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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

A For the 2010 calendar year, or tax year beginning 10-01-2010 and ending 09-30-2011

B Check if applicable
- ☐ Address change
- ☐ Name change
- ☐ Initial return
- ☐ Terminated
- ☐ Amended return
- ☐ Application pending

C Name of organization
Porter Hospital Inc

Doing Business As

Number and street (or P O box if mail is not delivered to street address) | Room/suite
37 Porter Drive

City or town, state or country, and ZIP + 4
Middlebury, VT 05753

D Employer identification number
03-0181058

E Telephone number
(802) 388-4701

G Gross receipts $ 62,151,139

F Name and address of principal officer
James Daily
37 Porter Drive
Middlebury, VT 05753

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 portermedical org

K Form of organization ☑ Corporation ☐ Trust ☐ Association ☐ Other ▶

L Year of formation 1925

M State of legal domicile VT

Part I Summary

1 Briefly describe the organization's mission or most significant activities
Critical Access Hospital

2 Check this box ▶☐ if the organization discontinued its operations or disposed of more than 25% of its net assets

3	Number of voting members of the governing body (Part VI, line 1a)	**3**	16
4	Number of independent voting members of the governing body (Part VI, line 1b)	**4**	13
5	Total number of individuals employed in calendar year 2010 (Part V, line 2a)	**5**	543
6	Total number of volunteers (estimate if necessary)	**6**	118
7a	Total unrelated business revenue from Part VIII, column (C), line 12	**7a**	2,693
b	Net unrelated business taxable income from Form 990-T, line 34	**7b**	1,233

		Prior Year	Current Year
Revenue	**8** Contributions and grants (Part VIII, line 1h)	115,877	264,396
	9 Program service revenue (Part VIII, line 2g)	53,564,339	59,707,047
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	197,880	305,496
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	66,994	64,837
	12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	53,945,090	60,341,776
Expenses	**13** Grants and similar amounts paid (Part IX, column (A), lines 1–3)	35,000	43,690
	14 Benefits paid to or for members (Part IX, column (A), line 4)	0	0
	15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	32,369,152	33,466,592
	16a Professional fundraising fees (Part IX, column (A), line 11e)	0	0
	b Total fundraising expenses (Part IX, column (D), line 25) ▶0		
	17 Other expenses (Part IX, column (A), lines 11a–11d, 11f–24f)	23,508,969	24,285,991
	18 Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	55,913,121	57,796,273
	19 Revenue less expenses Subtract line 18 from line 12	-1,968,031	2,545,503

		Beginning of Current Year	End of Year
Net Assets or Fund Balances	**20** Total assets (Part X, line 16)	48,872,312	52,225,427
	21 Total liabilities (Part X, line 26)	26,159,672	27,689,477
	22 Net assets or fund balances Subtract line 21 from line 20	22,712,640	24,535,950

Part II Signature Block

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

****** | 2012-07-31
Signature of officer | Date

Marilyn Olejnik CFO
Type or print name and title

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check if self-employed	PTIN
Barbara J McGuan CPA	Barbara J McGuan CPA	2012-07-31	☐	

Firm's name ▶ Berry Dunn McNeil & Parker LLC — Firm's EIN ▶

Firm's address ▶ PO Box 1100
Portland, ME 041041100 — Phone no ▶ (207) 775-2387

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 . . . . . ☑

1 Briefly describe the organization's mission

The Mission of Porter Medical Center, and its subsidiary companies, is to improve the health status of those served The Organization will 1 Treat and care for the sick and injured,2 Provide, in cooperation with the community, as appropriate, a continuum of health services including out patient services, rehabilitation, long-term care, and wellness/prevention programs,3 Ensure the delivery of high quality care available to all without regard to their ability to pay,4 Serve as a leader and catalyst in helping to determine, and provide for, the health needs of the community, while remaining a financially healthy organization

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 $ 50,700,285 including grants of $ 43,690) (Revenue $ 59,707,047)

Porter Hospital, Inc ("Porter") operates a not-for-profit critical access hospital with patient care services including emergency department visits, maternity services, medical/surgical inpatient care, medical/surgical outpatient care, ancillary services tests and imaging/radiology procedures As a critical access hospital, Porter staffs a total of 25 beds Of the 25 beds, six beds are located in the maternity unit and three beds are located in the special care unit The remaining beds are located on the patient wing Porter recorded approximately 5,457 inpatient days during the year Emergency Room visits total 16,334 for the year Surgeries for the year totaled 3,835 Support services for both inpatients and outpatients include, but are not limited to, laboratory, imaging services, cardiac services and rehabilitation facilities Imaging includes radiology, nuclear medicine, MRI, ultrasound and CT Scan Porter provides outpatient facilities for physical therapy Porter provides free care to patients who meet certain criteria Foregone charges furnished under Porter's free care policy amounted to $1,100,000 for the fiscal year ending 9/30/11 Porter provides a number of community health outreach programs to the general public for free or at a minimal charge The programs include, but are not limited to, tobacco cessation, memory screenings, diabetes education, lifeline, breast cancer screening, prenatal classes, breastfeeding classes and CPR courses Porter provides services free of charge to the local Open Door Clinic Finally, Porter has partnered with a local career center to provide clinical exposure to their students with the goal of developing future healthcare workers for 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** ▶ $ 50,700,285

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, line10? *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	Yes	
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? *If "Yes," complete Schedule I, Parts I and II*	**21**	Yes	
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? *If "Yes," complete Schedule I, Parts I and III*	**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? *If "Yes," complete Schedule J*	**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? *If "Yes," answer lines 24b–24d and complete Schedule K. If "No," go to line 25*	**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? *If "Yes," complete Schedule L, Part 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? *If "Yes," complete Schedule L, Part 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? *If "Yes," complete Schedule L, Part II*	**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? *If "Yes," complete Schedule L, Part III*	**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? *If "Yes," complete Schedule L, Part IV*	**28a**		No
b	A family member of a current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	**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? *If "Yes," complete Schedule L, Part IV*	**28c**		No
29	Did the organization receive more than $25,000 in non-cash contributions? *If "Yes," complete Schedule M*	**29**		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? *If "Yes," complete Schedule M*	**30**		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? *If "Yes," complete Schedule N, Part I*	**31**		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? *If "Yes," complete Schedule N, Part II*	**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? *If "Yes," complete Schedule R, Part I*	**33**		No
34	Was the organization related to any tax-exempt or taxable entity? *If "Yes," complete Schedule R, Parts II, III, IV, and V, line 1*	**34**	Yes	
35	Is any related organization a controlled entity within the meaning of section 512(b)(13)?	**35**		No
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)? *If "Yes," complete Schedule R, Part V, line 2* ☐ Yes ☑ No			
36	**Section 501(c)(3) organizations.** Did the organization make any transfers to an exempt non-charitable related organization? *If "Yes," complete Schedule R, Part V, line 2*	**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? *If "Yes," complete Schedule R, Part VI*	**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	61		
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	543		
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?			8		
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?			12a		
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?			14a		No
b	If "Yes," has it filed a Form 720 to report these payments? *If "No," provide an explanation in Schedule O* . .			14b		

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	1a	16		
b	Enter the number of voting members included in line 1a, above, who are independent	1b	13		
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	Yes	
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	15b		No
	If "Yes" to line 15a or 15b, describe the process in Schedule O (See instructions)			
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 ▶

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 ▶

Marilyn Olejnik
37 Porter Drive
Middlebury, VT 05753
(802) 388-4701

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

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

Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

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

(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			
(1) James L Daily President/CEO	40 00	X		X				0	357,592	40,330
(2) Gerry Gossens Director	3 00	X						0	0	0
(3) Ken Perine Chair	3 00	X		X				0	0	0
(4) Edwin Grant Vice Chair	3 00	X		X				0	0	0
(5) Diana Barnard MD Director	3 00	X						141,443	0	4,411
(6) Peter DeGraff Director	3 00	X						0	0	0
(7) Ann Hanson Director	3 00	X						0	0	0
(8) Mike Kiernan MD Director	3 00	X						0	0	0
(9) Fred Kniffin MD Director/Physician	40 00	X						247,339	0	26,767
(10) Sue Ritter Treasurer/Secretary	3 00	X		X				0	0	0
(11) Benjamin Rosenberg MD Director	3 00	X						0	0	0
(12) Robert Stetson Director	3 00	X						0	0	0
(13) Joseph Sutton Director	3 00	X						0	0	0
(14) Stephen Terry Director	3 00	X						0	0	0
(15) Joan Donahue Director	3 00	X						0	0	0
(16) Bill Townsend Director	3 00	X						0	0	0

Part VII **Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees** (continued)

(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			
(17) Marilyn Olejnik CFO	40 00			X				0	137,593	12,423
(18) Alan D Ayer Physician	40 00					X		282,659	0	26,559
(19) Sanjay Bose Physician	40 00					X		352,748	0	7,780
(20) Anders Holm Physician	40 00					X		348,684	0	33,832
(21) James A Malcolm Physician	40 00					X		276,240	0	26,427
(22) David B Turner Physician	40 00					X		235,623	0	30,037
(23) Duncan Brines Former CFO	40 00						X	0	114,483	17,472
1b Sub-Total . . . . . ▶										
c Total from continuation sheets to Part VII, Section A . . . . ▶										
d Total (add lines 1b and 1c) . . . . . ▶								1,884,736	609,668	226,038

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 ▶ 44

			Yes	No
3	Did the organization list any **former** officer, director or trustee, key employee, or highest compensated employee on line 1a? *If "Yes," complete Schedule J for such individual*	**3**	Yes	
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? *If "Yes," complete Schedule J for such individual*	**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? *If "Yes," complete Schedule J for such person*	**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
Fletcher Allen Health Care 111 Colchester Avenue Burlington, VT 05402	Medical Testing	618,174
Amicus Sten-Tel 62 Wildfire Drive Warren, VT 05674	Transcription Services	272,394
Farrington Construction 4788 Spear St Shelburne, VT 05482	Construction Services	247,586
Transcend Services PO Box 74028 Atlanta, GA 30328	Transcription Services	190,957
Philips Lifeline PO Box 403109 Atlanta, GA 30384	Lifeline Administration	148,101

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 ▶ 8

Part VIII Statement of Revenue

			(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) 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					
	e Government grants (contributions) 1e	52,191				
	f All other contributions, gifts, grants, and similar amounts not included above 1f	212,205				
	g Noncash contributions included in lines 1a-1f $					
	h **Total.** Add lines 1a-1f . . . . . ▶		264,396			
Program Service Revenue		Business Code				
	2a Patient Revenue	621110	58,979,939	58,979,939		
	b Pharmacy Sales	621110	1,428,863	1,428,863		
	c Medicaid DSP	621110	1,158,110	1,158,110		
	d Miscellaneous Revenue	621110	466,255	326,033	2,693	137,529
	e Provision for Bad Debt	621110	-2,326,120	-2,326,120		
	f All other program service revenue					
	g **Total.** Add lines 2a–2f . . . . . ▶		59,707,047			
	3 Investment income (including dividends, interest and other similar amounts) . . . . . ▶		242,366			242,366
	4 Income from investment of tax-exempt bond proceeds . . ▶					
	5 Royalties . . . . . ▶					
		(i) Real	(ii) Personal			
	6a Gross Rents	125,193				
	b Less rental expenses	60,356				
	c Rental income or (loss)	64,837				
	d Net rental income or (loss) . . . . . ▶		64,837			64,837
		(i) Securities	(ii) Other			
	7a Gross amount from sales of assets other than inventory	1,812,137				
	b Less cost or other basis and sales expenses	1,728,985	20,022			
	c Gain or (loss)	83,152	-20,022			
	d Net gain or (loss) . . . . . ▶		63,130			63,130
Other Revenue	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 _____					
	b _____					
	c _____					
	d All other revenue					
	e **Total.** Add lines 11a–11d . . . . . ▶					
	12 **Total revenue.** See Instructions . . . ▶		60,341,776	59,566,825	2,693	507,862

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	43,690	43,690		
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	419,960	419,960		
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	25,831,248	22,622,324	3,208,924	
8 Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	1,152,213	1,009,482	142,731	
9 Other employee benefits	5,582,072	4,896,815	685,257	
10 Payroll taxes	481,099	422,220	58,879	
a Fees for services (non-employees) Management	1,701,768	1,493,498	208,270	
b Legal	104,875	92,040	12,835	
c Accounting				
d Lobbying				
e Professional fundraising services *See Part IV, line 17*				
f Investment management fees	25,775		25,775	
g Other	4,794,673	4,207,879	586,794	
12 Advertising and promotion	69,201	60,732	8,469	
13 Office expenses	6,607,611	5,793,594	814,017	
14 Information technology	664,244	582,951	81,293	
15 Royalties				
16 Occupancy	2,286,236	2,006,436	279,800	
17 Travel	110,302	96,803	13,499	
18 Payments of travel or entertainment expenses for any federal, state, or local public officials				
19 Conferences, conventions, and meetings				
20 Interest	314,456	275,971	38,485	
21 Payments to affiliates				
22 Depreciation, depletion, and amortization	3,431,186	3,011,262	419,924	
23 Insurance	1,017,240	892,746	124,494	
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 Medicare Provider Tax	3,158,424	2,771,882	386,542	
b				
c				
d				
e				
f All other expenses				
25 **Total functional expenses.** Add lines 1 through 24f	57,796,273	50,700,285	7,095,988	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) Beginning of year		(B) End of year
Assets	1	Cash—non-interest-bearing		4,315	1	4,390
	2	Savings and temporary cash investments		7,264,772	2	3,698,570
	3	Pledges and grants receivable, net			3	15,850
	4	Accounts receivable, net		7,159,094	4	11,209,509
	5	Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L			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) Schedule L			6	
	7	Notes and loans receivable, net		58,455	7	250,464
	8	Inventories for sale or use		754,471	8	1,178,244
	9	Prepaid expenses and deferred charges		251,569	9	571,620
	10a	Land, buildings, and equipment cost or other basis *Complete Part VI of Schedule D*	10a 45,876,788			
	b	Less accumulated depreciation	10b 17,063,884	26,686,904	10c	28,812,904
	11	Investments—publicly traded securities		2,725,355	11	2,837,029
	12	Investments—other securities See Part IV, line 11		3,087,530	12	2,851,219
	13	Investments—program-related See Part IV, line 11			13	
	14	Intangible assets		148,674	14	142,662
	15	Other assets See Part IV, line 11		731,173	15	652,966
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)		48,872,312	16	52,225,427
Liabilities	17	Accounts payable and accrued expenses		5,407,202	17	5,847,877
	18	Grants payable			18	
	19	Deferred revenue		112,592	19	22,508
	20	Tax-exempt bond liabilities		14,540,000	20	14,220,000
	21	Escrow or custodial account liability *Complete Part IV of Schedule D*			21	
	22	Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons *Complete Part II of Schedule L*			22	
	23	Secured mortgages and notes payable to unrelated third parties		2,467,948	23	3,338,949
	24	Unsecured notes and loans payable to unrelated third parties			24	
	25	Other liabilities Complete Part X of Schedule D		3,631,930	25	4,260,143
	26	**Total liabilities.** Add lines 17 through 25		26,159,672	26	27,689,477
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		19,271,048	27	21,283,161
	28	Temporarily restricted net assets		371,505	28	283,888
	29	Permanently restricted net assets		3,070,087	29	2,968,901
		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		22,712,640	33	24,535,950
	34	Total liabilities and net assets/fund balances		48,872,312	34	52,225,427

Part XI Reconcilliation 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	60,341,776
2	Total expenses (must equal Part IX, column (A), line 25)	2	57,796,273
3	Revenue less expenses Subtract line 2 from line 1	3	2,545,503
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	22,712,640
5	Other changes in net assets or fund balances (explain in Schedule O)	5	-722,193
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	24,535,950

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?	2a		No
b	Were the organization's financial statements audited by an independent accountant?	2b	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	2c	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?	3a		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	3b		

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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
Porter Hospital Inc

Employer identification number
03-0181058

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?

	Yes	No
(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? **11g(i)**		
(ii) a family member of a person described in (i) above? **11g(ii)**		
(iii) a 35% controlled entity of a person described in (i) or (ii) above? **11g(iii)**		

h Provide the following information about the supported organization(s)

(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? Yes	(iv) No	(v) Did you notify the organization in col (i) of your support? Yes	(v) No	(vi) Is the organization in col (i) organized in the U S ? Yes	(vi) No	(vii) Amount of support
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 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 section501(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).

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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	Employer identification number
Porter Hospital Inc	03-0181058

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		
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-		

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

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) Yes	(a) No	(b) 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		21,094
j	Total lines 1c through 1i			21,094
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 1i. Also, complete this part for any additional information

Identifier	Return Reference	Explanation
Explanation of Other Lobbying Activities	Part II-B, Line 1i	The Organization pays dues to various associations, a portion of which is attributable to lobbying expenses

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SCHEDULE D (Form 990)

Department of the Treasury
Internal Revenue Service

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

Name of the organization
Porter Hospital Inc

Employer identification number
03-0181058

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

			Held at the End of the Year
a	Total number of conservation easements	2a	
b	Total acreage restricted by conservation easements	2b	
c	Number of conservation easements on a certified historic structure included in (a)	2c	
d	Number of conservation easements included in (c) acquired after 8/17/06	2d	

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
- b ☐ Scholarly research
- c ☐ Preservation for future generations
- d ☐ Loan or exchange programs
- e ☐ Other

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

		Amount
c Beginning balance	1c	
d Additions during the year	1d	
e Distributions during the year	1e	
f Ending balance	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

		Yes	No
(i) unrelated organizations	3a(i)		
(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		2,146,053		2,146,053
b Buildings		24,934,247	8,137,326	16,796,921
c Leasehold improvements				
d Equipment		18,675,744	8,926,558	9,749,186
e Other		120,744		120,744
Total. Add lines 1a-1e *(Column (d) should equal Form 990, Part X, column (B), line 10(c).)* ▶				28,812,904

Part VII Investments—Other Securities. See Form 990, Part X, line 12.

(a) Description of security or category (including name of security)	(b) Book value	(c) Method of valuation Cost or end-of-year market value
(1) Financial derivatives		
(2) Closely-held equity interests		
(3) Other		
(A) Beneficial Interest in Trusts	2,851,219	F
Total. *(Column (b) should equal Form 990, Part X, col (B) line 12)* ▶	2,851,219	

Part VIII Investments—Program Related. See Form 990, Part X, line 13.

(a) Description of investment type	(b) Book value	(c) Method of valuation Cost or end-of-year market value
Total. *(Column (b) should equal Form 990, Part X, col (B) line 13)* ▶		

Part IX Other Assets. See Form 990, Part X, line 15.

(a) Description	(b) Book value
Total. *(Column (b) should equal Form 990, Part X, col.(B) line 15.)* . . . . . ▶	

Part X Other Liabilities. See Form 990, Part X, line 25.

1 (a) Description of Liability	(b) Amount
Federal Income Taxes	
Third Party Payor Settlements	1,183,000
Deferred Compensation	412,630
Due to Affiliate	148,688
Liability for Pension Benefits	2,515,825
Total. *(Column (b) should equal Form 990, Part X, col (B) line 25)* ▶	4,260,143

2. Fin 48 (ASC 740) Footnote In Part XIV, provide the text of the footnote to the organization's financial statements that reports the organization's liability for uncertain tax positions under FIN 48 (ASC740)

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)	1	60,341,776
2	Total expenses (Form 990, Part IX, column (A), line 25)	2	57,796,273
3	Excess or (deficit) for the year Subtract line 2 from line 1	3	2,545,503
4	Net unrealized gains (losses) on investments	4	-175,221
5	Donated services and use of facilities	5	
6	Investment expenses	6	
7	Prior period adjustments	7	
8	Other (Describe in Part XIV)	8	-546,972
9	Total adjustments (net) Add lines 4 - 8	9	-722,193
10	Excess or (deficit) for the year per financial statements Combine lines 3 and 9	10	1,823,310

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	59,654,164
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12				
a	Net unrealized gains on investments	2a	-175,221		
b	Donated services and use of facilities	2b			
c	Recoveries of prior year grants	2c			
d	Other (Describe in Part XIV)	2d	-486,616		
e	Add lines **2a** through **2d**			2e	-661,837
3	Subtract line **2e** from line **1**			3	60,316,001
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 7b	4a	25,775		
b	Other (Describe in Part XIV)	4b			
c	Add lines **4a** and **4b**			4c	25,775
5	Total Revenue Add lines **3** and **4c.** (This should equal Form 990, Part I, line 12)			5	60,341,776

Part XIII Reconciliation of Expenses per Audited Financial Statements With Expenses per Return

1	Total expenses and losses per audited financial statements			1	57,830,854
2	Amounts included on line 1 but not on Form 990, Part IX, line 25				
a	Donated services and use of facilities	2a			
b	Prior year adjustments	2b			
c	Other losses	2c			
d	Other (Describe in Part XIV)	2d	60,356		
e	Add lines **2a** through **2d**			2e	60,356
3	Subtract line **2e** from line **1**			3	57,770,498
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 7b	4a	25,775		
b	Other (Describe in Part XIV)	4b			
c	Add lines **4a** and **4b**			4c	25,775
5	Total expenses Add lines **3** and **4c.** (This should equal Form 990, Part I, line 18)			5	57,796,273

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		Equity Transfer to Affiliate -98,688 Change in Net Assets to Recognize Funded Status of Pension Plan -347,098 Change in Beneficial Interest in Perpetual Trusts -101,186
Part XII, Line 2d - Other Adjustments		Equity Transfer to Affiliate -98,688 Change in Net Assets to Recognize Funded Status of Pension Plan -347,098 Change in Beneficial Interest in Perpetual Trusts -101,186 Rental Expenses 60,356
Part XIII, Line 2d - Other Adjustments		Rental Expenses 60,356

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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
Porter Hospital Inc

Employer identification number
03-0181058

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 .	1a	Yes	
b	If "Yes," is it a written policy?	1b	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 *free* care to low income individuals? If "Yes," indicate which of the following is the FPG family income limit for eligibility for free care	3a	Yes	
	☐ 100% ☐ 150% ☑ 200% ☐ Other ____ %			
b	Does the organization use FPG to determine eligibility for providing *discounted* care to low income individuals? If "Yes," indicate which of the following is the family income limit for eligibility for discounted care	3b	Yes	
	☑ 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"?	4	Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	5a	Yes	
b	If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?	5b		No
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 eligibile for free or discounted care?	5c		
6a	Does the organization prepare a community benefit report during the tax year?	6a	Yes	
6b	If "Yes," did the organization make it available to the public?	6b	Yes	
	Complete the following table using the worksheets provided in the Schedule H instructions Do not submit these worksheets with the Schedule H			

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)			566,318		566,318	0 980 %
b Unreimbursed Medicaid (from Worksheet 3, column a)			12,249,126	4,453,137	7,795,989	13 490 %
c Unreimbursed costs—other means-tested government programs (from Worksheet 3, column b)						
d **Total** Financial Assistance and Means-Tested Government Programs			12,815,444	4,453,137	8,362,307	14 470 %
Other Benefits						
e Community health improvement services and community benefit operations (from (Worksheet 4)			186,036	118,464	67,572	0 120 %
f Health professions education (from Worksheet 5)						
g Subsidized health services (from Worksheet 6)			222,730		222,730	0 390 %
h Research (from Worksheet 7)						
i Cash and in-kind contributions to community groups (from Worksheet 8)			43,690		43,690	0 080 %
j **Total** Other Benefits			452,456	118,464	333,992	0 590 %
k **Total.** Add lines 7d and 7j			13,267,900	4,571,601	8,696,299	15 060 %

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						
4	Environmental improvements						
5	Leadership development and training for community members						
6	Coalition building						
7	Community health improvement advocacy						
8	Workforce development						
9	Other						
10	**Total**						

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	1,191,904		
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	0		
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	11,303,677		
6	Enter Medicare allowable costs of care relating to payments on line 5	6	11,370,305		
7	Subtract line 6 from line 5 This is the surplus or (shortfall)	7	-66,628		
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					

Part V Facility Information

Section A. Hospital Facilities

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

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

	Name and address	Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (Describe)
1	Porter Hospital Inc 37 Porter Drive Middlebury, VT 05753	X	X			X		X		

Part V **Facility Information** *(continued)*

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? **11**

Name and address	Type of Facility (Describe)
1 See Additional Data Table	

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 6a The annual community benefit report is prepared by Porter Medical Center, the parent Company of Porter Hospital, Inc

Identifier	ReturnReference	Explanation
		Part I, Line 7 The Organization used a cost-to-charge ratio as its methodology for calculating amounts on Lines 7a & 7b An actual costing methodology was used to calculate the amounts on lines 7e, 7g & 7i

Identifier	ReturnReference	Explanation
		Part I, Line 7g The Organization included as subsidized health services costs attributable to Partners in Pallative Care, a physician clinic Total costs related to this physician clinic are $222,730

Identifier	ReturnReference	Explanation
		Part III, Line 4 Patient accounts receivable are stated at the amount management expects to collect for services rendered from third- party payors, patients and others Management provides an allowance for uncollectible accounts based upon a review of outstanding receivables, historical collection information and existing economic conditions Accounts are considered delinquent and subsequently written off as uncollectible based on individual credit evaluation and specific circumstances of the account In evaluating the collectability of accounts receivable, the Hospital analyzes past results and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts Management regularly reviews data about these major payor sources in evaluating the sufficiency of the allowance for doubtful accounts For receivables associated with services provided to patients who have third- party coverage, the Hospital analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts For receivables associates with self- pay patients (which included both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Hospital records a provision for bad debts in the period of service based on past experience, which indicates that many patients are unable or unwilling to pay amounts for which they are financially responsible The difference between the standard rates (or the discounted rate if negotiated or eligible) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged against the allowance for doubtful accounts The Organization used the cost-to-charge ratio as its costing methodology to calculate bad debt expense

Identifier	ReturnReference	Explanation
		Part III, Line 9b Porter Hospital, Inc recognizes that it has a responsibility to provide care to all patients regardless of their ability to pay and make available financial assistance for those patients that have been identified as financially needy through written documentation Information regarding financial assistance is made available upon request

Identifier	ReturnReference	Explanation
		Part VI, Line 2 Porter Hospital, Inc maintains an active list of Quality Improvement Projects and Initiatives that are identified by our clinical staff in response to either internal or external assessments of how we can implement "best practices" for our patients The list of projects and initiatives is updated annually as part of the State of Vermont's Act 53 Porter Hospital's Community Advisory Committee assess community needs biennially The results of the assessment are posted on Porter Medical Center's Web Site

Identifier	ReturnReference	Explanation
		Part VI, Line 3 Porter Hospital's Financial Assistance Program is posted on the Porter Medical Center Web Site In addition, all patients receive a brochure entitled "Important Information About your rights and responsibilities as a patient" The brochure states that the patient has the right to receive the most appropriate medical treatment available regardless of ability to pay and receive information about financial assistance

Identifier	ReturnReference	Explanation
		Part VI, Line 4 Porter Hospital, Inc is the major provider of health care in Addison County, Vermont Porter Hospital, Inc also provides services to residents of northern Rutland County (Vermont), Essex County (Vermont), New York and elsewhere in this region

Identifier	ReturnReference	Explanation
		Part VI, Line 6 Porter Hospital, Inc provides rent free clinic space and vouchers for no-cost ancillary services to the local Open Door Clinic in its role as a catalyst in the delivery of health care services to its entire community Porter Hospital, Inc offers free and low cost community education programs on health care topics including memory loss, dementia, breast cancer screening, basic diabetes, CPR, smoking cessation, parenting, prenatal exercise and breast feeding A majority of the governing body is comprised of persons who reside in its service area and who are neither employees nor contractors of Porter Hospital, Inc nor family members thereof Medical staff privileges are extended to all qualified physicians in the community Surplus funds are invested in technology, facilities and programs Porter Hospital and the local Career Center collaborate on a new Health Careers Education program

Identifier	ReturnReference	Explanation
		Part VI, Line 7 Porter Hospital, Inc and Helen Porter Nursing Home, Inc are wholly owned subsidiaries of Porter Medical Center Through its subsidiaries, Porter Medical Center provides a continuum of health services including in-patient care, out-patient care, short-term rehabilitation, long-term rehabilitation, long-term care, dementia care, wellness programs and prevention programs

Identifier	ReturnReference	Explanation
Reports Filed With States	Part VI, Line 7	VT

Additional Data

Software ID:
Software Version:
EIN: 03-0181058
Name: Porter Hospital Inc

Form 990 Schedule H, Part V Section C. Other Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility

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? **11** Name and address	Type of Facility (Describe)
Porter Internal Medicine 116 Porter Drive Middlebury, VT 05753	Physician Clinic
Neshobe Family Medicine 61 Court Drive Brandon, VT 05733	Family Physician Clinic
Bristol Internal Medicine 6 Park St Bristol, VT 05443	Physician Clinic
Tapestry Midwifery 20 Armory Lane Vergennes, VT 05491	Physician Clinic
Porter Cardiology 115 Porter Drive Middlebury, VT 05753	Physician Clinic
Middlebury Pediatric & Adolescent Med 1330 Exchange Street 201 Middlebury, VT 05753	Physician Clinic
Little City Family Practice 10 North Street Vergennes, VT 05491	Family Physician Clinic
Addison Associates in OBGYN 116 Porter Drive Middlebury, VT 05753	OB/GYN
Addison Family Medicine 82 Catamount Park Middlebury, VT 05753	Family Physician Clinic
Partners in Palliative & Home Care 108 Porter Drive Middlebury, VT 05753	Physician Clinic
Porter Ear Nose & Throat 1330 Exchange Street 202 Middlebury, VT 05753	Physician Clinic

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Schedule I (Form 990)

Department of the Treasury
Internal Revenue Service

Grants and Other Assistance to Organizations, Governments and Individuals in the United States

Complete if the organization answered "Yes," to Form 990, Part IV, line 21 or 22.
▶ Attach to Form 990

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
Porter Hospital Inc

Employer identification number
03-0181058

Part I General Information on Grants and Assistance

1 Does the organization maintain records to substantiate the amount of the grants or assistance, the grantees' eligibility for the grants or assistance, and the selection criteria used to award the grants or assistance? . . . . . ☑ Yes ☐ No

2 Describe in Part IV the organization's procedures for monitoring the use of grant funds in the United States

Part II Grants and Other Assistance to Governments and Organizations in the United States.

Complete if the organization answered "Yes" to Form 990, Part IV, line 21 for any recipient that received more than $5,000. Check this box if no one recipient received more than $5,000. Part II can be duplicated if additional space is needed. . . . . ▶ ☐

1 (a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
(1) UVM Office of Primary Care and AHEC Program OfficeUHC Campus - Arnold 5 1 South Prospect Street Burlington, VT 05401	03-0179440	501(c)(3)	10,000				To Support the establishment of a new Health Careers Program at the Hannaford Career Center in order to facilitate greater local opportunities for students to pursue professional careers in health care
(2) Open Door Clinic100 Porter Drive Middlebury, VT 05753	03-0359531	501(c)(3)		33,690	FMV	Use of space on Hospital Campus	Operational Assistance

2 Enter total number of section 501(c)(3) and government organizations . . . . . ▶ 2

3 Enter total number of other organizations . . . . . ▶ 0

Part III **Grants and Other Assistance to Individuals in the United States.** Complete if the organization answered "Yes" to Form 990, Part IV, line 22. Use Schedule I-1 (Form 990) if additional space is needed.

(a) Type of grant or assistance	(b) Number of recipients	(c) Amount of cash grant	(d) Amount of non-cash assistance	(e) Method of valuation (book, FMV, appraisal, other)	(f) Description of non-cash assistance

Part IV **Supplemental Information.** Complete this part to provide the information required in Part I, line 2, and any other additional information.

Identifier	Return Reference	Explanation
Procedure for Monitoring Grants in the U S	Part I, Line 2	Schedule I, Part I, Line 2 Porter routinely communicates with the Director of the Hannaford Career Center regarding the success and status of this program and students from this program do their clinical rotations at Porter Hospital on a regular basis

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Schedule J (Form 990)

Department of the Treasury
Internal Revenue Service

Compensation Information

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.

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
Porter Hospital Inc

Employer identification number
03-0181058

Part I Questions Regarding Compensation

			Yes	No
1a	Check the appropiate 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 ☐ Housing allowance or residence for personal use ☐ Travel for companions ☐ Payments for business use of personal residence ☐ Tax idemnification and gross-up payments ☐ Health or social club dues or initiation fees ☐ Discretionary spending account ☐ 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 orprovision of all the expenses described above? If "No," complete Part III to explain	**1b**		
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**		
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 ☑ Written employment contract ☑ Independent compensation consultant ☐ Compensation survey or study ☐ Form 990 of other organizations ☑ 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 accured 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) James L Daily	(i)	0	0	0	0	0	0	0
	(ii)	320,651	0	36,941	12,250	28,080	397,922	0
(2) Fred Kniffin MD	(i)	220,964	0	26,375	9,800	16,967	274,106	0
	(ii)	0	0	0	0	0	0	0
(3) Marilyn Olejnik	(i)	0	0	0	0	0	0	0
	(ii)	131,062	0	6,531	4,096	8,327	150,016	0
(4) Alan D Ayer	(i)	262,269	10,000	10,390	7,350	19,209	309,218	0
	(ii)	0	0	0	0	0	0	0
(5) Sanjay Bose	(i)	351,200	0	1,548	7,350	430	360,528	0
	(ii)	0	0	0	0	0	0	0
(6) Anders Holm	(i)	332,868	0	15,816	7,350	26,482	382,516	0
	(ii)	0	0	0	0	0	0	0
(7) James A Malcolm	(i)	262,401	10,000	3,839	7,350	19,077	302,667	0
	(ii)	0	0	0	0	0	0	0
(8) David B Turner	(i)	235,389	0	234	7,179	22,858	265,660	0
	(ii)	0	0	0	0	0	0	0
(9) Duncan Brines	(i)	0	0	0	0	0	0	0
	(ii)	112,347	0	2,136	8,169	9,303	131,955	0
(10)								
(11)								
(12)								
(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 4b	James Daily, President & CEO, participates in a 457(f) plan, but did not receive any funds from the plan for FY 9/30/11

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Schedule K (Form 990)

Department of the Treasury
Internal Revenue Service

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
Porter Hospital Inc

Employer identification number
03-0181058

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	Vermont Educational and Health Buildings Financing Agency	23-7154467	9241607X6	06-17-2005	15,430,000	Funding for new Construction		X		X		X

Part II Proceeds

		A	B	C	D
1	Amount of bonds retired				
2	Amount of bonds legally defeased				
3	Total proceeds of issue	15,430,000			
4	Gross proceeds in reserve funds				
5	Capitalized interest from proceeds				
6	Proceeds in refunding escrow	4,974,901			
7	Issuance costs from proceeds	207,863			
8	Credit enhancement from proceeds				
9	Working capital expenditures from proceeds	170,152			
10	Capital expenditures from proceeds	10,077,084			
11	Other spent proceeds				
12	Other unspent proceeds				
13	Year of substantial completion	2005			

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
14	Were the bonds issued as part of a current refunding issue?		X						
15	Were the bonds issued as part of an advance refunding issue?		X						
16	Has the final allocation of proceeds been made?	X							
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	X							

Part III Private Business Use

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

Part III Private 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						
b	Are there any research agreements that may result in private business use of bond-financed property?		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?	X							
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							

Part IV Arbitrage

		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						
2	Is the bond issue a variable rate issue?	X							
3a	Has the organization or the governmental issuer entered into a hedge with respect to the bond issue?		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						
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						
6	Did the bond issue qualify for an exception to rebate?	X							

Part V Supplemental Information

Complete this part to provide additional information for responses to questions on Schedule K (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
Porter Hospital Inc

Employer identification number
03-0181058

Identifier	Return Reference	Explanation
Form 990, Part VI, Section A, line 6		Porter Medical Center, Inc is the parent holding company and sole corporate member of the Organization

Identifier	Return Reference	Explanation
Form 990, Part VI, Section A, line 7a		Porter Medical Center, Inc , the parent holding company and sole corporate member of the Organization, has the right to appoint Hospital directors

Identifier	Return Reference	Explanation
Form 990, Part VI, Section A, line 7b		Porter Medical Center, Inc , the parent holding company and sole corporate member of the Organization, has the right to approve major hospital expenditures and approve hospital long-term borrowings

Identifier	Return Reference	Explanation
Form 990, Part VI, Section B, line 11		Form 990 is reviewed by management and the finance committee before filing

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section B, line 12c	The Organization's CFO is responsible for regularly and consistently monitoring and enforcing compliance with the conflict of interest policy When bids are solicited to include the business of a Board member, those bids are reviewed by the Board of Directors to assure adherence to the Hospital's lowest bid policy When an issue comes up to a vote and it is connected, in any way, to the business of a Board member, the member must recuse him/herself from the vote

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section B, line 15a	The Organization's executive committee reviews comparative data prepared by a consultant prior to referral of compensation to the board of directors The board of directors review the findings of the consultant and vote to approve the salary of the CEO

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section C, line 19	The Organization makes its governing documents, conflict of interest policy, and financial statements available to the public upon request

Identifier	Return Reference	Explanation
Contact Addresses for Officers, Directors, Etc	Form 990, Part VII	Duncan Brines - PO Box 1144, Waitsfield, VT 05673 Sanjay Bose - 145 Stonegate Ln, Shelburne, VT 05482

Identifier	Return Reference	Explanation
Changes in Net Assets or Fund Balances	Form 990, Part XI, line 5	Net unrealized losses on investments -175,221 Equity Transfer to Affiliate -98,688 Change in Net Assets to Recognize Funded Status of Pension Plan -347,098 Change in Beneficial Interest in Perpetual Trusts -101,186 Total to Form 990, Part XI, Line 5 -722,193

Identifier	Return Reference	Explanation
Oversight of Audit	Form 990, Part XI, Line 2c	The audit process has not changed from prior years

Identifier	Return Reference	Explanation
	Form 990, Part I, Lines 8-18	Prior year numbers have been restated to present revenue & expenses net of bad debt expense in accordance with FASB accounting pronouncement ASC 954

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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
Porter Hospital Inc

Employer identification number
03-0181058

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
(1) Porter Real Estate Holdings LLC 37 Porter Drive Middlebury, VT 05753 26-1585746	Real Estate Holdings	VT	0	0	Porter Medical Center Inc

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) Porter Medical Center Inc 37 Porter Drive Middlebury, VT 05753 03-0310862	Holding Company for Subsidiaries	VT	501(c)(3)	Line 11b, II	N/A		No
(2) Porter Management Services Inc 37 Porter Drive Middlebury, VT 05753 03-0308242	Management Services	VT	501(c)(3)	Line 11b, II	Porter Medical Center Inc		No
(3) Helen Porter Nursing Home Inc DBA Helen Porter Healthcare & Rehab Center 37 Porter Drive Middlebury, VT 05753 03-0306549	Nursing Home	VT	501(c)(3)	Line 3	Porter Medical Center Inc		No
(4) Auxiliary of Porter Medical Center 37 Porter Drive Middlebury, VT 05753 23-7363227	Supporting Organization	VT	501(c)(3)	Line 11b, II	Porter Medical Center Inc		No

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) Disproprtionate allocations? Yes	(h) No	(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner? Yes	(j) No	(k) Percentage ownership

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

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

		Yes	No
1	During the tax year, did the orgranization 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	1a	No
b	Gift, grant, or capital contribution to other organization(s)	1b	No
c	Gift, grant, or capital contribution from other organization(s)	1c	No
d	Loans or loan guarantees to or for other organization(s)	1d	Yes
e	Loans or loan guarantees by other organization(s)	1e	Yes
f	Sale of assets to other organization(s)	1f	No
g	Purchase of assets from other organization(s)	1g	No
h	Exchange of assets	1h	No
i	Lease of facilities, equipment, or other assets to other organization(s)	1i	No
j	Lease of facilities, equipment, or other assets from other organization(s)	1j	Yes
k	Performance of services or membership or fundraising solicitations for other organization(s)	1k	Yes
l	Performance of services or membership or fundraising solicitations by other organization(s)	1l	Yes
m	Sharing of facilities, equipment, mailing lists, or other assets	1m	No
n	Sharing of paid employees	1n	Yes
o	Reimbursement paid to other organization for expenses	1o	No
p	Reimbursement paid by other organization for expenses	1p	No
q	Other transfer of cash or property to other organization(s)	1q	No
r	Other transfer of cash or property from other organization(s)	1r	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)				
(2)				
(3)				
(4)				
(5)				
(6)				

Part VI **Unrelated Organizations Taxable as a Partnership** (Complete if the organization answered "Yes" on Form 990, Part IV, line 37.)

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

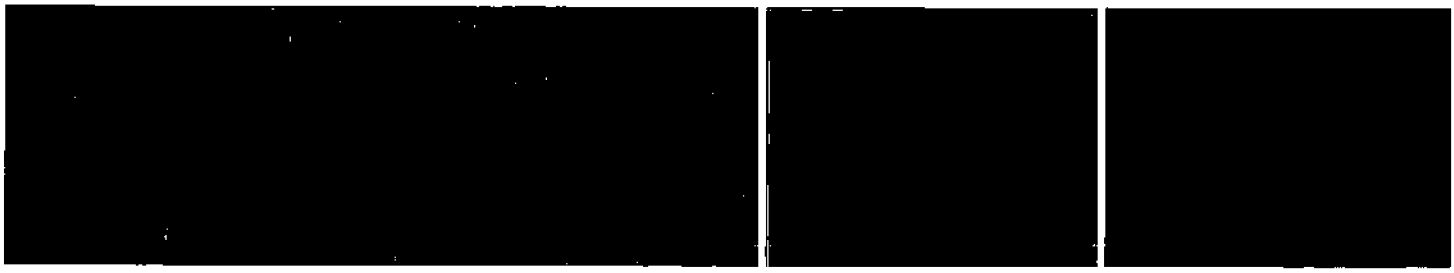
(a) Name, address, and EIN of entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Are all partners section 501(c)(3) organizations?		(e) Share of end-of-year assets	(f) Disproprtionate allocations?		(g) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(h) General or managing partner?	
			Yes	No		Yes	No		Yes	No

Part VII Supplemental Information

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

Identifier	Return Reference	Explanation

BerryDunn



PORTER HOSPITAL, INC.

FINANCIAL STATEMENTS

with

SUPPLEMENTARY INFORMATION

September 31, 2011 and 2010

With Independent Auditors' Report

September 30, 2011 and 2010

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BerryDunn

INDEPENDENT AUDITORS' REPORT

Board of Directors
Porter Hospital, Inc.

We have audited the accompanying balance sheets of Porter Hospital, Inc. (the Hospital), a subsidiary of Porter Medical Center, Inc., as of September 30, 2011 and 2010, and the related statements of operations, changes in net assets and cash flows for the years then ended These financial statements are the responsibility of the Hospital's management Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Porter Hospital, Inc. as of September 30, 2011 and 2010, and the results of its operations, the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

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

Berry Dunn McNeil & Parker, LLC

Manchester, New Hampshire
January 10, 2012
Registration No 92-0000278

PORTER HOSPITAL, INC.

Balance Sheets

September 30, 2011 and 2010

ASSETS

	2011	2010
Current assets		
Cash and cash equivalents	**$ 3,100,982**	$ 6,737,172
Assets limited as to use, trustee held funds under debt agreements	**337,031**	322,937
Patient accounts receivable, net	**10,069,880**	6,784,157
Other receivables, net	**1,132,783**	367,095
Current portion of note receivable, related party	**3,103**	2,922
Supplies	**1,178,244**	754,471
Prepaid expenses and other	**594,316**	394,536
Due from affiliates	**240,336**	428,190
Total current assets	**16,656,675**	15,791,480
Assets limited as to use, deferred compensation plan assets	**412,630**	302,984
Long-term investments	**3,101,976**	2,934,333
Property and equipment, net	**28,812,904**	26,686,903
Beneficial interest in perpetual trusts	**2,851,219**	2,952,405
Deferred financing costs, net	**142,662**	148,674
Notes receivable	**212,567**	17,637
Note receivable, related party - noncurrent	**34,794**	37,896
Total assets	**$52,225,427**	$ 48,872,312

The accompanying notes are an integral part of these financial statements.

LIABILITIES AND NET ASSETS

	2011	2010
Current liabilities		
Current portion of long-term debt	**$ 1,385,558**	$ 978,213
Accounts payable and accrued expenses	**1,620,426**	1,863,591
Accrued payroll and related liabilities	**2,051,341**	1,679,092
Estimated third-party settlements	**1,183,000**	600,000
Accrued vacation	**2,176,110**	1,864,519
Deferred revenue	**22,508**	112,592
Due to affiliates	**148,688**	310,644
Total current liabilities	**8,587,631**	7,408,651
Liability for pension benefits	**2,515,825**	2,418,302
Deferred compensation	**412,630**	302,984
Long-term debt, excluding current portion	**16,173,391**	16,029,735
Total liabilities	**27,689,477**	26,159,672
Commitments and contingencies (Notes 5, 14, 15 and 17)		
Net assets		
Unrestricted	**21,283,161**	19,271,048
Temporarily restricted	**283,888**	371,505
Permanently restricted	**2,968,901**	3,070,087
Total net assets	**24,535,950**	22,712,640
Total liabilities and net assets	**$ 52,225,427**	$ 48,872,312

PORTER HOSPITAL, INC.

Statements of Operations

Years Ended September 30, 2011 and 2010

	2011	2010
Unrestricted revenues, gains and other support		
Patient service revenue (net of contractual allowances and discounts)	**$ 58,979,939**	$ 54,573,553
Less provision for bad debts	**2,326,120**	3,102,565
Net patient service revenue	**56,653,819**	51,470,988
Other operating revenue	**1,806,096**	2,130,935
Net assets released from restrictions used for operations	**79,302**	120,399
Total unrestricted revenues, gains and other support	**58,539,217**	53,722,322
Expenses		
Professional care of patients	**32,161,266**	31,369,208
General services	**3,800,481**	3,363,898
Administrative and fiscal services	**14,965,041**	15,562,142
Health care improvement tax	**3,158,424**	2,483,444
Depreciation and amortization	**3,431,186**	2,980,433
Interest	**314,456**	223,858
Total expenses	**57,830,854**	55,982,983
Operating income (loss)	**708,363**	(2,260,661)
Nonoperating gains		
Contributions	**186,633**	115,877
Other program income, net	**1,428,863**	-
Investment income	**134,040**	370,521
Nonoperating gains	**1,749,536**	486,398
Excess (deficiency) of revenues, gains and other support over expenses and nonoperating gains	**2,457,899**	(1,774,263)
Change in net assets to recognize funded status of pension plan	**(347,098)**	(377,283)
Net assets released from restrictions used for purchase of property and equipment	**-**	40,600
Transfer to affiliate	**(98,688)**	-
Increase (decrease) in unrestricted net assets	**$ 2,012,113**	$ (2,110,946)

The accompanying notes are an integral part of these financial statements.

PORTER HOSPITAL, INC.

Statements of Changes in Net Assets

Years Ended September 30, 2011 and 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balances, October 1, 2009	$ 21,381,994	$ 432,864	$ 2,659,814	$ 24,474,672
Deficiency of revenues, gains and other support over (under) expenses and nonoperating gains	(1,774,263)	-	-	(1,774,263)
Net assets released from restrictions used for operations	-	(120,399)	-	(120,399)
Net assets released from restrictions used for purchase of property and equipment	40,600	(40,600)	-	-
Change in net assets to recognize funded status of pension plan	(377,283)	-	-	(377,283)
Contributions	-	83,160	-	83,160
Investment income, net	-	16,480	-	16,480
Change in beneficial interest in perpetual trusts	-	-	410,273	410,273
Net (decrease) increase in net assets	(2,110,946)	(61,359)	410,273	(1,762,032)
Balances, September 30, 2010	19,271,048	371,505	3,070,087	22,712,640
Excess of revenues, gains and other support over expenses and nonoperating gains	**2,457,899**	-	-	**2,457,899**
Net assets released from restrictions used for operations	-	**(79,302)**	-	**(79,302)**
Change in net assets to recognize funded status of pension plan	**(347,098)**	-	-	**(347,098)**
Transfer to affiliate	**(98,688)**	-	-	**(98,688)**
Contributions	-	**1,203**	-	**1,203**
Investment income, net	-	**(9,518)**	-	**(9,518)**
Change in beneficial interest in perpetual trusts	-	-	**(101,186)**	**(101,186)**
Net increase (decrease) in net assets	**2,012,113**	**(87,617)**	**(101,186)**	**1,823,310**
Balances, September 30, 2011	**$ 21,283,161**	**$ 283,888**	**$ 2,968,901**	**$ 24,535,950**

The accompanying notes are an integral part of these financial statements.

PORTER HOSPITAL, INC.

Statements of Cash Flows

Years Ended September 30, 2011 and 2010

	2011	2010
Cash flows from operating activities		
Change in net assets	**$ 1,823,310**	$ (1,762,032)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Loss on disposal of property and equipment	**20,022**	99,272
Depreciation and amortization	**3,431,186**	2,980,433
Provision for bad debts	**2,326,120**	3,102,565
Net realized and unrealized loss (gain) on investments	**92,069**	(151,271)
Change in net assets to recognize funded statements of pension plan	**347,098**	377,283
Equity transfer to affiliate	**98,688**	-
Net unrealized loss (gain) on beneficial interest in perpetual trusts	**101,186**	(410,273)
(Increase) decrease in		
Patient accounts receivable	**(5,611,843)**	(2,328,093)
Due from affiliates	**187,854**	(101,851)
Supplies, prepaids and other current assets	**(1,403,335)**	(1,171)
Increase (decrease) in		
Accounts payable and accrued expenses	**(243,165)**	470,257
Accrued payroll and related liabilities	**372,249**	(206,600)
Estimated third party-settlements	**583,000**	(582,305)
Due to affiliates	**(161,956)**	(771,967)
Other current liabilities	**(28,068)**	(44,656)
Net cash provided by operating activities	**1,934,415**	669,591
Cash flows from investing activities		
Purchase of investments	**(2,071,849)**	(289,954)
Proceeds from sale of investments	**1,812,137**	32,872
Payments on note receivable from affiliates	**2,921**	2,754
Purchase of property and equipment	**(3,851,570)**	(2,665,355)
Notes receivable	**(194,930)**	-
Net cash used by investing activities	**(4,303,291)**	(2,919,683)
Cash flows from financing activities		
Equity transfer to affiliate	**(98,688)**	-
Proceeds from issuance of long-term debt	**-**	1,300,079
Principal payments on long-term debt	**(1,168,626)**	(1,113,091)
Net cash (used) provided by financing activities	**(1,267,314)**	186,988
Decrease in cash and cash equivalents	**(3,636,190)**	(2,063,104)
Cash and cash equivalents, beginning of year	**6,737,172**	8,800,276
Cash and cash equivalents, end of year	**$ 3,100,982**	$ 6,737,172
Supplemental cash flows information		
Interest paid	**$ 314,465**	$ 228,805
Capital lease obligation incurred for property and equipment	**1,719,627**	-

The accompanying notes are an integral part of these financial statements

Nature of Operations

Porter Hospital, Inc. (the Hospital) is a Vermont not-for-profit corporation which operates a 25-bed short-term community oriented general hospital. The Hospital primarily earns revenues by providing inpatient, outpatient and emergency care services to patients in Middlebury, Vermont, and the surrounding area. Porter Medical Center, Inc (PMC) is the parent holding company of the Hospital. In its capacity as sole member of the Hospital, PMC has the right to appoint Hospital directors, approve major Hospital expenditures, and approve Hospital long-term borrowings. As a subsidiary of PMC, the Hospital is also related to the following organizations: Helen Porter Nursing Home, Inc. (HPNH), Porter Management Services, Inc. (PMS) and Porter Real Estate Holdings, LLC (PREH). These financial statements represent the operating results, financial position and cash flows of only the Hospital.

1. Summary of Significant Accounting Policies

Basis of Presentation

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-For-Profit Entities*. Under FASB ASC 958, all not-for-profit organizations are required to provide a balance sheet, a statement of operations, and a statement of cash flows The Statement requires reporting amounts for an organization's total assets, liabilities, and net assets in a balance sheet; reporting the change in an organization's net assets in a statement of operations; and reporting the change in its cash and cash equivalents in a statement of cash flows.

Use of Estimates

The preparation of financial statements in conformity with U.S generally accepted accounting principles (GAAP) 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include all liquid investments with original maturities of three months or less other than deferred compensation plan investments to be cash equivalents. At September 30, 2011 and 2010, cash equivalents consisted primarily of money market accounts with brokers and certificates of deposit

Investments and Investment Income

Investments in equity securities having a readily determinable fair value and all investments in debt securities are measured at fair value in the balance sheets. The Hospital adopted ASC 825, effective October 1, 2008, and has elected the fair value option relative to its investments which consolidates all investment performance activity within the nonoperating gains (losses) section of the statement of operations.

Investments are exposed to various risks, such as interest rate, credit, and overall market volatility. As such, it is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the balance sheets and statements of operations and changes in net assets.

Assets Limited as to Use

Assets limited as to use include assets held by trustees under debt agreements and deferred compensation plan assets.

Patient Accounts Receivable

Patient accounts receivable are stated at the amount management expects to collect for services rendered from third-party payors, patients and others. Management provides an allowance for uncollectible accounts based upon a review of outstanding receivables, historical collection information and existing economic conditions. Accounts are considered delinquent and subsequently written off as uncollectible based on individual credit evaluation and specific circumstances of the account

In evaluating the collectibility of accounts receivable, the Hospital analyzes past results and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management regularly reviews data about these major payor sources in evaluating the sufficiency of the allowance for doubtful accounts. For receivables associated with services provided to patients who have third-party coverage, the Hospital analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts. For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Hospital records a provision for bad debts in the period of service based on past experience, which indicates that many patients are unable or unwilling to pay amounts for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated or eligible) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged against the allowance for doubtful accounts.

Supplies

The Hospital records supply inventories at the lower of cost, determined using the first-in, first-out method, or market.

Property and Equipment

Property and equipment acquisitions are recorded at cost, or, if contributed, at fair market value determined at the date of donation. 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 period of the lease term or the asset's estimated useful life. Such amortization is included in depreciation and amortization in the 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

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support, and are excluded from the excess (deficiency) of revenue, gains, and other support over expenses and nonoperating gain, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Deferred Financing Costs

Deferred financing costs represent costs incurred in connection with the issuance of long-term debt. Such costs are being amortized over the term of the respective debt using the straight-line method.

Deferred Revenue

Deferred revenue represents amounts received for disproportionate share payments that are recognized in earnings ratably over the period the funds are earned.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the Hospital have 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

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered and includes estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and are adjusted in future periods as final settlements are determined.

Charity Care

The Hospital provides care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as net patient service revenue.

Contributions

Unconditional promises to give cash and other assets are accrued at estimated fair value at the date each promise is received. Gifts received with donor stipulations are reported as either temporarily or permanently restricted support. When a donor restriction expires, that is, when a time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified and reported as an increase in unrestricted net assets. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions. Conditional contributions are reported as liabilities until the condition is eliminated or the contributed assets are returned to the donor.

Excess (Deficiency) of Revenues, Gains and Other Support Over Expenses and Nonoperating Gains

The statements of operations include excess (deficiency) of revenues, gains, and other support over expenses and nonoperating gains Changes in unrestricted net assets, which are excluded from this measure consistent with industry practice, include defined benefit pension plan adjustments, permanent transfers of assets to and from affiliates for other than goods and services, and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purpose of acquiring such assets)

Income Taxes

The Hospital is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on related income.

New Accounting Pronouncement

In July 2011, the FASB amended ASC 954, *Health Care Entities*, to require health care entities to change the presentation of the statement of operations by reclassifying the provision for bad debts associated with patient service revenue from an operating expense to a deduction from patient service revenue (net of contractual allowances and discounts). Additionally, enhanced disclosures are required about the policies for recognizing revenues and assessing bad debts The amendments also require disclosure of qualitative and quantitative information about significant changes in the allowance for doubtful accounts. The amendments to ASC 954 are effective for public entities for the first annual period beginning after December 15, 2011 The Hospital elected to early adopt these amendments for fiscal year ending September 30, 2011.

Subsequent Events

For purposes of the preparation of these financial statements in conformity with GAAP, the Hospital has considered transactions of events occurring through January 10, 2012, which was the date the financial statement were issued.

Reclassifications

Certain amounts in the 2010 financial statements have been reclassified to conform to the current year's presentation.

2. Net Patient Service Revenue and Patient Accounts Receivable

Net Patient Service Revenue

Patient service revenue and contractual and other allowances consisted of the following for the years ended September 30.

	2011	2010
Patient services		
Inpatient	**$ 28,831,889**	$ 19,552,623
Outpatient	**74,322,048**	74,522,054
Gross patient service revenue	**103,153,937**	94,074,677
Less Medicare and Medicaid allowances	**26,494,947**	21,478,967
Less other contractual allowances	**16,573,892**	16,920,966
Less charity care and other discounts	**1,105,159**	1,101,191
	44,173,998	39,501,124
Patient service revenue (net of contractual allowances and discounts)	**58,979,939**	54,573,553
Less provision for bad debts	**2,326,120**	3,102,565
Net patient service revenue	**$ 56,653,819**	$ 51,470,988

Patient Accounts Receivable

Patient accounts receivable consisted of the following at September 30:

	2011	2010
Gross patient accounts receivable	**$ 20,101,989**	$ 13,752,544
Less: Estimated contractual allowances	**6,871,589**	3,495,569
Estimated allowance for doubtful accounts and charity care	**3,160,520**	3,472,818
Net patient accounts receivable	**$ 10,069,880**	$ 6,784,157

During 2011, the Hospital decreased its estimate from $2,828,932 to $2,267,426 in the allowance for doubtful accounts relating to self-pay patients and increased such estimate from $643,887 to $893,094 for doubtful accounts relating to third-party payors. During 2011, self-pay write-offs increased from $2,177,218 to $3,572,590. Such increases resulted from trends experienced in the collection of amounts from self-pay patients and third-party payors.

The Hospital has agreements with third-party payers that provide for payments to the Hospital at amounts different from its established rates. These payment arrangements include:

Medicare

On December 31, 2005, the Hospital became a Critical Access Hospital (CAH). As a CAH, the Hospital is reimbursed at 101% of reasonable allowable costs for its inpatient and outpatient services excluding ambulance services, provided to Medicare patients. The Hospital is reimbursed for cost reimbursable items at tentative rates, with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary. The Hospital's Medicare cost reports have been audited by the Medicare fiscal intermediary through September 30, 2009.

Medicaid

Inpatient services rendered to Medicaid program beneficiaries are reimbursed at prospectively determined rates. The prospectively determined rates are not subject to retroactive adjustment Outpatient services rendered to Medicaid program beneficiaries are reimbursed at prospectively determined rates and therefore are not subject to retroactive adjustments.

Other Arrangements

The Hospital has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations The basis for payment to the Hospital under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates

Approximately 55% of net patient service revenue is from participation in the Medicare and state-sponsored Medicaid programs for the years ended September 30, 2011 and 2010. The Hospital has agreements with the Centers for Medicare and Medicaid Services (Medicare) and the Office of Vermont Health Access (Medicaid). Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation as well as significant regulatory action, including fines, penalties and exclusion from the Medicare and Medicaid programs. Differences between amounts previously estimated and amounts subsequently determined to be recoverable or payable are included in net patient service revenues in the year that amounts become known. In 2011, net patient service revenue increased by approximately $95,000, and in 2010, net patient service revenue decreased by approximately $281,000 due to removal of allowances or recognition of settlements no longer subject to audits, reviews and investigations.

The Hospital recognizes patient service revenue associated with services rendered to patients who have third-party payor coverage on the basis of contractual rates for such services. For uninsured patients that do not qualify for charity care, the Hospital recognizes revenue on the basis of its standard rates (or on the basis of discounted rates, if negotiated or provided by policy). Based on historical trends, a significant portion of the Hospital's uninsured patients will be unable or unwilling to pay for the services rendered. Thus, the Hospital records a provision for bad debts related to uninsured patients in the period the services are rendered. Patient service revenue, net of contractual allowances and discounts (but before the provision for bad debts), recognized during fiscal year ended September 30, 2011 totaled $58,979,939, of which $55,772,535 was revenue from third-party payors and $3,207,404 was revenue from self-pay patients. Patient service revenue, net of contractual allowances and discounts (but before the provision for bad debts), recognized during fiscal year ended September 30, 2010 totaled $54,573,553, of which $51,724,053 was revenue from third-party payors and $2,849,500 was revenue from self-pay patients.

3. Community Benefit

The Hospital provides services without charge, or at amounts less than its established rates, to patients who meet the criteria of its charity care policy. The criteria for charity care, which is granted on a sliding scale, consider gross income and family size as compared to the federal poverty guidelines (FPL). The maximum of 100% charity care will be granted if the gross income of the individual is up to 200% of FPL.

The net cost of charity care provided was approximately $619,000 in 2011 and $512,800 in 2010. The total cost estimate is based on an overall financial statement cost to charge ratio applied against gross charity care charges. In 2011 and 2010, 1.1% and 1.2%, respectively, of all services as defined by percentage of gross revenue was provided on a charity basis.

In 2011, of a total of 44 inpatients received their entire episode of service on a charity case basis. In 2010, of a total of 45 inpatients received their entire episode of service on a charity case basis

In 2011, of a total of 975 outpatients received their entire episode of service on a charity case basis. In 2010, of a total of 1,072 outpatients received their entire episode of service on a charity case basis

4. Investments and Investment Income

Assets limited as to use include the following at September 30:

	2011	2010
Held by trustee under debt agreement		
Cash and cash equivalents	$ 337,031	$ 322,937
Held by trustee - deferred compensation funding		
Cash and cash equivalents	$ 412,630	$ 302,984

Long-term investments include the following at September 30.

	2011	2010
Cash and cash equivalents	$ 264,947	$ 208,978
Mutual funds	295,672	311,982
Marketable equity securities	1,313,725	1,381,278
Corporate and taxable bonds	562,000	613,171
U.S. Government obligations and government securities	510,041	347,953
Government sponsored enterprises	155,591	70,971
	$ 3,101,976	$ 2,934,333

Total investment income is comprised of the following for the years ending September 30

	2011	2010
Interest and dividend income	$ 216,591	$ 235,730
Net unrealized (losses) gains	(175,221)	89,849
Realized gains	83,152	61,422
	$ 124,522	$ 387,001

Total investment income is reflected in the statement of operations and changes in net assets as follows.

	2011	2010
Unrestricted net assets		
Other nonoperating income	$ 134,040	$ 370,521
Temporarily restricted net assets	(9,518)	16,480
	$ 124,522	$ 387,001

5. Property and Equipment

The major categories of property and equipment are as follows at September 30:

	2011	2010
Land and land improvements	**$ 2,146,053**	2,130,386
Buildings and leasehold improvements	**24,934,247**	24,277,080
Equipment	**18,675,744**	13,132,529
Construction in progress	**120,744**	1,453,258
	45,876,788	40,993,253
Less accumulated depreciation	**17,063,884**	14,306,350
Property and equipment, net	**$ 28,812,904**	$ 26,686,903

Construction in progress as of September 30, 2011 and 2010, consists of costs related to an information technology system conversion. The project is expected to be completed by September 2012, with an estimated cost of completion of $4,359,000. As of September 30, 2011, the Hospital has committed $1,500,000 to complete the project.

6. Beneficial Interest in Perpetual Trusts

The Hospital is an income beneficiary of two perpetual trusts controlled by an unrelated third-party trustee The beneficial interests in the assets of these trusts are included in the Hospital's financial statements as permanently restricted net assets. Income is distributed in accordance with the individual trust documents and is included in investment return. Trust income distributed to the Hospital for the years ended September 30, 2011 and 2010, was $138,366 and $141,645, respectively.

7. Borrowings

Long-term debt consisted of the following as of September 30:

	2011	2010
Vermont Educational and Health Buildings Financing Agency (VEHBFA) Variable Rate Demand Hospital Revenue Bonds, 2005 Series A bonds with variable interest (15% at September 30, 2011), payable in annual installments ranging from $335,000 to $890,000 through December 2035, collateralized by the gross receipts of the Hospital.	**$ 14,220,000**	$ 14,540,000

	2011	2010
Note payable at a fixed interest rate of 4 7%, monthly payments of $24,400, due March 2015; collateralized by certain equipment.	**928,113**	1,201,070
Note payable at variable interest rate of (4% at September 30, 2011), monthly payments of $1,743, with the remaining principal, due March 2019; collateralized by certain property	**207,292**	221,292
Note payable at a fixed interest rate of 7.5%, monthly payments of $1,329, paid in full at September 30, 2011.	-	38,971
Capital lease obligations at various rates with monthly payments ranging from $349 to $37,110, due 2012 through 2016; collateralized by leased equipment.	**2,203,544**	1,006,615
	17,558,949	17,007,948
Less current portion	**1,385,558**	978,213
	$ 16,173,391	$ 16,029,735

Letter of Credit

As part of the bond covenants, the Hospital is required to maintain a letter of credit. The letter of credit is issued by a bank in the amount of the outstanding principal balance plus 45 days interest calculated at 10%, which, in turn, is secured by the gross receipts of the Hospital The current letter of credit expires September 30, 2013.

In connection with the letter of credit securing the 2005 Series A bonds, the Hospital is subject to certain financial covenants which include capitalization and debt service ratio coverage, restrictions on acquisition of new indebtedness, disposition of properties, consolidations or mergers and transfers of assets between affiliated companies. The Hospital is in compliance with all of these financial covenants.

Aggregate annual maturities of long-term debt and payments on capital lease obligations at September 30, 2011, are:

	Long-Term Debt (Excluding Capital Lease Obligations)	Capital Lease Obligations
2012	$ 552,319	$ 861,606
2013	637,000	784,545
2014	666,600	628,071
2015	549,700	88,512
2016	421,000	29,504
Thereafter	12,528,786	-
	$ 15,355,405	2,392,238
Less amounts representing interest		(188,694)
		$ 2,203,544

8. Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purpose or periods

	2011	2010
Health care services	$ 44,721	$ 58,843
Purchase of equipment	2,787	76,282
Indigent care	236,380	236,380
	$ 283,888	$ 371,505

Permanently restricted net assets are restricted to:

	2011	2010
Investments to be held in perpetuity, the income is restricted for indigent care	$ 117,682	$ 117,682
Beneficial interest in perpetual trusts, the income is unrestricted	2,851,219	2,952,405
	$ 2,968,901	$ 3,070,087

9. Assets Held in Trust

The Hospital is a contingent income beneficiary of various trusts Because the Hospital has only a contingent interest in the assets of the trust, they are not included in the Hospital's financial statements. The fair value of the assets totaled approximately $3,458,000 and $3,581,000 on September 30, 2011 and 2010, respectively. Distributions of income are made at the discretion of the trustees. Income distributed to the Hospital by the trust is restricted for indigent care and amounted to $186,633 in 2011 and $171,793 in 2010.

10. Other Operating Revenue

Other operating revenue consisted of the following for the year ended September 30:

	2011	2010
Rental income	$ 125,193	$ 136,856
Cafeteria and coffee shop income	137,529	135,813
Miscellaneous revenue	275,437	137,834
Disproportionate Share Payments	1,158,110	1,085,929
Foundation revenue	-	495,507
Lifeline income	109,827	138,996
Total other revenue	$ 1,806,096	$ 2,130,935

11. Other Program Income, net

Other program income, net represents the net income resulting from the federal 340(b) Drug Pricing Program. The Program provides for discounts and reduced prices on medications because the Hospital as a qualified federal grantee (as a Critical Access Hospital). In addition to savings for medications used within the Hospital, the Hospital has also established contracts with five local pharmacies during 2011. Revenue from prescriptions filled by these contract pharmacies is recorded as "other program revenue." The Hospital paid all expenses for the drugs dispensed by the contract pharmacies at wholesaler cost. The Hospital also paid the contract pharmacies a dispensing fee for filling the prescriptions. These expenses are treated as "other expense" by the Hospital. The net of these three amounts resulted in net program income of $1,428,863 for the year ended September 30, 2011.

12. Functional Expenses

The Hospital provides health care services primarily to residents within its geographic area Expenses related to providing these services are as follows:

	2011	2010
Health care services	$ 50,753,256	$ 49,131,536
General and administrative	7,077,598	6,851,447
	$ 57,830,854	$ 55,982,983

13. Concentration of Credit Risk

The Hospital grants credit without collateral to its patients, most of whom are area residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at September 30, 2011 and 2010, is:

	2011	2010
Medicare	36 %	27 %
Medicaid	9	8
Commercial and other	28	31
Self-pay	27	34
	100 %	100 %

The Hospital maintains a substantial portion of its cash and cash equivalents in bank accounts which at times may exceed federally insured limits. The Hospital has not experienced any losses on such accounts. The Hospital believes it is not exposed to any significant risk on cash and cash equivalents.

14. Commitments and Contingencies

Medical Malpractice Claims

The Hospital purchases medical malpractice insurance under a claims-made policy on a fixed premium basis. GAAP requires a health care provider to accrue the expense of malpractice claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Based upon the Hospital's claim experience, no such accrual has been made. It is reasonably possible that this estimate could change materially in the near term.

Guarantees

The Hospital guarantees certain third-party debts of an unconsolidated affiliated organization. The guarantee terms are for periods of 9 and 14 years. Should the Hospital be obligated to perform under the guarantee agreements, the Hospital may seek reimbursement from the related organization of amounts expended under the guarantees. At September 30, 2011 and 2010, the total outstanding balances on the guaranteed loans were approximately $447,000 and $517,500, respectively.

Self-Insurance

PMC is self-insured for employee health care benefits. PMC accrues a liability for employee health care by charging the statement of operations for certain known claims and reasonable estimates for incurred, but not reported, claims based on claims experience. The amount of actual losses incurred could differ materially from these estimates in the near term

Litigation

In the normal course of business, the Hospital is, from time to time, subject to allegations that may or do result in litigation. The Hospital evaluates such allegations by conducting investigations to determine the validity of each potential claim Based upon the advice of counsel, management records an estimate of the amount of ultimate expected loss, if any, for each of these matters. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

15. Benefit Plans

Defined Contribution Plan

PMC has a 403(b) defined contribution pension plan covering substantially all Hospital employees PMC makes an employer contribution to the plan. In order to receive the contribution, employees must meet certain eligibility requirements. PMC will make contributions between 3% and 6% of covered payroll based on the employee's years of service and employees' ages as of January 1, 2007

The Hospital has estimated a liability of approximately $794,000 and $690,000 at September 30, 2011 and 2010, respectively, related to the 403(b) plan. This amount has been included in other accrued expenses. Contributions are calculated on a calendar year basis, and are paid following the end of the calendar year. Contributions to the plan were approximately $935,000 and $873,000 for calendar years 2011 and 2010, respectively.

Deferred Compensation Plan

The Hospital has a nonqualified deferred compensation plan established under section 457 of the Internal Revenue Code of 1986. These plans cover a key employee of the Hospital. The Hospital does not contribute to this plan.

Defined Benefit Plan

PMC has a noncontributory defined benefit pension plan covering all Hospital employees who meet the eligibility requirements PMC's funding policy is to make the minimum annual contribution that is required by applicable regulations, plus such amounts as PMC may determine to be appropriate from time to time. PMC expects to contribute $133,212 to the plan in 2012

PMC has adopted FASB ASC 715, *Compensation-Retirement Benefits*. The defined benefit pension plan has been frozen since April 2007, therefore, the adoption of these provisions had no effect on the balance sheet and statement of operations and changes in net assets of PMC.

The Hospital's share of the net pension accrual was a pension liability of $2,515,825 and $2,418,302 at September 30, 2011 and 2010, respectively. The Hospital's share of the pension expense was $162,051 and $145,428 for the years ending September 30, 2011 and 2010, respectively. The Hospital contributed $411,000 and $100,000 to the plan in 2011 and 2010, respectively.

PMC uses a September 30, 2011 measurement date for the plan. Significant balances, costs and assumptions for the plan as a whole are:

	2011	2010
Benefit obligations	**$(10,942,491)**	$(10,690,102)
Fair value of plan assets	**7,679,106**	7,646,052
Funded status	**$ (3,263,385)**	$ (3,044,050)

The tables below present details about the Plan, including its funded status, components of net periodic benefit cost and certain assumptions used to determine the funded status and cost:

	2011	2010
Change in benefit obligation		
Benefit obligation at beginning of year	**$10,690,102**	$ 9,744,578
Interest cost	**554,076**	553,482
Actuarial (gain) loss	**(24,710)**	647,213
Benefits paid	**(276,977)**	(255,171)
Benefit obligation at end of year	**$10,942,491**	$10,690,102
Change in plan assets		
Fair value of plan assets at beginning of year	**$ 7,646,052**	$ 7,274,994
Actual return on plan assets	**(101,595)**	526,229
Employer contributions	**411,626**	100,000
Benefits paid	**(276,977)**	(255,171)
Fair value of plan assets at end of year	**$ 7,679,106**	$ 7,646,052
Components of net periodic benefit cost		
Interest cost	**$ 554,076**	$ 553,482
Expected return on plan assets	**(516,972)**	(490,199)
Amortization of net loss	**163,718**	124,366
Net periodic benefit cost	**$ 200,822**	$ 187,649

	2011	2010
Weighted average assumptions used to determine benefit obligation		
Discount rate	**5.50 %**	5.25 %
Weighted average assumptions used to determine benefit cost		
Discount rate	**5.25**	5.75
Expected return on assets	**6.85**	6.85

PMC has estimated the long-term rate of return on plan assets based primarily on historical returns on plan assets, adjusted for changes in target portfolio allocations and recent changes in long-term interest rates based on publicly available information.

The following benefit payments are expected to be paid as of September 30, 2011:

2011	$ 325,864
2012	377,573
2013	396,178
2014	442,799
2015	475,394
2016 - 2020	2,985,271

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

Asset allocation is primarily based on a strategy to provide stable earnings while still permitting the plans to recognize potentially higher returns through a limited investment in equity securities. Plan assets are rebalanced quarterly. At September 30, 2011 and 2010, plan assets by category are as follows:

	2011	2010
Equity securities	**43.0 %**	47.4 %
Debt securities	**49.2**	45.3
Other assets	**7.8**	7.3
	100.0 %	100.0 %

No amounts are expected to be recognized in the next year as components of net periodic benefit cost related to items previously recognized in unrestricted net assets. No plan assets are expected to be returned to PMC in 2012.

Risks

The Plan 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.

16. Health Care Improvement Tax

Effective July 1, 1991, a health care improvement tax was imposed on medical centers, nursing homes and home health agencies as part of a program to upgrade services in Vermont. The State of Vermont pays the Hospital with funds received from the health care improvement trust fund and federal matching funds. The assessment rate for subsequent years will be determined annually by the General Assembly. A foundation associated with the Vermont Association of Hospitals and Health Systems redistributes amounts from hospitals who receive state funds in excess of their Medicaid assessment. The following tax was paid and funds received by the Hospital:

	2011	2010
Medicaid assessment	**$ 3,158,424**	$ 2,483,444
Disproportionate Share Payments	**(1,158,110)**	(1,085,929)
	2,000,314	1,397,515
Foundation revenue, included in other revenue	**-**	(495,507)
	$ 2,000,314	$ 902,008

17. Operating Leases

Noncancelable operating leases for primary care outpatient offices expire in various years through May 2013. These leases generally contain renewal options for periods ranging from three to six years and require the Hospital to pay all executory costs.

Future minimum lease payments at September 30, 2011, were:

2012	$ 801,000
2013	613,000
2014	444,000
2015	444,000
2016	304,000
	$ 2,606,000

18. Related Party Transactions

Revenues and Expenses

The Hospital contracts for services and provides services to related parties. A description of the services provided and amounts recorded as revenue (expense) by the Hospital is as follows during the years ended September 30:

	2011	2010
HPNH		
Medical Director	**$ 15,444**	$ 15,447
Employee physicals	**31,419**	16,268
Speech therapy services	**(8,988)**	(11,275)
Resident medical testing	**69,436**	107,935
PMS		
Management services	**(594,312)**	(1,855,628)
Administrative services	**(1,107,456)**	(1,217,601)
Fiscal services	**-**	(94,875)
Employee physicals	**901**	6,809
PREH		
Facility rent	**(108,970)**	(142,320)
Interest income	**2,370**	2,539

Accounts Receivable

Accounts receivable from related parties were as follows as of September 30:

	2011	2010
HPNH	**$ 102,114**	$ 60,781
PREH	**66,926**	3,457
PMS	**70,516**	352,707
PMC	**780**	11,245
	$ 240,336	$ 428,190

Accounts Payable

Accounts payable to related parties were as follows as of September 30:

	2011	2010
HPNH	$ 1,650	$ 1,188
PMS	146,775	309,274
PMC	263	182
	$ 148,688	$ 310,644

Note Receivable

Note receivable from PREH is as follows as of September 30:

	2011	2010
6% unsecured note receivable, monthly payments of $441 including principal and interest, due February 21, 2021	$ 37,897	$ 40,818
Less current portion	3,103	2,922
	$ 34,794	$ 37,896

19. Fair Value Measurements

FASB ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. FASB ASC 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect an entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

Assets and liabilities measured at fair value on a recurring basis are summarized below.

	Fair Value Measurements at September 30, 2011			
	Total	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Investments				
Cash and cash equivalents	$ 264,927	$ 264,927	$ -	$ -
Corporate and taxable bonds	562,000	-	562,000	-
U S Treasury obligations and government securities	510,041	510,041	-	-
Government sponsored enterprises	155,591	-	155,591	-
Marketable equity securities	-	-	-	-
Basic materials	28,845	28,845	-	-
Communication services	39,013	39,013	-	-
Consumer staple	142,096	142,096	-	-
Consumer discretionary	126,126	126,126	-	-
Energy	149,719	149,719	-	-
Financial services	169,501	169,501	-	-
Healthcare	170,202	170,202	-	-
Industrials	121,547	121,547	-	-
Technology	233,005	233,005	-	-
Utilities	30,679	30,679	-	-
Miscellaneous	102,992	102,992	-	-
Total marketable equity securities	1,313,725	1,313,725	-	-
Mutual funds	-	-	-	-
Growth funds	87,789	87,789	-	-
Equity funds	158,604	158,604	-	-
Bond funds	15,197	15,197	-	-
International funds	34,082	34,082	-	-
Total mutual funds	295,672	295,672	-	-
Deferred compensation plan assets cash and cash equivalents	412,630	412,630	-	-
Beneficial interest in perpetual trusts	2,851,219	-	-	2,851,219
Total assets	$ 6,365,805	$ 2,796,995	$ 717,591	$ 2,851,219

	Total	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Pension assets				
Cash and cash equivalents	$ 591,426	$ 591,426	$ -	$ -
Mutual funds	-	-	-	-
Growth funds	972,862	972,862	-	-
Equity funds	2,330,897	2,330,897	-	-
Bond funds	3,777,562	3,777,562	-	-
Total mutual funds	7,081,321	7,081,321	-	-
Accrued interest	6,359	6,359	-	-
Total pension assets	$ 7,679,106	$ 7,679,106	$ -	$ -

Significant activity for the year ended September 30, 2011 for assets measured at fair value on a recurring basis using unobservable inputs (Level 3) is as follows:

Level 3 investments at October 1, 2010	$ 2,952,405
Net appreciation of beneficial interest in perpetual trusts	(101,186)
Level 3 investments at September 30, 2011	$ 2,851,219

	Fair Value Measurements at September 30, 2010			
	Total	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets.				
Investments				
Cash and cash equivalents	$ 208,978	$ 208,978	$ -	$ -
Corporate and taxable bonds	613,171	-	613,171	-
U S Treasury obligations and government securities	347,953	347,953	-	-
Government sponsored enterprises	70,971	-	70,971	-
Marketable equity securities	-	-	-	-
Basic materials	48,228	48,228	-	-
Communication services	51,011	51,011	-	-
Consumer discretionary	96,574	96,574	-	-
Consumer staple	183,759	183,759	-	-
Energy	164,989	164,989	-	-
Financial services	195,901	195,901	-	-
Healthcare	171,296	171,296	-	-
Industrials	204,857	204,857	-	-
Technology	224,008	224,008	-	-
Utilities	40,655	40,655	-	-
Total marketable equity securities	1,381,278	1,381,278	-	-
Mutual funds				
Growth funds	85,196	85,196	-	-
Equity funds	170,869	170,869	-	-
Bond funds	14,663	14,663	-	-
International funds	41,254	41,254	-	-
Total mutual funds	311,982	311,982	-	-
Deferred compensation plan assets cash and cash equivalents	302,984	302,984	-	-
Beneficial interest in perpetual trust	2,952,405	-	-	2,952,405
Total assets	$ 6,189,722	$ 2,553,175	$ 684,142	$ 2,952,405

	Total	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Pension assets				
Cash and cash equivalents	$ 522,812	$ 522,812	$ -	$ -
Corporate bonds	1,018,165	-	1,018,165	-
US Treasury obligations and government securities	2,445,736	2,445,736	-	-
Marketable equity securities	-	-	-	-
Basic materials	85,416	85,416	-	-
Communication services	75,636	75,636	-	-
Consumer discretionary	300,304	300,304	-	-
Consumer staples	145,996	145,996	-	-
Energy	253,184	253,184	-	-
Financial services	357,617	357,617	-	-
Healthcare	275,245	275,245	-	-
Industrials	293,684	293,684	-	-
Technology	432,420	432,420	-	-
Utilities	88,185	88,185	-	-
Total equities	2,307,687	2,307,687	-	-
Mutual funds				
Growth funds	381,854	381,854	-	-
Equity funds	932,163	932,163	-	-
Total mutual funds	1,314,017	1,314,017	-	-
Accrued interest	37,635	37,635	-	-
Total pension assets	$ 7,646,052	$ 6,627,887	$ 1,018,165	$ -

Significant activity for the year ended September 30, 2010, for assets measured at fair value on a recurring basis using unobservable inputs (Level 3) is as follows:

Level 3 investments at October 1, 2009	$ 2,542,132
Net appreciation of beneficial interest in perpetual trusts	410,273
Level 3 investments at September 30, 2010	$ 2,952,405

The fair value of Level 2 assets is primarily based on quoted market prices of underlying assets or comparable securities. The fair value of Level 3 assets is based on the Medical Centers share of underlying assets of the trust. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.

The Hospital's financial instruments consist of cash and cash equivalents, marketable securities, trade accounts receivable and payable, estimated third-party payor settlements and long-term debt. The fair values of all financial instruments approximate their carrying values at September 30, 2011 and 2010.

SUPPLEMENTARY INFORMATION

PORTER HOSPITAL, INC.

Schedule of Required Financial Covenant Ratios

Year Ended September 30, 2011

Debt Service Coverage Ratio

Income available for debt service.	
Increase in unrestricted net assets	$ 2,012,113
Net unrealized losses on investments	175,221
Depreciation and amortization	3,431,186
Interest expense	314,456
Change in net assets to recognize funded status of pension plan	347,098
Income available for debt service	$ 6,280,074
Interest expense	$ 314,456
Current portion of long-term debt	1,385,558
Annual debt service	$ 1,700,014
Debt service coverage ratio required to be no less than 1.5	3.69

Debt to Total Capitalization

Long-term debt	$ 17,558,949
Long-term debt	$ 17,558,949
Unrestricted net assets	21,283,161
Temporarily restricted net assets	283,888
Total capitalization	$ 39,125,998
Debt to total capitalization required to be less than 60%	45 %

PORTER HOSPITAL, INC.

Note to Supplemental Schedule of Calculations of Required Financial Covenant Ratios

Year Ended September 30, 2011

Basis of Accounting

The accompanying Supplemental Schedule of Required Financial Covenant Ratios has been prepared in accordance with Section 5.09 of the Letter of Credit Reimbursement Agreement dated June 1, 2005, between Porter Hospital, Inc. and TD Bank. The Debt Service Coverage Ratio and Debt to Total Capitalization have been derived from the financial statements of Porter Hospital, Inc. for the year ended September 30, 2011.

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