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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

2011

Open to Public Inspection

A For the 2011 calendar year, or tax year beginning 07-01-2011 and ending 06-30-2012

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

C Name of organization
PORT HURON HOSPITAL

Doing Business As

Number and street (or P O box if mail is not delivered to street address) | Room/suite
1221 PINE GROVE AVENUE

City or town, state or country, and ZIP + 4
PORT HURON, MI 48060

D Employer identification number
38-1369611

E Telephone number
(810)987-5000

G Gross receipts $ 180,355,652

F Name and address of principal officer
THOMAS DEFAUW
1221 PINE GROVE AVENUE
PORT HURON, MI 48060

H(a) Is this a group return for affiliates? ☐ Yes ☑ No

H(b) Are all affiliates included? ☐ Yes ☐ No
If "No," attach a list (see instructions)

H(c) Group exemption number ▶

I Tax-exempt status ☑ 501(c)(3) ☐ 501(c) ( ) ◀ (insert no) ☐ 4947(a)(1) or ☐ 527

J Website: ▶ WWW PORTHURONHOSPITAL ORG

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

L Year of formation 1879

M State of legal domicile MI

Part I Summary

1 Briefly describe the organization's mission or most significant activities
PROVISION OF ACUTE MEDICAL CARE TO BE A LEADER IN HEALING, AND YOUR PARTNER IN HEALTH

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

Activities & Governance

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**	14
5	Total number of individuals employed in calendar year 2011 (Part V, line 2a)	**5**	1,667
6	Total number of volunteers (estimate if necessary)	**6**	270
7a	Total unrelated business revenue from Part VIII, column (C), line 12	**7a**	1,862,107
b	Net unrelated business taxable income from Form 990-T, line 34	**7b**	-313,893

		Prior Year	Current Year
Revenue	**8** Contributions and grants (Part VIII, line 1h)	1,203,379	314,723
	9 Program service revenue (Part VIII, line 2g)	171,454,306	174,641,937
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	1,865,147	1,987,172
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	1,809,677	1,252,371
	12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	176,332,509	178,196,203
Expenses	**13** Grants and similar amounts paid (Part IX, column (A), lines 1–3)	0	0
	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)	82,444,535	78,945,462
	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–24e)	86,068,615	89,127,443
	18 Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	168,513,150	168,072,905
	19 Revenue less expenses Subtract line 18 from line 12	7,819,359	10,123,298

		Beginning of Current Year	End of Year
Net Assets or Fund Balances	**20** Total assets (Part X, line 16)	152,569,124	153,552,195
	21 Total liabilities (Part X, line 26)	95,385,108	96,948,501
	22 Net assets or fund balances Subtract line 21 from line 20	57,184,016	56,603,694

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

****** 2013-05-09
Signature of officer — Date

JOHN LISTON CFO
Type or print name and title

Paid Preparer's Use Only

Preparer's signature: CAROL LALONDE CPA | Date | Check if self-employed ☐ | Preparer's taxpayer identification number (see instructions) P00181637

Firm's name (or yours if self-employed), address, and ZIP + 4: PLANTE & MORAN PLLC, 750 TRADE CENTRE WAY STE 300, PORTAGE, MI 49002 | EIN ▶ 38-1357951 | Phone no ▶ (269) 567-4500

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

Part III **Statement of Program Service Accomplishments**

Check if Schedule O contains a response to any question in this Part III . . . . . ☑

1 Briefly describe the organization's mission

PROVISION OF ACUTE MEDICAL CARE

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

If "Yes," describe these new services on Schedule O

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

If "Yes," describe these changes on Schedule O

4 Describe the organization's program service accomplishments for each of its three largest program services, as measured 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 $ 127,965,234 including grants of $) (Revenue $ 173,079,882)

FOR THE YEAR ENDED JUNE 30, 2012, PORT HURON HOSPITAL PROVIDED HEALTH CARE SERVICES TO THE POOR AND TO THE BROADER COMMUNITY FOR WHICH THE COST OF PROVIDING SUCH SERVICES EXCEEDED THE RELATED REVENUE CHARITY CARE IN THE AMOUNT OF $3,559,757 WAS PROVIDED DURING THE YEAR PORT HURON HOSPITAL PROVIDED $299,187,402 IN THIRD PARTY DISCOUNTS IN TOTAL, THIS REPRESENTS 62 95% PERCENT OF THE GROSS PATIENT REVENUE FOR THIS YEAR PORT HURON HOSPITAL ALSO PROVIDED THE COMMUNITY WITH OPPORTUNITIES TO PARTICIPATE IN NUMEROUS EDUCATIONAL, WELLNESS, SCREENING, AND SUPPORTIVE PROGRAMS AT EITHER NO COST OR AT A NOMINAL CHARGE THE HOSPITAL PROVIDED A TOTAL OF 352 PROGRAMS TO APPROXIMATELY 545,692 PEOPLE OF THE COMMUNITY

4b (Code) (Expenses $ including grants of $) (Revenue $)

4c (Code) (Expenses $ including grants of $) (Revenue $)

4d Other program services (Describe in Schedule O)

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

4e **Total program service expenses** ▶ $ 127,965,234

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 instructions)?	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 for which 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 temporarily restricted endowments, permanent endowments, 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	Yes	
12a	Did the organization obtain separate, independent audited financial statements for the tax year? *If "Yes," complete Schedule D, Parts XI, XII, and XIII*	12a		No
b	Was the organization included in consolidated, independent audited financial statements for the tax year? *If "Yes," and if the organization answered 'No' to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional*	12b	Yes	
13	Is the organization a school described in section 170(b)(1)(A)(ii)? *If "Yes," complete Schedule E*	13		No
14a	Did the organization maintain an office, employees, or agents outside of the United States?	14a		No
b	Did the organization have aggregate revenues or expenses of more than $10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at $100,000 or more? *If "Yes," complete Schedule F, Part I*	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, Part 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, Part 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*	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.** All Form 990 filers that operated one or more hospitals must attach audited financial statements	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**		No
22	Did the organization report more than $5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? *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 questions 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 owner? *If "Yes," complete Schedule L, Part IV*	**28c**	Yes	
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	
35a	Is any related organization a controlled entity of the filing organization within the meaning of section 512(b)(13)?	**35a**	Yes	
b	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*	**35b**	Yes	
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**	89		
b	Enter the number of Forms W-2G included in line 1a *Enter -0-* if not applicable	**1b**	0		
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?			**1c**	Yes	
2a	Enter the number of employees reported on Form W-3, *Transmittal of Wage and Tax Statements* filed for the calendar year ending with or within the year covered by this return	**2a**	1,667			
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 or securities 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.** All 501(c)(29) organizations must list in Schedule O each state in which they are licensed to issue qualified health plans, the amount of reserves required by each state, and the amount of reserves the organization allocated to each state			**13a**		
b	Enter the aggregate 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 aggregate 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	14		
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	Did the organization have members or stockholders?	6		Yes	
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?	7a		Yes	
b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	7b			No
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following				
a	The governing body?	8a		Yes	
b	Each committee with authority to act on behalf of the governing body?	8b		Yes	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O	9			No

Section B. Policies (This Section B requests information about policies not required by the Internal Revenue Code.)

			Yes	No
10a	Did the organization have local chapters, branches, or affiliates?	10a		No
b	If "Yes," did the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with the organization's exempt purposes?	10b		
11a	Has the organization provided a complete 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 the Form 990			
12a	Did the organization have a written conflict of interest policy? *If "No," go to line 13*	12a	Yes	
b	Were officers, directors or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	12b	Yes	
c	Did the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this was done	12c	Yes	
13	Did the organization have a written whistleblower policy?	13	Yes	
14	Did 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," did the organization follow a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and take steps to safeguard the organization's exempt status with respect to such arrangements?	16b		

Section C. Disclosure

17 List the States with which a copy of this Form 990 is required to be filed ▶ MI

18 Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection Indicate how you made 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 made its governing documents, conflict of interest policy, and financial statements available to the public See Additional Data Table

20 State the name, physical address, and telephone number of the person who possesses the books and records of the organization ▶

JOHN LISTON CFO
1221 PINE GROVE AVENUE
PORT HURON, MI 48060
(810) 989-3737

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, or 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 organizations compensated any current or former officer, director, or trustee

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(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) KAREN NIVER MD CHAIRMAN	3 00	X		X				0	0	0
(2) MONA ARMSTRONG VICE CHAIRMAN	3 00	X		X				0	0	0
(3) JOHN OGDEN TREASURER	3 00	X		X				0	0	0
(4) KARL TOMION SECRETARY	3 00	X		X				0	0	0
(5) THOMAS D DEFAUW PRESIDENT & CEO	40 00	X		X				549,921	0	70,251
(6) JOHN LISTON ASST TREASURER & CFO - NON-VOTING	40 00	X		X				270,558	0	27,945
(7) JANET TURNER LOMASNEY OD TRUSTEE	1 00	X						0	0	0
(8) GLEN BETRUS MD TRUSTEE	1 00	X						0	0	0
(9) CLARE SCHEURER MD TRUSTEE	1 00	X						0	0	0
(10) TIM REGAN TRUSTEE	1 00	X						0	0	0
(11) FRANKLIN MORTIMER II TRUSTEE	1 00	X						0	0	0
(12) JOHN V BROOKS MD TRUSTEE, CHIEF OF STAFF	1 00	X						0	0	0
(13) GEORGE STOMMEL TRUSTEE	1 00	X						0	0	0
(14) DAVID TRACY MD TRUSTEE	1 00	X						0	0	0
(15) DAVID A THOMPSON TRUSTEE	1 00	X						0	0	0
(16) BASSAM H NASR MD TRUSTEE	1 00	X						0	0	0
(17) RICHARD LEVEILLE TRUSTEE	1 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 (do not check more than one box, unless person is both an officer and a director/trustee)						(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			
(18) MIKE TURNBULL TRUSTEE	1 00	X						0	0	0
(19) SAMIR ALSAWAH TRUSTEE	1 00	X						0	0	0
(20) KATHLEEN METCALF DIRECTOR PEROPERATIVE SERV	40 00				X			253,348	0	899
(21) DR MICHAEL TAWNEY CHIEF MEDICAL DIRECTOR	40 00				X			305,159	0	42,462
(22) DAVID MCEWEN VP OF OPERATIONS	40 00				X			215,639	0	31,603
(23) JENNIFER MONTGOMERY VP OF NURSING	40 00				X			347,415	0	7,087
(24) GARY LEROY VO PF ADMINISTRATION & PLANNING	40 00				X			158,967	0	26,542
(25) DORIS SEIDL VP OF HUMAN RESOURCES	40 00				X			160,316	0	7,936
(26) ROBERT L BAUER MD PHYSICIAN	40 00					X		277,161	0	9,846
(27) THOMAS F BROZOVICH MD PHYSICIAN	40 00					X		274,278	0	10,505
(28) TIMOTHY R VANHOWE CRNA	40 00					X		250,384	0	0
(29) BRYAN H BARKLEY CRNA	40 00					X		236,726	0	5,413
(30) MANJIT S BRAR CRNA	40 00					X		236,006	0	0
1b Sub-Total . . . . . ▶										
c Total from continuation sheets to Part VII, Section A . . . . ▶										
d Total (add lines 1b and 1c) . . . . . ▶								3,535,878	0	240,489

2 Total number of individuals (including but not limited to those listed above) who received more than $100,000 of reportable compensation from the organization ▶ 51

			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**		No
4	For any individual listed on line 1a, is the sum of reportable compensation and other compensation from the organization and related organizations greater than $150,000? *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 Report compensation for the calendar year ending with or within the organization's tax year

(A) Name and business address	(B) Description of services	(C) Compensation
PHYSICIAN HEALTHCARE NETWORK 1641 10TH STREET PORT HURON, MI 48060	MEDICAL SERVICE	800,866
MCLMICHIGAN CO-TENANCY LAB 300 WEST TEXTILE ROAD ANN ARBOR, MI 48108	LAB TESTING	785,491
AHSAAMERICAN HEALTHCARE STAFFING ASSOC PO BOX 945 TRAVERSE CITY, MI 49684	CONTRACT LABOR	657,657
BLUE WATER PATHOLOGY PC PO BOX 77556 DETROIT, MI 48277	LAB SERVICES	294,743
SCAN MEDICAL SERVICES LLC PO BOX 96 NORTH BRANCH, MI 48461	TRANSCRIPTION	260,868

2 Total number of independent contractors (including but not limited to those listed above) who received more than $100,000 of compensation from the organization ▶ 12

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	314,723			
	e	Government grants (contributions)	1e				
	f	All other contributions, gifts, grants, and similar amounts not included above	1f				
	g	Noncash contributions included in lines 1a-1f $ 10,216					
	h	**Total.** Add lines 1a-1f		314,723			
Program Service Revenue			Business Code				
	2a	PATIENT REVENUE	621500	171,245,745	171,245,745		
	b	LABORATORY	621500	2,150,564	588,509	1,562,055	
	c	OPERATING REVENUE	621500	1,245,628	1,245,628		
	d						
	e						
	f	All other program service revenue					
	g	**Total.** Add lines 2a–2f		174,641,937			
	3	Investment income (including dividends, interest and other similar amounts)		1,469,640			1,469,640
	4	Income from investment of tax-exempt bond proceeds					
	5	Royalties					
			(i) Real	(ii) Personal			
	6a	Gross rents	36,143				
	b	Less rental expenses	21,379				
	c	Rental income or (loss)	14,764				
	d	Net rental income or (loss)		14,764			14,764
			(i) Securities	(ii) Other			
	7a	Gross amount from sales of assets other than inventory	2,655,602				
	b	Less cost or other basis and sales expenses	2,138,070				
	c	Gain or (loss)	517,532				
	d	Net gain or (loss)		517,532			517,532
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	CAFETERIA	722210	753,747			753,747
	b	LAUNDRY	812300	470,196		300,052	170,144
	c	MISCELLANEOUS	900099	13,664			13,664
	d	All other revenue					
	e	**Total.** Add lines 11a–11d		1,237,607			
	12	**Total revenue.** See Instructions		178,196,203	173,079,882	1,862,107	2,939,491

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)

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

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 United States See Part IV, line 21				
2	Grants and other assistance to individuals in the United States See Part IV, line 22				
3	Grants and other assistance to governments, organizations, and individuals outside the United States See Part IV, lines 15 and 16				
4	Benefits paid to or for members				
5	Compensation of current officers, directors, trustees, and key employees	2,401,544		2,401,544	
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	62,791,574	57,094,295	5,697,279	
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	751,052	660,586	90,466	
9	Other employee benefits	8,282,015	7,530,561	751,454	
10	Payroll taxes	4,719,277	4,150,827	568,450	
11	Fees for services (non-employees)				
a	Management				
b	Legal	122,896		122,896	
c	Accounting	182,016		182,016	
d	Lobbying	16,314		16,314	
e	Professional fundraising *See Part IV, line 17* . .				
f	Investment management fees	349,777		349,777	
g	Other	14,533,358	8,140,132	6,393,226	
12	Advertising and promotion	371,599	6,781	364,818	
13	Office expenses	1,052,809	1,052,809		
14	Information technology	5,898,081	39,292	5,858,789	
15	Royalties . .				
16	Occupancy				
17	Travel	74,272	7,307	66,965	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials				
19	Conferences, conventions, and meetings	151,449	130,950	20,499	
20	Interest	702,641		702,641	
21	Payments to affiliates				
22	Depreciation, depletion, and amortization	8,428,957		8,428,957	
23	Insurance	1,771,387		1,771,387	
24	Other expenses Itemize expenses not covered above (List miscellaneous expenses in line 24f If line 24f amount exceeds 10% of line 25, column (A) amount, list line 24f expenses on Schedule O)				
a	SUPPLY & MINOR EQUIP	31,719,937	30,981,875	738,062	
b	PROVISION FOR BAD DEBTS	11,886,197	11,886,197		
c	QAAP TAX	4,521,937		4,521,937	
d	UTILITIES	1,700,035	1,700,035		
e					
f	All other expenses	5,643,781	4,583,587	1,060,194	
25	**Total functional expenses.** Add lines 1 through 24f	168,072,905	127,965,234	40,107,671	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		24,313,909	1	26,039,687
	2	Savings and temporary cash investments		26,488,103	2	26,830,946
	3	Pledges and grants receivable, net			3	
	4	Accounts receivable, net		7,968,796	4	6,717,202
	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)) and persons described in section 4958(c)(3)(B) Complete Part II of Schedule L			6	
	7	Notes and loans receivable, net		12,369,515	7	12,129,091
	8	Inventories for sale or use		4,717,804	8	4,622,589
	9	Prepaid expenses and deferred charges		2,806,897	9	1,953,321
	10a	Land, buildings, and equipment cost or other basis *Complete Part VI of Schedule D*	10a 156,836,697			
	b	Less accumulated depreciation	10b 110,526,568	44,987,404	10c	46,310,129
	11	Investments—publicly traded securities		14,665,201	11	14,707,687
	12	Investments—other securities See Part IV, line 11		9,715,170	12	9,064,260
	13	Investments—program-related See Part IV, line 11			13	
	14	Intangible assets			14	
	15	Other assets See Part IV, line 11		4,536,325	15	5,177,283
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)		152,569,124	16	153,552,195
Liabilities	17	Accounts payable and accrued expenses		61,501,420	17	67,967,588
	18	Grants payable			18	
	19	Deferred revenue			19	
	20	Tax-exempt bond liabilities		20,124,635	20	16,806,614
	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		757,267	23	508,118
	24	Unsecured notes and loans payable to unrelated third parties			24	
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24) Complete Part X of Schedule D		13,001,786	25	11,666,181
	26	**Total liabilities.** Add lines 17 through 25		95,385,108	26	96,948,501
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		57,184,016	27	56,603,694
	28	Temporarily restricted net assets			28	
	29	Permanently restricted net assets			29	
		Organizations that do not follow SFAS 117, check here ▶ ☐ and complete lines 30 through 34.				
	30	Capital stock or trust principal, or current funds			30	
	31	Paid-in or capital surplus, or land, building or equipment fund			31	
	32	Retained earnings, endowment, accumulated income, or other funds			32	
	33	Total net assets or fund balances		57,184,016	33	56,603,694
	34	Total liabilities and net assets/fund balances		152,569,124	34	153,552,195

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	178,196,203
2	Total expenses (must equal Part IX, column (A), line 25)	2	168,072,905
3	Revenue less expenses Subtract line 2 from line 1	3	10,123,298
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A)) . .	4	57,184,016
5	Other changes in net assets or fund balances (explain in Schedule O)	5	-10,703,620
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	56,603,694

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

2011

Open to Public Inspection

Name of the organization
PORT HURON HOSPITAL

Employer identification number
38-1369611

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

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

1 ☐ A church, convention of churches, or association of churches **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 IRC 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) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(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) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(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 (Explain in Part IV) Do not include gain or loss from the sale of capital assets						
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 2011 (line 6 column (f) divided by line 11 column (f)) **14**

15 Public Support Percentage for 2010 Schedule A, Part II, line 14 **15**

16a **33 1/3% support test—2011.** 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—2010.** 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—2011.** 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—2010.** 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 IRC 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) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(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) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(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 501(c)(3) organization, check this box and **stop here** ▶☐

Section C. Computation of Public Support Percentage

15 Public Support Percentage for 2011 (line 8 column (f) divided by line 13 column (f))	15	
16 Public support percentage from 2010 Schedule A, Part III, line 15	16	

Section D. Computation of Investment Income Percentage

17 Investment income percentage for **2011** (line 10c column (f) divided by line 13 column (f))	17	
18 Investment income percentage from **2010** Schedule A, Part III, line 17	18	

19a **33 1/3% support tests—2011.** 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—2010.** 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 explanation required by Part II, line 10; Part II, line 17a or 17b; or Part III, line 12. Also complete this part for any additional information. (See instructions).

Facts And Circumstances Test

Explanation

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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

2011

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, line 35c (Proxy Tax), then

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

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

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 on behalf of or in opposition to candidates for public office 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 (and list in Part IV each affiliated group member's name, address, EIN, expenses, and share of excess lobbying expenditures)

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) 2008	(b) 2009	(c) 2010	(d) 2011	(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		16,314
j	Total lines 1c through 1i			16,314
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 LOBBYING ACTIVITIES	PART II-B, LINE 1	A PORTION OF DUES PAID TO MHA AND AHA ARE ALLOCATED 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, 9, 10, 11a, 11b, 11c, 11d, 11e, 11f, 12a, or 12b
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
PORT HURON HOSPITAL

Employer identification number
38-1369611

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

Description of property	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land		2,150,711		2,150,711
b Buildings		77,487,551	59,250,514	18,237,037
c Leasehold improvements		658,773	288,649	370,124
d Equipment		69,329,154	46,548,357	22,780,797
e Other		7,210,508	4,439,048	2,771,460
Total. Add lines 1a-1e *(Column (d) should equal Form 990, Part X, column (B), line 10(c).)* ▶				46,310,129

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) CASH AND MARKETABLE SECURITIES RESTRICTED FOR CONSTRUCTION AND DEBT SERVICE	4,401,373	F
(B) INVESTMENT IN OTHER ENTITIES	4,662,887	F
Total. *(Column (b) should equal Form 990, Part X, col (B) line 12)* ▶	9,064,260	

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	
CLAIM LIABILITY	10,208,000
COST REPORT SETTLEMENT PAYABLE	1,458,181
Total. *(Column (b) should equal Form 990, Part X, col (B) line 25)* ▶	11,666,181

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	178,196,203
2	Total expenses (Form 990, Part IX, column (A), line 25)	2	168,072,905
3	Excess or (deficit) for the year Subtract line 2 from line 1	3	10,123,298
4	Net unrealized gains (losses) on investments	4	-1,116,509
5	Donated services and use of facilities	5	
6	Investment expenses	6	
7	Prior period adjustments	7	
8	Other (Describe in Part XIV)	8	-9,587,111
9	Total adjustments (net) Add lines 4 - 8	9	-10,703,620
10	Excess or (deficit) for the year per financial statements Combine lines 3 and 9	10	-580,322

Part XII Reconciliation of Revenue per Audited Financial Statements With Revenue per Return

1	Total revenue, gains, and other support per audited financial statements			1	
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12				
a	Net unrealized gains on investments	2a			
b	Donated services and use of facilities	2b			
c	Recoveries of prior year grants	2c			
d	Other (Describe in Part XIV)	2d			
e	Add lines **2a** through **2d**			2e	
3	Subtract line **2e** from line **1**			3	
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			
b	Other (Describe in Part XIV)	4b			
c	Add lines **4a** and **4b**			4c	
5	Total Revenue Add lines **3** and **4c.** (This should equal Form 990, Part I, line 12)			5	

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

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

Part XIV Supplemental Information

Complete this part to provide the descriptions required for Part II, lines 3, 5, and 9, Part III, lines 1a and 4, Part IV, lines 1b and 2b, Part V, line 4, Part X, Part XI, line 8, Part XII, lines 2d and 4b, and Part XIII, lines 2d and 4b Also complete this part to provide any additional information

Identifier	Return Reference	Explanation
DESCRIPTION OF UNCERTAIN TAX POSITIONS UNDER FIN 48	PART X	THE HOSPITAL AND ITS SUBSIDIARIES, ASIDE FROM WILLOW ENTERPRISES, INC , ARE NONPROFIT, TAX-EXEMPT ORGANIZATIONS, AND ACCORDINGLY, NO TAX PROVISION IS REFLECTED IN THE CONSOLIDATED FINANCIAL STATEMENTS FOR THESE ENTITIES WILLOW ENTERPRISES, INC IS A TAXABLE CORPORATION INCOME TAX PROVISIONS FOR THIS ENTITY ARE NOT MATERIAL TO THE CONSOLIDATED FINANCIAL STATEMENTS ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA REQUIRE MANAGEMENT TO EVALUATE TAX POSITIONS TAKEN BY THE HOSPITAL AND RECOGNIZE A TAX LIABILITY IF THE HOSPITAL HAS TAKEN AN UNCERTAIN POSITION THAT MORE LIKELY THAN NOT WOULD NOT BE SUSTAINED UPON EXAMINATION BY THE IRS OR OTHER APPLICABLE TAXING AUTHORITIES MANAGEMENT HAS ANALYZED THE TAX POSITIONS TAKEN BY THE HOSPITAL AND HAS CONCLUDED THAT AS OF JUNE 30, 2012, THERE ARE NO UNCERTAIN POSITIONS TAKEN OR EXPECTED TO BE TAKEN THAT WOULD REQUIRE RECOGNITION OF A LIABILITY OR DISCLOSURE IN THE FINANCIAL STATEMENTS THE HOSPITAL IS SUBJECT TO ROUTINE AUDITS BY TAXING JURSIDICTIONS, HOWEVER, THERE ARE CURRENTLY NO AUDITS FOR ANY TAX PERIODS IN PROGRESS MANAGEMENT BELIEVES IT IS NO LONGER SUBJECT TO INCOME TAX EXAMINATIONS FOR YEARS PRIOR TO JUNE 30, 2009
PART XI, LINE 8 - OTHER ADJUSTMENTS		CHANGE IN ADDITIONAL MINIMUM PENSION LIABILITY - 9,587,111

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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

2011

Open to Public Inspection

Name of the organization
PORT HURON HOSPITAL

Employer identification number
38-1369611

Part I Charity Care and Certain Other Community Benefits at Cost

			Yes	No
1a	Did the organization have a charity care policy? If "No," skip to question 6a	1a	Yes	
b	If "Yes," is it a written policy?	1b	Yes	
2	If the organization had multiple hospitals, indicate which of the following best describes application of the charity care policy to the various hospitals ☐ Applied uniformly to all hospitals ☐ Applied uniformly to most hospitals ☐ Generally tailored to individual hospitals			
3	Answer the following based on the charity care eligibility criteria that applies to the largest number of the organization's patients during the tax year			
a	Did the organization use Federal Poverty Guidelines (FPG) to determine eligibility for providing *free* care? If "Yes," indicate which of the following is the FPG family income limit for eligibility for free care ☐ 100% ☐ 150% ☑ 200% ☐ Other _____ %	3a	Yes	
b	Did the organization use FPG to determine eligibility for providing *discounted* care? If "Yes," indicate which of the following is the family income limit for eligibility for discounted care ☐ 200% ☐ 250% ☐ 300% ☑ 350% ☐ 400% ☐ Other _____ %	3b	Yes	
c	If the organization did 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 policy provide 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 charity care expenses exceed the budgeted amount?	5b	Yes	
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligibile for free or discounted care?	5c		No
6a	Did the organization prepare a community benefit reportduring 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 Charity Care and Certain Other Community Benefits at Cost

Charity Care 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 Charity care at cost (from Worksheet 1)	1	530	1,108,572		1,108,572	0 660 %
b Medicaid (from Worksheet 3, column a)	2	2,187	24,947,091	23,671,248	1,275,843	0 760 %
c Costs of other means-tested government programs (from Worksheet 3, column b)						0 %
d **Total** Charity Care and Means-Tested Government Programs	3	2,717	26,055,663	23,671,248	2,384,415	1 420 %
Other Benefits						
e Community health improvement services and community benefit operations (from (Worksheet 4)	336		635,977	36,851	599,126	0 360 %
f Health professions education (from Worksheet 5)	1		205,404		205,404	0 120 %
g Subsidized health services (from Worksheet 6)						
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)	4	12	90,105		90,105	0 050 %
j **Total** Other Benefits	341	12	931,486	36,851	894,635	0 530 %
k **Total.** Add lines 7d and 7j	344	2,729	26,987,149	23,708,099	3,279,050	1 950 %

Part II Community Building Activities Complete this table if the organization conducted any community building activities.

		(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	1	186	765		765	0 %
8	Workforce development						
9	Other	1	1,904	15,065		15,065	0 010 %
10	**Total**	2	2,090	15,830		15,830	0 010 %

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 Heathcare Financial Management Association Statement No 15?		1	Yes	
2	Enter the amount of the organization's bad debt expense	2	11,886,197		
3	Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's charity care policy	3	1,885,864		
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	56,553,945
6	Enter Medicare allowable costs of care relating to payments on line 5	6	60,191,716
7	Subtract line 6 from line 5 This is the surplus or (shortfall)	7	-3,637,771
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	Did the organization have a written debt collection policy during the tax year?		9a	Yes	
b	If "Yes," did the organization's collection policy that applied to the largest number of its patients during the tax year contain provisions on the collection practices to be followed for patients who are known to qualify for financial assistance? Describe in Part VI		9b	Yes	

Part IV Management Companies and Joint Ventures (see instructions)

	(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 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	PORT HURON HOSPITAL 1221 PINE GROVE AVENUE PORT HURON, MI 48060	X	X					X		

Part V Facility Information *(continued)*

Section B. Facility Policies and Practices.

(Complete a separate Section B for each of the hospital facilities listed in Part V, Section A)

PORT HURON HOSPITAL

Name of Hospital Facility: PORT HURON HOSPITAL

Line Number of Hospital Facility (from Schedule H, Part V, Section A): 1

		Yes	No
Community Health Needs Assessment (Lines 1 through 7 are optional for 2011)			
1 During the tax year or any prior tax year, did the hospital facility conduct a community health needs assessment ("Needs Assessment")? If "No," skip to question 8	**1**	Yes	
If "Yes," indicate what the Needs Assessment describes (check all that apply)			
a ☑ A definition of the community served by the hospital facility			
b ☑ Demographics of the community			
c ☑ Existing health care facilities and resources within the community that are available to respond to the health needs of the community			
d ☑ How data was obtained			
e ☑ The health needs of the community			
f ☑ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups			
g ☑ The process for identifying and prioritizing community health needs and services to meet those needs			
h ☑ The process for consulting with persons representing the community's interests			
i ☑ Information gaps that limit the hospital facility's ability to assess the community's health needs			
j ☐ Other (describe in Part VI)			
2 Indicate the tax year the hospital facility last conducted a Needs Assessment 20 11			
3 In conducting its most recent Needs Assessment, did the hospital facility take into account input from persons who represent the community served by the hospital facility? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	**3**	Yes	
4 Was the hospital facility's Needs Assessment conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	**4**		No
5 Did the hospital facility make its Needs Assessment widely available to the public?	**5**	Yes	
If "Yes," indicate how the Needs Assessment was made widely available (check all that apply)			
a ☑ Hospital facility's website			
b ☑ Available upon request from the hospital facility			
c ☐ Other (describe in Part VI)			
6 If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply)			
a ☑ Adoption of an implementation strategy to address the health needs of the hospital facility's community			
b ☑ Execution of the implementation strategy			
c ☐ Development of a community-wide community benefit plan for the facility			
d ☐ Participation in community-wide community benefit plan			
e ☑ Inclusion of a community benefit section in operational plans			
f ☑ Adoption of a budget for provision of services that address the needs identified in the CHNA			
g ☑ Prioritization of health needs in the community			
h ☑ Prioritization of services that the hospital facility will undertake to meet health needs in its community			
i ☐ Other (describe in Part VI)			
7 Did the hospital facility address all of the needs identified in its most recently conducted Needs Assessment? If "No," explain in Part VI which needs it has not addressed together with the reasons why it has not addressed such needs	**7**		No
Financial Assistance Policy			
Did the hospital facility have in place during the tax year a written financial assistance policy that			
8 Explains eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	**8**	Yes	
9 Used federal poverty guidelines (FPG) to determine eligibility for providing free care?	**9**	Yes	
If "Yes," indicate the FPG family income limit for eligibility for free care 200 000000000000%			
If "No," explain in Part VI the criteria the hospital facility used			

Part V Facility Information *(continued)*

			Yes	No
10	Used FPG to determine eligibility for providing discounted care?	10	Yes	
	If "Yes," indicate the FPG family income limit for eligibility for discounted care 350 000000000000%			
	If "No," explain in Part VI the criteria the hospital facility used			
11	Explained the basis for calculating amounts charged to patients?	11	Yes	
	If "Yes," indicate the factors used in determining such amounts (check all that apply)			
	a ☑ Income level			
	b ☑ Asset level			
	c ☑ Medical indigency			
	d ☑ Insurance status			
	e ☑ Uninsured discount			
	f ☑ Medicaid/Medicare			
	g ☑ State regulation			
	h ☑ Other (describe in Part VI)			
12	Explained the method for applying for financial assistance?	12	Yes	
13	Included measures to publicize the policy within the community served by the hospital facility?	13	Yes	
	If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
	a ☐ The policy was posted at all times on the hospital facility's web site			
	b ☐ The policy was attached to all billing invoices			
	c ☑ The policy was posted in the hospital facility's emergency rooms or waiting rooms			
	d ☐ The policy was posted in the hospital facility's admissions offices			
	e ☐ The policy was provided, in writing, to patients upon admission to the hospital facility			
	f ☑ The policy was available upon request			
	g ☑ Other (describe in Part VI)			

Billing and Collections

14	Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment?	14	Yes	
15	Check all of the following collection actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP			
	a ☐ Reporting to credit agency			
	b ☐ Lawsuits			
	c ☐ Liens on residences			
	d ☐ Body attachments or arrests			
	e ☐ Other similar actions (describe in Part VI)			
16	Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP?	16		No
	If "Yes," check all actions in which the hospital facility or a third party engaged			
	a ☐ Reporting to credit agency			
	b ☐ Lawsuits			
	c ☐ Liens on residences			
	d ☐ Body attachments			
	e ☐ Other similar actions (describe in Part VI)			
17	Indicate which efforts the hospital facility made before initiating any of the actions checked in question 16 (check all that apply)			
	a ☐ Notified patients of the financial assistance policy upon admission			
	b ☐ Notified patients of the financial assistance policy prior to discharge			
	c ☐ Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills			
	d ☐ Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy			
	e ☐ Other (describe in Part VI)			

Part V Facility Information *(continued)*

Policy Relating to Emergency Medical Care

		Yes	No
18 Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that requires the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under the hospital facility's financial assistance policy?	**18**	Yes	
If "No," indicate why			
a ☐ The hospital facility did not provide care for any emergency medical conditions			
b ☐ The hospital facility's policy was not in writing			
c ☐ The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)			
d ☐ Other (describe in Part VI)			

Individuals Eligible for Financial Assistance

19 Indicate how the hospital facility determined, during the tax year, the maximum amounts that can be charged to FAP-eligible individuals for emergency or other medically necessary care			
a ☐ The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged			
b ☐ The hospital facility used the average of it's three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged			
c ☐ The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged			
d ☐ Other (describe in Part VI)			
20 Did the hospital facility charge any of its patients who were eligible for assistance under the hospital facility's financial assistance policy, and to whom the hospital facility provided emergency or other medically necessary services, more than the amounts generally billed to individuals who had insurance covering such care?	**20**		No
If "Yes," explain in Part VI			
21 Did the hospital facility charge any of its FAP-eligible patients an amount equal to the gross charge for services provided to that patient?	**21**		No
If "Yes," explain in Part VI			

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 from largest to smallest)

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

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

Part VI Supplemental Information

Complete this part to provide the following information

1 **Required descriptions.** Provide the descriptions 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, 9, 10, 11h, 13g, 15e, 16e, 17e, 18d, 19d, 20, and 21

2 **Community health needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any community health needs assessments reported in Part V, Section B

3 **Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy

4 **Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves

5 **Promotion of community health.** Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e g , open medical staff, community board, use of surplus funds, etc)

6 **Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served

7 **State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report

Identifier	ReturnReference	Explanation
		PART I, LINE 7, COLUMN (F) THE BAD DEBT EXPENSE INCLUDED ON FORM 990, PART IX, LINE 25, COLUMN (A), BUT SUBTRACTED FOR PURPOSES OF CALCULATING THE PERCENTAGE IN THIS COLUMN IS $ 11886197

Identifier	ReturnReference	Explanation
		PART II FOR MANY YEARS, OUR COMMUNITY LEADERS - WHICH HAVE ALWAYS INCLUDED PORT HURON HOSPITAL LEADERS - HAVE BELIEVED THAT "COMMUNITY BUILDING" IS AN INTEGRAL PART OF CREATING A FOUNDATION FOR BETTER HEALTH UNHEALTHY CHARACTERISTICS OF OUR SERVICE AREA, SUCH AS CHRONIC HIGH UNEMPLOYMENT, OBESITY RATES, BINGE DRINKING RATES, DEPRESSION, LOW HOME OWNERSHIP RATES, ETC ARE REDUCED BY OVERALL IMPROVEMENT IN KEY INDICES OF "HEALTHY COMMUNITIES" EMPLOYMENT, MEDIAN HOUSEHOLD INCOME, EDUCATION LEVEL, FRESH FRUITS AND VEGETABLES, RECREATION OPPORTUNITY, CULTURAL DIVERSITY OUR MANAGEMENT TEAM, COMPRISED OF ALMOST 70 PEOPLE (NOT COUNTING OVER 1400 ADDITIONAL EMPLOYEES), IS INVOLVED IN, AND OFTEN PROVIDES LEADERSHIP TO, OVER 50 COMMUNITY ORGANIZATIONS SUCH AS THE ROTARY CLUB, YMCA, CHAMBERS OF COMMERCE (VARIOUS COMMUNITIES), SCHOOL BOARDS, CHILD ABUSE AND NEGLECT COUNCIL, UNITED WAY, SALVATION ARMY, COMMUNITY FOUNDATION, FAITH-BASED ORGANIZATIONS, GIRLS SCOUTS, HUMAN SERVICES COORDINATING BODY, HOSPICE HOUSE, ECONOMIC DEVELOPMENT AUTHORITY, AND MUSEUM MANY OF THOSE ORGANIZATIONS WERE INVITED TO PARTICIPATE IN OUR INITIAL COMMUNITY HEALTH NEEDS ASSESSMENT ALL MANAGERS ARE REQUESTED TO BECOME INVOLVED IN AT LEAST ONE COMMUNITY ORGANIZATION AS A WAY TO "GIVE BACK", IMPACT COMMUNITY BUILDING, AND BE "IN TOUCH" WITH THE COMMUNITIES WE SERVE FURTHERMORE, PORT HURON HOSPITAL TAKES PRIDE IN HIGH LEVELS OF PARTICIPATION IN AREA FUNDRAISERS AND COMMUNITY BUILDING ACTIVITIES SUCH AS JAIL AND BAIL, WALK AMERICA, AMERICAN HEART WALK, ANNUAL BACK-TO-SCHOOL BACKPACK GIVEAWAY SOME OF THOSE EVENTS ARE OPPORTUNITIES FOR HEALTH EDUCATION, SCREENING AND PROMOTION OUTREACH PROVIDED BY OUR EMPLOYEES

Identifier	ReturnReference	Explanation
		PART III, LINE 4 ACCOUNTS RECEIVABLE FOR PATIENTS, INSURANCE COMPANIES, AND GOVERNMENTAL AGENCIES ARE BASED ON GROSS CHARGES AN ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS IS ESTABLISHED ON AN AGGREGATE BASIS BY USING HISTORICAL WRITE-OFF RATE FACTORS APPLIED TO UNPAID ACCOUNTS BASED ON AGING LOSS RATE FACTORS ARE BASED ON HISTORICAL LOSS EXPERIENCE AND ADJUSTED FOR ECONOMIC CONDITIONS AND OTHER TRENDS AFFECTING THE HOSPITAL'S ABILITY TO COLLECT OUTSTANDING AMOUNTS UNCOLLECTIBLE AMOUNTS ARE WRITTEN OFF AGAINST THE ALLOWANCE FOR DOUBTFUL ACCOUNTS IN THE PERIOD THEY ARE DETERMINED TO BE UNCOLLECTIBLE AN ALLOWANCE FOR CONTRACTUAL ADJUSTMENTS AND INTERIM PAYMENT ADVANCES IS BASED ON EXPECTED PAYMENT RATES FROM PAYORS BASED ON CURRENT REIMBURSEMENT METHODOLOGIES THIS AMOUNT ALSO INCLUDES AMOUNTS RECEIVED AS INTERIM PAYMENTS AGAINST UNPAID CLAIMS BY CERTAIN PAYORS THE COST TO CHARGE RATIO WAS USED IN DETERMINING THE BAD DEBT EXPENSE ATTRIBUTABLE TO PATIENTS WHO POTENTIALLY WOULD HAVE QUALIFIED UNDER THE ORGANIZATION'S CHARITY CARE POLICY

Identifier	ReturnReference	Explanation
		PART III, LINE 8 PORT HURON HOSPITAL APPLIES THE COST TO CHARGE RATIO METHODOLOGY AS REQUIRED ALL OF THE SHORTFALL SHOULD BE CONSIDERED COMMUNITY BENEFIT

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

Identifier	ReturnReference	Explanation
PORT HURON HOSPITAL		PART V, SECTION B, LINE 3 USING INITAL (PRE-FINAL) RULE GUIDANCE ENGAGED A CONSULTANT, UTILIZED THE COUNTY HEALTH ASSESSMENT PROFILE 2010 (IN WHICH HOSPITAL HAD PARTNERED) FOR BEHAVIORAL RISK FACTOR SURVEY STATISTICAL FINDING AND COMPARISONS, REVIEWED LOCAL DEMOGRAPHICS AND VITAL HEALTH STATISTICS DIALOGUED WITH THE COUNTY HEALTH DEPARTMENT ON APPROACH CONDUCTED SEVERAL KEY IMFORMANT INTERVIEWS CONDUCTED COMMUNITY STAKEHOLDERS ROUNDTABLE TO OBTAIN KEY INPUT REGARDING COMMUNITY HEALTH PRIORITIES ASSESSED CURRENT COMMUNITY HEALTH OFFERINGS AND DEVELOPED A COMMUNITY HEALTH NEEDS ASSESSMENT AND ACTION PLAN THAT WAS PRESENTED TO THE HOSPITAL BOARD OF TRUSTEES FOR APPROVAL

Identifier	ReturnReference	Explanation
PORT HURON HOSPITAL		PART V, SECTION B, LINE 7 THE HOSPITAL HAS SELECTED ONLY SOME OF THE NEEDS IDENTIFIED IN THE NEEDS ASSESSMENT TO ADDRESS IN THE PLAN, THOSE NEEDS THAT FITS ITS PURPOSE AND FOR WHICH THE HOSPITAL HAS A COMPARATIVE ADVANTAGE RELATIVE TO THE OTHER LOCAL AGENCIES OR RESOURCES FURTHERMORE, THE CHNA PLAN IS INTENDED TO SPAN AS MUCH AS 3 YEARS AND AS SUCH NOT ALL OF THE NEEDS IDENTIFIED IN THE CHNA HAVE BEEN ADDRESSED

Identifier	ReturnReference	Explanation
PORT HURON HOSPITAL		PART V, SECTION B, LINE 11H PROPENSITY TO PAY

Identifier	ReturnReference	Explanation
PORT HURON HOSPITAL		PART V, SECTION B, LINE 13G PAMPHLETS ARE DISPLAYED AND AVAILABLE IN EMERGENCY ROOM

Identifier	ReturnReference	Explanation
PORT HURON HOSPITAL		PART V, SECTION B, LINE 19D UPON REQUEST WE OFFER 20% PROMPT PAY DISCOUNT FOR NON CO-PAY AND DEDUCTIBLE PORTIONS AND 20% UNINSURED DISCOUNT IF THE PERSON IS STILL UNABLE TO PAY, WE REVIEW FOR CHARITY CARE OR CATASTROPHIC CARE

Identifier	ReturnReference	Explanation
		PART VI, LINE 2 THE HOSPITAL ASSESSES HEALTH CARE NEEDS OF THE COMMUNITIES IT SERVES BY VARIOUS ONGOING AND AD HOC PROCESSES -PARTICIPATION IN PERIODIC (ST CLAIR) COUNTYWIDE NEEDS ASSESSMENT COORDINATED BY ST CLAIR COUNTY HEALTH DEPARTMENT -ANNUAL GAP ANALYSIS OF OUTMIGRATION FOR HEALTH CARE SERVICES THROUGH THE MICHIGAN INPATIENT DATA BASE -PERIODIC CONSUMER PERCEPTION AND PREFERENCES SURVEYS CONDUCTED BY INDEPENDENT PROFESSIONAL SURVEY FIRMS, E G EPIC - MRA, LANSING, MI -ANNUAL 10-STEP STRATEGIC PLANNING PROCESS INCLUDING STRATEGIC PLANNING EVENTS INVOLVING TRUSTEES, PHYSICIANS, AND MANAGEMENT TO REVIEW ENVIRONMENTAL ASSESSMENTS AND KEY STAKEHOLDER FEEDBACK TOWARD DEVELOPING HOSPITAL INITIATIVES FOR THE NEXT OPERATING CYCLE -HOSPITAL-SPONSORED ADVISORY AND MEMBERSHIP GROUPS SUCH AS "55 PLUS" AND "WOMEN'S WELLNESS ADVISORY TEAM" WHICH PROVIDE INPUT AS TO HOSPITAL DIRECTION ON BETTER ADDRESSING COMMUNITY HEALTH NEEDS -COMMITMENT TO ONGOING CONTINUOUS IMPROVEMENT FOR OVER 20 YEARS, THE HOSPITAL HAS BEEN COMMITTED TO THE PRINCIPLE OF CONTINUOUS IMPROVEMENT APPLIED TO ONGOING MANAGEMENT PLANNING, NUMEROUS OPPORTUNITIES TO BETTER SERVE OUR COMMUNITIES HAVE BEEN IDENTIFIED AND PURSUED SEVERAL OF THOSE PURSUITS CONTINUE TODAY AND ARE ENUMERATED ON THE IRS 990 SCHEDULE H WORKSHEET INCLUDED HERE BREATHER'S CLUB, A SERVICE UNDER 55 PLUS MEETING THE DESPERATE NEEDS OF COPD SUFFERERS FOR SUPERVISED EXERCISE, THE LANG (HEALTH) LIBRARY INCORPORATED INTO THE HOSPITAL ENTRANCE ATRIUM PROVIDED SPECIAL HEALTH INFORMATION RESOURCES TO SCHOOLS, EDUCATORS, AND HEALTH CARE PROFESSIONALS, TODAY'S HEALTH WEEKLY HEALTH INFORMATION TELEVISION SHOW OVER THE LOCAL CABLE CHANNEL, AND HEALTH ACCESS, OUR HEALTH INFORMATION AND REFERRAL SERVICE OPERATING 80 HOURS PER WEEK, STAFFED BY RNS AND FIELDING 23,000 CALLS PER YEAR -PARTICIPATION IN AD HOC COMMUNITY INITIATIVES FOR THE PURPOSE OF ADDRESSING SPECIFIC COMMUNITY HEALTH GAPS SUCH AS (1) RECENT UNITED WAY - ST CLAIR COUNTY HEALTH DEPARTMENT INITIATIVE ON ESTABLISHING AN ADULT INDIGENT DENTAL CLINIC, AND (2) HELMET SAFETY INITIATIVE DEVELOPED THOUGH PHH FOUNDATION'S COMMUNITY BENEFIT COMMITTEE THAT INCLUDED SCHOOL DISTRICT AND POLICE REPRESENTATIVES

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

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

Identifier	ReturnReference	Explanation
		PART VI, LINE 5 N/A

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

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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

2011

Open to Public Inspection

Name of the organization
PORT HURON HOSPITAL

Employer identification number
38-1369611

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**	Yes	
2	Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a?	**2**	Yes	
3	Indicate which, if any, of the following the organization uses to establish the compensation of the organization's CEO/Executive Director Check all that apply ☑ Compensation committee ☑ 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?	**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 Schedule J-1 if additional space 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) for each listed individual must equal the total amount of Form 990, Part VII, Section A, line 1a, columns (D) and (E) for that individual

(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) THOMAS D DEFAUW	(i)	489,619	0	60,302	51,086	19,165	620,172	0
	(ii)	0	0	0	0	0	0	0
(2) JOHN LISTON	(i)	265,135	0	5,423	13,106	14,839	298,503	0
	(ii)	0	0	0	0	0	0	0
(3) KATHLEEN METCALF	(i)	253,348	0	0	0	899	254,247	0
	(ii)	0	0	0	0	0	0	0
(4) DR MICHAEL TAWNEY	(i)	296,355	0	8,804	19,749	22,713	347,621	0
	(ii)	0	0	0	0	0	0	0
(5) DAVID MCEWEN	(i)	210,198	0	5,441	15,429	16,174	247,242	0
	(ii)	0	0	0	0	0	0	0
(6) JENNIFER MONTGOMERY	(i)	183,492	0	163,923	0	7,087	354,502	0
	(ii)	0	0	0	0	0	0	0
(7) GARY LEROY	(i)	154,660	0	4,307	13,295	13,247	185,509	0
	(ii)	0	0	0	0	0	0	0
(8) DORIS SEIDL	(i)	152,687	0	7,629	0	7,936	168,252	0
	(ii)	0	0	0	0	0	0	0
(9) ROBERT L BAUER MD	(i)	277,161	0	0	0	9,846	287,007	0
	(ii)	0	0	0	0	0	0	0
(10) THOMAS F BROZOVICH MD	(i)	274,278	0	0	0	10,505	284,783	0
	(ii)	0	0	0	0	0	0	0
(11) TIMOTHY R VANHOWE	(i)	250,384	0	0	0	0	250,384	0
	(ii)	0	0	0	0	0	0	0
(12) BRYAN H BARKLEY	(i)	236,726	0	0	0	5,413	242,139	0
	(ii)	0	0	0	0	0	0	0
(13) MANJIT S BRAR	(i)	236,006	0	0	0	0	236,006	0
	(ii)	0	0	0	0	0	0	0

Part III Supplemental Information

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

Identifier	Return Reference	Explanation
	PART I, LINE 1A	HEALTH CLUB BENEFITS WERE PROVIDED TO THE CHIEF EXECUTIVE OFFICER AND TREATED AS TAXABLE COMPENSATION TRAVEL FOR COMPANIONS WAS PROVIDED TO THE CHIEF EXECUTIVE OFFICER AND THE VICE PRESIDENT OF ADMINISTRATION AND PLANNING AND TREATED AS TAXABLE INCOME
	PART I, LINE 4B	THE FOLLOWING INDIVIDUALS MADE CONTRIBUTIONS A SUPPLEMENTAL NON-QUALIFIED RETIREMENT PLAN DAVID MCEWEN $10,740 DR MICHAEL TAWNEY $14,313 THOMAS DEFAUW $45,650 JOHN LISTON $13,106
	PART I, LINE 6	PORT HURON HOSPITAL OFFERS AN ANNUAL INCENTIVE PROGRAM TO THE EXECUTIVE TEAM (PRESIDENT/CEO AND VICE-PRESIDENTS) THE EXECUTIVE COMPENSATION COMMITTEE OVERSEES THE ESTABLISHMENT, IMPLEMENTATION, AND APPROVAL OF THE INCENTIVE PROGRAMS THE ANNUAL INCENTIVE PROGRAM PLAN CONTAINS 2 SETS OF MEASURES CIRCUIT BREAKER AND ORGANIZATION INCENTIVE PROGRAM MEASURERS, STANDARDS, AND WEIGHTS CIRCUIT BREAKER MEASURERS INCLUDE BOTH PATIENT SATISFACTION AND OPERATING INCOME PLUS A RESERVE FOR INCENTIVE COMPENSATION THE SECOND SET OF MEASURES INCLUDES UP TO 5 MEASURES IMPORTANT TO THE ORGANIZATION THE INCENTIVE PAYOUT IS CALCULATED AS A PERCENTAGE OF BASE SALARY, FROM A RANGE OF PERCENTAGES THE PRESIDENT/CEO INCENTIVE RANGES FROM 18 5% TO 37% AND THE VICE PRESIDENTS RANGE FROM 12% TO 24% FAILURE TO PERFORM AT BELOW THRESHOLD LEVELS FOR THE CIRCUIT BREAKER MEASURES RESULTS IN A CURTAILED OR ELIMINATED INCENTIVE PAYMENT

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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

2011

Open to Public Inspection

Name of the organization
PORT HURON HOSPITAL

Employer identification number
38-1369611

Part I Bond Issues

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

Part II Proceeds

		A	B	C	D
1	Amount of bonds retired	5,900,718	2,520,321		
2	Amount of bonds defeased				
3	Total proceeds of issue	14,646,627	23,816,357		
4	Gross proceeds in reserve funds				
5	Capitalized interest from proceeds		274,007		
6	Proceeds in refunding escrow				
7	Issuance costs from proceeds	192,540	195,084		
8	Credit enhancement from proceeds				
9	Working capital expenditures from proceeds				
10	Capital expenditures from proceeds	6,393,895	1,025,811		
11	Other spent proceeds	8,060,193	12,522,332		
12	Other unspent proceeds		9,799,123		
13	Year of substantial completion	2012	2013		

		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		X					
15	Were the bonds issued as part of an advance refunding issue?		X		X				
16	Has the final allocation of proceeds been made?	X			X				
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	X		X					

Part III Private Business Use

		A		B		C		D	
		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		X				
2	Are there any lease arrangements that may result in private business use of bond-financed property?		X		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		X				
b	If 'Yes' to line 3a, does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts relating to the financed property?								
c	Are there any research agreements that may result in private business use of bond-financed property?		X		X				
d	If 'Yes' to line 3c, does the organization routinely engage bond counsel or other outside counsel to review any research agreements relating to the financed property?								
4	Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government ▶								
5	Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government ▶								
6	Total of lines 4 and 5								
7	Has the organization adopted management practices and procedures to ensure the post-issuance compliance of its tax-exempt bond liabilities?	X		X					

Part 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		X				
2	Is the bond issue a variable rate issue?		X		X				
3a	Has the organization or the governmental issuer entered into a hedge with respect to the bond issue?		X		X				
b	Name of provider								
c	Term of hedge								
d	Was the hedge superintegrated?								
e	Was a hedge terminated?								
4a	Were gross proceeds invested in a GIC?		X		X				
b	Name of provider								
c	Term of GIC								
d	Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?								
5	Were any gross proceeds invested beyond an available temporary period?		X		X				
6	Did the bond issue qualify for an exception to rebate?		X		X				

Part V Procedures To Undertake Corrective Action

Check the box if the organization established written procedures to ensure that violations of federal tax requirements are timely identified and corrected through the voluntary closing agreement program if self-remediation is not available under applicable regulations . . . . . ☐ Yes ☑ No

Part VI Supplemental Information

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

Identifier	Return Reference	Explanation
PART I, ROW A, COLUMN (F)		DATES OF ISSUANCE OF BOND ISSUES CURRENTLY REFUNDED AUGUST 24,2000, SEPTEMBER 18, 2003, MARCH 30, 2005, MAY 6, 2006
PART I, ROW B, COLUMN (F)		DATES OF ISSUANCE OF BOND ISSUES CURRENTLY REFUNDED NOVEMBER 15, 1995, MAY 12, 2009

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Schedule L (Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Transactions with Interested Persons

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
PORT HURON HOSPITAL

Employer identification number
38-1369611

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

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

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

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

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

Part II Loans to and/or From Interested Persons.

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

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

Part III Grants or Assistance Benefitting Interested Persons.

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

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

Part IV **Business Transactions Involving Interested Persons.**

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

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
(1) PHYSICIAN HEALTHCARE INVESTORS	BASSAM H NASR, MD, BOARD MEMBER OF PHH AND PART OWNER	81,150	RENTAL/LEASE SLEEP CENTER		No

Part V **Supplemental Information**

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

Identifier	Return Reference	Explanation

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SCHEDULE O
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
PORT HURON HOSPITAL

Employer identification number
38-1369611

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION A, LINE 6	THE SOLE MEMBER OF THIS CORPORATION IS BLUE WATER HEALTH SERVICES CORPORATION
	FORM 990, PART VI, SECTION A, LINE 7A	THE MEMBER SHALL HAVE THE EXCLUSIVE RIGHT TO APPOINT AND REMOVE MEMBERS OF THE BOARD OF TRUSTEES
	FORM 990, PART VI, SECTION B, LINE 11	THE FORM 990 WAS PROVIDED TO THE BOARD FOR REVIEW PRIOR TO FILING
	FORM 990, PART VI, SECTION B, LINE 12C	ALL TRUSTEES AND DIRECTORS ANNUALLY COMPLETE THE CONFLICT OF INTEREST POLICY THE GOVERNANCE REVIEWS THE CONLFICT OF INTEREST POLICY ANNUALLY AND DISCLOSES ANY POTENTIAL CONFLICTS AT THAT TIME ANY PERCEIVED OR POTENTIAL CONFLICTS ARE SHARED WITH THE BOARD CHAIR AND VICE-CHAIR FOR ANY DISCUSSION OR ACTION IF A CONFLICT SHOULD ARISE
	FORM 990, PART VI, SECTION B, LINE 15A	THE EXECUTIVE COMPENSATION COMMITTEE IS A SUBCOMMITTEE OF THE BOARD OF DIRECTORS RESPONSIBLE FOR ANNUALLY EVALUATING THE PERFORMANCE AND COMPENSATION OF THE CHIEF EXECUTIVE OF THE CORPORATION THEY ARE RESPONSIBLE FOR ENSURING PORT HURON HOSPITAL CAN ATTRACT, RETAIN AND MOTIVATE TALENTED EXECUTIVES WHO ARE ENTRUSTED TO ACHIEVE PERFORMANCE OBJECTIVES AND TO FULFILL THE HOSPITAL'S MISSION THE COMMITTEE UTILIZES THE SERVICES OF AN INDEPENDENT CONSULTANT TO ANALYZE TOTAL REMUNERATION AND COMPARATIVE STUDIES TO ENSURE TOTAL COMPENSATION IS REASONABLE AND COMPETITIVE THE MOST RECENT YEAR THIS PROCESS WAS UNDERTAKEN WAS FISCAL YEAR 2012
	FORM 990, PART VI, SECTION C, LINE 19	DOCUMENTS ARE AVAILABLE UPON REQUEST
	FORM 990, PART VII	JOHN LISTON WORKED AN AVERAGE OF 4 HOURS A WEEK AT RELATED ORGANIZATIONS THOMAS DEFAUW WORKED AN AVERAGE OF 3 HOURS A WEEK AT RELATED ORGANIZATIONS DAVID THOMPSON WORKED AN AVERAGE OF 2 HOURS A WEEK AT RELATED ORGANIZATIONS MONA ARMSTRONG, GARY LEROY, RICHARD LEVEILLE, JANET TURNER LOMASNEY, DAVID MCEWEN, FRANKLIN MORTIMER, KARL TOMION, KAREN NIVER, AND JOHN OGDEN WORKED AN AVERAGE OF 1 HOUR PER WEEK AT A RELATED ORGANIZATION
CHANGES IN NET ASSETS OR FUND BALANCES	FORM 990, PART XI, LINE 5	NET UNREALIZED LOSSES ON INVESTMENTS -1,116,509 CHANGE IN ADDITIONAL MINIMUM PENSION LIABILITY -9,587,111 TOTAL TO FORM 990, PART XI, LINE 5 -10,703,620
	FORM 990, PART XII, LINE 2C	THERE HAVE BEEN NO CHANGES FROM PRIOR YEAR

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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

2011

Open to Public Inspection

Name of the organization
PORT HURON HOSPITAL

Employer identification number
38-1369611

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

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

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

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

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproportionate 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
(1) WILLOW ENTERPRISES PO BOX 5011 PORT HURON, MI 48061 38-2491659	RENT/SALE OF MEDICAL EQUIPMENT	MI	PORT HURON HOSPITAL	C	217,123	2,568,202	100 000 %

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

		Yes	No
Note. Complete line 1 if any entity is listed in Parts II, III or IV			
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	Yes	
b Gift, grant, or capital contribution to related organization(s)	1b		No
c Gift, grant, or capital contribution from related organization(s)	1c	Yes	
d Loans or loan guarantees to or for related organization(s)	1d		No
e Loans or loan guarantees by related organization(s)	1e		No
f Sale of assets to related organization(s)	1f		No
g Purchase of assets from related organization(s)	1g		No
h Exchange of assets with related organization(s)	1h		No
i Lease of facilities, equipment, or other assets to related organization(s)	1i	Yes	
j Lease of facilities, equipment, or other assets from related organization(s)	1j	Yes	
k Performance of services or membership or fundraising solicitations for related organization(s)	1k	Yes	
l Performance of services or membership or fundraising solicitations by related organization(s)	1l	Yes	
m Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)	1m		No
n Sharing of paid employees with related organization(s)	1n	Yes	
o Reimbursement paid to related organization(s) for expenses	1o		No
p Reimbursement paid by related organization(s) for expenses	1p	Yes	
q Other transfer of cash or property to related organization(s)	1q		No
r Other transfer of cash or property from related 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) See Additional Data Table			
(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) Predominant income(related, unrelated, excluded from tax under sections 512-514)	(e) Are all partners section 501(c)(3) organizations?		(f) Share of total income	(g) Share of end-of-year assets	(h) Disproprtionate allocations?		(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
				Yes	No			Yes	No		Yes	No	

Schedule R (Form 990) 2011

Part VII Supplemental Information

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

Identifier	Return Reference	Explanation	

Additional Data

Return to Form

Software ID:
Software Version:
EIN: 38-1369611
Name: PORT HURON HOSPITAL

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

	(a) Name of other organization	(b) Transaction type(a-r)	(c) Amount Involved ($)	(d) Method of determining amount involved
(1)	PARKVIEW PROPERTY MANAGEMENT CORP	J	617,143	FMV
(2)	PORT HURON HOSPITAL FOUNDATION	C	314,723	CASH
(3)	PORT HURON HOSPITAL FOUNDATION	P	443,382	ALLOCATION OF COST
(4)	PARKVIEW PROPERTY MANAGEMENT CORP	K	202,652	ALLOCATION OF COST
(5)	MARWOOD MANOR NURSING HOME	N	62,486	ALLOCATION OF COST
(6)	MARWOOD MANOR NURSING HOME	K	360,032	ALLOCATION OF COST
(7)	WILLOW ENTERPRISES	K	70,392	ALLOCATION OF COST
(8)	WILLOW ENTERPRISES	N	2,604,840	CONTRACT
(9)	WILLOW ENTERPRISES	J	62,148	FMV
(10)	WILLOW ENTERPRISES	O	61,061	FMV
(11)	WILLOW ENTERPRISES	P	67,437	FMV
(12)	PARKVIEW PROPERTY MANAGEMENT CORP	G	45,339	ALLOCATION OF COST
(13)	WILLOW ENTERPRISES	A	50,362	FMV
(14)	PORT HURON HOSPITAL FOUNDATION	K	84,856	ALLOCATION OF COST

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TY 2011 Category 3 filer statement

Name: PORT HURON HOSPITAL

EIN: 38-1369611

Amount Of Indebtedness	Type Of Indebtedness	Name	Address	Identifying Number	Number Of Shares
0	N/A - THERE IS NO IN	NA - THERE ARE CURRENTLY NO SUBSCRIPTIONS FOR ANY			
0	COMPANY, LTD. AND RE	CAYMICH INSURANCE COMPANY LTD'S STOCK			

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TY 2011 Itemized Other Current Liabilities Schedule

Name: PORT HURON HOSPITAL

EIN: 38-1369611

Corporation Name	Corporation EIN	Description	Beginning Amount	Ending Amount
CAYMICH INSURANCE COMPANY LTD	98-0128041	DUE TO BROKER	687,436	76,283

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TY 2011 Itemized Other Assets Schedule

Name: PORT HURON HOSPITAL

EIN: 38-1369611

Corporation Name	Corporation EIN	Other Assets Description	Beginning Amount	Ending Amount
CAYMICH INSURANCE COMPANY LTD	98-0128041	OUTSTANDING LOSS RESERVE RECOVERABLE	24,161,382	23,151,742

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TY 2011 Itemized Other Current Assets Schedule

Name: PORT HURON HOSPITAL

EIN: 38-1369611

Corporation Name	Corporation EIN	Other Current Assets Description	Beginning Amount	Ending Amount
CAYMICH INSURANCE COMPANY LTD	98-0128041	PREPAID EXPENSES	89,978	5,533
		DUE FROM BROKER	8,788	86,749
		INTEREST RECEIVABLE	322,151	337,490
		RETURN PREMIUM RECEIVABLE	175,000	0

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TY 2011 Other Deductions Schedule

Name: PORT HURON HOSPITAL

EIN: 38-1369611

Description	Foreign Amount (should only be used when attached to 5471 Schedule C Line 16)	Amount
UNDERWRITING EXPENSES		7,345,674
LEGAL FEES		488,959
INVESTMENT MANAGEMENT FEES		393,896
ACTUARIAL FEES		378,000
TRAVEL AND MEETING EXPENSES		272,667
MANAGEMENT FEES		139,000
GOVERNMENT AND MISC EXPENSE		73,546
AUDIT AND CONSULTING FEES		63,788

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TY 2011 Itemized Other Investments Schedule

Name: PORT HURON HOSPITAL

EIN: 38-1369611

Corporation Name	Corporation EIN	Other Investments Description	Beginning Amount	Ending Amount
CAYMICH INSURANCE COMPANY LTD	98-0128041	U S GOVERNMENT AND AGENCY SECURITIES	11,218,732	12,395,193
		U S CORPORATE DEBT SECURITIES	35,464,373	36,098,536
		EQUITY SECURITIES	25,279,680	17,310,355
		NON-US FIXED INCOME SECURITIES	768,158	1,055,227

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TY 2011 Itemized Other Liabilities Schedule

Name: PORT HURON HOSPITAL

EIN: 38-1369611

TY 2011 Itemized Other Liabilities Schedule

Corporation Name	Corporation EIN	Other Liabilities Description	Beginning Amount	Ending Amount
CAYMICH INSURANCE COMPANY LTD	98-0128041	OUTSTANDING LOSSES, LOSS ADJUSTMENT EXP	98,750,957	92,888,232

Port Huron Hospital and Subsidiaries

Consolidated Financial Report
with Additional Information
June 30, 2012

Port Huron Hospital and Subsidiaries

Contents

Independent Auditor's Report

To the Board of Directors
Port Huron Hospital and Subsidiaries

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

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Port Huron Hospital and Subsidiaries at June 30, 2012 and 2011 and the consolidated results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Plante & Moran, PLLC

September 18, 2012

Port Huron Hospital and Subsidiaries

Consolidated Balance Sheet

	June 30, 2012	June 30, 2011
Assets		
Current Assets		
Cash and cash equivalents	$ 27,440,276	$ 25,175,777
Short-term investments (Note 6)	26,830,946	26,488,103
Accounts receivable - Net (Note 2)	6,670,239	8,843,807
Amounts due from affiliates (Note 15)	196,310	215,798
Estimated third-party payor settlements receivable (Note 3)	726,977	-
Assets limited as to use (Note 6)	4,270,397	4,269,952
Prepaid expenses and other	1,976,458	3,551,084
Inventories	5,578,711	5,709,444
Total current assets	73,690,314	74,253,965
Property and Equipment - Net (Note 5)	61,775,201	60,878,037
Other Assets (Note 6)	26,571,103	26,677,900
Total assets	**$ 162,036,618**	**$ 161,809,902**
Liabilities and Net Assets		
Current Liabilities		
Current portion of long-term debt (Note 9)	$ 4,704,612	$ 4,517,913
Accounts payable	8,524,220	8,160,677
Estimated third-party payor settlements payable (Note 3)	1,458,181	2,259,786
Accrued liabilities and other (Note 8)	12,040,838	13,380,041
Total current liabilities	26,727,851	28,318,417
Long-term Debt - Net of current portion (Note 9)	13,995,037	17,898,547
Other Liabilities (Note 10)	58,125,740	51,201,701
Total liabilities	98,848,628	97,418,665
Net Assets		
Unrestricted	60,925,753	62,192,079
Temporarily restricted	1,862,062	1,799,937
Permanently restricted	400,175	399,221
Total net assets	63,187,990	64,391,237
Total liabilities and net assets	**$ 162,036,618**	**$ 161,809,902**

Port Huron Hospital and Subsidiaries

Consolidated Statement of Operations

	Year Ended	
	June 30, 2012	June 30, 2011
Unrestricted Revenue, Gains, and Other Support		
Net patient service revenue	$ 176,470,235	$ 172,995,207
Other	4,217,421	3,688,094
Total unrestricted revenue, gains, and other support	180,687,656	176,683,301
Expenses		
Salaries and wages	67,204,115	66,639,321
Employee benefits and payroll taxes	12,918,626	16,018,904
Operating supplies and expenses	30,814,033	29,963,044
Purchased services	22,749,964	20,607,384
Insurance	1,838,816	1,008,835
Utilities	1,871,391	1,838,236
Other	13,453,381	13,250,418
Depreciation and amortization	9,164,468	9,580,489
Provision for bad debts	12,017,892	11,968,609
Interest expense	734,027	1,347,398
Total expenses (Note 16)	172,766,713	172,222,638
Operating Income	7,920,943	4,460,663
Other Income (Loss)		
Interest income	1,321,467	1,452,811
Realized gain on sale of investments	513,480	698,508
Change in unrealized investment (loss) gain	(1,183,232)	4,498,276
Other	(552,584)	(678,518)
Total other income	99,131	5,971,077
Excess of Revenue Over Expenses	8,020,074	10,431,740
Transfer to Affiliate	-	(56,457)
Pension-related Changes Other Than Net Periodic Pension Costs	(9,587,111)	8,752,136
Net Assets Released from Restriction	300,711	1,060,374
(Decrease) Increase in Unrestricted Net Assets	**$ (1,266,326)**	**$ 20,187,793**

Port Huron Hospital and Subsidiaries

Consolidated Statement of Changes in Net Assets

	Year Ended June 30, 2012	Year Ended June 30, 2011
Unrestricted Net Assets		
Excess of revenue over expenses	$ 8,020,074	$ 10,431,740
Transfer from affiliate	-	(56,457)
Pension-related changes other than net periodic pension costs	(9,587,111)	8,752,136
Net assets released from restriction	300,711	1,060,374
(Decrease) Increase in Unrestricted Net Assets	(1,266,326)	20,187,793
Temporarily Restricted Net Assets		
Restricted contributions	688,011	763,582
Program expenses	(211,486)	(259,145)
Restricted investment income	41,326	33,293
Net realized and unrealized (loss) gain on investments	(46,972)	231,674
Transfer to affiliate	(108,043)	(191,337)
Net assets released from restriction	(300,711)	(1,060,374)
Increase (Decrease) in Temporarily Restricted Net Assets	62,125	(482,307)
Increase in Permanently Restricted Net Assets - Investment income	954	10,216
(Decrease) Increase in Net Assets	(1,203,247)	19,715,702
Net Assets - Beginning of year	64,391,237	44,675,535
Net Assets - End of year	**$ 63,187,990**	**$ 64,391,237**

Port Huron Hospital and Subsidiaries

Consolidated Statement of Cash Flows

	Year Ended June 30, 2012	Year Ended June 30, 2011
Cash Flows from Operating Activities		
(Decrease) increase in net assets	$ (1,203,247)	$ 19,715,702
Adjustments to reconcile (decrease) increase in net assets to net cash from operating activities:		
Depreciation and amortization	9,164,468	9,580,489
Net change in unrealized gains and losses on investments	1,183,232	(4,498,276)
Realized gains on investments	(513,480)	(698,508)
Pension-related changes other than net periodic pension costs	9,587,111	(8,752,136)
Loss on disposal of equipment	534,962	591,272
Write-off of bond issue costs	-	405,139
Restricted contributions	(688,011)	(671,027)
Provision for bad debts	12,017,892	11,968,605
Changes in assets and liabilities which (used) provided cash:		
Accounts receivable	(9,844,324)	(14,422,636)
Other current assets	1,705,359	(597,669)
Cost report settlements	(1,528,582)	1,159,443
Other assets	126,285	(1,360,794)
Accounts payable	363,543	(3,698,957)
Accrued liabilities	(1,339,203)	(1,593,024)
Long-term liabilities	(2,663,072)	(663,156)
Net cash provided by operating activities	16,902,933	6,464,467
Cash Flows from Investing Activities		
Purchase of property and equipment	(10,710,762)	(11,305,508)
Proceeds from sale of property and equipment	160,721	76,931
Purchase of investments	(3,715,579)	(21,782,140)
Proceeds from sale and maturities of investments	2,655,986	20,598,018
Net cash used in investing activities	(11,609,634)	(12,412,699)
Cash Flows from Financing Activities		
Proceeds from issuance of debt obligations	-	15,985,000
Principal payment on long-term debt	(3,716,811)	(18,352,830)
Payment of bond issue costs	-	(132,979)
Restricted contributions	688,011	671,027
Net cash used in financing activities	(3,028,800)	(1,829,782)
Net Increase (Decrease) in Cash and Cash Equivalents	2,264,499	(7,778,014)
Cash and Cash Equivalents - Beginning of year	25,175,777	32,953,791
Cash and Cash Equivalents - End of year	**$ 27,440,276**	**$ 25,175,777**
Supplemental Cash Flow Information - Cash paid for interest	**$ 734,027**	**$ 1,703,338**

Note 1 - Nature of Business and Significant Accounting Policies

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

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

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

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

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

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

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

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

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

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

Professional and Other Liability Insurance - The Hospital accrues an estimate of the ultimate expense, including litigation and settlement expense, for incidents of potential improper professional service and other liability claims occurring during the year as well as for those claims that have not been reported at year end. The expected amount of insurance recoveries is recorded as a receivable, net of an allowance for uncollectible receivables.

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

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

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

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

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

Charity care is determined based on established policies, using patient income and assets to determine payment ability. The amount reflects the cost of free or discounted health services, net of contributions and other revenues received, as direct assistance for the provision of charity care. The estimated cost of providing charity services is based on a calculation which applies a ratio of cost to charges to the gross uncompensated charges associated with providing care to charity patients. The ratio of cost to charges is calculated based on the Hospital's total expenses, less bad debt expense, divided by gross patient service revenue. The estimated total services provided to indigent patients during 2012 and 2011 have been disclosed in Note 4.

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

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

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

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

Tax Status - The Hospital and its subsidiaries, aside from Willow Enterprises, Inc., are nonprofit, tax-exempt organizations and, accordingly, no tax provision is reflected in the consolidated financial statements for these entities. Willow Enterprises, Inc. is a taxable corporation. Income tax provisions for this entity are not material to the consolidated financial statements.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Hospital and recognize a tax liability if the Hospital has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS or other applicable taxing authorities. Management has analyzed the tax positions taken by the Hospital and has concluded that as of June 30, 2012, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the consolidated financial statements. The Hospital is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations for years prior to June 30, 2009.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Electronic Health Records Incentive Payments - The American Recovery and Reinvestment Act of 2009 (ARRA) established funding in order to provide incentive payments to hospitals and physicians that implement the use of electronic health record (EHR) technology by 2014. The Hospital may receive an incentive payment for up to four years, provided the Hospital demonstrates meaningful use of certified EHR technology during the EHR reporting period. The revenue from the incentive payments is recognized ratably over the EHR reporting period when there is reasonable assurance that the Hospital will comply with the eligibility requirements during the EHR reporting period and an incentive payment will be received. The amounts are recorded within other operating revenue as the incentive payments are related to the Hospital's ongoing and central activities, yet not critical to the delivery of patient service.

Reclassification - Certain 2011 amounts have been reclassified to conform to the 2012 presentation.

Subsequent Events - The consolidated financial statements and related disclosures include evaluation of events up through and including September 18, 2012, which is the date the consolidated financial statements were available to be issued.

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

New Accounting Pronouncements - The Hospital has adopted Accounting Standards Update (ASU) 2010-24, *Health Care Entities (Topic 954) Presentation of Insurance Claims and Related Insurance Recoveries*, for the year ended June 30, 2012. In accordance with the ASU, the accrued liability for malpractice claims and similar liabilities and the related insurance recovery receivable have been presented separately on the consolidated balance sheet on a gross basis for the years ended June 30, 2012 and 2011. Prior guidance allowed the liability to be reported net of the estimated insurance recovery receivable. There was no impact on beginning net assets related to the implementation of this ASU.

During 2011, the Financial Accounting Standards Board (FASB) adopted Accounting Standards Update (ASU) 2011-07, *Health Care Entities (Topic 954) Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities*, establishing accounting and disclosures for healthcare entities recognizing significant amounts of patient service revenue at the time services are rendered even though the entities do not assess a patient's ability to pay.

The amendments in the ASU change the presentation of the statement of operations and add new disclosures that are not required under current GAAP for entities within the scope of this update. The provision for bad debts associated with patient service revenue for certain entities is required to be presented on a separate line as a deduction from patient service revenue (net of contractual allowances and discounts) in the statement of operations. For the Hospital, the amendments are effective for the period ending June 30, 2013. The amendments to the presentation of the provision for bad debts related to patient service revenue in the statement of operations should be applied retrospectively to all prior periods presented. The disclosures required by the amendments in the ASU will be provided for the period of adoption and subsequent reporting periods.

The adoption of the new standard in 2013 is not expected to have a material effect on the Hospital's consolidated financial statements.

Note 2 - Patient Accounts Receivable

The details of patient accounts receivable are as follows:

	2012	2011
Patient accounts receivable	$ 70,818,383	$ 63,751,517
Less allowance for uncollectible accounts	(13,636,403)	(11,392,526)
Less allowance for contractual adjustments	(50,511,741)	(43,515,184)
Net patient accounts receivable	$ 6,670,239	$ 8,843,807

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

	Percentage	
	2012	2011
Medicare	35 %	34 %
Blue Cross/Blue Shield of Michigan	13	16
Medicaid	2	3
Commercial insurance and HMOs	23	24
Self pay	27	23
Total	100 %	100 %

Note 3 - Estimated Third-party Payor Settlements

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

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

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

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

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

The Medicare program has initiated a recovery audit contractor (RAC) initiative, whereby claims subsequent to October 1, 2007 will be reviewed by contractors for validity, accuracy, and proper documentation. A demonstration project completed in several other states resulted in the identification of potential significant overpayments. The RAC program began for Michigan in 2009. The Hospital has had claims selected by the RAC auditors and has determined the extent of liability for overpayments to be approximately $125,000 as of June 30, 2012 and 2011. There is potential for additional overpayment of claims liability for the Hospital at a future date.

Note 4 - Community Benefit

In support of its mission, the Hospital provides various health-related services, at a loss, to the indigent and other residents in its service area. The following is a summary of the Hospital's community benefit expense for the years ended June 30:

	2012	2011
Charity care, at cost	$ 1,103,316	$ 940,843

In addition, the Hospital provides various community partnership programs which provide services to patients with inadequate health care resources or to other groups within the community that need special services and support. Examples include programs related to the poor, elderly, substance abuse, child abuse, and others with specific particular health care needs. They also include broader populations who benefit from health community initiatives such as health promotion, education, and health screening.

Note 5 - Property and Equipment

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

	2012	2011	Depreciable Life - Years
Land	$ 17,374,402	$ 17,287,557	-
Buildings	92,797,149	90,261,161	20-40
Equipment	66,750,524	60,856,909	5-10
Construction in progress	4,141,436	6,391,291	-
Total cost	181,063,511	174,796,918	
Accumulated depreciation	(119,288,310)	(113,918,881)	
Net property and equipment	$ 61,775,201	$ 60,878,037	

Construction in progress relates to various projects throughout the Hospital.

As of June 30, 2012, the Hospital has approximately $300,000 in future capital purchase commitments outstanding.

Depreciation expense on property and equipment totaled $9,117,915 and $9,519,225 in 2012 and 2011, respectively.

Note 6 - Other Assets

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

	2012	2011
Investments (at market value):		
Assets limited as to use and permanently or temporarily restricted:		
Funds held by trustees under bond indenture	$ 4,270,397	$ 4,269,952
Funds held in trust for payment of professional and other liability claims	14,707,687	14,665,201
Funds held by foundation for specific purposes	3,055,756	3,125,398
Total	22,033,840	22,060,551
Less amount for payment of current liabilities	(4,270,397)	(4,269,952)
Total assets limited as to use and permanently or temporarily restricted	17,763,443	17,790,599
General investments	3,877,757	3,803,965
Total investments	21,641,200	21,594,564
Deferred charge - Bond issue costs	130,976	177,531
Investment in unconsolidated affiliates (Note 13)	1,671,473	3,861,327
Other	3,127,454	1,044,478
Total other assets	$ 26,571,103	$ 26,677,900

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

	2012	2011
Cash and cash equivalents	$ 7,407,319	$ 9,697,818
Government securities	286,463	161,448
Mutual funds	36,101,608	30,030,742
Corporate bonds	903,135	1,023,871
Common stocks	8,044,018	11,438,740
Total	$ 52,742,543	$ 52,352,619

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

Note 6 - Other Assets (Continued)

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

	2012	2011
Investment income included in other income	$ 1,321,467	$ 1,452,811
Unrestricted gains on investments included in other income	513,480	698,508
Investment (loss) income on temporarily and permanently restricted investments included in the consolidated statement of changes in net assets	(4,692)	275,183
Change in unrestricted net unrealized (losses) gains on investments	(1,183,232)	4,498,276
Total	$ 647,023	$ 6,924,778

Note 7 - Fair Value Measurements

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

The following tables present information about the Hospital's assets measured at fair value on a recurring basis at June 30, 2012 and the valuation techniques used by the Hospital to determine those fair values.

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

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

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

Note 7 - Fair Value Measurements (Continued)

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

Assets Measured at Fair Value on a Recurring Basis at June 30, 2012

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2012
Investments				
Common stock	$ 8,044,018	$ -	$ -	$ 8,044,018
Corporate bonds	-	903,135	-	903,135
Government bonds	-	286,463	-	286,463
Mutual funds:				
Equity investments	19,100,478	-	-	19,100,478
Fixed income	17,001,130	-	-	17,001,130
Total mutual funds	36,101,608	-	-	36,101,608
Total investments	$ 44,145,626	$ 1,189,598	$ -	$ 45,335,224

The investments at June 30, 2012 included cash and cash equivalents of $7,407,319 which are not measured at fair value on a recurring basis and therefore are not included in the table above.

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

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

Note 7 - Fair Value Measurements (Continued)

The investments at June 30, 2011 included cash and cash equivalents of $9,697,818 which are not measured at fair value on a recurring basis and therefore are not included in the table above.

The fair value of corporate and government bonds at June 30, 2012 was determined primarily based on Level 2 inputs. The Hospital estimates the fair value of these investments using maturity dates and interest rates as dictated by each respective bond.

The Hospital's policy is to recognize transfers in and transfers out of Level 1, 2, and 3 fair value classifications as of the actual date of the event of change in circumstances that caused the transfer.

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

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

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

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

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

Long-term Debt - The fair value of the Hospital's bonds is estimated based on current traded value. The fair value of the Hospital's remaining debt is estimated using discounted cash flow analysis, based on current investment borrowing rates for similar types of borrowing arrangements. The carrying amount of long-term debt approximates market value at June 30, 2012 and 2011.

Note 8 - Accrued and Other Current Liabilities

The details of accrued liabilities at June 30, 2012 and 2011 are as follows:

	2012	2011
Payroll and related items	$ 2,367,896	$ 1,944,099
Compensated absences	3,520,000	3,599,000
Current portion of accrued pension costs (Note 12)	4,040,000	5,700,000
Other	2,112,942	2,136,942
Total accrued liabilities	$ 12,040,838	$ 13,380,041

Note 9 - Long-term Debt

A summary of long-term debt at June 30, 2012 and 2011 is as follows:

	2012	2011
Hospital Revenue Bonds, Series 2009A - See below	$ 3,207,710	$ 4,568,096
Hospital Revenue Refunding Bonds, Series 2011A - See below	5,440,546	7,061,437
Hospital Revenue Refunding Bonds, Series 2011B - See below	8,158,358	8,495,102
Note payable to a bank, due in monthly installments of $5,803, including interest at 2.75 percent, secured by an office building, with a balloon payment due September 30, 2014	584,870	654,506
Note payable to a bank, due in monthly payments of $6,667, including interest at 1.64 percent (LIBOR plus 1.0 percent), with a balloon payment due June 1, 2013	800,046	880,050
Other	508,119	757,269
Total	18,699,649	22,416,460
Less current portion	4,704,612	4,517,913
Long-term portion	$ 13,995,037	$ 17,898,547

The Hospital, Port Huron Hospital Foundation, Willow Enterprises, Parkview Property Management, the Hospital's parent, Blue Water Health Services Corporation, and an affiliate, Marwood Manor Nursing Home, comprise The Port Huron Hospital Obligated Group, which was created under a master indenture and security agreement. Total obligations outstanding under the master indenture amounted to approximately $25,490,000 and $29,336,000 at June 30, 2012 and 2011, respectively. Each entity is jointly liable for the total amount of obligations outstanding. Amounts reflected within the Hospital's consolidated financial statements relate only to the Hospital's portion of this Obligated Group debt. The Hospital serves as the Obligated Group's agent.

The Hospital Revenue Bonds, Series 2009A were issued in May 2009 by the Michigan State Hospital Finance Authority and covered by the master indenture. The bonds are a direct placement bond with a bank and the proceeds were loaned to the Hospital under a loan agreement. The proceeds were used to finance certain equipment purchases and to refund various HELP loans. The Hospital pledged certain equipment as collateral for obligations. The bonds bear interest at 5.33 percent and are due in monthly amounts of $130,904, including interest.

Note 9 - Long-term Debt (Continued)

The Hospital Revenue Refunding Bonds, Series 2011A were issued in March 2011 by the Michigan Finance Authority and covered by the master indenture. The bonds are a direct placement bond with a bank and the proceeds were loaned to the Hospital under a loan agreement. The proceeds were used to finance certain equipment purchases and to refund various outstanding loans. The Hospital pledged certain equipment as collateral for obligations. The bonds bear interest at 2.76 percent and are due in monthly amounts of approximately $150,000, including interest.

The Hospital Revenue Refunding Bonds, Series 2011B were issued in March 2011 by the Michigan Finance Authority and covered by the master indenture. The bonds are a direct placement bond with a bank, and the proceeds were loaned to the Hospital under a loan agreement. The proceeds were used to finance certain equipment purchases and refund various outstanding loans. The Hospital pledged certain equipment as collateral for obligations. The bonds bear interest at 3.44 percent and are due in monthly amounts of approximately $70,000, including interest. The Series 2011B bonds have a mandatory put on August 15, 2015. The scheduled outstanding balance at the time of the put is $6,364,250.

Scheduled principal repayments on long-term debt obligations for 2012 are as follows:

Years Ending June 30	Amount
2013	$ 4,704,612
2014	4,043,033
2015	3,235,042
2016	6,716,962
Total	$ 18,699,649

Note 10 - Other Liabilities

The detail of other liabilities is as follows:

	2012	2011
Accrued pension cost (Note 12)	$ 43,052,689	$ 37,001,477
Accrued professional and other liability claims (Note 11)	10,208,000	10,742,000
Other	4,865,051	3,458,224
Total other liabilities	$ 58,125,740	$ 51,201,701

Note 11 - Professional Liability Self-insurance

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

At June 30, 2012 and 2011, the Hospital made provisions for the estimated losses in connection with those professional and other liability claims for incidents occurring during the years then ended for which amounts can be reasonably estimated, including provision for claims incurred but not reported at year end. Estimates are based upon projections by an independent actuary and the evaluation of claims of substance by professional liability legal counsel. The provisions include the estimated liability of professional and other liability claims, as well as an estimate of defense cost. Any insurance recoveries expected have been recorded as receivable.

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

Note 12 - Pension and Other Postretirement Benefit Plans

The Hospital maintains a defined benefit pension plan for substantially all of its employees. Benefits paid under the plan are based generally on employees' years of service and compensation levels during employment. The plan requires annual contributions which are sufficient to meet the minimum funding standards of the Employee Retirement Income Security Act. The Hospital froze the defined benefit plan for all new participants as of July 1, 2007. On August 23, 2011, the Hospital board further resolved to discontinue the accrual of benefits for all plan participants starting December 31, 2011. All participants enrolled in the plan as of July 1, 2007 continued to accumulate benefits within the plan through December 31, 2011. As a result of the discontinuance of the benefit accrual, the Hospital changed the amortization period for the amounts previously not recognized in net periodic pension cost from the estimated service period of participants to the estimated average life expectancy of plan participants.

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

Obligations and Funded Status

At June 30	Pension Benefits 2012	2011
Change in Benefit Obligation		
Benefit obligation at beginning of year	$ 118,771,624	$ 113,763,146
Service cost	576,665	3,660,415
Interest cost	6,033,865	6,170,882
Amendments	(18,120,673)	-
Actuarial gain (loss)	20,131,119	(1,637,243)
Benefits paid	(3,702,214)	(3,185,576)
Benefit obligation at end of year	123,690,386	118,771,624
Change in Plan Assets		
Fair value of plan assets at beginning of year	76,070,147	62,776,792
Actual return on plan assets	(1,492,625)	10,898,932
Employer contributions	5,722,389	5,579,999
Benefits paid	(3,702,214)	(3,185,576)
Fair value of plan assets at end of year	76,597,697	76,070,147
Funded status at end of year	$ (47,092,689)	$ (42,701,477)

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

	Pension Benefits 2012	2011
Current liabilities	$ (4,040,000)	$ (5,700,000)
Noncurrent liabilities	(43,052,689)	(37,001,477)
Total	$ (47,092,689)	$ (42,701,477)

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

	Pension Benefits 2012	2011
Net loss	$ 49,309,087	$ 39,904,346
Prior service cost	-	42,192
Total	$ 49,309,087	$ 39,946,538

The accumulated benefit obligation was $123,690,386 and $100,725,103 at June 30, 2012 and 2011, respectively.

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

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

	2012	2011
Projected benefit obligation	$ 123,690,386	$ 118,771,624
Accumulated benefit obligation	123,690,386	100,725,103
Fair value of plan assets	76,597,697	76,070,147

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

	Pension Benefits	
	2012	2011
Net Periodic Benefit Cost		
Service cost	$ 576,665	$ 3,660,415
Interest cost	6,235,309	6,392,929
Expected return on plan assets	(6,557,154)	(6,067,995)
Amortization of prior service cost	2,990	17,942
Amortization of net loss	655,484	2,241,940
Curtailment loss	39,202	-
Total	952,496	6,245,231
Pension-related Changes Other Than Net Periodic Pension Costs		
Net loss (gain)	28,405,460	(6,492,254)
Amortization of transition asset	(655,484)	(2,241,940)
Curtailment adjustment of net loss and prior service cost	(18,159,875)	-
Amortization of prior service cost	(2,990)	(17,942)
Total	9,587,111	(8,752,136)
Total recognized in net periodic benefit cost and other changes in unrestricted net assets	$ 10,539,607	$ (2,506,905)

The curtailment adjustments as noted above are related to the freeze of the plan, effective in December 2011.

The estimated net loss and prior service cost for the defined benefit pension plan that will be amortized from unrestricted net assets into net periodic benefit cost over the next fiscal year are $996,995 and $0, respectively.

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

Assumptions

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

	Pension Benefits	
	2012	2011
Discount rate	4.25 %	5.75 %
Rate of compensation increase	NA	3.84

Due to the fact that participants are no longer accruing benefits under this plan, the actuary has excluded any wage rate increase during the year from the defined benefit obligation calculation.

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

	Pension Benefits	
	2012	2011
Discount rate	5.75 %	5.50 %
Expected long-term return on plan assets	8.00	8.00
Rate of compensation increase	3.84	3.84

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

Plan Assets

	2012	2011
Asset Category		
Equity securities	60 %	71 %
Debt securities	35	14
Other	5	15
Total	100 %	100 %

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

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

Contributions

The Hospital expects to contribute $4,040,000 to its pension plan in 2013.

Estimated Future Benefit Payments

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

2013	$ 4,076,667
2014	4,304,465
2015	4,568,408
2016	4,862,584
2017	5,157,274
2018-2021	30,858,544

The fair value of total plan assets as of June 30, 2012 is as follows:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2012
Common stock	$ 39,768,341	$ -	$ -	$ 39,768,341
Fixed-income mutual funds	4,309,608	-	-	4,309,608
Money market funds	12,611,273	-	-	12,611,273
U.S. government notes	-	3,441,793	-	3,441,793
Federal agency bonds	-	2,794,101	-	2,794,101
Corporate bonds	-	8,265,272	-	8,265,272
Preferred/Convertible securities	1,896,854	-	-	1,896,854
Alternative investments	-	-	3,510,455	3,510,455
Total	$ 58,586,076	$ 14,501,166	$ 3,510,455	$ 76,597,697

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

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

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2011
Common stock	$ 47,042,499	$ -	$ -	$ 47,042,499
Pooled, common, and collective funds	-	1,610,000	-	1,610,000
Fixed-income mutual funds	4,171,075	-	-	4,171,075
Money market funds	8,389,129	-	-	8,389,129
U.S. government notes	-	2,451,782	-	2,451,782
Federal agency bonds	-	2,149,470	-	2,149,470
Corporate bonds	-	6,279,876	-	6,279,876
Preferred/Convertible securities	1,507,094	-	-	1,507,094
Alternative investments	-	-	2,469,222	2,469,222
Total	$ 61,109,797	$ 12,491,128	$ 2,469,222	$ 76,070,147

Note 13 - Investment in Affiliates

The Hospital was the owner of 50 percent interest in Tri-Hospital MRI Center until April 30, 2012 when the entity was dissolved. A receivable of $1,367,931 has been recognized within other assets for the amount due to the Hospital for its interest in this entity as of June 30, 2012. The Hospital continues to have a one-third interest in Tri-Hospital EMS Corporation, which provides various ambulance services.

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

The following is a summary of financial position and results of operations of Tri-Hospital EMS Corporation as of June 30, 2012 and 2011:

	2012	2011
Tri-Hospital EMS Corporation		
Total assets	$ 5,227,228	$ 4,850,633
Total liabilities	466,540	260,223
Stockholders' equity	$ 4,760,688	$ 4,590,410
Excess of revenue over expenses	$ 170,278	$ 300,744

Note 14 - Operating Leases

Total expense under all operating leases for facilities and equipment was approximately $6,074,000 and $5,756,000 for the years ended June 30, 2012 and 2011, respectively.

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

Years Ending June 30	Amount
2013	$ 6,224,811
2014	1,310,012
2015	243,423
2016	49,500
Total	$ 7,827,746

Note 15 - Related Party Transactions

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

	2012	2011
Due from Marwood Manor	$ 102,294	$ 129,664
Due to Marwood Manor	254,202	499,740
Revenue from Marwood Manor	479,427	463,044
Expenses to Tri-Hospital MRI Center	175,950	233,503
Revenue from Tri-Hospital MRI Center	1,244,645	1,367,508
Revenue from Blue Water Health Services Corporation	7,918	9,012
Revenue from Tri-Hospital EMS Corporation	30,727	12,374

Note 16 - Functional Expenses

The Hospital fulfills the healthcare requirements of residents in the community it serves by providing as its principal function a complete array of necessary healthcare services through an integrated network that includes the Hospital and an ambulatory center and related programs. Functional expenses related to providing these services for the years ended June 30, 2012 and 2011 are as follows:

	2012	2011
Healthcare services	$ 151,852,468	$ 150,777,315
General and administrative	20,914,245	21,445,323
Total	$ 172,766,713	$ 172,222,638

Additional Information

Independent Auditor's Report on Additional Information

To the Board of Directors
Port Huron Hospital and Subsidiaries

We have audited the consolidated financial statements of Port Huron Hospital and Subsidiaries as of and for the years ended June 30, 2012 and 2011. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating balance sheet and consolidating statement of operations are presented for the purpose of additional analysis rather than to present the financial position, results of operations, and cash flows of the individual entities and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Plante & Moran, PLLC

September 18, 2012

Port Huron Hospital and Subsidiaries

Consolidating Balance Sheet
June 30, 2012

	Port Huron Hospital	Port Huron Hospital Foundation	Willow Enterprises, Inc.	Parkview Property Management Corporation	Eliminating Entries	Total
Assets						
Current Assets						
Cash and cash equivalents	$ 26,039,687	$ 495,091	$ 654,300	$ 251,198	$ -	$ 27,440,276
Short-term investments	26,830,946	-	-	-	-	26,830,946
Accounts receivable - Net	5,990,225	-	674,698	5,316	-	6,670,239
Amounts due from affiliates	10,856,091	-	-	-	(10,659,781)	196,310
Estimated third-party payor settlements receivable	726,977	-	-	-	-	726,977
Assets limited as to use	4,270,397	-	-	-	-	4,270,397
Prepaid expenses and other	1,953,321	5,000	13,225	4,912	-	1,976,458
Inventories	4,622,589	-	956,122	-	-	5,578,711
Total current assets	81,290,233	500,091	2,298,345	261,426	(10,659,781)	73,690,314
Property and Equipment - Net	46,310,129	-	268,857	15,196,215	-	61,775,201
Other Assets	25,951,833	3,514,753	1,000	-	(2,896,483)	26,571,103
Total assets	**$ 153,552,195**	**$ 4,014,844**	**$ 2,568,202**	**$ 15,457,641**	**$ (13,556,264)**	**$ 162,036,618**

Port Huron Hospital and Subsidiaries

Consolidating Balance Sheet (Continued)
June 30, 2012

	Port Huron Hospital	Port Huron Hospital Foundation	Willow Enterprises, Inc.	Parkview Property Management Corporation	Eliminating Entries	Total
Liabilities and Net Assets						
Current Liabilities						
Current portion of long-term debt	$ 3,834,928	$ -	$ 350,001	$ 989,683	$ (470,000)	$ 4,704,612
Notes payable	-	-	388,715	10,303,356	(10,692,071)	-
Accounts payable	8,244,479	545,624	206,003	73,824	(545,710)	8,524,220
Estimated third-party payor settlements payable	1,458,181	-	-	-	-	1,458,181
Accrued liabilities and other	12,026,718	-	-	14,120	-	12,040,838
Total current liabilities	25,564,306	545,624	944,719	11,380,983	(11,707,781)	26,727,851
Long-term Debt - Net of current portion	13,479,804	-	-	740,233	(225,000)	13,995,037
Other Liabilities	57,904,391	221,349	-	-	-	58,125,740
Total liabilities	96,948,501	766,973	944,719	12,121,216	(11,932,781)	98,848,628
Net Assets						
Unrestricted	56,603,694	985,634	1,623,483	3,336,425	(1,623,483)	60,925,753
Temporarily restricted	-	1,862,062	-	-	-	1,862,062
Permanently restricted	-	400,175	-	-	-	400,175
Total liabilities and net assets	**$ 153,552,195**	**$ 4,014,844**	**$ 2,568,202**	**$ 15,457,641**	**$ (13,556,264)**	**$ 162,036,618**

Port Huron Hospital and Subsidiaries

Consolidating Statement of Operations
Year Ended June 30, 2012

	Port Huron Hospital	Port Huron Hospital Foundation	Willow Enterprises, Inc.	Parkview Property Management Corporation	Eliminating Entries	Total
Unrestricted Revenue, Gains, and Other Support						
Net patient service revenue	$ 172,496,008	$ -	$ 4,071,372	$ -	$ (97,145)	$ 176,470,235
Other	3,462,884	-	1,989	1,457,277	(704,729)	4,217,421
Total unrestricted revenue, gains, and other support	175,958,892	-	4,073,361	1,457,277	(801,874)	180,687,656
Expenses						
Salaries and wages	64,913,294	-	2,070,711	123,409	96,701	67,204,115
Employee benefits and payroll taxes	12,303,882	-	580,781	45,179	(11,216)	12,918,626
Operating supplies and expenses	30,657,446	-	119,739	51,582	(14,734)	30,814,033
Purchased services	22,884,438	-	317,609	350,234	(802,317)	22,749,964
Insurance	1,771,387	-	26,732	40,697	-	1,838,816
Utilities	1,721,297	-	41,260	108,834	-	1,871,391
Other	12,803,366	-	457,318	299,148	(106,451)	13,453,381
Depreciation and amortization	8,428,957	-	91,749	643,762	-	9,164,468
Provision for bad debts	11,886,197	-	131,860	(165)	-	12,017,892
Interest expense	702,641	-	14,219	177,833	(160,666)	734,027
Total expenses	168,072,905	-	3,851,978	1,840,513	(998,683)	172,766,713
Operating Income (Loss)	7,885,987	-	221,383	(383,236)	196,809	7,920,943

Port Huron Hospital and Subsidiaries

Consolidating Statement of Operations (Continued)
Year Ended June 30, 2012

	Port Huron Hospital	Port Huron Hospital Foundation	Willow Enterprises, Inc.	Parkview Property Management Corporation	Eliminating Entries	Total
Other Income (Loss)						
Interest income	$ 1,455,421	$ 26,612	$ -	$ 100	$ (160,666)	$ 1,321,467
Realized gain (loss) on sale of investments	517,532	(4,052)	-	-	-	513,480
Change in unrealized investment loss	(1,116,509)	(66,723)	-	-	-	(1,183,232)
Other	(50,365)	(244,693)	(4,260)	-	(253,266)	(552,584)
Total other income (loss)	806,079	(288,856)	(4,260)	100	(413,932)	99,131
Excess of Revenue Over (Under) Expenses	8,692,066	(288,856)	217,123	(383,136)	(217,123)	8,020,074
Transfer from (to) Affiliate	314,723	(14,012)	-	-	(300,711)	-
Pension-related Changes Other Than Net Periodic Benefit Costs	(9,587,111)	-	-	-	-	(9,587,111)
Net Assets Released from Restriction	-	-	-	-	300,711	300,711
(Decrease) Increase in Unrestricted Net Assets	**$ (580,322)**	**$ (302,868)**	**$ 217,123**	**$ (383,136)**	**$ (217,123)**	**$ (1,266,326)**

Additional Data

Software ID:
Software Version:
EIN: 38-1369611
Name: PORT HURON HOSPITAL

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

(A) Name and Title	(B) Average hours per week	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
KAREN NIVER MD CHAIRMAN	3 00	X		X				0	0	0
MONA ARMSTRONG VICE CHAIRMAN	3 00	X		X				0	0	0
JOHN OGDEN TREASURER	3 00	X		X				0	0	0
KARL TOMION SECRETARY	3 00	X		X				0	0	0
THOMAS D DEFAUW PRESIDENT & CEO	40 00	X		X				549,921	0	70,251
JOHN LISTON ASST TREASURER & CFO - NON-VOTING	40 00	X		X				270,558	0	27,945
JANET TURNER LOMASNEY OD TRUSTEE	1 00	X						0	0	0
GLEN BETRUS MD TRUSTEE	1 00	X						0	0	0
CLARE SCHEURER MD TRUSTEE	1 00	X						0	0	0
TIM REGAN TRUSTEE	1 00	X						0	0	0
FRANKLIN MORTIMER II TRUSTEE	1 00	X						0	0	0
JOHN V BROOKS MD TRUSTEE, CHIEF OF STAFF	1 00	X						0	0	0
GEORGE STOMMEL TRUSTEE	1 00	X						0	0	0
DAVID TRACY MD TRUSTEE	1 00	X						0	0	0
DAVID A THOMPSON TRUSTEE	1 00	X						0	0	0
BASSAM H NASR MD TRUSTEE	1 00	X						0	0	0
RICHARD LEVEILLE TRUSTEE	1 00	X						0	0	0
MIKE TURNBULL TRUSTEE	1 00	X						0	0	0
SAMIR ALSAWAH TRUSTEE	1 00	X						0	0	0
KATHLEEN METCALF DIRECTOR PEROPERATIVE SERV	40 00				X			253,348	0	899
DR MICHAEL TAWNEY CHIEF MEDICAL DIRECTOR	40 00				X			305,159	0	42,462
DAVID MCEWEN VP OF OPERATIONS	40 00				X			215,639	0	31,603
JENNIFER MONTGOMERY VP OF NURSING	40 00				X			347,415	0	7,087
GARY LEROY VO PF ADMINISTRATION & PLANNING	40 00				X			158,967	0	26,542
DORIS SEIDL VP OF HUMAN RESOURCES	40 00				X			160,316	0	7,936

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

(A) Name and Title	(B) Average hours per week	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
ROBERT L BAUER MD PHYSICIAN	40 00					X		277,161	0	9,846
THOMAS F BROZOVICH MD PHYSICIAN	40 00					X		274,278	0	10,505
TIMOTHY R VANHOWE CRNA	40 00					X		250,384	0	0
BRYAN H BARKLEY CRNA	40 00					X		236,726	0	5,413
MANJIT S BRAR CRNA	40 00					X		236,006	0	0