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Form 990  Department of the Treasury Internal Revenue Service	Return of Organization Exempt From Income Tax Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation) ▶ The organization may have to use a copy of this return to satisfy state reporting requirements	OMB No 1545-0047 2010 Open to Public Inspection
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A For the 2010 calendar year, or tax year beginning 07-01-2010 and ending 06-30-2011		
B Check if applicable ☐ Address change ☐ Name change ☐ Initial return ☐ Terminated ☐ Amended return ☐ Application pending	C Name of organization PORT HURON HOSPITAL	D Employer identification number 38-1369611
	Doing Business As	E Telephone number (810) 987-5000
	Number and street (or P O box if mail is not delivered to street address) 1221 PINE GROVE AVENUE	Room/suite
	G Gross receipts \$ 194,861,027	
	City or town, state or country, and ZIP + 4 PORT HURON, MI 48060	
	F Name and address of principal officer THOMAS DEFAUW 1221 PINE GROVE AVENUE PORT HURON,MI 48060	H(a) Is this a group return for affiliates? ☐ Yes ☒ No H(b) Are all affiliates included? ☐ Yes ☐ No If "No," attach a list (see instructions) H(c) Group exemption number ▶
I Tax-exempt status ☒ 501(c)(3) ☐ 501(c) () ◀(Insert no) ☐ 4947(a)(1) or ☐ 527		
J Website: ▶ WWW.PORTHURONHOSPITAL.ORG		
K Form of organization ☒ Corporation ☐ Trust ☐ Association ☐ Other ▶		L Year of formation 1879
M State of legal domicile MI		

Part I	Summary
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Activities & Governance	1 Briefly describe the organization's mission or most significant activities PROVISION OF ACUTE MEDICAL CARE TO BE A LEADER IN HEALING, AND YOUR PARTNER IN HEALTH																								
	2 Check this box ☐ if the organization discontinued its operations or disposed of more than 25% of its net assets																								
	<table><tr><td>3 Number of voting members of the governing body (Part VI, line 1a)</td><td>3</td><td>18</td></tr><tr><td>4 Number of independent voting members of the governing body (Part VI, line 1b)</td><td>4</td><td>16</td></tr><tr><td>5 Total number of individuals employed in calendar year 2010 (Part V, line 2a)</td><td>5</td><td>1,696</td></tr><tr><td>6 Total number of volunteers (estimate if necessary)</td><td>6</td><td>271</td></tr><tr><td>7a Total unrelated business revenue from Part VIII, column (C), line 12</td><td>7a</td><td>2,161,010</td></tr><tr><td>b Net unrelated business taxable income from Form 990-T, line 34</td><td>7b</td><td>-1,400,155</td></tr></table>	3 Number of voting members of the governing body (Part VI, line 1a)	3	18	4 Number of independent voting members of the governing body (Part VI, line 1b)	4	16	5 Total number of individuals employed in calendar year 2010 (Part V, line 2a)	5	1,696	6 Total number of volunteers (estimate if necessary)	6	271	7a Total unrelated business revenue from Part VIII, column (C), line 12	7a	2,161,010	b Net unrelated business taxable income from Form 990-T, line 34	7b	-1,400,155						
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Revenue	<table><tr><td>8 Contributions and grants (Part VIII, line 1h)</td><td>Prior Year</td><td>Current Year</td></tr><tr><td>9 Program service revenue (Part VIII, line 2g)</td><td>296,889</td><td>1,203,379</td></tr><tr><td>10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)</td><td>170,339,895</td><td>171,454,306</td></tr><tr><td>11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)</td><td>1,152,025</td><td>1,865,147</td></tr><tr><td>12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)</td><td>1,996,549</td><td>1,809,677</td></tr><tr><td></td><td>173,785,358</td><td>176,332,509</td></tr></table>	8 Contributions and grants (Part VIII, line 1h)	Prior Year	Current Year	9 Program service revenue (Part VIII, line 2g)	296,889	1,203,379	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	170,339,895	171,454,306	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	1,152,025	1,865,147	12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	1,996,549	1,809,677		173,785,358	176,332,509						
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Part II	Signature Block
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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 officer) is based on all information of which preparer has any knowledge.

Sign Here	***** Signature of officer		2012-04-12 Date	
	JOHN LISTON CFO Type or print name and title			
Paid Preparer Use Only	Print/Type preparer's name CAROL LALONDE CPA	Preparer's signature CAROL LALONDE CPA	Date	Check if self-employed ☐ PTIN
	Firm's name ▶ PLANTE & MORAN PLLC			Firm's EIN ▶
	Firm's address ▶ 750 TRADE CENTRE WAY STE 300 PORTAGE, MI 49002			Phone no ▶ (269) 567-4500

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

Part III

Statement of Program Service Accomplishments

Check if Schedule O contains a response to any question in this Part III ☐ Yes ☒ No

1

Briefly describe the organization’s mission

PROVISION OF ACUTE MEDICAL CARE

2

Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ? ☐ Yes ☒ No

If “Yes,” describe these new services on Schedule O

3

Did the organization cease conducting, or make significant changes in how it conducts, any program services? ☐ Yes ☒ No

If “Yes,” describe these changes on Schedule O

4

Describe the exempt purpose achievements for each of the organization’s three largest program services by expenses

Section 501(c)(3) and 501(c)(4) organizations and section 4947(a)(1) trusts are required to report the amount of grants and allocations to others, the total expenses, and revenue, if any, for each program service reported

4a

(Code) (Expenses \$ 131,236,496 including grants of \$) (Revenue \$ 169,944,894)

FOR THE YEAR ENDED JUNE 30, 2011, PORT HURON HOSPITAL PROVIDED HEALTH CARE SERVICES TO THE POOR AND TO THE BROADER COMMUNITY FOR WHICH THE COST OF PROVIDING SUCH SERVICES EXCEEDED THE RELATED REVENUE CHARITY CARE IN THE AMOUNT OF \$2,942,233 WAS PROVIDED DURING THE YEAR PORT HURON HOSPITAL PROVIDED \$290,548,590 IN THIRD PARTY DISCOUNTS IN TOTAL, THIS REPRESENTS 62.6% PERCENT OF THE GROSS PATIENT REVENUE FOR THIS YEAR PORT HURON HOSPITAL ALSO PROVIDED THE COMMUNITY WITH OPPORTUNITIES TO PARTICIPATE IN NUMEROUS EDUCATIONAL, WELLNESS, SCREENING, AND SUPPORTIVE PROGRAMS AT EITHER NO COST OR AT A NOMINAL CHARGE THE HOSPITAL PROVIDED A TOTAL OF 831 PROGRAMS TO APPROXIMATELY 47,732 PEOPLE OF THE COMMUNITY

4b

(Code) (Expenses \$ including grants of \$) (Revenue \$)

4c

(Code) (Expenses \$ including grants of \$) (Revenue \$)

4d

Other program services (Describe in Schedule O)

(Expenses \$ including grants of \$) (Revenue \$)

4e

Total program service expenses \$ 131,236,496

Part IV

Checklist of Required Schedules

	Yes	No
1 Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? If "Yes," complete Schedule A 	1 Yes	
2 Is the organization required to complete Schedule B, Schedule of Contributors (see instruction)? 	2 Yes	
3 Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? If "Yes," complete Schedule C, Part I 	3	No
4 Section 501(c)(3) organizations. Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? If "Yes," complete Schedule C, Part II 	4 Yes	
5 Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? If "Yes," complete Schedule C, Part III 	5	No
6 Did the organization maintain any donor advised funds or any similar funds or accounts where donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? If "Yes," complete Schedule D, Part I 	6	No
7 Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas or historic structures? If "Yes," complete Schedule D, Part II 	7	No
8 Did the organization maintain collections of works of art, historical treasures, or other similar assets? If "Yes," complete Schedule D, Part III 	8	No
9 Did the organization report an amount in Part X, line 21, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? If "Yes," complete Schedule D, Part IV 	9	No
10 Did the organization, directly or through a related organization, hold assets in term, permanent, or quasi-endowments? If "Yes," complete Schedule D, Part V 	10	No
11 If the organization's answer to any of the following questions is "Yes," then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable		
a Did the organization report an amount for land, buildings, and equipment in Part X, line 10? If "Yes," complete Schedule D, Part VI. 	11a Yes	
b Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VII. 	11b Yes	
c Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VIII. 	11c	No
d Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part IX. 	11d	No
e Did the organization report an amount for other liabilities in Part X, line 25? If "Yes," complete Schedule D, Part X. 	11e Yes	
f Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? If "Yes," complete Schedule D, Part X. 	11f	No
12a Did the organization obtain separate, independent audited financial statements for the tax year? If "Yes," complete Schedule D, Parts XI, XII, and XIII 	12a	No
b Was the organization included in consolidated, independent audited financial statements for the tax year? If "Yes," and if the organization answered 'No' to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional 	12b Yes	
13 Is the organization a school described in section 170(b)(1)(A)(ii)? If "Yes," complete Schedule E	13	No
14a Did the organization maintain an office, employees, or agents outside of the United States?	14a	No
b Did the organization have aggregate revenues or expenses of more than \$10,000 from grantmaking, fundraising, business, and program service activities outside the United States? If "Yes," complete Schedule F, Parts I and IV	14b	No
15 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of grants or assistance to any organization or entity located outside the U S ? If "Yes," complete Schedule F, Parts II and IV	15	No
16 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of aggregate grants or assistance to individuals located outside the U S ? If "Yes," complete Schedule F, Parts III and IV	16	No
17 Did the organization report a total of more than \$15,000, of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? If "Yes," complete Schedule G, Part I (see instructions)	17	No
18 Did the organization report more than \$15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? If "Yes," complete Schedule G, Part II	18	No
19 Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? If "Yes," complete Schedule G, Part III	19	No
20a Did the organization operate one or more hospitals? If "Yes," complete Schedule H 	20a Yes	
b If "Yes" to line 20a, did the organization attach its audited financial statement to this return? Note. Some Form 990 filers that operate one or more hospitals must attach audited financial statements (see instructions)	20b Yes	

Part IV

Checklist of Required Schedules (continued)

21	Did the organization report more than \$5,000 of grants and other assistance to governments and organizations in the United States on Part IX, column (A), line 1? <i>If "Yes," complete Schedule I, Parts I and II</i>	21		No
22	Did the organization report more than \$5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? <i>If "Yes," complete Schedule I, Parts I and III</i>	22		No
23	Did the organization answer "Yes" to Part VII, Section A, questions 3, 4, or 5, about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? <i>If "Yes," complete Schedule J</i>	23	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? <i>If "Yes," answer lines 24b–24d and complete Schedule K. If "No," go to line 25</i>	24a	Yes	
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	24b		No
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	24c		No
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	24d		No
25a	Section 501(c)(3) and 501(c)(4) organizations. Did the organization engage in an excess benefit transaction with a disqualified person during the year? <i>If "Yes," complete Schedule L, Part I</i>	25a		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? <i>If "Yes," complete Schedule L, Part I</i>	25b		No
26	Was a loan to or by a current or former officer, director, trustee, key employee, highly compensated employee, or disqualified person outstanding as of the end of the organization's tax year? <i>If "Yes," complete Schedule L, Part II</i>	26		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor, or a grant selection committee member, or to a person related to such an individual? <i>If "Yes," complete Schedule L, Part III</i>	27		No
28	Was the organization a party to a business transaction with one of the following parties? (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28a		No
b	A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28b		No
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? <i>If "Yes," complete Schedule L, Part IV</i>	28c	Yes	
29	Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i>	29		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i>	30		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i>	31		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i>	32		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? <i>If "Yes," complete Schedule R, Part I</i>	33		No
34	Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Parts II, III, IV, and V, line 1</i>	34	Yes	
35	Is any related organization a controlled entity within the meaning of section 512(b)(13)?	35	Yes	
a	Did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? <i>If "Yes," complete Schedule R, Part V, line 2</i> ☒ Yes ☐ No			
36	Section 501(c)(3) organizations. Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2</i>	36		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? <i>If "Yes," complete Schedule R, Part VI</i>	37		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11 and 19? Note. All Form 990 filers are required to complete Schedule O	38	Yes	

Part V Statements Regarding Other IRS Filings and Tax Compliance				
Check if Schedule O contains a response to any question in this Part V ☐				
			Yes	No
1a	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable.	1a	125	
b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.	1b	0	
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	1c	Yes	
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements filed for the calendar year ending with or within the year covered by this return.	2a	1,696	
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns?	2b	Yes	
Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions).				
3a	Did the organization have unrelated business gross income of \$1,000 or more during the year?	3a	Yes	
b	If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O.	3b	Yes	
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?	4a		No
b	If "Yes," enter the name of the foreign country: See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.			
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?	5a		No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	5b		No
c	If "Yes" to line 5a or 5b, did the organization file Form 8886-T?	5c		
6a	Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible?	6a		No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	6b		
7 Organizations that may receive deductible contributions under section 170(c).				
a	Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?	7a		No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?	7b		
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?	7c		No
d	If "Yes," indicate the number of Forms 8282 filed during the year.	7d		
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	7e		No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?	7f		No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	7g		
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	7h		
8 Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations. Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?				
9 Sponsoring organizations maintaining donor advised funds.				
a	Did the organization make any taxable distributions under section 4966?	9a		
b	Did the organization make a distribution to a donor, donor advisor, or related person?	9b		
10 Section 501(c)(7) organizations. Enter				
a	Initiation fees and capital contributions included on Part VIII, line 12.	10a		
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities.	10b		
11 Section 501(c)(12) organizations. Enter				
a	Gross income from members or shareholders.	11a		
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them).	11b		
12a Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041?				
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year.	12b		
13 Section 501(c)(29) qualified nonprofit health insurance issuers.				
a	Is the organization licensed to issue qualified health plans in more than one state? Note. See the instructions for additional information the organization must report on Schedule O.	13a		
b	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans.	13b		
c	Enter the amount of reserves on hand.	13c		
14a Did the organization receive any payments for indoor tanning services during the tax year?				
b	If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O.	14b		No

Part VI

Governance, Management, and Disclosure For each “Yes” response to lines 2 through 7b below, and for a “No” response to lines 8a, 8b, or 10b below, describe the circumstances, processes, or changes in Schedule O. See instructions.
Check if Schedule O contains a response to any question in this Part VI ☒

Section A. Governing Body and Management			Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year	1a18		
b	Enter the number of voting members included in line 1a, above, who are independent	1b16		
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	2		No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person?	3		No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	4		No
5	Did the organization become aware during the year of a significant diversion of the organization’s assets?	5		No
6	Does the organization have members or stockholders?	6	Yes	
7a	Does the organization have members, stockholders, or other persons who may elect one or more members of the governing body?	7a	Yes	
b	Are any decisions of the governing body subject to approval by members, stockholders, or other persons?	7b		No
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following			
a	The governing body?	8a	Yes	
b	Each committee with authority to act on behalf of the governing body?	8b	Yes	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization’s mailing address? If “Yes,” provide the names and addresses in Schedule O	9		No

Section B. Policies (This Section B requests information about policies not required by the Internal Revenue Code.)			Yes	No
10a	Does the organization have local chapters, branches, or affiliates?	10a		No
b	If “Yes,” does the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with those of the organization?	10b		
11a	Has the organization provided a copy of this Form 990 to all members of its governing body before filing the form?	11a	Yes	
b	Describe in Schedule O the process, if any, used by the organization to review this Form 990			
12a	Does the organization have a written conflict of interest policy? If “No,” go to line 13	12a	Yes	
b	Are officers, directors or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	12b	Yes	
c	Does the organization regularly and consistently monitor and enforce compliance with the policy? If “Yes,” describe in Schedule O how this is done	12c	Yes	
13	Does the organization have a written whistleblower policy?	13	Yes	
14	Does the organization have a written document retention and destruction policy?	14	Yes	
15	Did the process for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision?			
a	The organization’s CEO, Executive Director, or top management official	15a	Yes	
b	Other officers or key employees of the organization If “Yes” to line 15a or 15b, describe the process in Schedule O (See instructions)	15b		No
16a	Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year?	16a		No
b	If “Yes,” has the organization adopted a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and taken steps to safeguard the organization’s exempt status with respect to such arrangements?	16b		

Section C. Disclosure	
17	List the States with which a copy of this Form 990 is required to be filed▶MI
18	Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c) (3)s only) available for public inspection. Indicate how you make these available. Check all that apply. ☐ Own website ☐ Another's website ☒ Upon request
19	Describe in Schedule O whether (and if so, how), the organization makes its governing documents, conflict of interest policy, and financial statements available to the public. See Additional Data Table.
20	State the name, physical address, and telephone number of the person who possesses the books and records of the organization ▶ JOHN LISTON CFO 1221 PINE GROVE AVENUE PORT HURON, MI 48060 (810) 989-3737

Check if Schedule O contains a response to any question in this Part VII ☐

1a Complete this table for all persons required to be listed. Report compensation for the calendar year ending with or within the organization's tax year.

- List all of the organization's **current** officers, directors, trustees (whether individuals or organizations), regardless of amount of compensation, and **current** key employees Enter -0- in columns (D), (E), and (F) if no compensation was paid
- List all of the organization's **current** key employees, if any See instructions for definition of "key employee "
- List the organization's five **current** highest compensated employees (other than an officer, director, trustee or key employee) who received reportable compensation (Box 5 of Form W-2 and/or Box 7 of Form 1099-MISC) of more than \$100,000 from the organization and any related organizations
- List all of the organization's **former** officers, key employees, and highest compensated employees who received more than \$100,000 of reportable compensation from the organization and any related organizations
- List all of the organization's **former directors or trustees** that received, in the capacity as a former director or trustee of the organization, more than \$10,000 of reportable compensation from the organization and any related organizations

List persons in the following order: individual trustees or directors; institutional trustees; officers; key employees; highest compensated employees; and former such persons

☐ Check this box if neither the organization nor any related organization compensated any current officer, director, or trustee

[illegible]

Part VII

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
See Additional Data Table										
1b Sub-Total										
c Total from continuation sheets to Part VII, Section A										
d Total (add lines 1b and 1c)								3,586,321	0	224,532

2 Total number of individuals (including but not limited to those listed above) who received more than \$100,000 in reportable compensation from the organization ▶59

		Yes	No
3	Did the organization list any former officer, director or trustee, key employee, or highest compensated employee on line 1a? <i>If "Yes," complete Schedule J for such individual</i>	3	No
4	For any individual listed on line 1a, is the sum of reportable compensation and other compensation from the organization and related organizations greater than \$150,000? <i>If "Yes," complete Schedule J for such individual</i>	4	Yes
5	Did any person listed on line 1a receive or accrue compensation from any unrelated organization or individual for services rendered to the organization? <i>If "Yes," complete Schedule J for such person</i>	5	No

Section B. Independent Contractors

1 Complete this table for your five highest compensated independent contractors that received more than \$100,000 of compensation from the organization

(A) Name and business address	(B) Description of services	(C) Compensation
MICHIGAN CO-TENANCY LABORATORY 300 WEST TEXTILE ROAD ANN ARBOR, MI 48108	LAB TESTING	752,341
AMERICAN HEALTHCARE STAFFING ASSOCIATION PO BOX 945 TRAVERSE CITY, MI 49684	CONTRACTED LABOR	575,038
SCAN MEDICAL SERVICES PO BOX 96 NORTH BRANCH, MI 48461	CONTRACTED LABOR	398,377
BLUE WATER PATHOLOGY PC PO BOX 77556 DETROIT, MI 48277	LAB SERVICES	327,235
ALLIANCE-HNV PETCT SERVICES LLC PO BOX 402209 ATLANTA, GA 30384	PET/CT SERVICES	242,400
2 Total number of independent contractors (including but not limited to those listed above) who received more than \$100,000 in compensation from the organization ▶15		

Part VIII

Statement of Revenue

		(A)	(B)	(C)	(D)
		Total revenue	Related or exempt function revenue	Unrelated business revenue	Revenue excluded from tax under sections 512, 513, or 514
Contributions, gifts, grants and other similar amounts	1a Federated campaigns 1a				
	b Membership dues 1b				
	c Fundraising events 1c				
	d Related organizations 1d	1,203,379			
	e Government grants (contributions) 1e				
	f All other contributions, gifts, grants, and similar amounts not included above 1f				
	g Noncash contributions included in lines 1a-1f \$	2,920			
	h Total. Add lines 1a-1f	1,203,379			
	Program Service Revenue	2a	Business Code		
PATIENT REVENUE		621500	168,397,484	168,397,484	
b LABORATORY		621500	1,997,128	487,716	1,509,412
c OPERATING REVENUE		621500	1,059,694	1,059,694	
d					
e					
f All other program service revenue					
g Total. Add lines 2a-2f		171,454,306			
Other Revenue		3 Investment income (including dividends, interest and other similar amounts)			
		1,473,181			1,473,181
	4 Income from investment of tax-exempt bond proceeds				
	5 Royalties				
	6a Gross Rents	(i) Real 39,720	(ii) Personal		
	b Less rental expenses	24,418			
	c Rental income or (loss)	15,302			
	d Net rental income or (loss)		15,302		15,302
	7a Gross amount from sales of assets other than inventory	(i) Securities 18,867,885	(ii) Other 28,181		
	b Less cost or other basis and sales expenses	18,218,659	285,441		
	c Gain or (loss)	649,226	-257,260		
	d Net gain or (loss)		391,966		391,966
	8a Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18 a				
	b Less direct expenses b				
	c Net income or (loss) from fundraising events				
	9a Gross income from gaming activities See Part IV, line 19 a				
	b Less direct expenses b				
	c Net income or (loss) from gaming activities				
	10a Gross sales of inventory, less returns and allowances a				
	b Less cost of goods sold b				
	c Net income or (loss) from sales of inventory				
Miscellaneous Revenue	Business Code				
11a LAUNDRY	812300	816,577		651,598	164,979
b CAFETERIA	722210	816,172			816,172
c MISCELLANEOUS	900099	161,626			161,626
d All other revenue					
e Total. Add lines 11a-11d		1,794,375			
12 Total revenue. See Instructions		176,332,509	169,944,894	2,161,010	3,023,226

Part IX

Statement of Functional Expenses

Section 501(c)(3) and 501(c)(4) organizations must complete all columns.

All other organizations must complete column (A) but are not required to complete columns (B), (C), and (D).

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.		(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1	Grants and other assistance to governments and organizations in the U S See Part IV, line 21				
2	Grants and other assistance to individuals in the U S See Part IV, line 22				
3	Grants and other assistance to governments, organizations, and individuals outside the U S See Part IV, lines 15 and 16				
4	Benefits paid to or for members				
5	Compensation of current officers, directors, trustees, and key employees	2,748,551		2,748,551	
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)				
7	Other salaries and wages	61,799,498	56,887,237	4,912,261	
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	6,023,184	5,330,518	692,666	
9	Other employee benefits	7,119,520	6,552,049	567,471	
10	Payroll taxes	4,753,782	4,207,097	546,685	
a	Fees for services (non-employees)				
	Management				
b	Legal	98,359		98,359	
c	Accounting	88,438		88,438	
d	Lobbying				
e	Professional fundraising services See Part IV, line 17				
f	Investment management fees	555,366		555,366	
g	Other	12,923,955	8,714,455	4,209,500	
12	Advertising and promotion	331,714	4,393	327,321	
13	Office expenses	1,003,865	1,003,865		
14	Information technology	5,304,030	53,042	5,250,988	
15	Royalties				
16	Occupancy				
17	Travel	75,633	3,386	72,247	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials				
19	Conferences, conventions, and meetings	143,061	108,923	34,138	
20	Interest	1,148,420		1,148,420	
21	Payments to affiliates				
22	Depreciation, depletion, and amortization	8,821,216		8,821,216	
23	Insurance	935,162		935,162	
24	Other expenses Itemize expenses not covered above (List miscellaneous expenses in line 24f If line 24f amount exceeds 10% of line 25, column (A) amount, list line 24f expenses on Schedule O)				
a	SUPPLY & MINOR EQUIP	30,890,885	30,096,216	794,669	
b	PROVISION FOR BAD DEBTS	11,886,478	11,886,478		
c	QAAP TAX	4,003,367		4,003,367	
d	EQUIP REPAIR & MAINT	2,442,334	2,276,330	166,004	
e	UTILITIES	1,637,047	1,637,047		
f	All other expenses	3,779,285	2,475,460	1,303,825	
25	Total functional expenses. Add lines 1 through 24f	168,513,150	131,236,496	37,276,654	0
26	Joint costs. Check here ☒ if following SOP 98-2 (ASC 958-720) Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation				

Part X

Balance Sheet

						(A)		(B)
						Beginning of year		End of year
Assets	1	Cash—non-interest-bearing				30,697,197	1	24,313,909
	2	Savings and temporary cash investments				22,947,795	2	26,488,103
	3	Pledges and grants receivable, net					3	
	4	Accounts receivable, net				5,691,494	4	7,968,796
	5	Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees <i>Complete Part II of Schedule L</i>					5	
	6	Receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers, and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions) <i>Schedule L</i>					6	
	7	Notes and loans receivable, net				12,550,065	7	12,369,515
	8	Inventories for sale or use				4,367,192	8	4,717,804
	9	Prepaid expenses and deferred charges				2,718,252	9	2,806,897
	10a	Land, buildings, and equipment <i>cost or other basis Complete Part VI of Schedule D</i>	10a	150,095,550				
	b	Less accumulated depreciation	10b	105,108,146	42,830,546	10c	44,987,404	
	11	Investments—publicly traded securities			11,819,481	11	14,665,201	
	12	Investments—other securities <i>See Part IV, line 11</i>			9,698,459	12	9,715,170	
	13	Investments—program-related <i>See Part IV, line 11</i>				13		
	14	Intangible assets				14		
	15	Other assets <i>See Part IV, line 11</i>			3,937,975	15	4,536,325	
	16	Total assets. Add lines 1 through 15 (must equal line 34)			147,258,456	16	152,569,124	
Liabilities	17	Accounts payable and accrued expenses			76,067,813	17	61,501,420	
	18	Grants payable				18		
	19	Deferred revenue				19		
	20	Tax-exempt bond liabilities			22,685,326	20	20,124,635	
	21	Escrow or custodial account liability <i>Complete Part IV of Schedule D</i>				21		
	22	Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons <i>Complete Part II of Schedule L</i>				22		
	23	Secured mortgages and notes payable to unrelated third parties			204,763	23	757,267	
	24	Unsecured notes and loans payable to unrelated third parties				24		
	25	Other liabilities <i>Complete Part X of Schedule D</i>			12,049,708	25	13,001,786	
	26	Total liabilities. Add lines 17 through 25			111,007,610	26	95,385,108	
Net Assets or Fund Balances		Organizations that follow SFAS 117, check here ☒ and complete lines 27 through 29, and lines 33 and 34.						
	27	Unrestricted net assets			36,250,846	27	57,184,016	
	28	Temporarily restricted net assets				28		
	29	Permanently restricted net assets				29		
		Organizations that do not follow SFAS 117, check here ☐ and complete lines 30 through 34.						
	30	Capital stock or trust principal, or current funds				30		
	31	Paid-in or capital surplus, or land, building or equipment fund				31		
	32	Retained earnings, endowment, accumulated income, or other funds				32		
	33	Total net assets or fund balances			36,250,846	33	57,184,016	
	34	Total liabilities and net assets/fund balances			147,258,456	34	152,569,124	

Part XI Reconciliation of Net Assets

Check if Schedule O contains a response to any question in this Part XI

1	Total revenue (must equal Part VIII, column (A), line 12)	1	176,332,509
2	Total expenses (must equal Part IX, column (A), line 25)	2	168,513,150
3	Revenue less expenses Subtract line 2 from line 1	3	7,819,359
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	36,250,846
5	Other changes in net assets or fund balances (explain in Schedule O)	5	13,113,811
6	Net assets or fund balances at end of year Combine lines 3, 4, and 5 (must equal Part X, line 33, column (B))	6	57,184,016

Part XII Financial Statements and Reporting

Check if Schedule O contains a response to any question in this Part XII

		Yes	No
1	Accounting method used to prepare the Form 990 ☐ Cash ☒ Accrual ☐ Other _____ If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O		
2a	Were the organization's financial statements compiled or reviewed by an independent accountant?		No
b	Were the organization's financial statements audited by an independent accountant?	Yes	
c	If "Yes," to 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant? If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O	Yes	
d	If "Yes" to line 2a or 2b, check a box below to indicate whether the financial statements for the year were issued on a separate basis, consolidated basis, or both ☐ Separate basis ☒ Consolidated basis ☐ Both consolidated and separated basis		
3a	As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133?		No
b	If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits		

SCHEDULE A
(Form 990 or 990EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

Complete if the organization is a section 501(c)(3) organization or a section 4947(a)(1) nonexempt charitable trust.

▶ Attach to Form 990 or Form 990-EZ. ▶ See separate instructions.

OMB No 1545-0047

2010

Open to Public
Inspection

Name of the organization
PORT HURON HOSPITAL

Employer identification number
38-1369611

Part I Reason for Public Charity Status (All organizations must complete this part.) See instructions

The organization is not a private foundation because it is (For lines 1 through 11, check only one box)

- 1

☐

A church, convention of churches, or association of churches described in **section 170(b)(1)(A)(i).**
- 2

☐

A school described in **section 170(b)(1)(A)(ii).** (Attach Schedule E)
- 3

☒

A hospital or a cooperative hospital service organization described in **section 170(b)(1)(A)(iii).**
- 4

☐

A medical research organization operated in conjunction with a hospital described in **section 170(b)(1)(A)(iii).** Enter the hospital's name, city, and state
- 5

☐

An organization operated for the benefit of a college or university owned or operated by a governmental unit described in **section 170(b)(1)(A)(iv).** (Complete Part II)
- 6

☐

A federal, state, or local government or governmental unit described in **section 170(b)(1)(A)(v).**
- 7

☐

An organization that normally receives a substantial part of its support from a governmental unit or from the general public described in **section 170(b)(1)(A)(vi)** (Complete Part II)
- 8

☐

A community trust described in **section 170(b)(1)(A)(vi)** (Complete Part II)
- 9

☐

An organization that normally receives (1) more than 33 1/3% of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions—subject to certain exceptions, and (2) no more than 33 1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975 See **section 509(a)(2).** (Complete Part III)
- 10

☐

An organization organized and operated exclusively to test for public safety See**section 509(a)(4).**
- 11

☐

An organization organized and operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2) See **section 509(a)(3).** Check the box that describes the type of supporting organization and complete lines 11e through 11h

a

☐

Type I

b

☐

Type II

c

☐

Type III - Functionally integrated

d

☐

Type III - Other
- e

☐

By checking this box, I certify that the organization is not controlled directly or indirectly by one or more disqualified persons other than foundation managers and other than one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2)
- f

☐

If the organization received a written determination from the IRS that it is a Type I, Type II or Type III supporting organization, check this box
- g

☐

Since August 17, 2006, has the organization accepted any gift or contribution from any of the following persons?

(i)

a person who directly or indirectly controls, either alone or together with persons described in (ii) and (iii) below, the governing body of the the supported organization?

(ii)

a family member of a person described in (i) above?

(iii)

a 35% controlled entity of a person described in (i) or (ii) above?
- h

☐

Provide the following information about the supported organization(s)

	Yes	No
11g(i)		
11g(ii)		
11g(iii)		

(i) Name of supported organization	(ii) EIN	(iii) Type of organization (described on lines 1- 9 above or IRC section (see instructions))	(iv) Is the organization in col (i) listed in your governing document?		(v) Did you notify the organization in col (i) of your support?		(vi) Is the organization in col (i) organized in the U S ?		(vii) Amount of support
			Yes	No	Yes	No	Yes	No	
Total									

Part II

Support Schedule for Organizations Described in Sections 170(b)(1)(A)(iv) and 170(b)(1)(A)(vi)
(Complete only if you checked the box on line 5, 7, or 8 of Part I or if the organization failed to qualify under Part III. If the organization fails to qualify under the tests listed below, please complete Part III.)

Section A. Public Support						
Calendar year (or fiscal year beginning in) ▶	(a) 2006	(b) 2007	(c) 2008	(d) 2009	(e) 2010	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants.")						
2 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
3 The value of services or facilities furnished by a governmental unit to the organization without charge						
4 Total. Add lines 1 through 3						
5 The portion of total contributions by each person (other than a governmental unit or publicly supported organization) included on line 1 that exceeds 2% of the amount shown on line 11, column (f)						
6 Public Support. Subtract line 5 from line 4						

Section B. Total Support						
Calendar year (or fiscal year beginning in) ▶	(a) 2006	(b) 2007	(c) 2008	(d) 2009	(e) 2010	(f) Total
7 Amounts from line 4						
8 Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
9 Net income from unrelated business activities, whether or not the business is regularly carried on						
10 Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV)						
11 Total support (Add lines 7 through 10)						
12 Gross receipts from related activities, etc (See instructions)					12	

13 First Five Years If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and stop here

▶

Section C. Computation of Public Support Percentage		
14 Public Support Percentage for 2010 (line 6 column (f) divided by line 11 column (f))	14	
15 Public Support Percentage for 2009 Schedule A, Part II, line 14	15	
16a 33 1/3% support test—2010. If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and stop here. The organization qualifies as a publicly supported organization		▶
b 33 1/3% support test—2009. If the organization did not check the box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and stop here. The organization qualifies as a publicly supported organization		▶
17a 10%-facts-and-circumstances test—2010. If the organization did not check a box on line 13, 16a, or 16b and line 14 is 10% or more, and if the organization meets the "facts and circumstances" test, check this box and stop here. Explain in Part IV how the organization meets the "facts and circumstances" test The organization qualifies as a publicly supported organization		▶
b 10%-facts-and-circumstances test—2009. If the organization did not check a box on line 13, 16a, 16b, or 17a and line 15 is 10% or more, and if the organization meets the "facts and circumstances" test, check this box and stop here. Explain in Part IV how the organization meets the "facts and circumstances" test The organization qualifies as a publicly supported organization		▶
18 Private Foundation If the organization did not check a box on line 13, 16a, 16b, 17a or 17b, check this box and see instructions		▶

Part IIIPart III

Support Schedule for Organizations Described in Section 509(a)(2)
(Complete only if you checked the box on line 9 of Part I or if the organization failed to qualify under Part II. If the organization fails to qualify under the tests listed below, please complete Part II.)

Section A. Public Support						
Calendar year (or fiscal year beginning in) ▶	(a) 2006	(b) 2007	(c) 2008	(d) 2009	(e) 2010	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants.")						
2 Gross receipts from admissions, merchandise sold or services performed, or facilities furnished in any activity that is related to the organization's tax-exempt purpose						
3 Gross receipts from activities that are not an unrelated trade or business under section 513						
4 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
5 The value of services or facilities furnished by a governmental unit to the organization without charge						
6 Total. Add lines 1 through 5						
7a Amounts included on lines 1, 2, and 3 received from disqualified persons						
b Amounts included on lines 2 and 3 received from other than disqualified persons that exceed the greater of \$5,000 or 1% of the amount on line 13 for the year						
c Add lines 7a and 7b						
8 Public Support (Subtract line 7c from line 6)						

Section B. Total Support						
Calendar year (or fiscal year beginning in) ▶	(a) 2006	(b) 2007	(c) 2008	(d) 2009	(e) 2010	(f) Total
9 Amounts from line 6						
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
c Add lines 10a and 10b						
11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
12 Other income. Do not include gain or loss from the sale of capital assets (Explain in Part IV.)						
13 Total support (Add lines 9, 10c, 11 and 12.)						
14 First Five Years If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a section 501(c)(3) organization, check this box and stop here ▶						

Section C. Computation of Public Support Percentage		
15 Public Support Percentage for 2010 (line 8 column (f) divided by line 13 column (f))	15	
16 Public support percentage from 2009 Schedule A, Part III, line 15	16	

Section D. Computation of Investment Income Percentage		
17 Investment income percentage for 2010 (line 10c column (f) divided by line 13 column (f))	17	
18 Investment income percentage from 2009 Schedule A, Part III, line 17	18	
19a 33 1/3% support tests—2010. If the organization did not check the box on line 14, and line 15 is more than 33 1/3% and line 17 is not more than 33 1/3%, check this box and stop here. The organization qualifies as a publicly supported organization ▶		
b 33 1/3% support tests—2009. If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3% and line 18 is not more than 33 1/3%, check this box and stop here. The organization qualifies as a publicly supported organization ▶		
20 Private Foundation If the organization did not check a box on line 14, 19a or 19b, check this box and see instructions ▶		

Part IV

Supplemental Information. Supplemental Information. Complete this part to provide the explanations required by Part II, line 10; Part II, line 17a or 17b; and Part III, line 12. Also complete this part for any additional information. (See instructions).

Facts And Circumstances Test

Form 990, Part VII - Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors

(A) Name and Title	(B) Average hours per week	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
JENNIFER MONTGOMERY VP OF NURSING - AS OF 2/2011	40 00				X			0	0	0
DORIS SEIDL VP OF HUMAN RESOURCES - AS OF 1/2011	40 00				X			0	0	0
BRIAN BARKLEY CRNA	40 00					X		247,484	0	0
TIMOTHY VANHOWE CRNA	40 00					X		255,233	0	0
TROY REED CRNA	40 00					X		227,323	0	0
JOHN MITCHELL MD PHYSICIAN	40 00					X		269,143	0	0
THOMAS BROZOVICH MD PHYSICIAN	40 00					X		223,446	0	11,653

SCHEDULE C
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Political Campaign and Lobbying Activities

For Organizations Exempt From Income Tax Under section 501(c) and section 527
▶ **Complete if the organization is described below.**
▶ **Attach to Form 990 or Form 990-EZ. ▶ See separate instructions.**

OMB No 1545-0047

2010

Open to Public Inspection

If the organization answered “Yes,” to Form 990, Part IV, Line 3, or Form 990-EZ, Part V, line 46 (Political Campaign Activities), then

- Section 501(c)(3) organizations Complete Parts I-A and B Do not complete Part I-C
- Section 501(c) (other than section 501(c)(3)) organizations Complete Parts I-A and C below Do not complete Part I-B
- Section 527 organizations Complete Part I-A only

If the organization answered “Yes,” to Form 990, Part IV, Line 4, or Form 990-EZ, Part VI, line 47 (Lobbying Activities), then

- Section 501(c)(3) organizations that have filed Form 5768 (election under section 501(h)) Complete Part II-A Do not complete Part II-B
- Section 501(c)(3) organizations that have NOT filed Form 5768 (election under section 501(h)) Complete Part II-B Do not complete Part II-A

If the organization answered “Yes,” to Form 990, Part IV, Line 5 (Proxy Tax) or Form 990-EZ, Part V, line 35a (Proxy Tax), then

- Section 501(c)(4), (5), or (6) organizations Complete Part III

Name of the organization PORT HURON HOSPITAL	Employer identification number 38-1369611
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Part I-A Complete if the organization is exempt under section 501(c) or is a section 527 organization.

1	Provide a description of the organization’s direct and indirect political campaign activities in Part IV	
2	Political expenditures	▶ \$ _____
3	Volunteer hours	_____

Part I-B Complete if the organization is exempt under section 501(c)(3).

1	Enter the amount of any excise tax incurred by the organization under section 4955	▶ \$ _____
2	Enter the amount of any excise tax incurred by organization managers under section 4955	▶ \$ _____
3	If the organization incurred a section 4955 tax, did it file Form 4720 for this year?	☐ Yes ☐ No
4a	Was a correction made?	☐ Yes ☐ No
b	If "Yes," describe in Part IV	

Part I-C Complete if the organization is exempt under section 501(c) except section 501(c)(3).

1	Enter the amount directly expended by the filing organization for section 527 exempt function activities	▶ \$ _____
2	Enter the amount of the filing organization's funds contributed to other organizations for section 527 exempt funtion activities	▶ \$ _____
3	Total exempt function expenditures Add lines 1 and 2 Enter here and on Form 1120-POL, line 17b	▶ \$ _____
4	Did the filing organization file Form 1120-POL for this year?	☐ Yes ☐ No
5	Enter the names, addresses and employer identification number (EIN) of all section 527 political organizations to which the filing organization made payments For each organization listed, enter the amount paid from the filing organization’s funds Also enter the amount of political contributions received that were promptly and directly delivered to a separate political organization, such as a separate segregated fund or a political action committee (PAC) If additional space is needed, provide information in Part IV	

(a) Name	(b) Address	(c) EIN	(d) Amount paid from filing organization's funds If none, enter -0-	(e) Amount of political contributions received and promptly and directly delivered to a separate political organization If none, enter -0-

Part II-A

Complete if the organization is exempt under section 501(c)(3) and filed Form 5768 (election under section 501(h)).

A

Check

☐

if the filing organization belongs to an affiliated group

B

Check

☐

if the filing organization checked box A and "limited control" provisions apply

Limits on Lobbying Expenditures (The term "expenditures" means amounts paid or incurred.)		(a) Filing Organization's Totals	(b) Affiliated Group Totals												
1a Total lobbying expenditures to influence public opinion (grass roots lobbying)															
b Total lobbying expenditures to influence a legislative body (direct lobbying)															
c Total lobbying expenditures (add lines 1a and 1b)															
d Other exempt purpose expenditures															
e Total exempt purpose expenditures (add lines 1c and 1d)															
f Lobbying nontaxable amount Enter the amount from the following table in both columns															
<table><tr><td>If the amount on line 1e, column (a) or (b) is:</td><td>The lobbying nontaxable amount is:</td></tr><tr><td>Not over \$500,000</td><td>20% of the amount on line 1e</td></tr><tr><td>Over \$500,000 but not over \$1,000,000</td><td>\$100,000 plus 15% of the excess over \$500,000</td></tr><tr><td>Over \$1,000,000 but not over \$1,500,000</td><td>\$175,000 plus 10% of the excess over \$1,000,000</td></tr><tr><td>Over \$1,500,000 but not over \$17,000,000</td><td>\$225,000 plus 5% of the excess over \$1,500,000</td></tr><tr><td>Over \$17,000,000</td><td>\$1,000,000</td></tr></table>		If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:	Not over \$500,000	20% of the amount on line 1e	Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000	Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000	Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000	Over \$17,000,000	\$1,000,000		
If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:														
Not over \$500,000	20% of the amount on line 1e														
Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000														
Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000														
Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000														
Over \$17,000,000	\$1,000,000														
g Grassroots nontaxable amount (enter 25% of line 1f)															
h Subtract line 1g from line 1a If zero or less, enter -0-															
i Subtract line 1f from line 1c If zero or less, enter -0-															
j If there is an amount other than zero on either line 1h or line 1i, did the organization file Form 4720 reporting section 4911 tax for this year?		☐ Yes	☐ No												

4-Year Averaging Period Under Section 501(h)
(Some organizations that made a section 501(h) election do not have to complete all of the five columns below. See the instructions for lines 2a through 2f on page 4.)

Lobbying Expenditures During 4-Year Averaging Period					
Calendar year (or fiscal year beginning in)	(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) Total
2a Lobbying non-taxable amount					
b Lobbying ceiling amount (150% of line 2a, column(e))					
c Total lobbying expenditures					
d Grassroots non-taxable amount					
e Grassroots ceiling amount (150% of line 2d, column (e))					
f Grassroots lobbying expenditures					

Part II-B

Complete if the organization is exempt under section 501(c)(3) and has NOT filed Form 5768 (election under section 501(h)).

		(a)		(b)	
		Yes	No	Amount	
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of				
	a	Volunteers?	No		
	b	Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?	No		
	c	Media advertisements?	No		
	d	Mailings to members, legislators, or the public?	No		
	e	Publications, or published or broadcast statements?	No		
	f	Grants to other organizations for lobbying purposes?	No		
	g	Direct contact with legislators, their staffs, government officials, or a legislative body?	No		
	h	Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?	No		
	i	Other activities? If "Yes," describe in Part IV	Yes	16,274	
	j	Total lines 1c through 1i			16,274
2a	Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?	No			
b	If "Yes," enter the amount of any tax incurred under section 4912				
c	If "Yes," enter the amount of any tax incurred by organization managers under section 4912				
d	If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?				

Part III-A

Complete if the organization is exempt under section 501(c)(4), section 501(c)(5), or section 501(c)(6).

		Yes	No
1	Were substantially all (90% or more) dues received nondeductible by members?	1	
2	Did the organization make only in-house lobbying expenditures of \$2,000 or less?	2	
3	Did the organization agree to carryover lobbying and political expenditures from the prior year?	3	

Part III-B

Complete if the organization is exempt under section 501(c)(4), section 501(c)(5), or section 501(c)(6) if BOTH Part III-A, lines 1 and 2 are answered "No" OR if Part III-A, line 3 is answered "Yes".

1	Dues, assessments and similar amounts from members	1	
2	Section 162(e) non-deductible lobbying and political expenditures (do not include amounts of political expenses for which the section 527(f) tax was paid).		
a	Current year	2a	
b	Carryover from last year	2b	
c	Total	2c	
3	Aggregate amount reported in section 6033(e)(1)(A) notices of nondeductible section 162(e) dues	3	
4	If notices were sent and the amount on line 2c exceeds the amount on line 3, what portion of the excess does the organization agree to carryover to the reasonable estimate of nondeductible lobbying and political expenditure next year?	4	
5	Taxable amount of lobbying and political expenditures (see instructions)	5	

Part IV

Supplemental Information

Complete this part to provide the descriptions required for Part I-A, line 1, Part I-B, line 4, Part I-C, line 5, and Part II-B, line 1.
Also, complete this part for any additional information.

Identifier	Return Reference	Explanation
EXPLANATION OF OTHER LOBBYING ACTIVITIES	PART II-B, LINE 1I	A PORTION OF DUES PAID TO MHA AND AHA ARE ALLOCATED TO LOBBYING EXPENSES

SCHEDULE D
(Form 990)

Supplemental Financial Statements

▶ Complete if the organization answered "Yes," to Form 990, Part IV, line 6, 7, 8, 9, 10, 11, or 12.
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2010

Open to Public Inspection

Department of the Treasury
Internal Revenue Service

Name of the organization PORT HURON HOSPITAL	Employer identification number 38-1369611
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Part I

Organizations Maintaining Donor Advised Funds or Other Similar Funds or Accounts. Complete if the organization answered "Yes" to Form 990, Part IV, line 6.

	(a) Donor advised funds	(b) Funds and other accounts
1	Total number at end of year	
2	Aggregate contributions to (during year)	
3	Aggregate grants from (during year)	
4	Aggregate value at end of year	
5	Did the organization inform all donors and donor advisors in writing that the assets held in donor advised funds are the organization's property, subject to the organization's exclusive legal control? ☐ Yes ☐ No	
6	Did the organization inform all grantees, donors, and donor advisors in writing that grant funds may be used only for charitable purposes and not for the benefit of the donor or donor advisor, or for any other purpose conferring impermissible private benefit ☐ Yes ☐ No	

Part II

Conservation Easements. Complete if the organization answered "Yes" to Form 990, Part IV, line 7.

1	Purpose(s) of conservation easements held by the organization (check all that apply) ☐ Preservation of land for public use (e g , recreation or pleasure) ☐ Preservation of an historically importantly land area ☐ Protection of natural habitat ☐ Preservation of a certified historic structure ☐ Preservation of open space											
2	Complete lines 2a–2d if the organization held a qualified conservation contribution in the form of a conservation easement on the last day of the tax year											
		<table><tr><td></td><td>Held at the End of the Year</td></tr><tr><td>a</td><td>Total number of conservation easements</td></tr><tr><td>b</td><td>Total acreage restricted by conservation easements</td></tr><tr><td>c</td><td>Number of conservation easements on a certified historic structure included in (a)</td></tr><tr><td>d</td><td>Number of conservation easements included in (c) acquired after 8/17/06</td></tr></table>		Held at the End of the Year	a	Total number of conservation easements	b	Total acreage restricted by conservation easements	c	Number of conservation easements on a certified historic structure included in (a)	d	Number of conservation easements included in (c) acquired after 8/17/06
	Held at the End of the Year											
a	Total number of conservation easements											
b	Total acreage restricted by conservation easements											
c	Number of conservation easements on a certified historic structure included in (a)											
d	Number of conservation easements included in (c) acquired after 8/17/06											
3	Number of conservation easements modified, transferred, released, extinguished, or terminated by the organization during the taxable year ▶ _____											
4	Number of states where property subject to conservation easement is located ▶ _____											
5	Does the organization have a written policy regarding the periodic monitoring, inspection, handling of violations, and enforcement of the conservation easements it holds? ☐ Yes ☐ No											
6	Staff and volunteer hours devoted to monitoring, inspecting and enforcing conservation easements during the year ▶ _____											
7	Amount of expenses incurred in monitoring, inspecting, and enforcing conservation easements during the year ▶ \$ _____											
8	Does each conservation easement reported on line 2(d) above satisfy the requirements of section 170(h)(4)(B)(i) and 170(h)(4)(B)(ii)? ☐ Yes ☐ No											
9	In Part XIV, describe how the organization reports conservation easements in its revenue and expense statement, and balance sheet, and include, if applicable, the text of the footnote to the organization's financial statements that describes the organization's accounting for conservation easements											

Part III

Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets. Complete if the organization answered "Yes" to Form 990, Part IV, line 8.

1a	If the organization elected, as permitted under SFAS 116, not to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education or research in furtherance of public service, provide, in Part XIV, the text of the footnote to its financial statements that describes these items	
b	If the organization elected, as permitted under SFAS 116, to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide the following amounts relating to these items	
	(i) Revenues included in Form 990, Part VIII, line 1	▶ \$ _____
	(ii) Assets included in Form 990, Part X	▶ \$ _____
2	If the organization received or held works of art, historical treasures, or other similar assets for financial gain, provide the following amounts required to be reported under SFAS 116 relating to these items	
a	Revenues included in Form 990, Part VIII, line 1	▶ \$ _____
b	Assets included in Form 990, Part X	▶ \$ _____

Part III

Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets (continued)

3

Using the organization's accession and other records, check any of the following that are a significant use of its collection items (check all that apply)

a

☐

Public exhibition

d

☐

Loan or exchange programs

b

☐

Scholarly research

e

☐

Other

c

☐

Preservation for future generations

4

Provide a description of the organization's collections and explain how they further the organization's exempt purpose in Part XIV

5

During the year, did the organization solicit or receive donations of art, historical treasures or other similar assets to be sold to raise funds rather than to be maintained as part of the organization's collection?

☐ Yes

☐ No

Part IV

Escrow and Custodial Arrangements. Complete if the organization answered "Yes" to Form 990, Part IV, line 9, or reported an amount on Form 990, Part X, line 21.

1a

Is the organization an agent, trustee, custodian or other intermediary for contributions or other assets not included on Form 990, Part X?

☐ Yes

☐ No

b

If "Yes," explain the arrangement in Part XIV and complete the following table

c

Beginning balance

d

Additions during the year

e

Distributions during the year

f

Ending balance

	Amount
1c	
1d	
1e	
1f	

2a

Did the organization include an amount on Form 990, Part X, line 21?

☐ Yes

☐ No

b

If "Yes," explain the arrangement in Part XIV

Part V

Endowment Funds. Complete if the organization answered "Yes" to Form 990, Part IV, line 10.

	(a)Current Year	(b)Prior Year	(c)Two Years Back	(d)Three Years Back	(e)Four Years Back
1a	Beginning of year balance				
b	Contributions				
c	Investment earnings or losses				
d	Grants or scholarships				
e	Other expenditures for facilities and programs				
f	Administrative expenses				
g	End of year balance				

2

Provide the estimated percentage of the year end balance held as

a

Board designated or quasi-endowment ▶

b

Permanent endowment ▶

c

Term endowment ▶

3a

Are there endowment funds not in the possession of the organization that are held and administered for the organization by

(i) unrelated organizations

3a(i)

Yes

No

(ii) related organizations

3a(ii)

b

If "Yes" to 3a(ii), are the related organizations listed as required on Schedule R?

3b

4

Describe in Part XIV the intended uses of the organization's endowment funds

Part VI

Investments—Land, Buildings, and Equipment. See Form 990, Part X, line 10.

Description of investment	(a) Cost or other basis (investment)	(b)Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land		2,132,711		2,132,711
b Buildings		76,443,089	57,553,556	18,889,533
c Leasehold improvements		658,773	288,649	370,124
d Equipment		62,255,800	43,221,442	19,034,358
e Other		8,605,177	4,044,499	4,560,678
Total. Add lines 1a-1e (Column (d) should equal Form 990, Part X, column (B), line 10(c).) ▶				44,987,404

Schedule D (Form 990) 2010

Additional Data

Software ID:

Software Version:

EIN: 38-1369611

Name: PORT HURON HOSPITAL

Form 990, Part VII - Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors

(A) Name and Title	(B) Average hours per week	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
KAREN NIVER MD CHAIRMAN	3 00	X		X				0	0	0
MONA ARMSTRONG VICE CHAIRMAN	3 00	X		X				0	0	0
JOHN OGDEN SECRETARY	3 00	X		X				0	0	0
DAVID C WHIPPLE TREASURER	3 00	X		X				0	0	0
JOHN LISTON CFO	40 00	X		X	X			286,879	0	29,112
MIKE TURNBULL TRUSTEE	1 00	X						0	0	0
RONDA RYAN TRUSTEE	1 00	X						0	0	0
BR REDDY MD TRUSTEE	1 00	X						0	0	0
CLARE SCHEURER MD TRUSTEE	1 00	X						0	0	0
TIM REGAN TRUSTEE	1 00	X						0	0	0
FRANKLIN MORTIMER II TRUSTEE	1 00	X						0	0	0
JOHN V BROOKS MD TRUSTEE	1 00	X						0	0	0
GEORGE STOMMEL TRUSTEE	1 00	X						0	0	0
BASHAR SAMMAN MD TRUSTEE - PART YEAR	1 00	X						0	0	0
JAMES MARSH TRUSTEE - PART YEAR	1 00	X						0	0	0
KARL TOMION TRUSTEE	1 00	X						0	0	0
BASSAM H NASR MD TRUSTEE	1 00	X						0	0	0
SAMIR ALSAWAH MD TRUSTEE	1 00	X						0	0	0
DAVID A THOMPSON TRUSTEE	1 00	X						0	0	0
THOMAS D DEFAUW PRESIDENT & CEO	40 00			X	X			597,028	0	61,934
KATHLEEN METCALF DIRECTOR PEROPERATIVE SERV	40 00				X			281,224	0	675
DR MICHAEL TAWNEY CHIEF MEDICAL OFFICER	40 00				X	X		344,432	0	47,981
DAVID MCEWEN VP OF OPERATIONS	40 00				X			248,521	0	47,407
MARYANN BARNES VP OF NURSING - THRU 2/2011	40 00				X			242,668	0	9,999
GARY LEROY VP OF ADMINISTRATION & PLANNING	40 00				X			362,940	0	15,771

Part XI Reconciliation of Change in Net Assets from Form 990 to Financial Statements		
1	Total revenue (Form 990, Part VIII, column (A), line 12)	1176,332,509
2	Total expenses (Form 990, Part IX, column (A), line 25)	2168,513,150
3	Excess or (deficit) for the year Subtract line 2 from line 1	37,819,359
4	Net unrealized gains (losses) on investments	44,361,675
5	Donated services and use of facilities	5
6	Investment expenses	6
7	Prior period adjustments	7
8	Other (Describe in Part XIV)	88,752,136
9	Total adjustments (net) Add lines 4 - 8	913,113,811
10	Excess or (deficit) for the year per financial statements Combine lines 3 and 9	1020,933,170

Part XII Reconciliation of Revenue per Audited Financial Statements With Revenue per Return		
1	Total revenue, gains, and other support per audited financial statements	1
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12	
a	Net unrealized gains on investments2a	
b	Donated services and use of facilities2b	
c	Recoveries of prior year grants2c	
d	Other (Describe in Part XIV)2d	
e	Add lines 2a through 2d2e	
3	Subtract line 2e from line 13	
4	Amounts included on Form 990, Part VIII, line 12, but not on line 1	
a	Investment expenses not included on Form 990, Part VIII, line 7b4a	
b	Other (Describe in Part XIV)4b	
c	Add lines 4a and 4b4c	
5	Total Revenue Add lines 3 and 4c. (This should equal Form 990, Part I, line 12)5	

Part XIII Reconciliation of Expenses per Audited Financial Statements With Expenses per Return		
1	Total expenses and losses per audited financial statements	1
2	Amounts included on line 1 but not on Form 990, Part IX, line 25	
a	Donated services and use of facilities2a	
b	Prior year adjustments2b	
c	Other losses2c	
d	Other (Describe in Part XIV)2d	
e	Add lines 2a through 2d2e	
3	Subtract line 2e from line 13	
4	Amounts included on Form 990, Part IX, line 25, but not on line 1:	
a	Investment expenses not included on Form 990, Part VIII, line 7b4a	
b	Other (Describe in Part XIV)4b	
c	Add lines 4a and 4b4c	
5	Total expenses Add lines 3 and 4c. (This should equal Form 990, Part I, line 18)5	

Part XIV Supplemental Information		
Complete this part to provide the descriptions required for Part II, lines 3, 5, and 9, Part III, lines 1a and 4, Part IV, lines 1b and 2b, Part V, line 4, Part X, Part XI, line 8, Part XII, lines 2d and 4b, and Part XIII, lines 2d and 4b. Also complete this part to provide any additional information.		
Identifier	Return Reference	Explanation
PART XI, LINE 8 - OTHER ADJUSTMENTS		CHANGE IN ADDITIONAL MINIMUM PENSION LIABILITY 8,752,136

SCHEDULE H
(Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

▶ **Complete if the organization answered "Yes" to Form 990, Part IV, question 20.**
▶ **Attach to Form 990.** ▶ **See separate instructions.**

OMB No 1545-0047

2010

Open to Public
Inspection

Name of the organization
PORT HURON HOSPITAL

Employer identification number
38-1369611

Part I

Financial Assistance and Certain Other Community Benefits at Cost

		Yes	No
1a	Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a	Yes	
b	If "Yes," is it a written policy?	Yes	
2	If the organization has multiple hospitals, indicate which of the following best describes application of the financial assistance policy to its various hospital facilities during the tax year ☐ Applied uniformly to all hospitals ☐ Applied uniformly to most hospitals ☐ Generally tailored to individual hospitals		
3	Answer the following based on the the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year a Does the organization use Federal Poverty Guidelines (FPG) to determine eligibility for providing <i>free</i> care to low income individuals? If "Yes," indicate which of the following is the FPG family income limit for eligibility for free care ☐ 100% ☐ 150% ☒ 200% ☐ Other _____% b Does the organization use FPG to determine eligibility for providing <i>discounted</i> care to low income individuals? If "Yes," indicate which of the following is the family income limit for eligibility for discounted care ☒ 200% ☐ 250% ☐ 300% ☐ 350% ☐ 400% ☐ Other _____% c If the organization does not use FPG to determine eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care Include in the description whether the organization uses an asset test or other threshold, regardless of income, to determine eligibility for free or discounted care 4 Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for free or discounted care to the "medically indigent"?		
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	Yes	
b	If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?	Yes	
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care?		No
6a	Does the organization prepare a community benefit report during the tax year?	Yes	
6b	If "Yes," did the organization make it available to the public? Complete the following table using the worksheets provided in the Schedule H instructions Do not submit these worksheets with the Schedule H	Yes	

7

Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheets 1 and 2)	1	443	940,844		940,844	0 600 %
b Unreimbursed Medicaid (from Worksheet 3, column a)	3	2,410	25,236,304	24,555,900	680,404	0 430 %
c Unreimbursed costs—other means-tested government programs (from Worksheet 3, column b)	1	9	110,118	8,000	102,118	0 070 %
d Total Financial Assistance and Means-Tested Government Programs	5	2,862	26,287,266	24,563,900	1,723,366	1 100 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)	791	44,905	707,343	52,877	654,466	0 420 %
f Health professions education (from Worksheet 5)	1		185,985		185,985	0 120 %
g Subsidized health services (from Worksheet 6)						
h Research (from Worksheet 7)						
i Cash and in-kind contributions to community groups (from Worksheet 8)	37		10,778		10,778	0 010 %
j Total Other Benefits	829	44,905	904,106	52,877	851,229	0 550 %
k Total. Add lines 7d and 7j	834	47,767	27,191,372	24,616,777	2,574,595	1 650 %

Part II

Community Building Activities during the tax year, and describe in Part VI how its community building activities during the tax year, and describe in Part VI how its community building activities promoted the health of the communities it serves.

	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1	Physical improvements and housing					
2	Economic development					
3	Community support	1	450	207	207	0 %
4	Environmental improvements					
5	Leadership development and training for community members					
6	Coalition building					
7	Community health improvement advocacy					
8	Workforce development					
9	Other	2	407	725	725	0 %
10	Total	3	857	932	932	

Part III

Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

		Yes	No
1	Did the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No. 15?	1	Yes
2	Enter the amount of the organization's bad debt expense (at cost)	2	3,800,963
3	Enter the estimated amount of the organization's bad debt expense (at cost) attributable to patients eligible under the organization's financial assistance policy	3	1,059,165
4	Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense. In addition, describe the costing methodology used in determining the amounts reported on lines 2 and 3, and rationale for including a portion of bad debt amounts as community benefit.		

Section B. Medicare

5	Enter total revenue received from Medicare (including DSH and IME)	5	60,492,878
6	Enter Medicare allowable costs of care relating to payments on line 5	6	61,173,708
7	Subtract line 6 from line 5. This is the surplus or (shortfall)	7	-680,830
8	Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit. Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6. Check the box that describes the method used: ☐ Cost accounting system ☒ Cost to charge ratio ☐ Other		

Section C. Collection Practices

9a	Does the organization have a written debt collection policy?	9a	Yes
b	If "Yes," does the organization's collection policy contain provisions on the collection practices to be followed for patients who are known to qualify for charity care or financial assistance? Describe in Part VI	9b	Yes

Part IV

Management Companies and Joint Ventures

(a) Name of entity	(b) Description of primary activity of entity	(c) Organization's profit % or stock ownership %	(d) Officers, directors, trustees, or key employees' profit % or stock ownership%	(e) Physicians' profit % or stock ownership %
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				

Section A. Hospital Facilities

How many hospital facilities did the organization operate during the tax year? 1

Schedule H (Form 990) 2010

Section C. Other Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility

(list in order of size, measured by total revenue per facility, from largest to smallest)

How many non-hospital facilities did the organization operate during the tax year? _____

Name and address	Type of Facility (Describe)
1	
1	
2	
3	
4	
5	
6	
7	
8	
9	
10	

Part VI

Supplemental Information

Complete this part to provide the following information

- 1
- Required descriptions.** Provide the description required for Part I, lines 3c, 6a, and 7, Part II, Part III, lines 4, 8, and 9b, and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 11h, 13g, 15e, 16e, 17e, 18d, 19d, 20, and 21
- 2
- Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any needs assessments reported in Part V, Section B
- 3
- Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy
- 4
- Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves
- 5
- Promotion of community health.** Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e g, open medical staff, community board, use of surplus funds, etc)
- 6
- Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served
- 7
- State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report

Identifier	ReturnReference	Explanation
		PART I, LINE 7, COLUMN (F) THE BAD DEBT EXPENSE INCLUDED ON FORM 990, PART IX, LINE 25, COLUMN (A), BUT SUBTRACTED FOR PURPOSES OF CALCULATING THE PERCENTAGE IN THIS COLUMN IS \$ 11886478

Identifier	ReturnReference	Explanation
		PART II N/A

Identifier	ReturnReference	Explanation
		PART III, LINE 4 THE COSTING METHODOLOGY USED IS THE COST TO CHARGE RATIO IN DETERMINING THE BAD DEBT EXPENSE ATTRIBUTABLE TO PATIENTS ELIGIBLE UNDER THE ORGANIZATION'S CHARITY CARE POLICY

Identifier	ReturnReference	Explanation
		PART III, LINE 8 THE COSTING METHODOLOGY USED IS THE COST TO CHARGE RATIO IN DETERMINING THE MEDICARE ALLOWABLE COSTS OF CARE

Identifier	ReturnReference	Explanation
		PART III, LINE 9B IF A PATIENT PARTICIPATES IN THE CHARITY CARE PROCESS, THE ACCOUNT IS WRITTEN OFF THE CHARITY AS PER THE CHARITY CARE PROCESS HOWEVER, IF THE PATIENT IS NON-PARTICIPATIVE IN THE CHARITY CARE PROCESS, THE NORMAL COLLECTION PROCESS WILL ENSUE

Identifier	ReturnReference	Explanation
		PART VI, LINE 2 THE HOSPITAL ASSESSES HEALTH CARE NEEDS OF THE COMMUNITIES IT SERVES BY VARIOUS ONGOING AND AD HOC PROCESSES -PARTICIPATION IN PERIODIC (ST CLAIR) COUNTYWIDE NEEDS ASSESSMENT COORDINATED BY ST CLAIR COUNTY HEALTH DEPARTMENT -ANNUAL GAP ANALYSIS OF OUTMIGRATION FOR HEALTH CARE SERVICES THROUGH THE MICHIGAN INPATIENT DATA BASE -PERIODIC CONSUMER PERCEPTION AND PREFERENCES SURVEYS CONDUCTED BY INDEPENDENT PROFESSIONAL SURVEY FIRMS, E G EPIC - MRA, LANSING, MI -ANNUAL 10-STEP STRATEGIC PLANNING PROCESS INCLUDING STRATEGIC PLANNING EVENTS INVOLVING TRUSTEES, PHYSICIANS, AND MANAGEMENT TO REVIEW ENVIRONMENTAL ASSESSMENTS AND KEY STAKEHOLDER FEEDBACK TOWARD DEVELOPING HOSPITAL INITIATIVES FOR THE NEXT OPERATING CYCLE -HOSPITAL-SPONSORED ADVISORY AND MEMBERSHIP GROUPS SUCH AS "55 PLUS" AND "WOMEN'S WELLNESS ADVISORY TEAM" WHICH PROVIDE INPUT AS TO HOSPITAL DIRECTION ON BETTER ADDRESSING COMMUNITY HEALTH NEEDS -COMMITMENT TO ONGOING CONTINUOUS IMPROVEMENT FOR OVER 20 YEARS, THE HOSPITAL HAS BEEN COMMITTED TO THE PRINCIPLE OF CONTINUOUS IMPROVEMENT APPLIED TO ONGOING MANAGEMENT PLANNING, NUMEROUS OPPORTUNITIES TO BETTER SERVE OUR COMMUNITIES HAVE BEEN IDENTIFIED AND PURSUED SEVERAL OF THOSE PURSUITS CONTINUE TODAY AND ARE ENUMERATED ON THE IRS 990 SCHEDULE H WORKSHEET INCLUDED HERE BREATHER'S CLUB, A SERVICE UNDER 55 PLUS MEETING THE DESPERATE NEEDS OF COPD SUFFERERS FOR SUPERVISED EXERCISE, THE LANG (HEALTH) LIBRARY INCORPORATED INTO THE HOSPITAL ENTRANCE ATRIUM PROVIDED SPECIAL HEALTH INFORMATION RESOURCES TO SCHOOLS, EDUCATORS, AND HEALTH CARE PROFESSIONALS, TODAY'S HEALTH WEEKLY HEALTH INFORMATION TELEVISION SHOW OVER THE LOCAL CABLE CHANNEL, AND HEALTH ACCESS, OUR HEALTH INFORMATION AND REFERRAL SERVICE OPERATING 80 HOURS PER WEEK, STAFFED BY RNS AND FIELDING 34,000 CALLS PER YEAR -PARTICIPATION IN AD HOC COMMUNITY INITIATIVES FOR THE PURPOSE OF ADDRESSING SPECIFIC COMMUNITY HEALTH GAPS SUCH AS (1) RECENT UNITED WAY - ST CLAIR COUNTY HEALTH DEPARTMENT INITIATIVE ON ESTABLISHING AN ADULT INDIGENT DENTAL CLINIC, AND (2) HELMET SAFETY INITIATIVE DEVELOPED THROUGH PHH FOUNDATION'S COMMUNITY BENEFIT COMMITTEE THAT INCLUDED SCHOOL DISTRICT AND POLICE REPRESENTATIVES

Identifier	ReturnReference	Explanation
		PART VI, LINE 3 THE HOSPITAL HAS BROCHURES AVAILABLE FOR PATIENTS REGARDING THEIR OPTIONS THE HOSPITAL ALSO COMMUNICATES THAT A PATIENT MAY CALL IF THEY NEED FINANCIAL ASSISTANCE VIA PHONE CALLS AND BILLING STATEMENTS THE HOSPITAL HAS A REPRESENTATIVE THAT IS WILLING TO WORK WITH THE PATIENTS TO HELP THEM TRY TO GET INSURANCE OR OTHER FORMS OF ASSISTANCE

Identifier	ReturnReference	Explanation
		PART VI, LINE 4 PORT HURON HOSPITAL AND ITS AFFILIATES SERVE A THREE-SIDED MARKET, LIMITED TO THE EAST BY LAKE HURON AND THE ONATRIO, CA BORDER THAT MARKET IS DESCRIBED GENERALLY AS ST CLAIR COUNTY, SANILAC COUNTY, PLUS LESSER PARTS OF FOUR CONTINUOUS COUNTIES HURON, LAPEER, TUSCOLA, AND MACOMB THIS AREA IS LARGELY RURAL WITH THE LARGEST CITY, PORT HURON, CLAIMING A POPULATION OF AROUND 36,000 SOME 25-30% OF WORKERS WHO RESIDE IN ST CLAIR COUNTY COMMUTE OUT OF COUNTY TO JOBS IN TOTAL, THE MARKET INCLUDES APPROXIMATELY 220,000 RESIDENTS, OF WHOM THREE QUARTERS RESIDE IN ST CLAIR COUNTY OUR MARKET FOLLOWS THE STATE AVERAGES DEMOGRAPHICALLY WITH SOME EXCEPTIONS A LOWER PERCENTAGE OF AFRICAN-AMERICANS, A HIGHER PERCENTAGE OF NATIVE-AMERICANS, A LOWER AVERAGE HOUSEHOLD INCOME, A HIGHER PERCENTAGE OF OVER AGE 65 POPULATION

Identifier	ReturnReference	Explanation
		PART VI, LINE 6 N/A

Identifier	ReturnReference	Explanation
REPORTS FILED WITH STATES	PART VI, LINE 7	MI

Schedule J
(Form 990)

Compensation Information

OMB No 1545-0047

2010

Open to Public Inspection

For certain Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

▶ Complete if the organization answered "Yes" to Form 990, Part IV, question 23.

▶ Attach to Form 990. ▶ See separate instructions.

Name of the organization PORT HURON HOSPITAL	Employer identification number 38-1369611
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Part I

Questions Regarding Compensation

	Yes	No
1a Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a Complete Part III to provide any relevant information regarding these items		
☐ First-class or charter travel		
☒ Travel for companions		
☐ Tax idemnification and gross-up payments		
☐ Discretionary spending account		
☐ Housing allowance or residence for personal use		
☐ Payments for business use of personal residence		
☒ Health or social club dues or initiation fees		
☐ Personal services (e g , maid, chauffeur, chef)		
b If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all the expenses described above? If "No," complete Part III to explain	1b Yes	
2 Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a?	2 Yes	
3 Indicate which, if any, of the following the organization uses to establish the compensation of the organization's CEO/Executive Director Check all that apply		
☒ Compensation committee		
☐ Independent compensation consultant		
☐ Form 990 of other organizations		
☒ Written employment contract		
☒ Compensation survey or study		
☒ Approval by the board or compensation committee		
4 During the year, did any person listed in Form 990, Part VII, Section A, line 1a with respect to the filing organization or a related organization		
a Receive a severance payment or change-of-control payment from the organization or a related organization?	4a	No
b Participate in, or receive payment from, a supplemental nonqualified retirement plan?	4b Yes	
c Participate in, or receive payment from, an equity-based compensation arrangement?	4c	No
If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III		
Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.		
5 For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of		
a The organization?	5a	No
b Any related organization?	5b	No
If "Yes," to line 5a or 5b, describe in Part III		
6 For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of		
a The organization?	6a	No
b Any related organization?	6b	No
If "Yes," to line 6a or 6b, describe in Part III		
7 For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III	7	No
8 Were any amounts reported in Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in Regs section 53 4958-4(a)(3)? If "Yes," describe in Part III	8	No
9 If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53 4958-6(c)?	9	

Part II **Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees.** Use duplicate copies if additional space is needed.

For each individual whose compensation must be reported in Schedule J, report compensation from the organization on row (i) and from related organizations, described in the instructions on row (ii) Do not list any individuals that are not listed on Form 990, Part VII

Note. The sum of columns (B)(i)-(iii) must equal the applicable column (D) or column (E) amounts on Form 990, Part VII, line 1a

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
(1) JOHN LISTON	(i)	237,328	44,480	5,071	11,395	17,717	315,991	0
	(ii)	0	0	0	0	0	0	0
(2) THOMAS D DEFAUW	(i)	425,165	121,600	50,263	42,015	19,919	658,962	0
	(ii)	0	0	0	0	0	0	0
(3) KATHLEEN METCALF	(i)	256,934	24,290	0	0	675	281,899	0
	(ii)	0	0	0	0	0	0	0
(4) DR MICHAEL TAWNEY	(i)	286,203	50,200	8,029	20,378	27,603	392,413	0
	(ii)	0	0	0	0	0	0	0
(5) DAVID MCEWEN	(i)	205,549	38,040	4,932	27,545	19,862	295,928	0
	(ii)	0	0	0	0	0	0	0
(6) MARYANN BARNES	(i)	198,136	38,060	6,472	1,705	8,294	252,667	0
	(ii)	0	0	0	0	0	0	0
(7) GARY LEROY	(i)	152,450	25,000	185,490	650	15,121	378,711	0
	(ii)	0	0	0	0	0	0	0
(8) BRIAN BARKLEY	(i)	247,484	0	0	0	0	247,484	0
	(ii)	0	0	0	0	0	0	0
(9) TIMOTHY VANHOWER	(i)	255,233	0	0	0	0	255,233	0
	(ii)	0	0	0	0	0	0	0
(10) TROY REED	(i)	227,323	0	0	0	0	227,323	0
	(ii)	0	0	0	0	0	0	0
(11) JOHN MITCHELL MD	(i)	269,143	0	0	0	0	269,143	0
	(ii)	0	0	0	0	0	0	0
(12) THOMAS BROZOVICH MD	(i)	223,446	0	0	0	11,653	235,099	0
	(ii)	0	0	0	0	0	0	0
(13)								
(14)								
(15)								
(16)								

Part III Supplemental Information

Complete this part to provide the information, explanation, or descriptions required for Part I, lines 1a, 1b, 4c, 5a, 5b, 6a, 6b, 7, and 8. Also complete this part for any additional information.

Identifier	Return Reference	Explanation
	PART I, LINE 1A	HEALTH CLUB BENEFITS WERE PROVIDED TO THE CHIEF EXECUTIVE OFFICER AND TREATED AS TAXABLE COMPENSATION
	PART I, LINE 4B	THOMAS DEFAUW AND JOHN LISTON CONTRIBUTED \$36,044 AND \$11,085, RESPECTIVELY, TO A SUPPLEMENTAL NONQUALIFIED RETIREMENT PLAN
	PART I, LINE 6	PORT HURON HOSPITAL OFFERS AN ANNUAL INCENTIVE PROGRAM TO THE EXECUTIVE TEAM (PRESIDENT/CEO AND VICE-PRESIDENTS). THE EXECUTIVE COMPENSATION COMMITTEE OVERSEES THE ESTABLISHMENT, IMPLEMENTATION, AND APPROVAL OF THE INCENTIVE PROGRAMS. THE ANNUAL INCENTIVE PROGRAM PLAN CONTAINS 2 SETS OF MEASURES: CIRCUIT BREAKER AND ORGANIZATION INCENTIVE PROGRAM MEASURES, STANDARDS, AND WEIGHTS. CIRCUIT BREAKER MEASURES INCLUDE BOTH PATIENT SATISFACTION AND OPERATING INCOME PLUS A RESERVE FOR INCENTIVE COMPENSATION. THE SECOND SET OF MEASURES INCLUDES UP TO 5 MEASURES IMPORTANT TO THE ORGANIZATION. THE INCENTIVE PAYOUT IS CALCULATED AS A PERCENTAGE OF BASE SALARY, FROM A RANGE OF PERCENTAGES. THE PRESIDENT/CEO INCENTIVE RANGES FROM 18.5% TO 37% AND THE VICE PRESIDENTS RANGE FROM 12% TO 24%. FAILURE TO PERFORM AT BELOW THRESHOLD LEVELS FOR THE CIRCUIT BREAKER MEASURES RESULTS IN A CURTAILED OR ELIMINATED INCENTIVE PAYMENT.

Schedule K (Form 990)	Supplemental Information on Tax Exempt Bonds ▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 24a. Provide descriptions, explanations, and any additional information in Schedule O (Form 990). ▶ Attach to Form 990. ▶ See separate instructions.	OMB No 1545-0047
		2010
		Open to Public Inspection

Name of the organization PORT HURON HOSPITAL		Employer identification number 38-1369611
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Part I

Bond Issues

	(a) Issuer Name	(b) Issuer EIN	(c) CUSIP #	(d) Date Issued	(e) Issue Price	(f) Description of Purpose	(g) Defeased		(h) On Behalf of Issuer		(i) Pool financing	
							Yes	No	Yes	No	Yes	No
A	MICHIGAN STATE HOSPITAL FINANCE AUTHORITY	38-2889417	59465HKZ8	05-12-2009	14,645,000	RENOVATIONS, EQUIPMENT, CURRENT REFUNDING		X		X		X
B	MICHIGAN FINANCE AUTHORITY	80-0596186	59447PDV0	03-24-2011	23,815,000	RENOVATIONS, EQUIPMENT, CURRENT REFUNDING		X		X		X

Part II

Proceeds

		A		B		C		D	
1	Amount of bonds retired	3,743,513		452,694					
2	Amount of bonds legally defeased								
3	Total proceeds of issue	14,646,582		23,815,297					
4	Gross proceeds in reserve funds								
5	Capitalized interest from proceeds	50,291		50,291					
6	Proceeds in refunding escrow								
7	Issuance costs from proceeds	192,540		195,084					
8	Credit enhancement from proceeds								
9	Working capital expenditures from proceeds								
10	Capital expenditures from proceeds	5,728,635		391,587					
11	Other spent proceeds	8,060,193		12,522,332					
12	Other unspent proceeds	665,215		10,656,003					
13	Year of substantial completion	2012		2013					
14	Were the bonds issued as part of a current refunding issue?	Yes	No	Yes	No	Yes	No	Yes	No
		X		X					
15	Were the bonds issued as part of an advance refunding issue?		X		X				
16	Has the final allocation of proceeds been made?		X		X				
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	X		X					

Part III

Private Business Use

		A		B		C		D	
1	Was the organization a partner in a partnership, or a member of an LLC, which owned property financed by tax-exempt bonds?	Yes	No	Yes	No	Yes	No	Yes	No
			X		X				
2	Are there any lease arrangements that may result in private business use of bond-financed property?		X		X				

Part IIIPrivate Business Use (Continued)

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
3a	Are there any management or service contracts that may result in private business use?		X		X				
b	Are there any research agreements that may result in private business use of bond-financed property?		X		X				
c	Does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts or research agreements relating to the financed property?								
4	Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government ▶								
5	Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government ▶								
6	Total of lines 4 and 5								
7	Has the organization adopted management practices and procedures to ensure the post-issuance compliance of its tax-exempt bond liabilities?	X		X					

Part IVArbitrage

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Has a Form 8038-T, Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate, been filed with respect to the bond issue?		X		X				
2	Is the bond issue a variable rate issue?	X			X				
3a	Has the organization or the governmental issuer entered into a hedge with respect to the bond issue?		X		X				
b	Name of provider								
c	Term of hedge								
d	Was the hedge superintegrated?								
e	Was a hedge terminated?								
4a	Were gross proceeds invested in a GIC?		X		X				
b	Name of provider								
c	Term of GIC								
d	Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?								
5	Were any gross proceeds invested beyond an available temporary period?		X		X				
6	Did the bond issue qualify for an exception to rebate?		X		X				

Part VSupplemental Information

Complete this part to provide additional information for responses to questions on Schedule K (see instructions)

Identifier	Return Reference	Explanation

Schedule L
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Transactions with Interested Persons

▶ Complete if the organization answered "Yes" on Form 990, Part IV, lines 25a, 25b, 26, 27, 28a, 28b, or 28c, or Form 990-EZ, Part V lines 38a or 40b.
▶ Attach to Form 990 or Form 990-EZ. ▶ See separate instructions.

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
PORT HURON HOSPITAL

Employer identification number
38-1369611

Part I Excess Benefit Transactions (section 501(c)(3) and section 501 (c)(4) organizations only).

Complete if the organization answered "Yes" on Form 990, Part IV, line 25a or 25b, or Form 990-EZ, Part V, line 40b

1	(a) Name of disqualified person	(b) Description of transaction	(c) Corrected?	
			Yes	No

2 Enter the amount of tax imposed on the organization managers or disqualified persons during the year under section 4958 ▶ \$ _____

3 Enter the amount of tax, if any, on line 2, above, reimbursed by the organization ▶ \$ _____

Part II Loans to and/or From Interested Persons.

Complete if the organization answered "Yes" on Form 990, Part IV, line 26, or Form 990-EZ, Part V, line 38a

(a) Name of interested person and purpose	(b) Loan to or from the organization?		(c) Original principal amount	(d) Balance due	(e) In default?		(f) Approved by board or committee?		(g) Written agreement?	
	To	From			Yes	No	Yes	No	Yes	No
Total ▶ \$ _____										

Part III Grants or Assistance Benefitting Interested Persons.

Complete if the organization answered "Yes" on Form 990, Part IV, line 27.

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of grant or type of assistance

Part IV

Business Transactions Involving Interested Persons.
Complete if the organization answered "Yes" on Form 990, Part IV, line 28a, 28b, or 28c.

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
(1) PHYSICIAN INVESTMENT GROUP	BASSAM H NASR, MD, BOARD MEMBER OF PHH AND PART OWNER	54,000	RENTAL/LEASE SLEEP CENTER		No

Part V

Supplemental Information
Complete this part to provide additional information for responses to questions on Schedule L (see instructions)

Identifier	Return Reference	Explanation
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SCHEDULE O

(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

Complete to provide information for responses to specific questions on
Form 990 or to provide any additional information.
▶ Attach to Form 990 or 990-EZ.

OMB No 1545-0047

2010

Open to Public
Inspection

Name of the organization PORT HURON HOSPITAL	Employer identification number 38-1369611
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Identifier	Return Reference	Explanation
FORM 990, PART VI, SECTION A, LINE 6		THE SOLE MEMBER OF THIS CORPORATION IS BLUE WATER HEALTH SERVICES CORPORATION

Identifier	Return Reference	Explanation
FORM 990, PART VI, SECTION A, LINE 7A		THE MEMBER SHALL HAVE THE EXCLUSIVE RIGHT TO APPOINT AND REMOVE MEMBERS OF THE BOARD OF TRUSTEES

Identifier	Return Reference	Explanation
FORM 990, PART VI, SECTION B, LINE 11		THE FORM 990 WAS PROVIDED TO THE BOARD FOR REVIEW PRIOR TO FILING

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION B, LINE 12C	ALL TRUSTEES AND DIRECTORS ANNUALLY COMPLETE THE CONFLICT OF INTEREST POLICY THE GOVERNANCE REVIEWS THE CONFLICT OF INTEREST POLICY ANNUALLY AND DISCLOSES ANY POTENTIAL CONFLICTS AT THAT TIME ANY PERCEIVED OR POTENTIAL CONFLICTS ARE SHARED WITH THE BOARD CHAIR AND VICE-CHAIR FOR ANY DISCUSSION OR ACTION IF A CONFLICT SHOULD ARISE

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION B, LINE 15A	THE EXECUTIVE COMPENSATION COMMITTEE IS A SUBCOMMITTEE OF THE BOARD OF DIRECTORS RESPONSIBLE FOR ANNUALLY EVALUATING THE PERFORMANCE AND COMPENSATION OF THE CHIEF EXECUTIVE OF THE CORPORATION THEY ARE RESPONSIBLE FOR ENSURING PORT HURON HOSPITAL CAN ATTRACT, RETAIN AND MOTIVATE TALENTED EXECUTIVES WHO ARE ENTRUSTED TO ACHIEVE PERFORMANCE OBJECTIVES AND TO FULFILL THE HOSPITALS MISSION THE COMMITTEE UTILIZES THE SERVICES OF AN INDEPENDENT CONSULTANT TO ANALYZE TOTAL REMUNERATION AND COMPARATIVE STUDIES TO ENSURE TOTAL COMPENSATION IS REASONABLE AND COMPETITIVE THE MOST RECENT YEAR THIS PROCESS WAS UNDERTAKEN WAS FISCAL YEAR 2011

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION C, LINE 19	DOCUMENTS ARE AVAILABLE UPON REQUEST

Identifier	Return Reference	Explanation
CHANGES IN NET ASSETS OR FUND BALANCES	FORM 990, PART XI, LINE 5	NET UNREALIZED GAINS ON INVESTMENTS 4,361,675 CHANGE IN ADDITIONAL MINIMUM PENSION LIABILITY 8,752,136 TOTAL TO FORM 990, PART XI, LINE 5 13,113,811

Identifier	Return Reference	Explanation
	FORM 990, PART XII, LINE 2C	THERE HAVE BEEN NO CHANGES FROM PRIOR YEAR

SCHEDULE R (Form 990) Department of the Treasury Internal Revenue Service	Related Organizations and Unrelated Partnerships ▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 33, 34, 35, 36, or 37. ▶ Attach to Form 990. ▶ See separate instructions.	OMB No 1545-0047
		2010
		Open to Public Inspection

Name of the organization PORT HURON HOSPITAL	Employer identification number 38-1369611
---	--

Part I

Identification of Disregarded Entities (Complete if the organization answered "Yes" on Form 990, Part IV, line 33.)

(a) Name, address, and EIN of disregarded entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Total income	(e) End-of-year assets	(f) Direct controlling entity

Part II

Identification of Related Tax-Exempt Organizations (Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related tax-exempt organizations during the tax year.)

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled organization	
						Yes	No
(1) BLUE WATER HEALTH SERVICES CORPORATION 1221 PINE GROVE AVENUE PORT HURON, MI 48060 38-2453295	MANAGEMENT CORP	MI	501(C)(3)	LINE 9	N/A		No
(2) PORT HURON HOSPITAL FOUNDATION PO BOX 5011 PORT HURON, MI 48061 38-2777750	SUPPORTING ORG	MI	501(C)(3)	LINE 11A, I	PORT HURON HOSPITAL	Yes	
(3) MARWOOD MANOR NURSING HOME PO BOX 5011 PORT HURON, MI 48061 38-2683251	NURSING HOME	MI	501(C)(3)	LINE 9	BLUE WATER HEALTH SERVICES	Yes	
(4) PARKVIEW PROPERTY MANAGEMENT CORP PO BOX 5011 PORT HURON, MI 48061 38-2467310	MANAGEMENT CORP	MI	501(C)(3)	LINE 11A, I	PORT HURON HOSPITAL	Yes	

Part III

Identification of Related Organizations Taxable as a Partnership (Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related organizations treated as a partnership during the tax year.)

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512- 514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproporionate allocations?		(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
							Yes	No		Yes	No	

Part IV

Identification of Related Organizations Taxable as a Corporation or Trust (Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related organizations treated as a corporation or trust during the tax year.)

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership
(1) WILLOW ENTERPRISES PO BOX 5011 PORT HURON, MI48061 38-2491659	RENT/SALE OF MEDICAL EQUIPMENT	MI	PORT HURON HOSPITAL	C	93,148	3,342,623	100 000 %

Part V

Transactions With Related Organizations (Complete if the organization answered "Yes" on Form 990, Part IV, line 34, 35, 35A, or 36.)

Note. Complete line 1 if any entity is listed in Parts II, III or IV

1

During the tax year, did the organization engage in any of the following transactions with one or more related organizations listed in Parts II-IV?

a

Receipt of (i) interest (ii) annuities (iii) royalties (iv) rent from a controlled entity

b

Gift, grant, or capital contribution to other organization(s)

c

Gift, grant, or capital contribution from other organization(s)

d

Loans or loan guarantees to or for other organization(s)

e

Loans or loan guarantees by other organization(s)

f

Sale of assets to other organization(s)

g

Purchase of assets from other organization(s)

h

Exchange of assets

i

Lease of facilities, equipment, or other assets to other organization(s)

j

Lease of facilities, equipment, or other assets from other organization(s)

k

Performance of services or membership or fundraising solicitations for other organization(s)

l

Performance of services or membership or fundraising solicitations by other organization(s)

m

Sharing of facilities, equipment, mailing lists, or other assets

n

Sharing of paid employees

o

Reimbursement paid to other organization for expenses

p

Reimbursement paid by other organization for expenses

q

Other transfer of cash or property to other organization(s)

r

Other transfer of cash or property from other organization(s)

Yes

No

1a

1b

1c

1d

1e

1f

1g

1h

1i

1j

1k

1l

1m

1n

1o

1p

1q

1r

No

No

Yes

No

No

No

No

No

Yes

Yes

Yes

No

Yes

No

Yes

No

No

2

If the answer to any of the above is "Yes," see the instructions for information on who must complete this line, including covered relationships and transaction thresholds

(a) Name of other organization	(b) Transaction type(a-r)	(c) Amount involved	(d) Method of determining amount involved
(1) See Additional Data Table			
(2)			
(3)			
(4)			
(5)			
(6)			

Schedule R (Form 990) 2010

Provide the following information for each entity taxed as a partnership through which the organization conducted more than five percent of its activities (measured by total assets or gross revenue) that was not a related organization. See instructions regarding exclusion for certain investment partnerships.

[illegible]

Part VII **Supplemental Information**

Complete this part to provide additional information for responses to questions on Schedule R (see instructions)

Identifier	Return Reference	Explanation
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Software ID:

Software Version:

EIN: 38-1369611

Name: PORT HURON HOSPITAL

Form 990, Schedule R, Part V - Transactions With Related Organizations

(a) Name of other organization	(b) Transaction type(a-r)	(c) Amount Involved (\$)	(d) Method of determining amount involved
(1) PARKVIEW PROPERTY MANAGEMENT CORP	J	777,055	FMV
(2) PORT HURON HOSPITAL FOUNDATION	C	1,203,379	CASH
(3) PORT HURON HOSPITAL FOUNDATION	P	133,717	ALLOCATION OF COST
(4) PARKVIEW PROPERTY MANAGEMENT CORP	K	219,581	ALLOCATION OF COST
(5) MARWOOD MANOR NURSING HOME	N	50,734	ALLOCATION OF COST
(6) MARWOOD MANOR NURSING HOME	K	352,859	ALLOCATION OF COST
(7) WILLOW ENTERPRISES	K	68,924	ALLOCATION OF COST
(8) WILLOW ENTERPRISES	N	2,514,782	CONTRACT
(9) WILLOW ENTERPRISES	J	54,956	LEASE AGREEMENT
(10) WILLOW ENTERPRISES	O	1,370,716	ACTUAL COST

Caymich Insurance Company, Ltd.

March 31, 2011

EIN: 98-0128041

Additional Filing Requirements for Category 3 Filers:

- 1 The amount and type of any indebtedness the foreign corporation has with the related persons described in Regulations § 1.6046-1(b)(11).

N/A - there is no indebtedness between Caymich Insurance Company, Ltd. and related parties.

- 2 The name, address, identifying number and number of shares subscribed to by each subscriber to the foreign corporation's stock.

N/A - there are currently no subscriptions for any of Caymich Insurance Company, Ltd.'s stock.

Port Huron Hospital and Subsidiaries

**Consolidated Financial Report
with Additional Information
June 30, 2011**

Port Huron Hospital and Subsidiaries

Contents

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Independent Auditor's Report

To the Board of Directors
Port Huron Hospital and Subsidiaries

We have audited the accompanying consolidated balance sheet of Port Huron Hospital and Subsidiaries (the "Hospital") as of June 30, 2011 and 2010 and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these consolidated 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated 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 consolidated financial position of Port Huron Hospital and Subsidiaries at June 30, 2011 and 2010 and the consolidated results of their operations, changes in net assets, and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Plante & Moran, PLLC

September 12, 2011

Port Huron Hospital and Subsidiaries

Consolidated Balance Sheet

	June 30, 2011	June 30, 2010
Assets		
Current Assets		
Cash and cash equivalents	\$ 25,175,777	\$ 32,953,791
Short-term investments (Note 6)	26,488,103	22,947,795
Accounts receivable - Net (Note 2)	8,843,807	6,389,776
Amounts due from affiliates (Note 15)	215,798	196,131
Assets limited as to use (Note 6)	4,269,952	1,730,133
Prepaid expenses and other	3,551,084	3,361,610
Inventories	5,709,444	5,301,249
Total current assets	74,253,965	72,880,485
Property and Equipment - Net (Note 5)	60,878,037	59,759,957
Other Assets (Note 6)	26,677,900	25,369,418
Total assets	\$ 161,809,902	\$ 158,009,860
Liabilities and Net Assets		
Current Liabilities		
Current portion of long-term debt (Note 9)	\$ 4,517,913	\$ 3,316,540
Accounts payable	8,160,677	11,859,634
Estimated third-party payor settlements (Note 3)	2,259,786	1,100,343
Accrued liabilities and other (Note 8)	13,623,639	15,216,663
Total current liabilities	28,562,015	31,493,180
Long-term Debt - Net of current portion (Note 9)	17,898,547	21,467,750
Other Liabilities (Note 10)	50,958,103	60,373,395
Total liabilities	97,418,665	113,334,325
Net Assets		
Unrestricted	62,192,079	42,004,286
Temporarily restricted	1,799,937	2,282,244
Permanently restricted	399,221	389,005
Total net assets	64,391,237	44,675,535
Total liabilities and net assets	\$ 161,809,902	\$ 158,009,860

Port Huron Hospital and Subsidiaries

Consolidated Statement of Operations

	Year Ended	
	June 30, 2011	June 30, 2010
Unrestricted Revenue, Gains, and Other Support		
Net patient service revenue	\$ 172,995,203	\$ 171,724,058
Other	3,688,094	3,740,174
Total unrestricted revenue, gains, and other support	176,683,297	175,464,232
Expenses		
Salaries and wages	66,639,321	64,380,700
Employee benefits and payroll taxes	16,018,904	13,994,010
Operating supplies and expenses	30,155,056	28,026,228
Purchased services	20,527,472	18,939,551
Insurance	1,008,835	5,170,620
Utilities	1,834,616	1,822,699
Other	13,141,938	11,791,605
Depreciation and amortization	9,580,489	9,582,914
Provision for bad debts	11,968,605	11,255,861
Interest expense	1,347,398	1,562,277
Total expenses (Note 16)	172,222,634	166,526,465
Operating Income	4,460,663	8,937,767
Other Income (Loss)		
Interest income	1,452,811	834,908
Realized gain on sale of investments	698,508	363,154
Change in unrealized investment gain (loss)	4,498,276	(143,960)
Other	(678,518)	279,810
Total other income	5,971,077	1,333,912
Excess of Revenue Over Expenses	10,431,740	10,271,679
Transfer to Affiliate	(56,457)	(45,966)
Pension-related Changes Other Than Net Periodic Pension Costs	8,752,136	(9,242,149)
Net Assets Released from Restriction	1,060,374	352,388
Increase in Unrestricted Net Assets	<u>\$ 20,187,793</u>	<u>\$ 1,335,952</u>

Port Huron Hospital and Subsidiaries

Consolidated Statement of Changes in Net Assets

	Year Ended	
	June 30, 2011	June 30, 2010
Unrestricted Net Assets		
Excess of revenue over expenses	\$ 10,431,740	\$ 10,271,679
Transfer to affiliate	(56,457)	(45,966)
Pension-related changes other than net periodic pension costs	8,752,136	(9,242,149)
Net assets released from restriction	<u>1,060,374</u>	<u>352,388</u>
Increase in Unrestricted Net Assets	20,187,793	1,335,952
Temporarily Restricted Net Assets		
Restricted contributions	763,582	980,723
Program expenses	(259,145)	(230,805)
Restricted investment income	33,293	26,177
Net realized and unrealized gains on investments	231,674	38,470
Transfer to affiliate	(191,337)	(45,782)
Net assets released from restriction	<u>(1,060,374)</u>	<u>(352,388)</u>
(Decrease) Increase in Temporarily Restricted Net Assets	(482,307)	416,395
Increase in Permanently Restricted Net Assets - Investment income	<u>10,216</u>	<u>6,114</u>
Increase in Net Assets	19,715,702	1,758,461
Net Assets - Beginning of year	<u>44,675,535</u>	<u>42,917,074</u>
Net Assets - End of year	<u><u>\$ 64,391,237</u></u>	<u><u>\$ 44,675,535</u></u>

Port Huron Hospital and Subsidiaries

Consolidated Statement of Cash Flows

	Year Ended	
	June 30, 2011	June 30, 2010
Cash Flows from Operating Activities		
Increase in net assets	\$ 19,715,702	\$ 1,758,461
Adjustments to reconcile increase in net assets to net cash from operating activities:		
Depreciation and amortization	9,580,489	9,582,914
Net change in unrealized net gains and losses on investments	(4,498,276)	143,960
Realized gains on investments	(698,508)	(363,154)
Pension-related changes other than net periodic pension costs	(8,752,136)	9,242,149
Loss on disposal of equipment	591,272	308,109
Write-off of bond issue costs	405,139	-
Restricted contributions	(671,027)	(980,723)
Provision for bad debts	11,968,605	11,255,861
Changes in assets and liabilities which (used) provided cash:		
Accounts receivable	(14,422,636)	(7,839,285)
Other current assets	(597,669)	(51,251)
Cost report settlements	1,159,443	(1,174,813)
Other assets	(1,360,794)	(13,140)
Accounts payable	(3,698,957)	624,036
Accrued liabilities	(1,593,024)	2,318,632
Long-term liabilities	(663,156)	4,337,912
Net cash provided by operating activities	6,464,467	29,149,668
Cash Flows from Investing Activities		
Purchase of property and equipment	(11,305,508)	(10,948,647)
Proceeds from sale of property and equipment	76,931	4,719,287
Purchase of investments	(21,782,140)	(18,998,298)
Proceeds from sale and maturities of investments	20,598,018	7,266,648
Net cash used in investing activities	(12,412,699)	(17,961,010)
Cash Flows from Financing Activities		
Proceeds from issuance of debt obligations	15,985,000	-
Principal payment on long-term debt	(18,352,830)	(2,909,746)
Payment of bond issue costs	(132,979)	-
Restricted contributions	671,027	980,723
Net cash used in financing activities	(1,829,782)	(1,929,023)
Net (Decrease) Increase in Cash and Cash Equivalents	(7,778,014)	9,259,635
Cash and Cash Equivalents - Beginning of year	32,953,791	23,694,156
Cash and Cash Equivalents - End of year	<u>\$ 25,175,777</u>	<u>\$ 32,953,791</u>
Supplemental Cash Flow Information - Cash paid for interest	<u>\$ 1,703,338</u>	<u>\$ 1,599,936</u>

Port Huron Hospital and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2011 and 2010

Note 1 - Nature of Business and Significant Accounting Policies

Organization - Port Huron Hospital (the "Hospital"), a not-for-profit corporation, provides healthcare services primarily to the residents of St. Clair County and surrounding areas. Port Huron Hospital Foundation, Willow Enterprises, Inc., and Parkview Property Management Corporation are wholly owned subsidiaries of the Hospital. The Hospital is a wholly owned subsidiary of Blue Water Health Services Corporation and Subsidiaries.

Basis of Consolidation - The accompanying consolidated financial statements include the accounts of the Hospital and its subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation.

Cash and Cash Equivalents - Cash and cash equivalents include cash and investments in highly liquid investments purchased with an original maturity of three months or less, excluding those amounts included in assets limited as to use.

Accounts Receivable - Accounts receivable for patients, insurance companies, and governmental agencies are based on gross charges. An allowance for uncollectible accounts is established on an aggregate basis by using historical write-off rate factors applied to unpaid accounts based on aging. Loss rate factors are based on historical loss experience and adjusted for economic conditions and other trends affecting the Hospital's ability to collect outstanding amounts. Uncollectible amounts are written off against the allowance for doubtful accounts in the period they are determined to be uncollectible. An allowance for contractual adjustments and interim payment advances is based on expected payment rates from payors based on current reimbursement methodologies. This amount also includes amounts received as interim payments against unpaid claims by certain payors.

Inventories - Inventories, which consist of medical and office supplies and pharmaceutical products, are stated at cost, determined on a first-in, first-out basis or market.

Investments - Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the consolidated balance sheet. The Hospital's investment portfolio is classified as a trading portfolio, and therefore unrealized gains and losses are included in excess of revenue over expenses. Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included in other income (loss) unless the income or loss is restricted by donor or law.

The Hospital 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 changes could materially affect the amounts reported in the consolidated balance sheet.

Port Huron Hospital and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2011 and 2010

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

Subsequent to year end, the Hospital's investment portfolio has incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined.

Assets Limited as to Use - Assets limited as to use include assets designated by the board of trustees for future capital improvement, assets held by trustees under indenture agreements, and self-insurance arrangements. The board retains control over assets held for future capital improvements and may, at its discretion, subsequently use for other purposes.

Property and Equipment - Property and equipment purchases are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Equipment under capital lease obligations is amortized on the straight-line method over the shorter of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the consolidated financial statements. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

Professional and Other Liability Insurance - The Hospital accrues an estimate of the ultimate expense, including litigation and settlement expense, net of applicable reinsurance coverage, for incidents of potential improper professional service and other liability claims occurring during the year as well as for those claims that have not been reported at year end.

Temporarily and Permanently Restricted Net Assets - Temporarily restricted net assets are those whose use by the Hospital has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Hospital in perpetuity.

Net Patient Service Revenue - The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactively calculated adjustments arising under reimbursement agreements with third-party payors are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined.

Port Huron Hospital and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2011 and 2010

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

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. Management believes that it is in compliance with all applicable laws and regulations. Final determination of compliance of such laws and regulations is subject to future government review and interpretation. Violations may result in significant regulatory action including fines, penalties, and exclusions from the Medicare and Medicaid programs.

Charity Care - The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

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

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

Excess of Revenue Over Expenses - The consolidated statement of operations includes excess of revenue over expenses. Changes in unrestricted net assets, which are excluded from excess of revenue over expenses, consistent with industry practice, include net assets released from restrictions for the acquisition of long-lived assets, permanent transfers of assets to and from affiliates for other than goods and services, and pension-related changes other than net periodic benefit cost.

Tax Status - The Hospital and all subsidiaries, aside from Willow Enterprises, Inc., are nonprofit, tax-exempt organizations as described in Section 501(c)(3) of the Internal Revenue Code (the "Code") and are exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. Accordingly, no tax provision is reflected in the consolidated financial statements for these entities. Willow Enterprises, Inc. is a taxable corporation. Income tax provisions for this entity are not material to the consolidated financial statements.

Port Huron Hospital and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2011 and 2010

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

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 financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events - The consolidated financial statements and related disclosures include evaluation of events up through and including September 12, 2011, which is the date the consolidated financial statements were available to be issued.

New Accounting Pronouncements - During 2010, the Financial Accounting Standards Board (FASB) adopted new accounting guidance that will impact how health care organizations account for claims liabilities and charity care. The new guidance requires that the accrued liability for malpractice claims and similar liabilities and the related insurance recovery receivable be presented separately on the balance sheet on a gross basis. Prior guidance allowed the liability to be reported net of the estimated insurance recovery receivable. This new standard will be effective for the year ending June 30, 2012 and interim periods within that annual period.

New guidance has also been adopted on how to measure the amount of charity care provided to patients. The new guidance requires that cost be used as the measurement basis for charity care disclosure purposes and that the cost be identified as the direct and indirect costs of providing the charity care. No other measurement basis should be used. Prior guidance did not dictate how charity care should be measured. This new standard will be effective for the year ending June 30, 2012 and should be applied retrospectively to all prior periods presented.

During 2011, the Financial Accounting Standards Board (FASB) adopted Accounting Standards Update (ASU) 2011-07, *Health Care Entities (Topic 954) Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities*. The new guidance requires a change in the presentation of the statement of operations. The provision for bad debts associated with patient service revenue for certain entities will be required to be presented on a separate line as a deduction from patient service revenue (net of contractual allowances and discounts) in the statement of operations, as opposed to the current presentation as an operating expense.

The new standard will be effective for the year ending June 30, 2013 and interim and annual periods thereafter, with early adoption permitted.

The Hospital is currently assessing the impact this new standard will have on its financial statements.

Port Huron Hospital and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2011 and 2010

Note 2 - Patient Accounts Receivable

The details of patient accounts receivable are as follows:

	2011	2010
Patient accounts receivable	\$ 63,751,517	\$ 58,753,679
Less allowance for uncollectible accounts	(11,392,526)	(10,107,634)
Less allowance for contractual adjustments	(43,515,184)	(42,256,269)
Net patient accounts receivable	<u>\$ 8,843,807</u>	<u>\$ 6,389,776</u>

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

	Percentage	
	2011	2010
Medicare	34 %	33 %
Blue Cross/Blue Shield of Michigan	16	13
Medicaid	3	5
Commercial insurance and HMOs	24	24
Self-pay	23	25
Total	<u>100 %</u>	<u>100 %</u>

Note 3 - Estimated Third-party Payor Settlements

A significant portion of the Hospital's net patient service revenue is received from the Medicare, Medicaid, and Blue Cross/Blue Shield of Michigan programs, as well as health maintenance organizations. The Hospital has agreements with third-party payors that provide for reimbursement at amounts different from established rates. A summary of the basis of reimbursement with these third-party payors is as follows:

- **Medicare** - Inpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system based on clinical, diagnostic, and other factors. Outpatient services related to Medicare beneficiaries are reimbursed based on a prospectively determined amount per episode of care.
- **Medicaid** - Inpatient, acute-care services rendered to Medicaid program beneficiaries are also paid at prospectively determined rates per discharge. Capital costs relating to Medicaid patients are paid on a cost reimbursement method. Outpatient and physician services are reimbursed on an established fee-for-service methodology.

Port Huron Hospital and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2011 and 2010

Note 3 - Estimated Third-party Payor Settlements (Continued)

- **Blue Cross/Blue Shield of Michigan** - Inpatient, acute-care services are reimbursed at prospectively determined rates per discharge. Outpatient services are reimbursed on fee-for-service and percentage-of-charge bases.
- **Health Maintenance Organizations** - Services rendered to HMO beneficiaries are paid at predetermined rates or at a percentage of hospital charges.

Cost report settlements result from the adjustment of interim payments to final reimbursement under the Medicare, Medicaid, Blue Cross/Blue Shield of Michigan, and HMO programs that are subject to audit by fiscal intermediaries. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change in the near term.

The Medicare program has initiated a recovery audit contractor (RAC) initiative, whereby claims subsequent to October 1, 2007 will be reviewed by contractors for validity, accuracy, and proper documentation. A demonstration project completed in several other states resulted in identification of potential significant overpayments. The RAC program began for Michigan hospitals in 2009. The Hospital has had claims selected by the RAC auditors, and has determined the extent of liability for overpayments to be approximately \$125,000. There is potential for additional overpayment of claims liability for the Hospital at a future date.

Note 4 - Community Benefit

In support of its mission, the Hospital provides charity care services to persons who cannot afford to pay. The amount reflects the cost of free or discounted health services, net of contributions and other revenues received, as direct assistance for the provision of charity care. Charity care is determined based on established policies, using patient income and assets to determine payment ability. The following is a summary of the Hospital's charity care for the years ended June 30, 2011 and 2010:

	2011	2010
Traditional charity care, at standard charges	\$ 2,942,233	\$ 5,208,594

In addition, the Hospital provides various community partnership programs. Examples include programs related to the poor, elderly, substance abuse, child abuse, and others with specific particular healthcare needs. They also include broader populations who benefit from community health initiatives such as health promotion, education, and health screening.

Port Huron Hospital and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2011 and 2010

Note 5 - Property and Equipment

The cost of property, plant, and equipment and depreciable lives are summarized as follows:

	2011	2010	Depreciable Life - Years
Land	\$ 17,287,557	\$ 16,418,122	-
Buildings	90,261,161	98,462,642	20-40
Equipment	60,856,909	60,443,273	5-10
Construction in progress	6,391,291	4,729,121	-
Total cost	174,796,918	180,053,158	
Accumulated depreciation	(113,918,881)	(120,293,201)	
Net property and equipment	<u>\$ 60,878,037</u>	<u>\$ 59,759,957</u>	

Construction in progress relates to various projects throughout the Hospital.

Depreciation and amortization expense on property and equipment totaled \$9,519,225 and \$9,521,718 in 2011 and 2010, respectively.

Note 6 - Other Assets

The detail of other assets is summarized in the following schedule:

	2011	2010
Investments (at market value):		
Assets limited as to use and permanently or temporarily restricted:		
Funds held by trustees under bond indenture	\$ 4,269,952	\$ 3,826,957
Funds held in trust for payment of professional and other liability claims	14,665,201	11,819,481
Funds held by foundation for specific purposes	3,125,398	2,624,822
Total	22,060,551	18,271,260
Less amount for payment of current liabilities	(4,269,952)	(1,730,133)
Total assets limited as to use and permanently or temporarily restricted	17,790,599	16,541,127
General investments	3,803,965	3,070,558
Total investments	21,594,564	19,611,685
Deferred charge - Bond issue costs	177,531	556,567
Investment in unconsolidated affiliates (Note 13)	3,861,327	4,085,401
Other	1,044,478	1,115,765
Total other assets	<u>\$ 26,677,900</u>	<u>\$ 25,369,418</u>

Port Huron Hospital and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2011 and 2010

Note 6 - Other Assets (Continued)

Investments, including short-term investments, consist of the following:

	2011	2010
Money market investments	\$ 9,697,818	\$ 6,500,243
Government securities	161,448	1,637,208
Mutual funds	30,030,742	26,863,176
Corporate bonds	1,023,871	1,246,210
Common stocks	11,438,740	8,042,776
Total	<u>\$ 52,352,619</u>	<u>\$ 44,289,613</u>

Funds held by the trustee under bond indenture are held for the purpose of making future bond principal and interest payments and payments for certain construction projects. Investment income accrues to the funds as earned.

Investment income and gains and losses are comprised of the following for the years ended June 30, 2011 and 2010:

	2011	2010
Investment income included in other revenue	\$ 1,452,811	\$ 834,908
Unrestricted gains on investments included in other revenue	698,508	363,154
Investment income on temporarily and permanently restricted investments included in the statement of changes in net assets	275,183	70,761
Change in unrestricted net unrealized gains (losses) on investments	<u>4,498,276</u>	<u>(143,960)</u>
Total	<u>\$ 6,924,778</u>	<u>\$ 1,124,863</u>

Note 7 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

The following tables present information about the Hospital's assets measured at fair value on a recurring basis at June 30, 2011 and 2010 and the valuation techniques used by the Hospital to determine those fair values.

In general, fair values determined by Level 1 inputs use quoted prices in active markets for identical assets or liabilities that the Hospital has the ability to access.

Port Huron Hospital and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2011 and 2010

Note 7 - Fair Value Measurements (Continued)

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Hospital's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

Assets Measured at Fair Value on a Recurring Basis at June 30, 2011

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2011
Investments				
Common stock	\$ 11,438,740	\$ -	\$ -	\$ 11,438,740
Corporate bonds	-	1,023,871	-	1,023,871
Government bonds	-	161,448	-	161,448
Mutual funds:				
Equity investments	14,261,702	-	-	14,261,702
Fixed income	15,769,040	-	-	15,769,040
Total mutual funds	30,030,742	-	-	30,030,742
Total investments	\$ 41,469,482	\$ 1,185,319	\$ -	\$ 42,654,801

The short-term investments, assets limited as to use, and other assets at June 30, 2011 included cash and cash equivalents of \$9,697,818 which are not measured at fair value on a recurring basis and therefore are not included in the above table.

Port Huron Hospital and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2011 and 2010

Note 7 - Fair Value Measurements (Continued)

Assets Measured at Fair Value on a Recurring Basis at June 30, 2010

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2010
Investments				
Common stock	\$ 8,042,776	\$ -	\$ -	\$ 8,042,776
Corporate bonds	-	1,246,210	-	1,246,210
Government bonds	-	1,637,208	-	1,637,208
Mutual funds:				
Equity investments	11,877,214	-	-	11,877,214
Fixed income	14,985,962	-	-	14,985,962
Total mutual funds	26,863,176	-	-	26,863,176
Total investments	\$ 34,905,952	\$ 2,883,418	\$ -	\$ 37,789,370

The short-term investments, assets limited as to use, and other assets at June 30, 2010 included cash and cash equivalents of \$6,500,243 which are not measured at fair value on a recurring basis and therefore are not included in the above table.

The fair value of corporate and government bonds at June 30, 2011 was determined primarily based on Level 2 inputs. The Hospital estimates the fair value of these investments using maturity dates and interest rates as dictated by each respective bond.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash and Cash Equivalents - The carrying amount approximates fair value because of the short maturity of those instruments.

Investments - Fair values, which are the amounts reported in the consolidated balance sheet, are based on quoted market prices.

Accounts Receivable, Accounts Payable, and Accrued Liabilities - The carrying amount reported in the consolidated balance sheet for accounts receivable, accounts payable, and accrued liabilities approximates its fair value.

Estimated Third-party Payor Settlements - Net - The carrying amount reported in the consolidated balance sheet for estimated third-party payor settlements - net approximates its fair value.

Port Huron Hospital and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2011 and 2010

Note 7 - Fair Value Measurements (Continued)

Long-term Debt - The fair value of the Hospital's bonds is estimated based on current traded value. The fair value of the Hospital's remaining debt is estimated using discounted cash flow analysis, based on current investment borrowing rates for similar types of borrowing arrangements. The carrying amount of long-term debt approximates market value at June 30, 2011 and 2010.

Note 8 - Accrued and Other Current Liabilities

The details of accrued liabilities at June 30, 2011 and 2010 are as follows:

	2011	2010
Payroll and related items	\$ 1,944,099	\$ 4,837,225
Compensated absences	3,599,000	3,556,388
Interest	-	355,940
Current portion of accrued pension costs (Note 12)	5,943,598	4,138,233
Other	2,136,942	2,328,877
Total accrued liabilities	<u>\$ 13,623,639</u>	<u>\$ 15,216,663</u>

Note 9 - Long-term Debt

A summary of long-term debt at June 30, 2011 and 2010 is as follows:

	2011	2010
Hospital Revenue Refunding Bonds, Series 1995 - See below	\$ -	\$ 12,905,000
Hospital Revenue Bonds, Series 2009A - See below	4,568,096	5,858,059
Hospital Revenue Bonds, Series 2009B - See below	-	3,922,267
Hospital Revenue Refunding Bonds, Series 2011A - See below	7,061,437	-
Hospital Revenue Refunding Bonds, Series 2011B - See below	8,495,102	-
Note payable to bank, due in monthly installments of \$5,803, including interest at 2.75 percent, secured by an office building, with a balloon payment due September 30, 2014	654,506	724,144
Note payable to bank, due in monthly payments of \$6,667, including interest at 1.54 percent (LIBOR plus 1.0 percent), with a balloon payment due June 1, 2012	880,050	960,055
Other	757,269	414,765
Total	22,416,460	24,784,290
Less current portion	4,517,913	3,316,540
Long-term portion	<u>\$ 17,898,547</u>	<u>\$ 21,467,750</u>

Port Huron Hospital and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2011 and 2010

Note 9 - Long-term Debt (Continued)

The Hospital, Port Huron Hospital Foundation, Willow Enterprises, Parkview Property Management, the Hospital's parent, Blue Water Health Services Corporation, and an affiliate, Marwood Manor Nursing Home, comprise The Port Huron Hospital Obligated Group, which was created under a master indenture and security agreement. Total obligations outstanding under the master indenture amounted to \$29,336,000 at June 30, 2011. The Hospital serves as the Obligated Group's agent.

The Hospital Revenue Refunding Bonds - 1995 Series were issued in October 1995 by the Michigan State Hospital Finance Authority, and the proceeds were loaned to the Hospital under a master indenture. The Hospital pledged its accounts receivable and general intangibles as collateral for obligations issued under the master indenture. The bonds matured in annual amounts ranging from \$1,960,000 to \$2,555,000 and bore interest at rates ranging from 5.375 percent to 5.5 percent. The bonds were refinanced in March 2011 in conjunction with the issuance of the Series 2011A Hospital Revenue Refunding Bonds (see below).

The Hospital Revenue Bonds, Series 2009A were issued in May 2009 by the Michigan State Hospital Finance Authority and covered by the master indenture. The bonds are a direct placement bond with a bank and the proceeds were loaned to the Hospital under a loan agreement. The proceeds were used to finance certain equipment purchases and to refund various HELP loans. The Hospital pledged certain equipment as collateral for obligations. The bonds bear interest at 5.33 percent and are due in monthly amounts of \$171,194, including interest.

The Hospital Revenue Bonds, Series 2009B were issued in May 2009 by the Michigan State Hospital Finance Authority and covered by the master indenture. The bonds are a direct placement bond with a bank, and the proceeds were loaned to the Hospital under a loan agreement. The proceeds were used to finance certain equipment purchases and refund various HELP loans. The Hospital pledged certain equipment as collateral for obligations. The bonds bore interest at a rate of 5.85 percent and were due in monthly amounts of \$54,681. The bonds were refinanced in March 2011 in conjunction with the issuance of the Series 2011B Hospital Revenue Refunding Bonds (see below).

The Hospital Revenue Refunding Bonds, Series 2011A were issued in March 2011 by the Michigan Finance Authority and covered by the master indenture. The bonds are a direct placement bond with a bank and the proceeds were loaned to the Hospital under a loan agreement. The proceeds were used to finance certain equipment purchases and to refund various outstanding loans. The Hospital pledged certain equipment as collateral for obligations. The bonds bear interest at 2.764 percent and are due in monthly amounts of \$149,739, including interest.

Port Huron Hospital and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2011 and 2010

Note 9 - Long-term Debt (Continued)

The Hospital Revenue Refunding Bonds, Series 2011B were issued in March 2011 by the Michigan Finance Authority and covered by the master indenture. The bonds are a direct placement bond with a bank, and the proceeds were loaned to the Hospital under a loan agreement. The proceeds were used to finance certain equipment purchases and refund various outstanding loans. The Hospital pledged certain equipment as collateral for obligations. The bonds bear interest at 3.44 percent and are due in monthly amounts ranging from \$35,282 to \$69,925. The Series 2011B bonds have a mandatory put on August 15, 2015. The scheduled outstanding balance at the time of the put is \$6,364,250.

Scheduled principal repayments on long-term debt obligations for 2011 are as follows:

Years Ending June 30	Amount
2012	\$ 4,517,913
2013	3,897,784
2014	4,043,033
2015	3,235,042
2016	6,722,688
Total	<u>\$ 22,416,460</u>

Note 10 - Other Liabilities

The detail of other liabilities is as follows:

	2011	2010
Accrued pension cost (Note 12)	\$ 36,757,879	\$ 46,848,121
Accrued professional and other liability claims (Note 11)	10,742,000	10,598,000
Other	3,458,224	2,927,274
Total other liabilities	<u>\$ 50,958,103</u>	<u>\$ 60,373,395</u>

Note 11 - Professional Liability Self-insurance

The Hospital maintains a program of self-insurance for professional and other liability claims. A revocable trust is maintained with a trustee to provide funds for payment of any future settlements. The Hospital makes necessary contributions to the trust fund, as determined by an independent actuary, to adequately provide for asserted or expected claims. The Hospital also purchased excess liability coverage from independent carriers on an occurrence-made basis.

Port Huron Hospital and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2011 and 2010

Note 11 - Professional Liability Self-insurance (Continued)

At June 30, 2011 and 2010, the Hospital made provisions for the estimated losses in connection with those professional and other liability claims for incidents occurring during the years then ended for which amounts can be reasonably estimated, including provision for claims incurred but not reported at year end. Estimates are based upon projections by an independent actuary and the evaluation of claims of substance by professional liability legal counsel. The provisions include the estimated settlement amount of professional and other liability claims, as well as an estimate of defense cost.

The assets of the trusts are included in the consolidated balance sheet with assets limited as to use.

Note 12 - Pension and Other Postretirement Benefit Plans

The Hospital maintains a defined benefit pension plan for substantially all of its employees. Benefits paid under the plan are based generally on employees' years of service and compensation levels during employment. The plan requires annual contributions which are sufficient to meet the minimum funding standards of the Employee Retirement Income Security Act. The Hospital froze the defined benefit plan for all new participants as of July 1, 2007. On August 23, 2011, the Hospital board further resolved to discontinue the accrual of benefits for all plan participants starting December 31, 2011. All participants enrolled in the plan as of July 1, 2007 will continue to accumulate benefits within the plan through December 31, 2011.

Obligations and Funded Status

At June 30	Pension Benefits	
	2011	2010
Change in Benefit Obligation		
Benefit obligation at beginning of year	\$ 113,763,146	\$ 97,863,936
Service cost	3,660,415	3,385,227
Interest cost	6,170,882	6,030,306
Actuarial (loss) gain	(1,637,243)	9,195,075
Benefits paid	(3,185,576)	(2,711,398)
Benefit obligation at end of year	118,771,624	113,763,146
Change in Plan Assets		
Fair value of plan assets at beginning of year	62,776,792	58,072,318
Actual return on plan assets	10,898,932	4,338,872
Employer contributions	5,579,999	3,077,000
Benefits paid	(3,185,576)	(2,711,398)
Fair value of plan assets at end of year	76,070,147	62,776,792
Funded status at end of year	\$ (42,701,477)	\$ (50,986,354)

Port Huron Hospital and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2011 and 2010

Note 12 - Pension and Other Postretirement Benefit Plans (Continued)

Amounts recognized in the consolidated balance sheet consist of the following:

	Pension Benefits	
	2011	2010
Current liabilities	\$ (5,943,598)	\$ (4,138,233)
Noncurrent liabilities	(36,757,879)	(46,848,121)
Total	<u>\$ (42,701,477)</u>	<u>\$ (50,986,354)</u>

Included in unrestricted net assets are the following amounts that have not yet been recognized in net periodic pension cost:

	Pension Benefits	
	2011	2010
Net loss	\$ 39,904,346	\$ 48,614,466
Prior service cost	42,192	60,134
Total	<u>\$ 39,946,538</u>	<u>\$ 48,674,600</u>

The accumulated benefit obligation was \$100,725,103 and \$95,797,159 at June 30, 2011 and 2010, respectively.

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

	2011	2010
Projected benefit obligation	\$ 118,771,624	\$ 113,763,146
Accumulated benefit obligation	100,725,103	95,797,159
Fair value of plan assets	76,070,147	62,776,792

Port Huron Hospital and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2011 and 2010

Note 12 - Pension and Other Postretirement Benefit Plans (Continued)

Components of net periodic benefit cost and pension-related changes other than net periodic pension costs are as follows:

	Pension Benefits	
	2011	2010
Net Periodic Benefit Cost		
Service cost	\$ 3,660,415	\$ 3,385,227
Interest cost	6,170,882	6,030,306
Expected return on plan assets	(6,067,995)	(5,882,118)
Amortization of prior service cost	17,942	17,942
Amortization of net loss	2,241,940	1,283,937
Total	6,023,184	4,835,294
Pension-related Changes Other Than Net Periodic Pension Costs		
Net (gain) loss	(6,492,254)	10,544,028
Amortization of transition asset	(2,241,940)	(1,283,937)
Amortization of prior service cost	(17,942)	(17,942)
Total	(8,752,136)	9,242,149
Total recognized in net periodic benefit cost and other changes in unrestricted net assets	\$ (2,728,952)	\$ 14,077,443

The estimated net loss and prior service cost for the defined benefit pension plan that will be amortized from unrestricted net assets into net periodic benefit cost over the next fiscal year are \$2,376,861 and \$2,259,882, respectively.

Assumptions

Weighted average assumptions used to determine benefit obligations at June 30 are as follows:

	Pension Benefits	
	2011	2010
Discount rate	5.75 %	5.50 %
Rate of compensation increase	3.84	3.84

Port Huron Hospital and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2011 and 2010

Note 12 - Pension and Other Postretirement Benefit Plans (Continued)

Weighted average assumptions used to determine net periodic benefit cost for the years ended June 30 are as follows:

	Pension Benefits	
	2011	2010
Discount rate	5.50 %	6.25 %
Expected long-term return on plan assets	8.00	8.00
Rate of compensation increase	3.84	4.84

The overall expected rate of return on plan assets represents a weighted average composite rate based on the historical rates of returns of the respective asset classes adjusted for anticipated market movements.

Plan Assets

	2011	2010
Asset Category		
Equity securities	71 %	63 %
Debt securities	14	19
Real estate	-	5
Other	15	13
Total	100 %	100 %

The goals of the investment program are to fully fund the obligation to pay retirement benefits in accordance with the plan documents and to provide returns that, along with appropriate funding from the Hospital, maintain an asset/liability ratio that is in compliance with all applicable laws and regulations and assures timely payment of retirement benefits.

Contributions

The Hospital expects to contribute \$5,700,000 to its pension plan in 2012.

Estimated Future Benefit Payments

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

2012	\$	3,611,764
2013		3,935,417
2014		4,265,246
2015		4,623,492
2016		5,038,653
2017-2021		32,936,411

Port Huron Hospital and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2011 and 2010

Note 12 - Pension and Other Postretirement Benefit Plans (Continued)

The fair value of total plan assets as of June 30, 2011 is as follows:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2011
Common stock	\$ 47,042,499	\$ -	\$ -	\$ 47,042,499
Pooled, common, and collective funds	-	1,610,000	-	1,610,000
Fixed-income mutual funds	4,171,075	-	-	4,171,075
Money market funds	8,376,527	-	-	8,376,527
U.S. government notes	-	2,451,782	-	2,451,782
Federal agency bonds	-	2,149,470	-	2,149,470
Corporate bonds	-	6,279,876	-	6,279,876
Preferred/convertible securities	1,507,094	-	-	1,507,094
Alternative investments	-	-	2,469,222	2,469,222
Total	<u>\$ 61,097,195</u>	<u>\$ 12,491,128</u>	<u>\$ 2,469,222</u>	<u>\$ 76,057,545</u>

The fair value of total plan assets as of June 30, 2010 is as follows:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2010
Common stock	\$ 36,636,952	\$ -	\$ -	\$ 36,636,952
Fixed-income mutual funds	3,026,443	-	-	3,026,443
Money market funds	8,272,773	-	-	8,272,773
U.S. government notes	-	2,378,803	-	2,378,803
Federal agency bonds	-	2,739,709	-	2,739,709
Corporate bonds	-	6,882,161	-	6,882,161
Alternative investments	-	-	2,839,951	2,839,951
Total	<u>\$ 47,936,168</u>	<u>\$ 12,000,673</u>	<u>\$ 2,839,951</u>	<u>\$ 62,776,792</u>

Port Huron Hospital and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2011 and 2010

Note 13 - Investment in Affiliates

The Hospital is the owner of a 50 percent interest in Tri-Hospital MRI Center and a one-third interest in Tri-Hospital EMS Corporation, which provide various MRI and ambulance services.

The Hospital has additional investments in affiliates that are not material to the consolidated financial statements.

The following is a summary of financial position and results of operations of Tri-Hospital MRI Center and Tri-Hospital EMS Corporation as of June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Tri-Hospital MRI Center		
Total assets	\$ 4,464,255	\$ 5,101,367
Total liabilities	<u>276,357</u>	<u>295,836</u>
Stockholders' equity	<u>\$ 4,187,898</u>	<u>\$ 4,805,531</u>
Excess of revenues over expenses	<u>\$ 1,582,366</u>	<u>\$ 1,993,366</u>
	<u>2011</u>	<u>2010</u>
Tri-Hospital EMS Corporation		
Total assets	\$ 4,850,633	\$ 4,474,808
Total liabilities	<u>260,223</u>	<u>185,142</u>
Stockholders' equity	<u>\$ 4,590,410</u>	<u>\$ 4,289,666</u>
Excess of revenues over expenses	<u>\$ 300,744</u>	<u>\$ 211,938</u>

Port Huron Hospital and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2011 and 2010

Note 14 - Operating Leases

Total expense under all operating leases for facilities and equipment was approximately \$5,756,000 and \$5,408,000 for the years ended June 30, 2011 and 2010, respectively.

The following is a schedule of future minimum lease payments under operating leases that have initial or remaining lease terms in excess of one year:

Years Ending June 30	Amount
2012	\$ 5,886,220
2013	5,579,742
2014	1,202,501
2015	234,048
Thereafter	49,500
Total	<u>\$ 12,952,011</u>

Note 15 - Related Party Transactions

The Hospital is a subsidiary of Blue Water Health Services Corporation (BWHS), a nonprofit common parent, whose purpose is to provide general guidance and direction to its subsidiaries, including Port Huron Hospital and Marwood Manor. The Hospital is also involved in various joint ventures, including Tri-Hospital MRI Center and Tri-Hospital EMS Corporation. Transactions with affiliated companies are reflected in the consolidated financial statements as follows:

	2011	2010
Due from Marwood Manor	\$ 129,664	\$ 199,539
Due to Marwood Manor	499,740	-
Revenue from Marwood Manor	463,044	406,597
Expenses to Tri-Hospital MRI Center	233,503	131,751
Revenue from Tri-Hospital MRI Center	1,367,508	1,132,943
Revenue from Blue Water Health Services Corporation	9,012	10,690
Revenue from Tri-Hospital EMS Corporation	12,374	15,438

Port Huron Hospital and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2011 and 2010

Note 16 - Functional Expenses

The Hospital fulfills the healthcare requirements of residents in the community it serves by providing as its principal function a complete array of necessary healthcare services through an integrated network that includes the Hospital and an ambulatory center and related programs. Functional expenses related to providing these services for the years ended June 30, 2011 and 2010 are as follows:

	<u>2011</u>	<u>2010</u>
Healthcare services	\$ 150,777,315	\$ 140,987,092
General and administrative	<u>21,445,319</u>	<u>25,539,373</u>
Total	<u>\$ 172,222,634</u>	<u>\$ 166,526,465</u>

Additional Information

Independent Auditor's Report on Additional Information

To the Board of Directors
Port Huron Hospital and Subsidiaries

We have audited the consolidated financial statements of Port Huron Hospital and Subsidiaries as of and for the years ended June 30, 2011 and 2010. Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information in the accompanying consolidating balance sheet and consolidating statement of operations is presented for the purpose of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual entities and is not a required part of the basic consolidated financial statements. The consolidating information has been subjected to the procedures applied in the audits of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Plante & Moran, PLLC

September 12, 2011

Port Huron Hospital and Subsidiaries

Consolidating Balance Sheet June 30, 2011

	Port Huron Hospital	Port Huron Hospital Foundation	Willow Enterprises, Inc.	Parkview Property Management Corporation	Eliminating Entries	Total
Assets						
Current Assets						
Cash and cash equivalents	\$ 24,313,909	\$ 390,096	\$ 498,813	\$ (27,041)	\$ -	\$ 25,175,777
Short-term investments	26,488,103	-	-	-	-	26,488,103
Accounts receivable - Net	7,968,796	-	864,790	10,221	-	8,843,807
Amounts due from affiliates	10,626,515	-	-	-	(10,410,717)	215,798
Assets limited as to use	4,269,952	-	-	-	-	4,269,952
Prepaid expenses and other	2,806,897	5,000	684,089	55,098	-	3,551,084
Inventories	4,717,804	-	991,640	-	-	5,709,444
Total current assets	81,191,976	395,096	3,039,332	38,278	(10,410,717)	74,253,965
Property and Equipment - Net	44,987,404	-	302,289	15,588,344	-	60,878,037
Other Assets	26,389,744	3,436,516	1,000	-	(3,149,360)	26,677,900
Total assets	<u>\$ 152,569,124</u>	<u>\$ 3,831,612</u>	<u>\$ 3,342,621</u>	<u>\$ 15,626,622</u>	<u>\$ (13,560,077)</u>	<u>\$ 161,809,902</u>

Port Huron Hospital and Subsidiaries

Consolidating Balance Sheet (Continued) June 30, 2011

	Port Huron Hospital	Port Huron Hospital Foundation	Willow Enterprises, Inc.	Parkview Property Management Corporation	Eliminating Entries	Total
Liabilities and Net Assets						
Current Liabilities						
Current portion of long-term debt	\$ 3,568,225	\$ -	\$ 350,001	\$ 1,069,687	\$ (470,000)	\$ 4,517,913
Notes payable	-	-	1,050,830	9,818,393	(10,869,223)	-
Accounts payable	7,888,655	119,432	185,430	86,654	(119,494)	8,160,677
Estimated third-party payor settlements	2,259,786	-	-	-	-	2,259,786
Accrued liabilities and other	13,621,182	-	-	2,457	-	13,623,639
Total current liabilities	27,337,848	119,432	1,586,261	10,977,191	(11,458,717)	28,562,015
Long-term Debt - Net of current portion	17,313,677	-	350,000	929,870	(695,000)	17,898,547
Other Liabilities	50,733,583	224,520	-	-	-	50,958,103
Total liabilities	95,385,108	343,952	1,936,261	11,907,061	(12,153,717)	97,418,665
Net Assets						
Unrestricted	57,184,016	1,288,502	1,406,360	3,719,561	(1,406,360)	62,192,079
Temporarily restricted	-	1,799,937	-	-	-	1,799,937
Permanently restricted	-	399,221	-	-	-	399,221
Total liabilities and net assets	<u>\$ 152,569,124</u>	<u>\$ 3,831,612</u>	<u>\$ 3,342,621</u>	<u>\$ 15,626,622</u>	<u>\$ (13,560,077)</u>	<u>\$ 161,809,902</u>

Port Huron Hospital and Subsidiaries

Consolidating Statement of Operations Year Ended June 30, 2011

	Port Huron Hospital	Port Huron Hospital Foundation	Willow Enterprises, Inc.	Parkview Property Management Corporation	Eliminating Entries	Total
Unrestricted Revenue, Gains, and Other Support						
Net patient service revenue	\$ 170,394,612	\$ -	\$ 4,005,546	\$ -	\$ (1,404,955)	\$ 172,995,203
Other	3,405,896	-	2,837	1,144,754	(865,393)	3,688,094
Total unrestricted revenue, gains, and other support	173,800,508	-	4,008,383	1,144,754	(2,270,348)	176,683,297
Expenses						
Salaries and wages	64,264,111	-	2,134,613	135,541	105,056	66,639,321
Employee benefits and payroll taxes	16,678,878	-	606,881	48,379	(1,315,234)	16,018,904
Operating supplies and expenses	30,005,435	-	125,606	38,590	(14,575)	30,155,056
Purchased services	20,646,085	-	310,321	552,062	(980,996)	20,527,472
Insurance	935,168	-	26,018	47,649	-	1,008,835
Utilities	1,658,837	-	43,932	131,847	-	1,834,616
Other	12,492,940	-	440,425	312,658	(104,085)	13,141,938
Depreciation and amortization	8,821,217	-	114,078	645,194	-	9,580,489
Provision for bad debts	11,886,478	-	81,567	560	-	11,968,605
Interest expense	1,148,420	-	27,598	196,974	(25,594)	1,347,398
Total expenses	168,537,569	-	3,911,039	2,109,454	(2,335,428)	172,222,634
Operating Income (Loss)	5,262,939	-	97,344	(964,700)	65,080	4,460,663

Port Huron Hospital and Subsidiaries

Consolidating Statement of Operations (Continued) Year Ended June 30, 2011

	Port Huron Hospital	Port Huron Hospital Foundation	Willow Enterprises, Inc.	Parkview Property Management Corporation	Eliminating Entries	Total
Other Income (Loss)						
Interest income	\$ 1,447,587	\$ 30,629	\$ -	\$ 189	\$ (25,594)	\$ 1,452,811
Realized gain on sale of investments	649,226	49,282	-	-	-	698,508
Change in unrealized investment gain (loss)	4,361,675	136,601	-	-	-	4,498,276
Other	(641,190)	99,502	(4,196)	-	(132,634)	(678,518)
Total other income (loss)	5,817,298	316,014	(4,196)	189	(158,228)	5,971,077
Excess of Revenue Over (Under) Expenses	11,080,237	316,014	93,148	(964,511)	(93,148)	10,431,740
Transfer from Affiliate	1,100,797	(100,177)	-	-	(1,057,077)	(56,457)
Pension-related Changes Other Than Net Periodic Benefit Costs	8,752,136	-	-	-	-	8,752,136
Net Assets Released from Restriction	-	3,297	-	-	1,057,077	1,060,374
Increase (Decrease) in Unrestricted Net Assets	<u>\$ 20,933,170</u>	<u>\$ 219,134</u>	<u>\$ 93,148</u>	<u>\$ (964,511)</u>	<u>\$ (93,148)</u>	<u>\$ 20,187,793</u>