

Dear Hospice of Michigan Supporters,

In 2007, Hospice of Michigan identified three key characteristics that we believe distinguish us in the industry: leadership, expertise and social responsibility. As we tell our story, we will use these to declare, in brief, who we are and what we value. They reflect the actions we have taken and the commitments we have kept to get us to the place we are now: the largest, most experienced and most socially responsible hospice in the state.

LEADERSHIP

We deliberately set out to be the best hospice provider, and at every fork in the road, we chose the direction that set us apart as leaders, innovators and experts. We took on big challenges like transforming a once grassroots, volunteer-based organization into a technology powerhouse that uses real-time technology to streamline operations so that patients are the focus.

EXPERTISE

We seek out and develop the most highly trained professionals in the field. Leading the way are physicians who are board certified in hospice and palliative care. Among our RNs and hospice aides, we have more staff certified in hospice and palliative care than any other hospice in the state. Our commitment to education and training is evidenced by our Maggie Allesee Center for Quality of Life (MACQL). Our one-of-a-kind research and education center trains staff and offers programs to support patients, caregivers and families.

SOCIAL RESPONSIBILITY

We have a compelling mission: to serve all who need and seek our care regardless of age, diagnosis, ethnicity or ability to pay. When others close their doors because a patient's illness is too complex, or the cost of care will be too great, health care professionals know they can count on us. We never turn a patient away.

Keep these key characteristics – leadership, expertise and social responsibility -- in mind as you view the 2007 Annual Report. We are proud to share the results.

Thank you for your support!



Dorothy E. Alarico
President, Chief Executive Officer

Philip H. McCoske, Jr.
Chair, Board of Trustees

Patient Care Wins with Plan for Efficiency and Growth

SUCCESSFUL STEWARDSHIP

We have become the strong organization we are today by having a clear vision and mission, by planning well, and executing wisely. We budget carefully, adjust quickly to changing environments, and are thoughtful about the use of every dollar received. We owe it to our patients, families, staff and supporters to be fiscally conservative - ensuring we are a strong organization for decades to come.

Key items to note on our 2007 Financial Performance:

1. We served more patients per day in 2007 (837) than in 2006 (800).
2. Our revenue increased 4.5% over 2006.
3. We ended the year with a positive net income of \$100,000 - achieved despite the cost of adding two new markets and infrastructure changes related to implementing the HUB model.

THE SIMPLICITY SOLUTION: HUBS

We completed the successful transition to a HUB structure. In five regions of the state, we established fully staffed central offices from which services are delivered and administrative support is provided. The HUB locations are: Alpena, Big Rapids, Grand Rapids, Saginaw and Southfield.

To complement the HUBs, we have small, unstaffed offices called “drop sites.” Overhead is kept to a minimum, and they offer a place where field staff can stop to charge computers, have meetings or handle administrative tasks.



SERVING PATIENTS IN NEW COMMUNITIES

We opened a HUB in Saginaw, and a “drop site” in East Tawas—allowing us to offer a choice in hospice care to additional communities.

NEW SERVICE: @HOMe SUPPORT

Not all seriously ill people are dying. Yet many need the comprehensive support that hospices provide. So

Hospice of Michigan developed an exciting program for non-hospice patients, called @HOMe Support™, that allows them to get in-home supportive care that is hospice-like. Because the program was so new and unique, we worked diligently to educate health care organizations on the benefits in terms of reduced costs and increased quality of life. Our first success was securing Health Alliance Plan and Blue Care Network as customers.

ADVERTISING AND AWARENESS

We invested advertising dollars to build awareness in communities statewide. Radio campaigns were executed in March and December with crisp brand messages of leadership and expertise. In November, we had full-page color ads honoring hospice staff in local papers in all of the communities we serve.

DOCUMENTARY PRODUCTION

Hospice of Michigan continued production of its documentary— Except for Six—aimed at changing the way people think about end of life. Release date and fundraising premieres are scheduled for summer of 2008.



Behind the scenes with filmmaker Matt Burnell



Hospice of Michigan Leadership

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- S. M. “Skip” Roberts
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- John R. Smith
- Denise Starr

Consolidated Statement of Financial Position

December 31, 2007

ASSETS

CURRENT ASSETS	
Cash and cash equivalents	\$ 1,679,614
Patient accounts receivable (net of allowances)	6,537,652
Capital grant receivable	
Contributions receivable (current portion)	223,911
Other current assets	393,303
Total current assets	\$ 8,834,480
Contributions receivable, net	70,220
Investments	8,670,944
Property and equipment, net	10,816,942
Other long-term assets	147,006
Total assets	\$28,539,592

LIABILITIES AND NET ASSETS

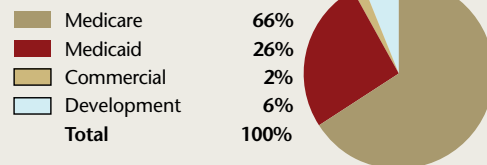
CURRENT LIABILITIES	
Accounts payable and other accrued expenses	\$ 4,476,191
Accrued salaries, wages and withholdings	2,317,626
Current portion of obligations under capital leases	177,720
Current portion of note payable	480,000
Total current liabilities	\$7,451,537
Note payable, less current portion	5,755,000
Obligations under capital leases, net of current portion	697,508
NET ASSETS	
Undesignated	7,854,591
Board designated for endowment	1,822,783
Temporarily restricted	1,664,450
Permanently restricted endowment	3,293,723
Total Net Assets	14,635,547
Total liabilities and net assets	\$ 28,539,592

2007 Financial Report

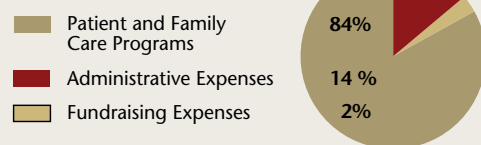
Major Expenses



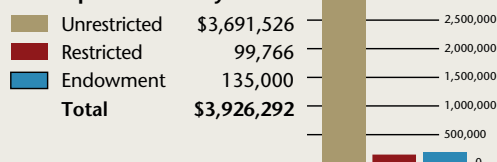
Revenue Sources



How your donation is used at Hospice of Michigan



Development Activity



Statements of Operations And Changes in Net Assets

Years ended December 31, 2007 and 2006

Changes in Unrestricted Net Assets

	2007	2006
OPERATING REVENUE:		
Net patient service revenue	\$56,515,938	\$53,159,050
Contributions and fundraising	3,691,526	4,319,996
Capital grant receivable	117,580	679,279
Investment income, net of fees	753,765	490,565
Gain (loss) on sale of property and equipment	144,857	-
Net assets released from restriction	140,943	24,060
Other revenue	339,363	283,363
Total Operating Revenue	61,703,972	58,956,313

OPERATING EXPENSES:

Salaries & benefits	\$29,728,621	\$26,813,452
Purchased services	21,465,818	20,359,899
Other non-wage	4,533,545	4,106,191
Depreciation, leases, & interest	2,397,166	2,225,836
Medical equipment rental & supplies	2,311,905	1,758,777
Provision for uncollectible accounts	202,258	11,962
Fundraising expense	1,090,519	1,328,862
Total Expenses	\$61,729,832	\$56,604,979

Change in Unrestricted Net Assets from Operations

(25,860) 2,351,334

Temporarily Restricted Net Assets

Amortization of discounted pledges	-	22,070
Net assets released from restrictions	(140,943)	(24,060)
Contributions and fund-raising	99,766	132,393

Change in Temporarily Restricted Net Assets

(41,177) 130,403

Permanently Restricted Net Assets

Amortization of discounted pledges	-	-
Contributions and fund-raising	135,000	25,000

Change in Permanently Restricted Net Assets

135,000 25,000

Change in Net Assets

67,963 2,506,737

Net Assets - Beginning of year

Correction of error in property and equipment	-	(591,304)
Assets at beginning of year, as restated	14,567,584	12,060,847

Net Assets - End of year	\$14,635,547	\$14,567,584
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