

The Chippewa County War Memorial Hospital, Inc.

**Financial Report
With Additional Information
September 30, 2002**

The Chippewa County War Memorial Hospital, Inc.

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Independent Auditor's Report

Board of Trustees
The Chippewa County War Memorial Hospital, Inc.

We have audited the accompanying balance sheet of The Chippewa County War Memorial Hospital, Inc. as of September 30, 2002 and 2001, 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 our 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 The Chippewa County War Memorial Hospital, Inc. at September 30, 2002 and 2001, 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, PLLC

December 11, 2002

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The Chippewa County War Memorial Hospital, Inc.

Balance Sheet

	September 30	
	2002	2001
Assets		
Current Assets		
Cash and cash equivalents	\$ 969,680	\$ 1,268,581
Short-term investments	1,736,514	1,969,570
Accounts receivable (Note 2)	8,479,258	7,218,078
Estimated third-party payor settlements receivable	1,965,200	877,071
Prepaid expenses and other current assets	2,494,650	2,035,896
Total current assets	15,645,302	13,369,196
Investments (Note 4)	5,858,733	5,662,040
Property and Equipment (Note 5)	14,127,029	13,579,576
Deferred Charges	417,425	478,154
Total assets	<u>\$ 36,048,489</u>	<u>\$ 33,088,966</u>
Liabilities and Net Assets		
Current Liabilities		
Current maturities of long-term debt (Note 8)	\$ 1,398,476	\$ 1,335,349
Note payable (Note 7)	800,000	-
Accounts payable	2,765,726	1,556,504
Estimated third-party payor settlements payable	585,351	65,150
Accrued liabilities	3,192,891	2,868,585
Total current liabilities	8,742,444	5,825,588
Accrued Postretirement Benefit Obligation (Note 6)	1,027,055	1,011,700
Long-Term Debt (Note 8)	12,790,712	14,132,747
Total liabilities	22,560,211	20,970,035
Net Assets - Unrestricted	13,488,278	12,118,931
Total liabilities and net assets	<u>\$ 36,048,489</u>	<u>\$ 33,088,966</u>

The Chippewa County War Memorial Hospital, Inc.

Statement of Operations and Changes in Net Assets

	Year Ended September 30	
	2002	2001
Unrestricted Revenue		
Net patient service revenue	\$ 42,704,834	\$ 38,222,154
Other operating revenue	1,048,289	1,007,078
Total unrestricted revenue	43,753,123	39,229,232
Expenses		
Salaries and wages	18,744,949	16,461,058
Fringe benefits	6,027,556	5,194,212
Professional fees	1,011,898	601,656
Supplies	4,689,030	4,055,354
Drug costs	2,387,710	2,087,325
Food	454,260	412,073
Purchased service	2,982,268	2,495,260
Insurance	263,227	231,474
Bad debts	1,048,077	1,048,935
Other expenses	3,103,949	3,112,832
Depreciation	2,486,206	2,379,825
Interest	798,743	829,749
Amortization	29,136	29,136
Total expenses (Note 11)	44,027,009	38,938,889
Operating Income (Loss)	(273,886)	290,343
Other Income	324,319	481,469
Revenue Over Expenses	50,433	771,812
Contribution of Real Estate (Note 13)	1,366,400	-
Change in Net Unrealized Gains (Note 4)	(47,486)	131,963
Increase in Net Assets	1,369,347	903,775
Net Assets - Beginning of year	12,118,931	11,215,156
Net Assets - End of year	<u>\$ 13,488,278</u>	<u>\$ 12,118,931</u>

The Chippewa County War Memorial Hospital, Inc.

Statement of Cash Flows

	Year Ended September 30	
	2002	2001
Cash Flows from Operating Activities		
Cash received from patients and third-party payors	\$ 39,859,242	\$ 36,598,314
Cash paid to suppliers and employees	(38,603,854)	(34,676,124)
Interest received	309,796	478,760
Interest paid	(769,607)	(829,749)
Other cash receipts	1,048,289	1,007,078
Net cash provided by operating activities (Note 12)	1,843,866	2,578,279
Cash Flows from Investing Activities		
Purchase of property and equipment	(1,667,259)	(1,974,776)
(Increase) decrease in investments	3,400	691,171
Net cash used in investing activities	(1,663,859)	(1,283,605)
Cash Flows from Financing Activities		
Proceeds from issuance of short-term debt	800,000	-
Proceeds from issuance of long-term debt	73,750	917,000
Principal payments on long-term debt	(1,352,658)	(1,191,437)
Net cash used in financing activities	(478,908)	(274,437)
Net Increase (Decrease) in Cash and Cash Equivalents	(298,901)	1,020,237
Cash and Cash Equivalents - Beginning of year	1,268,581	248,344
Cash and Cash Equivalents - End of year	<u>\$ 969,680</u>	<u>\$ 1,268,581</u>

The Chippewa County War Memorial Hospital, Inc.

Notes to Financial Statements September 30, 2002 and 2001

Note 1 – Nature of Business and Significant Accounting Policies

Reporting Entity – The Chippewa County War Memorial Hospital, Inc. (Hospital), located in Sault Ste. Marie, Michigan is a not-for-profit hospital. The Hospital provides acute and long-term health care to residents of Sault Ste. Marie, Michigan, and the surrounding area. Admitting physicians are primarily practitioners in the local area.

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

Cash and Cash Equivalents – Cash and cash equivalents include temporary investments with a maturity of three months or less except for those amounts included in assets limited as to use.

Short-Term Investments – Short-term investments represent investments with original maturity dates of more than three months and money market funds set aside to pay the portion of the principal and interest on the Series 1997A and 1997B bonds (Note 7) that are included in current liabilities.

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.

Assets Limited As to Use – Assets limited as to use include assets held by a bank trust department under debt agreements and assets set aside by the Board of Trustees for funded depreciation.

Property and Equipment – Property and equipment acquisitions are recorded at cost. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets. Cost of maintenance and repairs are charged to expense when incurred. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

The Chippewa County War Memorial Hospital, Inc.

Notes to Financial Statements September 30, 2002 and 2001

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

Gifts of long-lived assets such as land, buildings and equipment are reported as unrestricted support, and are excluded from the excess of revenue over expenses, unless explicit donor stipulations specify how donated assets must be used. The assets are recorded at fair market value at the time received. 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 those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Deferred Charges – Deferred charges represent financing costs and timing differences related to reimbursement from third-party payor programs. These charges are amortized over the period the related debt is outstanding or reimbursement from third-party payor programs is affected.

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. Donor-restricted contributions whose restrictions are met with the same year as received are reported as unrestricted contributions in the accompanying financial statements.

Net Patient Service Revenue – The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursement costs, discounted charges, and per diem payments. 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. 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.

The Chippewa County War Memorial Hospital, Inc.

Notes to Financial Statements September 30, 2002 and 2001

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

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 the Medicare and Medicaid programs.

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 permanent transfers of assets to and from affiliates for other than goods and services, unrealized gains and losses on investments and contributions of long-lived assets (including assets acquired using contributions that, by donor restriction, were to be used for the purpose of acquiring such assets).

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. Charity care amounts represent less than 1 percent of patients served.

Professional Liability Insurance – The Hospital accrues the estimated ultimate expense, including litigation and settlement expense, for any reported and unreported incidents of alleged improper professional service during the year that are in excess of applicable insurance coverage (Note 10).

Postretirement Health Benefits – The Hospital sponsors a defined benefit postretirement health care plan covering substantially all retirees. The plan is contributory with retiree contributions adjusted periodically (Note 6).

Tax Status – The Hospital is a nonprofit organization under Code Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code.

Reclassifications – Certain prior year amounts have been reclassified to conform to the current year presentation.

The Chippewa County War Memorial Hospital, Inc.

Notes to Financial Statements September 30, 2002 and 2001

Note 2 – Accounts Receivable

Accounts receivable consist of the following:

	<u>2002</u>	<u>2001</u>
Patients, insurance companies and governmental agencies	\$ 13,881,731	\$ 12,873,068
Less:		
Allowance for uncollectible accounts	(1,592,410)	(1,782,417)
Allowance for contractual adjustments and interim payment advances	<u>(4,668,214)</u>	<u>(4,580,387)</u>
Patient accounts receivable, net	7,621,107	6,510,264
Other accounts receivable	<u>858,151</u>	<u>707,814</u>
Total accounts receivable	<u>\$ 8,479,258</u>	<u>\$ 7,218,078</u>

The Hospital grants credit without collateral to its patients, most of who are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors was as follows:

	<u>2002</u>	<u>2001</u>
Medicare	19.1%	21.2%
Medicaid	7.5%	8.0%
Blue Cross	15.7%	13.8%
Commercial	17.7%	18.4%
Patients	14.3%	8.3%
Unbilled	<u>25.7%</u>	<u>30.3%</u>
Total	<u>100.0%</u>	<u>100.0%</u>

The Chippewa County War Memorial Hospital, Inc.

Notes to Financial Statements September 30, 2002 and 2001

Note 3 – Cost Report Settlements

The Hospital has agreements with third-party payors that provide for reimbursement to the Hospital at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the differences 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 paid based on an established fee-for-service methodology subject to hold-harmless provisions. Long-term care services are reimbursed at prospectively determined rates per patient day.

Medicaid – Inpatient acute-care services rendered to Medicaid program beneficiaries are also paid at prospectively determined rates per discharge that are determined in a manner similar to the Medicare program. 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.

Long-term care services are reimbursed at established per diem rates plus cost for allowable ancillary services.

Advances and cost report settlements result from the adjustment of interim payments to final reimbursement under these programs, which 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.

The Chippewa County War Memorial Hospital, Inc.

Notes to Financial Statements September 30, 2002 and 2001

Note 4 – Investments

Investments are composed of the following:

	2002	2001
Assets limited as to use:		
Designated by Board of Trustees for replacement, improvement and expansion of property and equipment:		
Money market funds	\$ 89,381	\$ 116,215
Certificate of deposit	100,000	100,000
Common stock	656,133	812,070
Corporate bonds	839,216	1,044,130
United States government obligations	2,425,528	1,879,422
Accrued interest	48,584	47,721
Total	4,158,842	3,999,558
 Bond indenture assets (Note 8) held by bank trust department:		
Money market funds	35,990	4,688
United States government obligations	1,410,244	1,405,295
Accrued interest	2,316	1,158
Total	1,448,550	1,411,141
 Total assets limited as to use	5,607,392	5,410,699
 Other investments	251,341	251,341
Total investments	<u>\$ 5,858,733</u>	<u>\$ 5,662,040</u>

Assets held under the bond indenture agreements at September 30, 2002 and 2001 are composed of debt service reserve funds.

The Chippewa County War Memorial Hospital, Inc.

Notes to Financial Statements September 30, 2002 and 2001

Note 4 – Investments (Continued)

Investment income and gains for assets limited as to use, cash equivalents, and other investments are comprised of the following for the years ending September 30, 2002 and 2001:

	2002	2001
Income:		
Interest and dividend income	\$ 311,817	\$ 439,174
Realized gains	12,502	42,295
Total	<u>\$ 324,319</u>	<u>\$ 481,469</u>
Other changes in unrestricted net assets:		
Change in net unrealized gains (losses)	<u>\$ (47,486)</u>	<u>\$ 131,963</u>

Note 5 – Property and Equipment

Cost of property and equipment related depreciable lives are summarized below:

	2002	2001	Depreciable Life-Years
Land	\$ 598,606	\$ 598,606	-
Land improvements	172,817	182,987	10-20
Buildings	20,112,890	18,629,097	10-50
Equipment	20,098,838	19,052,320	3-20
Construction in progress	<u>649,523</u>	<u>136,005</u>	-
Total cost	41,632,674	38,599,015	
Accumulated depreciation	<u>27,505,645</u>	<u>25,019,439</u>	
Net carrying amount	<u>\$ 14,127,029</u>	<u>\$ 13,579,576</u>	

The Chippewa County War Memorial Hospital, Inc.

Notes to Financial Statements September 30, 2002 and 2001

Note 6 – Postretirement Benefit Obligation

The Hospital sponsors a defined benefit postretirement health care benefit plan for retired employees. Substantially all of the Hospital's employees may become eligible for benefits once they have ten years of service and reached age 55. Under provisions of the plan, retirees under the age of 65 are required to pay 70 percent of the cost of health insurance premiums, while retirees over the age of 65 are required to pay 50 percent of the cost of health insurance premiums.

The following table sets forth the plan's funded status reconciled with the amount shown in the balance sheet at September 30, 2002 and 2001:

	<u>2002</u>	<u>2001</u>
Projected benefit obligation for services rendered to date	\$ 1,284,035	\$ 1,177,594
Plan assets at fair market value	<u>-</u>	<u>-</u>
Unfunded status	<u>\$ 1,284,035</u>	<u>\$ 1,177,594</u>
Accrued benefit cost - Long-term	<u>\$ 1,027,055</u>	<u>\$ 1,011,700</u>
Net periodic benefit cost	<u>\$ 151,182</u>	<u>\$ 128,785</u>
Employer contribution	<u>\$ -</u>	<u>\$ -</u>
Benefits paid	<u>\$ 135,827</u>	<u>\$ 103,481</u>
<u>Weighted Average Assumptions</u>		
Weighted average discount rate	7.25%	7.25%
Expected rate of return on plan assets	N/A	N/A

The Hospital's policy is to fund postretirement benefit costs as claims and premiums are paid.

The Chippewa County War Memorial Hospital, Inc.

Notes to Financial Statements September 30, 2002 and 2001

Note 6 – Postretirement Benefit Obligation (Continued)

For measurement purposes, an annual rate of increase of 9 percent in the per capita cost of covered health care benefits was assumed for 2002 decreasing gradually to 5.25 percent by 2006 and remaining level thereafter. Assumed health care trend costs significantly impact reported amounts. The effect of a one-percentage point change in the assumed rates would alter the amounts of benefit obligation and the sum of the service costs and interest cost components of postretirement benefit expense as follows for 2001:

	One-Percentage Point	
	Increase	Decrease
Effect on the postretirement benefit obligation	20.10%	(15.99%)
Effect on the sum of service cost and interest cost components	21.45%	(16.73%)

Note 7 – Note Payable

The Hospital established a unsecured line of credit in 2002 with payments of interest only due monthly at an annual rate of 3.75%. The principal balance is due July 2003. The balance as of September 30, 2002 is \$800,000.

The Chippewa County War Memorial Hospital, Inc.

Notes to Financial Statements September 30, 2002 and 2001

Note 8 – Long-Term Debt

Long-term debt consists of the following:

	<u>2002</u>	<u>2001</u>
Revenue bonds payable to the County of Chippewa Hospital Finance Authority - Series 1997A and 1997B. The bonds have interest rates that vary from 4.75% to 5.625% and are payable in annual amounts ranging from \$410,000 to \$1,255,000. Interest is payable on May 1 and November 1 of each year	\$ 12,675,000	\$ 13,640,000
Note payable to Michigan State Hospital Finance Authority consists of a note issued in connection with the Hospital Equipment Loan Program. The note is collateralized by an irrevocable bank letter of credit, which in turn, is collateralized by equipment. The note is due in monthly installments of \$16,744 plus interest at a variable rate which ranged from 3.5% to 1.75% throughout the fiscal year. The letter of credit expires June 10, 2006	753,459	954,382
Note payable bearing interest at 8.25% due in monthly installments of \$18,576. This note is collateralized by equipment with an original cost of \$917,000	689,470	860,970
Other	<u>71,259</u>	<u>12,744</u>
Total	14,189,188	15,468,096
Less current maturities	<u>1,398,476</u>	<u>1,335,349</u>
Long-term portion	<u>\$ 12,790,712</u>	<u>\$ 14,132,747</u>

The Chippewa County War Memorial Hospital, Inc.

Notes to Financial Statements September 30, 2002 and 2001

Note 8 – Long-Term Debt (Continued)

In connection with the revenue bonds, the Hospital has agreed to various covenants. These covenants include restrictions on additional indebtedness and maintenance of financial ratios. The revenue bonds also have mandatory sinking fund requirements that require the hospital to fund amounts for term bonds maturing during the years ended September 30, 2005 and 2015.

Minimum principal payments and sinking fund requirements on long-term debt to maturity as of September 30, 2002 are as follows:

	<u>Principal</u>	<u>Sinking Fund</u>	<u>Total</u>
2003	\$ 383,475	\$ 1,015,000	\$ 1,398,475
2004	399,152	1,070,000	1,469,152
2005	416,071	1,130,000	1,546,071
2006	300,903	795,000	1,095,903
2007	14,587	840,000	854,587
2008 and after	<u>-</u>	<u>7,825,000</u>	<u>7,825,000</u>
Total	<u>\$ 1,514,188</u>	<u>\$ 12,675,000</u>	<u>\$ 14,189,188</u>

Note 9 – Pension Plan

The Hospital maintains a defined contribution pension plan covering substantially all employees. Under the plan, the Hospital is required to contribute up to 5 percent of eligible employee compensation. Pension expense was \$563,887 and \$500,579 for the years ended September 30, 2002 and 2001, respectively.

The Chippewa County War Memorial Hospital, Inc.

Notes to Financial Statements September 30, 2002 and 2001

Note 10 – Professional Liability Insurance

The Hospital is insured against potential professional liability 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. The Hospital bears the risk of the ultimate costs of any individual claim exceeding the policy limited for claims asserted in the policy year.

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.

At September 30, 2002 and 2001, management believes that any potential claims for malpractice would not have a material effect on the financial statements and, accordingly, no accrual was made for this contingency.

Note 11 – Functional Expenses

The Hospital is an acute and long-term care facility that provides inpatient and outpatient health care services to patients in Michigan's eastern Upper Peninsula. Expenses related to providing these services are as follows:

	<u>2002</u>	<u>2001</u>
Health care services	\$ 39,833,391	\$ 35,377,603
General and administrative	<u>4,193,618</u>	<u>3,561,286</u>
Total expenses	<u>\$ 44,027,009</u>	<u>\$ 38,938,889</u>

The Chippewa County War Memorial Hospital, Inc.

Notes to Financial Statements September 30, 2002 and 2001

Note 12 – Cash Flows

A reconciliation of the increase in net assets to net cash provided by operating activities is presented below:

	2002	2001
Increase in net assets	\$ 1,369,347	\$ 903,775
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	2,546,935	2,417,107
Provision for uncollectible accounts	1,048,077	1,048,935
Contribution of real estate	(1,366,400)	-
Net realized and unrealized (gains) losses on investments	34,984	(174,258)
(Increase) decrease in assets:		
Accounts receivable	(2,309,257)	(1,662,121)
Estimated third-party payor settlements receivable	(1,088,129)	(153,085)
Prepaid expenses and other current assets	(458,754)	(265,473)
Accrued interest income	(2,021)	39,586
Increase (decrease) in liabilities:		
Accounts payable	1,209,222	48,080
Accrued liabilities	324,306	285,279
Cost report settlements payable	520,201	65,150
Accrued postretirement benefit obligation	15,355	25,304
Net cash provided by operating activities	<u>\$ 1,843,866</u>	<u>\$ 2,578,279</u>

Note 13 – Contribution of Building

During the year ended September 30, 2002, Chippewa County conveyed the ownership of a professional building located adjacent to the Hospital. This was a non-cash transaction and the building was recorded at its estimated fair market value of \$1,366,400.

Additional Information



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Board of Trustees
The Chippewa County War Memorial Hospital, Inc.

We have audited the financial statements of The Chippewa County War Memorial Hospital, Inc. for the years ended September 30, 2002 and 2001. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The additional information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

December 11, 2002

The Chippewa County War Memorial Hospital, Inc.

Schedule of Unrestricted Revenue

	Year Ended September 30				
	2002			2001	
	Inpatient	Outpatient	Long-Term Care	Total	Total
Routine and Special Care Service					
Routine service and nursing care	\$ 5,088,086	\$ -	\$ -	\$ 5,088,086	\$ 4,988,402
Long-term care	-	-	3,207,476	3,207,476	2,977,126
Critical care	1,420,567	-	-	1,420,567	1,145,964
Nursery	245,820	-	-	245,820	282,209
Total routine and special care service	6,754,473	-	3,207,476	9,961,949	9,393,701
Ancillary Service					
Operating and recovery rooms	4,481,298	7,276,506	5,022	11,762,826	9,686,031
Anesthesiology	504,279	3,223,236	414	3,727,929	3,101,181
Radiology	2,133,351	13,419,629	47,870	15,600,850	14,795,645
Laboratory	1,510,812	6,007,127	58,641	7,576,580	6,785,350
Respiratory therapy	622,873	120,884	66,098	809,855	935,080
Physical therapy	875,614	3,910,489	84,196	4,870,299	3,761,303
Electrocardiology	1,418,468	3,398,969	6,515	4,823,952	3,668,232
Medical supplies	656,059	687,617	38,909	1,382,585	1,080,589
Pharmacy	4,889,839	6,387,597	130,413	11,407,849	8,835,973
Emergency room	776,696	2,781,715	3,058	3,561,469	3,429,266
Rural health clinic	-	881,393	-	881,393	760,969
Physician offices	-	2,122,285	-	2,122,285	2,176,850
Total ancillary service	17,869,289	50,217,447	441,136	68,527,872	59,016,469
Total patient service revenue	<u>\$ 24,623,762</u>	<u>\$ 50,217,447</u>	<u>\$ 3,648,612</u>	78,489,821	68,410,170
Revenue Deductions					
Contractual allowances				32,637,308	26,979,405
Other allowances				3,147,679	3,208,611
Total revenue deductions				<u>35,784,987</u>	<u>30,188,016</u>
Net patient service revenue				42,704,834	38,222,154
Other Operating Revenue					
Rental income				188,340	188,608
Cafeteria				272,054	231,909
Miscellaneous				587,895	586,561
Total other operating revenue				<u>1,048,289</u>	<u>1,007,078</u>
Total Unrestricted Revenue				<u>\$ 43,753,123</u>	<u>\$ 39,229,232</u>

The Chippewa County War Memorial Hospital, Inc.

Selected Patient Service Data (Unaudited)

	Year Ended September 30	
	2002	2001
Routine and Special Care Services		
Admissions:		
Acute	2,683	2,481
Nursery	352	392
Average Length of Stay:		
Acute	3.52	3.74
Nursery	2.06	2.12
Patient Days:		
Acute	9,448	9,268
Nursery	725	830
Skilled nursing facility	18,455	18,219
Swing beds	476	683
Selected Ancillary Services:		
Radiology procedures	47,729	45,011
Surgical Cases:		
Inpatient	888	914
Outpatient	2,910	2,606
Emergency visits	14,927	14,419
Utilization by Payor:		
Medicare	28.6%	32.8%
Medicaid	9.5%	10.9%
Blue Cross	26.1%	30.0%
Other	35.8%	26.3%
	<u>100.0%</u>	<u>100.0%</u>
Total	<u>100.0%</u>	<u>100.0%</u>