

Form **990**

**Return of Organization Exempt From Income Tax**

OMB No 1545-0047

**2010**

Department of the Treasury  
Internal Revenue Service

**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

**Open to Public Inspection**

**A For the 2010 calendar year, or tax year beginning 07-01-2010 and ending 06-30-2011**

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

**C Name of organization**  
PORTAGE HEALTH INC

**Doing Business As**  
Doing Business As

**Number and street (or P O box if mail is not delivered to street address) Room/suite**  
500 CAMPUS DRIVE

**City or town, state or country, and ZIP + 4**  
HANCOCK, MI 49930

**D Employer identification number**  
38-1381288

**E Telephone number**  
(906) 487-8000

**G Gross receipts \$** 87,981,224

**F Name and address of principal officer**  
JAMES BOGAN  
500 CAMPUS DRIVE  
HANCOCK, MI 49930

**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.PORTAGEHEALTH.ORG

**K Form of organization**  Corporation  Trust  Association  Other ▶ **L Year of formation** 1948 **M State of legal domicile** MI

**Part I Summary**

<b>Activities &amp; Governance</b>	<b>1</b> Briefly describe the organization's mission or most significant activities TO IMPROVE THE HEALTH OF OUR COMMUNITY BY PROVIDING THE HIGHEST QUALITY HEALTHCARE SERVICES		
	<b>2</b> Check this box <input type="checkbox"/> if the organization discontinued its operations or disposed of more than 25% of its net assets		
	<b>3</b> Number of voting members of the governing body (Part VI, line 1a)	<b>3</b>	16
	<b>4</b> Number of independent voting members of the governing body (Part VI, line 1b)	<b>4</b>	9
	<b>5</b> Total number of individuals employed in calendar year 2010 (Part V, line 2a)	<b>5</b>	852
	<b>6</b> Total number of volunteers (estimate if necessary)	<b>6</b>	140
	<b>7a</b> Total unrelated business revenue from Part VIII, column (C), line 12	<b>7a</b>	1,450,164
<b>b</b> Net unrelated business taxable income from Form 990-T, line 34	<b>7b</b>	31,383	
<b>Revenue</b>	<b>8</b> Contributions and grants (Part VIII, line 1h)	<b>Prior Year</b>	<b>Current Year</b>
	<b>9</b> Program service revenue (Part VIII, line 2g)	241,165	96,147
	<b>10</b> Investment income (Part VIII, column (A), lines 3, 4, and 7d)	73,887,856	72,338,868
	<b>11</b> Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	3,205,310	2,957,486
	<b>12</b> Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	1,848,808	1,912,747
<b>Expenses</b>	<b>13</b> Grants and similar amounts paid (Part IX, column (A), lines 1–3)	79,183,139	77,305,248
	<b>14</b> Benefits paid to or for members (Part IX, column (A), line 4)	0	10,000
	<b>15</b> Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	0	0
	<b>16a</b> Professional fundraising fees (Part IX, column (A), line 11e)	43,303,674	42,716,799
	<b>b</b> Total fundraising expenses (Part IX, column (D), line 25) ▶ <sup>0</sup>	0	0
	<b>17</b> Other expenses (Part IX, column (A), lines 11a–11d, 11f–24f)	30,537,835	28,594,964
	<b>18</b> Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	73,841,509	71,321,763
<b>19</b> Revenue less expenses Subtract line 18 from line 12	5,341,630	5,983,485	
<b>Net Assets or Fund Balances</b>	<b>20</b> Total assets (Part X, line 16)	<b>Beginning of Current Year</b>	<b>End of Year</b>
	<b>21</b> Total liabilities (Part X, line 26)	83,783,489	94,170,360
	<b>22</b> Net assets or fund balances Subtract line 21 from line 20	33,347,363	36,168,300
		50,436,126	58,002,060

**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**

\*\*\*\*\*  
Signature of officer  
Date 2012-05-14  
BRIAN K DONAHUE CFO  
Type or print name and title

**Paid Preparer Use Only**

Print/Type preparer's name Preparer's signature Date Check if self-employed  PTIN  
Firm's name ▶ PLANTE & MORAN PLLC Firm's EIN ▶  
Firm's address ▶ 600 E FRONT STREET SUITE 300 TRAVERSE CITY, MI 49686 Phone no ▶ (231) 947-7800

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

**Part III Statement of Program Service Accomplishments**

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

**1** Briefly describe the organization's mission  
TO IMPROVE THE HEALTH OF OUR COMMUNITY BY PROVIDING THE HIGHEST QUALITY HEALTHCARE SERVICES

**2** Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ?  Yes  No  
If "Yes," describe these new services on Schedule O

**3** Did the organization cease conducting, or make significant changes in how it conducts, any program services?  Yes  No  
If "Yes," describe these changes on Schedule O

**4** Describe the exempt purpose achievements for each of the organization's three largest program services by expenses  
Section 501(c)(3) and 501(c)(4) organizations and section 4947(a)(1) trusts are required to report the amount of grants and allocations to others, the total expenses, and revenue, if any, for each program service reported

**4a** (Code ) (Expenses \$ 18,192,505 including grants of \$ ) (Revenue \$ 30,878,674 )  
OUTPATIENT SERVICES - (SURGERY, LAB, IMAGING, REHAB, INFUSIONS, ETC) 114,553 VISITS

**4b** (Code ) (Expenses \$ 10,584,416 including grants of \$ ) (Revenue \$ 11,474,644 )  
PHYSICIAN CLINICS - 69,324 VISITS

**4c** (Code ) (Expenses \$ 6,417,628 including grants of \$ ) (Revenue \$ 14,064,735 )  
INPATIENT ROUTINE CARE - 1,675 DISCHARGES, 4,938 PATIENT DAYS, 388 NEWBORN DELIVERIES AND 809 NEWBORN PATIENT DAYS

**4d** Other program services (Describe in Schedule O ) **See also Additional Data for Description**  
(Expenses \$ 24,354,209 including grants of \$ 10,000 ) (Revenue \$ 15,920,815 )

**4e Total program service expenses** \$ 59,548,758

Part IV Checklist of Required Schedules

Table with 3 columns: Question ID, Question Text, Yes, No. Rows include questions 1 through 20b regarding organizational requirements and reporting.

Part IV Checklist of Required Schedules (continued)

Table with 3 columns: Question ID, Question Text, and Answer (Yes/No). Rows include questions 21 through 38 regarding grants, compensation, bond issues, and organizational structure.

Part V Statements Regarding Other IRS Filings and Tax Compliance

Check if Schedule O contains a response to any question in this Part V . . . . . [ ]

Table with columns for question number, question text, and Yes/No response boxes. Includes questions 1a-14b regarding Form 1096, Form W-2G, Form W-3, Form 990-T, Form 8886-T, Form 8282, Form 8899, Form 1098-C, Form 990, Form 1041, and Form 720.

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 . . . . . [X]

Section A. Governing Body and Management

Table with 3 columns: Question, Yes, No. Rows include: 1a (16), 1b (9), 2 (No), 3 (No), 4 (No), 5 (No), 6 (No), 7a (No), 7b (No), 8a (Yes), 8b (Yes), 9 (No).

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

Table with 3 columns: Question, Yes, No. Rows include: 10a (No), 10b, 11a (No), 11b, 12a (Yes), 12b (Yes), 12c (Yes), 13 (Yes), 14 (Yes), 15a (Yes), 15b (Yes), 16a (No), 16b.

Section C. Disclosure

- 17 List the States with which a copy of this Form 990 is required to be filed
18 Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c) (3)s only) available for public inspection. Indicate how you make these available. Check all that apply. [ ] Own website [ ] Another's website [X] Upon request
19 Describe in Schedule O whether (and if so, how), the organization makes its governing documents, conflict of interest policy, and financial statements available to the public. See Additional Data Table.
20 State the name, physical address, and telephone number of the person who possesses the books and records of the organization. BRIAN DONAHUE CFO, 500 CAMPUS DRIVE, HANCOCK, MI 49930, (906) 483-1503

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

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

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

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

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

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

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

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(1) BRUCE TRUSOCK MD DIRECTOR	40 00	X						384,519	0	28,619
(2) KATHY ARCHAMBEAU DIRECTOR	1 00	X						0	0	0
(3) PICHAI SRIPAIPAN MD DIRECTOR	40 00	X						99,342	0	8,159
(4) STEVE ZUTTER CHAIR	1 00	X		X				0	0	0
(5) MARTY ISKRA DIRECTOR	1 00	X						0	0	0
(6) JAMES BOGAN PRESIDENT & CEO	40 00	X		X				315,399	0	35,621
(7) KIRK LUFKIN MD MEDICAL DIRECTOR	40 00	X						281,877	0	31,731
(8) ELLEN HORSCH DIRECTOR	1 00	X						0	0	0
(9) DAVE MECHLIN DIRECTOR	1 00	X						0	0	0
(10) MIKE NEUMAN MD PHD VICE CHAIR	1 00	X		X				0	0	0
(11) TIMOTHY SEARS MD MEDICAL STAFF PRESIDENT	40 00	X						408,718	0	31,216
(12) DAVID KASS MD PAST MED STAFF PRESIDENT	40 00	X						246,080	0	30,144
(13) KRISTINE JUKURI SECRETARY	1 00	X		X				0	0	0
(14) DARIN LEETUN PHYSICIAN	40 00	X						671,763	0	29,447
(15) PETER WICKLEY TREASURER	1 00	X		X				0	0	0
(16) TIM BARONI DIRECTOR	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 per week (describe hours for related organizations in Schedule O)	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(17) BRIAN DONAHUE CFO/VP FINANCE	40 00			X			177,083	0	17,563	
(18) WILLIAM LISTON PHYSICIAN	40 00				X		392,034	0	18,690	
(19) LARRY CARROLL PHYSICIAN	40 00				X		369,613	0	29,829	
(20) KIRK KLEMME PHYSICIAN	40 00				X		336,221	0	26,045	
(21) JULIE MEYER PHYSICIAN	40 00				X		342,471	0	18,495	
(22) WILLIAM SARAZIN PHYSICIAN	40 00				X		303,795	0	32,830	
<b>1b Sub-Total</b>										
<b>c Total from continuation sheets to Part VII, Section A</b>										
<b>d Total (add lines 1b and 1c)</b>							4,328,915	0	338,389	

**2** Total number of individuals (including but not limited to those listed above) who received more than \$100,000 in reportable compensation from the organization **47**

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

**Section B. Independent Contractors**

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

(A) Name and business address	(B) Description of services	(C) Compensation
MARQUETTE GENERAL HEALTH SYSTEM 420 W MAGNETIC STREET MARQUETTE, MI 49855	MEDICAL AND COMPUTER SERVICES	926,255
NUANCE COMMUNICATIONS INC ONE WAYSIDE ROAD BURLINGTON, MA 01803	DICTATION/TRANSCRIPTION	558,843
YALMER MATTILA CONTRACTING PO BOX 456 HOUGHTON, MI 49931	BUILDING CONSTRUCTION	396,988
MEDICAL LABS OF MARQUETTE PC PO BOX 696 MARQUETTE, MI 49855	PATHOLOGY INTERPRETATION	328,162
COMPHEALTH INC PO BOX 972651 DALLAS, TX 75397	LOCUMS PHYSICIANS	217,641

**2** Total number of independent contractors (including but not limited to those listed above) who received more than \$100,000 in compensation from the organization **11**



**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	
<b>Contributions, gifts, grants and other similar amounts</b>	<b>1a</b> Federated campaigns . . . . . <b>1a</b>					
	<b>b</b> Membership dues . . . . . <b>1b</b>					
	<b>c</b> Fundraising events . . . . . <b>1c</b>					
	<b>d</b> Related organizations . . . . . <b>1d</b>	79,440				
	<b>e</b> Government grants (contributions) <b>1e</b>	15,056				
	<b>f</b> All other contributions, gifts, grants, and similar amounts not included above <b>1f</b>	1,651				
	<b>g</b> Noncash contributions included in lines 1a-1f \$					
	<b>h Total.</b> Add lines 1a-1f . . . . . ▶		96,147			
<b>Program Service Revenue</b>	<b>2a</b> <u>HEALTH SERVICES</u>		622110	70,711,308	70,711,308	
	<b>b</b> <u>OTHER RELATED REVENUE</u>		622110	1,627,560	1,627,560	
	<b>c</b> _____					
	<b>d</b> _____					
	<b>e</b> _____					
	<b>f</b> All other program service revenue					
	<b>g Total.</b> Add lines 2a-2f . . . . . ▶			72,338,868		
<b>Other Revenue</b>	<b>3</b> Investment income (including dividends, interest and other similar amounts) . . . . . ▶		2,239,785		2,239,785	
	<b>4</b> Income from investment of tax-exempt bond proceeds . . . . . ▶					
	<b>5</b> Royalties . . . . . ▶					
	<b>6a</b> Gross Rents	(i) Real	182,598			
		(ii) Personal				
		<b>b</b> Less rental expenses	5,132			
		<b>c</b> Rental income or (loss)	177,466			
	<b>d</b> Net rental income or (loss) . . . . . ▶			177,466		177,466
	<b>7a</b> Gross amount from sales of assets other than inventory	(i) Securities	11,351,608		36,937	
		(ii) Other				
		<b>b</b> Less cost or other basis and sales expenses	10,591,663		79,181	
		<b>c</b> Gain or (loss)	759,945		-42,244	
	<b>d</b> Net gain or (loss) . . . . . ▶			717,701		717,701
	<b>8a</b> Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18 . . . . .	<b>a</b>				
<b>b</b> Less direct expenses . . . . . <b>b</b>						
<b>c</b> Net income or (loss) from fundraising events . . . . . ▶						
<b>9a</b> Gross income from gaming activities See Part IV, line 19 . . . . . <b>a</b>	<b>b</b> Less direct expenses . . . . . <b>b</b>					
	<b>c</b> Net income or (loss) from gaming activities . . . . . ▶					
	<b>10a</b> Gross sales of inventory, less returns and allowances . . . . . <b>a</b>					
<b>b</b> Less cost of goods sold . . . . . <b>b</b>						
<b>c</b> Net income or (loss) from sales of inventory . . . . . ▶						
<b>Miscellaneous Revenue</b>		<b>Business Code</b>				
<b>11a</b> <u>MANAGEMENT FEES</u>	541610	1,450,164		1,450,164		
<b>b</b> <u>CAFETERIA INCOME</u>	722210	285,117			285,117	
<b>c</b> _____						
<b>d</b> All other revenue . . . . .						
<b>e Total.</b> Add lines 11a-11d . . . . . ▶		1,735,281				
<b>12 Total revenue.</b> See Instructions . . . . . ▶		77,305,248	72,338,868	1,450,164	3,420,069	

**Part IX Statement of Functional Expenses**

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

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

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.		(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
<b>1</b>	Grants and other assistance to governments and organizations in the U S See Part IV, line 21	10,000	10,000		
<b>2</b>	Grants and other assistance to individuals in the U S See Part IV, line 22				
<b>3</b>	Grants and other assistance to governments, organizations, and individuals outside the U S See Part IV, lines 15 and 16				
<b>4</b>	Benefits paid to or for members				
<b>5</b>	Compensation of current officers, directors, trustees, and key employees . . . . .	2,399,250	1,517,280	881,970	
<b>6</b>	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B) . . . . .				
<b>7</b>	Other salaries and wages	31,600,942	27,084,100	4,516,842	
<b>8</b>	Pension plan contributions (include section 401(k) and section 403(b) employer contributions) . . . . .	1,611,375	1,256,571	354,804	
<b>9</b>	Other employee benefits . . . . .	5,017,838	4,149,740	868,098	
<b>10</b>	Payroll taxes . . . . .	2,087,394	1,563,863	523,531	
<b>a</b>	Fees for services (non-employees) Management . . . . .				
<b>b</b>	Legal . . . . .	46,450		46,450	
<b>c</b>	Accounting . . . . .	154,790		154,790	
<b>d</b>	Lobbying . . . . .				
<b>e</b>	Professional fundraising services See Part IV, line 17 . . . . .				
<b>f</b>	Investment management fees . . . . .	109,019		109,019	
<b>g</b>	Other . . . . .	6,391,974	4,918,192	1,473,782	
<b>12</b>	Advertising and promotion . . . . .	206,869	10,156	196,713	
<b>13</b>	Office expenses . . . . .				
<b>14</b>	Information technology . . . . .				
<b>15</b>	Royalties . . . . .				
<b>16</b>	Occupancy . . . . .	81,403	49,570	31,833	
<b>17</b>	Travel . . . . .	111,089	99,104	11,985	
<b>18</b>	Payments of travel or entertainment expenses for any federal, state, or local public officials . . . . .				
<b>19</b>	Conferences, conventions, and meetings . . . . .	148,766	72,601	76,165	
<b>20</b>	Interest . . . . .	1,222,794	994,050	228,744	
<b>21</b>	Payments to affiliates . . . . .				
<b>22</b>	Depreciation, depletion, and amortization . . . . .	4,277,753	3,477,528	800,225	
<b>23</b>	Insurance . . . . .	492,154	2,269	489,885	
<b>24</b>	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 )				
<b>a</b>	SUPPLIES	9,808,641	9,393,193	415,448	
<b>b</b>	QUALITY ASSURANCE TAXES	2,607,221	2,607,221		
<b>c</b>	UTILITIES	1,284,216	870,499	413,717	
<b>d</b>	PROVISION FOR BAD DEBTS	1,195,555	1,195,555		
<b>e</b>	DUES, LICENSES, SUBSCRI	159,059	68,877	90,182	
<b>f</b>	All other expenses	297,211	208,389	88,822	
<b>25</b>	<b>Total functional expenses.</b> Add lines 1 through 24f	71,321,763	59,548,758	11,773,005	0
<b>26</b>	<b>Joint costs.</b> Check here <input type="checkbox"/> 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	
<b>Assets</b>	<b>1</b> Cash—non-interest-bearing . . . . .	13,718,464	<b>1</b>	9,809,885	
	<b>2</b> Savings and temporary cash investments . . . . .	1,315,271	<b>2</b>	1,314,114	
	<b>3</b> Pledges and grants receivable, net . . . . .	750	<b>3</b>	750	
	<b>4</b> Accounts receivable, net . . . . .	6,647,549	<b>4</b>	7,728,977	
	<b>5</b> Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L . . . . .		<b>5</b>		
	<b>6</b> Receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers, and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions) Schedule L . . . . .		<b>6</b>		
	<b>7</b> Notes and loans receivable, net . . . . .	558,833	<b>7</b>	580,801	
	<b>8</b> Inventories for sale or use . . . . .	1,037,164	<b>8</b>	909,162	
	<b>9</b> Prepaid expenses and deferred charges . . . . .	544,173	<b>9</b>	385,920	
	<b>10a</b> Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	85,505,172			
	<b>b</b> Less accumulated depreciation . . . . .	44,427,396	42,358,250	<b>10c</b>	41,077,776
	<b>11</b> Investments—publicly traded securities . . . . .	12,911,104	<b>11</b>	27,944,552	
	<b>12</b> Investments—other securities See Part IV, line 11 . . . . .		<b>12</b>		
	<b>13</b> Investments—program-related See Part IV, line 11 . . . . .		<b>13</b>		
	<b>14</b> Intangible assets . . . . .		<b>14</b>		
	<b>15</b> Other assets See Part IV, line 11 . . . . .	4,691,931	<b>15</b>	4,418,423	
<b>16 Total assets.</b> Add lines 1 through 15 (must equal line 34) . . . . .	83,783,489	<b>16</b>	94,170,360		
<b>Liabilities</b>	<b>17</b> Accounts payable and accrued expenses . . . . .	5,503,397	<b>17</b>	5,630,607	
	<b>18</b> Grants payable . . . . .		<b>18</b>		
	<b>19</b> Deferred revenue . . . . .		<b>19</b>		
	<b>20</b> Tax-exempt bond liabilities . . . . .	24,234,900	<b>20</b>	26,869,900	
	<b>21</b> Escrow or custodial account liability Complete Part IV of Schedule D . . . . .		<b>21</b>		
	<b>22</b> Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons Complete Part II of Schedule L . . . . .		<b>22</b>		
	<b>23</b> Secured mortgages and notes payable to unrelated third parties . . . . .		<b>23</b>		
	<b>24</b> Unsecured notes and loans payable to unrelated third parties . . . . .		<b>24</b>		
	<b>25</b> Other liabilities Complete Part X of Schedule D . . . . .	3,609,066	<b>25</b>	3,667,793	
	<b>26 Total liabilities.</b> Add lines 17 through 25 . . . . .	33,347,363	<b>26</b>	36,168,300	
<b>Net Assets or Fund Balances</b>	<b>Organizations that follow SFAS 117, check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.</b>				
	<b>27</b> Unrestricted net assets . . . . .	50,436,126	<b>27</b>	58,002,060	
	<b>28</b> Temporarily restricted net assets . . . . .		<b>28</b>		
	<b>29</b> Permanently restricted net assets . . . . .		<b>29</b>		
	<b>Organizations that do not follow SFAS 117, check here <input type="checkbox"/> and complete lines 30 through 34.</b>				
	<b>30</b> Capital stock or trust principal, or current funds . . . . .		<b>30</b>		
	<b>31</b> Paid-in or capital surplus, or land, building or equipment fund . . . . .		<b>31</b>		
	<b>32</b> Retained earnings, endowment, accumulated income, or other funds . . . . .		<b>32</b>		
<b>33</b> Total net assets or fund balances . . . . .	50,436,126	<b>33</b>	58,002,060		
<b>34</b> Total liabilities and net assets/fund balances . . . . .	83,783,489	<b>34</b>	94,170,360		

**Part XI Reconciliation of Net Assets**

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

<b>1</b>	Total revenue (must equal Part VIII, column (A), line 12) . . . . .	<b>1</b>	77,305,248
<b>2</b>	Total expenses (must equal Part IX, column (A), line 25) . . . . .	<b>2</b>	71,321,763
<b>3</b>	Revenue less expenses Subtract line 2 from line 1 . . . . .	<b>3</b>	5,983,485
<b>4</b>	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A)) . . . . .	<b>4</b>	50,436,126
<b>5</b>	Other changes in net assets or fund balances (explain in Schedule O) . . . . .	<b>5</b>	1,582,449
<b>6</b>	Net assets or fund balances at end of year Combine lines 3, 4, and 5 (must equal Part X, line 33, column (B)) . . . . .	<b>6</b>	58,002,060

**Part XII Financial Statements and Reporting**

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

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

SCHEDULE A (Form 990 or 990EZ)

Public Charity Status and Public Support

2010

Open to Public Inspection

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.

Department of the Treasury Internal Revenue Service

Name of the organization PORTAGE HEALTH INC

Employer identification number

38-1381288

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

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

- 1 A church, convention of churches, or association of churches described in section 170(b)(1)(A)(i).
2 A school described in section 170(b)(1)(A)(ii). (Attach Schedule E )
3 A hospital or a cooperative hospital service organization described in section 170(b)(1)(A)(iii).
4 A medical research organization operated in conjunction with a hospital described in section 170(b)(1)(A)(iii). Enter the hospital's name, city, and state
5 An organization operated for the benefit of a college or university owned or operated by a governmental unit described in section 170(b)(1)(A)(iv). (Complete Part II )
6 A federal, state, or local government or governmental unit described in section 170(b)(1)(A)(v).
7 An organization that normally receives a substantial part of its support from a governmental unit or from the general public described in section 170(b)(1)(A)(vi) (Complete Part II )
8 A community trust described in section 170(b)(1)(A)(vi) (Complete Part II )
9 An organization that normally receives (1) more than 33 1/3% of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions—subject to certain exceptions, and (2) no more than 33 1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975 See section 509(a)(2). (Complete Part III )
10 An organization organized and operated exclusively to test for public safety Seesection 509(a)(4).
11 An organization organized and operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2) See section 509(a)(3). Check the box that describes the type of supporting organization and complete lines 11e through 11h
a Type I b Type II c Type III - Functionally integrated d Type III - Other
e By checking this box, I certify that the organization is not controlled directly or indirectly by one or more disqualified persons other than foundation managers and other than one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2)
f If the organization received a written determination from the IRS that it is a Type I, Type II or Type III supporting organization, check this box
g Since August 17, 2006, has the organization accepted any gift or contribution from any of the following persons?
(i) a person who directly or indirectly controls, either alone or together with persons described in (ii) and (iii) below, the governing body of the the supported organization?
(ii) a family member of a person described in (i) above?
(iii) a 35% controlled entity of a person described in (i) or (ii) above?
h Provide the following information about the supported organization(s)

Table with 2 columns: Yes, No. Rows: 11g(i), 11g(ii), 11g(iii)

Table with 7 columns: (i) Name of supported organization, (ii) EIN, (iii) Type of organization, (iv) Is the organization in col (i) listed in your governing document?, (v) Did you notify the organization in col (i) of your support?, (vi) Is the organization in col (i) organized in the U S ?, (vii) Amount of support

Part II Support Schedule for Organizations Described in Sections 170(b)(1)(A)(iv) and 170(b)(1)(A)(vi)

(Complete only if you checked the box on line 5, 7, or 8 of Part I or if the organization failed to qualify under Part III. If the organization fails to qualify under the tests listed below, please complete Part III.)

Section A. Public Support

Table with 7 columns: (a) 2006, (b) 2007, (c) 2008, (d) 2009, (e) 2010, (f) Total. Rows include: 1 Gifts, grants, contributions, and membership fees received; 2 Tax revenues levied for the organization's benefit; 3 The value of services or facilities furnished by a governmental unit; 4 Total. Add lines 1 through 3; 5 The portion of total contributions by each person; 6 Public Support. Subtract line 5 from line 4.

Section B. Total Support

Table with 7 columns: (a) 2006, (b) 2007, (c) 2008, (d) 2009, (e) 2010, (f) Total. Rows include: 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; 10 Other income. 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; 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

Table with 2 columns: Line number, Description. Rows include: 14 Public Support Percentage for 2010; 15 Public Support Percentage for 2009; 16a 33 1/3% support test—2010; 16b 33 1/3% support test—2009; 17a 10%-facts-and-circumstances test—2010; 17b 10%-facts-and-circumstances test—2009; 18 Private Foundation.

**Part III Support Schedule for Organizations Described in Section 509(a)(2)**

(Complete only if you checked the box on line 9 of Part I or if the organization failed to qualify under Part II. If the organization fails to qualify under the tests listed below, please complete Part II.)

**Section A. Public Support**

Calendar year (or fiscal year beginning in) ▶	(a) 2006	(b) 2007	(c) 2008	(d) 2009	(e) 2010	(f) Total
<b>1</b> Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants.")						
<b>2</b> 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						
<b>3</b> Gross receipts from activities that are not an unrelated trade or business under section 513						
<b>4</b> Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
<b>5</b> The value of services or facilities furnished by a governmental unit to the organization without charge						
<b>6 Total.</b> Add lines 1 through 5						
<b>7a</b> Amounts included on lines 1, 2, and 3 received from disqualified persons						
<b>b</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						
<b>c</b> Add lines 7a and 7b						
<b>8 Public Support</b> (Subtract line 7c from line 6)						

**Section B. Total Support**

Calendar year (or fiscal year beginning in)	(a) 2006	(b) 2007	(c) 2008	(d) 2009	(e) 2010	(f) Total
<b>9</b> Amounts from line 6						
<b>10a</b> Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
<b>b</b> Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
<b>c</b> Add lines 10a and 10b						
<b>11</b> Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
<b>12</b> Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV)						
<b>13 Total support</b> (Add lines 9, 10c, 11 and 12)						

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

**Section C. Computation of Public Support Percentage**

<b>15</b> Public Support Percentage for 2010 (line 8 column (f) divided by line 13 column (f))	<b>15</b>	
<b>16</b> Public support percentage from 2009 Schedule A, Part III, line 15	<b>16</b>	

**Section D. Computation of Investment Income Percentage**

<b>17</b> Investment income percentage for 2010 (line 10c column (f) divided by line 13 column (f))	<b>17</b>	
<b>18</b> Investment income percentage from 2009 Schedule A, Part III, line 17	<b>18</b>	

**19a 33 1/3% support tests—2010.** If the organization did not check the box on line 14, and line 15 is more than 33 1/3% and line 17 is not more than 33 1/3%, check this box and **stop here**. The organization qualifies as a publicly supported organization

**b 33 1/3% support tests—2009.** If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3% and line 18 is not more than 33 1/3%, check this box and **stop here**. The organization qualifies as a publicly supported organization

**20 Private Foundation** If the organization did not check a box on line 14, 19a or 19b, check this box and see instructions

**Part IV**

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

---



**Additional Data**

**Software ID:**  
**Software Version:**  
**EIN:** 38-1381288  
**Name:** PORTAGE HEALTH INC

**Form 990, Part III - 4 Program Service Accomplishments (See the Instructions)**

**4d. Other program services**

(Code ) (Expenses \$ 24,354,209 including grants of \$ 10,000 ) (Revenue \$ 15,920,815 )

ALL OTHER PROGRAM SERVICES

**SCHEDULE C**  
(Form 990 or 990-EZ)

**Political Campaign and Lobbying Activities**

OMB No 1545-0047

**2010**

**Open to Public Inspection**

**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.**

Department of the Treasury  
Internal Revenue Service

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

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

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

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

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

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

Name of the organization PORTAGE HEALTH INC	Employer identification number 38-1381288
--	--

**Part I-A Complete if the organization is exempt under section 501(c) or is a section 527 organization.**

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

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

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

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

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

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

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

- A** Check  if the filing organization belongs to an affiliated group  
**B** Check  if the filing organization checked box A and "limited control" provisions apply

<b>Limits on Lobbying Expenditures</b> (The term "expenditures" means amounts paid or incurred.)		(a) Filing Organization's Totals	(b) Affiliated Group Totals												
<b>1a</b>	Total lobbying expenditures to influence public opinion (grass roots lobbying)														
<b>b</b>	Total lobbying expenditures to influence a legislative body (direct lobbying)														
<b>c</b>	Total lobbying expenditures (add lines 1a and 1b)														
<b>d</b>	Other exempt purpose expenditures														
<b>e</b>	Total exempt purpose expenditures (add lines 1c and 1d)														
<b>f</b>	Lobbying nontaxable amount Enter the amount from the following table in both columns														
<table border="1" style="width: 100%;"> <thead> <tr> <th style="width: 50%;">If the amount on line 1e, column (a) or (b) is:</th> <th style="width: 50%;">The lobbying nontaxable amount is:</th> </tr> </thead> <tbody> <tr> <td>Not over \$500,000</td> <td>20% of the amount on line 1e</td> </tr> <tr> <td>Over \$500,000 but not over \$1,000,000</td> <td>\$100,000 plus 15% of the excess over \$500,000</td> </tr> <tr> <td>Over \$1,000,000 but not over \$1,500,000</td> <td>\$175,000 plus 10% of the excess over \$1,000,000</td> </tr> <tr> <td>Over \$1,500,000 but not over \$17,000,000</td> <td>\$225,000 plus 5% of the excess over \$1,500,000</td> </tr> <tr> <td>Over \$17,000,000</td> <td>\$1,000,000</td> </tr> </tbody> </table>		If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:	Not over \$500,000	20% of the amount on line 1e	Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000	Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000	Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000	Over \$17,000,000	\$1,000,000		
If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:														
Not over \$500,000	20% of the amount on line 1e														
Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000														
Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000														
Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000														
Over \$17,000,000	\$1,000,000														
<b>g</b>	Grassroots nontaxable amount (enter 25% of line 1f)														
<b>h</b>	Subtract line 1g from line 1a If zero or less, enter -0-														
<b>i</b>	Subtract line 1f from line 1c If zero or less, enter -0-														
<b>j</b>	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?		<input type="checkbox"/> Yes <input type="checkbox"/> 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.)

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

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

	(a)		(b)
	Yes	No	Amount
<b>1</b> 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			
<b>a</b> Volunteers?		No	
<b>b</b> Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		No	
<b>c</b> Media advertisements?		No	
<b>d</b> Mailings to members, legislators, or the public?		No	
<b>e</b> Publications, or published or broadcast statements?		No	
<b>f</b> Grants to other organizations for lobbying purposes?		No	
<b>g</b> Direct contact with legislators, their staffs, government officials, or a legislative body?		No	
<b>h</b> Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
<b>i</b> Other activities? If "Yes," describe in Part IV	Yes		8,817
<b>j</b> Total lines 1c through 1i			8,817
<b>2a</b> Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No	
<b>b</b> If "Yes," enter the amount of any tax incurred under section 4912			
<b>c</b> If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
<b>d</b> 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
<b>1</b> Were substantially all (90% or more) dues received nondeductible by members?	<b>1</b>	
<b>2</b> Did the organization make only in-house lobbying expenditures of \$2,000 or less?	<b>2</b>	
<b>3</b> Did the organization agree to carryover lobbying and political expenditures from the prior year?	<b>3</b>	

**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".**

<b>1</b> Dues, assessments and similar amounts from members	<b>1</b>	
<b>2</b> Section 162(e) non-deductible lobbying and political expenditures ( <b>do not include amounts of political expenses for which the section 527(f) tax was paid</b> ).	<b>2a</b>	
<b>a</b> Current year	<b>2b</b>	
<b>b</b> Carryover from last year	<b>2c</b>	
<b>c</b> Total	<b>3</b>	
<b>3</b> Aggregate amount reported in section 6033(e)(1)(A) notices of nondeductible section 162(e) dues	<b>4</b>	
<b>4</b> 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?	<b>5</b>	
<b>5</b> Taxable amount of lobbying and political expenditures (see instructions)		

**Part IV Supplemental Information**

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

Identifier	Return Reference	Explanation
EXPLANATION OF OTHER LOBBYING ACTIVITIES	PART II-B, LINE 1I	DUES PAID TO MICHIGAN HEALTH & HOSPITAL ASSOCIATION, AMERICAN HOSPITAL ASSOCIATION, AND HCAM

**SCHEDULE D**  
(Form 990)

OMB No 1545-0047

**Supplemental Financial Statements**

**2010**

Department of the Treasury  
Internal Revenue Service

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

**Open to Public Inspection**

<b>Name of the organization</b> PORTAGE HEALTH INC	<b>Employer identification number</b> 38-1381288
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**Part I Organizations Maintaining Donor Advised Funds or Other Similar Funds or Accounts.** Complete if the organization answered "Yes" to Form 990, Part IV, line 6.

	(a) Donor advised funds	(b) Funds and other accounts
<b>1</b> Total number at end of year		
<b>2</b> Aggregate contributions to (during year)		
<b>3</b> Aggregate grants from (during year)		
<b>4</b> Aggregate value at end of year		
<b>5</b> 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? <span style="float:right"><input type="checkbox"/> Yes <input type="checkbox"/> No</span>		
<b>6</b> 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? <span style="float:right"><input type="checkbox"/> Yes <input type="checkbox"/> No</span>		

**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 important 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
<b>a</b> Total number of conservation easements	<b>2a</b>
<b>b</b> Total acreage restricted by conservation easements	<b>2b</b>
<b>c</b> Number of conservation easements on a certified historic structure included in (a)	<b>2c</b>
<b>d</b> Number of conservation easements included in (c) acquired after 8/17/06	<b>2d</b>

**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

Table with 2 columns: Description (1c-1f) and Amount

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.

Table with 6 columns: (a) Current Year, (b) Prior Year, (c) Two Years Back, (d) Three Years Back, (e) Four Years Back. Rows 1a-1g.

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

Table with 3 columns: Description (3a(i), 3a(ii), 3b), Yes, No

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

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

Table with 4 columns: (a) Cost or other basis (investment), (b) Cost or other basis (other), (c) Accumulated depreciation, (d) Book value. Rows 1a-1e and Total.

**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		
Other		
<b>Total.</b> (Column (b) should equal Form 990, Part X, col (B) line 12 ) ▶		

**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
<b>Total.</b> (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
<b>Total.</b> (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	
FAIR VALUE OF INTEREST RATE SWAP	2,263,565
COST REPORT SETTLEMENT PAYABLE	1,404,228
<b>Total.</b> (Column (b) should equal Form 990, Part X, col (B) line 25 ) ▶	3,667,793

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 (ASC 740)

**Part XI Reconciliation of Change in Net Assets from Form 990 to Financial Statements**

<b>1</b>	Total revenue (Form 990, Part VIII, column (A), line 12)	<b>1</b>	
<b>2</b>	Total expenses (Form 990, Part IX, column (A), line 25)	<b>2</b>	
<b>3</b>	Excess or (deficit) for the year Subtract line 2 from line 1	<b>3</b>	
<b>4</b>	Net unrealized gains (losses) on investments	<b>4</b>	
<b>5</b>	Donated services and use of facilities	<b>5</b>	
<b>6</b>	Investment expenses	<b>6</b>	
<b>7</b>	Prior period adjustments	<b>7</b>	
<b>8</b>	Other (Describe in Part XIV)	<b>8</b>	
<b>9</b>	Total adjustments (net) Add lines 4 - 8	<b>9</b>	
<b>10</b>	Excess or (deficit) for the year per financial statements Combine lines 3 and 9	<b>10</b>	

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

<b>1</b>	Total revenue, gains, and other support per audited financial statements . . . . .	<b>1</b>	
<b>2</b>	Amounts included on line 1 but not on Form 990, Part VIII, line 12		
<b>a</b>	Net unrealized gains on investments . . . . .	<b>2a</b>	
<b>b</b>	Donated services and use of facilities . . . . .	<b>2b</b>	
<b>c</b>	Recoveries of prior year grants . . . . .	<b>2c</b>	
<b>d</b>	Other (Describe in Part XIV) . . . . .	<b>2d</b>	
<b>e</b>	Add lines <b>2a</b> through <b>2d</b> . . . . .	<b>2e</b>	
<b>3</b>	Subtract line <b>2e</b> from line <b>1</b> . . . . .	<b>3</b>	
<b>4</b>	Amounts included on Form 990, Part VIII, line 12, but not on line <b>1</b>		
<b>a</b>	Investment expenses not included on Form 990, Part VIII, line 7b . . . . .	<b>4a</b>	
<b>b</b>	Other (Describe in Part XIV) . . . . .	<b>4b</b>	
<b>c</b>	Add lines <b>4a</b> and <b>4b</b> . . . . .	<b>4c</b>	
<b>5</b>	Total Revenue Add lines <b>3</b> and <b>4c</b> . (This should equal Form 990, Part I, line 12 ) . . . . .	<b>5</b>	

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

<b>1</b>	Total expenses and losses per audited financial statements . . . . .	<b>1</b>	
<b>2</b>	Amounts included on line 1 but not on Form 990, Part IX, line 25		
<b>a</b>	Donated services and use of facilities . . . . .	<b>2a</b>	
<b>b</b>	Prior year adjustments . . . . .	<b>2b</b>	
<b>c</b>	Other losses . . . . .	<b>2c</b>	
<b>d</b>	Other (Describe in Part XIV) . . . . .	<b>2d</b>	
<b>e</b>	Add lines <b>2a</b> through <b>2d</b> . . . . .	<b>2e</b>	
<b>3</b>	Subtract line <b>2e</b> from line <b>1</b> . . . . .	<b>3</b>	
<b>4</b>	Amounts included on Form 990, Part IX, line 25, but not on line <b>1</b> :		
<b>a</b>	Investment expenses not included on Form 990, Part VIII, line 7b . . . . .	<b>4a</b>	
<b>b</b>	Other (Describe in Part XIV) . . . . .	<b>4b</b>	
<b>c</b>	Add lines <b>4a</b> and <b>4b</b> . . . . .	<b>4c</b>	
<b>5</b>	Total expenses Add lines <b>3</b> and <b>4c</b> . (This should equal Form 990, Part I, line 18 ) . . . . .	<b>5</b>	

**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
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**SCHEDULE H  
(Form 990)**  
  
Department of the Treasury  
Internal Revenue Service

# Hospitals

OMB No 1545-0047  
**2010**  
**Open to Public Inspection**

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

**Name of the organization**  
PORTAGE HEALTH INC

**Employer identification number**  
38-1381288

**Part I Financial Assistance and Certain Other Community Benefits at Cost**

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

**7 Financial Assistance and Certain Other Community Benefits at Cost**

	(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
<b>Financial Assistance and Means-Tested Government Programs</b>						
<b>a</b> Financial Assistance at cost (from Worksheets 1 and 2)			566,641		566,641	0 810 %
<b>b</b> Unreimbursed Medicaid (from Worksheet 3, column a)			10,709,686	10,693,769	15,917	0 020 %
<b>c</b> Unreimbursed costs—other means-tested government programs (from Worksheet 3, column b)						
<b>d Total</b> Financial Assistance and Means-Tested Government Programs			11,276,327	10,693,769	582,558	0 830 %
<b>Other Benefits</b>						
<b>e</b> Community health improvement services and community benefit operations (from Worksheet 4)			193,592	27,517	166,075	0 240 %
<b>f</b> Health professions education (from Worksheet 5)			1,042,610		1,042,610	1 490 %
<b>g</b> Subsidized health services (from Worksheet 6)						
<b>h</b> Research (from Worksheet 7)			12,253		12,253	0 020 %
<b>i</b> Cash and in-kind contributions to community groups (from Worksheet 8)			636,782	278,863	357,919	0 510 %
<b>j Total</b> Other Benefits			1,885,237	306,380	1,578,857	2 260 %
<b>k Total.</b> Add lines 7d and 7j			13,161,564	11,000,149	2,161,415	3 090 %

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

	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
<b>1</b> Physical improvements and housing						
<b>2</b> Economic development						
<b>3</b> Community support	4	100	2,235		2,235	0 %
<b>4</b> Environmental improvements						
<b>5</b> Leadership development and training for community members						
<b>6</b> Coalition building	193	3,018	25,310	13,750	11,560	0 020 %
<b>7</b> Community health improvement advocacy						
<b>8</b> Workforce development	1	26	27		27	0 %
<b>9</b> Other						
<b>10 Total</b>	198	3,144	27,572	13,750	13,822	0 020 %

**Part III Bad Debt, Medicare, & Collection Practices**

**Section A. Bad Debt Expense**

		Yes	No
<b>1</b> Did the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No 15?	<b>1</b>	Yes	
<b>2</b> Enter the amount of the organization's bad debt expense (at cost)	<b>2</b>	653,430	
<b>3</b> Enter the estimated amount of the organization's bad debt expense (at cost) attributable to patients eligible under the organization's financial assistance policy	<b>3</b>	566,641	
<b>4</b> 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**

<b>5</b> Enter total revenue received from Medicare (including DSH and IME)	<b>5</b>	13,736,219
<b>6</b> Enter Medicare allowable costs of care relating to payments on line 5	<b>6</b>	14,015,547
<b>7</b> Subtract line 6 from line 5. This is the surplus or (shortfall)	<b>7</b>	-279,328
<b>8</b> 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: <input type="checkbox"/> Cost accounting system <input checked="" type="checkbox"/> Cost to charge ratio <input type="checkbox"/> Other		

**Section C. Collection Practices**

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

**Part IV Management Companies and Joint Ventures**

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

**Part V Facility Information**

**Section A. Hospital Facilities**

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

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

Name and address		Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (Describe)
1	PORTAGE HEALTH INC 500 CAMPUS DRIVE HANCOCK, MI 49930	X	X					X		

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

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

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

How many non-hospital facilities did the organization operate during the tax year? 7

Name and address	Type of Facility (Describe)
<b>1</b> PORTAGE HEALTH - UNIVERSITY CENTER 600 MACINNES DRIVE HOUGHTON, MI 49931	OUTPATIENT CLINIC
<b>2</b> PORTAGE HEALTH - UNIVERSITY CENTER 600 MACINNES DRIVE HOUGHTON, MI 49931	OUTPATIENT CLINIC
<b>3</b> PORTAGE HEALTH - UNIVERSITY CENTER 600 MACINNES DRIVE HOUGHTON, MI 49931	OUTPATIENT CLINIC
<b>4</b> PORTAGE HEALTH - UNIVERSITY CENTER 600 MACINNES DRIVE HOUGHTON, MI 49931	OUTPATIENT CLINIC
<b>5</b> PORTAGE HEALTH - UNIVERSITY CENTER 600 MACINNES DRIVE HOUGHTON, MI 49931	OUTPATIENT CLINIC
<b>6</b> PORTAGE HEALTH - UNIVERSITY CENTER 600 MACINNES DRIVE HOUGHTON, MI 49931	OUTPATIENT CLINIC
<b>7</b> PORTAGE HEALTH - UNIVERSITY CENTER 600 MACINNES DRIVE HOUGHTON, MI 49931	OUTPATIENT CLINIC
<b>8</b>	
<b>9</b>	
<b>10</b>	

**Part VI Supplemental Information**

Complete this part to provide the following information

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

Identifier	ReturnReference	Explanation
		PART I, LINE 3C PATIENTS WHO DO NOT QUALIFY FOR MEDICAL ASSISTANCE (MEDICAID), HAVE A FAMILY NET WORTH OF LESS THAN \$100,000 AND WHOSE ANNUAL FAMILY INCOME IS AT OR BELOW 200% OF THE FEDERAL POVERTY LEVEL ARE ELIGIBLE FOR FREE CARE PATIENTS WHO DO NOT QUALIFY FOR MEDICAID OR THE COMMUNITY CARE PROGRAM MAY QUALIFY FOR THE OUR DISCOUNTED CARE PROGRAM PATIENTS WHO HAVE A FAMILY NET WORTH OF LESS THAN \$100,000 AND WHOSE ANNUAL FAMILY INCOME IS BETWEEN 200% AND 300% OF THE FEDERAL POVERTY LEVEL ARE ELIGIBLE FOR A 30% TO 90% WRITE-OFF OF THEIR BILL ALL SELF PAY PATIENTS AUTOMATICALLY RECEIVE A 20% DISCOUNT

Identifier	ReturnReference	Explanation
		PART I, LINE 6A N/A - NO RELATED PARTIES IDENTIFIED

Identifier	ReturnReference	Explanation
		PART I, LINE 7 A COST TO CHARGE RATIO, DERIVED FROM WORKSHEET 2, IS USED

Identifier	ReturnReference	Explanation
		PART I, L7 COL(F) THE BAD DEBT EXPENSE INCLUDED ON FORM 990, PART IX, LINE 24F - BUT SUBTRACTED FOR PURPOSES OF CALCULATING THE SCHEDULE H, PART I, COLUMN F PERCENTAGE EQUALS \$1,195,555



Identifier	ReturnReference	Explanation
		<p>PART II PORTAGE HEALTH HAS ESTABLISHED ITSELF AS A LEADER IN PROMOTING THE HEALTH OF THE COMMUNITY A FEW EXAMPLES OF THE MANY HEALTH PROMOTION ACTIVITIES THAT WE DO ARE MENTIONED HERE THESE HEALTH PROMOTION ACTIVITIES TOUCH DIFFERENT AGE GROUPS 1 MEALS ON WHEELS PROGRAM FOR THE ELDERLY IN WHICH WE PREPARE 1100 MEALS AT NOON EACH DAY NOT ONLY DO WE PROVIDE THE MEAL, BUT MANY TIMES OUR MEAL TRANSPORTER IS THE ONLY PERSON THAT THE ELDERLY CITIZENS SEE WE ATTEMPT TO MEET SOME OF THEIR EMOTIONAL NEEDS AS WELL AS THEIR PHYSICAL NEEDS 2 THE PROMOTION OF A SMOKE FREE CAMPUS MANY YEARS AGO HAS ESTABLISHED PORTAGE AS A LEADER IN OUR COMMUNITY TO STAMP OUT TOBACCO USE HEALTH PROMOTION AND EARLY DETECTION OF DISEASE ARE BOTH IMPORTANT FOR US TO IMPROVE THE QUALITY OF LIFE IN THE COMMUNITY 3 PORTAGE PARTNERED WITH THE KEWEENAW FAMILY RESOURCE CENTER TO ESTABLISH AN INDOOR PLAYGROUND KNOWN AS THE TREE HOUSE ACCESS TO THIS FACILITY FOR CHILDREN AGES 3-7 HAS ALLOWED CHILDREN TO HAVE ANOTHER OPTION TO REMAIN PHYSICALLY ACTIVE THIS HEALTH PROMOTION ACTIVITY IS IMPORTANT BECAUSE OF THE LONG WINTERS AND LACK OF ABILITY TO TAKE CHILDREN THAT AGE OUTSIDE AS SHOWN HERE, PORTAGE HEALTH HAS COMMITTED TO PROVIDING THE LEADERSHIP IN HEALTH PROMOTION IN ACTIVITIES</p>

Identifier	ReturnReference	Explanation
		<p>PART III, LINE 4 ACCOUNTS RECEIVABLE FINANCIAL STATEMENT FOOTNOTE AN ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS IS ESTABLISHED ON AN AGGREGATE BASIS BY USING HISTORICAL LOSS RATE FACTORS APPLIED TO UNPAID ACCOUNTS BASED ON AGING LOSS RATE FACTORS ARE BASED ON HISTORICAL LOSS EXPERIENCE 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 UNCOLLECTIBLE ACCOUNTS IN THE PERIOD THEY ARE DEEMED TO BE UNCOLLECTIBLE THE ALLOWANCE FOR CONTRACTUAL ADJUSTMENTS AND INTERIM PAYMENT ADVANCES IS BASED ON EXPECTED PAYMENT RATES FROM PAYORS BASED ON CURRENT REIMBURSEMENT METHODOLOGIES THIS AMOUNT ALSO INCLUDED AMOUNTS RECEIVED AS INTERIM PAYMENTS AGAINST UNPAID CLAIMS BY CERTAIN PAYORS THE RATIO OF PATIENT CARE COST TO CHARGES IS APPLIED TO BAD DEBT EXPENSE, NET OF RECOVERIES, TO ARRIVE AT THE ESTIMATED COST OF BAD DEBT \$653,430 THE ESTIMATED AMOUNT OF THE HOSPITAL'S BAD DEBT EXPENSE ATTRIBUTABLE TO PATIENTS ELIGIBLE UNDER THE HOSPITAL'S CHARITY CARE POLICY IS \$566,641 THE HOSPITAL'S BEST ESTIMATE WAS BASED ON GROSS AMOUNTS WRITTEN OFF UNDER THE HOSPITALS CHARITY CARE POLICY X THE COST TO CHARGE RATIO FROM WORKSHEET 2</p>

Identifier	ReturnReference	Explanation
		PART III, LINE 8 MEDICARE SHORTFALL IS TAKEN FROM THE MEDICARE COST REPORT, WORKSHEET B, LINE 5 \$33,280 IS TREATED AS MEDICARE SHORTFALL FOR THE COMMUNITY BENEFIT SURVEY THE HOSPITAL USED THE METHODOLOGY REQUIRED FOR COMPLETING THE MEDICARE COST REPORT

Identifier	ReturnReference	Explanation
		PART III, LINE 9B EACH PATIENT RECEIVES 3 SYSTEM GENERATED STATEMENTS IF THEY DO NOT MAKE SUFFICIENT PAYMENT, THE PATIENT RECEIVES A LETTER AFTER THE LETTER IS SENT WITH NO RESOLUTION, THE PATIENT WILL RECEIVE A FINAL NOTICE LETTER, THEN A PHONE CALL IF NO RESOLUTION AT THAT POINT, PATIENT IS TURNED TO COLLECTIONS COLLECTION AGENCY WORKS ALL BAD DEBT ACCOUNTS NON-EMERGENT CARE BAD DEBT PATIENTS OWING MORE THAN \$100 WILL NOT BE SCHEDULED FOR ADDITIONAL MEDICAL CARE UNTIL THEY MEET WITH THE FINANCIAL COUNSELOR AND MAKE FULL PAYMENT OR SET UP PAYMENT PLAN THESE NON-EMERGENT CARE PATIENTS MAY ALSO APPLY TO SEE IF THEY QUALIFY FOR FINANCIAL ASSISTANCE FOR FUTURE VISITS PATIENTS IN NEED OF URGENT CARE ARE SEEN REGARDLESS OF ABILITY TO PAY

Identifier	ReturnReference	Explanation
		AS PER THE INSTRUCTIONS, SCHEDULE H, PART III, LINES 5 AND 6 ARE DERIVED DIRECTLY FROM THE MEDICARE COST REPORT THOSE MEDICARE COSTS NOT INCLUDED IN THE MEDICARE COST REPORT (MEDICARE ADVANTAGE AND FEE FOR SERVICE PHYSICIANS) ARE SUMMARIZED AS FOLLOWS TOTAL COST 4,124,484 TOTAL REIMBURSEMENT 3,287,843 COST IN EXCESS OF REIMBURSEMENT 836,640

Identifier	ReturnReference	Explanation
		PART VI, LINE 2 IN 2005 PORTAGE HEALTH CONDUCTED A NEEDS ASSESSMENT, SURVEYING PATIENTS IN OUR SERVICE AREA PORTAGE HEALTH INTENDS TO PERFORM ANOTHER NEEDS ASSESSMENT IN FY2012 IN JANUARY OF 2010 PORTAGE HEALTH HIRED A CONSULTANT TO PERFORM AN ASSESSMENT TO ASCERTAIN THE MEDICAL PROVIDER NEEDS OF/FOR THE COMMUNITY PORTAGE HEALTH IS CURRENTLY ENGAGING A CONSULTANT TO PERFORM A MARKETING CONSULTANT TO STUDY PORTAGE HEALTH'S COMMUNITY NEEDS

Identifier	ReturnReference	Explanation
		PART VI, LINE 3 SOCIAL WORKERS CHECK IN-PATIENTS FOR INSURANCE AND MEET WITH THE PATIENT TO GIVE THEM THE MEDICAID AND FINANCIAL ASSISTANCE APPLICATION, THEY OFFER TO HELP COMPLETE THE FORMS SELF PAY PATIENTS ARE CONTACTED BY FINANCIAL COUNSELORS TO EXPLORE OPTIONS FINANCIAL ASSISTANCE BROCHURES ARE IN THE CLINICS, THE ER AND ON PORTAGE HEALTH'S WEBSITE DOCTORS AND NURSES REFER PATIENTS IN FINANCIAL NEED TO THE FINANCIAL COUNSELORS

Identifier	ReturnReference	Explanation
		<p>PART VI, LINE 4 PORTAGE HEALTH SERVES A 4 COUNTY AREA, WITH POPULATION OF 53 461 AND COVERING A LAND AREA OF 3,768 SQUARE MILES PORTAGE HEALTH IS A COMMUNITY BASED HEALTH CARE ORGANIZATION WHICH PROVIDES HEATH CARE SERVICES TO 28,000 PEOPLE IN A PRIMARY SERVICE AREA AND 20,000 IN A SECONDARY SERVICE AREA FOR A TOTAL OF 48,000 PEOPLE OUR COMMUNITY IS RURAL IN NATURE BUT HAS 2 UNIVERSITIES WHICH OFFER AN ARRAY OF SERVICES WHICH ARE AVAILABLE BOTH TO THE STUDENT POPULATION AS WELL AS THE GENERAL COMMUNITY OUR CONSTITUENTS ARE A COMBINATION OF RETIRED ELDERLY, PROFESSIONALS, TRADES, LOW INCOME PEOPLE AND STUDENTS WE PROVIDE THE NEEDED SERVICES THAT THIS CONSTITUENCY NEEDS WE OFFER SECONDARY CARE SERVICES WHICH INCLUDES EMERGENCY, DIAGNOSTICS, CLINICS, HOME CARE, HEALTH PROMOTION, ACUTE CARE AND REHAB</p>



Identifier	ReturnReference	Explanation
		PART VI, LINE 6 WE EVALUATE THE HEALTH BEHAVIORS AND ADDRESS CHANGES IN BEHAVIOR BY OFFERING PROGRAMS TO OUR COMMUNITY WHICH AFFECT CHANGE SOME AREAS ARE TOBACCO ABUSE, OBESITY, SLEEP DEPRIVATION AND BAD EATING HABITS

Identifier	ReturnReference	Explanation
		PART VI, LINE 7 N/A - THE HOSPITAL IS NOT PART OF AN AFFILIATED HEALTH CARE SYSTEM

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

Schedule H (Form 990) 2010

Schedule I (Form 990)

OMB No 1545-0047

Grants and Other Assistance to Organizations, Governments and Individuals in the United States. Complete if the organization answered "Yes," to Form 990, Part IV, line 21 or 22. Attach to Form 990

2010

Open to Public Inspection

Department of the Treasury Internal Revenue Service

Name of the organization PORTAGE HEALTH INC

Employer identification number

38-1381288

Part I General Information on Grants and Assistance

- 1 Does the organization maintain records to substantiate the amount of the grants or assistance, the grantees' eligibility for the grants or assistance, and the selection criteria used to award the grants or assistance? [ ] Yes [X] No
2 Describe in Part IV the organization's procedures for monitoring the use of grant funds in the United States

Part II Grants and Other Assistance to Governments and Organizations in the United States. Complete if the organization answered "Yes" to Form 990, Part IV, line 21 for any recipient that received more than \$5,000. Check this box if no one recipient received more than \$5,000. Part II can be duplicated if additional space is needed.

Table with 8 columns: (a) Name and address of organization or government, (b) EIN, (c) IRC Code section if applicable, (d) Amount of cash grant, (e) Amount of non-cash assistance, (f) Method of valuation (book, FMV, appraisal, other), (g) Description of non-cash assistance, (h) Purpose of grant or assistance. Row 1 contains data for COPPER COUNTRY GREAT START COLLABORATIVE.

2 Enter total number of section 501(c)(3) and government organizations 1
3 Enter total number of other organizations 0

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

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

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

Identifier	Return Reference	Explanation
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**Schedule J**  
**(Form 990)**

**Compensation Information**

OMB No 1545-0047

**2010**

**Open to Public Inspection**

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

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

▶ Attach to Form 990. ▶ See separate instructions.

Department of the Treasury  
Internal Revenue Service

Name of the organization  
PORTAGE HEALTH INC

Employer identification number

38-1381288

**Part I Questions Regarding Compensation**

	Yes	No								
<p><b>1a</b> Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a. Complete Part III to provide any relevant information regarding these items.</p> <table border="0"> <tr> <td><input type="checkbox"/> First-class or charter travel</td> <td><input type="checkbox"/> Housing allowance or residence for personal use</td> </tr> <tr> <td><input type="checkbox"/> Travel for companions</td> <td><input type="checkbox"/> Payments for business use of personal residence</td> </tr> <tr> <td><input type="checkbox"/> Tax indemnification and gross-up payments</td> <td><input type="checkbox"/> Health or social club dues or initiation fees</td> </tr> <tr> <td><input type="checkbox"/> Discretionary spending account</td> <td><input type="checkbox"/> Personal services (e.g., maid, chauffeur, chef)</td> </tr> </table>	<input type="checkbox"/> First-class or charter travel	<input type="checkbox"/> Housing allowance or residence for personal use	<input type="checkbox"/> Travel for companions	<input type="checkbox"/> Payments for business use of personal residence	<input type="checkbox"/> Tax indemnification and gross-up payments	<input type="checkbox"/> Health or social club dues or initiation fees	<input type="checkbox"/> Discretionary spending account	<input type="checkbox"/> Personal services (e.g., maid, chauffeur, chef)		
<input type="checkbox"/> First-class or charter travel	<input type="checkbox"/> Housing allowance or residence for personal use									
<input type="checkbox"/> Travel for companions	<input type="checkbox"/> Payments for business use of personal residence									
<input type="checkbox"/> Tax indemnification and gross-up payments	<input type="checkbox"/> Health or social club dues or initiation fees									
<input type="checkbox"/> Discretionary spending account	<input type="checkbox"/> Personal services (e.g., maid, chauffeur, chef)									
<p><b>1b</b> If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all the expenses described above? If "No," complete Part III to explain.</p>										
<p><b>2</b> 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?</p>										
<p><b>3</b> 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.</p> <table border="0"> <tr> <td><input checked="" type="checkbox"/> Compensation committee</td> <td><input checked="" type="checkbox"/> Written employment contract</td> </tr> <tr> <td><input checked="" type="checkbox"/> Independent compensation consultant</td> <td><input checked="" type="checkbox"/> Compensation survey or study</td> </tr> <tr> <td><input type="checkbox"/> Form 990 of other organizations</td> <td><input checked="" type="checkbox"/> Approval by the board or compensation committee</td> </tr> </table>	<input checked="" type="checkbox"/> Compensation committee	<input checked="" type="checkbox"/> Written employment contract	<input checked="" type="checkbox"/> Independent compensation consultant	<input checked="" type="checkbox"/> Compensation survey or study	<input type="checkbox"/> Form 990 of other organizations	<input checked="" type="checkbox"/> Approval by the board or compensation committee				
<input checked="" type="checkbox"/> Compensation committee	<input checked="" type="checkbox"/> Written employment contract									
<input checked="" type="checkbox"/> Independent compensation consultant	<input checked="" type="checkbox"/> Compensation survey or study									
<input type="checkbox"/> Form 990 of other organizations	<input checked="" type="checkbox"/> Approval by the board or compensation committee									
<p><b>4</b> 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:</p> <p><b>a</b> Receive a severance payment or change-of-control payment from the organization or a related organization?</p> <p><b>b</b> Participate in, or receive payment from, a supplemental nonqualified retirement plan?</p> <p><b>c</b> Participate in, or receive payment from, an equity-based compensation arrangement?</p> <p>If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III.</p>										
<p><b>Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.</b></p> <p><b>5</b> 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:</p> <p><b>a</b> The organization?</p> <p><b>b</b> Any related organization?</p> <p>If "Yes," to line 5a or 5b, describe in Part III.</p>										
<p><b>6</b> 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:</p> <p><b>a</b> The organization?</p> <p><b>b</b> Any related organization?</p> <p>If "Yes," to line 6a or 6b, describe in Part III.</p>										
<p><b>7</b> 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.</p>		No								
<p><b>8</b> Were any amounts reported in Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in Regs. section 53.4958-4(a)(3)? If "Yes," describe in Part III.</p>		No								
<p><b>9</b> If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53.4958-6(c)?</p>										

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

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

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

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
(1) BRUCE TRUSOCK MD	(i) (ii)	159,714 0	207,247 0	17,558 0	17,150 0	11,469 0	413,138 0	0 0
(2) JAMES BOGAN	(i) (ii)	253,591 0	56,066 0	5,742 0	17,150 0	18,471 0	351,020 0	0 0
(3) KIRK LUFKIN MD	(i) (ii)	249,454 0	31,073 0	1,350 0	17,150 0	14,581 0	313,608 0	0 0
(4) TIMOTHY SEARS MD	(i) (ii)	258,929 0	148,589 0	1,200 0	17,150 0	14,066 0	439,934 0	0 0
(5) DAVID KASS MD	(i) (ii)	146,536 0	98,201 0	1,343 0	17,150 0	12,994 0	276,224 0	0 0
(6) DARIN LEETUN	(i) (ii)	472,582 0	198,504 0	677 0	17,150 0	12,297 0	701,210 0	0 0
(7) BRIAN DONAHUE	(i) (ii)	155,292 0	21,741 0	50 0	12,396 0	5,167 0	194,646 0	0 0
(8) WILLIAM LISTON	(i) (ii)	230,295 0	151,089 0	10,650 0	17,150 0	1,540 0	410,724 0	0 0
(9) LARRY CARROLL	(i) (ii)	361,613 0	0 0	8,000 0	17,150 0	12,679 0	399,442 0	0 0
(10) KIRK KLEMME	(i) (ii)	198,721 0	137,500 0	0 0	17,150 0	8,895 0	362,266 0	0 0
(11) JULIE MEYER	(i) (ii)	260,988 0	80,633 0	850 0	17,150 0	1,345 0	360,966 0	0 0
(12) WILLIAM SARAZIN	(i) (ii)	301,995 0	500 0	1,300 0	17,150 0	15,680 0	336,625 0	0 0
( 13 )								
( 14 )								
( 15 )								
( 16 )								

**Part III Supplemental Information**

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

Identifier	Return Reference	Explanation
	PART I, LINE 5	EMPLOYED PHYSICIANS ARE PAID AN INCENTIVE BONUS BASED ON THE RELATIVE VALUE UNIT OF PROCEDURES PERFORMED TO ALL PATIENTS, REGARDLESS OF THE PATIENTS' ABILITY TO PAY ALL INCENTIVE BONUS AGREEMENTS HAVE OVERALL CAPS ON TOTAL COMPENSATION FOR WHICH THE PHYSICIAN IS ELIGIBLE IN A TWELVE MONTH TIME PERIOD
	PART I, LINE 6	THE CEO AND THE VICE PRESIDENTS ARE PAID AN INCENTIVE BONUS BASED ON THE ACHIEVEMENT OF SPECIFIC PERFORMANCE GOALS AND THE CONSOLIDATED NET EARNINGS OF THE ORGANIZATION PERFORMANCE GOALS AND PERCENTAGE OF BONUS AVAILABLE TO BE PAID ARE BOTH APPROVED BY THE BOARD OF DIRECTORS THE PHYSICIANS ARE PAID A BONUS PAYMENT BASED ON RELATIVE VALUE UNITS (RVU'S)



**Schedule K  
(Form 990)**

OMB No 1545-0047

**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.

**2010**

**Open to Public  
Inspection**

Department of the Treasury  
Internal Revenue Service  
Name of the organization  
PORTAGE HEALTH INC

Employer identification number  
38-1381288

**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
<b>A</b>	CITY OF HANCOCK HOSPITAL FINANCE AUTHORITY	38-6004557	410204AC5	12-01-2006	27,920,000	HOSPITAL, NURSING HOME, MEDICAL CLINIC, REFUND BONDS ISSUED 3/5/98 & 3/11/04		X		X		X
<b>B</b>	CITY OF HANCOCK HOSPITAL FINANCE AUTHORITY	27-4398699		12-30-2010	4,000,000	RENOVATION & ADDITION TO MEDICAL CLINIC AND RADIOLOGY/ENDOSCOPY EQUIPMENT		X		X		X

**Part II Proceeds**

		A	B	C	D				
<b>1</b>	Amount of bonds retired	5,050,100							
<b>2</b>	Amount of bonds legally defeased								
<b>3</b>	Total proceeds of issue	27,920,000	4,000,000						
<b>4</b>	Gross proceeds in reserve funds								
<b>5</b>	Capitalized interest from proceeds								
<b>6</b>	Proceeds in refunding escrow								
<b>7</b>	Issuance costs from proceeds	426,791	80,000						
<b>8</b>	Credit enhancement from proceeds	130,520							
<b>9</b>	Working capital expenditures from proceeds								
<b>10</b>	Capital expenditures from proceeds	5,187,597	164,723						
<b>11</b>	Other spent proceeds	22,175,092							
<b>12</b>	Other unspent proceeds	3,755,277	3,755,277						
<b>13</b>	Year of substantial completion	2007							
		<b>Yes</b>	<b>No</b>	<b>Yes</b>	<b>No</b>	<b>Yes</b>	<b>No</b>	<b>Yes</b>	<b>No</b>
<b>14</b>	Were the bonds issued as part of a current refunding issue?	X			X				
<b>15</b>	Were the bonds issued as part of an advance refunding issue?	X			X				
<b>16</b>	Has the final allocation of proceeds been made?	X			X				
<b>17</b>	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
<b>1</b>	Was the organization a partner in a partnership, or a member of an LLC, which owned property financed by tax-exempt bonds?		X		X				
<b>2</b>	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
<b>3a</b> Are there any management or service contracts that may result in private business use?		X		X				
<b>b</b> Are there any research agreements that may result in private business use of bond-financed property?		X		X				
<b>c</b> Does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts or research agreements relating to the financed property?		X		X				
<b>4</b> 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		0 %		0 %				
<b>5</b> 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		0 %		0 %				
<b>6</b> Total of lines 4 and 5		0 %		0 %				
<b>7</b> 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
<b>1</b> 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				
<b>2</b> Is the bond issue a variable rate issue?	X		X					
<b>3a</b> Has the organization or the governmental issuer entered into a hedge with respect to the bond issue?	X			X				
<b>b</b> Name of provider	MORGAN STANLEY							
<b>c</b> Term of hedge	26 000000000000							
<b>d</b> Was the hedge superintegrated?		X						
<b>e</b> Was a hedge terminated?		X						
<b>4a</b> Were gross proceeds invested in a GIC?		X		X				
<b>b</b> Name of provider								
<b>c</b> Term of GIC								
<b>d</b> Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?								
<b>5</b> Were any gross proceeds invested beyond an available temporary period?		X		X				
<b>6</b> Did the bond issue qualify for an exception to rebate?	X			X				

**Part V Supplemental Information**

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

Identifier	Return Reference	Explanation
		PORTAGE HEALTH IS CURRENTLY WORKING WITH LEGAL COUNSEL TO DRAFT WRITTEN POST ISSUANCE COMPLIANCE PROCEDURES COVERING ARBITRAGE REBATE, PRIVATE BUSINESS USE, DOCUMENT RETENTION, THE REMEDIATION PROVISIONS AND VCAP WHILE THESE PROCEDURES ARE EXPECTED TO BE IMPLEMENTED ON OR NEAR THE MAY 15, 2012 FILING DATE OF THIS FORM 990, AS OF JUNE 30, 2011, THE 12 MONTH REPORTING PERIOD, THESE PROCEDURES HAD NOT BEEN IMPLEMENTED

**SCHEDULE O**  
(Form 990 or 990-EZ)

**Supplemental Information to Form 990 or 990-EZ**

**2010**

**Open to Public Inspection**

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.

**Name of the organization**  
PORTAGE HEALTH INC

**Employer identification number**  
38-1381288

Identifier	Return Reference	Explanation
FORM 990, PART VI, SECTION B, LINE 11		THE FORM 990 IS REVIEWED BY THE ORGANIZATION'S AUDIT COMMITTEE AND COPIES OF THE FORM 990 ARE PROVIDED TO EACH BOARD MEMBER FOR REVIEW AFTER THE RETURN HAS BEEN FILED

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION B, LINE 12C	AN ANNUAL CONFLICT OF INTEREST STATEMENT IS COMPLETED AND SIGNED BY EACH BOARD MEMBER THE PRESIDENT AND CEO REVIEWS THE COMPLETED CONFLICT OF INTEREST FORMS IF A CONFLICT IS IDENTIFIED, THAT BOARD MEMBER IS EXCUSED FROM ANY DISCUSSION OR VOTE RELATING TO THE IDENTIFIED CONFLICT IN ADDITION, COMPENSATION AND AUDIT ISSUES ARE ACTED ON BY INDEPENDENT BOARD MEMBERS ONLY THE CONFLICT OF INTEREST POLICY COVERS THE FOLLOWING INDIVIDUALS * INTERESTED PERSONS - BOARD MEMBERS, COMMITTEE MEMBERS, OFFICERS AND ADMINISTRATIVE STAFF, INCLUDING DIRECTORS, MANAGERS, COORDINATORS AND SUPERVISORS OF PORTAGE HEALTH * ASSOCIATES - EMPLOYEES, MEDICAL STAFF, VOLUNTEERS, DIRECTORS, OFFICERS, SUPPLIERS, VENDORS, CONTRACTORS, CONSULTANTS AND AGENTS OF PORTAGE HEALTH

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION B, LINE 15	OCCASIONALLY, AN INDEPENDENT CONSULTANT IS RETAINED TO RESEARCH THE MARKET DATA AND PERFORM COMPARISONS FOR THE CEO AND OTHER OFFICER POSITIONS. THE RESULTS OF THE COMPARISON AND MARKET DATA ARE PRESENTED TO THE COMPENSATION COMMITTEE. THIS WAS LAST PERFORMED FEBRUARY/MARCH 2009. IF NO OUTSIDE CONSULTANT IS RETAINED, MARKET SURVEYS ARE UTILIZED TO DETERMINE ADJUSTMENTS TO THE CEO'S AND THE OTHER OFFICERS COMPENSATION. IN EITHER CASE, THE COMPENSATION COMMITTEE RECOMMENDS ANY ADJUSTMENTS TO THE BOARD OF TRUSTEES. THE INDEPENDENT BOARD MEMBERS VOTE ON THE CEO'S COMPENSATION AMOUNT AND IF APPROVED, IT IS FORMALLY PUT INTO A WRITTEN EMPLOYMENT CONTRACT AND DOCUMENTED IN THE MINUTES OF THE COMPENSATION COMMITTEE AND OF THE BOARD OF TRUSTEES. THE OTHER OFFICERS COMPENSATION STRUCTURE AND SALARY RANGES ARE APPROVED BY THE COMPENSATION COMMITTEE VERSUS SPECIFIC DOLLAR AMOUNTS. THIS PROCESS WAS LAST UNDERTAKEN IN MARCH 2012 BASED ON 2011 DATA.

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION C, LINE 19	THE ORGANIZATION'S GOVERNING DOCUMENTS, CONFLICT OF INTEREST POLICY, AND FINANCIAL STATEMENTS ARE AVAILABLE TO THE PUBLIC UPON REQUEST

Identifier	Return Reference	Explanation
CHANGES IN NET ASSETS OR FUND BALANCES	FORM 990, PART XI, LINE 5	NET UNREALIZED GAINS ON INVESTMENTS 1,239,630 CLEARING ACCOUNT ADJUSTMENT 8,302 CHANGE IN INTEREST RATE SWAP 334,517 TOTAL TO FORM 990, PART XI, LINE 5 1,582,449

Identifier	Return Reference	Explanation
	FORM 990, PART XII, LINE 2C	THE PROCESS HAS NOT CHANGED FROM THE PRIOR YEAR



**SCHEDULE R  
(Form 990)**

**Related Organizations and Unrelated Partnerships**

OMB No 1545-0047

**2010**

**Open to Public  
Inspection**

Department of the Treasury  
Internal Revenue Service

▶ **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.**

**Name of the organization**  
PORTAGE HEALTH INC

**Employer identification number**  
38-1381288

**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
<b>(1)</b> PORTAGE HEALTH RESOURCES INC 500 CAMPUS DRIVE HANCOCK, MI 49930 38-3041729	SENIOR MEALS	MI	501(C)(3)	LINE 11A, I	PORTAGE HEALTH INC	Yes	
<b>(2)</b> PORTAGE HEALTH HOME SERVICES INC 500 CAMPUS DRIVE HANCOCK, MI 49930 38-3565553	PRIVATE DUTY CARE	MI	501(C)(3)	LINE 9	PORTAGE HEALTH INC	Yes	
<b>(3)</b> PORTAGE HEALTH FOUNDATION 500 CAMPUS DRIVE HANCOCK, MI 49930 38-3022945	FUNDRAISING	MI	501(C)(3)	LINE 11A, I	PORTAGE HEALTH INC	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?		(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
							Yes	No		Yes	No	

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership
(1) COPPER COUNTRY APOTHECARIES INC 500 CAMPUS DRIVE HANCOCK, MI49930 30-2083778	RETAIL PHARMACY	MI	PORTAGE HEALTH INC	C	246,787	2,283,821	100.000 %

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

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

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

- a** Receipt of **(i)** interest **(ii)** annuities **(iii)** royalties **(iv)** rent from a controlled entity
- b** Gift, grant, or capital contribution to other organization(s)
- c** Gift, grant, or capital contribution from other organization(s)
- d** Loans or loan guarantees to or for other organization(s)
- e** Loans or loan guarantees by other organization(s)
  
- f** Sale of assets to other organization(s)
- g** Purchase of assets from other organization(s)
- h** Exchange of assets
- i** Lease of facilities, equipment, or other assets to other organization(s)
  
- j** Lease of facilities, equipment, or other assets from other organization(s)
- k** Performance of services or membership or fundraising solicitations for other organization(s)
- l** Performance of services or membership or fundraising solicitations by other organization(s)
- m** Sharing of facilities, equipment, mailing lists, or other assets
- n** Sharing of paid employees
  
- o** Reimbursement paid to other organization for expenses
- p** Reimbursement paid by other organization for expenses
  
- q** Other transfer of cash or property to other organization(s)
- r** Other transfer of cash or property from other organization(s)

	Yes	No
<b>1a</b>	Yes	
<b>1b</b>		No
<b>1c</b>	Yes	
<b>1d</b>		No
<b>1e</b>		No
<b>1f</b>		No
<b>1g</b>		No
<b>1h</b>		No
<b>1i</b>		No
<b>1j</b>		No
<b>1k</b>		No
<b>1l</b>		No
<b>1m</b>	Yes	
<b>1n</b>	Yes	
<b>1o</b>		No
<b>1p</b>	Yes	
<b>1q</b>	Yes	
<b>1r</b>	Yes	

**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
<b>(1)</b> See Additional Data Table			
<b>(2)</b>			
<b>(3)</b>			
<b>(4)</b>			
<b>(5)</b>			
<b>(6)</b>			

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

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

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

**Part VII Supplemental Information**

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

Identifier	Return Reference	Explanation
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**Additional Data**[Return to Form](#)

**Software ID:**  
**Software Version:**  
**EIN:** 38-1381288  
**Name:** PORTAGE HEALTH INC

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

<b>(a)</b> Name of other organization	<b>(b)</b> Transaction type(a-r)	<b>(c)</b> Amount Involved (\$)	<b>(d)</b> Method of determining amount involved
<b>(1)</b> COPPER COUNTRY APOTHECARIES INC	A	79,068	FMV - CONTRACT PRICE
<b>(2)</b> COPPER COUNTRY APOTHECARIES INC	P	1,450,164	COST
<b>(3)</b> PORTAGE HEALTH RESOURCES INC	P	90,000	COST
<b>(4)</b> PORTAGE HEALTH FOUNDATION	C	79,440	CASH
<b>(5)</b> COPPER COUNTRY APOTHECARIES INC	R	600,000	COST
<b>(6)</b> PORTAGE HEALTH RESOURCES INC	R	90,000	COST
<b>(7)</b> PORTAGE HEALTH HOME SERVICES INC	R	130,000	COST
<b>(8)</b> COPPER COUNTRY APOTHECARIES INC	Q	188,887	FMV - CONTRACT PRICE (\$/RX)

# **Portage Health and Subsidiaries**

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

# Portage Health and Subsidiaries

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## Independent Auditor's Report

To the Board of Directors  
Portage Health and Subsidiaries

We have audited the accompanying consolidated balance sheet of Portage Health and Subsidiaries (the "Organization") as of June 30, 2011 and 2010 and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of wholly owned subsidiaries, Copper Country Apothecaries, Inc., Portage Health Resources, Inc., and Portage Health Home Services, Inc., whose statements reflect total assets of \$3,128,070 and \$3,316,511 and total revenue of \$10,387,832 and \$10,928,765 as of and for the years ended June 30, 2011 and 2010, respectively. Those statements were audited by other auditors whose reports have been furnished to us and our opinion, insofar as it relates to the amounts included for Copper Country Apothecaries, Inc., Portage Health Resources, Inc., and Portage Health Home Services, Inc., is based solely on the reports of the other auditors.

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 and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Portage Health and Subsidiaries at June 30, 2011 and 2010 and the results of their operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

*Plante & Moran, PLLC*

October 20, 2011



# Portage Health and Subsidiaries

## Consolidated Balance Sheet

	<u>June 30, 2011</u>	<u>June 30, 2010</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 12,989,035	\$ 16,966,393
Accounts receivable (Note 2)	8,409,751	7,972,748
Estimated third-party payor settlements (Note 3)	880,125	1,025,696
Prepaid expenses and other	<u>1,731,110</u>	<u>2,170,473</u>
Total current assets	24,010,021	28,135,310
<b>Assets Limited as to Use</b> (Note 5)	29,718,651	14,469,152
<b>Property and Equipment - Net</b> (Note 6)	41,105,771	42,382,483
<b>Other Assets</b>		
Investments in joint ventures (Note 12)	669,668	668,562
Bond issue costs	<u>433,363</u>	<u>359,075</u>
Total assets	<u><b>\$ 95,937,474</b></u>	<u><b>\$ 86,014,582</b></u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Current portion of long-term debt (Note 7)	\$ 1,540,000	\$ 1,365,000
Accounts payable	2,459,540	2,605,699
Estimated third-party payor settlements (Note 3)	1,404,228	1,010,984
Accrued liabilities and other	<u>2,954,922</u>	<u>3,279,639</u>
Total current liabilities	8,358,690	8,261,322
<b>Long-term Debt - Net of current portion</b> (Note 7)	25,329,900	22,869,900
<b>Fair Value of Interest Rate Swap Agreement</b> (Note 7)	<u>2,263,565</u>	<u>2,598,082</u>
Total liabilities	35,952,155	33,729,304
<b>Net Assets - Unrestricted</b>	<u>59,985,319</u>	<u>52,285,278</u>
Total liabilities and net assets	<u><b>\$ 95,937,474</b></u>	<u><b>\$ 86,014,582</b></u>

# Portage Health and Subsidiaries

## Consolidated Statement of Operations

	Year Ended	
	June 30, 2011	June 30, 2010
<b>Unrestricted Revenue, Gains, and Other Support</b>		
Net patient service revenue	\$ 71,941,040	\$ 73,458,320
Apothecary retail pharmacy revenue	8,452,221	8,985,275
Other	1,936,103	1,980,500
Total unrestricted revenue, gains, and other support	82,329,364	84,424,095
<b>Expenses</b>		
Salaries and wages	34,757,720	33,713,027
Employee benefits and payroll taxes	9,024,760	10,365,047
Operating supplies and expenses	16,531,422	17,986,507
Professional services and consultant fees	390,729	472,102
Purchased services	6,745,161	7,240,356
Insurance	516,487	770,858
Utilities	1,299,818	1,339,057
Depreciation	4,281,298	4,556,969
Provision for bad debts	1,195,555	1,257,529
Interest expense	1,222,794	1,055,379
Other	3,494,278	3,648,039
Total expenses (Note 11)	79,460,022	82,404,870
<b>Operating Income</b>	2,869,342	2,019,225
<b>Other Income (Expenses)</b>		
Interest income (Note 5)	2,299,783	711,688
Equity in losses of unconsolidated investees (Note 12)	(234,449)	(239,598)
Realized gain on sale of investments (Note 5)	810,343	2,539,942
Other expense	(26,663)	(30,020)
Change in unrealized investment gain (Note 5)	1,626,564	452,664
Change in fair value of interest swap agreements (Note 7)	334,517	(819,529)
Rent income	182,598	180,948
Other expense	(161,994)	(131,109)
Total other income	4,830,699	2,664,986
<b>Excess of Revenue Over Expenses</b>	<b>\$ 7,700,041</b>	<b>\$ 4,684,211</b>

## Portage Health and Subsidiaries

### Consolidated Statement of Changes in Net Assets

	Year Ended	
	<u>June 30, 2011</u>	<u>June 30, 2010</u>
<b>Net Assets</b> - Beginning of year	\$ 52,285,278	\$ 47,601,067
<b>Excess of Revenue Over Expenses</b>	<u>7,700,041</u>	<u>4,684,211</u>
<b>Net Assets</b> - End of year	<u><b>\$ 59,985,319</b></u>	<u><b>\$ 52,285,278</b></u>

# Portage Health and Subsidiaries

## Consolidated Statement of Cash Flows

	Year Ended	
	June 30, 2011	June 30, 2010
<b>Cash Flows from Operating Activities</b>		
Cash received from patients and third-party payors	\$ 73,238,407	\$ 73,168,639
Cash paid to suppliers and employees	(75,182,998)	(77,505,922)
Interest and dividends received	2,299,783	711,688
Interest paid	(1,196,541)	(1,034,153)
Other receipts from operations	10,188,954	10,790,536
Net cash provided by operating activities (Note 10)	9,347,605	6,130,788
<b>Cash Flows from Investing Activities</b>		
Purchase of property and equipment	(3,084,279)	(2,898,751)
Proceeds from sale of property and equipment	37,449	-
Purchase of investments	(23,064,220)	(2,320,893)
Proceeds from sales and maturities of investments	10,251,628	3,941,318
Net cash used in investing activities	(15,859,422)	(1,278,326)
<b>Cash Flows from Financing Activities</b>		
Proceeds from issuance of debt obligations	4,000,000	-
Principal payments on debt obligations	(1,365,000)	(1,320,100)
Payment of bond issue costs	(100,541)	-
Net cash provided by (used in) financing activities	2,534,459	(1,320,100)
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	(3,977,358)	3,532,362
<b>Cash and Cash Equivalents - Beginning of year</b>	16,966,393	13,434,031
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 12,989,035</b>	<b>\$ 16,966,393</b>

# Portage Health and Subsidiaries

## Notes to Consolidated Financial Statements June 30, 2011 and 2010

### Note 1 - Nature of Business and Significant Accounting Policies

**Reporting Entity** - Portage Health (the "Hospital") and Subsidiaries (together, the "Organization") provides inpatient, outpatient, and long-term care services primarily to the citizens of the northwest region of Michigan's Upper Peninsula. Admitting physicians are primarily practitioners in the local area. The Hospital is responsible for the overall direction of its subsidiaries. Each subsidiary operates independently with its own board of directors and management. Each of the subsidiaries is described below:

- Copper Country Apothecaries, Inc. (CCA), a Michigan for-profit corporation, operates a retail pharmacy for the sale of pharmaceuticals to residents of the surrounding area.
- Portage Health Resources, Inc. (PHR), a Michigan not-for-profit corporation, distributes a variety of meals to homebound residents in the local area.
- Portage Health Foundation (the "Foundation"), a Michigan not-for-profit corporation, was organized to provide fundraising activities for the benefit of Portage Health.
- Portage Health Home Services, Inc. (Home Services), a Michigan not-for-profit corporation, provides private-duty care to residents of the surrounding area.

**Principles of Consolidation** - The accompanying consolidated financial statements include the accounts of Portage Health and its subsidiaries. Intercompany transactions and balances have been eliminated in consolidation.

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

**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.

The Hospital and its subsidiaries maintain cash and investment balances at several financial institutions located in northern Michigan. At June 30, 2011 and 2010, accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000 or 100 percent for qualifying institutions. As of June 30, 2011 and 2010, the uninsured cash balance was \$376,498 and \$1,526,559, respectively.

# Portage Health and Subsidiaries

## Notes to Consolidated Financial Statements June 30, 2011 and 2010

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

**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. Investment income or loss, including realized and unrealized gains and losses on investments, interest, and dividends, is included in nonoperating income unless the income or loss is restricted by donor or law.

Substantially all of the Organization's investment portfolio is comprised of trading securities, with unrealized gains and losses included in excess of revenue over (under) expenses.

**Investments - Equity Method** - Investments in companies in which the Hospital has a 20 percent to 50 percent interest are carried at cost, adjusted for the Hospital's proportionate share of its undistributed earnings or losses.

**Assets Limited as to Use** - Assets limited as to use include assets designated by the board of directors for future capital improvement, over which the board retains control, and may, at its discretion, subsequently use for other purposes and assets held by trustee under bond indentures and other arrangements.

**Risks and Uncertainties** - The Organization 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.

**Property and Equipment** - Property and equipment acquisitions are recorded at cost. Donated property and equipment are recorded at the estimated fair market value at the time of donation. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets. Costs of maintenance and repairs are charged to expense when incurred.

**Contributions** - The Organization 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 restriction. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying consolidated financial statements.

# Portage Health and Subsidiaries

## Notes to Consolidated Financial Statements June 30, 2011 and 2010

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

The Organization 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 Organization reports the expiration of donor restrictions when the assets are placed in service.

**Bond Issuance Costs** - Bond issuance costs were incurred by the Hospital in connection with obtaining the Series 2010 and Series 2006 bonds. These costs are amortized over the term of the related debt.

**Professional and Other Liability Insurance** - The Organization accrues an estimate of the ultimate expense, including litigation and settlement expense, for incidents of potential improper professional services and other liability claims occurring during the year as well as for those claims that have not been reported at year end (see Note 9).

**Interest Rate Swap** - The Hospital entered into an interest rate swap transaction to reduce economic risks associated with variability in cash outflows for interest required under provisions of variable rate revenue bonds. Interest rate swaps are recognized as assets or liabilities at fair value. Realized gains and losses on interest rate swaps are classified as a component of income from operations and are presented as part of interest expense in the consolidated statement of changes in net assets. Unrealized changes in the fair value of the interest rate swap are recognized as part of other income, separate from income from operations.

**Net Patient Service Revenue** - The Organization has agreements with third-party payors that provide for payments to the Organization 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.

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. Management believes that it is in compliance with all applicable laws and regulations. Final determination of compliance with 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.



# Portage Health and Subsidiaries

## Notes to Consolidated Financial Statements June 30, 2011 and 2010

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

**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 permanent transfers of assets to and from affiliates for other than goods and services.

**Charity Care** - The Organization provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than established rates. Because the Organization does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. Charity care totaled approximately \$1,000,000 and \$900,000 for the years ended June 30, 2011 and 2010, respectively.

**Tax Status** - The Organization is a nonprofit organization under Section 501(c)(3) of the Internal Revenue Code and is not subject to income tax. CCA is the only entity subject to income taxes; therefore, any tax provisions reflected in the consolidated financial statements are associated with this company. The Organization 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, 2007.

**Fair Value of Financial Instruments** - The fair value of financial instruments, including cash, accounts receivable, accounts payable, and debt, approximates carrying values. Investments are recorded at fair value under generally accepted accounting principles. The fair value of debt approximates carrying value because of the variable rate nature of the instrument. The interest rate swap is recorded at fair value on the Hospital's consolidated balance sheet.

**Subsequent Events** - The consolidated financial statements and related disclosures include evaluation of events up through and including October 20, 2011, which is the date the consolidated financial statements were available to be issued.

# Portage Health and Subsidiaries

## Notes to Consolidated Financial Statements June 30, 2011 and 2010

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

#### New Accounting Pronouncements

**Revenue Recognition** - 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 that recognize 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 consolidated statement of operations. The ASU is effective for the Organization for the year ending June 30, 2012.

**Healthcare Claims and Charity Care** - During 2010, the Financial Accounting Standards Board (FASB) adopted new accounting guidance that will impact how healthcare organizations account for claims liabilities and charity care. The new guidance requires that the accrued liability for malpractice claims and similar liabilities and the related insurance recovery receivable be presented separately on the consolidated balance sheet on a gross basis. Prior guidance allowed the liability to be reported net of the estimated insurance recovery receivable. This new standard will be effective for the first annual period beginning after December 15, 2010 and interim periods within that first annual period.

New guidance has also been adopted on how to measure the amount of charity care provided to patients. The new guidance requires that cost be used as the measurement basis for charity care disclosure purposes and that the cost be identified as the direct and indirect costs of providing the charity care. No other measurement basis should be used. Prior guidance did not dictate how charity care should be measured. This new standard will be effective for the first annual period beginning after December 15, 2010 and should be applied retrospectively to all prior periods presented.

The Organization is currently assessing the impact these new standards will have on its consolidated financial statements and will implement them for the year ending June 30, 2012.

# Portage Health and Subsidiaries

## Notes to Consolidated Financial Statements June 30, 2011 and 2010

### Note 2 - Accounts Receivable

The details of patient accounts receivable are set forth below:

	<u>2011</u>	<u>2010</u>
Patient accounts receivable	\$ 13,156,243	\$ 13,276,178
Less:		
Allowance for uncollectible accounts	(1,190,037)	(1,493,977)
Allowance for contractual adjustments	(4,405,825)	(4,854,539)
Net patient accounts receivable	7,560,381	6,927,662
Other	<u>849,370</u>	<u>1,045,086</u>
Total accounts receivable	<u>\$ 8,409,751</u>	<u>\$ 7,972,748</u>

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 loss rate factors applied to unpaid accounts based on aging. Loss rate factors are based on historical loss experience 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 uncollectible accounts in the period they are deemed to be uncollectible. The allowance for contractual adjustments and interim payment advances is based on expected payment rates from payors based on current reimbursement methodologies. This amount also included amounts received as interim payments against unpaid claims by certain payors.

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:

	<u>Percentage</u>	
	<u>2011</u>	<u>2010</u>
Medicare	25	20
Blue Cross/Blue Shield of Michigan	19	12
Medicaid	15	13
Commercial insurance and HMOs	30	33
Self-pay	<u>11</u>	<u>22</u>
Total	<u>100</u>	<u>100</u>

# Portage Health and Subsidiaries

## Notes to Consolidated Financial Statements June 30, 2011 and 2010

### Note 3 - Cost Report Settlements

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Approximately 76.9 percent of the Hospital's net patient service revenue is received from the Medicare, Medicaid, and Blue Cross/Blue Shield of Michigan programs. A summary of the basis of reimbursement is as follows:

- **Medicare** - Inpatient, acute-care 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. Most outpatient services, including ambulatory surgery, outpatient radiology, and other diagnostic-related services, are reimbursed on a prospectively determined ambulatory payment classification system. Physical therapy, outpatient laboratory, and physician services are reimbursed on a fee-for-service methodology.
- **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. Long-term care services are reimbursed at established per diem rates plus the cost for allowable ancillary services.
- **Blue Cross/Blue Shield of Michigan** - Services rendered to Blue Cross/Blue Shield of Michigan subscribers are reimbursed as a percent of charges subject to a limitation on the annual rate of increase.

Cost report settlements result from the adjustment of interim payments to final reimbursement under these programs that are subject to audit by fiscal intermediaries. Although these audits may result in some changes in these amounts, they are not expected to have a material effect on the accompanying consolidated financial statements.

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 hospitals in 2009 and as of June 30, 2011, the Hospital has no open audits related to this area.

# Portage Health and Subsidiaries

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## Notes to Consolidated Financial Statements June 30, 2011 and 2010

### Note 4 - Fair Value

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

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

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 Organization's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

# Portage Health and Subsidiaries

## Notes to Consolidated Financial Statements June 30, 2011 and 2010

### Note 4 - Fair Value (Continued)

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

	Balance 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)
<b>Assets</b>				
Mutual funds:				
Fixed-income investments	\$ 4,405,859	\$ 4,405,859	\$ -	\$ -
Equity investments	3,005,273	3,005,273	-	-
U.S. government securities	1,004,240	-	1,004,240	-
Investment certificates	1,591,727	1,591,727	-	-
Corporate bonds	1,695,407	-	1,695,407	-
Common stocks:				
Information technology	2,001,490	2,001,490	-	-
Financial	1,719,449	1,719,449	-	-
Health care	1,574,781	1,574,781	-	-
Industrials	1,370,124	1,370,124	-	-
Energy	1,298,156	1,298,156	-	-
Consumer staples	1,210,126	1,210,126	-	-
Consumer discretionary	1,188,886	1,188,886	-	-
Other	2,375,804	2,375,804	-	-
Mortgage- and asset-backed securities	453,404	-	453,404	-
Other	136,626	-	136,626	-
<b>Total assets</b>	<b>\$ 25,031,352</b>	<b>\$ 21,741,675</b>	<b>\$ 3,289,677</b>	<b>\$ -</b>
<b>Liabilities - Interest rate swap</b>	<b>\$ 2,263,565</b>	<b>\$ -</b>	<b>\$ 2,263,565</b>	<b>\$ -</b>

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

	Balance at June 30, 2010	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Assets</b>				
Mutual funds	\$ 916,309	\$ 916,309	\$ -	\$ -
U.S. government securities	226,859	-	226,859	-
Investment certificates	1,153,880	1,153,880	-	-
Corporate bonds	3,172,298	-	3,172,298	-
Common stocks	4,303,487	4,303,487	-	-
Mortgage- and asset-backed securities	866,501	-	866,501	-
Other	118,179	-	118,179	-
<b>Total assets</b>	<b>\$ 10,757,513</b>	<b>\$ 6,373,676</b>	<b>\$ 4,383,837</b>	<b>\$ -</b>
<b>Liabilities - Interest rate swap</b>	<b>\$ 2,598,082</b>	<b>\$ -</b>	<b>\$ 2,598,082</b>	<b>\$ -</b>

# Portage Health and Subsidiaries

## Notes to Consolidated Financial Statements June 30, 2011 and 2010

### Note 5 - Assets Limited as to Use

The composition of assets limited as to use at June 30, 2011 and 2010 is set forth in the following tables. Investments are stated at fair value.

	2011	2010
Purpose:		
Designated by the Hospital board of directors for future use and capital improvements	\$ 24,775,941	\$ 10,370,623
Mortgage Reserve Fund - Bonds (Note 7)	3,074,611	2,446,481
Designated by the Foundation board of directors for benefit of the Hospital and its affiliates	1,773,349	1,560,586
Other	94,750	91,462
Total assets limited as to use	<u>\$ 29,718,651</u>	<u>\$ 14,469,152</u>

Assets limited as to use are comprised of the following:

	2011	2010
Cash and cash equivalents	\$ 4,687,299	\$ 3,711,639
Mutual funds	7,411,132	916,309
U.S. government securities	1,004,240	226,859
Investment certificates	1,591,727	1,153,880
Corporate bonds	1,695,407	3,172,298
Common stocks	12,738,816	4,303,487
Other	590,030	984,680
Total	<u>\$ 29,718,651</u>	<u>\$ 14,469,152</u>

Investment income and realized and unrealized gains included in increase in unrestricted net assets are comprised of the following for the years ended June 30, 2011 and 2010:

	2011	2010
Income:		
Interest and dividend income	\$ 2,299,783	\$ 711,688
Realized gains on investments	810,343	2,539,942
Change in unrealized gains on investments	1,626,564	452,664
Total	<u>\$ 4,736,690</u>	<u>\$ 3,704,294</u>

Interest and dividend income includes amounts for dividends from Upper Peninsula Health Plan, Inc., which were \$1,553,052 and \$346,465 for 2011 and 2010, respectively.

## Portage Health and Subsidiaries

### Notes to Consolidated Financial Statements June 30, 2011 and 2010

#### Note 5 - Assets Limited as to Use (Continued)

During the fiscal year ended June 30, 2010, the Hospital recognized a gain of \$2,544,298 on the sale of FinCor Holdings, Inc. (FinCor) stock pursuant to the acquisition of FinCor by Medical Professional Mutual Insurance Company. This gain is included in the realized gain on sale of investments amount above.

#### Note 6 - Property and Equipment

The cost of property and equipment and depreciable lives are summarized as follows.

	2011	2010	Depreciable Life - Years
Land	\$ 176,339	\$ 176,339	-
Land improvements	1,329,074	1,320,954	10-15
Buildings	54,440,130	53,828,642	7-40
Equipment	29,456,345	27,152,364	3-10
Construction in progress	310,654	768,461	-
Total cost	85,712,542	83,246,760	
Accumulated depreciation	(44,606,771)	(40,864,277)	
Net property and equipment	<u>\$ 41,105,771</u>	<u>\$ 42,382,483</u>	

Construction in progress at year end is comprised of a clinic expansion financed by the Series 2010 bonds (see Note 7). The Hospital has commitments remaining at June 30, 2011 of approximately \$3,400,000 related to the clinic expansion.

#### Note 7 - Long-term Debt

Long-term debt at June 30, 2011 and 2010 is as follows:

	2011	2010
Multi-modal limited obligation revenue bonds, Series 2010	\$ 4,000,000	\$ -
Variable rate demand revenue refunding bonds, Series 2006	22,869,900	24,234,900
Total	26,869,900	24,234,900
Less current portion	(1,540,000)	(1,365,000)
Long-term portion	<u>\$ 25,329,900</u>	<u>\$ 22,869,900</u>



# Portage Health and Subsidiaries

## Notes to Consolidated Financial Statements June 30, 2011 and 2010

### Note 7 - Long-term Debt (Continued)

**Variable Rate Demand Revenue Refunding Bonds** - Series 2006 were issued on December 20, 2006 and consist of City of Hancock Hospital Finance Authority Variable Rate Demand Revenue Refunding Bonds. The bonds mature on August 1, 2026 and have a variable interest rate established on a weekly basis. The effective interest rate as of June 30, 2011 and 2010 was 0.13 percent and 0.24 percent, respectively.

The bonds are secured by an irrevocable direct-pay letter of credit which expires on December 1, 2015. The bonds are subject to mandatory redemption upon the expiration or termination of the letter of credit unless the existing letter of credit has been extended or an alternate letter of credit has been issued. The letter of credit is secured by gross revenue of the Hospital.

Beginning August 1, 2007, the bonds require annual payments (funded monthly into an escrow account, the Mortgage Reserve Fund - see Note 5) ranging from \$585,000 to \$2,190,000 through August 1, 2026.

The bonds are remarketed on a weekly basis. Should the remarketing agent be unable to remarket the bonds based on its best efforts, these bonds would be "put" back to the bond trustee, who would draw down on the letter of credit to pay down the 2006 bonds. Under the terms of the reimbursement agreement, the Hospital may defer reimbursement of amounts advanced by the bank. Such reimbursement obligations would be considered a term loan with payment due upon expiration of the letter of credit or upon other conditions detailed in the reimbursement agreement.

In conjunction with the issuance of the irrevocable letter of credit and related agreement, the Hospital has agreed to certain quarterly and annual reporting requirements, certain financial covenants, and various other operational covenants, including restrictions on transfers of assets and additional indebtedness.

In addition, to manage the economic risks associated with fluctuations in interest rates, the Hospital has entered into an interest rate swap agreement to reduce the impact of changes in the interest rate on the Series 2006 bonds. At June 30, 2011 and 2010, the notional principal amount of the Hospital's portion of the outstanding interest rate swap was \$27,920,000 and \$24,234,900, respectively, which matures August 1, 2026. Under the terms of the agreement, the Hospital pays the counterparty a fixed rate of 3.438 percent.

Standards require all derivative instruments, such as interest rate swaps, to be recorded on the consolidated balance sheet at estimated fair value. The fair value of the interest rate swap as of June 30, 2011 and 2010 was a liability in the accompanying consolidated balance sheet of \$2,163,013 and \$2,598,082, respectively. Management has recorded the change in the liability as other expense in the consolidated statement of operations.

# Portage Health and Subsidiaries

## Notes to Consolidated Financial Statements June 30, 2011 and 2010

### Note 7 - Long-term Debt (Continued)

**Multi-Modal Limited Obligation Revenue Bonds** - Series 2010 were issued on December 30, 2010. The bonds mature on December 30, 2030 and have a variable interest rate established on a weekly basis, plus 270 basis points. As of June 30, 2011, the indicative floating rate was 1.875770 percent.

The bonds are secured by the gross revenue of the Hospital and its affiliate Copper Country Apothecary, Inc.

The bonds are remarketed on a weekly basis. Should the remarketing agent be unable to remarket the bonds based on its best efforts, these bonds would be "put" back to the bond trustee, who would draw down on the letter of credit to pay down the 2010 bonds. Under the terms of the reimbursement agreement, the Hospital may defer reimbursement of amounts advanced by the bank. Such reimbursement obligations would be considered a term loan with payment due upon expiration of the letter of credit or upon other conditions detailed in the reimbursement agreement.

In addition, to manage the economic risks associated with fluctuations in interest rates, the Hospital has entered into an interest rate swap agreement to reduce the impact of changes in the interest rate on the Series 2010 bonds. At June 30, 2011, the notional principal amount of the Hospital's portion of the outstanding interest rate swap was \$4,000,000, which matures January 1, 2021. Under the terms of the agreement, the Hospital pays the counterparty a fixed rate of 4.06 percent.

Standards require all derivative instruments, such as interest rate swaps, to be recorded on the consolidated balance sheet at estimated fair value. The fair value of the interest rate swap as of June 30, 2011 was a liability in the accompanying consolidated balance sheet of \$100,552. Management has recorded the change in the liability as other expense in the consolidated statement of operations.

Minimum principal payments on long-term debt to maturity as of June 30, 2011 are as follows:

2012	\$ 1,540,000
2013	1,385,000
2014	1,440,000
2015	1,480,000
2016	1,540,000
Thereafter	<u>19,484,900</u>
Total	<u>\$ 26,869,900</u>

# Portage Health and Subsidiaries

## Notes to Consolidated Financial Statements June 30, 2011 and 2010

### Note 8 - Pension Plan

The Organization entered into a defined contribution noncontributory pension plan effective January 1, 2007. The plan covers substantially all employees of the Organization who meet the minimum service and age requirements. The plan calls for a base contribution of 5 percent of eligible employee wages and an employer-matching contribution equal to \$.50 for every dollar contributed by employees up to a maximum of 2 percent of eligible compensation. Certain union employees who meet the minimum service and age requirements continue to be covered under the prior defined contribution pension plan. Contributions to this plan are made based on employee earnings of 4 percent up to \$24,000 and 8 percent for amounts over \$24,000. Pension expense included in the consolidated statement of operations was \$1,145,627 and \$1,857,293 in 2011 and 2010, respectively.

As of July 1, 2008, the Organization terminated the 403(b) Annuity Program for employees who are not represented by the Michigan Nurses Association. All accounts maintained under this plan were distributed in accordance with the participants' written elections.

As of November 9, 2008, the Organization terminated the 403(b) Annuity Program for employees who are represented by the Michigan Nurses Association. All accounts maintained under this plan were distributed in accordance with the participants' written elections.

### Note 9 - Professional Liability Self-insurance

The Hospital is insured against professional liability claims under a claims-made policy, whereby only the claims reported to the insurance carrier during the policy period are covered regardless of when the incident giving rise to the claim occurred. Under the terms of the policy, the Hospital must pay a deductible toward the costs of litigating or settling any asserted claims. The Hospital has accrued \$150,000 for this contingency at June 30, 2011 and 2010. In addition, the Hospital bears the risk of the ultimate costs exceeding the policy limits of \$2,000,000 for individual claims and \$6,000,000 for total claims asserted in the policy year.

Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during the claims-made term, but reported subsequently, will be uninsured.

## Portage Health and Subsidiaries

### Notes to Consolidated Financial Statements June 30, 2011 and 2010

#### Note 10 - Cash Flows

A reconciliation of the increase in net assets to net cash from operating activities is as follows:

	<u>2011</u>	<u>2010</u>
Excess of revenue over expenses	\$ 7,700,041	\$ 4,684,211
Adjustments to reconcile excess of revenue over expenses to net cash from operating activities:		
Depreciation and amortization	4,307,551	4,578,195
Provision for doubtful accounts	1,195,555	1,257,529
Loss on sale of property and equipment	42,244	1,605
Change in fair value of interest rate swap	(334,517)	819,529
Net realized and unrealized gain on investments	(2,436,907)	(2,992,606)
Loss attributable to joint ventures	234,449	239,598
(Increase) decrease in assets:		
Accounts receivable	(1,868,113)	(2,713,785)
Prepaid expenses and other	439,363	(122,942)
Cost report settlements receivable	145,571	(419,523)
(Decrease) increase in liabilities:		
Accounts payable	(146,159)	530,847
Accrued liabilities	(324,717)	136,224
Cost report settlements payable	393,244	131,906
Net cash provided by operating activities	<u>\$ 9,347,605</u>	<u>\$ 6,130,788</u>

#### Note 11 - Functional Expenses

The Organization provides inpatient, long-term care, and outpatient healthcare services primarily to the citizens of the northwest region of Michigan's Upper Peninsula. Expenses related to providing these services for the years ended June 30, 2011 and 2010 are as follows:

	<u>2011</u>	<u>2010</u>
Healthcare services	\$ 66,239,400	\$ 69,068,875
General and administrative	13,040,570	13,179,333
Fundraising	180,052	156,662
Total	<u>\$ 79,460,022</u>	<u>\$ 82,404,870</u>

# Portage Health and Subsidiaries

## Notes to Consolidated Financial Statements June 30, 2011 and 2010

### Note 12 - Investments in Joint Ventures

The Hospital has a 50 percent interest in both Mercy EMS, Inc. and Ontonagon Community Health Center, Inc. Mercy EMS, Inc. is an ambulance service providing transport and life support services to the surrounding areas. The Ontonagon Community Health Center provides medical diagnosis and treatment for patients in Ontonagon County. Transactions with the joint ventures were immaterial. Investment income relating to the ambulance service was \$1,105 during the year ended June 30, 2011 with a loss of \$52,597 during the year ended June 30, 2010. Investment loss relating to the health center was \$235,554 and \$187,001 during June 30, 2011 and 2010, respectively. Both are reported as other expenses.

The Hospital has a 10 percent interest in Upper Peninsula Health Plan, Inc., with an investment carried at cost of \$360,095. Transactions with the health plan were immaterial.

The following is a summary of financial position and results of operations of the joint ventures as of June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Total assets	\$ 38,360,874	\$ 46,221,057
Total liabilities	<u>21,532,672</u>	<u>17,507,065</u>
Net assets	<u>\$ 16,828,202</u>	<u>\$ 28,713,992</u>
(Decrease) increase in net assets	<u>\$ (2,291,227)</u>	<u>\$ 3,299,591</u>

### Note 13 - Union Contracts

As of June 30, 2011 and 2010, approximately 32 percent and 35 percent, respectively, of the Hospital's employees belong to one of two unions at the Hospital. The AFSCME union contract agreement expires on October 31, 2012 and the MNA union contract agreement expires on June 6, 2012.

## **Additional Information**

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## Independent Auditor's Report on Additional Information

To the Board of Directors  
Portage Health and Subsidiaries

We have audited the consolidated financial statements of Portage Health and Subsidiaries as of June 30, 2011 and 2010. Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. We did not audit the financial statements or additional information of Copper Country Apothecaries, Inc., Portage Health Resources, Inc., or Portage Health Home Services, Inc., wholly owned subsidiaries, for the years ended June 30, 2011 and 2010. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for Copper Country Apothecaries, Inc., Portage Health Resources, Inc., and Portage Health Home Services, Inc., is based solely on the reports of the other auditors. The consolidating information and schedule of net patient service revenue are presented for the purpose of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations of the individual entities or the details of the net service patient revenue. The accompanying additional information has been subjected to the procedures applied in the audits of the consolidated financial statements and, in our opinion, based on our audits and the reports of other auditors, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

*Plante & Moran, PLLC*

October 20, 2011

# Portage Health and Subsidiaries

## Consolidating Balance Sheet June 30, 2011 (with comparative totals as of June 30, 2010)

							Total	
	Portage Health	Copper Country Apothecaries, Inc	Portage Health Resources, Inc	Portage Health Foundation	Portage Health Home Services, Inc	Eliminating Entries	June 30, 2011	June 30, 2010
<b>Assets</b>								
<b>Current Assets</b>								
Cash and cash equivalents	\$ 11,123,999	\$ 1,213,645	\$ 149,048	\$ 56,077	\$ 446,266	\$ -	\$ 12,989,035	\$ 16,966,393
Accounts receivable	8,309,778	606,718	10,621	-	237,749	(755,115)	8,409,751	7,972,748
Estimated third-party payor settlements	880,125	-	-	-	-	-	880,125	1,025,696
Prepaid expenses and other	1,295,082	435,463	565	-	-	-	1,731,110	2,170,473
Total current assets	21,608,984	2,255,826	160,234	56,077	684,015	(755,115)	24,010,021	28,135,310
<b>Assets Limited as to Use</b>	30,380,569	-	-	1,773,349	-	(2,435,267)	29,718,651	14,469,152
<b>Property and Equipment - Net</b>	41,077,776	27,995	-	-	-	-	41,105,771	42,382,483
<b>Other Assets</b>								
Investments in joint ventures	669,668	-	-	-	-	-	669,668	668,562
Bond issue costs	433,363	-	-	-	-	-	433,363	359,075
Total assets	<u>\$ 94,170,360</u>	<u>\$ 2,283,821</u>	<u>\$ 160,234</u>	<u>\$ 1,829,426</u>	<u>\$ 684,015</u>	<u>\$ (3,190,382)</u>	<u>\$ 95,937,474</u>	<u>\$ 86,014,582</u>
<b>Liabilities and Net Assets</b>								
<b>Current Liabilities</b>								
Current portion of long-term debt	\$ 1,540,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,540,000	\$ 1,365,000
Accounts payable	2,108,530	345,204	3,358	-	2,448	-	2,459,540	2,605,699
Estimated third-party payor settlements	1,404,228	-	-	-	-	-	1,404,228	1,010,984
Accrued liabilities and other	3,522,077	71,426	5,838	-	110,696	(755,115)	2,954,922	3,279,639
Total current liabilities	8,574,835	416,630	9,196	-	113,144	(755,115)	8,358,690	8,261,322
<b>Long-term Debt - Net of current portion</b>	25,329,900	-	-	-	-	-	25,329,900	22,869,900
<b>Fair Value of Interest Rate Swap Agreement</b>	2,263,565	-	-	-	-	-	2,263,565	2,598,082
Total liabilities	36,168,300	416,630	9,196	-	113,144	(755,115)	35,952,155	33,729,304
<b>Stockholders' Equity</b>	-	1,867,191	-	-	-	(1,867,191)	-	-
<b>Net Assets - Unrestricted</b>	58,002,060	-	151,038	1,829,426	570,871	(568,076)	59,985,319	52,285,278
Total liabilities and net assets	<u>\$ 94,170,360</u>	<u>\$ 2,283,821</u>	<u>\$ 160,234</u>	<u>\$ 1,829,426</u>	<u>\$ 684,015</u>	<u>\$ (3,190,382)</u>	<u>\$ 95,937,474</u>	<u>\$ 86,014,582</u>



# Portage Health and Subsidiaries

## Consolidating Statement of Operations Year Ended June 30, 2011 (with comparative totals for the year ended June 30, 2010)

							Total	
	Portage Health	Copper Country Apothecaries, Inc	Portage Health Resources, Inc	Portage Health Foundation	Portage Health Home Services, Inc	Eliminating Entries	June 30, 2011	June 30, 2010
<b>Unrestricted Revenue, Gains, and Other Support</b>								
Total patient service revenue	\$ 113,169,849	\$ -	\$ -	\$ -	\$ 1,346,271	\$ -	\$ 114,516,120	\$ 114,795,108
Revenue deductions	(42,575,080)	-	-	-	-	-	(42,575,080)	(41,336,788)
Net patient service revenue	70,594,769	-	-	-	1,346,271	-	71,941,040	73,458,320
Apothecary retail pharmacy revenue	-	8,478,319	-	-	-	(26,098)	8,452,221	8,985,275
Other	2,941,849	-	563,242	-	-	(1,568,988)	1,936,103	1,980,500
Total unrestricted revenue, gains, and other support	73,536,618	8,478,319	563,242	-	1,346,271	(1,595,086)	82,329,364	84,424,095
<b>Expenses</b>								
Salaries and wages	33,780,557	573	163,791	-	812,799	-	34,757,720	33,713,027
Employee benefits and payroll taxes	8,950,014	-	-	-	100,844	(26,098)	9,024,760	10,365,047
Operating supplies and expenses	9,771,924	6,543,183	201,843	-	14,472	-	16,531,422	17,986,507
Professional services and consultant fees	390,729	-	-	-	-	-	390,729	472,102
Purchased services	6,749,727	1,692,697	138,590	-	66,384	(1,902,237)	6,745,161	7,240,356
Insurance	511,203	-	-	-	5,284	-	516,487	770,858
Utilities	1,282,779	6,437	-	-	10,602	-	1,299,818	1,399,057
Depreciation	4,277,753	3,545	-	-	-	-	4,281,298	4,556,969
Provision for bad debts	1,195,555	-	-	-	-	-	1,195,555	1,257,529
Interest expense	1,222,794	-	-	-	-	-	1,222,794	1,055,379
Other	3,170,145	45,204	66,522	150,578	61,829	-	3,494,278	3,648,039
Total expenses	71,303,180	8,291,639	570,746	150,578	1,072,214	(1,928,335)	79,460,022	82,404,870
<b>Operating Income (Loss)</b>	2,233,438	186,680	(7,504)	(150,578)	274,057	333,249	2,869,342	2,019,225
<b>Other Income</b>	4,511,996	60,107	-	376,599	-	(118,003)	4,830,699	2,664,986
<b>Transfer from (to) Affiliate</b>	820,500	(600,500)	(90,000)	-	(130,000)	-	-	-
<b>Increase (Decrease) in Unrestricted Net Assets</b>	<b>\$ 7,565,934</b>	<b>\$ (353,713)</b>	<b>\$ (97,504)</b>	<b>\$ 226,021</b>	<b>\$ 144,057</b>	<b>\$ 215,246</b>	<b>\$ 7,700,041</b>	<b>\$ 4,684,211</b>

## Portage Health and Subsidiaries

### Schedule of Net Patient Service Revenue

	Year Ended June 30	
	2011	2010
Patient service revenue:		
Inpatient services:		
Routine services	\$ 12,705,269	\$ 12,294,809
Ancillary services	19,593,639	18,612,940
Outpatient ancillary services	82,217,212	83,887,359
Total patient service revenue	114,516,120	114,795,108
Revenue deductions:		
Medicare	17,001,041	16,606,115
Medicaid	4,189,556	3,958,337
Blue Cross/Blue Shield of Michigan	3,390,012	3,660,154
Other	16,957,710	16,199,431
Charity care	1,036,761	912,751
Total revenue deductions	42,575,080	41,336,788
Total net patient service revenue	<b>\$ 71,941,040</b>	<b>\$ 73,458,320</b>