GOOD SHEPHERD HOSPITAL, INC.

New Bern, North Carolina

Report On

E X A M I N A T I O N

For Fiscal Year Ended

SEPTEMBER 30, 1963

ESTABLISHED 1908

A. M. PULLEN & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

ATLANTA, GA. · CHARLOTTE, N. C. · COLUMBIA, S. C. · DANVILLE, VA. · FAYETTEVILLE, N. C. · GARDEN CITY, N. Y. · GREENSBORO, N. C. · NEW BERN, N. C. · NEW YORK, N. Y. · RALEIGH, N. C. · RICHMOND, VA. · WASHINGTON, D. C. · WINSTON-SALEM, N. C.

GOOD SHEPHERD HOSPITAL, INC.

(Incorporated March 26, 1942 under the Laws of North Carolina)

New Bern, North Carolina

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September 30, 1963

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CERTIFIED PUBLIC ACCOUNTANTS
ELKS TEMPLE BUILDING
NEW BERN, N. C.

The Board of Trustees
Good Shepherd Hospital, Inc.
New Bern, North Carolina

We have examined the balance sheet of Good Shepherd Hospital, Inc. as of September 30, 1963 and the related statements of income and expense and analysis of fund balances for the year then ended. Our examination was made in accordance with generally accepted auditing standards and included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances, except as noted in the following paragraph.

In accordance with the terms of our engagement, we did not follow the generally accepted auditing procedures of confirming accounts receivable by direct correspondence with debtors and the observation of the taking of inventories or tests of physical quantities. In view of the aforementioned omission of generally accepted auditing procedures and the materiality of the receivables and inventories, we are not in a position to express an independent accountants' opinion on the over-all representations in the accompanying balance sheet and statements of income and expense and analysis of fund balances.

A.M. Pullen & Co.
Certified Public Accountants.

New Bern, N. C.
October 18, 1963

FINANCIAL POSITION

The financial position of the Hospital at September 30, 1963 is presented in detail in Exhibit "A", Balance Sheet, and summarized below in comparison with a similar summary at September 30, 1962:

	9-30-63	9-30-62	Increase (Decrease)
Operating Fund:			
Assets:			
Cash	$ 838 78	$ 2 769 09	($ 1 930 31)
Accounts receivable - net	18 643 09	12 715 84	5 927 25
Inventory	14 929 37	13 558 17	1 371 20
Prepaid insurance	822 15	758 03	64 12
Total Assets	$ 35 233 39	$ 29 801 13	$ 5 432 26
Liabilities and Surplus:			
Accounts payable	$ 6 167 48	$ -	$ 6 167 48
Operating fund balance	29 065 91	29 801 13	(735 22)
Total Liabilities and Surplus	$ 35 233 39	$ 29 801 13	$ 5 432 26
Plant Fund:			
Assets:			
Land	$ 10 834 50	$ 10 834 50	$ -
Buildings	144 217 82	144 217 82	-
Equipment	62 085 56	62 085 56	-
Fence	1 086 74	1 086 74	-
Total Assets	$218 224 62	$218 224 62	$ -
Liabilities and Surplus:			
Reserve for appreciation of assets	$ 32 500 00	$ 32 500 00	$ -
Surplus	185 724 62	185 724 62	-
Total	$218 224 62	$218 224 62	$ -

The decrease in the Operating Fund Balance of $735.22 represents the net loss for the year.

Accounts receivable - patients, in the amount of $9,818.09, represents the part of the unpaid accounts which are considered by the Administrator to be collectible.

Insurance protection in force at September 30, 1963, as determined from policies presented for our examination, is presented in Schedule 1.

RESULTS OF OPERATIONS

The results of operations of the Operating Fund for the fiscal year ended September 30, 1963 are shown in detail in Exhibit "C", Statement of Income and Expenses - Operating Fund, supported by Schedules 2, 3 and 4. A summary of this statement is presented below in comparison with a similar summary for year ended September 30, 1962.

	9-30-63	9-30-62	Increase (Decrease)
Gross earnings from patients	$172 432 80	$162 778 42	$ 9 654 38
Less: Deductions from earnings	61 377 96	52 013 30	9 364 66
Adjusted Gross Earnings From Patients	$111 054 84	$110 765 12	$ 289 72
Departmental operating expenses	184 208 63	173 341 00	10 867 63
Net Loss From Operations	($ 73 153 79)	($ 62 575 88)	$10 577 91
Other revenue	84 566 14	58 802 18	25 763 96
Net Income (Loss) Before Other Deductions	$ 11 412 35	($ 3 773 70)	$15 186 05
Other deductions	12 147 57	320 30	11 827 27
Net Loss for Year	($ 735 22)	($ 4 094 00)	($ 3 358 78)

SCOPE OF EXAMINATION

The scope of our examination is contained in our opening letter. Certain features of the examination are set forth below.

Cash on hand was counted and cash on deposit was reconciled with the amounts confirmed directly to us by the depositories. Recorded cash receipts were traced to their subsequent deposit in the bank on a test basis, and disbursements were verified by examination of cancelled checks and paid invoices also on a test basis.

Accounts receivable were listed and proved with the general ledger control account; however, we did not confirm the balances beyond the office records. In the opinion of the Administrator, the allowance for doubtful and uncollectible accounts in the amount of $12,370.18 is sufficient to provide for uncollectible accounts.

The drugs and other inventories are reflected herein as submitted by the Administrator. We were not present at the physical count of inventories, nor have physical tests been made under our supervision.

Operating accounts were tested as to their general accuracy, but we did not examine all transactions.

GOOD SHEPHERD HOSPITAL, INC., NEW BERN, NORTH CAROLINA

BALANCE SHEET

September 30, 1963

EXHIBIT "A"

ASSETS

Operating Fund:			
Cash on hand and on deposit			$ 838 78
Accounts receivable:			
Patients	$ 22 188 90		
Less: Allowance for uncollectible accounts	12 370 81	$ 9 818 09	
Counties		8 760 44	
State		64 56	18 643 09
Inventory - supplies			14 929 37
Prepaid insurance			822 15
Total Assets - Operating Fund			$ 35 233 39
Plant Fund:			
Land		$ 10 834 50	
Buildings		144 217 82	
Equipment		62 085 56	
Fence		1 086 74	
Total Assets - Plant Fund			218 224 62
Total Assets			$253 458 01

LIABILITIES AND FUND BALANCES

Operating Fund:		
Accounts payable		$ 4 715 52
Payroll taxes withheld		1 451 96
Total Liabilities		$ 6 167 48
Fund Balance (Exhibit "B")		29 065 91
Total Liabilities and Fund Balance - Operating Fund		$ 35 233 39
Plant Fund:		
Fund Capital and Reserves:		
Reserve for appreciation of assets	$ 32 500 00	
Capital Balance - (Exhibit "B")	185 724 62	
Total Fund Balance - Plant Fund		218 224 62
Total Liabilities and Fund Balances		$253 458 01

Note:

1. An attorney has given the Hospital notice that he intends to institute legal action on behalf of a patient against a doctor and the Hospital for alleged gross negligence. The amount of the contingent liability is indeterminable at the balance sheet date, but may be substantial. Counsel for the Hospital considers the possibility of this becoming a determined liability of material amount to be remote.

GOOD SHEPHERD HOSPITAL, INC., NEW BERN, NORTH CAROLINA

ANALYSIS OF FUND BALANCES

For Fiscal Year Ended September 30, 1963

EXHIBIT "B"

	Operating Fund	Plant Fund	Total
Fund Balances - October 1, 1962	$29 801 13	$185 724 62	$215 525 75
Deduct: Net loss (Exhibit "C")	(735 22)		(735 22)
Fund Balances - September 30, 1963	$29 065 91	$185 724 62	$214 790 53
	(Exh. "A")	(Exh. "A")	

GOOD SHEPHERD HOSPITAL, INC., NEW BERN, NORTH CAROLINA
STATEMENT OF INCOME AND EXPENSES - OPERATING FUND
For Fiscal Year Ended September 30, 1963

EXHIBIT "C"

Income:		
Gross Earnings from Patients:		
In-patient service (Schedule 2)		$165 937 55
Out-patient service (Schedule 3)		6 495 25
Total Gross Earnings from Patients		$172 432 80
Less: Deductions from Gross Earnings:		
Adjustments - contractual	$ 50 00	
Approved charity cases	47 757 40	
	$47 807 40	
Provision for uncollectible accounts	13 570 56	61 377 96
Adjusted Gross Earnings from Patients		$111 054 84
Departmental Operating Expenses (Schedule 4)		184 208 63
Net Loss from Operations		($ 73 153 79)
Other Income:		
Appropriations or contributions - governmental	$52 024 72	
General contributions and donations:		
Religious organizations	16 319 16	
The Duke Endowment	8 472 00	
Organizations, individuals and others	1 820 00	
The Kate B. Reynolds Fund	2 848 16	
Medical Record Transcript Fees	21 00	
Bad debt recoveries	910 00	
Purchase discounts	410 51	
Other non-hospital income	1 740 59	84 566 14
		$ 11 412 35
Other Expenses:		
Replacement of equipment		12 147 57
Net Loss for Year (Exhibit "B")		($ 735 22)

INSURANCE IN FORCE

September 30, 1963

SCHEDULE 1

	Co-Insurance	Amount
Fire, Lightning and Extended Coverage:		
Buildings:		
Hospital	80%	$ 160 000 00
Nurses' home	80%	29 600 00
Contents of buildings:		
Hospital		40 000 00
Nurses' home		2 100 00
Automobile Liability:		
Bodily injury		50/100 000 00
Property damage		10 000 00
Medical		2 000 00
Comprehensive		A. C. V. Less $50 00
Liability:		
General liability:		
Bodily injury excluding malpractice		25/250 000 00
Property damage		5/25 000 00
Power plant - boiler (Limit per accident)		100 000 00
Employees' blanket coverage		Schedule
Workmen's Compensation		Statutory

Note:
This schedule was prepared from information taken from the policies and does not purport to show all details of coverage or the adequacy thereof.

GROSS EARNINGS - IN-PATIENT SERVICE

For Fiscal Year Ended September 30, 1963

SCHEDULE 2

	Amount	Total
Room and general service		$ 65 527 50
Nursery - newborn		1 465 50
Special services:		
Operating room	$ 6 313 50	
Delivery room	3 144 50	
Anesthesia	7 598 00	
Medical and surgical supplies	7 770 50	
Pharmacy and drugs	34 717 40	
X-Ray	17 621 50	
Laboratory	21 758 00	
Telephone	21 15	98 944 55
Total Gross Earnings - In-Patients (Exhibit "C")		$165 937 55

GROSS EARNINGS - OUT-PATIENT SERVICE

For Fiscal Year Ended September 30, 1963

SCHEDULE 3

X-Ray	$3 279 25
Laboratory	1 162 50
Miscellaneous	2 053 50
Total Gross Earnings - Out-Patient Service (Exhibit "C")	$6 495 25

DEPARTMENTAL OPERATING FUND EXPENSES

For Fiscal Year Ended September 30, 1963

SCHEDULE 4

	Amount	Total
Administrative and General:		
Salaries	$ 16 640 15	
Supplies	467 20	
Insurance and bonding	2 593 23	
Social security tax	3 045 15	
Other expenses	4 603 39	$ 27 349 12
Dietary:		
Salaries	$ 5 971 10	
Food	14 029 64	
Other supplies	79 80	20 080 54
Housekeeping:		
Salaries	$ 5 321 80	
Linen replacement	3 000 00	
Other supplies	509 43	
Other expenses	550 58	9 381 81
Laundry - Outside Service		5 807 40
Plant Operation:		
Salaries	$ 4 104 72	
Fuel, power, water and ice	8 299 49	
Other supplies	1 500 23	
Contractual and outside service	1 509 23	15 413 67
Nursing Service - Salaries		29 760 77
Medical and Surgical Supplies		9 788 62
Pharmacy and Drugs:		
Supplies	$ 10 047 03	
Other expense	1 00	10 048 03
Medical Records and Library:		
Salaries	$ 1 800 00	
Supplies	626 71	2 426 71
Operating Room:		
Salaries	$ 8 890 00	
Supplies	2 000 00	10 890 00
Delivery Room:		
Salaries	$ 3 000 00	
Supplies	1 300 00	4 300 00
Anesthesia:		
Salaries	$ 5 482 50	
Supplies	2 310 29	
Other expense	105 00	7 897 79
(Forwarded)		$153 144 46

	Amount	Total
(Forwarded)		$153 144 46
X-Ray:		
Salaries	$ 8 140 40	
Supplies	3 023 93	
Other expenses	1 375 93	12 540 26
Laboratories:		
Salaries	$ 8 333 62	
Supplies	2 394 12	
Other expenses	3 596 17	14 323 91
Total In-Patient Departmental Operating Fund Expenses		$180 008 63
Out-Patient Department:		
Salaries	$ 2 400 00	
Supplies	1 800 00	
Total Out-Patient Departmental Operating Fund Expenses		4 200 00
Total Departmental Operating Fund Expenses (Exhibit "C")		$184 208 63