

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) 12 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)

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TYPE OF FILING:

Electronic (number of pages attached) 12 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: _____

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

Fiscal Period Covered: _____

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: October – December 2009 (FY2010Q1)

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 I. 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: FEBRUARY 19, 2010

This Officer's Certificate is delivered pursuant to Section 5.10(d)(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(c) of the Loan Agreement, attached is the Quarterly Report referenced therein. The Quarterly Report contains internally-prepared quarterly financial statements for the Fiscal Year (FY) quarter ended December 31, 2009, including a balance sheet as of the end of such quarter, statements of operations and changes in Net Assets for such quarter on a cumulative FY-to-date basis as required by Section 5.10(d)(i) of the Loan Agreement, volume and utilization data for such quarter on a cumulative FY-to-date basis as required by Section 5.10(d)(ii) of the Loan Agreement, and management's comments on financial condition and other matters as required by Section 5.10(d)(iv) of the Loan Agreement.

As required by Section 5.10(d)(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 Quarterly Financial Statements have been prepared on substantially the same accounting basis as the Corporation's audited financial statements for its Most Recent Fiscal Year;
3. the Quarterly Financial Statements are, to the best of my belief, true and correct, but may be subject to audit and Fiscal Year-end adjustments; and
4. no Default or Event of Default has occurred and/or is continuing.

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



Series 2007A Bonds - Financial Report
Balance Sheet at December 31, 2009

	<u>Current Quarter</u>	<u>Year Ended 09/30/09</u>	<u>Change</u>
<u>Assets</u>			
<i>Current Assets</i>			
Cash and Cash Equivalents	\$7,561,289	\$6,724,789	\$836,500
Accounts Receivable	8,960,452	9,254,264	(293,812)
Due from Third Party Payors			0
Inventories	1,335,669	1,344,765	(9,096)
Prepaid Expenses and Other Current Assets	2,027,038	1,897,649	129,389
Total Current Assets	19,884,448	19,221,467	662,981
<i>Assets whose use is limited</i>			
Board-Designated Investments	20,134,630	19,738,803	395,827
Other Assets Whose Use is Limited	6,211,798	5,495,365	716,433
Total Assets whose use is limited	26,346,428	25,234,168	1,112,260
Due from related parties	1,065,829	355,172	710,657
<i>Other assets</i>			
Deferred bond costs, net	833,796	845,550	(11,754)
Investment in offshore captives	6,861,593	6,062,407	799,186
Other	165,000	165,000	0
Total Other assets	7,860,389	7,072,957	787,432
Property and equipment, net	52,897,009	53,669,331	(772,322)
Total Assets	\$108,054,103	\$105,553,095	\$2,501,008
<u>Liabilities and Net Assets</u>			
<i>Current Liabilities</i>			
Current portion obligation - Capital Leases	\$819,792	\$825,792	(\$6,000)
Current portion of Long Term Debt	308,056	437,109	(129,053)
Due to Third Party Payors	49,283	281,101	(231,818)
Accounts Payable	9,723,913	7,864,173	1,859,740
Accrued Wage / Benefits Payable	3,567,686	3,577,099	(9,413)
Total Current Liabilities	14,468,730	12,985,274	1,483,456
<i>Other Liabilities</i>			
Reserve for Professional Liability Claims	2,968,684	2,492,471	476,213
Pension Liability	14,804,346	14,654,846	149,500
Obligations under Capital Leases, less current portion	1,041,070	1,041,070	0
Long Term Debt, less current portion	54,035,169	54,035,169	0
Total Other Liabilities	72,849,269	72,223,556	625,713
Total Liabilities	87,317,999	85,208,830	2,109,169
<i>Net Assets</i>			
Unrestricted	20,630,568	20,228,620	401,948
Temporarily Restricted	105,536	115,645	(10,109)
Total Net Assets	20,736,104	20,344,265	391,839
Total Liabilities and Net Assets	\$108,054,103	\$105,553,095	\$2,501,008



Series 2007A Bonds - Financial Report

Income Statement and Key Statistics for Quarter Ended December 31, 2009

	Year To Date			
	Actual	Budget	Variance	Prior Year
<u>Revenues:</u>				
Net Patient Service Revenue	\$36,271,567	\$36,064,210	\$207,357	\$35,715,484
Other Operating Revenue	1,540,135	1,303,055	237,080	(183,404)
Total Operating Revenue	37,811,702	37,367,265	444,437	35,532,080
<u>Operating Expenses:</u>				
Salaries and Wages	14,946,060	14,470,098	(475,962)	14,970,506
Employee Fringe Benefits	4,082,466	4,072,586	(9,880)	3,963,914
Professional Fees	534,759	572,975	38,216	597,744
Supplies	6,675,492	6,642,284	(33,208)	6,318,633
Purchased Services	2,304,272	2,361,830	57,558	2,607,835
Insurance	907,709	897,000	(10,709)	958,441
Bad Debt	3,314,127	3,277,959	(36,168)	2,177,522
Other Operating Expense	2,467,139	2,729,981	262,842	2,506,217
Subtotal Operating Expenses	35,232,024	35,024,713	(207,311)	34,100,812
Earnings before Int,Depn,Amort	2,579,678	2,342,552	237,126	1,431,268
Interest	729,723	729,447	(276)	757,360
Depreciation and Amortization	1,484,000	1,800,000	316,000	1,526,454
Excess Revenue over Expenses	\$365,955	(\$186,895)	\$552,850	(\$852,546)
<u>Key Statistics:</u>				
Admissions (Excl. Newborn)	2,172	2,288	(116)	2,320
Patient Days	11,724	11,734	(10)	11,886
Average Length of Stay (M/S)	5.37	5.10	(0.27)	5.09
Surgical Cases	1,661	1,801	(140)	1,740
Emergency Visits	11,238	11,123	115	10,430
Case Mix Index	1.3230	1.2150	0.1080	1.1930
Outpatient Gross Revenue (000)	\$40,524	\$41,739	(\$1,215)	\$39,116



Series 2007A Bonds - Financial Report
Statement of Changes in Net Assets

	Quarter Ended	
	December 2009	September 2009
<i>Unrestricted net assets</i>		
Excess of revenue over expenses	\$ 365,955	\$ 3,779,752
Pension liability adjustment		(12,670,891)
Transfer to/from affiliates	-	(1,038,001)
Increase in unrestricted net assets	<u>365,955</u>	<u>(9,929,140)</u>
<i>Temporarily restricted net assets</i>		
Contributions	25,884	57,227
Net assets released from restrictions	-	-
Increase (decrease) in temporarily restricted net assets	<u>25,884</u>	<u>57,227</u>
<i>Increase / (Decrease) in net assets</i>	391,839	(9,871,913)
<i>Net assets at beginning of quarter</i>	20,344,265	30,216,178
<i>Net assets at end of quarter</i>	\$ 20,736,104	\$ 20,344,265



Series 2007A Bonds - Financial Report
Cash Flow Statement for Quarter Ended December 31, 2009

	Current Quarter
Operating activities	
Increase (decrease) in net assets	\$391,839
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:	
Depreciation and amortization	1,484,000
Changes in assets and liabilities:	
Accounts receivable	293,812
Due to/from third-party payors	(231,818)
Inventories, prepaid expenses, and other assets	(907,724)
Accounts payable	1,859,740
Accrued benefits payable	(9,414)
Due from related parties	(710,657)
Reserve for professional liability claims	476,213
Pension liability	149,500
Net cash provided by operating activities	<u>2,795,491</u>
Investing activities	
Additions to property and equipment – net	(711,678)
Increase in assets whose use is limited	(1,112,260)
Net cash used in investing activities	<u>(1,823,938)</u>
Financing activities	
Payments on capital leases	(129,053)
Change in long-term debt	(6,000)
Net cash from financing activities	<u>(135,053)</u>
Increase (Decrease) in cash and cash equivalents	836,500
Cash and cash equivalents at beginning of year	6,724,789
Cash and cash equivalents at end of month	<u><u>\$7,561,289</u></u>

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. formerly owned and operated Advance Nursing Center (Advance).

Since the Hospital is the only member of the Obligated Group, the financial statements only include the accounts of the Hospital and not the above subsidiaries.

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

The Corporation has designated its entire investment portfolio as trading, with unrealized gains and losses included in the excess of (expenses over revenue) revenue over expenses. Investment income (including realized and unrealized gains and losses on investments, interest and dividends) is reported as operating gains (losses) unless the income is restricted by donor or law.

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 Corporation'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, and are stated at fair value.

Inventory

Inventory, which consists principally of medical supplies, are valued at the lower of cost or market. Cost is determined based on the first-in, first out method.

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. Estimated

useful lives by asset category are as follows: land improvements – 2 to 25 years; buildings and fixed equipment – 3 to 50 years; and furniture and equipment – 3 to 20 years.

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). 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.

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.

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 contributions of and 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 has been determined by the Internal Revenue Service to be an organization as described under Internal Revenue Code Section 501(c)(3), and as such is exempt from federal income taxes under Code Section 501(a).

2. Assets Whose Use is Limited

Assets whose use is limited as of December 31 and September 30, 2009 consisted of the following:

	<u>December</u>	<u>September</u>
Debt Service Reserve Funds held by Bond Trustees	\$ 5,138,441	\$ 4,836,325
Bond Payment Funds held by Bond Trustees	967,821	556,533
Board designated for capital improvements	20,134,630	19,725,665
Temporarily restricted investments	105,536	115,645
Total	<u>\$ 26,346,428</u>	<u>\$ 25,234,168</u>

3. Property and Equipment

Property and equipment as of December 31 and September 30, 2009, which are stated at cost, consists of the following:

	<u>December</u>	<u>September</u>
Land and land improvements	\$ 1,575,139	\$ 1,575,139
Buildings and fixed equipment	76,057,992	76,022,992
Furniture and equipment	51,706,897	51,726,093
Construction-in-progress	1,497,701	813,580
	<u>130,837,729</u>	<u>130,137,804</u>
Less accumulated depreciation	77,940,720	76,468,473
Total property and equipment	<u>\$ 52,897,009</u>	<u>\$ 53,669,331</u>

4. Long-Term Debt

Long-term debt as of December 31 and September 30, 2009 consists of:

	<u>December</u>	<u>September</u>
Garden City Hospital Finance Authority:		
Revenue Bonds – Series 1998A	\$ 7,830,000	\$ 7,830,000
Revenue and Refunding Bonds – Series 2007A	46,870,000	46,870,000
Other	154,961	160,961
	54,854,961	54,860,961
Less current portion	819,792	825,792
	<u>\$ 54,035,169</u>	<u>\$ 54,035,169</u>

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.

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 \$755,000 to \$1,225,000 in 2017. The Obligated Group has been released as primary obligor of the refunded bonds, and for financial reporting purposes has derecognized the liability.

The Corporation has a \$300,000 Letter of Credit outstanding through April 30, 2010, related to workers' compensation claims.

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

**MANAGEMENT'S COMMENTS
RELATING TO THE QUARTERLY PERIOD ENDED DECEMBER 31, 2009
(FY2010Q1)**

DATED February 19, 2010

These Management's Comments are delivered pursuant to Section 5.10(d)(iv) 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 Official Statement relating to the Series 2007A Bonds dated March 7, 2007 (the OS), 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.

SUMMARY OF PERFORMANCE

The Corporation reported a Net Income of \$365,955 for FY2010Q1 as a result of strong inpatient acuity offsetting lower than expected patient volume. The acuity drove net patient revenue favorable to budget. Other operating revenue was also favorable from a combination of investment performance, retail pharmacy volume and recognition of purchase discounts. Wages were over budget but were offset by favorable variances in depreciation and other expenses.

PATIENT SERVICE VOLUMES

Inpatient admissions were unfavorable to budget (116) for FY2010Q1. However, at times the Hospital experienced above average occupancy due to seasonal viruses and increased patient acuity. Average Length of Stay for Medical/Surgical patients was 5.37 days, 5.3 percent unfavorable to budget of 5.10, due to increased patient acuity. Case Mix Index increased to 1.323, representing a 10.8% increase relative to budget. This was largely due to an increase in acute respiratory and ventilator-assisted cases. Payor mix is shifting slightly to Medicare HMO, Medicaid HMO, and self pay and away from Blue Cross.

Outpatient revenue volume was unfavorable to budget by 3.0%. Emergency visits were favorable by 115, or 1.0 percent. Outpatient surgical cases were unfavorable by 47, or 4.0 percent. Outpatient CT volume was unfavorable by 62, or 2.0%. Outpatient lab volume was unfavorable to budget by 1.0 percent. Overall, outpatient revenue was unfavorable to budget by \$1,216,000, primarily in Outpatient Lab, Emergency Services, Cath Lab and Imaging Services.

RESULTS OF OPERATIONS

The volume trends discussed above combined with higher than expected acuity contributed to the favorable net revenue for the quarter. The investment income of \$361,000 was favorable to budget by \$108,000 for the quarter.

Labor costs were unfavorable by \$476,000 primarily due to occasional increased patient volume and acuity. Fringe benefits were close to budget.

Bad Debt expense was unfavorable to budget by \$36,000. On a year to date basis, bad debt expense (9.14 percent) remains below the 12.2 percent of total revenue projected by management (OS page A-59).

Other operating expenses were favorable to budget \$246,000 primarily due to timing of expenditures, such as advertising and repair and maintenance. In addition, the corporation received a property tax refund of \$144,000.

Depreciation is favorable by \$316,000 due to the delay in purchase of capital during the quarter.

BALANCE SHEET ACTIVITY

Cash increased during FY2010Q1 by \$837,000 primarily due to an increase in accounts payable. Days Cash on Hand at December 31, 2009 stood at 71 days, which is slightly higher than the cash position of 69 days at September 30, 2009. Days in Accounts Payable at December 31, 2009 stood at 61 days, an increase of 4.9 days over the position at September 30, 2009 of 56.1.