

# 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 pursuant to Securities and Exchange Commission rule 15c2-12 or any analogous state statute.

**Issuer's and/or Other Obligated Person's Name:** City of Hillsdale Hospital Finance Authority (Issuer);  
Hillsdale Community Health Center (Obligated Person)

**CUSIP Numbers** (attach additional sheet if necessary):

Nine-digit number(s) to which the information relates: See attached additional sheet

Information relates to **all securities** issued by the issuer having the following six-digit number(s):

Number of pages of attached information: 33 (not including additional cover sheet)

Description of Material Event Notice/Financial Information (Check One):

1. \_\_\_\_\_ Principal and interest payment delinquencies
2. \_\_\_\_\_ Non-payment related defaults
3. \_\_\_\_\_ Unscheduled draws on debt service reserves reflecting financial difficulties
4. \_\_\_\_\_ Unscheduled draws on credit enhancements reflecting financial difficulties
5. \_\_\_\_\_ Substitution of credit or liquidity providers, or their failure to perform
6. \_\_\_\_\_ Adverse tax opinions or events affecting the tax-exempt status of the security
7. \_\_\_\_\_ Modifications to rights of security holders
8. \_\_\_\_\_ Bond calls
9. \_\_\_\_\_ Defeasances
10. \_\_\_\_\_ Release, substitution or sale of property securing repayment of the securities
11. \_\_\_\_\_ Rating changes
12. \_\_\_\_\_ Failure to provide annual financial information as required
13. \_\_\_\_\_ Other material event notice (specify)
14.  Financial information (**not** to be filed with the MSRB): Please check all appropriate boxes

CAFR: a.  includes  does not include Annual Financial Information  
b. Audited? Yes  No

Annual Financial Information: Audited? Yes  No   
 Operating Data

Fiscal Period Covered: July 1, 2000 through June 30, 2001 (FY2001)

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

Signature: \_\_\_\_\_

Name: Shelley J. Aronson

Title: President

Employer: First River Advisory L.L.C.

Address: 398 Thornden Street

City, State, Zip Code: South Orange, NJ 07079

Voice Telephone Number: (973) 275-0454

# FIRST RIVER ADVISORY L.L.C.

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**SHELLEY J. ARONSON**  
PRESIDENT

*Certified Independent Public Finance Advisor*

## MUNICIPAL SECONDARY MARKET DISCLOSURE INFORMATION COVER SHEET

**ISSUER:** City of Hillsdale Hospital Finance Authority  
**OBLIGATED PERSON:** Hillsdale Community Health Center  
**SECURITIES:** \$12,175,000 Hospital Revenue Bonds, Series 1998  
**PERIOD:** Fiscal Year Ended June 30, 2001

### *Nine-Digit CUSIP Numbers to which the Information Relates*

<u>Maturity (May 15)</u>	<u>CUSIP Number</u>
2002 .....	432492AD8
2003 .....	432492AE6
2004 .....	432492AF3
2005 .....	432492AG1
2006 .....	432492AH9
2007 .....	432492AJ5
2013 .....	432492AL0
2018 .....	432492AM8
2026 .....	432492AN6

First River Advisory L.L.C. has been appointed as Dissemination Agent by the Obligated Person pursuant to Section 7 of the Continuing Disclosure Agreement relating to the Securities. First River Advisory L.L.C. hereby represents that it is authorized by the Obligated Person to distribute this information publicly.

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by: Shelley J. Aronson  
President

# HILLSDALE COMMUNITY HEALTH CENTER

168 South Howell Street  
Hillsdale, MI 49242

## OFFICER'S CERTIFICATE

DATED: OCTOBER 29, 2001

Pursuant to Section 5.6(b)(i) of the Loan Agreement dated as of June 15, 1998 between the City of Hillsdale Hospital Finance Authority and Hillsdale Community Health Center, the undersigned hereby certifies that, to the best of my knowledge, no Event of Default under the Loan Agreement exists, nor has any event occurred which, with notice and/or passage of time, would constitute such an Event of Default. All capitalized terms used herein are defined in such Loan Agreement.

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

- i. Audited financial statements prepared in accordance with GAAP by an Independent Public Accountant, in compliance with Section 5.6(a)(i) of the Loan Agreement; and
- ii. The Annual Report referred to in the Continuing Disclosure Agreement dated as of June 15, 1998, in accordance with Rule 15c2-12 of the Securities Exchange Commission.

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



Charles A. Bianchi, President

# HILLSDALE COMMUNITY HEALTH CENTER

## ANNUAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2001 (FY2001)

Unless otherwise noted, all data apply to the Fiscal Year Ended June 30, 2001, or are accurate as of June 30, 2001, as appropriate. OS pages refer to the Official Statement relating to the Securities, dated June 17, 1998.

### MEDICAL STAFF

<i>Active Staff Specialization [OS Page A-12]</i>					
<i>Internal Medicine</i>		<i>Surgery</i>		<i>Other</i>	
General	5	General Surgery	3	Family Practice	6
Cardiology	1	Neurosurgery	1	Obstetrics/Gynecology	3
Gastroenterology	2	Ophthalmology	1	Pediatrics	3
Oncology	1	Orthopedic Surgery	3	Emergency Medicine	2
Neurology	1	Otorhinolaryngology	1	Pathology	1
		Podiatry	2	Radiology	2
		Urology	2	Chiropractic	4
<b>Total Internal Medicine</b>	<b>10</b>	<b>Total Surgery</b>	<b>13</b>	<b>GRAND TOTAL</b>	<b>44</b>

<i>Age Distribution of the Active Staff [OS Page A-13]</i>		
<i>Age Range</i>	<i>Number of Physicians</i>	<i>Percent of Active Staff</i>
34 and under	6	13.6%
35 - 44	19	43.2%
45 - 54	17	38.6%
55 - 64	2	4.5%
65 and over	0	0.0%
TOTAL	44	

Note: Column may not add to 100.0 due to rounding

<i>Active Staff Physicians, by Major Specialty [OS Page A-13]</i>				
	<i>Number</i>	<i>Median Age</i>	<i>Number Board-Certified</i>	<i>Number Board-Eligible</i>
Family Practice	6	40	6	0
Internal Medicine	10	47	9	1
Surgery	13	38	8	5
Obstetrics/Gynecology	3	49	2	1

**MUNICIPAL SECONDARY MARKET DISCLOSURE**  
**City of Hillsdale Hospital Finance Authority / Hillsdale Community Health Center**  
**Fiscal Year Ended June 30, 2001**

<i>Active Staff Physicians, by Practice Location</i> <i>[OS Page A-14]</i>	
Medical Building	5
Other City of Hillsdale Locations	25
Hospital-Based	5
<i>Subtotal, City of Hillsdale Locations</i>	35
Hudson	1
Jonesville	2
Litchfield	1
Quincy	1
Battle Creek	2
Jackson	2
Total	44

<i>Gross Revenue Attributable to Physician Referrals</i> <i>[OS Page A-14]</i>		
	<i>\$000 Omitted</i>	<i>Percentage</i>
Active Staff	42,592	75.8%
Physicians holding consulting or courtesy privileges, plus <i>locum tenens</i> physicians	10,647	18.9%
Unassigned Revenue	2,984	5.3%
Total Revenue	56,223	100.0%

**MUNICIPAL SECONDARY MARKET DISCLOSURE**  
**City of Hillsdale Hospital Finance Authority / Hillsdale Community Health Center**  
**Fiscal Year Ended June 30, 2001**

<i>Leading Referring Physicians</i> <i>[OS Page A-15]</i>						
<i>Rank</i>	<i>Specialty or Subspecialty</i>	<i>Age</i>	<i>Board-Certified / Eligible</i>	<i>Gross Revenue</i>	<i>Percent of Gross Revenue</i>	<i>Cumulative Percent</i>
1	Orthopedic Surgery	43	C	\$5,979,132	10.6%	10.6%
2	Internal Medicine	46	C	\$2,986,844	5.3%	15.9%
3	Internal Medicine	33	C	\$2,861,183	5.1%	21.0%
4	Obstetrics/Gynecology	49	C	\$2,640,809	4.7%	25.7%
5	Orthopedic Surgery	40	E	\$2,444,102	4.3%	30.1%
6	Gastroenterology	44	C	\$2,426,087	4.3%	34.4%
7	Gastroenterology	52	E	\$1,897,973	3.4%	37.8%
8	General Surgery	43	E	\$1,892,447	3.4%	41.1%
9	General Surgery	35	C	\$1,599,841	2.8%	44.0%
10	Internal Medicine	47	C	\$1,561,541	2.8%	46.8%
			C = Certified E = Eligible			

**MUNICIPAL SECONDARY MARKET DISCLOSURE**  
**City of Hillsdale Hospital Finance Authority / Hillsdale Community Health Center**  
**Fiscal Year Ended June 30, 2001**

**SERVICE VOLUMES AND UTILIZATION**

<i>Historical Adult Medical/Surgical (Including CCU) Utilization (excludes newborns) [OS Page A-17]</i>					
	<i>Fiscal Years Ended June 30</i>				
	<i>2001</i>	<i>2000</i>	<i>1999</i>	<i>1998</i>	<i>1997</i>
Days in Period	365	366	365	365	365
Licensed Beds	47	47	47	47	47
Available Beds	40	40	31	31	31
Admissions	2,410	2,317	2,244	2,166	2,231
Patient Days	8,621	9,398	9,633	9,682	10,643
Average Daily Census	23.6	25.7	26.4	26.5	29.2
Average LOS	3.6	4.1	4.3	4.5	4.8
Occupancy Rate (%)*	59.0	64.2	85.1	85.6	94.1
* Based on Available Beds rather than Licensed Beds					

<i>Historical Pediatrics Utilization (excludes newborns) [OS Page A-17]</i>					
	<i>Fiscal Years Ended June 30</i>				
	<i>2001</i>	<i>2000</i>	<i>1999</i>	<i>1998</i>	<i>1997</i>
Days in Period	365	366	365	365	365
Licensed Beds	9	9	9	9	9
Available Beds	4	4	4	4	9
Admissions	106	103	96	133	171
Patient Days	304	316	233	412	481
Average Daily Census	0.8	0.9	0.6	1.1	1.3
Average LOS	2.9	3.1	2.4	3.1	2.8
Occupancy Rate (%)*	20.8	21.6	16.0	28.2	14.6
* Based on Available Beds rather than Licensed Beds					

**MUNICIPAL SECONDARY MARKET DISCLOSURE**  
**City of Hillsdale Hospital Finance Authority / Hillsdale Community Health Center**  
**Fiscal Year Ended June 30, 2001**

<i>Historical Obstetrics Utilization (excludes newborns) [OS Page A-18]</i>					
	<i>Fiscal Years Ended June 30</i>				
	<i>2001</i>	<i>2000</i>	<i>1999</i>	<i>1998</i>	<i>1997</i>
Days in Period	365	366	365	365	365
Licensed Beds	9	9	9	9	9
Available Beds	8	8	8	8	9
Admissions	497	498	428	437	370
Patient Days	939	799	799	903	753
Average Daily Census	2.6	2.2	2.2	2.5	2.1
Average LOS	1.9	1.6	1.9	2.1	2.0
Occupancy Rate (%)*	32.2	27.3	27.4	30.9	22.9

\* Based on Available Beds rather than Licensed Beds

<i>Historical Acute Care Utilization (excludes newborns) [OS Page A-19]</i>					
	<i>Fiscal Years Ended June 30</i>				
	<i>2001</i>	<i>2000</i>	<i>1999</i>	<i>1998</i>	<i>1997</i>
Days in Period	365	366	365	365	365
Licensed Beds	65	65	65	65	86
Available Beds*	52	52	43	43	43
Admissions	3,013	2,918	2,768	2,736	2,772
Adjusted Admissions**	7,233	6,316	5,853	5,386	5,121
Patient Days	9,864	10,688	10,665	10,997	11,877
Average Daily Census	27.0	29.2	29.2	30.1	32.5
Average LOS	3.3	3.7	3.9	4.0	4.3
Occupancy Rate (%)***	52.0	56.2	68.0	70.1	75.7
Net Patient Revenue per Adjusted Admission***	\$3,088	\$4,605	\$4,583	\$4,703	\$4,357
Gross Outpatient Revenue per Adjusted Admission****	\$4,325	\$4,382	\$4,124	\$3,838	\$3,268

\* The FY2000 figure reported in the report relating to FY2000 was erroneous; this is the correct figure  
\*\* Admissions are adjusted by the percentage gross revenue attributable to outpatient services  
\*\*\* Based on Available Beds rather than Licensed Beds  
\*\*\*\* Calculated by management from the Corporation's audited financial statements and other records, using definitions published by Standard & Poor's Corporation in *CreditWeek Municipal*, October 20, 1997 and in *CreditWeek*, October 1994

**MUNICIPAL SECONDARY MARKET DISCLOSURE**  
**City of Hillsdale Hospital Finance Authority / Hillsdale Community Health Center**  
**Fiscal Year Ended June 30, 2001**

<i>McGuire Unit Utilization</i> <i>[OS Page A-20]</i>					
	<i>Fiscal Years Ended June 30</i>				
	<i>2001</i>	<i>2000</i>	<i>1999</i>	<i>1998</i>	<i>1997</i>
Days in Period*	365	366	365	365	365
Licensed Beds	21	21	21	21	21
Patient Days	6,629	6,747	7,042	7,225	7,357
Average Daily Census	18.2	18.4	19.3	19.8	20.2
Occupancy Rate (%)	86.5	87.8	91.9	94.3	96.0

<i>Surgical Procedures</i> <i>[OS Page A-20]</i>					
	<i>Fiscal Years Ended June 30</i>				
	<i>2001</i>	<i>2000</i>	<i>1999</i>	<i>1998</i>	<i>1997</i>
Inpatient	818	786	858	791	662
Outpatient	2,443	2,171	1,912	1,573	1,428
Total	3,261	2,957	2,770	2,364	2,090
Percent Outpatient (%)	74.9	73.4	69.0	66.5	68.3

<i>Emergency Department Volumes</i> <i>[OS Page A-21]</i>					
	<i>Fiscal Years Ended June 30</i>				
	<i>2001</i>	<i>2000</i>	<i>1999</i>	<i>1998</i>	<i>1997</i>
Visits	27,488	26,376	25,238	23,300	22,499
Change over Previous Period (%)	4.2	4.5	8.3	3.6	1.4
Transfers to Other Hospitals	139	139	122	134	180
Transfers per Thousand ED Visits	5.1	5.3	4.8	5.8	8.0

<i>Outpatient Service Volumes</i> <i>[OS Page A-21]</i>					
	<i>Fiscal Years Ended June 30</i>				
	<i>2001</i>	<i>2000</i>	<i>1999</i>	<i>1998</i>	<i>1997</i>
Scheduled Registrations	104,419	101,221	96,661	91,622	84,320
Change over Previous Period (%)	3.2	4.7	5.5	8.7	2.3

**MUNICIPAL SECONDARY MARKET DISCLOSURE**  
**City of Hillsdale Hospital Finance Authority / Hillsdale Community Health Center**  
**Fiscal Year Ended June 30, 2001**

<i>Ancillary Services Provided to <u>Inpatients</u></i> <i>[OS Page A-22]</i>					
	<i>Fiscal Years Ended June 30</i>				
	<i>2001</i>	<i>2000</i>	<i>1999</i>	<i>1998</i>	<i>1997</i>
Laboratory <sup>1</sup>	59,755	57,810	55,045	62,345	75,234
MRI Scanning <sup>2</sup>	109	86	65	138	78
CT Scanning <sup>2</sup>	1,022	873	652	627	576
Ultrasonography <sup>2</sup>	2,610	2,425	2,157	1,400	2,021
Other Radiology <sup>2</sup>	4,863	5,182	4,847	5,163	5,239
Nuclear Medicine <sup>2</sup>	463	414	539	465	570
Electrocardiography <sup>1</sup>	4,300	4,310	4,351	4,326	5,097
Electroencephalography <sup>1</sup>	22	15	11	7	9
Cardiovascular Lab <sup>3,4</sup>	115	77	105	94	119
Physical Therapy <sup>3</sup>	1,826	2,054	1,942	1,639	1,080
Respiratory Therapy <sup>3</sup>	22,094	24,391	25,824	28,452	36,358
<sup>1</sup> Tests	<sup>2</sup> Examinations	<sup>3</sup> Procedures	<sup>4</sup> Includes stress tests, Holter monitors, vascular studies and cardiac rehabilitation		

**MUNICIPAL SECONDARY MARKET DISCLOSURE**  
**City of Hillsdale Hospital Finance Authority / Hillsdale Community Health Center**  
**Fiscal Year Ended June 30, 2001**

<i>Ancillary Services Provided to Outpatients (includes ED, Home Care and McGuire Unit patients) [OS Page A-23]</i>					
	<i>Fiscal Years Ended June 30</i>				
	<i>2001</i>	<i>2000</i>	<i>1999</i>	<i>1998</i>	<i>1997</i>
Laboratory <sup>1</sup>	193,108	180,740	169,872	174,709	160,073
MRI Scanning <sup>2</sup>	1,365	1,166	991	894	727
CT Scanning <sup>2</sup>	3,351	2,858	1,871	1,784	1,606
Ultrasonography <sup>2</sup>	6,840	6,810	5,922	4,352	4,385
Other Radiology <sup>2</sup>	29,752	23,898	22,598	21,303	20,498
Nuclear Medicine <sup>2</sup>	5,500	4,615	3,914	2,689	2,107
Electrocardiography <sup>1</sup>	2,964	2,669	2,918	2,321	1,965
Electroencephalography <sup>1</sup>	69	70	62	86	60
Cardiovascular Lab <sup>3,4</sup>	3,924	2,478	2,272	2,147	1,812
Physical Therapy <sup>3</sup>	17,763	20,896	20,136	18,940	17,430
Respiratory Therapy <sup>3</sup>	9,782	10,882	8,689	6,040	5,216
Endoscopy <sup>3</sup>	2,122	1,756	1,581	1,311	1,138
Sleep Studies <sup>1</sup>	191	159	89	75	59
<sup>1</sup> Tests	<sup>2</sup> Examinations	<sup>3</sup> Procedures	<sup>4</sup> Includes stress tests, Holter monitors, vascular studies and cardiac rehabilitation		

<i>Home Care Visits [OS Page A-23]</i>				
<i>Fiscal Years Ended June 30</i>				
<i>2001</i>	<i>2000</i>	<i>1999</i>	<i>1998</i>	<i>1997</i>
9,899	11,612	9,326	10,384	7,225

**MUNICIPAL SECONDARY MARKET DISCLOSURE**  
**City of Hillsdale Hospital Finance Authority / Hillsdale Community Health Center**  
**Fiscal Year Ended June 30, 2001**

**FINANCIAL INFORMATION**

<i>McGuire Unit Payor Mix</i> <i>(expressed as percentages of patient-days)</i> <i>[OS Page A-32]</i>					
	<i>Fiscal Years Ended June 30</i>				
	<i>2001</i>	<i>2000</i>	<i>1999</i>	<i>1998</i>	<i>1997</i>
Medicare	93.5%	91.8%	96.7%	36.9%	30.5%
Medicaid	0.0%	0.8%	0.1%	32.5%	25.4%
Private Pay and Commercial Insurance	6.5%	7.4%	3.2%	30.6%	44.1%
<b>TOTALS</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

<i>Payor Mix</i> <i>[OS Page A-33]</i>										
	<i>Fiscal Years Ended June 30</i>									
	<i>By Gross Revenue</i>					<i>By Acute Care Patient-Days</i>				
	<i>2001</i>	<i>2000</i>	<i>1999</i>	<i>1998</i>	<i>1997</i>	<i>2001</i>	<i>2000</i>	<i>1999</i>	<i>1998</i>	<i>1997</i>
Medicare	42.2	45.1	44.3	43.1	45.1	58.3	62.4	63.7	60.4	64.3
Medicaid	8.8	8.0	7.8	10.2	9.6	9.6	8.6	8.1	10.2	8.1
Blue Cross	23.5	21.3	21.1	18.6	18.0	15.1	13.8	12.8	11.2	11.1
Commercial Insurance	21.9	21.5	22.5	23.7	23.8	14.1	12.2	12.3	14.9	14.4
Self-Pay	3.6	4.1	4.3	4.4	3.5	2.9	3.0	3.1	3.3	2.1
<b>TOTALS</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

<i>Gross Patient Revenue by Service</i> <i>[OS Page A-33]</i>					
	<i>Fiscal Years Ended June 30</i>				
	<i>2001</i>	<i>2000</i>	<i>1999</i>	<i>1998</i>	<i>1997</i>
Inpatient	39.7%	42.0%	42.5%	44.5%	46.8%
Outpatient	53.4%	50.2%	50.8%	48.4%	45.9%
McGuire Unit	4.6%	5.1%	4.7%	4.8%	5.3%
Home Care	2.3%	2.7%	2.0%	2.3%	2.0%
<b>TOTALS</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

**MUNICIPAL SECONDARY MARKET DISCLOSURE**  
**City of Hillsdale Hospital Finance Authority / Hillsdale Community Health Center**  
**Fiscal Year Ended June 30, 2001**

<i>Summary of Statements of Operations – Unrestricted</i> <i>(\$000s omitted)</i> <i>[OS Page A-34]</i>					
	<i>Fiscal Years Ended June 30</i>				
	<i>2001</i>	<i>2000</i>	<i>1999</i>	<i>1998</i>	<i>1997</i>
Net Patient Service Revenue	31,455	29,082	26,826	25,333	22,313
Other Operating Revenue	625	<u>500</u>	<u>290</u>	<u>287</u>	<u>252</u>
Total Operating Revenue	32,080	29,582	27,116	25,620	22,565
Depreciation Expense	1,475	1,389	1,125	925	730
Interest Expense	639	577	643	225	197
Bad Debt Expense	2,492	2,054	1,647	1,717	913
Other Operating Expenses	<u>25,817</u>	<u>24,711</u>	<u>22,015</u>	<u>20,722</u>	<u>18,774</u>
Total Operating Expenses	30,423	28,731	25,430	23,589	20,614
Income from Operations	1,657	851	1,686	2,031	1,951
Net Nonoperating Gains (Losses)	<u>(984)</u>	<u>(410)</u>	<u>(670)</u>	<u>(569)</u>	<u>(347)</u>
Revenue and Gains in Excess of Expenses	673	441	1,016	1,462	1,604
Depreciation included in net nonoperating gains (losses)	28	28	28	28	28
Net Income Available for Debt Service (EBIDA)	2,815	2,435	2,812	2,640	2,559
Capital Expenditures	1,506	1,697	2,659	3,069	2,296

\* Calculated by management from the Corporation's audited financial statements, using definitions published by Standard & Poor's Corporation in *CreditWeek Municipal*, October 20, 1997

<i>Profitability Ratios</i> <i>[OS Page A-35]</i>					
	<i>Fiscal Years Ended June 30</i>				
	<i>2001</i>	<i>2000</i>	<i>1999</i>	<i>1998</i>	<i>1997</i>
Debt Service Coverage Ratio*	3.35	2.90	3.34	3.14	<del>          </del>
Excess Margin	2.16%	1.50%	3.84%	5.84%	7.22%
Operating Margin	5.17%	2.90%	6.22%	7.93%	8.65%

\* Based on Maximum Annual Debt Service on the Series 1998 Bonds of \$841,350.  
Note: Calculated by management from the Corporation's audited financial statements, using definitions published by Standard & Poor's Corporation in *CreditWeek Municipal*, October 20, 1997 and in *CreditWeek*, October 1994

**MUNICIPAL SECONDARY MARKET DISCLOSURE**  
**City of Hillsdale Hospital Finance Authority / Hillsdale Community Health Center**  
**Fiscal Year Ended June 30, 2001**

<i>Cost and Productivity Measures</i> <i>[OS Page A-35]</i>					
	<i>Fiscal Years Ended June 30</i>				
	<i>2001</i>	<i>2000</i>	<i>1999</i>	<i>1998</i>	<i>1997</i>
Total FTEs	265.8	267.5	260.5	252.9	249.5
FTEs per Adjusted Admission	0.039	0.042	0.044	0.047	0.049
FTEs per Adjusted Occupied Bed	4.2	4.1	4.1	4.0	3.9
Adjusted Acute Care Patient-Days	23,122	23,084	23,411	22,966	23,511
Paid-hours per Adjusted Patient-Day	23.7	24.7	22.8	22.5	22.0
McGuire Unit Paid Hours per Patient-Day	5.7	6.3	5.8	6.0	6.6
Capital Expense / Total Expenses	6.6%	6.9%	7.1%	5.0%	4.6%
Bad Debt Expense / Operating Revenue	7.8%	6.9%	6.1%	6.7%	4.0%

Note: Calculated by management from the Corporation's audited financial statements and other records, using definitions published by Standard & Poor's Corporation in *CreditWeek Municipal*, October 20, 1997

<i>Balance Sheet Summary</i> <i>(\$000s omitted)</i> <i>[OS Page A-36]</i>					
	<i>Fiscal Years Ended June 30</i>				
	<i>2001</i>	<i>2000</i>	<i>1999</i>	<i>1998</i>	<i>1997</i>
Cash and Temporary Investments*	3,750	893	2,415	193	1,179
Net Patient Accounts Receivable	5,127	5,028	4,362	4,157	3,210
Other Current Assets	<u>2,771</u>	<u>3,168</u>	<u>3,003</u>	<u>2,088</u>	<u>1,537</u>
Total Current Assets	11,648	9,089	9,780	6,438	5,926
Non-Current Cash and Investments (unrestricted)*	4,127	4,360	3,122	3,361	2,434
Property and Equipment	12,526	12,524	12,214	10,675	8,542
Other Assets	<u>1,588</u>	<u>2,231</u>	<u>3,404</u>	<u>6,250</u>	<u>317</u>
Total Assets	29,889	28,204	28,520	26,724	17,219
Current Liabilities	5,337	4,241	4,918	4,087	3,396
Long-Term Debt	11,577	11,497	11,751	11,984	4,603
Net Assets	<u>12,975</u>	<u>12,466</u>	<u>11,851</u>	<u>10,653</u>	<u>9,220</u>
Total	29,889	28,204	28,520	26,724	17,219

\* Used in "Days' Cash on Hand," "Cushion Ratio" and "Quick Ratio" calculations

**MUNICIPAL SECONDARY MARKET DISCLOSURE**  
**City of Hillsdale Hospital Finance Authority / Hillsdale Community Health Center**  
**Fiscal Year Ended June 30, 2001**

<i>Liquidity Ratios</i> <i>[OS Page A-37]</i>					
	<i>Fiscal Years Ended June 30</i>				
	<i>2001</i>	<i>2000</i>	<i>1999</i>	<i>1998</i>	<i>1997</i>
Current Ratio	2.18	2.14	1.99	1.57	1.75
Quick Ratio	2.82	2.96	2.42	2.48	2.31
Days in Patient Accounts Receivable	59.5	63.3	59.4	59.9	52.5
Days Cash on Hand	99.4	70.2	83.2	57.3	66.3
Cash-to-Debt*	66.4%	44.6%	46.1%	28.8%	72.0%

\* The denominator of this ratio includes the current portion of long-term debt  
Note: Calculated by management from the Corporation's audited financial statements and other records, using definitions published by Standard & Poor's Corporation in *CreditWeek Municipal*, October 20, 1997 and *CreditWeek*, October 1994, and by Moody's Investors Service in *Health Care Medians*, June 1996

<i>Case-Mix Indices</i> <i>[OS Page A-38]</i>					
	<i>Fiscal Years Ended June 30</i>				
	<i>2001</i>	<i>2000</i>	<i>1999</i>	<i>1998</i>	<i>1997</i>
Medicare	1.1461	1.2890	1.2346	1.1283	1.1307
Medicaid	0.4816	0.5546	0.7252	0.7413	0.7388
Blue Cross	1.2475	0.9331	0.7382	0.6937	0.7837

**MUNICIPAL SECONDARY MARKET DISCLOSURE**  
**City of Hillsdale Hospital Finance Authority / Hillsdale Community Health Center**  
**Fiscal Year Ended June 30, 2001**

<i>Top Ten DRGs [OS Page A-39]</i>					
<i>DRG</i>	<i>Description</i>	<i>Discharges</i>	<i>Percent</i>	<i>Cumulative Percent</i>	<i>Average LOS</i>
391	Normal Newborn	339	9.9%	9.9%	1.6
373	Vaginal Delivery, without Complications	285	8.4%	18.3%	1.5
127	Heart Failure and Shock	145	4.2%	22.5%	4.0
209	Major Joint and Limb Reattachment Procedures, Lower Extremity	135	4.0%	26.5%	4.1
89	Simple Pneumonia and Pleurisy, > Age 17, with Complications	94	2.8%	29.2%	4.8
88	Chronic Obstructive Pulmonary Disease	92	2.7%	31.9%	4.0
371	Cesarean Section, without Complications	91	2.7%	34.6%	3.1
132	Atherosclerosis with Complications	83	2.4%	37.0%	2.1
143	Chest Pain	74	2.2%	39.2%	1.5
359	Uterine and Adnexa Procedures for Non- Malignancy, without Complications	72	2.1%	41.3%	2.8

# **Hillsdale Community Health Center**

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**Financial Report**

**June 30, 2001**

# Hillsdale Community Health Center

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## Independent Auditor's Report

To the Board of Trustees  
Hillsdale Community Health Center

We have audited the accompanying balance sheet of Hillsdale Community Health Center as of June 30, 2001 and 2000, and the related statements of operations and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hillsdale Community Health Center at June 30, 2001 and 2000, and the results of its operations, changes in net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Plante & Moran, LLP*

August 3, 2001



A worldwide association of independent accounting firms

# Hillsdale Community Health Center

## Balance Sheet

		June 30	
		2001	2000
<b>Assets</b>			
<b>Current Assets</b>			
Cash		\$ 3,750,020	\$ 893,382
Accounts receivable (Note 2)		7,190,596	7,319,071
Cost report settlements (Note 3)		200,000	550,000
Other current assets		<u>507,695</u>	<u>326,120</u>
Total current assets		11,648,311	9,088,573
<b>Investments and Other Assets</b> (Note 4)		4,550,568	4,815,438
<b>Assets Limited as to Use</b> (Note 5)		1,163,420	1,775,880
<b>Property and Equipment</b> (Note 6)		<u>12,526,336</u>	<u>12,524,046</u>
Total assets		<u><b>\$ 29,888,635</b></u>	<u><b>\$ 28,203,937</b></u>
<b>Liabilities and Net Assets</b>			
<b>Current Liabilities</b>			
Current portion of long-term debt (Note 7)		\$ 291,125	\$ 267,728
Trade accounts payable		1,543,070	1,362,037
Cost report settlements (Note 3)		1,150,000	600,000
Accrued expenses payable		1,534,311	1,393,068
Credit balances - Patient ledgers		<u>818,026</u>	<u>618,572</u>
Total current liabilities		5,336,532	4,241,405
<b>Long-term Debt</b> (Note 7)		11,577,217	11,497,027
<b>Net Assets</b>			
Unrestricted		12,882,963	12,346,967
Temporarily restricted (Note 8)		<u>91,923</u>	<u>118,538</u>
Total net assets		<u>12,974,886</u>	<u>12,465,505</u>
Total liabilities and net assets		<u><b>\$ 29,888,635</b></u>	<u><b>\$ 28,203,937</b></u>

# Hillsdale Community Health Center

## Statement of Operations and Changes in Net Assets

	Year Ended June 30	
	2001	2000
<b>Unrestricted Revenue, Gains and Other Support</b>		
Net patient revenue	\$ 31,454,692	\$ 29,082,367
Other operating income	<u>625,176</u>	<u>500,146</u>
Total unrestricted revenue	32,079,868	29,582,513
<b>Operating Expenses</b>		
Salaries and wages	10,802,933	10,646,136
Employee benefits	3,201,512	3,322,823
Supplies, purchased services and other	11,811,882	10,741,971
Provision for doubtful accounts	2,491,857	2,054,158
Depreciation and amortization	1,475,395	1,388,793
Interest	<u>638,854</u>	<u>577,133</u>
Total operating expenses	<u>30,422,433</u>	<u>28,731,014</u>
<b>Operating Income</b>	1,657,435	851,499
<b>Nonoperating Income (Expenses) - Net</b>	<u>(984,399)</u>	<u>(634,796)</u>
<b>Excess of Revenue Over Expenses</b>	<u>\$ 673,036</u>	<u>\$ 216,703</u>

# Hillsdale Community Health Center

## Statement of Operations and Changes in Net Assets (Continued)

	Year Ended June 30	
	2001	2000
<b>Unrestricted Net Assets</b>		
Excess of revenue over expenses	\$ 673,036	\$ 216,703
Changes in net unrealized gains and (losses)	(340,374)	225,228
Net assets released from restrictions used for purchase of property and equipment	<u>203,334</u>	<u>211,473</u>
Increase in unrestricted net assets	535,996	653,404
<b>Temporarily Restricted Net Assets</b>		
Contributions	176,719	172,877
Net assets released from restrictions	<u>(203,334)</u>	<u>(211,473)</u>
Decrease in temporarily restricted net assets	<u>(26,615)</u>	<u>(38,596)</u>
<b>Increase in Net Assets</b>	509,381	614,808
<b>Net Assets - Beginning of year</b>	<u>12,465,505</u>	<u>11,850,697</u>
<b>Net Assets - End of year</b>	<u><b>\$ 12,974,886</b></u>	<u><b>\$ 12,465,505</b></u>

# Hillsdale Community Health Center

## Statement of Cash Flows

	Year Ended June 30	
	2001	2000
<b>Cash Flows from Operating Activities</b>		
Cash received from patients and third-party payors	\$ 29,963,769	\$ 26,364,202
Cash received from other operating revenue	625,176	500,146
Contributions received	27,829	56,709
Interest received on cash accounts	337,173	455,425
Cash paid to employees and suppliers	(25,962,697)	(25,481,219)
Interest paid	(638,854)	(577,133)
Medical Office Building:		
Cash received for rent	140,398	77,231
Cash paid for rental property costs	(46,755)	(75,911)
Interest paid	-	(250)
Other	(50,499)	(99,921)
Net cash provided by operating activities	4,395,540	1,219,279
<b>Cash Flows from Investing Activities</b>		
Purchase and construction of capital assets	(1,505,761)	(1,697,247)
Advances to physicians	(849,827)	(1,100,726)
Proceeds from other assets	31,818	73,233
Purchases from investments	(107,898)	(862,497)
Cash proceeds from assets limited as to use	612,460	949,613
Net cash used in investing activities	(1,819,208)	(2,637,624)
<b>Cash Flows from Financing Activities</b>		
Proceeds from issuance of long-term debt	379,421	-
Principal paid on long-term debt	(275,834)	(275,662)
Contributions restricted for fixed asset additions	176,719	172,877
Net cash provided by (used in) financing activities	280,306	(102,785)
<b>Net Increase (Decrease) in Cash</b>	2,856,638	(1,521,130)
<b>Cash - Beginning of year</b>	893,382	2,414,512
<b>Cash - End of year</b>	<b>\$ 3,750,020</b>	<b>\$ 893,382</b>

# Hillsdale Community Health Center

## Statement of Cash Flows (Continued)

A reconciliation of increase in net assets to net cash provided by operating activities is as follows:

	Year Ended June 30	
	2001	2000
Increase in net assets	\$ 509,381	\$ 614,808
Adjustments to reconcile increase in net assets to net cash from operating activities:		
Contributions restricted for fixed asset additions	(176,719)	(172,877)
Net realized and unrealized (gains) losses on investment securities	340,950	(225,228)
Depreciation	1,503,471	1,416,869
Bad debt expense	2,491,857	2,054,158
Amortization of physician advances	1,076,822	834,222
(Increase) decrease in assets:		
Patient accounts receivable	(2,390,923)	(2,598,165)
Cost report settlements	350,000	100,000
Other current assets	(181,575)	3,129
Increase (decrease) in liabilities:		
Cost report settlements	550,000	(220,000)
Accounts payable	181,033	(398,992)
Accrued expenses	141,243	(188,645)
Net cash provided by operating activities	<u>\$ 4,395,540</u>	<u>\$ 1,219,279</u>

### Noncash Investing and Financing Activities:

- There were no noncash activities during the year ended June 30, 2001.
- During the year ended June 30, 2000, the Hospital leased equipment under capital leases. The lease obligation incurred was \$30,000.

# Hillsdale Community Health Center

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## Notes to Financial Statements June 30, 2001 and 2000

### Note 1 - Nature of Business and Significant Accounting Policies

The Hospital operates a short-term, acute care facility including a skilled nursing unit providing inpatient and outpatient health care services to the Hillsdale, Michigan area.

**Use of Estimates** - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

**Property and Equipment** - Property and equipment are stated at cost. Maintenance and repairs are charged to expense as incurred. Depreciation has been charged to operations using the straight-line method.

**Investments** - Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the balance sheet. Investment income or loss (including realized gains and losses on investments, interest and dividends) is included in the excess of revenue over expenses unless the income or loss is restricted by donor or law. Unrealized gains and losses on investments are excluded from the excess of revenue over expenses unless the investments are trading securities.

**Self Insurance** - The Hospital acts as a self insurer for health insurance benefits up to limits as provided for in an agreement with its insurance plan administrator. The cost of claims, including an estimate for unprocessed claims, is recognized as an operating expense in the year of the incident. Services covered by the plan are expensed as health care benefits.

**Net Patient Revenue** - Net patient 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. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

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

# Hillsdale Community Health Center

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## Notes to Financial Statements June 30, 2001 and 2000

### Note 1 - Nature of Business and Significant Accounting Policies (Continued)

**Charity Care** - The Hospital 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 Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. Services provided on a charity basis for 2001 and 2000, amounted to \$359,553 and \$546,893, respectively.

**Tax Status** - The Hospital is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code, and, accordingly, no tax provision is reflected in the financial statements.

**Joint Affiliation** - A joint affiliation was established with Borgess Hospital of Kalamazoo. The Hospital is engaged in a joint venture with Borgess Hospital as 50-50 owners of the Jonesville Clinic. The clinic provides primary care services to residents of the surrounding area. The investment in the joint venture is recorded using the equity method and is included in other assets (Note 4).

**Contributions** - The Hospital reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of operations as net assets released from restrictions.

The Hospital reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long-lived assets must be maintained, the Hospital reports the expirations of donor restrictions when the assets are placed in service.

# Hillsdale Community Health Center

## Notes to Financial Statements June 30, 2001 and 2000

### Note 1 - Nature of Business and Significant Accounting Policies (Continued)

**Excess of Revenue over Expenses** - The statement of operations includes excess of revenue over expenses. Changes in unrestricted net assets that are excluded from excess of revenue over expenses, consistent with industry practice, include unrealized gains and losses on investments other than trading securities, permanent transfers of assets to and from affiliates for other than goods and services, and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purpose of acquiring such assets).

**Reclassifications** - Some 2000 balances have been reclassified to conform with 2001 presentation.

### Note 2 - Accounts Receivable

Details of patient accounts receivable at June 30, 2001 and 2000, are as follows:

	2001	2000
Patient accounts receivable, gross	\$ 14,422,896	\$ 17,617,376
Less allowance for:		
Uncollectible accounts	(2,520,000)	(2,680,000)
Third-party contractual adjustments and interim payment advances	<u>(6,776,000)</u>	<u>(9,909,000)</u>
Patient accounts receivable - Net	5,126,896	5,028,376
Physician advances, net (Note 11)	<u>2,063,700</u>	<u>2,290,695</u>
Accounts receivable - Net	<u>\$ 7,190,596</u>	<u>\$ 7,319,071</u>

# Hillsdale Community Health Center

## Notes to Financial Statements June 30, 2001 and 2000

### Note 2 - Accounts Receivable (Continued)

The Hospital is located in Hillsdale, Michigan. The Hospital provides service without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from residents and third-party payors was as follows:

	2001	2000
Medicare	30%	35%
Medicaid	12%	11%
Blue Cross \ Blue Shield	18%	21%
Other third-party payors	24%	21%
Patient pay	16%	12%
Total	100%	100%

### Note 3 - Cost Report Settlements

Approximately 74 percent of the Hospital's revenue from patient services is received from the Medicare, Medicaid and Blue Cross of Michigan programs. The Hospital has agreements with these payors that provide for reimbursement to the Hospital at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between the Hospital's established rates for services and amounts reimbursed by third-party payors. A summary of the basis of reimbursement with these third-party payors follows:

- Medicare - Inpatient acute-care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Outpatient services are reimbursed based upon an established fee-for-service reimbursement methodology. Skilled nursing care services rendered to Medicare program beneficiaries are reimbursed at prospectively determined rates based upon clinical assessments completed by the unit that are subject to review and final approval by Medicare.
- Medicaid - Inpatient acute-care services rendered to Medicaid program beneficiaries are also paid at prospectively determined rates per discharge. Capital costs relating to Medicaid patients are paid on a cost reimbursement method. The Hospital is reimbursed for outpatient services on an established fee-for-service methodology. Skilled nursing care services are reimbursed by the Medicaid program on a per diem basis on a cost reimbursed methodology.

# Hillsdale Community Health Center

## Notes to Financial Statements June 30, 2001 and 2000

### Note 3 - Cost Report Settlements (Continued)

- Blue Cross - Inpatient services rendered to Blue Cross patients are paid at prospectively determined rates per discharge. These rates are based on the Medicare patient classification system and on hospital specific costs limited by a cap specified in the agreement. Most outpatient services and defined capital costs related to Blue Cross beneficiaries are paid based upon a cost-reimbursement method. Outpatient radiology and laboratory services are reimbursed on an established fee-for-service methodology.

Cost report settlements result from the adjustment of interim payments to final reimbursement under these programs that is subject to audit by fiscal intermediaries. Although these audits may result in some changes in these amounts, they are not expected to have a material effect on the accompanying financial statements.

### Note 4 - Investments and Other Assets

The details of investments and other assets are given below:

	2001	2000
Investments:		
Certificates of deposit	\$ 132,241	\$ 117,946
Mutual funds	270,875	1,611,423
Corporate bonds	270,242	417,120
Governmental bonds	546,637	421,015
Corporate stock	<u>2,907,044</u>	<u>1,792,587</u>
Total investments	4,127,039	4,360,091
Other Assets:		
Hospital association and equipment purchase deposits	21,270	21,270
Jonesville joint venture	65,204	81,754
Bond issuance costs	<u>337,055</u>	<u>352,323</u>
Total other assets	<u>423,529</u>	<u>455,347</u>
Total	<u>\$ 4,550,568</u>	<u>\$ 4,815,438</u>

# Hillsdale Community Health Center

## Notes to Financial Statements June 30, 2001 and 2000

### Note 4 - Investments and Other Assets (Continued)

Investment income is comprised of the following:

	<u>2001</u>	<u>2000</u>
Interest and dividend income	\$ 337,173	\$ 455,425
Net realized gains (losses)	(567)	-
Net unrealized gains (losses)	<u>(340,374)</u>	<u>225,228</u>
Investment income (loss)	<u>\$ (3,777)</u>	<u>\$ 680,653</u>

### Note 5 - Assets Limited as to Use

The details of assets limited as to use are given below:

	<u>2001</u>	<u>2000</u>
Assets limited as to use:		
By bond agreement:		
Future capital improvements		
U.S. Government securities	\$ 102,727	\$ 712,340
Debt service reserve		
U.S. Government securities	841,350	841,350
By donor for capital improvements:		
Cash	91,325	118,538
By deferred compensation agreement:		
Mutual funds	<u>128,018</u>	<u>103,652</u>
Total assets limited as to use	<u>\$ 1,163,420</u>	<u>\$ 1,775,880</u>

# Hillsdale Community Health Center

## Notes to Financial Statements June 30, 2001 and 2000

### Note 6 - Property and Equipment

Cost of property and equipment and depreciable lives are summarized as follows:

	2001	2000	Depreciable Life - Years
	<u>2001</u>	<u>2000</u>	
Land and improvements	\$ 256,476	\$ 177,851	5
Buildings and improvements:			
Hospital	12,891,288	12,638,011	5-50
Medical office buildings	1,631,446	952,023	5-25
Construction in progress	304,775	201,241	
Equipment	9,682,213	9,291,311	5-10
Equipment under capital lease	<u>620,146</u>	<u>620,146</u>	5-10
 Total cost	 25,386,344	 23,880,583	
 Less accumulated depreciation	 12,332,380	 10,871,343	
Less accumulated amortization	<u>527,628</u>	<u>485,194</u>	
 Net carrying amount	 <u>\$ 12,526,336</u>	 <u>\$ 12,524,046</u>	

Total depreciation and amortization expense, including amortization of capital leases, for the years ended June 30, 2001 and 2000, consisted of the following:

	2001	2000
	<u>2001</u>	<u>2000</u>
Included in operating expenses	\$ 1,475,395	\$ 1,388,793
Included in nonoperating expenses	<u>28,076</u>	<u>28,076</u>
 Total	 <u>\$ 1,503,471</u>	 <u>\$ 1,416,869</u>

# Hillsdale Community Health Center

## Notes to Financial Statements June 30, 2001 and 2000

### Note 7 - Long-term Debt

Long-term debt consists of the following:

	<u>2001</u>	<u>2000</u>
Series 1998 Bonds payable to City of Hillsdale Hospital Finance Authority, interest of 4.5% to 5.25%, payable in monthly installments, maturing May 15, 2026, collateralized by the unrestricted "gross revenues" of the Hospital	\$ 11,470,000	\$ 11,695,000
Note payable, interest of 2.9%, payable in monthly installments of \$369, collateralized by vehicle purchased	-	1,467
Real estate mortgage payable to bank, interest at 1.5% over prime, an effective rate of 11% at June 30, 2001 and 2000, payable in monthly installments of \$876 including interest, collateralized by real estate purchased	11,169	20,006
Note payable, interest of 8.75%, payable in monthly installments of \$607, collateralized by vehicle purchased	28,234	-
Note payable, interest of 8.5%, payable in monthly installments of \$4,340, collateralized by real estate purchased	342,480	-
Capital leases:		
Equipment, payable in monthly installments totaling approximately \$830 at June 30, 2001, including interest ranging from 10% to 12.44%	<u>16,459</u>	<u>48,282</u>
Total	11,868,342	11,764,755
Less current portion	<u>291,125</u>	<u>267,728</u>
Long-term portion	<u>\$ 11,577,217</u>	<u>\$ 11,497,027</u>

# Hillsdale Community Health Center

## Notes to Financial Statements June 30, 2001 and 2000

### Note 7 - Long-term Debt (Continued)

Principal payments on notes payable and lease payments on capital leases over the next five years, and in aggregate, as of June 30, 2001 are as follows:

	<u>Notes Payable</u>	<u>Capital Leases</u>
2002	\$ 280,058	\$ 11,781
2003	281,457	5,511
2004	294,253	-
2005	312,298	-
2006	323,779	-
2007 and thereafter	<u>10,360,038</u>	<u>-</u>
Totals	<u>\$ 11,851,883</u>	17,292
Less interest		<u>833</u>
Total minimum lease payments		<u>\$ 16,459</u>

### Note 8 - Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at June 30, 2001 and 2000.

	<u>2001</u>	<u>2000</u>
Health care programs	\$ 27,605	\$ 26,331
Purchase of equipment and expansion	<u>64,318</u>	<u>92,207</u>
Total temporarily restricted net assets	<u>\$ 91,923</u>	<u>\$ 118,538</u>

### Note 9 - Defined Contribution Plan

The Hospital has established a defined contribution retirement plan covering substantially all employees. The Hospital contributed 3percent of eligible wages resulting in pension expense of \$279,418 and \$251,941 for the years ended June 30, 2001 and 2000, respectively.

# Hillsdale Community Health Center

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## Notes to Financial Statements June 30, 2001 and 2000

### **Note 10 - Malpractice Insurance Coverage**

The Hospital is insured against medical malpractice claims under a claims-made policy, whereby only the claims reported to the insurance carrier during the policy period are covered regardless of when the incident, giving rise to the claim, occurred. Under the terms of the policy, the Hospital bears the risk of the ultimate costs of any individual claims exceeding \$1,000,000 or aggregate claims exceeding \$3,000,000 for claims asserted in the policy year. Currently, there are claims alleging malpractice asserted against the Hospital, but they are not expected to exceed the insurance coverage. No accrual for possible losses attributable to incidents that may have occurred but that have not been identified under the incident reporting system has been made because the amount cannot be reasonably estimated. Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during the claims-made term, but reported subsequently, will be uninsured.

### **Note 11 - Commitments and Contingencies**

The Hospital has entered into agreements with newly recruited physicians that include provisions for income guarantees and loans over the next few years. The amounts advanced to the physicians depend on income levels earned in their practices. Per contractual arrangements, these advances are amortized over 3-6 years if the physician remains practicing in the area. Amortization of these advances, which is included in physician recruitment expenses, has approximated \$1,077,000 and \$834,000 for 2001 and 2000, respectively.

During the year ended June 30, 2001, the Hospital guaranteed a mortgage payable for the construction of a medical office building for \$2,400,000. At June 30, 2001, the project is in the architectural fees phase with a balance of \$33,542 drawn on the loan. The Hospital is unaware of any default or potential default resulting in any Hospital liability.

# Hillsdale Community Health Center

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## Notes to Financial Statements June 30, 2001 and 2000

### Note 12 - Functional Expenses

The Hospital provides general health care services to residents within its geographic location, including residential care, assisted living and independent living. Expenses related to providing these services are as follows for the years ended June 30, 2001 and 2000, respectively.

	<u>2001</u>	<u>2000</u>
Health care services	\$ 26,722,988	\$ 25,224,612
General and administrative	<u>3,699,445</u>	<u>3,506,402</u>
Total functional expenses	<u>\$ 30,422,433</u>	<u>\$ 28,731,014</u>