241	647,361
Total other assets	1,049,928	1,168,491
Property and equipment, net (<i>Note 8</i>)	39,174,824	33,475,351
Total assets	\$ 113,933,727	\$ 82,425,774

	September 30	
	2007	2006
Liabilities and net assets		
Current liabilities:		
Current portion of obligations under capital leases (<i>Note 10</i>)	\$ 143,005	\$ 224,026
Current portion of long-term debt (<i>Note 9</i>)	953,163	3,433,810
Due to third-party payors	1,280,473	1,154,955
Accounts payable	7,167,269	5,367,352
Accrued benefits payable	4,571,460	4,954,667
Total current liabilities	<u>14,115,370</u>	<u>15,134,810</u>
Other liabilities:		
Reserve for professional liability claims (<i>Note 12</i>)	4,630,810	4,590,753
Pension liability (<i>Note 11</i>)	1,002,299	9,253,970
Obligations under capital leases, less current portion (<i>Note 10</i>)	38,604	171,827
Long-term debt, less current portion (<i>Note 9</i>)	55,480,007	23,673,169
Total other liabilities	<u>61,151,720</u>	<u>37,689,719</u>
Total liabilities	<u>75,267,090</u>	<u>52,824,529</u>
Net assets:		
Unrestricted	38,455,630	29,400,390
Temporarily restricted	211,007	200,855
Total net assets	<u>38,666,637</u>	<u>29,601,245</u>
Total liabilities and net assets	<u>\$ 113,933,727</u>	<u>\$ 82,425,774</u>

See accompanying notes.

Garden City Hospital and Subsidiaries

Consolidated Statements of Operations
and Changes in Net Assets

	Year Ended September 30	
	2007	2006
Unrestricted revenue and other support		
Net patient service revenue <i>(Note 3)</i>	\$ 144,318,137	\$ 142,915,746
Other revenue <i>(Note 4)</i>	6,278,688	5,158,575
Total revenue and other support	150,596,825	148,074,321
Expenses		
Wages	59,267,960	56,559,621
Employee benefits	14,549,736	15,001,450
Professional fees	2,013,321	1,231,554
Supplies	25,343,909	23,963,691
Utilities	1,879,691	1,854,541
Purchased services	12,169,813	10,750,425
Other	8,031,814	7,639,156
Insurance	3,037,674	4,583,729
Interest	1,443,935	1,649,631
Depreciation and amortization	4,668,339	4,380,326
Bad debt	15,145,026	15,564,308
Total expenses	147,551,218	143,178,432
Income from operations	3,045,607	4,895,889
Loss on extinguishment of debt	(326,350)	-
Excess of revenue over expenses	2,719,257	4,895,889

Continued on next page.

Garden City Hospital and Subsidiaries

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

	Year Ended September 30	
	2007	2006
Unrestricted net assets		
Excess of revenue over expenses	\$ 2,719,257	\$ 4,895,889
Change in additional minimum pension liability	6,511,609	2,496,636
Increase in unrestricted net assets before loss on discontinued operations	9,230,866	7,392,525
Loss on discontinued operations	(175,626)	(4,740)
Increase in unrestricted net assets	9,055,240	7,387,785
Temporarily restricted net assets		
Contributions	10,152	891
Net assets released from restrictions	-	(2,414)
Increase (decrease) in temporarily restricted net assets	10,152	(1,523)
Increase in net assets	9,065,392	7,386,262
Net assets at beginning of year	29,601,245	22,214,983
Net assets at end of year	\$ 38,666,637	\$ 29,601,245

See accompanying notes.

Garden City Hospital and Subsidiaries

Consolidated Statements of Cash Flows

	Year Ended September 30	
	2007	2006
Operating activities		
Increase in net assets	\$ 9,065,392	\$ 7,386,262
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	4,668,339	4,453,936
Loss on extinguishment of debt	326,350	–
Investment in captive insurance company	(2,604,719)	(2,335,799)
Change in additional minimum pension liability	(6,511,609)	(2,496,396)
Changes in assets and liabilities:		
Accounts receivable	897,593	(1,366,415)
Due to third-party payors	125,518	454,192
Inventories, prepaid expenses, and other assets	162,270	(584,150)
Investments	3,308,664	(626,854)
Accounts payable	1,452,496	529,056
Accrued benefits payable	(383,207)	1,067,532
Reserve for professional liability claims	40,057	669,761
Pension liability	(1,740,062)	(1,805,853)
Net cash provided by operating activities	8,807,082	5,345,272
Investing activities		
Additions to property and equipment – net	(10,905,421)	(5,031,235)
Increase in assets whose use is limited	(27,590,582)	–
Other	249,372	–
Net cash used in investing activities	(38,246,631)	(5,031,235)
Financing activities		
Payments on capital leases	(214,244)	(225,023)
Payments on long-term debt	(8,408,809)	(2,976,428)
Issuance of long-term debt	37,735,000	–
Net cash provided by (used in) financing activities	29,111,947	(3,201,451)
Decrease in cash and cash equivalents	(327,602)	(2,887,414)
Cash and cash equivalents at beginning of year	9,911,630	12,799,044
Cash and cash equivalents at end of year	\$ 9,584,028	\$ 9,911,630
Supplemental disclosures of cash flow information		
Cash paid during the year for interest	\$ 2,463,859	\$ 1,649,631

See accompanying notes.

Garden City Hospital and Subsidiaries

Notes to Consolidated Financial Statements

September 30, 2007

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., 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.

Investments

During 2007, the Corporation reclassified certain amounts in the 2006 and prior consolidated statements of operations and changes in net assets related to the accounting for the Corporation's investment portfolio. In 2006 and prior years, the investment portfolio was classified as nontrading, and as such, unrealized gains and losses considered temporary were excluded from the excess of revenue and gains over expenses. In 2006 and prior years, unrealized gains and losses which were considered temporary were included in other changes in unrestricted net assets. During 2007, the Corporation determined that substantially all its investment portfolio was more accurately classified as trading, with unrealized gains and losses included in the excess of revenue over expenses. Therefore, the accompanying 2006 financial statements include a reclassification of \$220,171 from other changes in unrestricted net assets to other revenue related to this change. The reclassification did not change the increase in net assets previously reported, the consolidated balance sheet, or the decrease in cash reported on the consolidated statements of cash flows.

Garden City Hospital and Subsidiaries

Notes to Consolidated Financial Statements (continued)

1. Organization and Significant Accounting Policies (continued)

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 7), 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.

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.

Garden City Hospital and Subsidiaries

Notes to Consolidated Financial Statements (continued)

1. Organization and Significant Accounting Policies (continued)

The majority of the Corporation's services are reimbursed under fixed price provisions of third-party payment programs (primarily Medicare, Medicaid, and Blue Cross). During 2007 and 2006, net patient service revenue of 48% and 47% was received from Medicare, 9% and 9% was received from Medicaid, and 19% and 17% was received from Blue Cross programs, 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

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 (30% and 36%), Blue Cross (13% and 9%), Medicaid (16% and 14%), and managed care, commercial, and self-pay (41% and 41%), at September 30, 2007 and 2006, 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.

Garden City Hospital and Subsidiaries

Notes to Consolidated Financial Statements (continued)

1. Organization and Significant Accounting Policies (continued)

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 net assets released from restrictions for long-lived assets and recognition of additional minimum pension liability adjustments.

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 2006 amounts have been reclassified to conform with the 2007 financial statement presentation.

Garden City Hospital and Subsidiaries

Notes to Consolidated Financial Statements (continued)

1. Organization and Significant Accounting Policies (continued)

Adoption of New Accounting Standard

In September 2006, the Financial Accounting Standards Board (FASB) issued FASB Statement 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). Statement 158 requires plan sponsors of defined benefit pension and other postretirement benefit plans (collectively, postretirement benefit plans) to recognize the funded status of their post retirement benefit plans in the statement of financial position, measure the fair value of plan assets and benefit obligations as of the date of the fiscal year-end statement of financial position, and provide additional disclosures. On September 30, 2007, the Corporation adopted the recognition and disclosure provisions of Statement 158. There was no effect of adopting Statement 158 on the Corporation's financial statements on September 30, 2007.

Recent Accounting Pronouncements

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* (SFAS 157). SFAS 157 defines fair value, establishes a framework for measuring fair value in accordance with accounting principles generally accepted in the United States, and expands disclosure about fair value measurements. SFAS 157 is effective for fiscal years beginning after November 15, 2007. The Corporation has not determined the effect that adoption of SFAS 157 will have on its financial statements.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* (SFAS 159). SFAS 159 permits companies to choose to measure certain financial instruments and other items at fair value that are not currently required to be measured at fair value. SFAS 159 is effective for fiscal years beginning after November 15, 2007. The Corporation has not determined the effect that adoption of SFAS 157 will have on its financial statements.

Garden City Hospital and Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Discontinued Operations

During the year ended September 30, 2007, management undertook action to offer for sale the Advance Nursing Home. Accordingly, the Advance Nursing Home is considered to be an asset held for sale as of September 30, 2007 in accordance with Statement of Financial Accounting Standards No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. There was no impairment charge recognized during the year ended September 30, 2007 to reduce the carrying value of the facility to its net realizable value as management expects the carrying value to be recoverable. The net realizable value was determined by management based on the expected sales proceeds for the facility. The transaction has been accounted for as a discontinued operation in the accompanying consolidated financial statements.

The revenue and net loss for Advance Nursing Home included in the results of discontinued operations for the year ended September 30, 2007, were \$4,614,889 and \$175,626, respectively, while the revenue and the net loss included in the results of discontinued operations for the year ended September 30, 2006 were \$4,507,718 and \$4,740, respectively.

3. Net Patient Service Revenue

Net patient service revenue consists of the following:

	Year Ended September 30	
	2007	2006
Gross patient service revenue	\$ 317,946,815	\$ 309,362,911
Provisions for contractual and other adjustments	(173,628,678)	(166,447,165)
Net patient service revenue	<u>\$ 144,318,137</u>	<u>\$ 142,915,746</u>

A major portion of the Corporation's gross charges (approximately \$255,536,000 in 2007 and \$241,056,000 in 2006) was provided to patients under health benefit contracts with third-party payors (Medicare, Medicaid, and Blue Cross Blue Shield of Michigan). During 2007 and 2006, the Hospital recognized an increase of \$1,000,000 and \$2,500,000, respectively, in net patient service revenue due to favorable changes in prior year settlement estimates.

Garden City Hospital and Subsidiaries

Notes to Consolidated Financial Statements (continued)

4. Other Revenue

Other revenue consists of the following:

	Year Ended September 30	
	2007	2006
Medical office building, rental income	\$ 733,470	\$ 739,470
Cafeteria income	316,850	305,418
Neurosurgery	322,785	288,640
Durable medical supplies revenue	1,272,259	1,211,232
Investment income	2,355,437	1,379,017
Other	1,277,887	1,234,798
Total	\$ 6,278,688	\$ 5,158,575

5. 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.

Investment return is summarized as follows:

	Year Ended September 30	
	2007	2006
Interest, dividends and realized gains	\$ 2,918,520	\$ 1,158,846
Change in net unrealized gains	(563,083)	220,171
Total investment gain included in operating income	\$ 2,355,437	\$ 1,379,017

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.

Garden City Hospital and Subsidiaries

Notes to Consolidated Financial Statements (continued)

6. Financial Instruments

Cash and investments are summarized as follows:

	September 30	
	2007	2006
Cash and cash equivalents	\$ 22,773,095	\$ 12,643,545
Marketable equity securities, including mutual funds	4,234,238	6,987,705
Certificates of Deposit	14,724,463	–
Marketable debt securities	11,452,730	9,776,598
	\$ 53,184,526	\$ 29,407,848

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, 2007		September 30, 2006	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	\$ 22,773,095	\$ 22,773,095	\$ 12,643,545	\$ 12,643,545
Certificates of Deposit	14,724,463	14,724,463	–	–
Marketable securities:				
Mutual funds	4,234,238	4,234,238	6,987,705	6,987,705
Debt securities	11,452,730	11,452,730	9,776,598	9,776,598
	\$ 53,184,526	\$ 53,184,526	\$ 29,407,848	\$ 29,407,848
Long-term debt	\$ 56,433,170	\$ 51,252,108	\$ 27,106,979	\$ 27,037,487

Garden City Hospital and Subsidiaries

Notes to Consolidated Financial Statements (continued)

7. Assets Whose Use is Limited

Assets whose use is limited consists of the following:

	September 30	
	2007	2006
Bond proceeds held by trustee for debt service	\$ 5,148,867	\$ 2,253,723
Bond proceeds held by trustee for capital projects	22,985,354	–
Board designated for capital improvements	15,271,579	16,958,566
Funds held as security for operating lease	135,142	235,600
Investment in multi-provider captive insurance company (<i>Notes 1 and 11</i>)	7,721,824	5,117,105
Pledges receivable	72,500	90,000
Temporarily restricted investments	59,556	48,329
Total	\$ 51,394,822	\$ 24,703,323

8. Property and Equipment

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

	September 30	
	2007	2006
Land and land improvements	\$ 1,989,148	\$ 1,944,233
Buildings and fixed equipment	54,333,890	53,606,604
Furniture and equipment	47,752,894	45,408,362
Construction-in-progress	8,779,328	1,210,297
	112,855,260	102,169,496
Less accumulated depreciation	73,680,436	68,694,145
Total property and equipment	\$ 39,174,824	\$ 33,475,351

Garden City Hospital and Subsidiaries

Notes to Consolidated Financial Statements (continued)

9. Long-Term Debt

Long-term debt consists of:

	September 30	
	2007	2006
Garden City Hospital Finance Authority:		
Revenue Bonds – Series 1998A	\$ 9,510,000	\$ 19,520,000
Revenue Bonds – Series 1996A	–	4,035,000
Revenue and Refunding Bonds – Series 2007A	46,870,000	–
Variable Rate Demand Notes – Series 1997	–	3,405,000
Other	53,170	146,979
	56,433,170	27,106,979
Less current portion	953,163	3,433,810
	\$ 55,480,007	\$ 23,673,169

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.

In March, 2007 the Obligated Group issued Garden City Hospital Finance Authority Hospital Revenue and Refunding Series 2007A, subject to redemption in amounts ranging from \$1,325,000 to \$3,475,000 in 2038. The bonds bear interest at rates ranging from 4.875% to 5%. The proceeds from the Series 2007A Bonds were used to refund the Series 1996 Bonds, advance refund a portion of the Series 1998 Bonds, and provide funding for the hospital's capital projects.

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. On April 2, 2007 the Obligated Group redeemed all of the remaining outstanding bonds with a portion of the proceeds from the Series 2007A 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 were redeemed by the Obligated Group on March 2, 2007.

Garden City Hospital and Subsidiaries

Notes to Consolidated Financial Statements (continued)

9. Long-Term Debt (continued)

In 1998, the Obligated Group issued Garden City Hospital Finance Authority Hospital Revenue and Refunding Bonds, Series 1998A. The bonds bear interest at rates ranging from 5.62% to 5.75%. During 2007, the Obligated Group advance refunded \$9,135,000 of the Series 1998A Bonds. The remaining redemption amounts range from \$925,000 to \$1,225,000 in 2017. The Obligated Group has been released as primary obligor of the bonds which were advance refunded, and for financial reporting purposes has derecognized the liability at September 30, 2007. The Corporation recognized a loss on refinancing of debt of \$326,350 during the year ended September 30, 2007.

The aggregate maturities of long-term debt for years subsequent to September 30, 2007, are as follows:

2008	\$ 953,163
2009	780,007
2010	790,000
2011	840,000
2012	885,000
Thereafter	52,185,000
Total	<u>\$ 56,433,170</u>

The Corporation has a \$300,000 Letter of Credit outstanding through April 30, 2008, related to workers' compensation claims.

The Corporation capitalized \$310,231 of interest expense during 2007.

10. Lease Commitments

The Corporation has commitments under various capitalized leases as follows:

2008	\$ 152,555
2009	39,348
	<u>191,903</u>
Less amounts representing interest	10,294
Minimum lease payments	<u>\$ 181,609</u>

Garden City Hospital and Subsidiaries

Notes to Consolidated Financial Statements (continued)

10. 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, 2007 and 2006. Related accumulated amortization was approximately \$950,542 and \$756,051 at September 30, 2007 and 2006, respectively.

Total rental expense attributable to operating leases amounted to approximately \$1,959,000 and \$1,978,000 for years ended September 30, 2007 and 2006, respectively.

11. 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 expense 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 \$1,242,534 and \$850,027 for the years ended September 30, 2007 and 2006, respectively.

Garden City Hospital and Subsidiaries

Notes to Consolidated Financial Statements (continued)

11. Employee Benefits (continued)

On September 30, 2007, the Corporation adopted the recognition and disclosure provisions of FAS 158. FAS 158 required the Corporation to recognize the funded status (i.e., the difference between the fair value of plan assets and the projected benefit obligations) of its pension plan in the September 30, 2007 consolidated balance sheet. There was no incremental effect of adopting the provision of FAS 158 on the Corporation's consolidated balance sheet at September 30, 2007. The adjustment to unrestricted net assets at adoption represents the net unrecognized actuarial losses which were previously netted against the Corporation's funded status in the Corporation's consolidated balance sheets pursuant to the provisions of FAS 87. These amounts will be subsequently recognized as net periodic pension cost pursuant to the Corporation's historical accounting policy for amortizing such amounts. Further, actuarial gains and losses that arise in subsequent periods and are not recognized as net periodic pension cost in the same periods will be recognized as a component of unrestricted net assets. Those amounts will be subsequently recognized as a component of net periodic pension cost on the same basis as the amounts recognized in unrestricted net assets at adoption of FAS 158.

The adoption of FAS 158 had no effect on the Corporation's consolidated statement of operations and changes in net assets for the year ended September 30, 2007 or for any prior period presented, and it will not affect the Corporation's operating results in future periods. Had the Corporation not been required to adopt Statement 158 at September 30, 2007, it would have recognized an additional minimum liability pursuant to the provisions of FAS 87.

Included in unrestricted net assets at September 30, 2007 is an unrecognized actuarial loss of \$10,014,097 that has not yet been recognized in net periodic pension cost. The actuarial loss included in unrestricted net assets and expected to be recognized in net periodic pension cost during fiscal year ended September 30, 2008 is \$476,107.

Garden City Hospital and Subsidiaries

Notes to Consolidated Financial Statements (continued)

11. 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, 2007 and 2006, and a statement of the funded status as of September 30, 2007 and 2006:

	Year Ended September 30	
	2007	2006
Reconciliation of benefit obligation:		
Benefit obligation at the beginning of year	\$ 54,993,024	\$ 55,432,674
Interest cost	3,111,373	3,033,719
Actuarial gain	(3,533,262)	(1,419,850)
Benefits paid	(2,040,826)	(2,053,519)
Benefit obligation at the end of year	52,530,309	54,993,024
Reconciliation of fair value of plan assets:		
Fair value of plan assets at beginning of year	45,739,054	41,876,455
Actual return on plan assets	5,779,782	3,316,118
Employer contributions	2,050,000	2,600,000
Benefits paid	(2,040,826)	(2,053,519)
Fair value of plan assets at end of year	51,528,010	45,739,054
Funded status at September 30	(1,002,299)	(9,253,970)
Unrecognized net actuarial loss	-	16,525,706
Additional minimum pension liability	-	(16,525,706)
Accrued benefit cost	\$ (1,002,299)	\$ (9,253,970)

Garden City Hospital and Subsidiaries

Notes to Consolidated Financial Statements (continued)

11. Employee Benefits (continued)

The accumulated benefit obligation for the plan was \$52,530,309 and \$54,993,024 at September 30, 2007 and 2006, respectively. The Corporation recorded an additional minimum pension liability of \$16,525,706 at September 30, 2006 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 \$6,511,609 and \$2,496,396 increase to unrestricted net assets at September 30, 2007 and 2006, respectively.

Amounts recognized in the statement of financial position consist at September 30, 2006 are as follows:

Accrued pension liability	\$ (9,253,970)
Decrease in unrestricted net assets	<u>16,525,706</u>
Net amount recognized	<u><u>\$ 7,271,736</u></u>

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

	Year Ended September 30	
	2007	2006
Interest cost on projected benefit obligation	\$ 3,111,373	\$ 3,033,719
Expected return on assets gain	(3,890,582)	(3,574,031)
Amortization of loss	1,089,147	1,334,699
Net pension expense	309,938	794,387
Defined contribution plan expense	1,242,534	850,027
Net pension expense	<u>\$ 1,552,472</u>	<u>\$ 1,644,414</u>

Garden City Hospital and Subsidiaries

Notes to Consolidated Financial Statements (continued)

11. Employee Benefits (continued)

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

	September 30	
	2007	2006
Weighted-average discount rate	6.25%	5.80%
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	
	2007	2006
Weighted-average discount rate	6.25%	5.60%
Weighted-average expected long term rate of return on plan assets	8.5%	8.50%

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)

11. Employee Benefits (continued)

Asset Allocation

The weighted-average asset allocation for the Hospital’s pension plan at the end of fiscal 2007 and 2006, and the target allocation for fiscal 2008, by asset category, is as follows:

<u>Asset Category</u>	<u>Target Allocation 2008</u>	<u>Percentage of Plan Assets at Year End</u>	
		<u>2007</u>	<u>2006</u>
Equity securities	58%	60.1%	59.6%
Debt securities	42	35.1	38.2
Other	–	4.8	2.2
Total	<u>100%</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)

11. Employee Benefits (continued)

Expected Cash Flows

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

	<u>Pension Benefits</u>
Expected employer contributions:	
2008	\$ –
Expected benefit payments:	
2008	\$ 2,398,000
2009	2,420,000
2010	2,524,000
2011	2,624,000
2012	2,727,000
2013–2017	16,381,000

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.

12. 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 \$7,721,824 at September 30, 2007 and \$5,117,105 at September 30, 2006. 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.

Effective July 1, 2008, the Corporation will have a 100% interest in Medilink Insurance Company, Ltd. as a result of the other participant withdrawing from the program.

Garden City Hospital and Subsidiaries

Notes to Consolidated Financial Statements (continued)

12. Professional Liability (continued)

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, 2007 (5.5% at September 30, 2006). The premiums paid to the multi-provider captive are offset against the estimated liability. Approximately \$2,102,000 and \$3,828,000 was included in insurance expense for professional liability for the years ended September 30, 2007 and 2006, 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.

13. Functional Expenses

Expenses classified by function are as follows:

	Year Ended September 30	
	2007	2006
Health care services	\$ 90,651,171	\$ 85,975,549
General and administrative	35,642,747	35,608,618
Bad debts	15,145,026	15,564,308
Depreciation and amortization	4,668,339	4,380,326
Interest	1,443,935	1,649,631
Total	<u>\$ 147,551,218</u>	<u>\$ 143,178,432</u>

14. Commitments

The Corporation had commitments of approximately \$16,420,000 for the acquisition of property and equipment at September 30, 2007.

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.

Ernst + Young LLP

January 22, 2008

Garden City Hospital and Subsidiaries

Consolidating Balance Sheet

September 30, 2007

	Consolidated	Consolidation Adjustments	Garden City Hospital	Garden City Hospital Foundation	Amerigard Development	United Home Health Services	Amerigard Diagnostic Centre	Advance Nursing Center
Assets								
Current assets:								
Cash and cash equivalents	\$ 9,584,028	\$ -	\$ 8,877,237	\$ 86,796	\$ 104,451	\$ 147,816	\$ 151,537	\$ 216,191
Accounts receivable	9,287,140	-	8,133,339	-	236,357	359,590	162,145	395,709
Inventories	669,705	-	669,705	-	-	-	-	-
Assets held for sale	623,009	-	-	-	-	-	-	623,009
Prepaid expenses and other assets	2,150,271	-	1,856,377	-	221,634	20,260	9,326	42,674
Total current assets	22,314,153	-	19,536,658	86,796	562,442	527,666	323,008	1,277,583
Assets whose use is limited	51,394,822	-	51,322,322	72,500	-	-	-	-
Due from related parties	-	(1,688,315)	174,892	(15,457)	426,520	-	-	1,102,360
Other assets:								
Deferred bond costs, net	896,687	-	896,687	-	-	-	-	-
Other	153,241	-	122,685	4,000	-	16,535	10,021	-
Total other assets	1,049,928	-	1,019,372	4,000	-	16,535	10,021	-
Property and equipment, net	39,174,824	-	38,283,077	4,354	764,095	95,969	27,329	-
Total assets	\$ 113,933,727	\$ (1,688,315)	\$ 110,336,321	\$ 152,193	\$ 1,753,057	\$ 640,170	\$ 360,358	\$2,379,943

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	Amerigard Diagnostic Centre	Advance Nursing Center
Liabilities and net assets								
Current liabilities:								
Current portion of obligations under capital leases	\$ 143,005	\$ —	\$ 143,005	\$ —	\$ —	\$ —	\$ —	\$ —
Current portion of long-term debt	953,163	—	953,163	—	—	—	—	—
Due to third-party payors	1,280,473	—	1,200,242	—	—	—	—	80,231
Accounts payable	7,167,269	—	6,875,139	27,107	63,567	31,591	41,174	128,691
Accrued benefits payable	4,571,460	—	4,019,467	14,704	163,403	185,090	14,439	174,357
Total current liabilities	14,115,370	—	13,191,016	41,811	226,970	216,681	55,613	383,279
Other liabilities:								
Reserve for professional liability claims	4,630,810	—	4,630,810	—	—	—	—	—
Pension liability	1,002,299	—	1,002,299	—	—	—	—	—
Due to related parties	—	(1,688,315)	—	—	—	196,538	1,491,777	—
Obligations under capital leases, less current portion	38,604	—	38,604	—	—	—	—	—
Long-term debt, less current portion	55,480,007	—	55,480,007	—	—	—	—	—
Total other liabilities	61,151,720	(1,688,315)	61,151,720	—	—	196,538	1,491,777	—
Total liabilities	75,267,090	(1,688,315)	74,342,736	41,811	226,970	413,219	1,547,390	383,279
Net assets:								
Unrestricted (deficit)	38,455,630	—	35,934,029	(41,069)	1,526,087	226,951	(1,187,032)	1,996,664
Temporarily restricted	211,007	—	59,556	151,451	—	—	—	—
Total net assets (deficit)	38,666,637	—	35,993,585	110,382	1,526,087	226,951	(1,187,032)	1,996,664
Total liabilities and net assets	\$ 113,933,727	\$ (1,688,315)	\$ 110,336,321	\$ 152,193	\$ 1,753,057	\$ 640,170	\$ 360,358	\$ 2,379,943

Garden City Hospital and Subsidiaries

Consolidating Statement of Operations and Changes in Net Assets

Year Ended September 30, 2007

	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	\$144,318,137	\$ –	\$135,600,598	\$ –	\$ 4,374,063	\$ 3,205,791	\$ –	\$ 1,137,685	\$ –
Other revenue	6,278,688	–	5,766,973	360,203	121,266	25,764	–	4,482	–
Total revenue and other support	150,596,825	–	141,367,571	360,203	4,495,329	3,231,555	–	1,142,167	–
Expenses									
Wages	59,267,960	–	53,272,279	98,194	3,605,972	2,050,577	–	240,938	–
Employee benefits	14,549,736	–	13,513,944	14,586	536,000	445,054	–	40,152	–
Professional fees	2,013,321	–	1,750,863	461	15,110	–	–	246,887	–
Supplies	25,343,909	–	24,843,509	22,248	364,625	57,391	–	56,136	–
Utilities	1,879,691	–	1,709,995	–	89,947	61,055	–	18,694	–
Purchased services	12,169,813	–	11,184,865	181,016	217,663	151,009	–	435,260	–
Other	8,031,814	–	7,233,847	103,432	260,945	302,391	–	131,199	–
Insurance	3,037,674	–	2,718,453	–	246,783	69,804	–	2,634	–
Interest	1,443,935	–	1,440,339	–	–	3,596	–	–	–
Depreciation/amortization	4,668,339	–	4,526,503	1,962	84,274	43,571	–	12,029	–
Bad debt	15,145,026	–	15,062,588	–	75,099	–	–	7,339	–
Total expenses	147,551,218	–	137,257,185	421,899	5,496,418	3,184,448	–	1,191,268	–
Income (loss) from operations	3,045,607	–	4,110,386	(61,696)	(1,001,089)	47,107	–	(49,101)	–
Loss on extinguishment of debt	(326,350)	–	(326,350)	–	–	–	–	–	–
Excess of revenue over expenses (expenses over revenue)	2,719,257	–	3,784,036	(61,696)	(1,001,089)	47,107	–	(49,101)	–

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 revenue over expenses (expenses over revenue)	\$ 2,719,257	\$ -	\$ 3,784,036	\$ (61,696)	\$ (1,001,089)	\$ 47,107	\$ -	\$ (49,101)	\$ -
Change in additional minimum pension liability	6,511,609	-	6,511,609	-	-	-	-	-	-
Transfer to/from affiliate	-	-	(917,000)	(48,000)	917,000	-	48,000	-	-
Increase (decrease) in unrestricted net assets before loss on discontinued operations	9,230,866	-	9,378,645	(109,696)	(84,089)	47,107	48,000	(49,101)	-
Loss on discontinued operations	(175,626)	-	-	-	-	-	-	-	(175,626)
Increase (decrease) in unrestricted net assets	9,055,240	-	9,378,645	(109,696)	(84,089)	47,107	48,000	(49,101)	(175,626)
Temporarily restricted net assets									
Contributions	10,152	-	10,152	-	-	-	-	-	-
Increase in temporarily restricted net assets	10,152	-	10,152	-	-	-	-	-	-
Increase (decrease) in net assets	9,065,392	-	9,388,797	(109,696)	(84,089)	47,107	48,000	(49,101)	(175,626)
Net assets at beginning of year	29,601,245	-	26,604,788	220,078	1,610,176	179,844	(48,000)	(1,137,931)	2,172,290
Net assets at end of year	\$ 38,666,637	\$ -	\$ 35,993,585	\$ 110,382	\$ 1,526,087	\$ 226,951	\$ -	\$ (1,187,032)	\$ 1,996,664