

**Accountants' Report**

THE HILTON HEAD HOSPITAL  
A MEMBER INSTITUTION OF  
HILTON HEAD HEALTH SERVICES CORPORATION

HILTON HEAD ISLAND, SOUTH CAROLINA

ACCOUNTANTS' REPORT

AND

FINANCIAL STATEMENTS

JUNE 30, 1984

**ROBINSON GRANT & CO., P.A.**

**Certified Public Accountants**

**Hilton Head Island, South Carolina 29938**

THE HILTON HEAD HOSPITAL  
A MEMBER INSTITUTION OF  
HILTON HEAD HEALTH SERVICES CORPORATION

HILTON HEAD ISLAND, SOUTH CAROLINA

ACCOUNTANTS' REPORT

AND

FINANCIAL STATEMENTS

JUNE 30, 1984

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# ROBINSON GRANT & Co., P.A.

CERTIFIED PUBLIC ACCOUNTANTS

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HILTON HEAD ISLAND, S. C. 29938-6148

WILLIAM C. ROBINSON, CPA  
J. LOUIS GRANT, CPA  
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THOMAS A. HENRIKSON, CPA  
C. KENNETH HOWERTON, CPA  
C. THOMAS DEWITT, CPA

August 20, 1984

MEMBERS  
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PRIVATE COMPANIES PRACTICE SECTION  
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PHONE (803) 785-8476  
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The Board of Trustees  
The Hilton Head Hospital  
Hilton Head Island, South Carolina

We have examined the balance sheets of The Hilton Head Hospital, a member institution of Hilton Head Health Services Corporation, as of June 30, 1984 and 1983, and the related statements of revenues and expenses, changes in fund balance and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As discussed in Note 5 to the financial statements, the Hospital is in default on a loan agreement dated June 1, 1974. The Hospital realized a net loss for the year ended June 30, 1984 and total liabilities exceeded total assets as of the balance sheet date by \$2,808,773. These factors, among others, as discussed in Note 8, indicate that the Hospital's debt is subject to the possibility of acceleration; should this happen, the Hospital may be unable to continue in existence with the present capitalization. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amount and classification of liabilities that might be necessary should the Hospital be unable to continue in existence with the present capitalization.

In our opinion, subject to the effects on the financial statements of such adjustments, if any, as might have been required had the outcome of the uncertainties about the recoverability of assets and classification of recorded asset amounts and the amounts and classification of liabilities referred to in the second paragraph been known, the financial statements referred to above present fairly the financial position of the Hilton Head Hospital, a member institution of Hilton Head Health Services Corporation, as of June 30, 1984 and 1983, and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

*Robinson Grant & Co., P.A.*

THE HILTON HEAD HOSPITAL  
A MEMBER INSTITUTION OF  
HILTON HEAD HEALTH SERVICES CORPORATION  
BALANCE SHEET

Exhibit "A"  
Sheet 1

	As of June 30,	
	1984	1983
<u>ASSETS</u>		
<u>Current Assets</u>		
Cash and cash equivalents	\$ 140,258	\$ 377,575
Due from Hilton Head Medical Services, Inc.	5,130	-0-
Accounts receivable (less allowance for uncollectibles of \$516,274 for 1984 and \$313,614 for 1983)(Note 1)	1,631,889	1,394,225
Accounts receivable - other	82,099	58,270
Inventories (Notes 1 and 2)	303,051	278,102
Prepaid expenses	10,616	5,786
Total current assets	<u>2,173,043</u>	<u>2,113,958</u>
<u>The Hilton Head Hospital Trust (Note 1)</u>		
Cash and cash equivalents	-0-	287,265
Pledges receivable (less allowance for uncollectibles of \$10,964 for 1983)	-0-	145,668
Investments	-0-	239,653
Total The Hilton Head Hospital Trust	<u>-0-</u>	<u>672,586</u>
<u>Funds Held By Bond Trustee (Note 3)</u>	<u>3,422</u>	<u>977</u>
<u>Property, Plant and Equipment (at cost, less accumulated depreciation)(Notes 1, 4, 5 and 6)</u>	<u>7,913,030</u>	<u>7,811,393</u>
<u>Other Assets</u>		
Deferred bond issuance expenses (less accumulated amortization of \$148,195 for 1984 and \$133,255 for 1983)(Note 1)	<u>307,492</u>	<u>322,432</u>
 Total Assets	 <u>\$ 10,396,987</u>	 <u>\$ 10,921,346</u>

See notes to financial statements.

THE HILTON HEAD HOSPITAL  
A MEMBER INSTITUTION OF  
HILTON HEAD HEALTH SERVICES CORPORATION  
BALANCE SHEET

Exhibit "A"  
Sheet 2

	As of June 30,	
	1984	1983
<u>LIABILITIES AND FUND BALANCE</u>		
<u>Current Liabilities</u>		
Accounts payable - trade	\$ 636,980	\$ 314,831
Accounts receivable - credit balances	51,539	25,782
Due to Medicare (Note 1)	74,579	144,529
Payroll and related taxes payable	142,641	109,860
Accrued interest payable (Note 5)	422,907	1,308,151
Capitalized equipment lease obligations - due within one year (Note 6)	88,427	65,782
Other payables	62,940	37,913
Total current liabilities	1,480,013	2,006,848
<u>Other Liabilities Normally Classified as Current (Note 7)</u>		
Hospital Facilities Gross Revenue and First Mortgage Bonds - due within one year - in default (Note 5)	1,125,000	925,000
Bond interest in arrears (Note 5)	204,706	138,800
Total other liabilities	1,329,706	1,063,800
<u>The Hilton Head Hospital Trust (Note 1)</u>		
Deferred revenues	-0-	672,586
<u>Noncurrent Liabilities</u>		
Capitalized equipment lease obligations - due after one year (Note 6)	321,041	429,337
Hospital Facilities Gross Revenue and First Mortgage Bonds - due after one year - in default (Note 5)	10,075,000	10,275,000
Total noncurrent liabilities	10,396,041	10,704,337
Total liabilities and deferred revenues	13,205,760	14,447,571
<u>Contingencies and Commitments (Notes 8 and 9)</u>		
<u>Fund Balance (Deficit) (Exhibit "C")</u>	(2,808,773)	(3,526,225)
Total Liabilities and Fund Balance	\$ 10,396,987	\$ 10,921,346

See notes to financial statements.

THE HILTON HEAD HOSPITAL  
A MEMBER INSTITUTION OF  
HILTON HEAD HEALTH SERVICES CORPORATION  
STATEMENT OF REVENUES AND EXPENSES

Exhibit "B"

	For the year ended	
	June 30,	
	1984	1983
<u>Patient Service Revenues</u>	<u>\$ 11,352,752</u>	<u>\$ 9,887,711</u>
<u>Deduction from Patient Service Revenues</u>		
Allowances and uncollectible accounts (Note 1)	744,716	542,600
Administrative write-offs	117,642	30,213
Contractual adjustments - current year (Note 1)	643,041	399,879
Contractual adjustments - prior years (Note 1)	142,319	(324,351)
Total deductions from patient service revenues	<u>1,647,718</u>	<u>648,341</u>
Net patient service revenues	<u>9,705,034</u>	<u>9,239,370</u>
<u>Other Operating Revenue</u>		
Weight Control Center fees	118,709	78,905
Physician rents and services	85,306	81,352
Cafeteria and vending machines	141,672	152,639
Miscellaneous	134,365	78,762
Total other operating revenues	<u>480,052</u>	<u>391,658</u>
Total operating revenues	<u>10,185,086</u>	<u>9,631,028</u>
<u>Operating Expenses</u>		
Nursing and other professional expenses	4,984,108	4,808,670
General services	1,530,340	1,387,744
Administrative and fiscal services	2,013,191	1,770,144
Depreciation and amortization (Note 1)	751,097	627,449
Interest (Notes 5 and 6)	1,030,392	973,991
Total operating expenses	<u>10,309,128</u>	<u>9,567,998</u>
Income (loss) from operations	<u>(124,042)</u>	<u>63,030</u>
<u>Non-Operating Revenues</u>		
Hilton Head Hospital Trust (Note 1)		
Contributions	-0-	68,944
Capital equipment donated	-0-	776,822
Interest income	62,385	39,995
Total non-operating revenue	<u>62,385</u>	<u>885,761</u>
Excess of Revenues over Expenses (Expenses over Revenues)	<u>\$ (61,657)</u>	<u>\$ 948,791</u>

See notes to financial statements.

THE HILTON HEAD HOSPITAL  
A MEMBER INSTITUTION OF  
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STATEMENT OF CHANGES IN FUND BALANCE

Exhibit "C"

	For the year ended	
	June 30,	
	1984	1983
Fund balance (deficit), July 1, 1983 and 1982	\$ (3,526,225)	\$ (4,475,016)
Excess of revenues over expenses (expenses over revenues)(Exhibit "B")	(61,657)	948,791
Donated capital equipment (Note 1)	779,109	-0-

Fund Balance (Deficit), June 30, 1984 and 1983	<u>\$ (2,808,773)</u>	<u>\$ (3,526,225)</u>
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See notes to financial statements

THE HILTON HEAD HOSPITAL  
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STATEMENT OF CHANGES IN FINANCIAL POSITION

Exhibit "D"  
Sheet 1

	For the year ended June 30,	
	1984	1983
<u>Working Capital Was Provided By:</u>		
Operations:		
Excess of revenues over expenses (expenses over revenues)(Exhibit "B")	\$ (61,657)	\$ 948,791
Add expenses not requiring the outlay of working capital during the current period:		
Depreciation	736,157	612,509
Amortization	14,940	14,940
Working capital provided by operations	689,440	1,576,240
Disposal of property, plant and equipment	9,879	-0-
Decrease in cash held by bond trustee	-0-	661,917
Increase in long term debt	-0-	310,452
Increase in bond interest payable in arrears	65,906	-0-
Total working capital provided	765,225	2,548,609
 <u>Working Capital Was Applied To:</u>		
Increase in property, plant and equipment	68,564	1,180,757
Reductions in long term debt	108,296	-0-
Decrease in bond interest payable in arrears	-0-	1,285,551
Increase in cash held by bond trustee	2,445	-0-
Total working capital applied	179,305	2,466,308
Increase in Working Capital	\$ 585,920	\$ 82,301

See notes to financial statements



THE HILTON HEAD HOSPITAL  
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STATEMENT OF CHANGES IN FINANCIAL POSITION

Exhibit "D"  
Sheet 2

	For the year ended June 30,	
	1984	1983
The changes in working capital are accounted for as follow:		
<u>Changes in Working Capital</u>		
Increase (decrease) in current assets -		
Cash and cash equivalents	\$ (237,317)	\$ 129,437
Due from Hilton Head Medical Services, Inc.	5,130	-0-
Accounts receivable	237,664	49,384
Accounts receivable - other	23,829	105,610
Inventories	24,949	25,488
Prepaid expenses	4,830	1,697
	59,085	311,616
Decrease (increase) in current liabilities -		
Accounts payable	(322,149)	(159,548)
Accounts payable - Bond Trustee	-0-	3,465
Accounts receivable - credit balance	(25,757)	16,277
Due to Medicare	69,950	(132,234)
Notes payable - due within one year	-0-	14,249
Payroll and related taxes payable	(32,781)	16,245
Accrued interest payable	885,244	69,299
Capitalized equipment lease obligations - due within one year	(22,645)	(49,300)
Other payables	(25,027)	(7,768)
	526,835	(229,315)
 Increase in Working Capital	 \$ 585,920	 \$ 82,301

See notes to financial statements

THE HILTON HEAD HOSPITAL  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 1984

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Note 1. Summary of Significant Accounting Policies

Reorganization

Hilton Head Hospital was reorganized on July 1, 1983. As a result of this corporate reorganization, Hilton Head Health Services Corporation was established as a parent corporation for its two member institutions, Hilton Head Hospital and Hilton Head Health Foundation, as well as, for its wholly-owned subsidiary, Hilton Head Medical Services, Inc.

Hilton Head Hospital is a non-profit corporation organized on August 22, 1973 and began operations in August, 1975. The Hospital is a 64 bed acute care facility with auxiliary support and administrative areas. A separate ambulatory care facility is being leased in part to various doctors.

Prior to reorganization, the assets of the Hilton Head Hospital Trust, a restricted fund account of the Hospital, and an equal amount of deferred revenues were reflected on the financial statements of the Hospital. As such, donations of capital equipment from the Trust were recognized by the Hospital as non-operating revenue. Effective with the July 1, 1983 reorganization, all assets of the Trust were transferred to the Hilton Head Health Foundation, another member institution of Hilton Head Health Services Corporation. Donations of capital equipment by the Foundation are recognized by the Hospital as capital additions directly to fund balance.

Allowance for Uncollectibles

The Hospital accounts for its doubtful patient receivables using the reserve method based on its experience, using the amount of accounts receivable over 180 days old.

Inventories

The Hospital values its inventories at the lower of cost or market, principally on the first-in, first-out method.

Depreciation

Property, plant and equipment are depreciated by the straight-line method at various rates calculated on the items' estimated useful lives.

Amortization

Deferred bond issuance cost is being amortized by the straight-line method over the life of the Hospital Facilities Gross Revenue and First Mortgage Bonds sold in June, 1974.

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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 1984

Note 1. Summary of Significant Accounting Policies (Continued)

Medicare and Medicaid Programs

The Hospital renders care to patients covered by the Medicare and Medicaid programs. Final settlements under these programs are related to allowable cost (limited so as to not exceed charges) of providing care to eligible patients and are subject to audit and retroactive adjustment by third-party payors. Medicare has audited the year ended June 30, 1983 and all prior periods. The results of these audits are reflected on the statement of revenues and expenses for the period in which the audit was conducted, \$142,319 and \$(324,351) for the year ended June 30, 1984 and 1983, respectively.

Note 2. Inventories

The components of inventories are as follow:

	As of June 30,	
	1984	1983
Medical and surgical supplies	\$ 108,902	\$ 111,343
Pharmacy	82,481	72,700
Laboratory	18,725	17,584
Food stores	5,109	5,109
Emergency Room	6,046	-0-
Operating room	65,445	31,713
X-ray	7,777	5,611
Fuel	8,566	-0-
Other	-0-	34,042
Total Inventories	<u>\$ 303,051</u>	<u>\$ 278,102</u>

Note 3. Funds Held By Bond Trustee

The Bond Trustee holds cash and marketable securities in various sinking funds as outlined in the trust indenture covering the Bonds. The primary use of these assets is to pay interest due on the Bonds. All trustees' fees, attorneys' fees, and other related expenses are paid to date. Trust account transactions are summarized below.

	Debt Service Reserve Account	Redemption Account
	Balance, July 1, 1982	\$ 662,888
Transfers to the Trustee from the Hospital	1,550,035	-0-
Interest income earned on investments	29,001	-0-
Interest paid to bondholders	(2,237,150)	-0-
Trustees' fees, legal fees	(3,803)	-0-
Balance, June 30, 1983	<u>971</u>	<u>6</u>
Transfers to the Trustee from the Hospital	1,707,465	-0-
Interfund transfers	6	(6)
Interest income earned on investments	29,911	-0-
Interest paid to bondholders	(1,731,800)	-0-
Trustees' fees	(3,131)	-0-
Balance, June 30, 1984	<u>\$ 3,422</u>	<u>\$ -0-</u>

THE HILTON HEAD HOSPITAL  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 1984

Note 4. Property, Plant and Equipment

Major classifications of property, plant and equipment, and their respective depreciable lives are summarized below:

	Depreciable Lives (Years)	As of June 30,	
		1984	1983
Land		\$ 84,410	\$ 84,410
Land improvements	12	266,811	266,811
Buildings and fixtures	20 - 40	8,764,600	8,700,458
Movable equipment	5 - 12	3,316,073	3,062,912
Total cost		12,431,894	12,114,591
Accumulated depreciation		4,518,864	(4,303,198)
Net Property, Plant and Equipment		<u>\$ 7,913,030</u>	<u>\$ 7,811,393</u>

Depreciation expense was \$736,157 and \$612,509 for the years ended June 30, 1984 and 1983, respectively.

Note 5. Hospital Facilities Gross Revenue and First Mortgage Bonds

The 7.25% - 8.25% Bonds were issued on June 30, 1974, in the amount of \$11,200,000 under an Indenture dated June 1, 1974, and are limited obligations of Beaufort County, South Carolina. The County and the Hospital have entered into a Loan Agreement under which the Hospital has agreed to pay to Bankers Trust of South Carolina, as Trustee under the Loan Agreement, amounts sufficient to pay all debt service and costs associated with administration of the Loan Agreement and the Indenture. (See Note 3)

The Bonds are collateralized by the gross revenues of the Hospital and a first mortgage on the Hospital facilities and land. Interest is payable on each January 1 and July 1. Bonds aggregating \$1,125,000 and maturing serially from January 1, 1979 through January 1, 1985, are not subject to redemption prior to their maturity dates. Bonds aggregating \$10,075,000 and maturing on January 1, 2005, will be redeemable at the option of Beaufort County, not earlier than January 1, 1985, at 104% plus interest and at declining redemption premiums thereafter. Such bonds are also subject to mandatory redemption without premium in specified annual amounts commencing January 1, 1986 through January 1, 2005.

THE HILTON HEAD HOSPITAL  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 1984

Note 5. Hospital Facilities Gross Revenue and First Mortgage Bonds (continued)

The Hospital is required to deposit with the Trustee gross revenues from operations to the extent required for the next succeeding month's costs incidental to the administration of the Trust and installments to the Sinking Funds and Depreciation Reserve Fund in accordance with the annual requirement of the schedule of payments included in the Bond Indenture. The agreement also requires a Debt Service Reserve Fund which is to be funded at the highest remaining level of principal and interest repayment over the term of the loan agreement. At June 30, 1984, this amount was \$1,038,437. Due to the Hospital's cash position, insufficient deposits have been made to the Trustee as of June 30, 1984, to accomplish the requirements outlined above. Although funding is being made as indicated in Note 3, the funding remains in arrears. Since no bonds have been redeemed as scheduled in the Bond Indenture, interest continues to be accrued in the original total amount of \$918,300. The excess of the accrual over the annual requirement of the trustee is being accumulated as accrued interest in arrears. This amount has been included in the revised schedule of principal and interest as shown below.

As discussed in Note 8, the failure to make the required deposits with the Trustee, as previously stated, has resulted in the Hospital being in default.

The schedule of principal and interest for the next five fiscal years and the payments in arrears are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1979 (in arrears)	\$ 125,000	\$ 55,000	\$ 180,000
1980 (in arrears)	135,000	48,600	183,600
1981 (in arrears)	150,000	42,000	192,000
1982 (in arrears)	160,000	32,000	192,000
1983 (in arrears)	170,000	20,400	190,400
1984 (in arrears)	185,000	429,613	614,613
1985	200,000	838,437	1,038,437
1986	215,000	822,319	1,037,319
1987	230,000	803,963	1,033,963
1988	250,000	784,163	1,034,163
1989	270,000	762,713	1,032,713
	<u>\$ 2,090,000</u>	<u>\$ 4,639,208</u>	<u>\$ 6,729,208</u>

Portions of the interest and principal presently due and due within one year have been classified as noncurrent liabilities. The principal liquidation cannot reasonably be expected to require the use of current resources and the interest in arrears can not be paid prior to payment of principal in default.

THE HILTON HEAD HOSPITAL  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 1984

Note 6. Capitalized Equipment Lease Obligations

Capitalized equipment lease obligations are as follow:

As of June 30,

	1984		1983	
	Current	Long-Term	Current	Long-Term
E.I. duPont deNemours & Co. holds a security interest in laboratory equipment with a book value of \$29,839 leased for 60 months from April 1981. The lease is payable in monthly installments of principal and interest at 17.25% per annum at \$1,939 per month.	\$ 12,953	\$ 24,539	\$ 12,953	\$ 40,502
Hundred East Credit Corp. holds a security interest in X-ray equipment with a book value of \$348,120 leased for 60 months from April, 1982. The lease is payable in monthly installments of principal and interest at 21.9% per annum at \$9,427 per month.	53,570	219,531	37,517	285,592
C & S financial services holds a security interest in rehabilitation equipment with a book value of \$17,730 leased for 60 months from November, 1982. The lease is payable in monthly installments of principal and interest at 14% per annum at \$476 per month.	2,823	10,812	2,099	14,057
C & S financial services holds a security interest in laboratory equipment with a book value of \$85,500 leased for 60 months from October, 1982. The lease is payable in monthly installments of principal and interest at 14% per annum at \$2,297 per month.	13,612	52,138	10,123	67,784
Balance carried forward	\$ 82,958	\$ 307,020	\$ 62,692	\$ 407,935

THE HILTON HEAD HOSPITAL  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 1984

Note 6. Capitalized Equipment Lease Obligation (continued)

	As of June 30,			
	1984		1983	
	Current	Long-Term	Current	Long-Term
Balance carried forward	\$ 82,958	\$ 307,020	\$ 62,692	\$ 407,935
<p>Xerox Corporation holds a security interest in a Xerox Copier with a book value of \$7,839 leased for 36 months from December, 1982. The lease is payable in monthly installments of principal and interest at 15.9% per annum at \$465 per month.</p>				
	2,581	2,351	1,185	5,862
<p>Citizens and Southern National Bank of South Carolina holds a security interest in dictation equipment with a book value of \$22,622 leased for 60 months from April 20, 1982. The lease is payable in monthly installments of principal, interest at 18% per annum and lease tax of at \$568 per month.</p>				
	2,888	11,670	1,905	15,540
	<u>\$ 88,427</u>	<u>\$ 321,041</u>	<u>\$ 65,782</u>	<u>\$ 429,337</u>

Future minimum payments by year and in the aggregate under capital lease consisted of the following as of June 30, 1984:

Year ending June 30,		
1985		\$ 186,713
1986		177,189
1987		155,611
1988		47,582
1989		-0-
Total minimum lease payments		567,095
Amounts representing interest		(157,627)
Present value of net minimum lease payments		\$ 409,468

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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 1984

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Note 7. Other Liabilities Normally Classified As Current

As discussed in Note 5, liabilities presented in this section of the balance sheet are not presented as current liabilities either because non-current assets, such as bond trustee funds, will be used for payments or because the liability due within one year cannot reasonably be expected to be liquidated by the use of current resources within the coming year.

Note 8. Contingencies

Due to operating losses in prior years, the Hospital has been unable to generate sufficient cash-flow to meet its funding requirements under the Loan Agreement as discussed in Note 5. Accordingly, the Hospital is in default in the Loan Agreement and the Trustee has informed the Bondholders of these conditions. As a result thereof, the bondholders under certain conditions described by the Bond Indenture have the right to demand immediate payment of the total outstanding principal balances plus accrued interest, or take the required action so as to take possession of the related collateral. There has been no notice given by either the Trustee or the Bondholders of any foreclosure action planned as a result of the default situation. (See Notes 3 and 5)

Note 9. Commitments - Agreement With HCA Company, Inc., Management Company

On June 20, 1980, the Hospital entered into an agreement with HCA Management Company (HMC), a wholly owned subsidiary of the Hospital Corporation of America, which formalized an interim agreement dated May 1, 1980. Under the terms of the agreement, HMC has the authority and responsibility to conduct, supervise and manage the day-to-day operations of the Hospital, subject to any conditions imposed by the Board. This agreement became effective on June 20, 1980, and shall remain in effect through June 30, 1985, with automatic renewal thereafter for a five year term. There is an option to terminate which can be exercised by either party within 60 days of the contract anniversary.

As compensation for management services rendered, the Hospital pays annually to HMC the sum of \$96,000 adjusted each year to reflect changes in the Consumer Price Index (The National Composite), but in no event does the increase exceed the Health Care Component of the Index. This amount is paid in monthly installments.



ACCOMPANYING FINANCIAL INFORMATION

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CERTIFIED PUBLIC ACCOUNTANTS

21 NEW ORLEANS ROAD

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## ACCOUNTANTS' REPORT ON ACCOMPANYING FINANCIAL INFORMATION

The Board of Trustees  
The Hilton Head Hospital  
Hilton Head Island, South Carolina

Our examinations were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying information contained in Schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the examination of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Section 13.8 of the Loan Agreement dated June 1, 1975 between the Hilton Head Hospital and Beaufort County, South Carolina, certain information has been included in the preceding financial statements except for the following statements, which we are now making:

1. We obtained no knowledge of any Bonds being paid, purchased or redeemed.
2. We obtained no knowledge of any material proceeds from the sale of any property, condemnation award or insurance under the Loan Agreement.

*Robinson Grant & Co., P.A.*

THE HILTON HEAD HOSPITAL  
A MEMBER INSTITUTION OF  
HILTON HEAD HEALTH SERVICES CORPORATION  
SCHEDULE OF PATIENT SERVICE REVENUES

Schedule 1

	For the year ended June 30,	
	1984	1983
Room and general services:		
Acute care units	\$ 2,544,800	\$ 2,303,507
Intensive care and coronary care units	573,374	495,786
Operating and recovery room	1,161,558	949,296
Obstetrics	172,422	42,735
Emergency room	699,551	521,978
Medical and surgical supplies	363,930	316,137
Laboratory	1,538,575	1,381,008
Radiology	1,127,533	1,061,838
Anesthesia	504,334	425,137
Pharmacy	1,371,259	1,217,721
Physical therapy	335,552	288,059
Respiratory therapy	556,795	537,426
Electrocardiology	192,172	179,182
Nuclear medicine	182,020	166,847
Nursery	28,877	1,054
	<u>\$ 11,352,752</u>	<u>\$ 9,887,711</u>
Total		

THE HILTON HEAD HOSPITAL  
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SCHEDULE OF OPERATING EXPENSES

Schedule 2  
Sheet 1

	For the year ended June 30,	
	1984	1983
<u>Nursing and Other Professional Services</u>		
<u>Nursing Services</u>		
Salaries	\$ 1,017,706	\$ 1,075,820
Medical and surgical supplies	33,411	25,470
Travel	1,574	4,309
Other expenses	6,150	7,101
Total nursing services	<u>1,058,841</u>	<u>1,112,700</u>
<u>Intensive and Coronary Care Units</u>		
Salaries	355,656	327,843
Medical and surgical supplies	15,673	16,997
Maintenance	18,963	16,174
Other expenses	1,717	220
Total intensive and coronary care units	<u>392,009</u>	<u>361,234</u>
<u>Operating and Recovery Room</u>		
Salaries	226,456	171,224
Medical and surgical supplies	160,985	199,315
Other expenses	11,658	5,746
Total operating and recovery room	<u>399,099</u>	<u>376,285</u>
<u>Emergency Room</u>		
Salaries	111,255	107,752
Professional fees	263,910	253,380
Medical and surgical supplies	17,573	13,236
Other expenses	346	13
Total emergency room	<u>393,084</u>	<u>374,381</u>
<u>Laboratory</u>		
Salaries	291,565	262,250
Outside laboratory services	27,811	28,090
Professional fees	99,959	122,082
Medical and surgical supplies	213,024	210,754
Blood and blood derivatives	23,270	24,305
Maintenance	16,624	9,253
Other expenses	1,062	2,346
Total Laboratory	<u>673,315</u>	<u>659,080</u>
<u>Obstetrics</u>		
Salaries	211,871	66,589
Medical and surgical supplies	24,894	8,166
Total Obstetrics	<u>236,765</u>	<u>74,755</u>
Balances carried forward	<u>3,153,113</u>	<u>2,958,435</u>

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SCHEDULE OF OPERATING EXPENSES

Schedule 2  
Sheet 2

	For the year ended June 30,	
	1984	1983
<u>Nursing and Other Professional Services (continued)</u>		
Balances brought forward	\$ 3,153,113	\$ 2,958,435
<u>Radiology</u>		
Salaries	132,037	111,534
Professional fees	80,452	289,587
Outside services	63,690	51,114
Medical, surgical and other supplies	138,458	91,920
Maintenance	79,663	39,177
Other expenses	1,879	1,827
Total radiology	<u>496,179</u>	<u>585,159</u>
<u>Anesthesiology</u>		
Professional fees	299,338	246,368
Medical and surgical supplies	23,927	19,728
Other expenses	911	321
Total anesthesiology	<u>324,176</u>	<u>266,417</u>
<u>Medical Records</u>		
Salaries	124,472	111,683
Office supplies, maintenance	16,163	14,650
Other expenses	2,000	3,907
Total medical records	<u>142,635</u>	<u>130,240</u>
<u>Pharmacy</u>		
Salaries	117,133	105,213
Drugs	308,454	303,474
Intravenous solutions	48,089	49,021
Other expenses	6,882	4,396
Total pharmacy	<u>480,558</u>	<u>462,104</u>
<u>Physical Therapy</u>		
Salaries	125,460	111,357
Outside services	-0-	950
Medical and surgical supplies	19,308	15,729
Other expenses	2,160	2,346
Total physical therapy	<u>146,928</u>	<u>130,382</u>
<u>Respiratory Therapy</u>		
Salaries	108,587	96,871
Oxygen	356	2,230
Medical and surgical supplies	33,410	40,032
Other expenses	7,223	11,797
Total respiratory therapy	<u>149,576</u>	<u>150,930</u>
Balances carried forward	<u>4,893,165</u>	<u>\$ 4,683,667</u>

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SCHEDULE OF OPERATING EXPENSES

Schedule 2  
Sheet 3

	For the year ended June 30,	
	1984	1983
<u>Nursing and Other Professional Services (continued)</u>		
Balances brought forward	\$ 4,893,165	\$ 4,683,667
<u>Electrocardiology</u>		
Professional fees	27,870	27,920
<u>Social Services</u>		
Salaries	25,169	32,075
Other expenses	822	1,986
Total social services	25,991	34,061
<u>Nuclear Medicine</u>		
Professional fees	21,321	43,802
Medical and surgical supplies and drugs	15,459	18,051
Other expenses	302	1,169
Total nuclear medicine	37,082	63,022
Total Nursing and Other Professional Services	\$ 4,984,108	\$ 4,808,670
<u>General Services</u>		
<u>Dietary</u>		
Salaries	\$ 192,123	\$ 176,640
Food and supplies	240,504	229,128
Other expenses	8,715	11,549
Total dietary	441,342	417,317
<u>Housekeeping</u>		
Salaries	110,367	110,643
Supplies	62,199	44,501
Contractual services	91,239	82,777
Total housekeeping	263,805	237,921
<u>Maintenance and Engineering</u>		
Salaries	136,811	112,160
Supplies	88,859	42,250
Maintenance	44,818	55,167
Electricity	209,944	191,217
Fuel oil	43,718	66,090
Water and sewer	10,600	13,541
Pest control, refuse	12,869	18,637
Other expenses	1,667	681
Total maintenance and engineering	549,286	499,743
Balances carried forward	1,254,433	1,154,981

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SCHEDULE OF OPERATING EXPENSES

Schedule 2  
Sheet 4

	For the year ended June 30,	
	1984	1983
<u>General Services (continued)</u>		
Balances brought forward	\$ 1,254,433	\$ 1,154,981
 <u>Central Supply</u>		
Salaries	70,088	61,243
Medical and surgical supplies	170,657	145,512
Other supplies	30,769	21,524
Maintenance	4,393	4,484
Total central supply	275,907	232,763
 Total General Services	\$ 1,530,340	\$ 1,387,744
 <u>Administrative and Fiscal Services</u>		
 <u>Material Management</u>		
Salaries	\$ 92,853	\$ 88,257
Supplies	4,506	3,261
Maintenance	5,514	5,064
Travel	942	2,747
Printing	28,474	21,206
Postage	21,752	15,503
Freight	18,354	5,003
Other expenses	7,762	3,034
Total material management	180,157	144,075
 <u>Finance</u>		
Salaries	320,748	309,776
Collection fees	29,573	31,099
Audit fees	16,020	22,595
Office supplies	18,475	18,427
Maintenance	2,864	9,060
Other expenses	7,605	2,582
Total finance	395,285	393,539
 <u>Data Processing</u>		
Salaries	47,350	40,506
Management fee	50,352	38,587
Supplies	3,002	2,541
Total data processing	100,704	81,634
 Balances carried forward	676,146	619,248

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SCHEDULE OF OPERATING EXPENSES

Schedule 2  
Sheet 5

	For the year ended June 30,	
	1984	1983
<u>Administrative and Fiscal Service (continued)</u>		
Balances brought forward	\$ 676,146	\$ 619,248
<u>Administration</u>		
Salaries	129,458	138,435
Outside services	33,619	27,734
Management fees	116,501	112,858
Payroll taxes	342,961	258,815
Other taxes	23,186	55,308
Group insurance	503,669	364,121
Insurance	31,442	22,723
Office and other supplies	27,228	21,229
Advertising for employment	6,050	6,821
Maintenance	5,131	7,027
Telephone	58,187	51,264
Dues and subscriptions	31,313	23,820
Travel	15,737	18,676
Legal fees	10,823	34,212
Fund raising campaign	-0-	2,074
Other expenses	550	5,779
Loss on disposition of fixed assets	1,190	-0-
Total administration	1,337,045	1,150,896
Total Administrative and Fiscal Services	\$ 2,013,191	\$ 1,770,144