

## Independent Accountants' Report

Board of Trustees  
Garden City Hospital and Subsidiaries  
Garden City, Michigan

We have audited the accompanying consolidated balance sheets of Garden City Hospital and Subsidiaries (Corporation) as of September 30, 2012 and 2011, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Garden City Hospital and Subsidiaries as of September 30, 2012 and 2011, and the results of its operations, the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1, in 2012 the Corporation changed its method of presentation and disclosure of patient service revenue, provision for bad debts and the allowance for doubtful accounts in accordance with Accounting Standards Update 2011-07.

*BKD, LLP*

January 10, 2013

# Garden City Hospital and Subsidiaries

## Consolidated Balance Sheets September 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 6,805,639	\$ 5,725,684
Patient accounts receivable, net of allowance; 2012 - \$15,955,000, 2011 - \$15,027,000	11,357,987	13,579,923
Other receivables	777,669	379,615
Inventories	1,302,262	1,502,857
Prepaid expenses and other assets	<u>2,318,035</u>	<u>2,574,065</u>
Total current assets	<u>22,561,592</u>	<u>23,762,144</u>
<b>Assets Whose Use is Limited</b>	<u>35,332,577</u>	<u>32,955,606</u>
<b>Property and Equipment, net</b>	<u>46,323,872</u>	<u>48,483,470</u>
<b>Other Assets</b>		
Deferred bond issuance costs	704,503	751,519
Investment in multi-provider captive insurance company	1,605,959	2,960,734
Other	<u>516,690</u>	<u>417,917</u>
Total other assets	<u>2,827,152</u>	<u>4,130,170</u>
Total assets	<u>\$ 107,045,193</u>	<u>\$ 109,331,390</u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Current portion of obligations under capital leases	\$ 120,905	\$ 533,226
Current portion of long-term debt	1,052,542	986,525
Accounts payable and other accrued expenses	6,764,038	7,352,332
Accrued benefits payable	5,629,124	5,336,088
Estimated amounts due to third-party payers	<u>979,023</u>	<u>408,253</u>
Total current liabilities	<u>14,545,632</u>	<u>14,616,424</u>
<b>Other Liabilities</b>		
Reserve for professional liability claims	9,928,768	10,674,449
Pension liability	31,566,611	22,995,474
Long-term obligations under capital leases	113,902	240,590
Long-term debt	<u>51,430,487</u>	<u>52,457,779</u>
Total other liabilities	<u>93,039,768</u>	<u>86,368,292</u>
Total liabilities	<u>107,585,400</u>	<u>100,984,716</u>
<b>Net Assets</b>		
Unrestricted	(1,011,851)	7,864,329
Temporarily restricted	<u>471,644</u>	<u>482,345</u>
Total net assets	<u>(540,207)</u>	<u>8,346,674</u>
Total liabilities and net assets	<u>\$ 107,045,193</u>	<u>\$ 109,331,390</u>

**Garden City Hospital and Subsidiaries**  
**Consolidated Statements of Operations and Changes in Net Assets**  
**Years Ended September 30, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
<b>Unrestricted Revenue and Other Support</b>		
Patient service revenue (net of contractual discounts and allowances)	\$ 150,332,490	\$ 151,130,208
Provision for uncollectible accounts	<u>(14,949,620)</u>	<u>(15,595,863)</u>
Net patient service revenue less provision for uncollectible accounts	135,382,870	135,534,345
Investment income	1,979,492	989,369
Other revenue	<u>6,443,186</u>	<u>5,698,837</u>
Total unrestricted revenue and other support	<u>143,805,548</u>	<u>142,222,551</u>
<b>Expenses</b>		
Salaries and wages	63,927,608	62,189,471
Employee benefits	15,708,393	17,149,490
Professional fees	2,634,076	2,583,738
Supplies	25,836,223	25,434,287
Utilities	2,215,935	2,234,233
Purchased services	11,792,362	11,353,806
Other	11,637,726	10,778,890
Insurance	949,527	3,646,854
Interest	2,767,681	2,823,500
Depreciation and amortization	<u>5,736,848</u>	<u>5,990,827</u>
Total expenses	<u>143,206,379</u>	<u>144,185,096</u>
<b>Excess (Deficiency) of Revenue Over Expenses</b>	599,169	(1,962,545)
Change in defined benefit pension plan losses	(9,479,644)	(2,185,679)
Other	<u>4,295</u>	<u>23,005</u>
Decrease in unrestricted net assets	<u>(8,876,180)</u>	<u>(4,125,219)</u>
<b>Temporarily Restricted Net Assets</b>		
Contributions	31,371	74,008
Net assets released from restrictions	<u>(42,072)</u>	<u>(91,447)</u>
Decrease in temporarily restricted net assets	<u>(10,701)</u>	<u>(17,439)</u>
<b>Decrease in Net Assets</b>	(8,886,881)	(4,142,658)
<b>Net Assets, Beginning of Year</b>	<u>8,346,674</u>	<u>12,489,332</u>
<b>Net Assets, End of Year</b>	<u>\$ (540,207)</u>	<u>\$ 8,346,674</u>

# Garden City Hospital and Subsidiaries

## Consolidated Statements of Cash Flows Years Ended September 30, 2012 and 2011

	2012	2011
<b>Operating Activities</b>		
Decrease in net assets	\$ (8,886,881)	\$ (4,142,658)
Items not requiring operating cash flows		
Depreciation and amortization	5,736,848	5,990,827
Provision for uncollectible accounts	14,949,620	15,595,863
Change in investment in multi-provider captive insurance company	1,354,775	644,416
Change in defined benefit pension plan losses	9,479,644	2,185,679
Changes in assets and liabilities		
Patient accounts receivable	(12,727,684)	(18,122,934)
Other receivables	(398,054)	(2,773)
Estimated amounts due to third-party payers	570,770	261,959
Inventories, prepaid expenses and other assets	456,625	47,096
Investments in trading securities	(2,183,401)	1,043,270
Accounts payable and other accrued expenses	(775,848)	192,120
Accrued benefits payable	293,036	(7,806)
Reserve for professional liability claims	(745,681)	1,421,220
Pension liability	(908,507)	421,882
Net cash provided by operating activities	<u>6,215,262</u>	<u>5,528,161</u>
<b>Investing Activities</b>		
Additions to property and equipment	(3,342,680)	(1,006,867)
Decrease in bond proceeds designated for capital projects	(193,570)	(193,556)
Investment in joint ventures	<u>(98,773)</u>	<u>(163,633)</u>
Net cash used in investing activities	<u>(3,635,023)</u>	<u>(1,364,056)</u>
<b>Financing Activities</b>		
Payments on capital leases	(539,009)	(496,150)
Payments on long-term debt	<u>(961,275)</u>	<u>(873,957)</u>
Net cash used in financing activities	<u>(1,500,284)</u>	<u>(1,370,107)</u>
<b>Increase in Cash and Cash Equivalents</b>	1,079,955	2,793,998
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>5,725,684</u>	<u>2,931,686</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 6,805,639</u>	<u>\$ 5,725,684</u>
<b>Supplemental Cash Flows Information</b>		
Cash paid during the year for interest	\$ 2,767,681	\$ 2,827,524
Property and equipment acquired through issuance of capital lease and long-term debt	—	444,939
Property and equipment in accounts payable	330,048	142,494

# **Garden City Hospital and Subsidiaries**

## **Notes to Consolidated Financial Statements September 30, 2012 and 2011**

### **Note 1: Nature of Operations and Summary of Significant Accounting Policies**

#### ***Nature of Operations***

Garden City Hospital (Corporation), a Michigan nonprofit organization, is the parent corporation of GCH Assurance Company Limited, Amerigard Development, Inc., United Home Health Services, Inc., Garden City Hospital Foundation (Foundation), Amerigard Diagnostic Centre and Advance Nursing Center, Inc. The Corporation is committed to providing health care that improves the well being of the whole person and the health status of the community at large through the provision of comprehensive health care services, osteopathic medical education and health care related programs. Services provided include emergency services, inpatient services and outpatient services.

The consolidated financial statements include the accounts of the Corporation and the above subsidiaries, all of which are wholly owned. Significant intercompany balances and transactions have been eliminated.

#### ***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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

#### ***Cash and Cash Equivalents***

The Corporation considers all liquid investments with original maturities of three months or less, excluding amounts whose use is limited by other arrangements and under trust agreements, to be cash equivalents. At September 30, 2012 and 2011, cash equivalents consisted primarily of money market accounts and a certificate of deposit.

At September 30, 2012, the Corporation's interest-bearing cash accounts exceeded federally insured limits by approximately \$368,000.

Pursuant to legislation enacted in 2010, the FDIC will fully insure all noninterest-bearing transaction accounts through December 31, 2012, at all FDIC-insured institutions.

#### ***Investments and Investment Return***

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value. Other investments are valued at fair value. Investment return includes dividend, interest and other investment income and realized and unrealized gains and losses on investments carried at fair value.

The Corporation has designated its entire investment portfolio as trading, with unrealized gains and losses included in the deficiency of 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.

# Garden City Hospital and Subsidiaries

## Notes to Consolidated Financial Statements

September 30, 2012 and 2011

### ***Assets Whose Use is Limited***

Assets whose use is limited include (1) assets held by trustees under bond indenture agreements, (2) assets restricted by donors, (3) assets set aside by the Board of Trustees for future capital improvements over which the Board retains control and may at its discretion subsequently use for other purposes, (4) deposits held by the Corporation's multi-provider captive insurance company and (5) deposits required to be set aside for securing workers' compensation payments. Amounts required to meet current liabilities of the Corporation are included in current assets.

Assets whose use is limited are comprised substantially of cash and cash equivalents, marketable securities, and debt securities and are stated at fair value.

### ***Change in Accounting Principle***

In 2012, the Corporation changed its method of presentation and disclosure of patient service revenue, provision for bad debts and the allowance for doubtful accounts in accordance with Accounting Standards Update (ASU) 2011-07, *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts and the Allowance for Doubtful Accounts for Certain Health Care Entities*. The major changes associated with ASU 2011-07 are to reclassify the provision for uncollectible accounts related to patient service revenue to a deduction from patient service revenue and to provide enhanced disclosures around the Corporation's policies related to uncollectible accounts. The change in accounting principle has been applied retrospectively and had no effect on prior year change in net assets. The following financial statement line items for 2011 were affected by this change.

	<b>As Restated</b>	<b>2011 As Previously Reported</b>	<b>Effect of Change</b>
<b>Consolidated Statement of Operations</b>			
Net patient service revenue	\$ 135,534,345	\$ 150,597,821	\$ (15,063,476)
Other operating revenue	5,698,837	6,231,224	(532,387)

As seen above, the effect of change on net patient service revenue also includes the reclassification of amounts previously reported as other operating revenue.

### ***Inventories***

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

# **Garden City Hospital and Subsidiaries**

## **Notes to Consolidated Financial Statements**

### **September 30, 2012 and 2011**

#### ***Property and Equipment***

Property and equipment acquisitions are recorded at cost and are depreciated using the straight-line method over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Land improvements	2-25 years
Buildings and fixed equipment	3-50 years
Furniture and equipment	3-20 years

Donations of property and equipment are reported at fair value as an increase in unrestricted net assets unless use of the assets is restricted by the donor. Monetary gifts that must be used to acquire property and equipment are reported as restricted support. The expiration of such restrictions is reported as an increase in unrestricted net assets when the donated asset is placed in service.

#### ***Long-Lived Asset Impairment***

The Corporation evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimate future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the years ended September 30, 2012 and 2011.

#### ***Deferred Bond Issuance Costs***

Bond issue costs and unamortized bond discounts are amortized using the bonds outstanding method over the terms of the bonds.

#### ***Temporarily Restricted Net Assets***

Temporarily restricted net assets are those whose use by the Corporation has been limited by donors to a specific time period or purpose.

#### ***Net Patient Service Revenue and Patient Accounts Receivable***

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payers. 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

# **Garden City Hospital and Subsidiaries**

## **Notes to Consolidated Financial Statements**

**September 30, 2012 and 2011**

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 provision of third-party payment programs (primarily Medicare, Medicaid and Blue Cross Blue Shield of Michigan). During 2012 and 2011, 51% of net patient service revenue was received from Medicare, 10% and 9% was received from Medicaid and 21% and 22% was received from Blue Cross Blue Shield of Michigan programs, respectively. Under these provisions, payment rates for patient care are determined prospectively on various bases, and the Corporation's revenue is 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 case 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 provision for uncollectible accounts 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 the allowance for uncollectible accounts based upon historical write off experience by payer category. The results of this review are then used to make any modification to the provisions for uncollectible accounts to establish an appropriate allowance for uncollectible receivables. After satisfaction of amounts due from insurance, the Corporation follows established guidelines for placing certain past due patient balances with collection agencies.

For receivables associated with services provided to patients who have third-party coverage, the Corporation analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for uncollectible accounts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payer has not yet paid, or for payers who are known to be having financial difficulties that make the realization of amounts due unlikely).

For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Corporation records a significant provision for uncollectible accounts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated or provided by policy) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

The Corporation's allowance for doubtful accounts for self-pay patients was greater than 90% of self-pay accounts receivable at September 30, 2012 and 2011. In addition, the Corporation's write-offs decreased approximately \$646,000 from approximately \$15,596,000 for the year ended



# **Garden City Hospital and Subsidiaries**

## **Notes to Consolidated Financial Statements**

### **September 30, 2012 and 2011**

September 30, 2011, to approximately \$14,950,000 for the year ended September 30, 2012. This decrease was due to the timing of collection of amounts from self-pay patients in fiscal year 2012.

#### ***Charity Care***

The Corporation provides care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy. Because the Corporation does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as net patient service revenue. The Corporation's direct and indirect costs for services furnished under its charity care policy aggregated approximately \$325,000 and \$282,000 in 2012 and 2011, respectively.

#### ***Estimated Professional Liability Claims***

An annual estimated provision is accrued for the self-insured portion of professional liability claims and includes an estimate of the ultimate costs for both reported claims and claims incurred but not reported, as well as associated estimated insurance recoveries.

#### ***Income Taxes***

The Corporation, Foundation, United Home Health Services, Inc. and Advance Nursing Center have been determined by the Internal Revenue Service to be organizations as described under Internal Revenue Code Section 501(c)(3) and as such, are exempt from federal income taxes under Code Section 501(a).

Amerigard Development, Inc. and Amerigard Diagnostic Centre are subject to corporate income taxes. These entities had approximately \$19,300,000 and \$20,000,000 at September 30, 2012 and 2011, respectively, in tax net loss carryforwards expiring from 2012 to 2027. The deferred asset resulting from the cumulative losses have been entirely offset by a valuation allowance since it is more likely than not that the asset will not be realized. This is the only temporary difference related to these entities. As a result, no current or deferred income tax expense or benefit has been recognized in 2012 or 2011.

The Corporation is unaware of any tax positions, for which it is reasonably possible, that the total of unrecognized tax positions will significantly increase or decrease within the next year.

The entities file tax returns in the U.S. federal jurisdiction. With a few exceptions, the entities are no longer subject to U.S. federal examinations by tax authorities for years before 2008.

The Corporation recognizes interest and penalties on income taxes as a component of income tax expense.

#### ***Excess (Deficiency) of Revenue Over Expenses***

The statements of operations include excess (deficiency) of revenue over expenses. Changes in unrestricted net assets which are excluded from excess (deficiency) of revenue over expenses, consistent with industry practice, includes changes in the defined benefit pension plan losses.

# Garden City Hospital and Subsidiaries

## Notes to Consolidated Financial Statements

September 30, 2012 and 2011

### Self-Insurance

The Corporation has elected to self-insure certain costs related to employee health and accident benefit programs. Costs resulting from noninsured losses are charged to income when incurred. The Corporation has purchased insurance that limits its exposure to \$150,000 per individual claim.

### Electronic Health Records Incentive Program

The Electronic Health Records Incentive Program, enacted as part of the *American Recovery and Reinvestment Act of 2009*, provides for one-time incentive payments under both the Medicare and Medicaid programs to eligible hospitals that demonstrate meaningful use of certified electronic health records technology (EHR). Payments under the Medicare program are generally made for up to four years based on a statutory formula. Payments under the Medicaid program are generally made for up to four years based upon a statutory formula, as determined by the state, which is approved by the Centers for Medicare and Medicaid Services. Payment under both programs are contingent on the hospital continuing to meet escalating meaningful use criteria and any other specific requirements that are applicable for the reporting period. The final amount for any payment year is determined based upon an audit by the fiscal intermediary. Events could occur that would cause the final amounts to differ materially from the initial payments under the program.

The Corporation recognizes revenue when management is reasonably assured it will meet all of the meaningful use objectives for the reporting period.

In 2012, the Corporation completed the first-year requirements under the Medicaid program and has recorded revenue of approximately \$725,000, which is included in other revenue within operating revenues in the statement of operations.

### Reclassifications

Certain reclassifications have been made to the 2011 consolidated financial statements to conform to the 2012 financial statement presentation. These reclassifications had no effect on the change in net assets.

### Note 2: Patient Service Revenue

Patient service revenue, net of contractual allowances and discounts (but before the provision for bad debts), recognized for the years ended September 30, was approximately:

	2012	2011
Medicare	\$ 76,923,463	\$ 76,819,887
Blue Cross Blue Shield of Michigan	32,076,869	32,848,125
Medicaid	14,685,833	14,099,033
Other third-party payers and self-pay	<u>26,646,325</u>	<u>27,363,163</u>
Total	<u>\$ 150,332,490</u>	<u>\$ 151,130,208</u>

# Garden City Hospital and Subsidiaries

## Notes to Consolidated Financial Statements

September 30, 2012 and 2011

A major portion of the Corporation's gross charges (approximately \$266,176,000 in 2012 and \$270,035,000 in 2011) was provided to patients under health benefit contracts with third-party payers (Medicare, Medicaid and Blue Cross Blue Shield of Michigan).

The 2012 and 2011 net patient service revenue increased approximately \$3,265,000 and \$436,000, respectively, due to changes in previously estimated amounts based on additional information.

### Note 3: Concentration of Credit Risk

The Corporation grants credit without collateral to its patients, most of whom are area residents and are insured under third-party payer agreements. The mix of net receivables from patients and third-party payers as follows:

	2012	2011
Medicare	18%	19%
Medicaid	13	13
Blue Cross Blue Shield of Michigan	10	3
Other (primarily self-pay)	<u>59</u>	<u>65</u>
	<u>100%</u>	<u>100%</u>

### Note 4: Other Revenue

Other revenue for the years ended September 30, consists of the following:

	2012	2011
Retail pharmacy revenue	\$ 2,755,461	\$ 2,558,662
EHR incentive program	724,599	—
Medical office building rental income	589,225	674,713
Physician insurance premiums	503,891	639,503
Cafeteria and coffee shop income	437,809	461,313
Net assets released from restriction for operations	42,072	91,447
Other	<u>1,390,129</u>	<u>1,273,199</u>
	<u>\$ 6,443,186</u>	<u>\$ 5,698,837</u>

# Garden City Hospital and Subsidiaries

## Notes to Consolidated Financial Statements September 30, 2012 and 2011

### **Note 5: Cash and Cash Equivalents, Investments and Investment Return**

Cash and cash equivalents and investments, at September 30, are summarized as follows:

	<u>2012</u>	<u>2011</u>
Cash	\$ 6,527,799	\$ 5,449,505
Money market funds	2,535,529	2,089,419
Certificates of deposit	706,193	704,532
United States government obligations	20,165,103	18,099,905
Foreign obligations	131,737	130,665
Asset and mortgage-backed GSE securities	3,431,162	4,639,090
Corporate bonds	3,444,280	3,036,034
Common stocks	3,566,697	3,070,000
Mutual funds	<u>1,629,716</u>	<u>1,462,140</u>
	<u>\$ 42,138,216</u>	<u>\$ 38,681,290</u>

Investment return is summarized as follows:

	<u>2012</u>	<u>2011</u>
Interest, dividends and realized gains	\$ 811,065	\$ 988,849
Unrealized gains on trading securities	<u>1,168,427</u>	<u>520</u>
Total investment gain included in operating income	<u>\$ 1,979,492</u>	<u>\$ 989,369</u>

Investment return, including unrealized gains and losses, on cash investments, professional liability funds, funds designated for capital improvements and funds held in trust under bond agreements is included in operating income.

The Corporation invests in various financial instruments, which are publicly traded. Financial instruments are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investments will occur in the near term, and that such changes could materially affect the amounts reported in the statements of operations and changes in net assets.

# **Garden City Hospital and Subsidiaries**

## **Notes to Consolidated Financial Statements**

### **September 30, 2012 and 2011**

#### **Note 6: Disclosures About Fair Value of Assets and Liabilities**

ASC Topic 820, *Fair Value Measurements*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Topic 820 also specifies a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

Following is a description of the inputs and valuation methodologies used for assets measured at fair value on a recurring basis and recognized in the accompanying balance sheets, as well as the general classification of such assets pursuant to the valuation hierarchy. The Corporation has no liabilities measured at fair value on a recurring basis.

#### **Cash Equivalents and Investments**

Where quoted market prices are available in an active market, these assets are classified within Level 1 of the valuation hierarchy. Level 1 assets include money market mutual funds, common stocks and mutual funds. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. For these investments, the inputs used by the pricing service to determine fair value may include one, or a combination of, observable inputs such as a benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data market research publications and are classified within Level 2 of the valuation hierarchy. These Level 2 assets include investments in United States government obligations, foreign obligations, asset and mortgage-backed GSE securities and corporate bonds. In certain cases where Level 1 or Level 2 inputs are not available, these assets are classified within Level 3 of the hierarchy. There are no Level 3 assets.

# Garden City Hospital and Subsidiaries

## Notes to Consolidated Financial Statements

September 30, 2012 and 2011

The following table summarizes the Corporation's assets measured at fair value on a recurring basis as of September 30, 2012 and 2011, aggregated by the level in the fair value hierarchy defined above.

	2012			
	Fair Value Measurement Using			
	Fair Value at September 30, 2012	Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds	\$ 2,535,529	\$ 2,535,529	\$ —	\$ —
United States				
government				
obligations	20,165,103	—	20,165,103	—
Foreign obligations	131,737	—	131,737	—
Asset and mortgage-				
backed GSE				
securities	3,431,162	—	3,431,162	—
Corporate bonds	3,444,280	—	3,444,280	—
Common stocks				
Consumer				
discretionary	748,794	748,794	—	—
Consumer staples	597,956	597,956	—	—
Financial services	785,478	785,478	—	—
Healthcare	272,808	272,808	—	—
Industrial	181,346	181,346	—	—
Information				
technology	401,809	401,809	—	—
Materials	316,512	316,512	—	—
Utilities	261,994	261,994	—	—
Fixed income mutual				
funds	1,629,716	1,629,716	—	—

# Garden City Hospital and Subsidiaries

## Notes to Consolidated Financial Statements

September 30, 2012 and 2011

	2011			
	Fair Value Measurement Using			
	Fair Value at September 30, 2011	Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)		
		Significant Other Observable Inputs (Level 2)		Significant Unobservable Inputs (Level 3)
Money market funds	\$ 2,089,419	\$ 2,089,419	\$ —	\$ —
United States government obligations	18,099,905	—	18,099,905	—
Foreign obligations	130,665	—	130,665	—
Asset and mortgage- backed GSE securities	4,639,090	—	4,639,090	—
Corporate bonds	3,036,034	—	3,036,034	—
Common stocks				
Consumer discretionary	196,801	196,801	—	—
Consumer staples	755,967	755,967	—	—
Financial services	464,909	464,909	—	—
Healthcare	260,192	260,192	—	—
Industrial	291,266	291,266	—	—
Information technology	246,508	246,508	—	—
Materials	121,524	121,524	—	—
Telecommunications	544,335	544,335	—	—
Utilities	188,498	188,498	—	—
Fixed income mutual funds	1,462,140	1,462,140	—	—

The following methods were used to estimate the fair value of all other financial instruments recognized in the accompanying consolidated balance sheets at amounts other than fair value.

### **Cash and Cash Equivalents**

The carrying amount approximates fair value.

### **Long-Term Debt**

The fair value of the Corporation's long-term debt (excluding capital leases) was \$47,161,793 and \$41,736,580, at September 30, 2012 and 2011, respectively, with carrying values of \$52,483,029 and \$53,444,305, respectively. Fair value of debt is estimated by a commercial evaluation service used by many financial institutions which integrates its own modeling techniques with market

# Garden City Hospital and Subsidiaries

## Notes to Consolidated Financial Statements

September 30, 2012 and 2011

information, credit quality information, perceived market movements, news and other relevant information.

### Note 7: Assets Whose Use is Limited

Assets whose use is limited, at September 30, consists of the following:

	2012	2011
Board designated for capital improvements	\$ 19,966,162	\$ 19,297,426
Funds held for professional liability losses	9,291,291	7,691,881
Bond proceeds held by trustee for debt service	5,216,626	4,947,531
Bond proceeds held by trustee for capital projects	—	193,570
Certificate of deposit securing workers compensation payments	428,354	428,353
Temporarily restricted investments	<u>430,144</u>	<u>396,845</u>
	<u>\$ 35,332,577</u>	<u>\$ 32,955,606</u>

### Note 8: Property and Equipment

Property and equipment and related accumulated depreciation, at September 30, consists of the following:

	2012	2011
Land and land improvements	\$ 1,975,064	\$ 1,975,064
Buildings and fixed equipment	81,230,229	80,841,021
Furniture and equipment	59,287,887	57,254,878
Construction in progress	<u>1,664,340</u>	<u>570,534</u>
	144,157,520	140,641,497
Less accumulated depreciation	<u>(97,833,648)</u>	<u>(92,158,027)</u>
	<u>\$ 46,323,872</u>	<u>\$ 48,483,470</u>

### Note 9: Professional Liability

The Corporation holds 50% of the outstanding shares in Medilink Insurance Company Ltd. (Medilink), a Cayman Islands captive insurance company, which was organized to provide primary comprehensive hospital liability insurance for a group of osteopathic hospitals. The investment is recorded on the equity method of accounting and the net carrying value of the Corporation's interest was \$1,719,715 and \$3,002,262 at September 30, 2012 and 2011, respectively. Premiums under the retrospectively rated claims policy are determined based on the ultimate cost of the experience to date of the group of hospitals. During 2012 and 2011, the Corporation received



# Garden City Hospital and Subsidiaries

## Notes to Consolidated Financial Statements

### September 30, 2012 and 2011

retrospective premium refunds of \$1,897,852 and \$1,690,544, respectively. As a result of all members except the Corporation terminating their participation in Medilink Insurance Company, Ltd., effective July 1, 2008, the Board elected to dissolve the company upon resolution of all outstanding claims. The premiums paid to Medilink are offset against the estimated liability for losses insured by Medilink prior to July 1, 2008, to determine the equity interest in Medilink.

Effective July 1, 2008, the Corporation formed GCH Assurance Company, Ltd., a Cayman Islands captive insurance company, organized to provide primary comprehensive hospital liability insurance for the Corporation and certain participating medical staff. The captive insurance company is included in the consolidated balance sheets, statements of operations and changes in net assets and cash flows. Premiums under the retrospectively rated claims policy are determined based on the ultimate cost of the experience to date of the Corporation and participating physicians.

The Corporation estimates a range of loss for professional liability claims based on its own experience. This estimate includes a reserve for known claims and unreported incidents. The Corporation has accrued a present value of what it believes to be the most likely amount of the loss in the range, with all estimates discounted at 4.9% per annum at September 30, 2012 and 2011.

The Corporation has accrued its best estimate of the ultimate cost to settle such claims; however, actual losses may differ from the amount accrued. It is reasonably possible that this estimate could change materially in the near term. Approximately (\$606,000) and \$1,870,000 was included in insurance expense for professional liability for the years ended September 30, 2012 and 2011, respectively.

Activity in the Corporation's accrued medical malpractice claims liability during 2012 and 2011 is summarized as follows:

	2012	2011
Balance, beginning of year	\$ 10,674,449	\$ 9,253,229
Current year claims incurred and changes in estimates for claims incurred in prior years	548,930	2,804,782
Claims and expenses paid	<u>(1,294,611)</u>	<u>(1,383,562)</u>
Balance, end of year	<u>\$ 9,928,768</u>	<u>\$ 10,674,449</u>

#### Note 10: Long-Term Debt

	2012	2011
Garden City Hospital Finance Authority		
Revenue and Refunding Bonds – Series 2007A	\$ 46,870,000	\$ 46,870,000
Revenue Bonds – Series 1998A	5,315,000	6,200,000
Other	<u>298,029</u>	<u>374,304</u>
	52,483,029	53,444,304
Less current portion	<u>(1,052,542)</u>	<u>(986,525)</u>
	<u>\$ 51,430,487</u>	<u>\$ 52,457,779</u>

# Garden City Hospital and Subsidiaries

## Notes to Consolidated Financial Statements

September 30, 2012 and 2011

Garden City Hospital is the sole member of the Garden City Hospital Obligated Group (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 Bonds Series 2007A, subject to redemption in amounts ranging from \$1,325,000 in 2018 to \$3,475,000 in 2038. The bonds bear interest at rates ranging from 4.875% to 5.000%. The proceeds from the Series 2007A Bonds were used to refund Series 1996 Bonds, advance refund a portion of the Series 1998 Bonds and provide funding for certain hospital capital projects.

In 1998, the Obligated Group issued Garden City Hospital Finance Authority Hospital Revenue and Refunding Bonds Series 1998A. During 2007, the Obligated Group advance refunded \$9,135,000 of Series 1998A Bonds. The remaining redemption amounts range from \$935,000 in 2013 to \$1,225,000 in 2017 and bear interest at 5.750%.

The Garden City Hospital Finance Authority Revenue Bond Series 1998A and the Revenue and Refunding Bonds Series 2007A contain certain restrictive covenants. The Corporation believes that the Obligated Group is in compliance with the covenants at September 30, 2012.

The aggregate maturities of long-term debt for years subsequent to September 30, 2012, are as follows:

2013	\$ 1,052,542
2014	1,062,586
2015	1,099,168
2016	1,161,839
2017	1,236,894
Thereafter	<u>46,870,000</u>
	<u>\$ 52,483,029</u>

### Note 11: Lease Commitments

The Corporation has commitments under various capitalized leases as follows:

2013	\$ 130,891
2014	45,324
2015	45,324
2016	<u>34,988</u>
	256,527
Less amounts representing interest	<u>(21,720)</u>
Minimum lease payments	<u>\$ 234,807</u>

Equipment relating to the capitalized lease obligations is included in property and equipment. The capitalized cost of this equipment was approximately \$2,399,000 and \$2,429,000 at September 30,

# Garden City Hospital and Subsidiaries

## Notes to Consolidated Financial Statements September 30, 2012 and 2011

2012 and 2011, and accumulated amortization was approximately \$1,927,000 and \$1,514,000 at September 30, 2012 and 2011, respectively.

The following is a schedule, by years, of future minimum rental payments required under operating leases that have initial or remaining noncancellable lease terms in excess of one year as of September 20, 2012.

Year ending September 30:

2013	\$ 1,977,719
2014	1,479,861
2015	923,528
2016	601,289
2017	264,667
Thereafter	<u>784,000</u>
	<u>\$ 6,031,064</u>

Total rental expense attributable to operating leases amounted to approximately \$3,320,000 and \$3,141,000 for the years ended September 30, 2012 and 2011, respectively.

### Note 12: Functional Expenses

The Corporation fulfills the health care requirements of residents within the community it serves by providing an array of health care services. Expenses, related to providing these services, classified by function, are as follows:

	<u>2012</u>	<u>2011</u>
Health care services	\$ 95,317,394	\$ 93,094,409
General and administrative	39,384,456	42,276,360
Depreciation and amortization	5,736,848	5,990,827
Interest	<u>2,767,681</u>	<u>2,823,500</u>
	<u>\$ 143,206,379</u>	<u>\$ 144,185,096</u>

### Note 13: Pension Plan

The Corporation has a qualified defined benefit pension plan covering substantially all eligible employees hired prior to January 1, 2003, as defined by the Employee Retirement Income Security Act of 1974 (ERISA). The benefits are based on years of service and employee compensation. The Corporation's funding policy is to contribute annually an amount necessary to a trust to meet or exceed the minimum funding requirements of ERISA. Contributions are intended to provide for benefits attributed to service rendered through May 15, 2004.

# Garden City Hospital and Subsidiaries

## Notes to Consolidated Financial Statements

September 30, 2012 and 2011

Effective May 5, 2003, the Corporation froze the benefits for employees at the compensation levels in effect at December 31, 2002, and effective May 15, 2004, the benefits under the defined benefit plan were frozen.

During 2003, the Corporation instituted a defined contribution plan covering most of its employees. Employees who meet eligibility requirements specified by the plan may contribute to the plan. The Corporation may make contributions to eligible employees at its discretion. Expense under the defined contribution plan was approximately \$1,454,000 and \$1,412,000 for the years ended September 30, 2012 and 2011, respectively.

The Corporation recognizes the funded status (*i.e.*, the difference between the fair value of plan assets and the projected benefit obligations) of its pension plan in the consolidated balance sheets. Actuarial gains and losses that arise and are not recognized as net periodic pension cost in the same periods will be recognized as a component of unrestricted net assets. The amounts included in unrestricted net assets will be subsequently recognized as net periodic pension cost pursuant to the Corporation's accounting policy for amortizing such amounts. The amounts will be subsequently recognized as a component of net periodic pension cost.

The following table provides a reconciliation of the changes in the benefit obligation and fair value of plan assets for the years ended September 30, 2012 and 2011, and a statement of the funded status as of September 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Reconciliation of benefit obligation		
Benefit obligation at the beginning of year	\$ 64,747,232	\$ 64,406,389
Interest cost	3,146,731	3,138,214
Actuarial loss	12,400,860	674,697
Benefits paid	<u>(2,689,663)</u>	<u>(3,472,068)</u>
Benefit obligation at the end of year	<u>77,605,160</u>	<u>64,747,232</u>
Reconciliation of fair value of plan assets		
Fair value of plan assets at beginning of year	41,751,758	44,018,476
Actual return on plan assets	5,433,512	1,294,858
Employer contributions	1,542,942	—
Plan expenses	—	(89,508)
Benefit paid	<u>(2,689,663)</u>	<u>(3,472,068)</u>
Fair value of plan assets at end of year	<u>46,038,549</u>	<u>41,751,758</u>
Funded status at September 30	<u>\$ (31,566,611)</u>	<u>\$ (22,995,474)</u>

The change in the actuarial loss for the years ended September 30, 2012 and 2011, is attributable to the change in the discount rate utilized to determine the benefit obligation amount.

# Garden City Hospital and Subsidiaries

## Notes to Consolidated Financial Statements

September 30, 2012 and 2011

Liabilities recognized in the balance sheets are as follows:

	<u>2012</u>	<u>2011</u>
Noncurrent liabilities	\$ <u>(31,566,611)</u>	\$ <u>(22,995,474)</u>

Information for pension plans with an accumulated benefit obligation in excess of plan assets:

	<u>2012</u>	<u>2011</u>
Projected benefit obligation	\$ <u>77,605,160</u>	\$ <u>64,747,232</u>
Accumulated benefit obligation	\$ <u>77,605,160</u>	\$ <u>64,747,232</u>
Fair value of plan assets	\$ <u>46,038,549</u>	\$ <u>41,751,758</u>

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

	<u>2012</u>	<u>2011</u>
Interest cost	\$ 3,146,731	\$ 3,138,214
Expected return on plan assets	(3,457,557)	(3,611,294)
Plan expenses	—	89,508
Amortization of actuarial loss	<u>945,261</u>	<u>805,454</u>
Net defined benefit pension expense	634,435	421,882
Defined contribution plan expense	<u>1,454,369</u>	<u>1,411,569</u>
Net pension expense	\$ <u>2,088,804</u>	\$ <u>1,833,451</u>

The unrecognized net actuarial loss included in unrestricted net assets at September 30, 2012 and 2011, is \$41,083,954 and \$31,604,310, respectively.

Changes in plan assets and obligations recognized in unrestricted net assets during the year ended September 30, 2012 and 2011, include:

	<u>2012</u>	<u>2011</u>
Current year actuarial loss	\$ 10,424,905	\$ 2,991,133
Amortization of unrecognized actuarial loss	<u>(945,261)</u>	<u>(805,454)</u>
Change in unrecognized net loss	\$ <u>9,479,644</u>	\$ <u>2,185,679</u>

# Garden City Hospital and Subsidiaries

## Notes to Consolidated Financial Statements

September 30, 2012 and 2011

The unrecognized net loss included in unrestricted net assets and expected to be recognized in net periodic pension cost during fiscal year ended September 30, 2013, is approximately \$1,229,000.

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

	2012	2011
Weighted-average discount rate	3.68%	4.90%
Measurement date	September 30	September 30

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

	2012	2011
Weighted-average discount rate	4.90%	4.99%
Weighted-average expected long-term rate of return on plan assets	8.50	8.50

### ***Expected Rate of Return***

The expected long-term rate of return on plan assets is based on historical and projected rates of return for current and planned asset categories in the plan's investment portfolio. Assumed projected rates of return for each asset category were selected after analyzing historical experience and future expectations of the returns and volatility for assets of that category using benchmark rates. Based on the target asset allocation among the asset categories, the overall expected rate of return for the portfolio was developed and adjusted for historical and expected experience of active portfolio management results compared to benchmark returns and for the effect of expenses paid from plan assets.

### ***Pension Plan Assets***

A description of the valuation methodologies used for assets measured at fair value on a recurring basis is discussed in Note 6. For the pension plan assets, Level 1 assets include money market mutual funds, American Depositary Receipts, foreign stocks, common stocks and mutual funds. Level 2 for which quoted market prices are not available include investments in U. S. Government obligations, mortgage-backed GSE securities, collateralized mortgage obligations, asset-backed GSE securities, foreign securities, U.S. agency securities, corporate bonds and annuities. There are no Level 3 assets.

# Garden City Hospital and Subsidiaries

## Notes to Consolidated Financial Statements

September 30, 2012 and 2011

The fair values of the Corporation's pension plan assets at September 30, 2012 and 2011, by asset class are as follows:

	2012			
	Fair Value Measurements Using			
	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		(Level 1)	(Level 2)	(Level 3)
Money market funds	\$ 1,918,714	\$ 1,918,714	\$ —	\$ —
U.S. Government obligations	6,848,212	—	6,848,212	—
Mortgage-backed GSE securities	2,042,860	—	2,042,860	—
Collateralized mortgage obligations	6,202,588	—	6,202,588	—
Asset-backed GSE securities	347,378	—	347,378	—
Foreign securities	692,960	—	692,960	—
United States agencies securities	293,071	—	293,071	—
American Depository Receipts	164,055	164,055	—	—
Foreign stocks	896,544	896,544	—	—
Corporate bonds	4,243,448	—	4,243,448	—
Common stocks				
Consumer discretionary	2,730,328	2,730,328	—	—
Consumer staples	1,114,620	1,114,620	—	—
Energy	482,201	482,201	—	—
Financial services	2,022,580	2,022,580	—	—
Healthcare	1,723,619	1,723,619	—	—
Industrial	1,960,964	1,960,964	—	—
Information technology	3,410,050	3,410,050	—	—
Materials	1,103,172	1,103,172	—	—
Fixed income mutual funds	6,584,678	6,584,678	—	—
Annuities	1,183,290	—	1,183,290	—

# Garden City Hospital and Subsidiaries

## Notes to Consolidated Financial Statements

September 30, 2012 and 2011

	2011			
	Fair Value Measurements Using			
	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds	\$ 664,256	\$ 664,256	\$ —	\$ —
U.S. Government obligations	6,786,230	—	6,786,230	—
Mortgage-backed GSE securities	2,457,988	—	2,457,988	—
Collateralized mortgage obligations	7,537,835	—	7,537,835	—
Asset-backed GSE securities	237,244	—	237,244	—
Foreign securities	648,797	—	648,797	—
United States agencies securities	274,767	—	274,767	—
American Depository Receipts	366,539	366,539	—	—
Foreign stocks	469,069	469,069	—	—
Corporate bonds	3,854,702	—	3,854,702	—
Common stocks				
Consumer discretionary	1,983,863	1,983,863	—	—
Consumer staples	1,937,609	1,937,609	—	—
Energy	485,462	485,462	—	—
Financial services	1,480,088	1,480,088	—	—
Healthcare	1,457,290	1,457,290	—	—
Industrial	1,396,049	1,396,049	—	—
Information technology	2,246,890	2,246,890	—	—
Materials	406,767	406,767	—	—
Telecommunications	59,202	59,202	—	—
Fixed income mutual funds	5,637,269	5,637,269	—	—
Annuities	1,363,842	—	1,363,842	—

Plan assets are held by a bank-administered trust fund, which invests the plan assets in accordance with the provisions of the plan agreement. The plan agreements permit investment in common stocks, corporate bonds and debentures, U.S. government securities, and other specified investments, based on certain target allocation percentages. The weighted-average asset allocation



# Garden City Hospital and Subsidiaries

## Notes to Consolidated Financial Statements

### September 30, 2012 and 2011

for the Corporation's pension plan at the end of fiscal 2012 and 2011, and the target allocation for fiscal 2013, by asset category, is as follows:

	Target Allocation	Percentage of Plan Assets September 30	
		2012	2011
Equity securities	35.0%	33.7%	29.4%
Debt securities	65.0	58.8	65.7
Other	—	7.5	4.9
Total	100.0%	100.0%	100.0%

#### ***Investment Strategy***

The plan's asset allocation and investment strategy are designed to earn superior returns on plan assets consistent with a reasonable and prudent level of risk. Investments are diversified across classes, sectors and manager style to minimize the risk of large losses. The Corporation uses investment management specializing in each asset category and where appropriate, provides the investment manager with specific guidelines which include allowable and/or prohibited investment types. The Corporation regularly monitors manager performance and compliance with investment guidelines.

#### ***Expected Cash Flows***

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

	Pension Benefits
Expected employer contributions, 2013	\$ 1,324,881
Expected benefit payments	
2013	2,920,841
2014	3,132,761
2015	3,241,955
2016	3,441,959
2017	3,647,723
2018 - 2022	19,502,382

The contribution amounts above include amounts paid to the trust. The benefit payment amounts above also reflect the total benefits expected to be paid from the trust.

#### **Note 14: Internal Revenue Service FICA Tax Refund for Former Residents**

The Internal Revenue Service (IRS) announced in March 2010 that medical residents are excepted from FICA taxes based on the student exception for tax periods ending before April 1, 2005. The

# **Garden City Hospital and Subsidiaries**

## **Notes to Consolidated Financial Statements**

**September 30, 2012 and 2011**

Corporation submitted claims for the years 2000-2005. The IRS refunded \$1,462,000 in FICA employer tax and interest which was recorded as a reduction of employee benefit expense on the consolidated statements of operations and changes in net assets for the year ended September 30, 2012.

### **Note 15: Significant Estimates and Concentrations**

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

#### ***Allowance for Net Patient Service Revenue Adjustments***

Estimates of allowances for adjustments included in net patient service revenue are described in Notes 1 and 2.

#### ***Commitments***

The Corporation has outstanding commitments with certain companies for the construction of buildings and implementation of an electronic medical records system totaling approximately \$2,765,000 at September 30, 2012.

#### ***Professional Liability Claims***

Estimates related to the accrual for professional liability claims are described in Notes 1 and 9.

#### ***Litigation***

In the normal course of business, the Corporation is, from time to time, subject to allegations that may or do result in litigation. Some of these allegations are in areas not covered by the Corporation's self-insurance program (discussed elsewhere in these notes) or by commercial insurance; for example, allegations regarding employment practices or performance of contracts. The Corporation evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of counsel, management records an estimate of the amount of ultimate expected loss, if any, for each of these matters. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

#### ***Pension Obligations***

The Corporation has a noncontributory defined benefit pension plan whereby it agrees to provide certain postretirement benefits to eligible employees. The benefit obligation is the actuarial present value of all benefits attributed to service rendered prior to the valuation date based on the projected unit credit cost method. It is reasonably possible that events could occur that would change the estimated amount of this liability materially in the near term.

# **Garden City Hospital and Subsidiaries**

## **Notes to Consolidated Financial Statements September 30, 2012 and 2011**

### ***Investments***

The Corporation invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying balance sheets.

### ***Current Economic Conditions***

The current economic situation continues to present hospitals with difficult circumstances and challenges, which in some cases have resulted in large and unanticipated declines in the fair value of investments and other assets, large declines in contributions, constraints on liquidity and difficulty obtaining financing. The consolidated financial statements have been prepared using values and information currently available to the Corporation.

Current economic conditions, including the high unemployment rate, have made it difficult for certain patients to pay for services rendered. As employers make adjustments to health insurance plans or more patients become unemployed, services provided to self-pay and other payers may significantly impact net patient service revenue and provision for uncollectible accounts, which could have an adverse impact on the Corporation's future operating results. Further, the effect of economic conditions on the State of Michigan may have an adverse effect on cash flows related to the Medicaid program.

Given the volatility of current economic conditions, the values of assets and liabilities recorded in the financial statements could change rapidly, resulting in material future adjustments in investment values (including defined benefit pension plan investments) and allowances for accounts receivable that could negatively impact the Corporation's ability to meet debt covenants or maintain sufficient liquidity.

### **Note 16: Subsequent Event**

Subsequent events have been evaluated through the date of the Independent Accountants' Report, which is the date the consolidated financial statements were issued.

## **Supplementary Information**

## **Independent Accountants' Report on Supplementary Information**

Board of Trustees  
Garden City Hospital and Subsidiaries  
Garden City, Michigan

Our audits were performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary consolidating information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*BKD, LLP*

Fort Wayne, Indiana  
January 10, 2013

# Garden City Hospital and Subsidiaries

## Consolidating Balance Sheet

### September 30, 2012

	Consolidated	Consolidation Adjustments	Garden City Hospital	GCH Assurance Company Limited
<b>Assets</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 6,805,639	\$ —	\$ 5,558,729	\$ 653,062
Patient accounts receivable	11,357,987	—	9,780,659	—
Other receivables	777,669	—	777,669	—
Inventories	1,302,262	—	1,302,262	—
Prepaid expenses and other assets	2,318,035	(859,600)	1,273,060	1,686,382
Total current assets	22,561,592	(859,600)	18,692,379	2,339,444
<b>Assets Whose Use is Limited</b>	35,332,577	—	25,535,685	9,291,291
<b>Due From Related Parties</b>	—	(3,952,355)	3,571,550	—
<b>Property and Equipment, net</b>	46,323,872	—	45,173,560	—
<b>Other Assets</b>				
Deferred bond issuance costs	704,503	—	704,503	—
Investment in multi-provider captive insurance company	1,605,959	(4,807,204)	6,413,163	—
Other	516,690	—	516,690	—
Total other assets	2,827,152	(4,807,204)	7,634,356	—
<b>Total assets</b>	\$ 107,045,193	\$ (9,619,159)	\$ 100,607,530	\$ 11,630,735
<b>Liabilities and Net Assets</b>				
<b>Current Liabilities</b>				
Current portion of obligations under capital leases	\$ 120,905	\$ —	\$ 84,932	\$ —
Current portion of long-term debt	1,052,542	—	1,010,496	—
Accounts payable and other accrued expenses	6,764,038	—	6,576,015	7,501
Accrued benefits payable	5,629,124	—	5,351,961	—
Estimated amounts due to third-party payers	979,023	—	963,966	—
Total current liabilities	14,545,632	—	13,987,370	7,501
<b>Other Liabilities</b>				
Reserve for professional liability claims	9,928,768	(5,553,519)	3,979,053	11,503,234
Pension liability	31,566,611	—	31,566,611	—
Due to related parties	—	(3,945,640)	—	—
Long-term obligations under capital leases	113,902	—	—	—
Long-term debt	51,430,487	—	51,273,325	—
Total other liabilities	93,039,768	(9,499,159)	86,818,989	11,503,234
<b>Total liabilities</b>	107,585,400	(9,499,159)	100,806,359	11,510,735
<b>Net Assets</b>				
Unrestricted (deficit)	(1,011,851)	(120,000)	(334,954)	120,000
Temporarily restricted	471,644	—	136,125	—
Total net assets (deficit)	(540,207)	(120,000)	(198,829)	120,000
<b>Total liabilities and net assets</b>	\$ 107,045,193	\$ (9,619,159)	\$ 100,607,530	\$ 11,630,735

Amerigard Development	United Home Health Services	Garden City Hospital Foundation	Amerigard Diagnostic Centre	Advance Nursing Center
\$ 303,530	\$ 92,262	\$ 101,639	\$ 76,399	\$ 20,018
827,813	539,974	1,000	208,541	—
—	—	—	—	—
120,899	52,928	41,500	2,866	—
1,252,242	685,164	144,139	287,806	20,018
—	211,582	294,019	—	—
—	—	380,805	—	—
1,092,696	40,253	1,266	16,097	—
—	—	—	—	—
—	—	—	—	—
—	—	—	—	—
<u>\$ 2,344,938</u>	<u>\$ 936,999</u>	<u>\$ 820,229</u>	<u>\$ 303,903</u>	<u>\$ 20,018</u>
\$ 35,973	\$ —	\$ —	\$ —	\$ —
42,046	—	—	—	—
85,576	56,899	—	38,047	—
81,646	183,488	17	12,012	—
—	15,057	—	—	—
245,241	255,444	17	50,059	—
—	—	—	—	—
2,636,356	23,689	—	1,285,595	—
113,902	—	—	—	—
157,162	—	—	—	—
2,907,420	23,689	—	1,285,595	—
3,152,661	279,133	17	1,335,654	—
(807,723)	657,866	484,693	(1,031,751)	20,018
—	—	335,519	—	—
(807,723)	657,866	820,212	(1,031,751)	20,018
<u>\$ 2,344,938</u>	<u>\$ 936,999</u>	<u>\$ 820,229</u>	<u>\$ 303,903</u>	<u>\$ 20,018</u>

# Garden City Hospital and Subsidiaries

## Consolidating Statement of Operations and Changes in Net Assets

### Year Ended September 30, 2012

	Consolidated	Consolidation Adjustments	Garden City Hospital	GCH Assurance Company Limited
<b>Unrestricted Revenue and Other Support</b>				
Patient service revenue (net of contractual discounts and allowances)	\$ 150,332,490	\$ —	\$ 141,340,541	\$ —
Provision for uncollectible accounts	(14,949,620)	—	(14,745,082)	—
Net patient service revenue less provision for uncollectible accounts	135,382,870	—	126,595,459	—
Investment income	1,979,492	—	1,606,599	343,961
Other revenue	6,443,186	(1,702,562)	5,292,090	2,206,452
<b>Total unrestricted revenue and other support</b>	<b>143,805,548</b>	<b>(1,702,562)</b>	<b>133,494,148</b>	<b>2,550,413</b>
<b>Expenses</b>				
Salaries and wages	63,927,608	—	57,594,076	—
Employee benefits	15,708,393	—	14,397,733	—
Professional fees	2,634,076	—	2,479,521	—
Supplies	25,836,223	—	25,306,693	—
Utilities	2,215,935	—	2,051,551	—
Purchased services	11,792,362	—	10,974,037	—
Other	11,637,726	—	10,447,696	146,342
Insurance	949,527	(1,702,562)	(14,336)	2,404,071
Interest	2,767,681	—	2,743,246	—
Depreciation and amortization	5,736,848	—	5,530,087	—
<b>Total expenses</b>	<b>143,206,379</b>	<b>(1,702,562)</b>	<b>131,510,304</b>	<b>2,550,413</b>
<b>Excess (Deficiency) of Revenue Over Expenses</b>	<b>599,169</b>	<b>—</b>	<b>1,983,844</b>	<b>—</b>
Change in defined benefit plan losses	(9,479,644)	—	(9,479,644)	—
Other	4,295	—	—	—
<b>Increase (decrease) in unrestricted net assets</b>	<b>(8,876,180)</b>	<b>—</b>	<b>(7,495,800)</b>	<b>—</b>
<b>Temporarily Restricted Net Assets</b>				
Contributions	31,371	—	14,844	—
Net assets released from restrictions	(42,072)	—	(15,467)	—
<b>Increase (decrease) in temporarily restricted net assets</b>	<b>(10,701)</b>	<b>—</b>	<b>(623)</b>	<b>—</b>
<b>Increase (Decrease) in Net Assets</b>	<b>(8,886,881)</b>	<b>—</b>	<b>(7,496,423)</b>	<b>—</b>
<b>Net Assets Beginning of Year</b>	<b>8,346,674</b>	<b>(120,000)</b>	<b>7,297,594</b>	<b>120,000</b>
<b>Net Assets End of Year</b>	<b>\$ (540,207)</b>	<b>\$ (120,000)</b>	<b>\$ (198,829)</b>	<b>\$ 120,000</b>



Amerigard Development	United Home Health Services	Garden City Hospital Foundation	Amerigard Diagnostic Centre	Advance Nursing Center
\$ 4,605,748 <u>(177,650)</u>	\$ 3,648,281 <u>(17,360)</u>	\$ — <u>—</u>	\$ 737,920 <u>(9,528)</u>	\$ — <u>—</u>
4,428,098 — <u>488,451</u>	3,630,921 11,582 <u>16,027</u>	— 17,350 <u>142,728</u>	728,392 — <u>—</u>	— — <u>—</u>
<u>4,916,549</u>	<u>3,658,530</u>	<u>160,078</u>	<u>728,392</u>	<u>—</u>
3,713,098 742,258 18,730 408,842 85,769 325,242 592,089 182,468 23,869 <u>166,083</u>	2,432,002 528,931 11,830 86,616 60,997 181,327 331,139 77,133 128 <u>34,851</u>	13,265 1,087 3,400 972 — 25,652 15,197 — — <u>404</u>	175,167 38,384 120,595 33,100 17,618 286,104 105,263 2,753 438 <u>5,423</u>	— — — — — — — — — <u>—</u>
<u>6,258,448</u>	<u>3,744,954</u>	<u>59,977</u>	<u>784,845</u>	<u>—</u>
(1,341,899) — <u>—</u>	(86,424) — <u>—</u>	100,101 — <u>—</u>	(56,453) — <u>—</u>	— — <u>4,295</u>
<u>(1,341,899)</u>	<u>(86,424)</u>	<u>100,101</u>	<u>(56,453)</u>	<u>4,295</u>
— <u>—</u>	— <u>—</u>	16,527 <u>(26,605)</u>	— <u>—</u>	— <u>—</u>
<u>—</u>	<u>—</u>	<u>(10,078)</u>	<u>—</u>	<u>—</u>
(1,341,899) <u>534,176</u>	(86,424) <u>744,290</u>	90,023 <u>730,189</u>	(56,453) <u>(975,298)</u>	4,295 <u>15,723</u>
\$ <u>(807,723)</u>	\$ <u>657,866</u>	\$ <u>820,212</u>	\$ <u>(1,031,751)</u>	\$ <u>20,018</u>

**IRS e-file Signature Authorization  
for an Exempt Organization**

OMB No. 1545-1878

For calendar year 2011, or fiscal year beginning 10/01, 2011, and ending 09/30, 20 12

▶ Do not send to the IRS. Keep for your records.

▶ See instructions on back.

**2011**Department of the Treasury  
Internal Revenue Service

Name of exempt organization

GARDEN CITY HOSPITAL

Employer identification number

38-1358390

Name and title of officer

TIMOTHY M. JODWAY, VICE PRESIDENT & CFO**Part I Type of Return and Return Information (Whole Dollars Only)**

Check the box for the return for which you are using this Form 8879-EO and enter the applicable amount, if any, from the return. If you check the box on line 1a, 2a, 3a, 4a, or 5a, below, and the amount on that line for the return being filed with this form was blank, then leave line 1b, 2b, 3b, 4b, or 5b, whichever is applicable, blank (do not enter -0-). But, if you entered -0- on the return, then enter -0- on the applicable line below. Do not complete more than 1 line in Part I.

1a	Form 990 check here ▶ <input checked="" type="checkbox"/>	b	Total revenue, if any (Form 990, Part VIII, column (A), line 12) . . .	1b	<u>147752946.</u>
2a	Form 990-EZ check here ▶ <input type="checkbox"/>	b	Total revenue, if any (Form 990-EZ, line 9) . . . . .	2b	
3a	Form 1120-POL check here ▶ <input type="checkbox"/>	b	Total tax (Form 1120-POL, line 22) . . . . .	3b	
4a	Form 990-PF check here ▶ <input type="checkbox"/>	b	Tax based on investment income (Form 990-PF, Part VI, line 5),	4b	
5a	Form 8868 check here ▶ <input type="checkbox"/>	b	Balance Due (Form 8868, Part I, line 3c or Part II, line 8c) . . . . .	5b	

**Part II Declaration and Signature Authorization of Officer**

Under penalties of perjury, I declare that I am an officer of the above organization and that I have examined a copy of the organization's 2011 electronic return and accompanying schedules and statements and to the best of my knowledge and belief, they are true, correct, and complete. I further declare that the amount in Part I above is the amount shown on the copy of the organization's electronic return. I consent to allow my intermediate service provider, transmitter, or electronic return originator (ERO) to send the organization's return to the IRS and to receive from the IRS (a) an acknowledgement of receipt or reason for rejection of the transmission, (b) the reason for any delay in processing the return or refund, and (c) the date of any refund. If applicable, I authorize the U.S. Treasury and its designated Financial Agent to initiate an electronic funds withdrawal (direct debit) entry to the financial institution account indicated in the tax preparation software for payment of the organization's federal taxes owed on this return, and the financial institution to debit the entry to this account. To revoke a payment, I must contact the U.S. Treasury Financial Agent at 1-888-353-4537 no later than 2 business days prior to the payment (settlement) date. I also authorize the financial institutions involved in the processing of the electronic payment of taxes to receive confidential information necessary to answer inquiries and resolve issues related to the payment. I have selected a personal identification number (PIN) as my signature for the organization's electronic return and, if applicable, the organization's consent to electronic funds withdrawal.

Officer's PIN: check one box only

I authorize BKD, LLP

ERO firm name

to enter my PIN

4 8 1 3 5Enter five numbers, but  
do not enter all zeros

as my signature

on the organization's tax year 2011 electronically filed return. If I have indicated within this return that a copy of the return is being filed with a state agency(ies) regulating charities as part of the IRS Fed/State program, I also authorize the aforementioned ERO to enter my PIN on the return's disclosure consent screen.



As an officer of the organization, I will enter my PIN as my signature on the organization's tax year 2011 electronically filed return. If I have indicated within this return that a copy of the return is being filed with a state agency(ies) regulating charities as part of the IRS Fed/State program, I will enter my PIN on the return's disclosure consent screen.

Officer's signature ▶

Date ▶

**Part III Certification and Authentication**

ERO's EFIN/PIN. Enter your six-digit electronic filing identification number (EFIN) followed by your five-digit self-selected PIN.

3 5 0 2 7 4 4 6 8 0 2

do not enter all zeros

I certify that the above numeric entry is my PIN, which is my signature on the 2011 electronically filed return for the organization indicated above. I confirm that I am submitting this return in accordance with the requirements of Pub. 4163, Modernized e-File (MeF) Information for Authorized IRS e-file Providers for Business Returns.

ERO's signature ▶

Date ▶

8/13/13**ERO Must Retain This Form - See Instructions****Do Not Submit This Form To the IRS Unless Requested To Do So**

For Paperwork Reduction Act Notice, see back of form.

Form **8879-EO** (2011)

Form **990-T****Exempt Organization Business Income Tax Return** (and proxy tax under section 6033(e))

OMB No. 1545-0087

**2011**Department of the Treasury  
Internal Revenue ServiceFor calendar year 2011 or other tax year beginning 10/01, 2011, and  
ending 09/30, 2012. See separate instructions.Open to Public Inspection for  
501(c)(3) Organizations OnlyA ☐ Check box if  
address changedName of organization (☐ Check box if name changed and see instructions.)D Employer identification number  
(Employees' trust, see instructions.)

B Exempt under section

☒ 501(C)(3)  
☐ 408(e) ☐ 220(e)  
☐ 408A ☐ 530(a)  
☐ 529(a)
Print  
or  
Type

GARDEN CITY HOSPITAL

Number, street, and room or suite no. If a P.O. box, see instructions.

6245 INKSTER ROAD

City or town, state, and ZIP code

GARDEN CITY, MI 48135

38-1358390

E Unrelated business activity codes  
(See instructions.)C Book value of all assets  
at end of year

100,627,551.

F Group exemption number (See instructions.)

G Check organization type ☒ 501(c) corporation ☐ 501(c) trust ☐ 401(a) trust ☐ Other trust

H Describe the organization's primary unrelated business activity. PHARMACY AND LAB SERVICES TO NON-PATIENTS

I During the tax year, was the corporation a subsidiary in an affiliated group or a parent-subsidiary controlled group? ☐ Yes ☒ No  
If "Yes," enter the name and identifying number of the parent corporation.

J The books are in care of JANE HARDY

Telephone number 734-458-4733

**Part I Unrelated Trade or Business Income**

	(A) Income	(B) Expenses	(C) Net
1a Gross receipts or sales <u>1,804,587.</u>			
b Less returns and allowances			
c Balance	1c 1,804,587.		
2 Cost of goods sold (Schedule A, line 7)	2 452,507.		
3 Gross profit. Subtract line 2 from line 1c	3 1,352,080.		1,352,080.
4a Capital gain net income (attach Schedule D)	4a		
b Net gain (loss) (Form 4797, Part II, line 17) (attach Form 4797)	4b		
c Capital loss deduction for trusts	4c		
5 Income (loss) from partnerships and S corporations (attach statement)	5		
6 Rent income (Schedule C)	6		
7 Unrelated debt-financed income (Schedule E)	7		
8 Interest, annuities, royalties, and rents from controlled organizations (Schedule F)	8		
9 Investment income of a section 501(c)(7), (9), or (17) organization (Schedule G)	9		
10 Exploited exempt activity income (Schedule I)	10		
11 Advertising income (Schedule J)	11		
12 Other income (See instructions; attach schedule.)	12		
13 Total. Combine lines 3 through 12.	13 1,352,080.		1,352,080.

**Part II Deductions Not Taken Elsewhere** (See instructions for limitations on deductions.) (Except for contributions, deductions must be directly connected with the unrelated business income.)

14 Compensation of officers, directors, and trustees (Schedule K)	14	
15 Salaries and wages	15	192,563.
16 Repairs and maintenance	16	
17 Bad debts	17	
18 Interest (attach schedule)	18	
19 Taxes and licenses	19	
20 Charitable contributions (See instructions for limitation rules.)	20	
21 Depreciation (attach Form 4562)	21	127,820.
22 Less depreciation claimed on Schedule A and elsewhere on return	22a	22b 127,820.
23 Depletion	23	
24 Contributions to deferred compensation plans	24	
25 Employee benefit programs	25	
26 Excess exempt expenses (Schedule I)	26	
27 Excess readership costs (Schedule J)	27	
28 Other deductions (attach schedule) ATTACHMENT 1	28	1,224,476.
29 Total deductions. Add lines 14 through 28	29	1,544,859.
30 Unrelated business taxable income before net operating loss deduction. Subtract line 29 from line 13	30	-192,779.
31 Net operating loss deduction (limited to the amount on line 30)	31	
32 Unrelated business taxable income before specific deduction. Subtract line 31 from line 30	32	-192,779.
33 Specific deduction (Generally \$1,000, but see line 33 instructions for exceptions.)	33	1,000.
34 Unrelated business taxable income. Subtract line 33 from line 32. If line 33 is greater than line 32, enter the smaller of zero or line 32	34	-192,779.

Form **8868**

(Rev. January 2012)

Department of the Treasury  
Internal Revenue Service**Application for Extension of Time To File an  
Exempt Organization Return**

OMB No. 1545-1709

► **File a separate application for each return.**

- If you are filing for an **Automatic 3-Month Extension**, complete only **Part I** and check this box ☐ . . . . .
- If you are filing for an **Additional (Not Automatic) 3-Month Extension**, complete only **Part II** (on page 2 of this form).

**Do not complete Part II unless** you have already been granted an automatic 3-month extension on a previously filed Form 8868.

**Electronic filing (e-file).** You can electronically file Form 8868 if you need a 3-month automatic extension of time to file (6 months for a corporation required to file Form 990-T), or an additional (not automatic) 3-month extension of time. You can electronically file Form 8868 to request an extension of time to file any of the forms listed in Part I or Part II with the exception of Form 8870, Information Return for Transfers Associated With Certain Personal Benefit Contracts, which must be sent to the IRS in paper format (see instructions). For more details on the electronic filing of this form, visit [www.irs.gov/efile](http://www.irs.gov/efile) and click on *e-file for Charities & Nonprofits*.

**Part I Automatic 3-Month Extension of Time.** Only submit original (no copies needed).

A corporation required to file Form 990-T and requesting an automatic 6-month extension - check this box and complete

Part I only ☒ . . . . .

All other corporations (including 1120-C filers), partnerships, REMICs, and trusts must use Form 7004 to request an extension of time to file income tax returns.

<b>Type or print</b>  File by the due date for filing your return. See instructions.	Name of exempt organization or other filer, see instructions.		Enter filer's identifying number, see instructions	
	GARDEN CITY HOSPITAL		<input checked="" type="checkbox"/>	Employer identification number (EIN) or 38-1358390
	Number, street, and room or suite no. If a P.O. box, see instructions.		<input type="checkbox"/>	Social security number (SSN)
	6245 INKSTER ROAD			
City, town or post office, state, and ZIP code. For a foreign address, see instructions.				
GARDEN CITY, MI 48135				

Enter the Return code for the return that this application is for (file a separate application for each return) . . . . .  

Application Is For	Return Code	Application Is For	Return Code
Form 990	01	Form 990-T (corporation)	07
Form 990-BL	02	Form 1041-A	08
Form 990-EZ	01	Form 4720	09
Form 990-PF	04	Form 5227	10
Form 990-T (sec. 401(a) or 408(a) trust)	05	Form 6069	11
Form 990-T (trust other than above)	06	Form 8870	12

- The books are in the care of ► JANE HARDY

Telephone No. ► 734 458-4733

FAX No. ►

- If the organization does not have an office or place of business in the United States, check this box ☐ . . . . .
- If this is for a Group Return, enter the organization's four digit Group Exemption Number (GEN) . . . . . . If this is for the whole group, check this box ☐ . . . . . . If it is for part of the group, check this box ☐ and attach a list with the names and EINs of all members the extension is for.

1 I request an automatic 3-month (6 months for a corporation required to file Form 990-T) extension of time until 08/15, 20 13, to file the exempt organization return for the organization named above. The extension is for the organization's return for:

► ☐ calendar year 20      or

► ☒ tax year beginning 10/01, 20 11, and ending 09/30, 20 12.

2 If the tax year entered in line 1 is for less than 12 months, check reason: ☐ Initial return ☐ Final return

☐ Change in accounting period

3a If this application is for Form 990-BL, 990-PF, 990-T, 4720, or 6069, enter the tentative tax, less any nonrefundable credits. See instructions.	3a \$	0
b If this application is for Form 990-PF, 990-T, 4720, or 6069, enter any refundable credits and estimated tax payments made. Include any prior year overpayment allowed as a credit.	3b \$	0
c <b>Balance due.</b> Subtract line 3b from line 3a. Include your payment with this form, if required, by using EFTPS (Electronic Federal Tax Payment System). See instructions.	3c \$	0

**Caution.** If you are going to make an electronic fund withdrawal with this Form 8868, see Form 8453-EO and Form 8879-EO for payment instructions.

For Privacy Act and Paperwork Reduction Act Notice, see Instructions.

Form **8868** (Rev. 1-2012)

**Part III Tax Computation**

**35 Organizations Taxable as Corporations.** See instructions for tax computation. Controlled group members (sections 1561 and 1563) check here ☐ See instructions and:

a Enter your share of the \$50,000, \$25,000, and \$9,925,000 taxable income brackets (in that order):

(1) \$ (2) \$ (3) \$

b Enter organization's share of: (1) Additional 5% tax (not more than \$11,750) \$

(2) Additional 3% tax (not more than \$100,000) \$

c Income tax on the amount on line 34

**36 Trusts Taxable at Trust Rates.** See instructions for tax computation. Income tax on the amount on line 34 from: ☐ Tax rate schedule or ☐ Schedule D (Form 1041)

**37 Proxy tax.** See instructions

**38 Alternative minimum tax**

**39 Total.** Add lines 37 and 38 to line 35c or 36, whichever applies.

**Part IV Tax and Payments**

**40a Foreign tax credit** (corporations attach Form 1118; trusts attach Form 1116)

b Other credits (see instructions)

c General business credit. Attach Form 3800 (see instructions)

d Credit for prior year minimum tax (attach Form 8801 or 8827)

e **Total credits.** Add lines 40a through 40d

**41 Subtract line 40e from line 39**

**42 Other taxes.** Check if from: ☐ Form 4255 ☐ Form 8611 ☐ Form 8697 ☐ Form 8866 ☐ Other (attach schedule)

**43 Total tax.** Add lines 41 and 42

**44a Payments:** A 2010 overpayment credited to 2011

b 2011 estimated tax payments

c Tax deposited with Form 8868

d Foreign organizations: Tax paid or withheld at source (see instructions)

e Backup withholding (see instructions)

f Credit for small employer health insurance premiums (Attach Form 8941)

g Other credits and payments:

☐ Form 2439 ☐ Form 4136 ☐ Other

Total

**45 Total payments.** Add lines 44a through 44g

**46 Estimated tax penalty** (see instructions). Check if Form 2220 is attached.

**47 Tax due.** If line 45 is less than the total of lines 43 and 46, enter amount owed

**48 Overpayment.** If line 45 is larger than the total of lines 43 and 46, enter amount overpaid

**49 Enter the amount of line 48 you want:** Credited to 2012 estimated tax

Refunded

**Part V Statements Regarding Certain Activities and Other Information** (see instructions)

1 At any time during the 2011 calendar year, did the organization have an interest in or a signature or other authority over a financial account (bank, securities, or other) in a foreign country? If YES, the organization may have to file Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts. If YES, enter the name of the foreign country here

Yes	No
	X
	X

2 During the tax year, did the organization receive a distribution from, or was it the grantor of, or transferor to, a foreign trust? If YES, see instructions for other forms the organization may have to file.

3 Enter the amount of tax-exempt interest received or accrued during the tax year \$

**Schedule A - Cost of Goods Sold.** Enter method of inventory valuation

1 Inventory at beginning of year

2 Purchases

3 Cost of labor

4a Additional section 263A costs (attach schedule)

b Other costs (attach schedule)

5 Total. Add lines 1 through 4b

6 Inventory at end of year

7 **Cost of goods sold.** Subtract line 6 from line 5. Enter here and in Part I, line 2.

8 Do the rules of section 263A (with respect to property produced or acquired for resale) apply to the organization?

Yes	No
	X

**Sign Here**

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Signature of officer

Date

Title

May the IRS discuss this return with the preparer shown below (see instructions)? ☒ Yes ☐ No

**Paid Preparer Use Only**

Print/Type preparer's name

JOYCE A. DULWORTH

Preparer's signature

*J. Dulworth*

Date

8/13/13

Check ☐ if self-employed

PTIN

P00151125

Firm's name

BKD, LLP

Firm's EIN

44-0160260

Firm's address

200 E. MAIN ST. SUITE 700

Phone no.

260-460-4000

PORT WAYNE, IN 46802

Form 990-T (2011)

**Schedule C - Rent Income (From Real Property and Personal Property Leased With Real Property)**  
 (see instructions)

**1. Description of property**

(1)
(2)
(3)
(4)

**2. Rent received or accrued**

(a) From personal property (if the percentage of rent for personal property is more than 10% but not more than 50%)	(b) From real and personal property (if the percentage of rent for personal property exceeds 50% or if the rent is based on profit or income)	3(a) Deductions directly connected with the income in columns 2(a) and 2(b) (attach schedule)
(1)		
(2)		
(3)		
(4)		
Total	Total	

(c) **Total income.** Add totals of columns 2(a) and 2(b). Enter here and on page 1, Part I, line 6, column (A) . . . . . ▶

(b) **Total deductions.** Enter here and on page 1, Part I, line 6, column (B) ▶

**Schedule E - Unrelated Debt-Financed Income (see instructions)**

1. Description of debt-financed property		2. Gross income from or allocable to debt-financed property	3. Deductions directly connected with or allocable to debt-financed property	
			(a) Straight line depreciation (attach schedule)	(b) Other deductions (attach schedule)
(1)				
(2)				
(3)				
(4)				

  

4. Amount of average acquisition debt on or allocable to debt-financed property (attach schedule)	5. Average adjusted basis of or allocable to debt-financed property (attach schedule)	6. Column 4 divided by column 5	7. Gross income reportable (column 2 x column 6)	8. Allocable deductions (column 6 x total of columns 3(a) and 3(b))
(1)		%		
(2)		%		
(3)		%		
(4)		%		

  

Totals . . . . . ▶			Enter here and on page 1, Part I, line 7, column (A).	Enter here and on page 1, Part I, line 7, column (B).
--------------------	--	--	-------------------------------------------------------	-------------------------------------------------------

**Total dividends-received deductions** included in column 8 . . . . . ▶

**Schedule F - Interest, Annuities, Royalties, and Rents From Controlled Organizations (see instructions)**

1. Name of controlled organization	2. Employer identification number	Exempt Controlled Organizations			
		3. Net unrelated income (loss) (see instructions)	4. Total of specified payments made	5. Part of column 4 that is included in the controlling organization's gross income	6. Deductions directly connected with income in column 5
(1)					
(2)					
(3)					
(4)					

**Nonexempt Controlled Organizations**

7. Taxable income	8. Net unrelated income (loss) (see instructions)	9. Total of specified payments made	10. Part of column 9 that is included in the controlling organization's gross income	11. Deductions directly connected with income in column 10
(1)				
(2)				
(3)				
(4)				

Add columns 5 and 10. Enter here and on page 1, Part I, line 8, column (A).

Add columns 6 and 11. Enter here and on page 1, Part I, line 8, column (B).

**Totals** . . . . . ▶

**Schedule G - Investment Income of a Section 501(c)(7), (9), or (17) Organization** (see instructions)

1. Description of income	2. Amount of income	3. Deductions directly connected (attach schedule)	4. Set-asides (attach schedule)	5. Total deductions and set-asides (col. 3 plus col. 4)
(1)				
(2)				
(3)				
(4)				
Enter here and on page 1, Part I, line 9, column (A).				Enter here and on page 1, Part I, line 9, column (B).
<b>Totals</b> . . . . .				

**Schedule I - Exploited Exempt Activity Income, Other Than Advertising Income** (see instructions)

1. Description of exploited activity	2. Gross unrelated business income from trade or business	3. Expenses directly connected with production of unrelated business income	4. Net income (loss) from unrelated trade or business (column 2 minus column 3). If a gain, compute cols. 5 through 7.	5. Gross income from activity that is not unrelated business income	6. Expenses attributable to column 5	7. Excess exempt expenses (column 6 minus column 5, but not more than column 4).
(1)						
(2)						
(3)						
(4)						
Enter here and on page 1, Part I, line 10, col. (A).		Enter here and on page 1, Part I, line 10, col. (B).				Enter here and on page 1, Part II, line 26.
<b>Totals</b> . . . . .						

**Schedule J - Advertising Income** (see instructions)**Part I** Income From Periodicals Reported on a Consolidated Basis

1. Name of periodical	2. Gross advertising income	3. Direct advertising costs	4. Advertising gain or (loss) (col. 2 minus col. 3). If a gain, compute cols. 5 through 7.	5. Circulation income	6. Readership costs	7. Excess readership costs (column 6 minus column 5, but not more than column 4).
(1)						
(2)						
(3)						
(4)						
<b>Totals</b> (carry to Part II, line (5)) . . . . .						

**Part II** Income From Periodicals Reported on a Separate Basis (For each periodical listed in Part II, fill in columns 2 through 7 on a line-by-line basis.)

1. Name of periodical	2. Gross advertising income	3. Direct advertising costs	4. Advertising gain or (loss) (col. 2 minus col. 3). If a gain, compute cols. 5 through 7.	5. Circulation income	6. Readership costs	7. Excess readership costs (column 6 minus column 5, but not more than column 4).
(1)						
(2)						
(3)						
(4)						
(5) Totals from Part I	Enter here and on page 1, Part I, line 11, col. (A).	Enter here and on page 1, Part I, line 11, col. (B).				Enter here and on page 1, Part II, line 27.
<b>Totals, Part II</b> (lines 1-5) . . . . .						

**Schedule K - Compensation of Officers, Directors, and Trustees** (see instructions)

1. Name	2. Title	3. Percent of time devoted to business	4. Compensation attributable to unrelated business
(1)		%	
(2)		%	
(3)		%	
(4)		%	
<b>Total.</b> Enter here and on page 1, Part II, line 14. . . . .			

ATTACHMENT 1FORM 990T - PART II - LINE 28 - TOTAL OTHER DEDUCTIONS

DIRECT LABORATORY COSTS	725,361.
BUILDING COSTS	82,885.
ACCOUNTING COSTS	30,558.
PATIENT FINANCIAL SERVICES	52,892.
INFORMATION SERVICES	179,520.
PHARMACY COSTS	27,030.
PURCHASING	5,001.
TELECOMMUNICATIONS	12,273.
PROPERTY INSURANCE	2,949.
MALPRACTICE INSURANCE	70,494.
HOUSEKEEPING	26,556.
SECURITY	8,957.

PART II - LINE 28 - OTHER DEDUCTIONS

1,224,476.



**Return by a U.S. Transferor of Property  
to a Foreign Corporation**

▶ Attach to your income tax return for the year of the transfer or distribution.

OMB No. 1545-0026

Attachment  
Sequence No. **128****Part I U.S. Transferor Information** (see instructions)

Name of transferor

GARDEN CITY HOSPITAL

Identifying number (see instructions)

38-1358390

**1** If the transferor was a corporation, complete questions 1a through 1d.**a** If the transfer was a section 361(a) or (b) transfer, was the transferor controlled (under section 368(c)) by 5 or fewer domestic corporations? . . . . . ☐ Yes ☐ No**b** Did the transferor remain in existence after the transfer? . . . . . ☐ Yes ☐ No

If not, list the controlling shareholder(s) and their identifying number(s):

Controlling shareholder	Identifying number

**c** If the transferor was a member of an affiliated group filing a consolidated return, was it the parent corporation? . . . . . ☐ Yes ☐ No

If not, list the name and employer identification number (EIN) of the parent corporation:

Name of parent corporation	EIN of parent corporation

**d** Have basis adjustments under section 367(a)(5) been made? . . . . . ☐ Yes ☐ No**2** If the transferor was a partner in a partnership that was the actual transferor (but is not treated as such under section 367), complete questions 2a through 2d.**a** List the name and EIN of the transferor's partnership:

Name of partnership	EIN of partnership

**b** Did the partner pick up its pro rata share of gain on the transfer of partnership assets? . . . . . ☐ Yes ☐ No**c** Is the partner disposing of its entire interest in the partnership? . . . . . ☐ Yes ☐ No**d** Is the partner disposing of an interest in a limited partnership that is regularly traded on an established securities market? . . . . . ☐ Yes ☐ No**Part II Transferee Foreign Corporation Information** (see instructions)**3** Name of transferee (foreign corporation)

GCH ASSURANCE COMPANY, LTD

**4** Identifying number, if any

98-0608598

**5** Address (including country) PO BOX 1159

GRAND CAYMAN CJ KY1-1102

**6** Country code of country of incorporation or organization (see instructions)

CJ

**7** Foreign law characterization (see instructions)

CORPORATION

**8** Is the transferee foreign corporation a controlled foreign corporation? . . . . . ☒ Yes ☐ No

For Paperwork Reduction Act Notice, see separate instructions.

Form **926** (Rev. 12-2011)

**Part III** Information Regarding Transfer of Property (see instructions)

Type of property	(a) Date of transfer	(b) Description of property	(c) Fair market value on date of transfer	(d) Cost or other basis	(e) Gain recognized on transfer
Cash	VAR		1,507,341.		
Stock and securities					
Installment obligations, account receivables or similar property					
Foreign currency or other property denominated in foreign currency					
Inventory					
Assets subject to depreciation recapture (see Temp. Regs. sec. 1.367(a)-4T(b))					
Tangible property used in trade or business not listed under another category					
Intangible property					
Property to be leased (as described in final and temp. Regs. sec. 1.367(a)-4(c))					
Property to be sold (as described in Temp. Regs. sec. 1.367(a)-4T(d))					
Transfers of oil and gas working interests (as described in Temp. Regs. sec. 1.367(a)-4T(e))					
Other property					

**Supplemental Information Required To Be Reported** (see instructions):

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**Part IV** Additional Information Regarding Transfer of Property (see instructions)**9** Enter the transferor's interest in the foreign transferee corporation before and after the transfer:(a) Before 100 % (b) After 100 %**10** Type of nonrecognition transaction (see instructions) ► IRC SECTION 351**11** Indicate whether any transfer reported in Part III is subject to any of the following:

a Gain recognition under section 904(f)(3) . . . . .	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
b Gain recognition under section 904(f)(5)(F) . . . . .	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
c Recapture under section 1503(d) . . . . .	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
d Exchange gain under section 987 . . . . .	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

**12** Did this transfer result from a change in the classification of the transferee to that of a foreign corporation? ☐ Yes ☒ No**13** Indicate whether the transferor was required to recognize income under final and temporary Regulations sections 1.367(a)-4 through 1.367(a)-6 for any of the following:

a Tainted property . . . . .	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
b Depreciation recapture . . . . .	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
c Branch loss recapture . . . . .	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
d Any other income recognition provision contained in the above-referenced regulations . . . . .	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

**14** Did the transferor transfer assets which qualify for the trade or business exception under section 367(a)(3)? ☐ Yes ☒ No**15a** Did the transferor transfer foreign goodwill or going concern value as defined in Temporary Regulations section 1.367(a)-1T(d)(5)(iii)? ☐ Yes ☒ No**b** If the answer to line 15a is "Yes," enter the amount of foreign goodwill or going concern value transferred ► \$ \_\_\_\_\_**16** Was cash the only property transferred? ☒ Yes ☐ No**17a** Was intangible property (within the meaning of section 936(h)(3)(B)) transferred as a result of the transaction? ☐ Yes ☒ No**b** If "Yes," describe the nature of the rights to the intangible property that was transferred as a result of the transaction:

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Form **5471**  
(Rev. December 2011)

# Information Return of U.S. Persons With Respect To Certain Foreign Corporations

OMB No. 1545-0704

Department of the Treasury  
Internal Revenue Service

▶ See separate instructions.

Information furnished for the foreign corporation's annual accounting period (tax year required by section 898) (see instructions) beginning 10/01/2011 and ending 09/30/2012

Attachment  
Sequence No. **121**

Name of person filing this return

GARDEN CITY HOSPITAL

A Identifying number

38-1358390

Number, street, and room or suite no. (or P.O. box number if mail is not delivered to street address)

6245 INKSTER ROAD

B Category of filer (See instructions. Check applicable box(es)):

1 (repealed) 2 ☐ 3 ☐ 4 ☒ 5 ☒

City or town, state, and ZIP code

GARDEN CITY

MI 48135

C Enter the total percentage of the foreign corporation's voting stock  
you owned at the end of its annual accounting period 100.0000%

Filer's tax year beginning 10/01/2011, and ending 09/30/2012

D Person(s) on whose behalf this information return is filed:

(1) Name	(2) Address	(3) Identifying number	(4) Check applicable box(es)		
			Shareholder	Officer	Director

**Important:** Fill in all applicable lines and schedules. All information **must** be in English. All amounts **must** be stated in U.S. dollars unless otherwise indicated.

1a Name and address of foreign corporation

GCH ASSURANCE COMPANY, LTD.  
P.O. BOX 1159  
GRAND CAYMAN, KY1-1102 CJ

b(1) Employer identification number, if any

98-0608598

b(2) Reference ID number (see instructions)

c Country under whose laws incorporated

CAYMAN ISLANDS

d Date of incorporation

05/21/2008

e Principal place of business

CJ

f Principal business activity  
code number

524150

g Principal business activity

INSURANCE

h Functional currency

US DOLLAR

2 Provide the following information for the foreign corporation's accounting period stated above.

a Name, address, and identifying number of branch office or agent (if any)  
in the United States

b If a U.S. income tax return was filed, enter:

(i) Taxable income or (loss)

(ii) U.S. income tax paid  
(after all credits)

c Name and address of foreign corporation's statutory or resident agent in  
country of incorporation

STRATEGIC RISK SOLUTIONS (CAYMAN) LIMITED  
P.O. BOX 1159 KY1-1102  
GRAND CAYMAN CJ

d Name and address (including corporate department, if applicable) of  
person (or persons) with custody of the books and records of the foreign  
corporation, and the location of such books and records, if different

STRATEGIC RISK SOLUTIONS (CAYMAN) LIMITED  
P.O. BOX 1159 KY1-1102  
GRAND CAYMAN CJ

## Schedule A Stock of the Foreign Corporation

(a) Description of each class of stock	(b) Number of shares issued and outstanding	
	(i) Beginning of annual accounting period	(ii) End of annual accounting period
COMMON	20,000.	20,000.

For Paperwork Reduction Act Notice, see instructions.

Form **5471** (Rev. 12-2011)

[illegible]

**Important:** Report all information in functional currency in accordance with U.S. GAAP. Also, report each amount in U.S. dollars translated from functional currency (using GAAP translation rules). However, if the functional currency is the U.S. dollar, complete only the U.S. Dollars column. See instructions for special rules for DASTM corporations.

		Functional Currency	U.S. Dollars
Income	1 a Gross receipts or sales	1a	2,206,453.
	b Returns and allowances	1b	
	c Subtract line 1b from line 1a	1c	2,206,453.
	2 Cost of goods sold	2	
	3 Gross profit (subtract line 2 from line 1c)	3	2,206,453.
	4 Dividends	4	
	5 Interest	5	203,352.
	6 a Gross rents	6a	
	b Gross royalties and license fees	6b	
7 Net gain or (loss) on sale of capital assets	7	166,712.	
8 Other income (attach schedule)	8		
9 Total income (add lines 3 through 8)	9	2,576,517.	
Deductions	10 Compensation not deducted elsewhere	10	
	11 a Rents	11a	
	b Royalties and license fees	11b	
	12 Interest	12	
	13 Depreciation not deducted elsewhere	13	
	14 Depletion	14	
	15 Taxes (exclude provision for income, war profits, and excess profits taxes)	15	
	16 Other deductions (attach schedule - exclude provision for income, war profits, and excess profits taxes)	16	2,576,517.
	17 Total deductions (add lines 10 through 16)	17	2,576,517.
Net Income	18 Net income or (loss) before extraordinary items, prior period adjustments, and the provision for income, war profits, and excess profits taxes (subtract line 17 from line 9)	18	
	19 Extraordinary items and prior period adjustments (see instructions)	19	
	20 Provision for income, war profits, and excess profits taxes (see instructions)	20	
	21 Current year net income or (loss) per books (combine lines 18 through 20)	21	

**Schedule E Income, War Profits, and Excess Profits Taxes Paid or Accrued (see instructions)**

	(a) Name of country or U.S. possession	Amount of tax		
		(b) In foreign currency	(c) Conversion rate	(d) In U.S. dollars
1	U.S.			
2				
3				
4				
5				
6				
7				
8	Total			

**Schedule F Balance Sheet**

**Important:** Report all amounts in U.S. dollars prepared and translated in accordance with U.S. GAAP. See instructions for an exception for DASTM corporations.

Assets		(a) Beginning of annual accounting period	(b) End of annual accounting period
1	Cash	707,938.	653,062.
2a	Trade notes and accounts receivable		
b	Less allowance for bad debts	( )	( )
3	Inventories		
4	Other current assets (attach schedule) ATTACHMENT 2	4,333,500.	2,931,699.
5	Loans to shareholders and other related persons		
6	Investment in subsidiaries (attach schedule)		
7	Other investments (attach schedule) ATTACHMENT 3	7,653,149.	9,245,069.
8a	Buildings and other depreciable assets		
b	Less accumulated depreciation	( )	( )
9a	Depletable assets		
b	Less accumulated depletion	( )	( )
10	Land (net of any amortization)		
11	Intangible assets:		
a	Goodwill		
b	Organization costs		
c	Patents, trademarks, and other intangible assets		
d	Less accumulated amortization for lines 11a, b, and c	( )	( )
12	Other assets (attach schedule)		
13	Total assets	12,694,587.	12,829,830.
Liabilities and Shareholders' Equity			
14	Accounts payable	6,501.	7,500.
15	Other current liabilities (attach schedule) ATTACHMENT 4	2,325,688.	1,131,577.
16	Loans from shareholders and other related persons		
17	Other liabilities (attach schedule) ATTACHMENT 5	10,242,398.	11,570,753.
18	Capital stock:		
a	Preferred stock		
b	Common stock	20,000.	20,000.
19	Paid-in or capital surplus (attach reconciliation) ATTACHMENT 6	100,000.	100,000.
20	Retained earnings		
21	Less cost of treasury stock	( )	( )
22	Total liabilities and shareholders' equity	12,694,587.	12,829,830.

Form 5471 (Rev. 12-2011)

**Schedule G Other Information**

- |                                                                                                                                                                                                                             | Yes                      | No                                  |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|-------------------------------------|
| 1 During the tax year, did the foreign corporation own at least a 10% interest, directly or indirectly, in any foreign partnership? . . . . .                                                                               | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| If "Yes," see the instructions for required attachment.                                                                                                                                                                     |                          |                                     |
| 2 During the tax year, did the foreign corporation own an interest in any trust? . . . . .                                                                                                                                  | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| 3 During the tax year, did the foreign corporation own any foreign entities that were disregarded as entities separate from their owners under Regulations sections 301.7701-2 and 301.7701-3 (see instructions)? . . . . . | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| If "Yes," you are generally required to attach Form 8858 for each entity (see instructions).                                                                                                                                |                          |                                     |
| 4 During the tax year, was the foreign corporation a participant in any cost sharing arrangement? . . . . .                                                                                                                 | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| 5 During the course of the tax year, did the foreign corporation become a participant in any cost sharing arrangement? . . . . .                                                                                            | <input type="checkbox"/> | <input checked="" type="checkbox"/> |

**Schedule H Current Earnings and Profits** (see instructions)**Important:** Enter the amounts on lines 1 through 5c in functional currency.

1	Current year net income or (loss) per foreign books of account . . . . .	1	
2	Net adjustments made to line 1 to determine current earnings and profits according to U.S. financial and tax accounting standards (see instructions):	Net Additions	Net Subtractions
a	Capital gains or losses . . . . .		
b	Depreciation and amortization . . . . .		
c	Depletion . . . . .		
d	Investment or incentive allowance . . . . .		
e	Charges to statutory reserves . . . . .		
f	Inventory adjustments . . . . .		
g	Taxes . . . . .		
h	Other (attach schedule), ATCH. 7 . . . . .	2,404,072.	2,839,734.
3	Total net additions . . . . .	2,404,072.	
4	Total net subtractions . . . . .		2,839,734.
5a	Current earnings and profits (line 1 plus line 3 minus line 4) . . . . .	5a	-435,662.
b	DASTM gain or (loss) for foreign corporations that use DASTM (see instructions) . . . . .	5b	
c	Combine lines 5a and 5b . . . . .	5c	-435,662.
d	Current earnings and profits in U.S. dollars (line 5c translated at the appropriate exchange rate as defined in section 989(b) and the related regulations (see instructions)) . . . . .	5d	-435,662.
	Enter exchange rate used for line 5d ▶		1.0000

**Schedule I Summary of Shareholder's Income From Foreign Corporation** (see instructions)

1	Subpart F income (line 38b, Worksheet A in the instructions) . . . . .	1	
2	Earnings invested in U.S. property (line 17, Worksheet B in the instructions) . . . . .	2	
3	Previously excluded subpart F income withdrawn from qualified investments (line 6b, Worksheet C in the instructions) . . . . .	3	
4	Previously excluded export trade income withdrawn from investment in export trade assets (line 7b, Worksheet D in the instructions) . . . . .	4	
5	Factoring income . . . . .	5	
6	Total of lines 1 through 5. Enter here and on your income tax return. See instructions . . . . .	6	
7	Dividends received (translated at spot rate on payment date under section 989(b)(1)) . . . . .	7	
8	Exchange gain or (loss) on a distribution of previously taxed income . . . . .	8	

- |                                                                                            | Yes                      | No                                  |
|--------------------------------------------------------------------------------------------|--------------------------|-------------------------------------|
| • Was any income of the foreign corporation blocked? . . . . .                             | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| • Did any such income become unblocked during the tax year (see section 964(b))? . . . . . | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
- If the answer to either question is "Yes," attach an explanation.

**SCHEDULE J**  
**(Form 5471)**

(Rev. December 2006)  
Department of the Treasury  
Internal Revenue Service

Name of person filing Form 5471

GARDEN CITY HOSPITAL

Name of foreign corporation

GCH ASSURANCE COMPANY, LTD.

► Attach to Form 5471. See Instructions for Form 5471.

Identifying number

38-1358390

OMB No. 1545-0704

**Accumulated Earnings and Profits (E&P)**  
**of Controlled Foreign Corporation**

Important. Enter amounts in functional currency.	(a) Post-1986 Undistributed Earnings (post-86 section 959(c)(3) balance)	(b) Pre-1987 E&P Not Previously Taxed (pre-87 section 959(c)(3) balance)	(c) Previously Taxed E&P (see instructions)		(d) Total Section 964(a) E&P (combine columns (a), (b), and (c))
			(i) Earnings Invested in U.S. Property	(ii) Earnings Invested in Excess Passive Assets	
1 Balance at beginning of year	-1,170,048.				-1,170,048.
2a Current year E&P					
b Current year deficit in E&P	435,562.				
3 Total current and accumulated E&P not previously taxed (line 1 plus line 2a or line 1 minus line 2b)	-1,605,710.				
4 Amounts included under section 951(a) or reclassified under section 959(c) in current year					
5a Actual distributions or reclassifications of previously taxed E&P					
b Actual distributions of nonpreviously taxed E&P					
6a Balance of previously taxed E&P at end of year (line 1 plus line 4, minus line 5a)					
b Balance of E&P not previously taxed at end of year (line 3 minus line 4, minus line 5b)					
7 Balance at end of year. (Enter amount from line 6a or line 6b, whichever is applicable.)	-1,605,710.				-1,605,710.

For Paperwork Reduction Act Notice, see the Instructions for Form 5471.

Schedule J (Form 5471) (Rev. 12-2006)



**Transactions Between Controlled Foreign Corporation  
and Shareholders or Other Related Persons**

OMB No. 1545-0704

▶ Attach to Form 5471. See instructions for Form 5471.

Name of person filing Form 5471

Identifying number

GARDEN CITY HOSPITAL

38-1358390

Name of foreign corporation

GCH ASSURANCE COMPANY, LTD.

**Important:** Complete a separate Schedule M for each controlled foreign corporation. Enter the totals for each type of transaction that occurred during the annual accounting period between the foreign corporation and the persons listed in columns (b) through (f). All amounts must be stated in U.S. dollars translated from functional currency at the average exchange rate for the foreign corporation's tax year. See instructions.

Enter the relevant functional currency and the exchange rate used throughout this schedule ▶ US DOLLAR

(a) Transactions of foreign corporation	(b) U.S. person filing this return	(c) Any domestic corporation or partnership controlled by U.S. person filing this return	(d) Any other foreign corporation or partnership controlled by U.S. person filing this return	(e) 10% or more U.S. shareholder of controlled foreign corporation (other than the U.S. person filing this return)	(f) 10% or more U.S. shareholder of any corporation controlling the foreign corporation
1 Sales of stock in trade (inventory)					
2 Sales of tangible property other than stock in trade . . . . .					
3 Sales of property rights (patents, trademarks, etc.) . . .					
4 Platform contribution transaction payments received . . . . .					
5 Cost sharing transaction payments received . . . . .					
6 Compensation received for technical, managerial, engineering, construction, or like services . .					
7 Commissions received . . . . .					
8 Rents, royalties, and license fees received . . . . .					
9 Dividends received (exclude deemed distributions under subpart F and distributions of previously taxed income). . . . .					
10 Interest received. . . . .					
11 Premiums received for insurance or reinsurance. . . . .	1,507,341.				
12 Add lines 1 through 11 . . . . .	1,507,341.				
13 Purchases of stock in trade (inventory)					
14 Purchases of tangible property other than stock in trade. . . . .					
15 Purchases of property rights (patents, trademarks, etc.) . . .					
16 Platform contribution transaction payments paid . . . . .					
17 Cost sharing transaction payments paid . . . . .					
18 Compensation paid for technical, managerial, engineering, construction, or like services . .					
19 Commissions paid . . . . .					
20 Rents, royalties, and license fees paid . . . . .					
21 Dividends paid . . . . .					
22 Interest paid . . . . .					
23 Premiums paid for insurance or reinsurance . . . . .					
24 Add lines 13 through 23. . . . .					
25 Amounts borrowed (enter the maximum loan balance during the year) - see instructions . . .					
26 Amounts loaned (enter the maximum loan balance during the year) - see instructions . . .					

For Paperwork Reduction Act Notice, see the Instructions for Form 5471.

Schedule M (Form 5471) (Rev. 12-2010)

FORM 5471, PAGE 2 DETAIL

SCH C, LINE 16 - OTHER DEDUCTIONS

ATTACHMENT 1

LOSSES & LOSS ADJUSTMENTS EXPENSE	2,404,072.
MANAGEMENT FEE	45,375.
REGISTERED OFFICE FEE	2,723.
ACTUARIAL FEES	30,000.
SECRETARIAL AND LEGAL FEES	8,862.
AUDIT FEES	16,390.
TRAVEL & MEETING EXPENSES	1,320.
BANK CHARGES	1,200.
TAX CONSULTING EXPENSE	9,450.
GOVERNMENT FEE	11,585.
INVESTMENT MANAGEMENT FEE	26,540.
CONSULTING FEE	19,000.
TOTAL	<u>2,576,517.</u>

FORM 5471, PAGE 3 DETAIL

BEGINNING	ENDING
US CURRENCY	US CURRENCY

ATTACHMENT 2

SCH F, LINE 4 - OTHER CURRENT ASSETS

PREMIUMS RECEIVABLE	2,540,503.	1,263,902.
PREPAID REINSURANCE	371,250.	371,250.
PREPAID EXPENSES	28,441.	28,529.
ACCRUED INTEREST	38,731.	46,221.
OUTSTANDING LOSSES RECOVERABLE	1,354,575.	1,199,096.
OTHER RECEIVABLE		22,701.
TOTALS	<u>4,333,500.</u>	<u>2,931,699.</u>

ATTACHMENT 3

SCH F, LINE 7 - OTHER INVESTMENTS

GOVERNMENT OBLIGATIONS	4,302,704.	5,372,714.
GOVERNMENT AGENCY OBLIGATIONS	2,377,172.	1,877,343.
CORPORATE OBLIGATIONS	60,110.	141,210.
EQUITIES	156,298.	296,396.
OTHER FIXED INCOME	756,865.	1,557,406.
TOTALS	<u>7,653,149.</u>	<u>9,245,069.</u>

ATTACHMENT 4

SCH F, LINE 15 - OTHER CURRENT LIABILITIES

UNEARNED PREMIUMS	2,325,688.	1,131,577.
TOTALS	<u>2,325,688.</u>	<u>1,131,577.</u>

ATTACHMENT 5

SCH F, LINE 17 - OTHER LIABILITIES

PROVISION FOR LOSSES/PREMIUM ADJ	10,242,398.	11,570,753.
TOTALS	<u>10,242,398.</u>	<u>11,570,753.</u>

ATTACHMENT 6

SCH F, LINE 19 - PAID-IN OR CAP SURPLUS

PAID IN CAPITAL	100,000.	100,000.
TOTALS	<u>100,000.</u>	<u>100,000.</u>

ATTACHMENT(S) 2, 3, 4, 5, 6

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ATTACHMENT 7

SCH H, LINE 2H - OTHER RECONCILING ITEMS

NET ADDITIONS

NET SUBTRACTS

RELATED PARTY PREMIUMS

2,701,453.

RELATED PARTY LOSS RESERVES & CLAIMS PAID

2,404,072.

UNREALIZED GAIN ON INVESTMENT

138,281.

TOTALS

2,404,072.

2,839,734.

Form **5471**

(Rev. December 2011)

Department of the Treasury  
Internal Revenue Service**Information Return of U.S. Persons With Respect  
To Certain Foreign Corporations**

▶ See separate instructions.

Information furnished for the foreign corporation's annual accounting period (tax year required by  
section 898) (see instructions) beginning 07/01/2011 , and ending 06/30/2012

OMB No. 1545-0704

Attachment  
Sequence No. **121**

Name of person filing this return

GARDEN CITY HOSPITAL

A Identifying number

38-1358390

Number, street, and room or suite no. (or P.O. box number if mail is not delivered to street address)

6245 INKSTER ROAD

B Category of filer (See instructions. Check applicable box(es)):

1 (repealed) 2 ☐ 3 ☒ 4 ☐ 5 ☒

City or town, state, and ZIP code

GARDEN CITY MI 48135

C Enter the total percentage of the foreign corporation's voting stock

you owned at the end of its annual accounting period 50.0000 %Filer's tax year beginning 10/01/2011 , and ending 09/30/2012

D Person(s) on whose behalf this information return is filed:

(1) Name	(2) Address	(3) Identifying number	(4) Check applicable box(es)		
			Shareholder	Officer	Director

**Important:** Fill in all applicable lines and schedules. All information **must** be in English. All amounts **must** be stated in U.S. dollars unless otherwise indicated.

1a Name and address of foreign corporation

MEDILINK INSURANCE COMPANY, LTD  
PO BOX 1051  
CRAND CAYMAN, KY1-1102 CJ

b(1) Employer identification number, if any

98-0522617

b(2) Reference ID number (see instructions)

c Country under whose laws incorporated

CAYMAN ISLANDS

d Date of incorporation	e Principal place of business	f Principal business activity code number	g Principal business activity	h Functional currency
<u>06/28/1985</u>	<u>CJ</u>	<u>524290</u>	<u>INSURANCE</u>	<u>US DOLLAR</u>

2 Provide the following information for the foreign corporation's accounting period stated above.

a Name, address, and identifying number of branch office or agent (if any)  
in the United States

b If a U.S. income tax return was filed, enter:

(i) Taxable income or (loss)	(ii) U.S. income tax paid (after all credits)

c Name and address of foreign corporation's statutory or resident agent in  
country of incorporationMARSH MANAGEMENT SERVICE (CAYMAN), LTD.  
PO BOX 1051 KY1-1102  
GRAND CAYMAN CJd Name and address (including corporate department, if applicable) of  
person (or persons) with custody of the books and records of the foreign  
corporation, and the location of such books and records, if different**Schedule A Stock of the Foreign Corporation**

(a) Description of each class of stock	(b) Number of shares issued and outstanding	
	(i) Beginning of annual accounting period	(ii) End of annual accounting period
<u>COMMON</u>	<u>120,000.</u>	<u>120,000.</u>

For Paperwork Reduction Act Notice, see instructions.

Form **5471** (Rev. 12-2011)

(a) Name, address, and identifying number of shareholder	(b) Description of each class of stock held by shareholder. <i>Note: This description should match the corresponding description entered in Schedule A, column (a).</i>	(c) Number of shares held at beginning of annual accounting period	(d) Number of shares held at end of annual accounting period	(e) Pro rata share of subpart F income (enter as a percentage)
GARDEN CITY HOSPITAL 6245 INKSTER ROAD GARDEN CITY MI 48135 38-1358390	COMMON	60,000.	60,000.	0.500
PONTIAC OSTEOPATHIC HOSPITAL 50 NOTH PERRY STREET PONTIAC MI 48342 38-1428164	COMMON	60,000.	60,000.	0.500
				0.500

**Important:** Report all information in functional currency in accordance with U.S. GAAP. Also, report each amount in U.S. dollars translated from functional currency (using GAAP translation rules). However, if the functional currency is the U.S. dollar, complete only the U.S. Dollars column. See instructions for special rules for DASTM corporations.

		Functional Currency	U.S. Dollars
Income	1 a Gross receipts or sales	1a	
	b Returns and allowances	1b	
	c Subtract line 1b from line 1a	1c	
	2 Cost of goods sold	2	
	3 Gross profit (subtract line 2 from line 1c)	3	
	4 Dividends	4	
	5 Interest	5	61,961
	6 a Gross rents	6a	
	b Gross royalties and license fees	6b	
7 Net gain or (loss) on sale of capital assets	7	-133,467	
8 Other income (attach schedule) ATTACHMENT 8	8	126,858	
9 Total income (add lines 3 through 8)	9	55,352	
Deductions	10 Compensation not deducted elsewhere	10	
	11 a Rents	11a	
	b Royalties and license fees	11b	
	12 Interest	12	
	13 Depreciation not deducted elsewhere	13	
	14 Depletion	14	
	15 Taxes (exclude provision for income, war profits, and excess profits taxes)	15	
	16 Other deductions (attach schedule - exclude provision for income, war profits, and excess profits taxes) ATTACHMENT 9	16	55,352
	17 Total deductions (add lines 10 through 16)	17	55,352
Net Income	18 Net income or (loss) before extraordinary items, prior period adjustments, and the provision for income, war profits, and excess profits taxes (subtract line 17 from line 9)	18	
	19 Extraordinary items and prior period adjustments (see instructions)	19	
	20 Provision for income, war profits, and excess profits taxes (see instructions)	20	
	21 Current year net income or (loss) per books (combine lines 18 through 20)	21	

**Schedule E** Income, War Profits, and Excess Profits Taxes Paid or Accrued (see instructions)

	(a) Name of country or U.S. possession	Amount of tax		
		(b) In foreign currency	(c) Conversion rate	(d) In U.S. dollars
1	U.S.			
2				
3				
4				
5				
6				
7				
8	Total			

**Schedule F** Balance Sheet

**Important:** Report all amounts in U.S. dollars prepared and translated in accordance with U.S. GAAP. See instructions for an exception for DASTM corporations.

Assets		(a) Beginning of annual accounting period	(b) End of annual accounting period
1	Cash	61,404.	76,470.
2a	Trade notes and accounts receivable		
b	Less allowance for bad debts	( )	( )
3	Inventories		
4	Other current assets (attach schedule)		
5	Loans to shareholders and other related persons		
6	Investment in subsidiaries (attach schedule)		
7	Other investments (attach schedule) ATTACHMENT. 10	10,628,067.	5,623,249.
8a	Buildings and other depreciable assets		
b	Less accumulated depreciation	( )	( )
9a	Depletable assets		
b	Less accumulated depletion	( )	( )
10	Land (net of any amortization)		
11	Intangible assets:		
a	Goodwill		
b	Organization costs		
c	Patents, trademarks, and other intangible assets		
d	Less accumulated amortization for lines 11a, b, and c	( )	( )
12	Other assets (attach schedule) ATTACHMENT. 11	2,612,545.	983,017.
13	Total assets	13,302,016.	6,682,736.
Liabilities and Shareholders' Equity			
14	Accounts payable	84,695.	36,881.
15	Other current liabilities (attach schedule) ATTACHMENT. 12	13,097,321.	6,525,855.
16	Loans from shareholders and other related persons		
17	Other liabilities (attach schedule)		
18	Capital stock:		
a	Preferred stock		
b	Common stock	120,000.	120,000.
19	Paid-in or capital surplus (attach reconciliation)		
20	Retained earnings		
21	Less cost of treasury stock	( )	( )
22	Total liabilities and shareholders' equity	13,302,016.	6,682,736.

**Schedule G Other Information**

- |                                                                                                                                                                                                                             | Yes                      | No                                  |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|-------------------------------------|
| 1 During the tax year, did the foreign corporation own at least a 10% interest, directly or indirectly, in any foreign partnership? . . . . .                                                                               | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| If "Yes," see the instructions for required attachment.                                                                                                                                                                     |                          |                                     |
| 2 During the tax year, did the foreign corporation own an interest in any trust? . . . . .                                                                                                                                  | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| 3 During the tax year, did the foreign corporation own any foreign entities that were disregarded as entities separate from their owners under Regulations sections 301.7701-2 and 301.7701-3 (see instructions)? . . . . . | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| If "Yes," you are generally required to attach Form 8858 for each entity (see instructions).                                                                                                                                |                          |                                     |
| 4 During the tax year, was the foreign corporation a participant in any cost sharing arrangement? . . . . .                                                                                                                 | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| 5 During the course of the tax year, did the foreign corporation become a participant in any cost sharing arrangement? . . . . .                                                                                            | <input type="checkbox"/> | <input checked="" type="checkbox"/> |

**Schedule H Current Earnings and Profits** (see instructions)**Important:** Enter the amounts on lines 1 through 5c in **functional** currency.

1	Current year net income or (loss) per foreign books of account . . . . .	1	
2	Net adjustments made to line 1 to determine current earnings and profits according to U.S. financial and tax accounting standards (see instructions):		
		<b>Net Additions</b>	<b>Net Subtractions</b>
a	Capital gains or losses . . . . .		
b	Depreciation and amortization . . . . .		
c	Depletion . . . . .		
d	Investment or incentive allowance . . . . .		
e	Charges to statutory reserves . . . . .		
f	Inventory adjustments . . . . .		
g	Taxes . . . . .		
h	Other (attach schedule). <b>ATCH 13</b> . . . . .	133,467.	240,011.
3	Total net additions . . . . .	133,467.	
4	Total net subtractions . . . . .		240,011.
5a	Current earnings and profits (line 1 plus line 3 minus line 4) . . . . .	5a	-106,544.
b	DASTM gain or (loss) for foreign corporations that use DASTM (see instructions) . . . . .	5b	
c	Combine lines 5a and 5b . . . . .	5c	-106,544.
d	Current earnings and profits in U.S. dollars (line 5c translated at the appropriate exchange rate as defined in section 989(b) and the related regulations (see instructions)) . . . . .	5d	
Enter exchange rate used for line 5d ▶			

**Schedule I Summary of Shareholder's Income From Foreign Corporation** (see instructions)

1	Subpart F income (line 38b, Worksheet A in the instructions). . . . .	1	
2	Earnings invested in U.S. property (line 17, Worksheet B in the instructions). . . . .	2	
3	Previously excluded subpart F income withdrawn from qualified investments (line 6b, Worksheet C in the instructions) . . . . .	3	
4	Previously excluded export trade income withdrawn from investment in export trade assets (line 7b, Worksheet D in the instructions) . . . . .	4	
5	Factoring income . . . . .	5	
6	Total of lines 1 through 5. Enter here and on your income tax return. See instructions . . . . .	6	
7	Dividends received (translated at spot rate on payment date under section 989(b)(1)) . . . . .	7	
8	Exchange gain or (loss) on a distribution of previously taxed income . . . . .	8	

- |                                                                                            | Yes                      | No                                  |
|--------------------------------------------------------------------------------------------|--------------------------|-------------------------------------|
| • Was any income of the foreign corporation blocked? . . . . .                             | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| • Did any such income become unblocked during the tax year (see section 964(b))? . . . . . | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
- If the answer to either question is "Yes," attach an explanation.



**SCHEDULE J**  
**(Form 5471)**

(Rev. December 2005)  
Department of the Treasury  
Internal Revenue Service

**Accumulated Earnings and Profits (E&P)  
of Controlled Foreign Corporation**

▶ Attach to Form 5471. See Instructions for Form 5471.

OMB No. 1545-0704

Name of person filing Form 5471

Identifying number

GARDEN CITY HOSPITAL

38-1358390

Name of foreign corporation

MEDILINK INSURANCE COMPANY, LTD

**Important.** Enter amounts in functional currency.

	(a) Post-1986 Undistributed Earnings (post-86 section 959(c)(3) balance)	(b) Pre-1987 E&P Not Previously Taxed (pre-87 section 959(c)(3) balance)	(c) Previously Taxed E&P (see instructions) (sections 959(c)(1) and (2) balances)		(d) Total Section 964(a) E&P (combine columns (a), (b), and (c))
			(i) Earnings Invested in U.S. Property	(ii) Earnings Invested in Excess Passive Assets	
<b>1</b> Balance at beginning of year	-1,347,619.				-1,347,619.
<b>2a</b> Current year E&P					
<b>b</b> Current year deficit in E&P	106,544.				
<b>3</b> Total current and accumulated E&P not previously taxed (line 1 plus line 2a or line 1 minus line 2b)	-1,454,163.				
<b>4</b> Amounts included under section 951(a) or reclassified under section 959(c) in current year					
<b>5a</b> Actual distributions or reclassifications of previously taxed E&P					
<b>b</b> Actual distributions of nonpreviously taxed E&P					
<b>6a</b> Balance of previously taxed E&P at end of year (line 1 plus line 4, minus line 5a)					
<b>b</b> Balance of E&P not previously taxed at end of year (line 3 minus line 4, minus line 5b)	-1,454,163.				
<b>7</b> Balance at end of year. (Enter amount from line 6a or line 6b, whichever is applicable.)	-1,454,163.				-1,454,163.

For Paperwork Reduction Act Notice, see the Instructions for Form 5471.

Schedule J (Form 5471) (Rev. 12-2005)

USA  
1X1685 1.000

**SCHEDULE O  
(Form 5471)**

(Rev. December 2005)

Department of the Treasury  
Internal Revenue Service**Organization or Reorganization of Foreign  
Corporation, and Acquisitions and  
Dispositions of its Stock**

OMB No. 1545-0704

▶ Attach to Form 5471. See Instructions for Form 5471.

Name of person filing Form 5471

Identifying number

GARDEN CITY HOSPITAL

38-1358390

Name of foreign corporation

MEDILINK INSURANCE COMPANY, LTD

**Important:** Complete a *separate* Schedule O for each foreign corporation for which information must be reported.**Part I To Be Completed by U.S. Officers and Directors**

(a) Name of shareholder for whom acquisition information is reported	(b) Address of shareholder	(c) Identifying number of shareholder	(d) Date of original 10% acquisition	(e) Date of additional 10% acquisition

**Part II To Be Completed by U.S. Shareholders****Note:** If this return is required because one or more shareholders became U.S. persons, attach a list showing the names of such persons and the date each became a U.S. person.**Section A — General Shareholder Information**

(a) Name, address, and identifying number of shareholder(s) filing this schedule	(b) For shareholder's latest U.S. income tax return filed, indicate:			(c) Date (if any) shareholder last filed information return under section 6046 for the foreign corporation
	(1) Type of return (enter form number)	(2) Date return filed	(3) Internal Revenue Service Center where filed	
GARDEN CITY HOSPITAL 6425 INKSTER ROAD GARDEN CITY, MI 48135	990	08/15/2012	OGDEN, UT	09/30/2008

**Section B — U.S. Persons Who Are Officers or Directors of the Foreign Corporation**

(a) Name of U.S. officer or director	(b) Address	(c) Social security number	(d) Check appropriate box(es)	
			Offr	Dir

**Section C — Acquisition of Stock**

(a) Name of shareholder(s) filing this schedule	(b) Class of stock acquired	(c) Date of acquisition	(d) Method of acquisition	(e) Number of shares acquired		
				(1) Directly	(2) Indirectly	(3) Constructively

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Schedule O (Form 5471) (12-2005)

(f) Amount paid or value given	(g) Name and address of person from whom shares were acquired

**Section D — Disposition of Stock**

(a) Name of shareholder disposing of stock	(b) Class of stock	(c) Date of disposition	(d) Method of disposition	(e) Number of shares disposed of		
				(1) Directly	(2) Indirectly	(3) Constructively
(f) Amount received	(g) Name and address of person to whom disposition of stock was made					

**Section E — Organization or Reorganization of Foreign Corporation**

(a) Name and address of transferor			(b) Identifying number (if any)	(c) Date of transfer
(d) Assets transferred to foreign corporation			(e) Description of assets transferred by, or notes or securities issued by, foreign corporation	
(1) Description of assets	(2) Fair market value	(3) Adjusted basis (if transferor was U.S. person)		

**Section F — Additional Information**

(a) If the foreign corporation or a predecessor U.S. corporation filed (or joined with a consolidated group in filing) a U.S. income tax return for any of the last 3 years, attach a statement indicating the year for which a return was filed (and, if applicable, the name of the corporation filing the consolidated return), the taxable income or loss, and the U.S. income tax paid (after all credits).

(b) List the date of any reorganization of the foreign corporation that occurred during the last 4 years while any U.S. person held 10% or more in value or vote (directly or indirectly) of the corporation's stock ►

(c) If the foreign corporation is a member of a group constituting a chain of ownership, attach a chart, for each unit of which a shareholder owns 10% or more in value or voting power of the outstanding stock. The chart must indicate the corporation's position in the chain of ownership and the percentages of stock ownership (see instructions for an example).

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SCH C, LINE 8 - OTHER INCOME

ATTACHMENT 8

LITIGATION RECOVERIES	37,781.
UNREALIZED GAIN ON INVESTMENT	89,077.
TOTAL	<u>126,858.</u>

SCH C, LINE 16 - OTHER DEDUCTIONS

ATTACHMENT 9

PROFESSIONAL FEES	31,247.
ACTUARIAL FEES	100,000.
MANAGEMENT FEES	69,000.
RISK MANAGEMENT PROGRAM FEES	12,840.
GOVERNMENT FEES	8,649.
MISCELLANEOUS EXPENSES	4,226.
MEETING FEES	552.
INVESTMENT MGMT & CUSTODY FEES	68,849.
UNDERWRITING EXPENSES	-240,011.
TOTAL	<u>55,352.</u>

FORM 5471, PAGE 3 DETAIL

<u>BEGINNING</u>	<u>ENDING</u>
<u>US CURRENCY</u>	<u>US CURRENCY</u>

ATTACHMENT 10

SCH F, LINE 7 - OTHER INVESTMENTS

FIXED INCOME SECURITIES	1,230,713.	773,626.
EQUITY SECURITIES	2,689,210.	2,669,974.
MONEY MARKET FUNDS	6,708,144.	2,179,649.
TOTALS	<u>10,628,067.</u>	<u>5,623,249.</u>

ATTACHMENT 11

SCH F, LINE 12 - OTHER ASSETS

INTEREST & DIVIDENDS RECEIVABLE	6,830.	5,959.
PREPAID EXPENSES	6,024.	6,024.
REINSURANCE RECOVERIES RECEIVABLE	2,599,691.	971,034.
TOTALS	<u>2,612,545.</u>	<u>983,017.</u>

ATTACHMENT 12

SCH F, LINE 15 - OTHER CURRENT LIABILITIES

PROVISION FOR OUTSTANDING LOSSES	11,720,795.	5,385,955.
PROVISIONS FOR RETRO. PREM. ADJ.	1,376,526.	1,139,900.
TOTALS	<u>13,097,321.</u>	<u>6,525,855.</u>

ATTACHMENT 13

FORM 5471, PAGE 4 DETAIL

SCH H, LINE 2H - OTHER RECONCILING ITEMS

NET ADDITIONS

NET SUBTRACTS

RELATED PARTY LOSS RESERVES AND CLAIMS PAID  
UNREALIZED GAIN ON INVESTMENT

133,467.

240,011.

TOTALS

133,467.

240,011.

Garden City Hospital  
EIN: 38-1358390  
9/30/2012

Form 990-T Net Operating Loss Schedule

<u>Year</u>	<u>Net Operating Loss</u>	<u>Amount Utilized</u>	<u>Amount Carried Forward</u>
2007	64,973		64,973
2008	75,224		75,224
2009		(26,351)	(26,351)
2010	205,136		205,136
2011	192,779		192,779
	<u>538,112</u>	<u>(26,351)</u>	<u>511,761</u>

