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Form 990

## Return of Organization Exempt From Income Tax

2010

Open to Public  
InspectionDepartment of the Treasury  
Internal Revenue ServiceUnder 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

## A For the 2010 calendar year, or tax year beginning 04-01-2010 and ending 03-31-2011

B Check if applicable

C Name of organization  
MARY FREE BED HOSPITAL & REHABILITATION CENTER

D Employer identification number

38-1359265

Address change

E Telephone number

(616) 242-0300

Name change

F Doing Business As  
MARY FREE BED REHABILITATION HOSPITA

G Gross receipts \$ 67,882,020

Initial return

Number and street (or P O box if mail is not delivered to street address)  
235 WEALTHY ST SE

Room/suite

Terminated

City or town, state or country, and ZIP + 4  
GRAND RAPIDS, MI 495035247

Amended return

H(a) Name and address of principal officer  
RANDALL DENEFF  
235 WEALTHY ST SE  
GRAND RAPIDS, MI 495035247H(a) Is this a group return for affiliates?  Yes  No

Application pending

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.MARYFREEBED.COM

K Form of organization  Corporation  Trust  Association  Other ► L Year of formation 1913 M State of legal domicile MI

## Part I Summary

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

HELPING PEOPLE WITH DISABILITIES ACHIEVE INDEPENDENCE THROUGH REHABILITATION SERVICES EDUCATING THE COMMUNITY ON DISABLING DISEASES AND INJURY PREVENTION CARRYING OUT MEDICAL AND SCIENTIFIC RESEARCH TO IMPROVE THE CARE AND OUTCOMES FOR PEOPLE WITH DISABILITIES

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

3 Number of voting members of the governing body (Part VI, line 1a) . . . . .

3 24

4 Number of independent voting members of the governing body (Part VI, line 1b) . . . . .

4 22

5 Total number of individuals employed in calendar year 2010 (Part V, line 2a) . . . . .

5 747

6 Total number of volunteers (estimate if necessary) . . . . .

6 89

7a Total unrelated business revenue from Part VIII, column (C), line 12 . . . . .

7a 0

b Net unrelated business taxable income from Form 990-T, line 34 . . . . .

7b 0

|    |  | Prior Year | Current Year |
|----|--|------------|--------------|
| 8  | Contributions and grants (Part VIII, line 1h) . . . . .                                    | 1,826,077  | 1,542,786    |
| 9  | Program service revenue (Part VIII, line 2g) . . . . .                                     | 41,588,836 | 43,465,027   |
| 10 | Investment income (Part VIII, column (A), lines 3, 4, and 7d) . . . . .                    | 1,723,056  | 909,513      |
| 11 | Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e) . . . . .         | 516,666    | 529,581      |
| 12 | Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12) . . . . . | 45,654,635 | 46,446,907   |

|     |   |            |            |
|-----|---|------------|------------|
| 13  | Grants and similar amounts paid (Part IX, column (A), lines 1-3) . . . . .                  | 1,390,990  | 2,200,000  |
| 14  | Benefits paid to or for members (Part IX, column (A), line 4) . . . . .                     | 0          | 0          |
| 15  | Salaries, other compensation, employee benefits (Part IX, column (A), lines 5-10) . . . . . | 31,891,959 | 31,842,046 |
| 16a | Professional fundraising fees (Part IX, column (A), line 11e) . . . . .                     | 0          | 0          |
| b   | Total fundraising expenses (Part IX, column (D), line 25) ►0                                |            |            |
| 17  | Other expenses (Part IX, column (A), lines 11a-11d, 11f-24f) . . . . .                      | 9,693,011  | 10,939,754 |
| 18  | Total expenses Add lines 13-17 (must equal Part IX, column (A), line 25) . . . . .          | 42,975,960 | 44,981,800 |
| 19  | Revenue less expenses Subtract line 18 from line 12 . . . . .                               | 2,678,675  | 1,465,107  |

|    | Beginning of Current Year | End of Year |
|----|---------------------------|-------------|
| 20 | 68,657,422                | 73,999,442  |
| 21 | 8,710,570                 | 7,768,833   |
| 22 | 59,946,852                | 66,230,609  |

## 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 | *****<br>Signature of officer<br>RANDALL L DENEFF VICE PRESIDENT - FINANCE<br>Type or print name and title | 2012-03-16<br>Date |
|           |  |                    |

|                        |  |   |      |   |                           |
|------------------------|--|---|------|---|---------------------------|
| Paid Preparer Use Only | Print/Type preparer's name<br>CAROL LALONDE CPA                    | Preparer's signature<br>CAROL LALONDE CPA | Date | Check if self-employed <input type="checkbox"/> | PTIN                      |
|                        | Firm's name ► PLANTE & MORAN PLLC                                  |   |      |   | Firm's EIN ►              |
|                        | Firm's address ► 750 TRADE CENTRE WAY STE 300<br>PORTAGE, MI 49002 |   |      |   | Phone no ► (269) 567-4500 |

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

**Part III Statement of Program Service Accomplishments**Check if Schedule O contains a response to any question in this Part III **1** Briefly describe the organization's mission

RESTORING HOPE AND FREEDOM THROUGH REHABILITATION

**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

|  |   |                          |
|--|---|--------------------------|
| <b>4a</b>  | (Code ) (Expenses \$ 7,107,309 including grants of \$ ) | (Revenue \$ 12,326,610 ) |
| PROVIDE THERAPY AND OTHER MEDICAL SERVICES FOR 15,855 PATIENT DAYS |   |                          |

|   |   |                         |
|---|---|-------------------------|
| <b>4b</b>   | (Code ) (Expenses \$ 9,057,918 including grants of \$ ) | (Revenue \$ 9,422,350 ) |
| PROVIDE OUTPATIENT REHABILITATION AND CLINIC SERVICES FOR APPROXIMATELY 56,272 PATIENT VISITS |   |                         |

|  |   |                          |
|--|---|--------------------------|
| <b>4c</b>  | (Code ) (Expenses \$ 6,340,025 including grants of \$ ) | (Revenue \$ 11,398,967 ) |
| PROVIDE NURSING SERVICES AND INFECTION CONTROL FOR 15,855 PATIENT DAYS |   |                          |

**4d** Other program services (Describe in Schedule O) **See also Additional Data for Description**

(Expenses \$ 16,309,952 including grants of \$ 2,200,000 ) (Revenue \$ 10,363,267 )

**4e** **Total program service expenses** \$ 38,815,204

**Part IV Checklist of Required Schedules**

**1** Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? If "Yes," complete Schedule A.

**2** Is the organization required to complete Schedule B, Schedule of Contributors (see instruction)?

**3** Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? If "Yes," complete Schedule C, Part I.

**4** **Section 501(c)(3) organizations.** Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? If "Yes," complete Schedule C, Part II.

**5** Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? If "Yes," complete Schedule C, Part III.

**6** Did the organization maintain any donor advised funds or any similar funds or accounts where donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? If "Yes," complete Schedule D, Part I.

**7** Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas or historic structures? If "Yes," complete Schedule D, Part II.

**8** Did the organization maintain collections of works of art, historical treasures, or other similar assets? If "Yes," complete Schedule D, Part III.

**9** Did the organization report an amount in Part X, line 21, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? If "Yes," complete Schedule D, Part IV.

**10** Did the organization, directly or through a related organization, hold assets in term, permanent, or quasi-endowments? If "Yes," complete Schedule D, Part V.

**11** If the organization's answer to any of the following questions is 'Yes,' then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable

**a** Did the organization report an amount for land, buildings, and equipment in Part X, line 10? If "Yes," complete Schedule D, Part VI.

**b** Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VII.

**c** Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VIII.

**d** Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part IX.

**e** Did the organization report an amount for other liabilities in Part X, line 25? If "Yes," complete Schedule D, Part X.

**f** Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? If "Yes," complete Schedule D, Part XI.

**12a** Did the organization obtain separate, independent audited financial statements for the tax year? If "Yes," complete Schedule D, Parts XI, XII, and XIII.

**b** Was the organization included in consolidated, independent audited financial statements for the tax year? If "Yes," and if the organization answered 'No' to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional.

**13** Is the organization a school described in section 170(b)(1)(A)(ii)? If "Yes," complete Schedule E

**14a** Did the organization maintain an office, employees, or agents outside of the United States?

**b** Did the organization have aggregate revenues or expenses of more than \$10,000 from grantmaking, fundraising, business, and program service activities outside the United States? If "Yes," complete Schedule F, Parts I and IV.

**15** Did the organization report on Part IX, column (A), line 3, more than \$5,000 of grants or assistance to any organization or entity located outside the U.S.? If "Yes," complete Schedule F, Parts II and IV.

**16** Did the organization report on Part IX, column (A), line 3, more than \$5,000 of aggregate grants or assistance to individuals located outside the U.S.? If "Yes," complete Schedule F, Parts III and IV.

**17** Did the organization report a total of more than \$15,000 of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? If "Yes," complete Schedule G, Part I (see instructions)

**18** Did the organization report more than \$15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? If "Yes," complete Schedule G, Part II.

**19** Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? If "Yes," complete Schedule G, Part III.

**20a** Did the organization operate one or more hospitals? If "Yes," complete Schedule H.

**b** If "Yes" to line 20a, did the organization attach its audited financial statement to this return? **Note.** Some Form 990 filers that operate one or more hospitals must attach audited financial statements (see instructions)

|            | Yes | No |
|------------|-----|----|
| <b>1</b>   | Yes |    |
| <b>2</b>   | Yes |    |
| <b>3</b>   |     | No |
| <b>4</b>   | Yes |    |
| <b>5</b>   |     |    |
| <b>6</b>   |     | No |
| <b>7</b>   |     | No |
| <b>8</b>   |     | No |
| <b>9</b>   |     | No |
| <b>10</b>  |     | No |
| <b>11a</b> | Yes |    |
| <b>11b</b> |     | No |
| <b>11c</b> |     | No |
| <b>11d</b> |     | No |
| <b>11e</b> |     | No |
| <b>11f</b> | Yes |    |
| <b>12a</b> |     | No |
| <b>12b</b> | Yes |    |
| <b>13</b>  |     | No |
| <b>14a</b> |     | No |
| <b>14b</b> |     | No |
| <b>15</b>  |     | No |
| <b>16</b>  |     | No |
| <b>17</b>  |     | No |
| <b>18</b>  |     | No |
| <b>19</b>  |     | No |
| <b>20a</b> | Yes |    |
| <b>20b</b> | Yes |    |

**Part IV Checklist of Required Schedules (continued)**

|     |   |                                     |     |     |    |
|-----|---|-------------------------------------|-----|-----|----|
| 21  | Did the organization report more than \$5,000 of grants and other assistance to governments and organizations in the United States on Part IX, column (A), line 1? If "Yes," complete Schedule I, Parts I and II  | <input checked="" type="checkbox"/> | 21  | Yes |    |
| 22  | Did the organization report more than \$5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? If "Yes," complete Schedule I, Parts I and III   | <input checked="" type="checkbox"/> | 22  |     | No |
| 23  | Did the organization answer "Yes" to Part VII, Section A, questions 3, 4, or 5, about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? If "Yes," complete Schedule J            | <input checked="" type="checkbox"/> | 23  | Yes |    |
| 24a | Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? If "Yes," answer lines 24b-24d and complete Schedule K. If "No," go to line 25 |                                     | 24a |     | No |
| 24b | Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?   |                                     | 24b |     |    |
| 24c | Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?  |                                     | 24c |     |    |
| 24d | Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?   |                                     | 24d |     |    |
| 25a | <b>Section 501(c)(3) and 501(c)(4) organizations.</b> Did the organization engage in an excess benefit transaction with a disqualified person during the year? If "Yes," complete Schedule L, Part I  |                                     | 25a |     | No |
| 25b | Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? If "Yes," complete Schedule L, Part I   |                                     | 25b |     | No |
| 26  | Was a loan to or by a current or former officer, director, trustee, key employee, highly compensated employee, or disqualified person outstanding as of the end of the organization's tax year? If "Yes," complete Schedule L, Part II                                |                                     | 26  |     | No |
| 27  | Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor, or a grant selection committee member, or to a person related to such an individual? If "Yes," complete Schedule L, Part III        |                                     | 27  |     | No |
| 28  | Was the organization a party to a business transaction with one of the following parties? (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)   |                                     | 28a |     | No |
| 28b | A current or former officer, director, trustee, or key employee? If "Yes," complete Schedule L, Part IV   |                                     | 28b |     | No |
| 28c | A family member of a current or former officer, director, trustee, or key employee? If "Yes," complete Schedule L, Part IV  |                                     | 28c |     | No |
| 29  | Did the organization receive more than \$25,000 in non-cash contributions? If "Yes," complete Schedule M  |                                     | 29  |     | No |
| 30  | Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? If "Yes," complete Schedule M  |                                     | 30  |     | No |
| 31  | Did the organization liquidate, terminate, or dissolve and cease operations? If "Yes," complete Schedule N, Part I  |                                     | 31  |     | No |
| 32  | Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? If "Yes," complete Schedule N, Part II  |                                     | 32  |     | No |
| 33  | Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301 7701-2 and 301 7701-3? If "Yes," complete Schedule R, Part I  | <input checked="" type="checkbox"/> | 33  |     | No |
| 34  | Was the organization related to any tax-exempt or taxable entity? If "Yes," complete Schedule R, Parts II, III, IV, and V, line 1   | <input checked="" type="checkbox"/> | 34  | Yes |    |
| 35  | Is any related organization a controlled entity within the meaning of section 512(b)(13)?   |                                     | 35  | Yes |    |
| 35a | Did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? If "Yes," complete Schedule R, Part V, line 2   | <input checked="" type="checkbox"/> | 35a | Yes | No |
| 36  | <b>Section 501(c)(3) organizations.</b> Did the organization make any transfers to an exempt non-charitable related organization? If "Yes," complete Schedule R, Part V, line 2   | <input checked="" type="checkbox"/> | 36  |     | No |
| 37  | Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? If "Yes," complete Schedule R, Part VI   | <input checked="" type="checkbox"/> | 37  |     | No |
| 38  | Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11 and 19? <b>Note.</b> All Form 990 filers are required to complete Schedule O  |                                     | 38  | Yes |    |

**Part V Statements Regarding Other IRS Filings and Tax Compliance**

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

|   |  | Yes | No  |
|---|--|-----|-----|
| <b>1a</b>   | Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable   | 1a  | 22  |
| <b>b</b>  | Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable  | 1b  | 0   |
| <b>c</b>  | Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?   | 1c  | Yes |
| <b>2a</b>   | Enter the number of employees reported on Form W-3, <i>Transmittal of Wage and Tax Statements</i> filed for the calendar year ending with or within the year covered by this return  | 2a  | 747 |
| <b>b</b>  | If at least one is reported on line 2a, did the organization file all required federal employment tax returns?   | 2b  | Yes |
| <p><b>Note.</b> If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions)</p> |  |     |     |
| <b>3a</b>   | Did the organization have unrelated business gross income of \$1,000 or more during the year?  | 3a  | No  |
| <b>b</b>  | If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O   | 3b  |     |
| <b>4a</b>   | At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?                                   | 4a  | No  |
| <b>b</b>  | If "Yes," enter the name of the foreign country ►<br>See instructions for filing requirements for Form TD F 90-22 1, Report of Foreign Bank and Financial Accounts   |     |     |
| <b>5a</b>   | Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?  | 5a  | No  |
| <b>b</b>  | Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?   | 5b  | No  |
| <b>c</b>  | If "Yes" to line 5a or 5b, did the organization file Form 8886-T?  | 5c  |     |
| <b>6a</b>   | Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible?  | 6a  | No  |
| <b>b</b>  | If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?  | 6b  |     |
| <b>7</b>  | <b>Organizations that may receive deductible contributions under section 170(c).</b>   | 7a  | No  |
| <b>a</b>  | Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?  | 7b  |     |
| <b>b</b>  | If "Yes," did the organization notify the donor of the value of the goods or services provided?  | 7c  | No  |
| <b>c</b>  | Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?   | 7d  |     |
| <b>d</b>  | If "Yes," indicate the number of Forms 8282 filed during the year  | 7e  |     |
| <b>e</b>  | Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?  | 7f  |     |
| <b>f</b>  | Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?   | 7g  |     |
| <b>g</b>  | If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?   | 7h  |     |
| <b>h</b>  | If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?   | 8   |     |
| <b>8</b>  | <b>Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.</b> Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year? | 9a  |     |
| <b>9</b>  | <b>Sponsoring organizations maintaining donor advised funds.</b>   | 9b  |     |
| <b>a</b>  | Did the organization make any taxable distributions under section 4966?  |     |     |
| <b>b</b>  | Did the organization make a distribution to a donor, donor advisor, or related person?   |     |     |
| <b>10</b>   | <b>Section 501(c)(7) organizations.</b> Enter  | 10a |     |
| <b>a</b>  | Initiation fees and capital contributions included on Part VIII, line 12   | 10b |     |
| <b>b</b>  | Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities  |     |     |
| <b>11</b>   | <b>Section 501(c)(12) organizations.</b> Enter   | 11a |     |
| <b>a</b>  | Gross income from members or shareholders  | 11b |     |
| <b>b</b>  | Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them)  |     |     |
| <b>12a</b>  | <b>Section 4947(a)(1) non-exempt charitable trusts.</b> Is the organization filing Form 990 in lieu of Form 1041?  | 12a |     |
| <b>b</b>  | If "Yes," enter the amount of tax-exempt interest received or accrued during the year  | 12b |     |
| <b>13</b>   | <b>Section 501(c)(29) qualified nonprofit health insurance issuers.</b>  | 13a |     |
| <b>a</b>  | Is the organization licensed to issue qualified health plans in more than one state?   |     |     |
| <p><b>Note.</b> See the instructions for additional information the organization must report on Schedule O</p>          |  |     |     |
| <b>b</b>  | Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans  | 13b |     |
| <b>c</b>  | Enter the amount of reserves on hand   | 13c |     |
| <b>14a</b>  | Did the organization receive any payments for indoor tanning services during the tax year?   | 14a | No  |
| <b>b</b>  | If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O  | 14b |     |

**Part VI Governance, Management, and Disclosure** For each "Yes" response to lines 2 through 7b below, and for a "No" response to lines 8a, 8b, or 10b below, describe the circumstances, processes, or changes in Schedule O. See instructions.

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

### Section A. Governing Body and Management

|   | Yes | No  |
|---|-----|-----|
| 1a Enter the number of voting members of the governing body at the end of the tax year . . . . .  | 1a  | 24  |
| b Enter the number of voting members included in line 1a, above, who are independent . . . . .  | 1b  | 22  |
| 2 Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee? . . . . .   | 2   | No  |
| 3 Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person? . . . . . | 3   | No  |
| 4 Did the organization make any significant changes to its governing documents since the prior Form 990 was filed? . . . . .  | 4   | No  |
| 5 Did the organization become aware during the year of a significant diversion of the organization's assets? . . . . .  | 5   | No  |
| 6 Does the organization have members or stockholders? . . . . .   | 6   | Yes |
| 7a Does the organization have members, stockholders, or other persons who may elect one or more members of the governing body? . . . . .  | 7a  | Yes |
| b Are any decisions of the governing body subject to approval by members, stockholders, or other persons? . . . . .   | 7b  | Yes |
| 8 Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following  |     |     |
| a The governing body? . . . . .   | 8a  | Yes |
| b Each committee with authority to act on behalf of the governing body? . . . . .   | 8b  | Yes |
| 9 Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O . . . . .        | 9   | No  |

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

|  | Yes | No  |
|--|-----|-----|
| 10a Does the organization have local chapters, branches, or affiliates? . . . . .  | 10a | No  |
| b If "Yes," does the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with those of the organization? . . . . .   | 10b |     |
| 11a Has the organization provided a copy of this Form 990 to all members of its governing body before filing the form? . . . . .   | 11a | No  |
| b Describe in Schedule O the process, if any, used by the organization to review this Form 990 . . . . .   |     |     |
| 12a Does the organization have a written conflict of interest policy? If "No," go to line 13 . . . . .   | 12a | Yes |
| b Are officers, directors or trustees, and key employees required to disclose annually interests that could give rise to conflicts? . . . . .  | 12b | Yes |
| c Does the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this is done . . . . .   | 12c | Yes |
| 13 Does the organization have a written whistleblower policy? . . . . .  | 13  | No  |
| 14 Does the organization have a written document retention and destruction policy? . . . . .   | 14  | Yes |
| 15 Did the process for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision?  |     |     |
| a The organization's CEO, Executive Director, or top management official . . . . .   | 15a | Yes |
| b Other officers or key employees of the organization . . . . .  | 15b | Yes |
| If "Yes" to line 15a or 15b, describe the process in Schedule O (See instructions )  |     |     |
| 16a Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year? . . . . .  | 16a | Yes |
| b If "Yes," has the organization adopted a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and taken steps to safeguard the organization's exempt status with respect to such arrangements? . . . . . | 16b | Yes |

### Section C. Disclosure

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

18 Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c) (3)s only) available for public inspection. Indicate how you make these available. Check all that apply  
 Own website  Another's website  Upon request

19 Describe in Schedule O whether (and if so, how), the organization makes its governing documents, conflict of interest policy, and financial statements available to the public. See Additional Data Table

20 State the name, physical address, and telephone number of the person who possesses the books and records of the organization ►  
 RANDALL DENEFF  
 235 WEALTHY ST SE  
 GRAND RAPIDS, MI 49503  
 (616) 242-0403



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

| (A)<br>Name and Title  | (B)<br>Average<br>hours<br>per<br>week<br>(describe<br>hours<br>for<br>related<br>organizations<br>in<br>Schedule<br>O) | (C)<br>Position (check all<br>that apply) |                       |         |              |                                 | (D)<br>Reportable<br>compensation<br>from the<br>organization (W-<br>2/1099-MISC) | (E)<br>Reportable<br>compensation<br>from related<br>organizations<br>(W- 2/1099-<br>MISC) | (F)<br>Estimated<br>amount of other<br>compensation<br>from the<br>organization and<br>related<br>organizations |
|--|---|---|-----------------------|---------|--------------|---------------------------------|---|--|---|
|  |   | Individual trustee<br>or director         | Institutional trustee | Officer | Key employee | Highest compensated<br>employee |   |  |   |
| See Additional Data Table  |   |   |                       |         |              |                                 |   |  |   |
|  |   |   |                       |         |              |                                 |   |  |   |
|  |   |   |                       |         |              |                                 |   |  |   |
|  |   |   |                       |         |              |                                 |   |  |   |
|  |   |   |                       |         |              |                                 |   |  |   |
|  |   |   |                       |         |              |                                 |   |  |   |
|  |   |   |                       |         |              |                                 |   |  |   |
|  |   |   |                       |         |              |                                 |   |  |   |
|  |   |   |                       |         |              |                                 |   |  |   |
|  |   |   |                       |         |              |                                 |   |  |   |
| <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>                           |   |   |                       |         |              |                                 | 1,881,026   | 0  | 159,579   |

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 **►14**

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

**Section B. Independent Contractors**

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

| (A)<br>Name and business address   | (B)<br>Description of services | (C)<br>Compensation |
|--|--------------------------------|---------------------|
| ADVANTAGE HEALTH PHYSICIANS NETWORK<br>245 STATE STREET SE<br>GRAND RAPIDS, MI 49503   | PHYSICIAN MEDICAL SERVICES     | 153,895             |
| FRICANO CONSTRUCTION<br>PO BOX 276<br>CALEDONIA, MI 49316  | CONSTRUCTION MANAGEMENT        | 131,281             |
|  |                                |                     |
|  |                                |                     |
|  |                                |                     |
| <b>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 ►2</b> |                                |                     |

**Part VIII Statement of Revenue**

| Contributions, gifts, grants<br>and other similar amounts  |                      | (A)<br>Total revenue | (B)<br>Related<br>or<br>exempt<br>function<br>revenue | (C)<br>Unrelated<br>business<br>revenue | (D)<br>Revenue<br>excluded<br>from<br>tax<br>under<br>sections<br>512,<br>513, or<br>514 |
|--|----------------------|----------------------|---|---|--|
|  |                      |                      |   |   |  |
| <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>            | 882,986              |   |   |  |
| <b>e</b> Government grants (contributions)   | <b>1e</b>            | 109,706              |   |   |  |
| <b>f</b> All other contributions, gifts, grants, and<br>similar amounts not included above   | <b>1f</b>            | 550,094              |   |   |  |
| <b>g</b> Noncash contributions included in lines 1a-1f \$  |                      |                      |   |   |  |
| <b>h Total.</b> Add lines 1a-1f . . . . .  |                      | 1,542,786            |   |   |  |
| <b>Program Service Revenue</b>   |                      | <b>Business Code</b> |   |   |  |
| <b>2a</b> PATIENT SERVICE REVENUE  |                      | 621400               | 38,011,499  | 38,011,499                              |  |
| <b>b</b> CONTRACT SERVICE REVENUE  |                      | 621400               | 4,986,701   | 4,986,701                               |  |
| <b>c</b> PROGRAM EXPENSE REIMBURSEMENT   |                      | 621400               | 466,827   | 466,827                                 |  |
| <b>d</b>   |                      |                      |   |   |  |
| <b>e</b>   |                      |                      |   |   |  |
| <b>f</b> All other program service revenue   |                      |                      |   |   |  |
| <b>g Total.</b> Add lines 2a-2f . . . . .  |                      |                      | 43,465,027  |   |  |
| <b>3</b> Investment income (including dividends, interest<br>and other similar amounts) . . . . .  |                      |                      |   |   |  |
|  |                      |                      | 1,135,675   |   | 1,135,675  |
| <b>4</b> Income from investment of tax-exempt bond proceeds . . . . .  |                      |                      |   |   |  |
| <b>5</b> Royalties . . . . .   |                      |                      |   |   |  |
| <b>6a</b> Gross Rents  | (i) Real             | (ii) Personal        |   |   |  |
|  | 489,081              |                      |   |   |  |
| <b>b</b> Less rental expenses  |                      |                      |   |   |  |
| <b>c</b> Rental income or (loss)   | 489,081              |                      |   |   |  |
| <b>d</b> Net rental income or (loss)   |                      |                      | 489,081   |   | 489,081  |
| <b>7a</b> Gross amount from sales of assets other than inventory   | (i) Securities       | (ii) Other           |   |   |  |
|  | 21,196,134           | 12,817               |   |   |  |
| <b>b</b> Less cost or other basis and sales expenses   | 21,435,113           |                      |   |   |  |
| <b>c</b> Gain or (loss)  | -238,979             | 12,817               |   |   |  |
| <b>d</b> Net gain or (loss)  |                      |                      | -226,162  |   | -226,162   |
| <b>8a</b> Gross income from fundraising events (not including<br>\$ _____<br>of contributions reported on line 1c)<br>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<br>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> COMPUTER/SYSTEM SUPPORT   | 541519               | 32,300               |   |   | 32,300   |
| <b>b</b> DONATION PROCESSING SUPPORT   | 541900               | 8,200                |   |   | 8,200  |
| <b>c</b>   |                      |                      |   |   |  |
| <b>d</b> All other revenue . . . . .   |                      |                      |   |   |  |
| <b>e Total.</b> Add lines 11a-11d . . . . .  |                      | 40,500               |   |   |  |
| <b>12 Total revenue.</b> See Instructions . . . . .  |                      | 46,446,907           | 43,465,027  | 0                                       | 1,439,094  |

**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).**

| <b>Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.</b>   | <b>(A)<br/>Total expenses</b> | <b>(B)<br/>Program service<br/>expenses</b> | <b>(C)<br/>Management and<br/>general expenses</b> | <b>(D)<br/>Fundraising<br/>expenses</b> |
|---|-------------------------------|---|--|---|
| 1 Grants and other assistance to governments and organizations in the U S See Part IV, line 21  | 2,200,000                     | 2,200,000                                   |  |   |
| 2 Grants and other assistance to individuals in the U S See Part IV, line 22  |                               |   |  |   |
| 3 Grants and other assistance to governments, organizations, and individuals outside the U S See Part IV, lines 15 and 16   |                               |   |  |   |
| 4 Benefits paid to or for members   |                               |   |  |   |
| 5 Compensation of current officers, directors, trustees, and key employees . . .  | 1,122,739                     |   | 1,122,739  |   |
| 6 Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B) . . .   |                               |   |  |   |
| 7 Other salaries and wages  | 24,029,674                    | 21,431,520                                  | 2,598,154  |   |
| 8 Pension plan contributions (include section 401(k) and section 403(b) employer contributions) . . .   | 1,835,656                     | 1,596,870                                   | 238,786  |   |
| 9 Other employee benefits . . .   | 2,894,856                     | 2,609,827                                   | 285,029  |   |
| 10 Payroll taxes . . .  | 1,959,121                     | 1,704,274                                   | 254,847  |   |
| a Fees for services (non-employees)<br>Management . . .   |                               |   |  |   |
| b Legal . . .   | 59,407                        | 16,866                                      | 42,541   |   |
| c Accounting . . .  | 35,800                        |   | 35,800   |   |
| d Lobbying . . .  |                               |   |  |   |
| e Professional fundraising services See Part IV, line 17 . .  |                               |   |  |   |
| f Investment management fees . . .  |                               |   |  |   |
| g Other . . .   |                               |   |  |   |
| 12 Advertising and promotion . . .  |                               |   |  |   |
| 13 Office expenses . . .  | 685,308                       | 616,884                                     | 68,424   |   |
| 14 Information technology . . .   | 533,113                       |   | 533,113  |   |
| 15 Royalties . . .  |                               |   |  |   |
| 16 Occupancy . . .  |                               |   |  |   |
| 17 Travel . . .   | 59,254                        | 51,878                                      | 7,376  |   |
| 18 Payments of travel or entertainment expenses for any federal, state, or local public officials . . .   |                               |   |  |   |
| 19 Conferences, conventions, and meetings . . .   | 143,531                       | 127,959                                     | 15,572   |   |
| 20 Interest . . .   |                               |   |  |   |
| 21 Payments to affiliates . . .   |                               |   |  |   |
| 22 Depreciation, depletion, and amortization . . .  | 1,804,923                     | 1,570,135                                   | 234,788  |   |
| 23 Insurance . . .  | 236,602                       | 205,824                                     | 30,778   |   |
| 24 Other expenses Itemize expenses not covered above (List miscellaneous expenses in line 24f If line 24f amount exceeds 10% of line 25, column (A) amount, list line 24f expenses on Schedule O )  |                               |   |  |   |
| a PURCH - LAB & PHARMACY  | 3,363,880                     | 2,999,377                                   | 364,503  |   |
| b QAAP  | 1,181,062                     | 1,181,062                                   |  |   |
| c SUPPLIES (PROGRAM)  | 939,792                       | 871,838                                     | 67,954   |   |
| d UTILITIES   | 603,018                       | 502,069                                     | 100,949  |   |
| e BAD DEBT EXPENSE  | 485,687                       | 485,687                                     |  |   |
| f All other expenses  | 808,377                       | 643,134                                     | 165,243  |   |
| <b>25 Total functional expenses.</b> Add lines 1 through 24f  | 44,981,800                    | 38,815,204                                  | 6,166,596  | 0                                       |
| <b>26 Joint costs.</b> Check here <input checked="" type="checkbox"/> if following<br>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**

|                             |   | <b>(A)</b><br>Beginning of year | <b>(B)</b><br>End of year |
|-----------------------------|---|---------------------------------|---------------------------|
| Assets                      | 1 Cash—non-interest-bearing . . . . .   | 500                             | <b>1</b> 500              |
|                             | 2 Savings and temporary cash investments . . . . .  | 7,207,360                       | <b>2</b> 8,871,154        |
|                             | 3 Pledges and grants receivable, net . . . . .  | 3                               |                           |
|                             | 4 Accounts receivable, net . . . . .  | 8,375,834                       | <b>4</b> 6,077,825        |
|                             | 5 Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L . . . . .  |                                 |                           |
|                             | 6 Receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers, and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions) Schedule L . . . . . |                                 |                           |
|                             | 7 Notes and loans receivable, net . . . . .   |                                 | <b>6</b>                  |
|                             | 8 Inventories for sale or use . . . . .   | 100,458                         | <b>8</b> 118,202          |
|                             | 9 Prepaid expenses and deferred charges . . . . .   | 391,519                         | <b>9</b> 450,144          |
|                             | 10a Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D   | 30,370,027                      |                           |
|                             | 10b Less accumulated depreciation . . . . .   | 10a<br>10b                      | 9,636,928 10c 8,733,803   |
|                             | 11 Investments—publicly traded securities . . . . .   | 40,261,709                      | <b>11</b> 46,255,767      |
|                             | 12 Investments—other securities See Part IV, line 11 . . . . .  |                                 | <b>12</b>                 |
|                             | 13 Investments—program-related See Part IV, line 11 . . . . .   |                                 | <b>13</b>                 |
|                             | 14 Intangible assets . . . . .  | 0                               | <b>14</b> 625,936         |
|                             | 15 Other assets See Part IV, line 11 . . . . .  | 2,683,114                       | <b>15</b> 2,866,111       |
|                             | <b>16 Total assets.</b> Add lines 1 through 15 (must equal line 34) . . . . .   | 68,657,422                      | <b>16</b> 73,999,442      |
| Liabilities                 | 17 Accounts payable and accrued expenses . . . . .  | 7,743,354                       | <b>17</b> 7,768,833       |
|                             | 18 Grants payable . . . . .   |                                 | <b>18</b>                 |
|                             | 19 Deferred revenue . . . . .   |                                 | <b>19</b>                 |
|                             | 20 Tax-exempt bond liabilities . . . . .  |                                 | <b>20</b>                 |
|                             | 21 Escrow or custodial account liability Complete Part IV of Schedule D . . . . .   |                                 | <b>21</b>                 |
|                             | 22 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>                 |
|                             | 23 Secured mortgages and notes payable to unrelated third parties . . . . .   |                                 | <b>23</b>                 |
|                             | 24 Unsecured notes and loans payable to unrelated third parties . . . . .   |                                 | <b>24</b>                 |
|                             | 25 Other liabilities Complete Part X of Schedule D . . . . .  | 967,216                         | <b>25</b> 0               |
|                             | <b>26 Total liabilities.</b> Add lines 17 through 25 . . . . .  | 8,710,570                       | <b>26</b> 7,768,833       |
| Net Assets or Fund Balances | <b>Organizations that follow SFAS 117, check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.</b>  |                                 |                           |
|                             | 27 Unrestricted net assets . . . . .  | 59,088,182                      | <b>27</b> 65,361,140      |
|                             | 28 Temporarily restricted net assets . . . . .  | 858,670                         | <b>28</b> 869,469         |
|                             | 29 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>   |                                 |                           |
|                             | 30 Capital stock or trust principal, or current funds . . . . .   |                                 | <b>30</b>                 |
|                             | 31 Paid-in or capital surplus, or land, building or equipment fund . . . . .  |                                 | <b>31</b>                 |
|                             | 32 Retained earnings, endowment, accumulated income, or other funds . . . . .   |                                 | <b>32</b>                 |
|                             | 33 Total net assets or fund balances . . . . .  | 59,946,852                      | <b>33</b> 66,230,609      |
|                             | 34 Total liabilities and net assets/fund balances . . . . .   | 68,657,422                      | <b>34</b> 73,999,442      |

**Part XI Reconciliation of Net Assets**Check if Schedule O contains a response to any question in this Part XI 

|   |   |   |            |
|---|---|---|------------|
| 1 | Total revenue (must equal Part VIII, column (A), line 12)   | 1 | 46,446,907 |
| 2 | Total expenses (must equal Part IX, column (A), line 25)  | 2 | 44,981,800 |
| 3 | Revenue less expenses Subtract line 2 from line 1   | 3 | 1,465,107  |
| 4 | Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))                     | 4 | 59,946,852 |
| 5 | Other changes in net assets or fund balances (explain in Schedule O)  | 5 | 4,818,650  |
| 6 | Net assets or fund balances at end of year Combine lines 3, 4, and 5 (must equal Part X, line 33, column (B)) | 6 | 66,230,609 |

**Part XII Financial Statements and Reporting**Check if Schedule O contains a response to any question in this Part XII 

|  | Yes | No  |
|--|-----|-----|
| 1 Accounting method used to prepare the Form 990 <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Accrual <input type="checkbox"/> Other _____<br>If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O  |     |     |
| 2a Were the organization's financial statements compiled or reviewed by an independent accountant? <input type="checkbox"/>  | 2a  | No  |
| 2b Were the organization's financial statements audited by an independent accountant? <input type="checkbox"/>   | 2b  | Yes |
| 2c 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?<br>If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O <input type="checkbox"/> | 2c  | Yes |
| 2d 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<br><input type="checkbox"/> Separate basis <input checked="" type="checkbox"/> Consolidated basis <input type="checkbox"/> Both consolidated and separated basis                                      |     |     |
| 3a As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133? <input type="checkbox"/>   | 3a  | No  |
| 3b 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 <input type="checkbox"/>   | 3b  |     |

**SCHEDULE A**  
(Form 990 or 990EZ)**Public Charity Status and Public Support****2010**

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.

**Open to Public  
Inspection**Department of the Treasury  
Internal Revenue ServiceName of the organization  
MARY FREE BED HOSPITAL & REHABILITATION CENTER**Employer identification number**

38-1359265

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

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

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

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

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

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

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

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

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

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

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

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

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

e  a  Type I      b  Type II      c  Type III - Functionally integrated      d  Type III - Other

f  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)

g  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

h  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 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?

|                 | <b>Yes</b> | <b>No</b> |
|-----------------|------------|-----------|
| <b>11g(i)</b>   |            |           |
| <b>11g(ii)</b>  |            |           |
| <b>11g(iii)</b> |            |           |

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

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

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

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

**Section A. Public Support**

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

**Section B. Total Support**

| Calendar year (or fiscal year beginning in) ►   | (a) 2006 | (b) 2007 | (c) 2008 | (d) 2009 | (e) 2010 | (f) Total |
|---|----------|----------|----------|----------|----------|-----------|
| 7 Amounts from line 4   |          |          |          |          |          |           |
| 8 Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources  |          |          |          |          |          |           |
| 9 Net income from unrelated business activities, whether or not the business is regularly carried on  |          |          |          |          |          |           |
| 10 Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV )   |          |          |          |          |          |           |
| 11 <b>Total support</b> (Add lines 7 through 10)  |          |          |          |          |          |           |
| 12 Gross receipts from related activities, etc (See instructions )  |          |          |          |          | 12       |           |
| 13 <b>First Five Years</b> 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 <b>stop here</b> |          |          |          |          |          | ►         |

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

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

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

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

**Section A. Public Support**

| Calendar year (or fiscal year beginning in) ►  | (a) 2006 | (b) 2007 | (c) 2008 | (d) 2009 | (e) 2010 | (f) Total |
|--|----------|----------|----------|----------|----------|-----------|
| 1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants")   |          |          |          |          |          |           |
| 2 Gross receipts from admissions, merchandise sold or services performed, or facilities furnished in any activity that is related to the organization's tax-exempt purpose |          |          |          |          |          |           |
| 3 Gross receipts from activities that are not an unrelated trade or business under section 513   |          |          |          |          |          |           |
| 4 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf  |          |          |          |          |          |           |
| 5 The value of services or facilities furnished by a governmental unit to the organization without charge  |          |          |          |          |          |           |
| <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**

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

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

|  |    |
|--|----|
| 17 Investment income percentage for 2010 (line 10c column (f) divided by line 13 column (f))   | 17 |
| 18 Investment income percentage from 2009 Schedule A, Part III, line 17  | 18 |
| 19a <b>33 1/3% support tests—2010.</b> 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 <b>stop here</b> . The organization qualifies as a publicly supported organization ►                |    |
| <b>b</b> <b>33 1/3% support tests—2009.</b> 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 <b>stop here</b> . The organization qualifies as a publicly supported organization ► |    |
| 20 <b>Private Foundation</b> If the organization did not check a box on line 14, 19a or 19b, check this box and see instructions ►   |    |

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

### **Facts And Circumstances Test**

**SCHEDULE C**  
(Form 990 or 990-EZ)**Political Campaign and Lobbying Activities****2010****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.

**Open to Public  
Inspection**

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

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

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

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

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

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

|  |  |
|--|--|
| Name of the organization<br>MARY FREE BED HOSPITAL & REHABILITATION CENTER | Employer identification number<br>38-1359265 |
|--|--|

**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

**Limits on Lobbying Expenditures**

(The term "expenditures" means amounts paid or incurred.)

**1a** Total lobbying expenditures to influence public opinion (grass roots lobbying)**b** Total lobbying expenditures to influence a legislative body (direct lobbying)**c** Total lobbying expenditures (add lines 1a and 1b)**d** Other exempt purpose expenditures**e** Total exempt purpose expenditures (add lines 1c and 1d)**f** Lobbying nontaxable amount Enter the amount from the following table in both columns

| If the amount on line 1e, column (a) or (b) is: | The lobbying nontaxable amount is:                |
|---|---|
| Not over \$500,000                              | 20% of the amount on line 1e                      |
| Over \$500,000 but not over \$1,000,000         | \$100,000 plus 15% of the excess over \$500,000   |
| Over \$1,000,000 but not over \$1,500,000       | \$175,000 plus 10% of the excess over \$1,000,000 |
| Over \$1,500,000 but not over \$17,000,000      | \$225,000 plus 5% of the excess over \$1,500,000  |
| Over \$17,000,000                               | \$1,000,000                                       |

**g** Grassroots nontaxable amount (enter 25% of line 1f)**h** Subtract line 1g from line 1a If zero or less, enter -0-**i** Subtract line 1f from line 1c If zero or less, enter -0-**j** If there is an amount other than zero on either line 1h or line 1i, did the organization file Form 4720 reporting section 4911 tax for this year? Yes  No**4-Year Averaging Period Under Section 501(h)**

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

**Lobbying Expenditures During 4-Year Averaging Period**

| Calendar year (or fiscal year beginning in)                         | (a) 2007 | (b) 2008 | (c) 2009 | (d) 2010 | (e) Total |
|---|----------|----------|----------|----------|-----------|
| <b>2a</b> Lobbying non-taxable amount                               |          |          |          |          |           |
| <b>b</b> Lobbying ceiling amount<br>(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<br>(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 |    | 6,042  |
| <b>j</b> Total lines 1c through 1i  |     |    | 6,042  |
| <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?                     | 1   |    |
| <b>2</b> Did the organization make only in-house lobbying expenditures of \$2,000 or less?                | 2   |    |
| <b>3</b> Did the organization agree to carryover lobbying and political expenditures from the prior year? | 3   |    |

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

|   |    |  |
|---|----|--|
| <b>1</b> Dues, assessments and similar amounts from members   | 1  |  |
| <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> ).   | 2a |  |
| <b>a</b> Current year   | 2b |  |
| <b>b</b> Carryover from last year   | 2c |  |
| <b>c</b> Total  | 3  |  |
| <b>3</b> Aggregate amount reported in section 6033(e)(1)(A) notices of nondeductible section 162(e) dues  | 4  |  |
| <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? | 5  |  |
| <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 11. Also, complete this part for any additional information.

| Identifier                               | Return Reference   | Explanation  |
|--|--------------------|--|
| EXPLANATION OF OTHER LOBBYING ACTIVITIES | PART II-B, LINE 1I | PORTION OF MEMBERSHIP FEES IDENTIFIED BY THE AMERICAN HOSPITAL ASSOCIATION, MICHIGAN HEALTH & HOSPITAL ASSOCIATION, AND THE AMERICAN MEDICAL REHABILITATION PROVIDERS ASSOCIATION CONTACTS WITH STATE AND FEDERAL LEGISLATORS THROUGH E-MAIL |

2010

Open to Public  
Inspection**SCHEDULE D**  
(Form 990)**Supplemental Financial Statements**

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

Department of the Treasury  
Internal Revenue Service**Name of the organization**

MARY FREE BED HOSPITAL &amp; REHABILITATION CENTER

**Employer identification number**

38-1359265

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

|  | (a) Donor advised funds | (b) Funds and other accounts |
|--|-------------------------|------------------------------|
| 1 Total number at end of year              |                         |                              |
| 2 Aggregate contributions to (during year) |                         |                              |
| 3 Aggregate grants from (during year)      |                         |                              |
| 4 Aggregate value at end of year           |                         |                              |

5 Did the organization inform all donors and donor advisors in writing that the assets held in donor advised funds are the organization's property, subject to the organization's exclusive legal control?  Yes  No

6 Did the organization inform all grantees, donors, and donor advisors in writing that grant funds may be used only for charitable purposes and not for the benefit of the donor or donor advisor, or for any other purpose conferring impermissible private benefit?  Yes  No

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

1 Purpose(s) of conservation easements held by the organization (check all that apply)

Preservation of land for public use (e.g., recreation or pleasure)  Preservation of an historically importantly land area

Protection of natural habitat  Preservation of a certified historic structure

Preservation of open space

2 Complete lines 2a-2d if the organization held a qualified conservation contribution in the form of a conservation easement on the last day of the tax year

|    | Held at the End of the Year |
|----|-----------------------------|
| 2a |                             |
| 2b |                             |
| 2c |                             |
| 2d |                             |

3 Number of conservation easements modified, transferred, released, extinguished, or terminated by the organization during the taxable year ► \_\_\_\_\_

4 Number of states where property subject to conservation easement is located ► \_\_\_\_\_

5 Does the organization have a written policy regarding the periodic monitoring, inspection, handling of violations, and enforcement of the conservation easements it holds?  Yes  No

6 Staff and volunteer hours devoted to monitoring, inspecting and enforcing conservation easements during the year ► \_\_\_\_\_

7 Amount of expenses incurred in monitoring, inspecting, and enforcing conservation easements during the year ► \$ \_\_\_\_\_

8 Does each conservation easement reported on line 2(d) above satisfy the requirements of section 170(h)(4)(B)(i) and 170(h)(4)(B)(ii)?  Yes  No

9 In Part XIV, describe how the organization reports conservation easements in its revenue and expense statement, and balance sheet, and include, if applicable, the text of the footnote to the organization's financial statements that describes the organization's accounting for conservation easements

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

1a If the organization elected, as permitted under SFAS 116, not to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education or research in furtherance of public service, provide, in Part XIV, the text of the footnote to its financial statements that describes these items

b If the organization elected, as permitted under SFAS 116, to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide the following amounts relating to these items

(i) Revenues included in Form 990, Part VIII, line 1 ► \$ \_\_\_\_\_

(ii) Assets included in Form 990, Part X ► \$ \_\_\_\_\_

2 If the organization received or held works of art, historical treasures, or other similar assets for financial gain, provide the following amounts required to be reported under SFAS 116 relating to these items

a Revenues included in Form 990, Part VIII, line 1 ► \$ \_\_\_\_\_

b Assets included in Form 990, Part X ► \$ \_\_\_\_\_

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

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

a  Public exhibition      d  Loan or exchange programs  
 b  Scholarly research      e  Other  
 c  Preservation for future generations

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

5 During the year, did the organization solicit or receive donations of art, historical treasures or other similar assets to be sold to raise funds rather than to be maintained as part of the organization's collection?  Yes  No

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

1a Is the organization an agent, trustee, custodian or other intermediary for contributions or other assets not included on Form 990, Part X?  Yes  No

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

|    | Amount |
|----|--------|
| 1c |        |
| 1d |        |
| 1e |        |
| 1f |        |

2a Did the organization include an amount on Form 990, Part X, line 21?  Yes  No

b If "Yes," explain the arrangement in Part XIV

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

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

2 Provide the estimated percentage of the year end balance held as

a Board designated or quasi-endowment ►

b Permanent endowment ►

c Term endowment ►

3a Are there endowment funds not in the possession of the organization that are held and administered for the organization by

(i) unrelated organizations . . . . .  Yes  No

(ii) related organizations . . . . .  Yes  No

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

|   | Description of investment | (a) Cost or other basis (investment) | (b) Cost or other basis (other) | (c) Accumulated depreciation | (d) Book value |
|---|---------------------------|--------------------------------------|---------------------------------|------------------------------|----------------|
| 1a Land . . . . .   |                           | 1,102,670                            |                                 |                              | 1,102,670      |
| b Buildings . . . . .   |                           | 15,430,506                           | 10,286,789                      |                              | 5,143,717      |
| c Leasehold improvements . . . . .  |                           | 469,998                              | 379,581                         |                              | 90,417         |
| d Equipment . . . . .   |                           | 12,889,101                           | 10,624,621                      |                              | 2,264,480      |
| e Other . . . . .   |                           | 477,752                              | 345,233                         |                              | 132,519        |
| <b>Total.</b> Add lines 1a-1e (Column (d) should equal Form 990, Part X, column (B), line 10(c).) . . . . . |                           |                                      |                                 |                              | 8,733,803      |

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

| <b>(a) Description of security or category<br/>(including name of security)</b> | <b>(b) Book value</b> | <b>(c) Method of valuation<br/>Cost or end-of-year market value</b> |
|---|-----------------------|---|
| (1) Financial derivatives   |                       |   |
| (2) Closely-held equity interests   |                       |   |
| Other   |                       |   |
|   |                       |   |
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**Total.** (Column (b) should equal Form 990, Part X, col (B) line 12)

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

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**Total.** (Column (b) should equal Form 990, Part X, col (B) line 13)

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

**Total.** (Column (b) should equal Form 990, Part X, col. (B) line 15.)

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

<sup>3</sup> Ex 48 (ASC 740) Footnote In Part XIV, provide th

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

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

|    |   |    |            |
|----|---|----|------------|
| 1  | Total revenue (Form 990, Part VIII, column (A), line 12)                        | 1  | 46,446,907 |
| 2  | Total expenses (Form 990, Part IX, column (A), line 25)                         | 2  | 44,981,800 |
| 3  | Excess or (deficit) for the year Subtract line 2 from line 1                    | 3  | 1,465,107  |
| 4  | Net unrealized gains (losses) on investments                                    | 4  | 4,691,694  |
| 5  | Donated services and use of facilities  | 5  |            |
| 6  | Investment expenses   | 6  |            |
| 7  | Prior period adjustments  | 7  |            |
| 8  | Other (Describe in Part XIV)  | 8  | 126,956    |
| 9  | Total adjustments (net) Add lines 4 - 8   | 9  | 4,818,650  |
| 10 | Excess or (deficit) for the year per financial statements Combine lines 3 and 9 | 10 | 6,283,757  |

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

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

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

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

**Part XIV Supplemental Information**

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

| Identifier  | Return Reference | Explanation  |
|---|------------------|--|
| DESCRIPTION OF UNCERTAIN TAX POSITIONS UNDER FIN 48 | PART X           | THE HOSPITAL IS A NONPROFIT, TAX-EXEMPT ORGANIZATION UNDER SECTION 501(C)(3) OF THE INTERNAL REVENUE CODE AND, ACCORDINGLY, NO TAX PROVISION IS REFLECTED IN THE FINANCIAL STATEMENTS. THE HOSPITAL HAS ADOPTED ACCOUNTING STANDARDS RELATED TO UNCERTAIN TAX POSITIONS AND, ACCORDINGLY, REVIEWED ALL TAX POSITIONS. THE EVALUATED POTENTIAL EXPOSURE RELATED TO UNCERTAIN TAX POSITIONS WAS FOUND TO BE IMMATERIAL |
| PART XI, LINE 8 - OTHER ADJUSTMENTS                 |                  | PENSION RELATED CHANGES 410,643 ASSET TRANSFER WITH MARY FREE BED FUND -329,854 INCREASE IN EQUITY JOINT VENTURE 46,167  |

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

## Hospitals

OMB No 1545-0047

2010

Open to Public  
Inspection

## Name of the organization

MARY FREE BED HOSPITAL &amp; REHABILITATION CENTER

## Employer identification number

38-1359265

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

**1a** Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a .  
**b** If "Yes," is it a written policy? . . . . .  
**2** If the organization has multiple hospitals, indicate which of the following best describes application of the financial assistance policy to its various hospital facilities during the tax year  
 Applied uniformly to all hospitals       Applied uniformly to most hospitals  
 Generally tailored to individual hospitals

**3** Answer the following based on the the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year  
**a** Does the organization use Federal Poverty Guidelines (FPG) to determine eligibility for providing *free* care to low income individuals? If "Yes," indicate which of the following is the FPG family income limit for eligibility for free care  
 100%     150%     200%     Other 250.000000000000 %

**b** Does the organization use FPG to determine eligibility for providing *discounted* care to low income individuals? If "Yes," indicate which of the following is the family income limit for eligibility for discounted care . . . . .  
 200%     250%     300%     350%     400%     Other \_\_\_\_\_ %

**c** If the organization does not use FPG to determine eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care. Include in the description whether the organization uses an asset test or other threshold, regardless of income, to determine eligibility for free or discounted care

**4** Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for free or discounted care to the "medically indigent"? . . . . .

**5a** Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year? . . . . .  
**b** If "Yes," did the organization's financial assistance expenses exceed the budgeted amount? . . . . .  
**c** If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care? . . . . .

**6a** Does the organization prepare a community benefit report during the tax year? . . . . .  
**b** If "Yes," did the organization make it available to the public? . . . . .

Complete the following table using the worksheets provided in the Schedule H instructions. Do not submit these worksheets with the Schedule H

|           | Yes | No |
|-----------|-----|----|
| <b>1a</b> | Yes |    |
| <b>1b</b> | Yes |    |
| <b>3a</b> | Yes |    |
| <b>3b</b> | Yes |    |
| <b>4</b>  | Yes |    |
| <b>5a</b> | Yes |    |
| <b>5b</b> |     | No |
| <b>5c</b> |     |    |
| <b>6a</b> |     | No |
| <b>6b</b> |     |    |

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

| Financial Assistance and Means-Tested Government Programs  | (a) Number of activities or programs (optional) | (b) Persons served (optional) | (c) Total community benefit expense | (d) Direct offsetting revenue | (e) Net community benefit expense | (f) Percent of total expense |
|--|---|-------------------------------|-------------------------------------|-------------------------------|-----------------------------------|------------------------------|
| <b>a</b> Financial Assistance at cost (from Worksheets 1 and 2)                                    |   |                               | 750,638                             |                               | 750,638                           | 1 690 %                      |
| <b>b</b> Unreimbursed Medicaid (from Worksheet 3, column a)  |   |                               | 7,191,439                           | 5,130,830                     | 2,060,609                         | 4 630 %                      |
| <b>c</b> Unreimbursed costs—other means-tested government programs (from Worksheet 3, column b)    |   |                               |                                     |                               |                                   |                              |
| <b>d</b> <b>Total</b> Financial Assistance and Means-Tested Government Programs                    |   |                               | 7,942,077                           | 5,130,830                     | 2,811,247                         | 6 320 %                      |
| <b>Other Benefits</b>  |   |                               |                                     |                               |                                   |                              |
| <b>e</b> Community health improvement services and community benefit operations (from Worksheet 4) |   |                               |                                     |                               |                                   |                              |
| <b>f</b> Health professions education (from Worksheet 5)   |   |                               | 41,938                              |                               | 41,938                            | 0 090 %                      |
| <b>g</b> Subsidized health services (from Worksheet 6)   |   |                               | 16,786                              |                               | 16,786                            | 0 040 %                      |
| <b>h</b> Research (from Worksheet 7)   |   |                               |                                     |                               |                                   |                              |
| <b>i</b> Cash and in-kind contributions to community groups (from Worksheet 8)                     |   |                               | 83,051                              |                               | 83,051                            | 0 190 %                      |
| <b>j</b> <b>Total</b> Other Benefits   |   |                               | 141,775                             |                               | 141,775                           | 0 320 %                      |
| <b>k</b> <b>Total</b> . Add lines 7d and 7j  |   |                               | 8,083,852                           | 5,130,830                     | 2,953,022                         | 6 640 %                      |

**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   |   |                               |                                      |                               |                                    |                              |
| <b>4</b> Environmental improvements                                |   |                               |                                      |                               |                                    |                              |
| <b>5</b> Leadership development and training for community members |   |                               |                                      |                               |                                    |                              |
| <b>6</b> Coalition building  |   |                               |                                      |                               |                                    |                              |
| <b>7</b> Community health improvement advocacy                     | 238   |                               | 2,901                                |                               | 2,901                              | 0 010 %                      |
| <b>8</b> Workforce development                                     |   |                               |                                      |                               |                                    |                              |
| <b>9</b> Other   |   |                               |                                      |                               |                                    |                              |
| <b>10 Total</b>  | 238   |                               | 2,901                                |                               | 2,901                              | 0 010 %                      |

**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> | 360,583 |    |
| <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> | 7,500   |    |
| <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> | 5,684,000  |  |
| <b>6</b> Enter Medicare allowable costs of care relating to payments on line 5 . . . . .   | <b>6</b> | 7,753,032  |  |
| <b>7</b> Subtract line 6 from line 5. This is the surplus or (shortfall) . . . . .   | <b>7</b> | -2,069,032 |  |
| <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 |          |            |  |

Cost accounting system

Cost to charge ratio

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

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

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

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

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

**Part VI Supplemental Information**

Complete this part to provide the following information

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

| Identifier | ReturnReference | Explanation   |
|------------|-----------------|---|
|            |                 | PART I, LINE 7, COLUMN (F) THE BAD DEBT EXPENSE INCLUDED ON FORM 990, PART IX, LINE 25, COLUMN (A), BUT SUBTRACTED FOR PURPOSES OF CALCULATING THE PERCENTAGE IN THIS COLUMN IS \$ 485687 |

| Identifier | ReturnReference | Explanation   |
|------------|-----------------|---|
|            |                 | PART II TWO SISTER CORPORATIONS TO THE MARY FREE BED HOSPITAL & REHABILITATION CENTER, THE MARY FREE BED FUND AND MARY FREE BED BRACE & CORSET ALSO PROVIDE COMMUNITY BENEFITS IN ADDITION TO SUPPORTING THE MARY FREE BED HOSPITAL & REHABILITATION CENTER, MARY FREE BED BRACE & CORSET AND THE MARY FREE BED MEDICAL GROUP, THE MARY FREE BED FUND PROVIDED \$273,043 OF SPECIFIC ASSISTANCE TO FAMILIES AND DISABLED FAMILY MEMBERS TO HELP COVER COSTS OF EQUIPMENT, MEDICAL CARE, ORTHOTIC AND PROSTHETIC DEVICES, SEATING SYSTEMS, RECREATION, LODGING SUBSIDIES FOR OUT-OF-TOWN FAMILIES, ADAPTIVE BICYCLES, AND SCHOLARSHIPS TO MINORITY STUDENTS MARY FREE BED BRACE & CORSET PROVIDED APPROXIMATELY \$533,000 OF COMMUNITY BENEFITS TO ITS PATIENTS THIS AMOUNT INCLUDES \$433,000 OF UNPAID COSTS OF MEDICAID PATIENTS AND UNCOLLECTIBLE ACCOUNTS |

| Identifier | ReturnReference | Explanation   |
|------------|-----------------|---|
|            |                 | <p>PART III, LINE 4 ACCOUNTS RECEIVABLE FOR PATIENTS, INSURANCE COMPANIES, AND GOVERNMENTAL AGENCIES ARE BASED ON GROSS CHARGES AN ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS IS ESTABLISHED ON AN AGGREGATE BASIS BY USING HISTORICAL WRITE-OFF RATE FACTORS APPLIED TO UNPAID ACCOUNTS BASED ON AGING LOSS RATE FACTORS ARE BASED ON HISTORICAL LOSS EXPERIENCE AND ADJUSTED FOR ECONOMIC CONDITIONS AND OTHER TRENDS AFFECTING THE HOSPITAL'S ABILITY TO COLLECT OUTSTANDING AMOUNTS UNCOLLECTIBLE AMOUNTS ARE WRITTEN OFF AGAINST THE ALLOWANCE FOR DOUBTFUL ACCOUNTS IN THE PERIOD THEY ARE DETERMINED TO BE UNCOLLECTIBLE AN ALLOWANCE FOR CONTRACTUAL ADJUSTMENTS AND INTERIM PAYMENT ADVANCES IS BASED ON EXPECTED PAYMENT RATES FROM PAYORS BASED ON CURRENT REIMBURSEMENT METHODOLOGIES THIS AMOUNT ALSO INCLUDES AMOUNTS RECEIVED AS INTERIM PAYMENTS AGAINST UNPAID CLAIMS BY CERTAIN PAYORS THE COST TO CHARGE RATIO IS USED TO DETERMINE THE PORTION OF BAD DEBT AMOUNTS AS COMMUNITY BENEFIT</p> |

| Identifier | ReturnReference | Explanation  |
|------------|-----------------|--|
|            |                 | PART III, LINE 8 MARY FREE BED HOSPITAL AND REHABILITATION CENTER HAS ESTIMATED THAT MOST OF THE MEDICARE SHORTFALL SHOULD BE TREATED AS CHARITY CARE AS MANY OF THESE PATIENTS ARE LIVING ON FIXED INCOMES AND HAVE LIMITED MEANS THE COST TO CHARGE RATIO WAS USED |

| Identifier | ReturnReference | Explanation   |
|------------|-----------------|---|
|            |                 | PART III, LINE 9B ALL PATIENTS RECEIVING CHARITY CARE HAVE A UNIQUE FINANCIAL CLASS ASSIGNED TO THEM ALL CHARITY CARE ACCOUNTS ARE EXCLUDED FROM ACCOUNTS BEING SENT TO THE COLLECTION AGENCY |

| Identifier | ReturnReference | Explanation   |
|------------|-----------------|---|
|            |                 | PART VI, LINE 2 THE HEALTHCARE NEEDS OF THE COMMUNITIES SERVED ARE DETERMINED THROUGH THE HOSPITAL'S ANNUAL STRATEGIC PLANNING PROCESS INPUTS FROM PATIENTS, FAMILIES OF PATIENTS, REFERRING PHYSICIANS, HOSPITAL DISCHARGE PLANNERS, AS WELL AS INFORMATION FROM OTHER COMMUNITY HEALTHCARE PROVIDERS ARE USED TO DETERMINE THE REHAB HEALTHCARE NEEDS OF THE COMMUNITIES SERVED |

| Identifier | ReturnReference | Explanation   |
|------------|-----------------|---|
|            |                 | PART VI, LINE 3 EACH PATIENT RECEIVES AN INFORMATION PACKET WHICH INCLUDES A COPY OF OUR CHARITY CARE POLICY AND APPLICATION FURTHER, IF ANY SERVICES ARE NOT COVERED OR PARTIALLY COVERED, PATIENTS ARE CONTACTED AND CHARITY IS AGAIN OFFERED, IF APPROPRIATE MANY OF OUR PATIENTS COME FROM AN ACUTE CARE HOSPITAL WITH SIMILAR CHARITY POLICIES, WE ARE OFTEN ABLE TO CONTACT THE REFERRING HOSPITAL TO DISCUSS A PATIENT'S ELIGIBILITY |

| Identifier | ReturnReference | Explanation   |
|------------|-----------------|---|
|            |                 | PART VI, LINE 4 THE HOSPITAL SERVES PRIMARILY THE<br>WESTERN MICHIGAN COMMUNITY |

| Identifier | ReturnReference | Explanation   |
|------------|-----------------|---|
|            |                 | PART VI, LINE 6 THE HOSPITAL FURTHERS ITS EXEMPT PURPOSES BY PROMOTING THE HEALTH OF THE COMMUNITY THROUGH AN OPEN MEDICAL STAFF, A BOARD COMPRISED OF COMMUNITY MEMBERS, AND PERIODIC TRANSFER OF SURPLUS FUNDS TO THE MARY FREE BED FUND WHICH ARE USED FOR SUPPORTING PROGRAMS FOR THE DISABLED IN THE COMMUNITY STAFF SERVE ON BOARDS OR VOLUNTEER AT OTHER NON-PROFIT AGENCIES THE HOSPITAL PARTNERS WITH OTHER AGENCIES ON HEALTH ISSUES SUCH AS STROKE PREVENTION AND USE OF HELMETS TO REDUCE HEAD INJURIES |

**Schedule H (Form 990) 2010**

## **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

**MARY FREE BED HOSPITAL & REHABILITATION CENTER**

**Employer identification number**

38-1359265

## **Part I General Information on Grants and Assistance**

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

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

**Part 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<br>(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 |
|------------|------------------|-------------|
|            |                  |             |

**Schedule J**  
(Form 990)**Compensation Information**

OMB No 1545-0047

**2010**Department of the Treasury  
Internal Revenue Service

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.**

**Open to Public Inspection****Name of the organization**

MARY FREE BED HOSPITAL &amp; REHABILITATION CENTER

**Employer identification number**

38-1359265

**Part I Questions Regarding Compensation**

Yes No

**1a** Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a. Complete Part III to provide any relevant information regarding these items

|  |  |
|--|--|
| <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) |

**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

**2** Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a?

**3** Indicate which, if any, of the following the organization uses to establish the compensation of the organization's CEO/Executive Director. Check all that apply

|   |   |
|---|---|
| <input checked="" type="checkbox"/> Compensation committee          | <input checked="" type="checkbox"/> Written employment contract                     |
| <input type="checkbox"/> Independent compensation consultant        | <input checked="" type="checkbox"/> Compensation survey or study                    |
| <input checked="" type="checkbox"/> Form 990 of other organizations | <input checked="" type="checkbox"/> Approval by the board or compensation committee |

**4** During the year, did any person listed in Form 990, Part VII, Section A, line 1a with respect to the filing organization or a related organization

**a** Receive a severance payment or change-of-control payment from the organization or a related organization?

**b** Participate in, or receive payment from, a supplemental nonqualified retirement plan?

**c** Participate in, or receive payment from, an equity-based compensation arrangement?

If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III

**Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.**

**5** For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of

**a** The organization?

**b** Any related organization?

If "Yes," to line 5a or 5b, describe in Part III

**6** For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of

**a** The organization?

**b** Any related organization?

If "Yes," to line 6a or 6b, describe in Part III

**7** For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III

**8** Were any amounts reported in Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in Regs. section 53.4958-4(a)(3)? If "Yes," describe in Part III

**9** If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53.4958-6(c)?

|           |  |    |
|-----------|--|----|
| <b>1b</b> |  |    |
| <b>2</b>  |  |    |
| <b>4a</b> |  | No |
| <b>4b</b> |  | No |
| <b>4c</b> |  | No |
| <b>5a</b> |  | No |
| <b>5b</b> |  | No |
| <b>6a</b> |  | No |
| <b>6b</b> |  | No |
| <b>7</b>  |  | No |
| <b>8</b>  |  | No |
| <b>9</b>  |  |    |

**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) WILLIAM H<br>BLESSING | (i) 347,954<br>(ii) 0                              | 62,021<br>0                         | 34,361<br>0                         | 7,331<br>0                                     | 33,784<br>0             | 485,451<br>0                    | 0<br>0   |
| (2) JOHN F BUTZER<br>MD   | (i) 368,435<br>(ii) 0                              | 66,988<br>0                         | 34,242<br>0                         | 7,558<br>0                                     | 33,560<br>0             | 510,783<br>0                    | 0<br>0   |
| (3) RANDALL DENEFF        | (i) 159,388<br>(ii) 0                              | 12,724<br>0                         | 1,032<br>0                          | 7,886<br>0                                     | 15,110<br>0             | 196,140<br>0                    | 0<br>0   |
| (4) DAYLE MAPLES MD       | (i) 250,765<br>(ii) 0                              | 19,459<br>0                         | 0<br>0                              | 3,880<br>0                                     | 0<br>0                  | 274,104<br>0                    | 0<br>0   |
| (5) BRUCE BRASSER         | (i) 143,327<br>(ii) 0                              | 10,085<br>0                         | 0<br>0                              | 3,481<br>0                                     | 17,341<br>0             | 174,234<br>0                    | 0<br>0   |
| ( 6 )                     |  |                                     |                                     |  |                         |                                 |  |
| ( 7 )                     |  |                                     |                                     |  |                         |                                 |  |
| ( 8 )                     |  |                                     |                                     |  |                         |                                 |  |
| ( 9 )                     |  |                                     |                                     |  |                         |                                 |  |
| ( 10 )                    |  |                                     |                                     |  |                         |                                 |  |
| ( 11 )                    |  |                                     |                                     |  |                         |                                 |  |
| ( 12 )                    |  |                                     |                                     |  |                         |                                 |  |
| ( 13 )                    |  |                                     |                                     |  |                         |                                 |  |
| ( 14 )                    |  |                                     |                                     |  |                         |                                 |  |
| ( 15 )                    |  |                                     |                                     |  |                         |                                 |  |
| ( 16 )                    |  |                                     |                                     |  |                         |                                 |  |

**Part III Supplemental Information**

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

| Identifier | Return Reference | Explanation |
|------------|------------------|-------------|
|------------|------------------|-------------|

**SCHEDULE O**  
(Form 990 or 990-EZ)Department of the Treasury  
Internal Revenue Service**Supplemental Information to Form 990 or 990-EZ**

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

**2010****Open to Public  
Inspection****Name of the organization**

MARY FREE BED HOSPITAL &amp; REHABILITATION CENTER

**Employer identification number**

38-1359265

| Identifier                              | Return Reference | Explanation  |
|---|------------------|--|
| FORM 990, PART VI, SECTION A,<br>LINE 6 |                  | THE ORGANIZATION HAS ONE SHAREHOLDER, MARY FREE BED GUILD, AS DICTATED<br>BY THE BY-LAWS |

| <b>Identifier</b>                        | <b>Return Reference</b> | <b>Explanation</b>   |
|--|-------------------------|--|
| FORM 990, PART VI,<br>SECTION A, LINE 7A |                         | THE SOLE SHAREHOLDER, MARY FREE BED GUILD, HOLDS 50% OF THE BOARD POSITIONS WHICH EXERCISE THE RIGHT TO ELECT HOSPITAL BOARD MEMBERS |

| Identifier                            | Return Reference | Explanation  |
|---------------------------------------|------------------|--|
| FORM 990, PART VI, SECTION A, LINE 7B |                  | THE SOLE SHAREHOLDER MUST APPROVE CERTAIN HOSPITAL BOARD TRANSACTIONS SUCH AS REAL ESTATE TRANSACTIONS |

| <b>Identifier</b>                        | <b>Return Reference</b> | <b>Explanation</b>   |
|--|-------------------------|--|
| FORM 990, PART VI,<br>SECTION B, LINE 11 |                         | NO REVIEW WAS OR WILL BE CONDUCTED PRIOR TO FILING. AFTER COMPLETION OF THE RETURN, RETURN WILL BE POSTED TO INTERNAL WEBSITE PORTAL FOR ALL BOARD MEMBERS |

| Identifier | Return Reference                       | Explanation  |
|------------|--|--|
|            | FORM 990, PART VI, SECTION B, LINE 12C | CONFLICT OF INTEREST POLICIES ARE UPDATED ANNUALLY BY ALL BOARD MEMBERS, OFFICERS, AND STAFF. PROCESS IS ADMINISTERED OUT OF THE EXECUTIVE ADMINISTRATION OFFICE. ANY DISCLOSED CONFLICTS OF INTERESTS WOULD BE DISCLOSED TO THE BOARD OF DIRECTORS AND ASSURANCES OBTAINED THAT NO ILLEGAL OR SUBSIDIZED ACTIVITIES ARE OCCURRING. ALL DISCLOSURES REVIEWED BY THE HOSPITAL'S COMPLIANCE COMMITTEE. |

| Identifier | Return Reference                               | Explanation  |
|------------|--|--|
|            | FORM 990,<br>PART VI,<br>SECTION B,<br>LINE 15 | THE EXECUTIVE COMMITTEE OF THE BOARD OF TRUSTEES DETERMINES THE COMPENSATION FOR THE HOSPITAL'S PRESIDENT AND MEDICAL DIRECTOR. MARKET SURVEY DATA OF COMPARABLE SALARIES IS USED TO ESTABLISH BASE SALARY. FORM 990S OF SIMILAR ORGANIZATIONS ARE ALSO USED TO ESTABLISH COMPENSATION FOR THE PRESIDENT AND THE MEDICAL DIRECTOR. WRITTEN EMPLOYMENT CONTRACTS EXIST ESTABLISHING THE LEVELS OF COMPENSATION. AN INCENTIVE PLAN WITH SPECIFIC MEASURES AND WEIGHTINGS FOR FINANCIAL, QUALITY, CUSTOMER SATISFACTION, AND INDIVIDUAL GOALS IS ALSO IN PLACE FOR THE PRESIDENT AND MEDICAL DIRECTOR. THIS PROCESS WAS MOST RECENTLY UNDERTAKEN IN 2010. |

| Identifier | Return Reference                         | Explanation  |
|------------|--|--|
|            | FORM 990, PART VI,<br>SECTION C, LINE 19 | GOVERNING DOCUMENTS AND CONFLICT OF INTEREST POLICY ARE NOT AVAILABLE FOR PUBLIC<br>INSPECTION FINANCIAL STATEMENTS ARE SUMMARIZED IN AN ANNUAL REPORT WHICH IS<br>AVAILABLE TO THE PUBLIC |

| <b>Identifier</b>                      | <b>Return Reference</b>   | <b>Explanation</b>   |
|--|---------------------------|--|
| CHANGES IN NET ASSETS OR FUND BALANCES | FORM 990, PART XI, LINE 5 | NET UNREALIZED GAINS ON INVESTMENTS 4,691,694 PENSION RELATED CHANGES 410,643 ASSET TRANSFER WITH MARY FREE BED FUND -329,854 INCREASE IN EQUITY JOINT VENTURE 46,167 TOTAL TO FORM 990, PART XI, LINE 5 4,818,650 |

| <b>Identifier</b> | <b>Return Reference</b>     | <b>Explanation</b>                                  |
|-------------------|-----------------------------|---|
|                   | FORM 990, PART XII, LINE 2C | THERE HAS BEEN NO CHANGE IN PROCESS FROM PRIOR YEAR |

| Identifier | Return Reference           | Explanation  |
|------------|----------------------------|--|
|            | REASONABLE CAUSE STATEMENT | THIS RETURN IS BEING FILED BETWEEN MARCH 1, 2012 AND MARCH 30, 2012, AS DIRECTED BY THE IRS IN NOTICE 2012-4, BECAUSE ELECTRONIC FILING WAS NOT AVAILABLE JANUARY 1, 2012 THROUGH FEBRUARY 29, 2012 WE REQUEST THAT PENALTIES BE WAIVED BECAUSE IT WOULD BE INEQUITABLE TO IMPOSE A PENALTY ON US DUE TO THE UNUSUAL CIRCUMSTANCES REQUIRING US TO DELAY THE FILING OF THIS RETURN |

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## **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

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**Name of the organization**

MARY FREE BED HOSPITAL & REHABILITATION CENTER

**Employer identification number**

38-1359265

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

**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.)

**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.)

**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.)

**Part V Transactions With Related Organizations** (Complete if the organization answered "Yes" on Form 990, Part IV, line 34, 35, 35A, or 36.)**Note.** Complete line 1 if any entity is listed in Parts II, III or IV**1** During the tax year, did the organization engage in any of the following transactions with one or more related organizations listed in Parts II-IV?

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

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

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

| (a)<br>Name of other organization  | (b)<br>Transaction type(a-r) | (c)<br>Amount involved | (d)<br>Method of determining amount involved |
|------------------------------------|------------------------------|------------------------|--|
| (1) MARY FREE BED BRACE AND CORSET | I                            | 159,480                | ACTUAL COSTS INCURRED                        |
| (2) MARY FREE BED BRACE AND CORSET | P                            | 912,336                | ACTUAL COSTS INCURRED                        |
| (3) MARY FREE BED FUND             | B                            | 2,200,000              | CASH   |
| (4) MARY FREE BED FUND             | C                            | 882,986                | CASH   |
| (5) MARY FREE BED FUND             | H                            | 329,854                | BOOK VALUE                                   |
| (6) MARY FREE BED MEDICAL GROUP    | P                            | 486,100                | ACTUAL COSTS INCURRED                        |

**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.

**Part VII Supplemental Information**

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

| Identifier | Return Reference | Explanation |
|------------|------------------|-------------|
|------------|------------------|-------------|

**Software ID:****Software Version:****EIN:** 38-1359265**Name:** MARY FREE BED HOSPITAL & REHABILITATION CENTER**Form 990, Schedule R, Part V - Transactions With Related Organizations**

|     | (a)<br>Name of other organization | (b)<br>Transaction<br>type(a-r) | (c)<br>Amount Involved<br>(\$) | (d)<br>Method of determining<br>amount involved |
|-----|-----------------------------------|---------------------------------|--------------------------------|---|
| (1) | MARY FREE BED BRACE AND CORSET    | I                               | 159,480                        | ACTUAL COSTS<br>INCURRED                        |
| (2) | MARY FREE BED BRACE AND CORSET    | P                               | 912,336                        | ACTUAL COSTS<br>INCURRED                        |
| (3) | MARY FREE BED FUND                | B                               | 2,200,000                      | CASH  |
| (4) | MARY FREE BED FUND                | C                               | 882,986                        | CASH  |
| (5) | MARY FREE BED FUND                | H                               | 329,854                        | BOOK VALUE                                      |
| (6) | MARY FREE BED MEDICAL GROUP       | P                               | 486,100                        | ACTUAL COSTS<br>INCURRED                        |

# **Metro Health Corporation and Affiliates**

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**Consolidated Financial Report  
with Additional Information**

**June 30, 2011**

# **Metro Health Corporation and Affiliates**

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### Independent Auditor's Report

To the Board of Directors  
Metro Health Corporation and Affiliates

We have audited the accompanying consolidated balance sheet of Metro Health Corporation and Affiliates (the "Corporation") as of June 30, 2011 and 2010 and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Metro Health Corporation and Affiliates at June 30, 2011 and 2010 and the consolidated results of their operations, changes in net assets, and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

September 16, 2011

# Metro Health Corporation and Affiliates

## Consolidated Balance Sheet

|   | June 30, 2011         | June 30, 2010         |
|---|-----------------------|-----------------------|
| <b>Assets</b>   |                       |                       |
| <b>Current Assets</b>                                   |                       |                       |
| Cash and cash equivalents                               | \$ 32,724,504         | \$ 15,920,657         |
| Accounts receivable - Net (Note 2)                      | 30,338,096            | 28,641,091            |
| Cost report settlements receivable (Note 3)             | 15,005,539            | 18,298,316            |
| Other current assets                                    | 8,194,220             | 7,287,056             |
| Total current assets                                    | 86,262,359            | 70,147,120            |
| <b>Property and Equipment - Net (Note 5)</b>            | 196,189,429           | 202,495,167           |
| <b>Other Assets (Note 6)</b>                            | 57,403,026            | 55,102,563            |
| Total assets  | <b>\$ 339,854,814</b> | <b>\$ 327,744,850</b> |
| <b>Liabilities and Net Assets</b>                       |                       |                       |
| <b>Current Liabilities</b>                              |                       |                       |
| Bank line of credit (Note 8)                            | \$ 3,300,000          | \$ 2,500,000          |
| Current portion of long-term debt (Note 9)              | 2,682,917             | 2,562,728             |
| Accounts payable  | 16,985,515            | 16,400,938            |
| Cost report settlements payable (Note 3)                | 4,706,378             | -                     |
| Deferred revenue  | 1,069,354             | 1,157,853             |
| Accrued liabilities and other (Note 10)                 | 12,291,700            | 12,545,582            |
| Total current liabilities                               | 41,035,864            | 35,167,101            |
| <b>Long-term Debt - Net of current portion (Note 9)</b> | 177,004,818           | 179,679,455           |
| <b>Other Liabilities (Note 11)</b>                      | 19,067,813            | 27,395,950            |
| Total liabilities                                       | 237,108,495           | 242,242,506           |
| <b>Net Assets</b>                                       |                       |                       |
| Unrestricted  | 98,251,373            | 79,714,502            |
| Temporarily restricted                                  | 4,494,946             | 5,787,842             |
| Total net assets  | 102,746,319           | 85,502,344            |
| Total liabilities and net assets                        | <b>\$ 339,854,814</b> | <b>\$ 327,744,850</b> |

# Metro Health Corporation and Affiliates

## Consolidated Statement of Operations and Changes in Net Assets

|   | Year Ended           |                     |
|---|----------------------|---------------------|
|   | June 30, 2011        | June 30, 2010       |
| <b>Unrestricted Revenue, Gains, and Other Support</b>         |                      |                     |
| Net patient service revenue                                   | \$ 287,526,181       | \$ 268,988,083      |
| Capitation revenue  | 4,062,866            | 3,806,279           |
| Other   | 9,165,792            | 9,171,477           |
| <br>Total unrestricted revenue, gains, and other support      | <br>300,754,839      | <br>281,965,839     |
| <b>Expenses</b>   |                      |                     |
| Salaries  | 96,216,649           | 88,495,828          |
| Fringe benefits   | 24,638,025           | 22,603,397          |
| Supplies  | 49,946,102           | 46,386,649          |
| Professional liability and legal costs                        | 729,347              | 1,479,603           |
| Purchased services  | 46,176,334           | 46,402,108          |
| Other   | 32,222,697           | 28,288,227          |
| Depreciation and amortization                                 | 16,784,433           | 16,243,651          |
| Provision for bad debts                                       | 15,757,115           | 15,032,204          |
| Interest expense  | 9,764,210            | 9,734,998           |
| <br>Total expenses (Note 16)                                  | <br>292,234,912      | <br>274,666,665     |
| <b>Operating Income Before Sale of Property and Equipment</b> | 8,519,927            | 7,299,174           |
| <b>Gain (Loss) on Sale of Property and Equipment (Note 5)</b> | <b>14,195</b>        | <b>(934,439)</b>    |
| <b>Operating Income</b>                                       | <b>8,534,122</b>     | <b>6,364,735</b>    |
| <b>Other Income (Loss)</b>                                    |                      |                     |
| Investment income (Note 6)                                    | 2,326,536            | 920,548             |
| Contributions   | 26,764               | 91,783              |
| Change in unrealized investment income (Note 6)               | 1,438,747            | 1,396,494           |
| Other   | (1,091,939)          | (1,148,980)         |
| <br>Total other income  | <br>2,700,108        | <br>1,259,845       |
| <b>Excess of Revenue Over Expenses</b>                        | <b>\$ 11,234,230</b> | <b>\$ 7,624,580</b> |

# Metro Health Corporation and Affiliates

## Consolidated Statement of Operations and Changes in Net Assets (Continued)

|  | Year Ended June 30           |                             |
|--|------------------------------|-----------------------------|
|  | 2011                         | 2010                        |
| <b>Unrestricted Net Assets</b>   |                              |                             |
| Excess of revenue over expenses  | \$ 11,234,230                | \$ 7,624,580                |
| Other change in net assets   | (81,669)                     | -                           |
| Capital contribution from affiliate  | -                            | 1,300,000                   |
| Pension-related changes other than net periodic benefit cost                     | 5,374,466                    | (7,851,633)                 |
| Net assets released from restriction   | <u>2,009,844</u>             | <u>840,000</u>              |
|  |                              |                             |
| Increase in unrestricted net assets  | 18,536,871                   | 1,912,947                   |
| <b>Temporarily Restricted Net Assets</b>   |                              |                             |
| Restricted contributions net of provision for bad debts on<br>pledges receivable | 716,948                      | 937,217                     |
| Net assets released from restriction   | <u>(2,009,844)</u>           | <u>(840,000)</u>            |
| (Decrease) increase in temporarily restricted<br>net assets                      | <u>(1,292,896)</u>           | <u>97,217</u>               |
|  |                              |                             |
| <b>Increase in Net Assets</b>  | 17,243,975                   | 2,010,164                   |
| <b>Net Assets - Beginning of year</b>  | <u>85,502,344</u>            | <u>83,492,180</u>           |
| <b>Net Assets - End of year</b>  | <u><b>\$ 102,746,319</b></u> | <u><b>\$ 85,502,344</b></u> |

# Metro Health Corporation and Affiliates

## Consolidated Statement of Cash Flows

|  | Year Ended                  |                             |
|--|-----------------------------|-----------------------------|
|  | June 30, 2011               | June 30, 2010               |
| <b>Cash Flows from Operating Activities</b>  |                             |                             |
| Increase in net assets   | \$ 17,243,975               | \$ 2,010,164                |
| Adjustments to reconcile increase in net assets to net cash from operating activities: |                             |                             |
| Depreciation and amortization  | 16,784,433                  | 16,243,651                  |
| Net change in unrealized net gains and losses on investments                           | (1,438,747)                 | (1,396,494)                 |
| Net realized gains on investments  | (1,240,049)                 | (45,852)                    |
| Pension-related changes other than net periodic benefit cost                           | (5,374,466)                 | 7,851,633                   |
| (Gain) loss on disposal of equipment   | (14,195)                    | 934,439                     |
| Temporarily restricted donations   | (1,574,061)                 | (937,217)                   |
| Provision for bad debts  | 15,757,115                  | 15,032,204                  |
| Changes in assets and liabilities which (used) provided cash:                          |                             |                             |
| Accounts receivable  | (17,454,120)                | (19,021,574)                |
| Other current assets   | (907,164)                   | 885,650                     |
| Cost report settlements receivable   | 7,999,155                   | (1,486,318)                 |
| Other assets   | (748,464)                   | (3,671,844)                 |
| Accounts payable   | 584,577                     | (1,580,945)                 |
| Accrued liabilities  | (253,882)                   | 398,184                     |
| Other liabilities  | (3,042,170)                 | (818,604)                   |
| Net cash provided by operating activities  | <u>26,321,937</u>           | <u>14,397,077</u>           |
| <b>Cash Flows from Investing Activities</b>  |                             |                             |
| Purchase of property and equipment   | (10,478,695)                | (9,536,292)                 |
| Proceeds from sale of property and equipment   | 14,195                      | 1,537,394                   |
| Purchase of investments  | (10,573,260)                | (18,403,227)                |
| Proceeds from sale and maturities of investments                                       | <u>11,682,542</u>           | <u>19,329,175</u>           |
| Net cash used in investing activities  | <u>(9,355,218)</u>          | <u>(7,072,950)</u>          |
| <b>Cash Flows from Financing Activities</b>  |                             |                             |
| Net change in funds held by trustee under bond indenture                               | 17,515                      | (241,255)                   |
| Net change in line of credit   | 800,000                     | (2,984,099)                 |
| Principal payment on long-term debt  | (2,554,448)                 | (2,519,224)                 |
| Proceeds from restricted contributions   | <u>1,574,061</u>            | <u>937,217</u>              |
| Net cash used in financing activities  | <u>(162,872)</u>            | <u>(4,807,361)</u>          |
| <b>Net Increase in Cash and Cash Equivalents</b>                                       | <b>16,803,847</b>           | <b>2,516,766</b>            |
| <b>Cash and Cash Equivalents - Beginning of year</b>                                   | <b>15,920,657</b>           | <b>13,403,891</b>           |
| <b>Cash and Cash Equivalents - End of year</b>   | <b><u>\$ 32,724,504</u></b> | <b><u>\$ 15,920,657</u></b> |
| <b>Supplemental Cash Flow Information - Cash paid for interest</b>                     | <b><u>\$ 9,809,573</u></b>  | <b><u>\$ 9,923,564</u></b>  |

# **Metro Health Corporation and Affiliates**

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

### **Note I - Nature of Business and Significant Accounting Policies**

**Reporting Entity and Corporate Structure** - Metro Health Corporation (MHC or the "Corporation"), a not-for-profit corporation, is a major provider of healthcare services to residents of Grand Rapids, Michigan and surrounding communities.

The consolidated financial statements include MHC and the corporations (and their subsidiaries) listed below, of which MHC is the sole member:

- Metro Health Hospital (the "Hospital")
- Metro Health Hospital Foundation (the "Foundation")
- Metropolitan Enterprises (ME)

The Corporation owns 51 percent of Metro Health ASC, LLC (ASC), which owns and operates an ambulatory surgery center; operations and balances are included in the consolidated financial statements. During 2010, the minority owner, an unrelated organization of the ASC, contributed \$1.3 million of capital to the ASC as their initial investment.

A significant portion of the Corporation's net patient service revenue is received under contractual arrangements with Medicare, Medicaid, Blue Cross/Blue Shield of Michigan, and various health maintenance organization programs. Most health services are rendered to citizens of Kent and Ottawa Counties of Michigan.

**Basis of Consolidation** - The accompanying consolidated financial statements include the accounts of Metro Health Corporation and its subsidiaries. Intercompany transactions and balances have been eliminated in consolidation. The noncontrolling interest in majority-owned entities on the June 30, 2011 consolidated balance sheet represents a 49 percent outside membership interest in ASC. The noncontrolling interest of net assets as of June 30, 2011 is \$209,627 and the noncontrolling interest share of excess of revenue over expenses for the year ended June 30, 2011 is \$249,226.

**Temporarily Restricted Net Assets** - Temporarily restricted net assets reflect assets contributed or pledged to the Hospital and its subsidiaries, the use of which is restricted by the donor. Temporarily restricted net assets are restricted for medical education, indigent care, and property and equipment purchases.

**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 by board designation or other arrangements under trust agreements (see Note 6).

Cash balances held in the bank exceeded the federal depository insurance limit. The Corporation's cash is only insured up to the federal depository insurance limit. Management believes that any credit risk related to these cash balances is minimal.

# **Metro Health Corporation and Affiliates**

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

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

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

**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 unrealized and realized gains and losses on investments, interest, and dividends) is included in excess of revenue over expenses unless the income or loss is restricted by donor or law.

The Corporation 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.

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

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

# **Metro Health Corporation and Affiliates**

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

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

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

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

**Bond Issue Costs and Issue Premium** - Bond issue costs and original issue premium are amortized over the life of the related bond issue using the straight-line method of amortization.

**Classification of Net Assets** - Net assets of the Corporation are classified as temporarily restricted or unrestricted depending on the presence and characteristics of donor-imposed restrictions limiting the Corporation's ability to use or dispose of contributed assets or the economic benefits embodied in those assets. Donor-imposed restrictions that expire with the passage of time or that can be removed by meeting certain requirements result in temporarily restricted net assets.

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

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

# **Metro Health Corporation and Affiliates**

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

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

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

**Capitated Revenue** - The Hospital and ME have agreements with various health maintenance organizations (HMOs) to provide medical services to subscribing participants. Under these agreements, the Hospital and ME receive monthly capitation payments based on the number of each HMO's participants, regardless of services actually performed. In addition, the HMOs make fee-for-service payments for certain covered services based on discounted fee schedules.

**Professional and Other Liability Insurance** - The Hospital and its subsidiaries accrue an estimate of the ultimate expense, including litigation and settlement expense, net of applicable reinsurance coverage, for incidents of potential improper professional service and other liability claims occurring during the year, as well as for those claims that have not been reported at year end (see Note 14).

**Charity Care** - Subsidiaries of the Corporation provide care to patients who meet certain criteria under its charity care policy without charge or at amounts less than established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue (see Note 4).

**Tax Status** - The Corporation and its subsidiaries are nonprofit, tax-exempt organizations (except for ME); accordingly, no tax provision is reflected in the consolidated financial statements. The provision for taxes related to ME is not material to the consolidated financial statements. ASC is a limited liability corporation and thus no provision has been recorded.

The Corporation and its subsidiaries are subject to routine audits by taxing jurisdictions; however, no audits for any tax periods are currently in progress. Management believes it is no longer subject to tax examination for years prior to June 30, 2008.

**Subsequent Events** - The consolidated financial statements and related disclosures include evaluation of events up through and including September 16, 2011, which is the date the consolidated financial statements were available to be issued.

# **Metro Health Corporation and Affiliates**

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

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

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

**New Accounting Pronouncements** - 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 balance sheet on a gross basis. Prior guidance allowed the liability to be reported net of the estimated insurance recovery receivable. This new standard will be effective for the year ended June 30, 2012 and interim periods within that annual period.

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

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

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

The Corporation is currently assessing the impact these new standards will have on its consolidated financial statements.

**Reclassifications** - Certain 2010 amounts have been reclassified to conform to the 2011 presentation, the most significant being the removal of domestic claims from both net patient service revenues and fringe benefits expense.

# Metro Health Corporation and Affiliates

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

### Note 2 - Patient Accounts Receivable

The details of patient accounts receivable are set forth below:

|                                       | 2011                        | 2010                        |
|---------------------------------------|-----------------------------|-----------------------------|
| Patient accounts receivable           | \$ 63,143,474               | \$ 70,183,118               |
| Less:                                 |                             |                             |
| Allowance for uncollectible accounts  | (4,156,237)                 | (5,262,660)                 |
| Allowance for contractual adjustments | <u>(28,747,373)</u>         | <u>(36,378,577)</u>         |
| Net patient accounts receivable       | 30,239,864                  | 28,541,881                  |
| Other                                 | <u>98,232</u>               | <u>99,210</u>               |
| Total accounts receivable             | <u><u>\$ 30,338,096</u></u> | <u><u>\$ 28,641,091</u></u> |

Subsidiaries of the Corporation grant 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:

|                                    | Percent    |            |
|------------------------------------|------------|------------|
|                                    | 2011       | 2010       |
| Medicare                           | 31         | 33         |
| Blue Cross/Blue Shield of Michigan | 15         | 16         |
| Medicaid                           | 22         | 24         |
| Commercial insurance and HMOs      | 27         | 22         |
| Self-pay                           | 5          | 5          |
| Total                              | <u>100</u> | <u>100</u> |

### Note 3 - Cost Report Settlements

Subsidiaries of the Corporation have agreements with third-party payors that provide for reimbursement at amounts different from established rates. A summary of the basis of reimbursement with these third-party payors for the Hospital and ME are as follows:

- **Medicare** - Inpatient, acute-care, and rehabilitation services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system based on clinical, diagnostic, and other factors. Outpatient services related to Medicare beneficiaries are reimbursed based on a prospectively determined amount per episode of care.

# **Metro Health Corporation and Affiliates**

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

### **Note 3 - Cost Report Settlements (Continued)**

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

Cost report settlements result from the adjustments of interim payments to final reimbursements under the Medicare, Medicaid, Blue Cross/Blue Shield of Michigan, and HMO programs that are subject to audit by fiscal intermediaries (see Note 19). Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change in the near term.

The Medicare program has initiated a recovery audit contractor (RAC) initiative, whereby claims subsequent to October 1, 2007 will be reviewed by contractors for validity, accuracy, and proper documentation. A demonstration project completed in several other states resulted in identification of potential significant overpayments. The RAC program began for Michigan hospitals in 2010. The Corporation has received requests under the RAC program, yet is unable to determine the extent of liability for overpayments, if any. The potential exists for overpayment of claims liability for the Hospital at a future date.

# Metro Health Corporation and Affiliates

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

### Note 4 - Community Benefit

The mission of the Corporation is to improve the health and well-being of its communities. That mission is accomplished in a number of ways, many of them through the community outreach programs and services as well as support provided to the indigent and most vulnerable members of our community. The following is an unaudited summary of the Corporation's community benefit expense at cost for the years ended June 30, 2011 and 2010.

|  | 2011              | 2010              |
|--|-------------------|-------------------|
| Community health improvement                 | \$ 262,018        | \$ 269,029        |
| Research                                     | 227,378           | -                 |
| Health professions education                 | 11,066,011        | 7,082,454         |
| Subsidized health services                   | 103               | 36,421            |
| Financial and in-kind contributions          | 260,446           | 89,703            |
| Community building activities                | 45,034            | 88,280            |
| Traditional charity care                     | 6,345,822         | 5,640,954         |
| Unpaid costs for government program patients | 16,080,579        | 11,772,363        |
| Uninsured - Bad debts                        | 6,374,600         | 6,771,213         |
| <br>Subtotal                                 | <br>\$ 40,661,991 | <br>\$ 31,750,417 |
| <br>Percentage of net revenue                | <br>13.5 %        | <br>11.3 %        |

**Community Health Improvement** - These activities are carried out to improve community health and include community health education and prevention services. These activities extend beyond patient care and are directed to individuals and to a larger population. Such services do not generate patient bills, although some may involve a nominal fee.

**Research** - Research includes clinical and community health research, as well as studies on healthcare delivery that are generalizable, shared with the public and funded by the government or a tax-exempt entity (including the Corporation itself). Grant funding does not need to be accounted for as offsetting revenue but should be tracked for budget and planning purposes.

**Health Professions Education** - TWs includes all educational programs the Corporation is involved with that are open to all health professionals in the community or that result in a degree or training necessary to practice as a health professional. This does not include orientation, in-service training or other education exclusively for the organization's staff.

**Subsidized Health Services** - These are negative-margin services provided despite a finance loss (after removing losses from Medicaid, charity care, and bad debt). Subsidized services are provided because they meet a community need.

# **Metro Health Corporation and Affiliates**

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

### **Note 4 - Community Benefit (Continued)**

**Financial and In-kind Contributions** - These are contributions made by the Corporation to community groups and programs that provide community benefit. In-kind contributions include the cost of staff time, when activities are done by staff on the Corporation's payroll during working hours.

**Community Building Activities** - These activities seek to address the root causes of health problems, such as poverty, homelessness, and environmental hazards. They include such things as housing, economic development, and coalition building.

**Traditional Charity Care** - This includes free and discounted health services provided to persons who cannot afford to pay and meet the Corporation's financial assistance policies. This includes the actual cost, not what would have been charged for care and does not include bad debt.

**Unpaid Costs for Government Program Patients** - This is shortfall created when a facility received payments below the costs of treating Medicare and Medicaid patients.

**Uninsured - Bad Debts** - This is the amount of uncompensated care to uninsured and underinsured patients.

### **Note 5 - Property and Equipment**

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

|                                  | <u>2011</u>        | <u>2010</u>        | Depreciable<br>Life - Years |
|----------------------------------|--------------------|--------------------|-----------------------------|
| Land                             | \$ 8,814,904       | \$ 8,814,904       | -                           |
| Land improvements                | 4,347,412          | 4,132,968          | 5-35                        |
| Buildings                        | 161,192,575        | 160,824,570        | 5-50                        |
| Equipment                        | 127,585,849        | 119,472,301        | 3-7                         |
| Construction in progress         | 2,666,599          | 897,475            | -                           |
| <br>Total cost                   | <br>304,607,339    | <br>294,142,218    |                             |
| Accumulated depreciation         | (108,417,910)      | (91,647,051)       |                             |
| <br>Total property and equipment | <br>\$ 196,189,429 | <br>\$ 202,495,167 |                             |

Construction in progress as of June 30, 2011 consisted primarily of costs related to various information technology projects and renovation projects throughout the Hospital.

# **Metro Health Corporation and Affiliates**

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

### **Note 5 - Property and Equipment (Continued)**

The cost of assets under the capital lease is \$17,600,000 with an accumulated amortization of approximately \$3,324,000 and \$3,111,000 at June 30, 2011 and 2010, respectively. Buildings and improvements comprise the assets under the capital lease.

Depreciation expense totaled \$16,784,433 and \$16,243,651 for the years ended June 30, 2011 and 2010, respectively.

### **Note 6 - Other Assets**

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

|  | <u>2011</u>                 | <u>2010</u>                 |
|--|-----------------------------|-----------------------------|
| Investments - At market value:   |                             |                             |
| Assets limited as to use and temporarily restricted:                       |                             |                             |
| Funds held by trustees under bond indenture                                | \$ 16,392,424               | \$ 16,409,939               |
| Funds held in trust for payment of professional and other liability claims | 3,564,949                   | 4,565,538                   |
| By board of trustees for future capital improvements                       | <u>14,829,528</u>           | <u>12,230,954</u>           |
| Total assets limited as to use and temporarily restricted                  | 34,786,901                  | 33,206,431                  |
| General investments  | <u>8,434,188</u>            | <u>6,683,016</u>            |
| Total investments  | <u>43,221,089</u>           | <u>39,889,447</u>           |
| Deferred charge - Bond issue costs   | 2,773,084                   | 2,889,437                   |
| Pledges receivable   | 1,115,234                   | 2,481,365                   |
| Long-term notes receivable   | 3,005,580                   | 4,458,639                   |
| Other  | <u>7,288,039</u>            | <u>5,383,675</u>            |
| Total other assets   | <u><u>\$ 57,403,026</u></u> | <u><u>\$ 55,102,563</u></u> |

# Metro Health Corporation and Affiliates

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

### Note 6 - Other Assets (Continued)

Investments, other than funds held under bond indenture, consist of the following:

|   | 2011                     | 2010                     |
|---|--------------------------|--------------------------|
| Money market investments                | \$ 3,043,965             | \$ 1,112,124             |
| Government securities                   | 2,219,220                | 4,504,863                |
| Mutual funds                            | 2,404,502                | 1,695,387                |
| Corporate bonds                         | 3,118,857                | 2,245,988                |
| Common stock                            | 11,946,153               | 9,745,466                |
| Alternative investments and hedge funds | 4,095,968                | 4,175,680                |
| <br>Total                               | <br><u>\$ 26,828,665</u> | <br><u>\$ 23,479,508</u> |

Investments in funds held under bond indenture consist of the following:

|                          | 2011                     | 2010                     |
|--------------------------|--------------------------|--------------------------|
| Money market investments | \$ 5,901,675             | \$ 5,928,826             |
| Government securities    | 10,490,749               | 10,481,113               |
| <br>Total                | <br><u>\$ 16,392,424</u> | <br><u>\$ 16,409,939</u> |

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

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

Investment income and gains and losses are comprised of the following and are included in other income (loss) in the consolidated statement of operations and changes in net assets for the years ended June 30, 2011 and 2010:

|   | 2011                    | 2010                    |
|---|-------------------------|-------------------------|
| Dividend and interest income included in other income | \$ 1,086,487            | \$ 874,696              |
| Gain on sale of investments                           | 1,240,049               | 45,852                  |
| Change in net unrealized gains on investments         | 1,438,747               | 1,396,494               |
| <br>Total   | <br><u>\$ 3,765,283</u> | <br><u>\$ 2,317,042</u> |

# **Metro Health Corporation and Affiliates**

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

### **Note 7 - Fair Value Measurements**

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

The following tables present information about the Corporation's assets measured at fair value on a recurring basis at June 30, 2011 and the valuation techniques used by the Corporation to determine those fair values. During 2011, the Corporation adopted, on a prospective basis, new accounting standards which require disclosure of fair value by major class of investments.

In general, fair values determined by Level 1 inputs use quoted prices in active markets for identical assets or liabilities that the Corporation 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. Significant Level 3 inputs include alternative investments.

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

In addition to the assets outlined below, the Corporation's investments included money market investments of \$8,945,640 and \$7,040,950 at June 30, 2011 and 2010, respectively.

# Metro Health Corporation and Affiliates

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

### Note 7 - Fair Value Measurements (Continued)

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

|  | Quoted Prices in<br>Active Markets<br>for Identical<br>Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) | Balance at<br>June 30, 2011 |
|--|--|---|--|-----------------------------|
| U.S. government securities                                   | \$ -   | \$ 12,709,969   | \$ -   | \$ 12,709,969               |
| Mutual funds   | 2,404,502  | -   | -  | 2,404,502                   |
| Corporate bonds  | -  | 3,118,857   | -  | 3,118,857                   |
| Common stocks  | 11,946,153   | -   | -  | 11,946,153                  |
| Alternative investments - Diversified<br>managed futures     | -  | -   | 1,331,630  | 1,331,630                   |
| Alternative investments - Diversified<br>hedge fund of funds | -  | -   | 2,764,338  | 2,764,338                   |
| <b>Total</b>   | <b>\$ 14,350,655</b>   | <b>\$ 15,828,826</b>                                      | <b>\$ 4,095,968</b>                                | <b>\$ 34,275,449</b>        |

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

|  | Quoted Prices in<br>Active Markets<br>for Identical<br>Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) | Balance at<br>June 30, 2010 |
|--|--|---|--|-----------------------------|
| U.S. government securities                                   | \$ -   | \$ 14,985,976   | \$ -   | \$ 14,985,976               |
| Mutual funds   | 1,695,387  | -   | -  | 1,695,387                   |
| Corporate bonds  | -  | 2,245,988   | -  | 2,245,988                   |
| Common stocks  | 9,745,466  | -   | -  | 9,745,466                   |
| Alternative investments - Diversified<br>managed futures     | -  | -   | 1,337,090  | 1,337,090                   |
| Alternative investments - Diversified<br>hedge fund of funds | -  | -   | 2,400,656  | 2,400,656                   |
| Various other alternative investments                        | -  | -   | 437,934  | 437,934                     |
| <b>Total</b>   | <b>\$ 11,440,853</b>   | <b>\$ 17,231,964</b>                                      | <b>\$ 4,175,680</b>                                | <b>\$ 32,848,497</b>        |

The diversified managed futures fund includes investments in publicly traded futures and forward contracts on exchanges globally. The contracts cover interest rates, equity indices, commodities, and currencies. The strategies follow price trends in those markets and can go long or short.

The diversified hedge fund of funds invest in other hedge funds. The strategies include trading strategies, event-driven, long-short equity, credit investments, private equity, and natural resources.

# Metro Health Corporation and Affiliates

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

### Note 7 - Fair Value Measurements (Continued)

The following table sets forth a summary of the changes in the fair value of the Corporation's Level 3 assets for the years ended June 30, 2011 and 2010:

|                         | Fair Value at<br>July 1, 2010 | Purchases  | Sales        | Total<br>Unrealized and<br>Realized Gains<br>(Net) | Fair Value at<br>June 30, 2011 |
|-------------------------|-------------------------------|------------|--------------|--|--------------------------------|
| Alternative Investments | \$ 4,175,680                  | \$ 145,972 | \$ (543,135) | \$ 317,451   | \$ 4,095,968                   |

|                         | Fair Value at<br>July 1, 2009 | Net Purchases,<br>Sales, Calls, and<br>Maturities | Total Realized and<br>Unrealized Gains<br>Included in Other<br>Revenue | Fair Value at<br>June 30, 2010 |
|-------------------------|-------------------------------|---|--|--------------------------------|
| Alternative Investments | \$ 2,444,395                  | \$ 1,469,831                                      | \$ 261,454   | \$ 4,175,680                   |

### Note 8 - Line of Credit

The Hospital has an unsecured operating line of credit with a local bank in the amount of \$3,500,000, with an interest rate based on the bank's prime rate. The line of credit expires on July 1, 2012. Outstanding borrowings at June 30, 2011 and 2010 were \$3,300,000 and \$2,500,000, respectively. The effective interest rate on the line of credit at June 30, 2011 and 2010 was 3.44 percent and 2.85 percent, respectively.

Subsequent to June 30, 2011, the line of credit balance was paid off in full.

### Note 9 - Long-term Debt

Long-term debt at June 30 is as follows:

|                             | 2011           | 2010           |
|-----------------------------|----------------|----------------|
| Bonds payable, Series 2005A | \$ 132,295,000 | \$ 133,670,000 |
| Original issue premium      | 3,974,369      | 4,140,545      |
| Bonds payable, Series 2005B | 29,120,000     | 29,565,000     |
| Capital lease obligations   | 14,298,366     | 14,866,638     |
| Total                       | 179,687,735    | 182,242,183    |
| Less current portion        | 2,682,917      | 2,562,728      |
| Long-term portion           | \$ 177,004,818 | \$ 179,679,455 |

# **Metro Health Corporation and Affiliates**

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

### **Note 9 - Long-term Debt (Continued)**

Bonds payable, Series 2005A consist of hospital revenue bonds issued by Kent Hospital Finance Authority. The bonds consist of serial bonds payable in annual installments through July 1, 2015, ranging from \$1,420,000 to \$1,645,000 at interest rates ranging from 5.00 percent to 5.50 percent and term bonds payable in annual installments beginning in 2016 through 2040, ranging from \$1,710,000 to \$9,815,000 at interest rates ranging from 5.25 percent to 6.25 percent. The bonds were issued by the Obligated Group, which consists of the Hospital, the Foundation, and MHC. The bonds are collateralized by certain assets of the Hospital and are payable from the net revenue of the Obligated Group.

Bonds payable, Series 2005B, consist of variable rate demand revenue and revenue refunding bonds issued by Kent Hospital Finance Authority. The bonds are payable in annual installments through July 1, 2040, ranging from \$460,000 to \$1,700,000, at a variable interest rate, an effective rate of 0.08 percent and 0.38 percent at June 30, 2011 and 2010, respectively, plus a letter of credit fee. The variable rate bonds are remarketed on a weekly basis. Should the remarketing agent be unable to remarket the bonds based on its best efforts, the bonds would be put back to the bond trustee, who would draw down on the letter of credit to pay down the bonds. The reimbursement agreement between the letter of credit bank and the Hospital call for the Hospital to reimburse the letter of credit bank for any remarketing draws based on a payment schedule consistent with the original bonds. The letter of credit expires on April 16, 2014.

Under terms of the bond agreements, the Hospital is required to comply with certain financial covenants relating to net assets, capital expenditures, and debt service coverage ratios.

At June 30, 2011, the Hospital was in violation of the capital expenditures covenant. The bank has waived that requirement of the agreements as of and for the year ended June 30, 2011.

The capital lease obligation consists of capital leases entered into for various medical plazas. The capital leases require monthly payments of approximately \$150,000, including interest at an imputed rate of 6.5 percent. The capital leases expire in July 2023.

# Metro Health Corporation and Affiliates

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

### Note 9 - Long-term Debt (Continued)

Minimum principal payments on bonds payable to maturity as of June 30, 2011 are as follows:

|            |                       |
|------------|-----------------------|
| 2012       | \$ 1,880,000          |
| 2013       | 1,940,000             |
| 2014       | 2,005,000             |
| 2015       | 2,070,000             |
| 2016       | 2,150,000             |
| Thereafter | <u>151,370,000</u>    |
| Total      | <u>\$ 161,415,000</u> |

Future minimum lease payments of the capital leases as of June 30, 2011 are as follows:

|  |                      |
|--|----------------------|
| 2012                                       | \$ 1,589,175         |
| 2013                                       | 1,617,509            |
| 2014                                       | 1,648,436            |
| 2015                                       | 1,679,354            |
| 2016                                       | 1,709,425            |
| Thereafter                                 | <u>12,844,324</u>    |
| Total minimum lease payments               | 21,088,223           |
| Less amount representing<br>interest       | <u>(6,789,857)</u>   |
| Present value of minimum lease<br>payments | <u>\$ 14,298,366</u> |

The financial statements have been prepared under the assumption that the bank will waive its right to call its loan(s) resulting from loan covenant violations and long-term liabilities will not have to be reclassified as current.

### Note 10 - Accrued and Other Current Liabilities

The details of accrued liabilities at June 30 are as follows:

|                           | 2011                 | 2010                 |
|---------------------------|----------------------|----------------------|
| Payroll and related items | \$ 4,370,247         | \$ 4,745,981         |
| Compensated absences      | 4,037,532            | 3,869,252            |
| Interest                  | 3,878,473            | 3,923,836            |
| Other                     | <u>5,448</u>         | <u>6,513</u>         |
| Total accrued liabilities | <u>\$ 12,291,700</u> | <u>\$ 12,545,582</u> |

# Metro Health Corporation and Affiliates

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

### Note 11 - Other Liabilities

The detail of other liabilities is given below:

|  | 2011              | 2010              |
|--|-------------------|-------------------|
| Accrued defined benefit pension cost (Note 12)               | \$ 15,443,025     | \$ 22,134,197     |
| Accrued postretirement benefit cost (Note 13)                | -                 | 1,198,931         |
| Accrued professional and other liability claims<br>(Note 14) | 1,213,420         | 2,050,748         |
| Accrued defined contribution pension cost                    | 1,636,670         | 1,509,265         |
| Other  | 774,698           | 502,809           |
| <br>Total other liabilities                                  | <br>\$ 19,067,813 | <br>\$ 27,395,950 |

### Note 12 - Pension Plans

The Hospital has a noncontributory, defined benefit pension plan covering substantially all employees. The plan generally provides benefits based on each employee's years of service and final average earnings (as defined). The Hospital intends to annually contribute amounts deemed necessary, if any, to maintain the plan on a sound actuarial basis. Effective December 31, 2007, the Hospital elected to freeze the pension plan for all employees.

The following table sets forth the funded status of the plan and other information as of and for the years ended June 30, 2011 and 2010, the measurement dates for the plan:

|  | 2011                   | 2010                   |
|--|------------------------|------------------------|
| Accumulated benefit obligation   | <u>\$ (67,271,639)</u> | <u>\$ (66,931,082)</u> |
| Projected benefit obligation   | <u>\$ (67,271,639)</u> | <u>\$ (66,931,082)</u> |
| Plan assets at fair value  | <u>51,828,614</u>      | <u>44,796,885</u>      |
| Funded status  | <u>\$ (15,443,025)</u> | <u>\$ (22,134,197)</u> |
| Total accrued pension liability  | <u>\$ (15,443,025)</u> | <u>\$ (22,134,197)</u> |
| Net periodic pension cost  | \$ 29,773              | \$ 706,724             |
| Employer contributions   | 1,739,220              | 1,449,608              |
| Benefits paid  | 2,215,967              | 2,112,942              |
| Actuarial assumptions used to determine benefit obligations<br>at June 30 - Weighted average discount rate                         | 5.80 %                 | 5.70 %                 |
| Actuarial assumptions used to determine net periodic<br>benefit cost for the year ended June 30:<br>Weighted average discount rate | 5.70 %                 | 6.50 %                 |
| Expected rate of return on plan assets   | 8.50 %                 | 8.50 %                 |

# **Metro Health Corporation and Affiliates**

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

### **Note 12 - Pension Plans (Continued)**

The estimated net loss and prior service cost for the defined benefit pension plan that will be amortized from net assets into net periodic benefit cost over the next fiscal year is \$584,827.

In selecting the expected long-term rate of return on assets, the Hospital considered the average rate of earnings expected on the funds invested or to be invested to provide for the benefits of the plan. This included considering the allocation of trust assets and the expected returns likely to be earned over the life of the plan. The Hospital's historical rate of return on a fiscal-year basis averaged approximately 8.50 percent per annum for the 10-year period ended June 30, 2011.

The Hospital's pension plan asset allocation at June 30, 2011 and 2010, by asset category as a percentage, is as follows:

|   | <b>Percent</b> |             |
|---|----------------|-------------|
|   | <b>2011</b>    | <b>2010</b> |
| Cash and cash equivalents               | 6              | 1           |
| Equity securities                       | 59             | 50          |
| Debt securities                         | 18             | 30          |
| Alternative investments and hedge funds | 17             | 19          |
| <b>Total</b>                            | <b>100</b>     | <b>100</b>  |

The Hospital expects to contribute \$2,260,265 to its pension plan in 2012. The following benefit payments, which reflect expected future services, as appropriate, are expected to be paid:

|           |              |
|-----------|--------------|
| 2012      | \$ 2,455,389 |
| 2013      | 2,835,143    |
| 2014      | 3,004,693    |
| 2015      | 3,246,702    |
| 2016      | 3,422,534    |
| 2017-2021 | 21,181,529   |

# Metro Health Corporation and Affiliates

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

### Note 12 - Pension Plans (Continued)

The Hospital's pension plan had \$2,985,772 of cash and cash equivalents at June 30, 2011, which is stated at fair value. The fair values of the Hospital's pension plan assets at June 30, 2011 by major asset categories are as follows:

|                                | Quoted Prices<br>in Active<br>Markets for<br>Identical Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
|--------------------------------|--|---|--|
| Common stocks and mutual funds | \$ 30,885,189  | \$ -  | \$ -   |
| Fixed-income funds             | -  | 9,253,315   | -  |
| Alternative investments        | -  | -   | 8,704,338  |

The Hospital's pension plan had \$564,408 of cash and cash equivalents at June 30, 2010, which is stated at fair value. The fair values of the Hospital's pension plan assets at June 30, 2010 by major asset categories are as follows:

|                                | Quoted Prices<br>in Active<br>Markets for<br>Identical Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
|--------------------------------|--|---|--|
| Common stocks and mutual funds | \$ 22,691,257  | \$ -  | \$ -   |
| Fixed-income funds             | -  | 13,178,974  | -  |
| Alternative investments        | -  | -   | 8,362,246  |

The above table presents information about the pension plan assets measured at fair value at June 30, 2011 and the valuation techniques used by the Hospital to determine those fair values.

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

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets 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.

# **Metro Health Corporation and Affiliates**

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

### **Note 12 - Pension Plans (Continued)**

The following table sets forth a summary of the changes in the fair value of the Corporation's Level 3 assets for the years ended June 30, 2011 and 2010:

|                         | <u>Fair Value at<br/>July 1, 2010</u> | <u>Purchases</u> | <u>Sales</u> | <u>Total<br/>Unrealized<br/>and Realized<br/>Gains (Net)</u> | <u>Fair Value at<br/>June 30, 2011</u> |
|-------------------------|---------------------------------------|------------------|--------------|--|--|
| Alternative investments | \$ 8,362,246                          | \$ 1,599,996     | \$ (265,775) | \$ (992,129)   | \$ 8,704,338                           |

|                         | <u>Fair Value at<br/>July 1, 2009</u> | <u>Purchases</u> | <u>Sales</u>   | <u>Total<br/>Unrealized<br/>and Realized<br/>Gains (Net)</u> | <u>Fair Value at<br/>June 30, 2010</u> |
|-------------------------|---------------------------------------|------------------|----------------|--|--|
| Alternative investments | \$ 8,860,083                          | \$ 1,426,984     | \$ (4,127,138) | \$ 2,202,317   | \$ 8,362,246                           |

The Hospital and other affiliates maintain defined contribution retirement plans covering substantially all employees. Contributions to the plans totaled \$3,260,562 and \$2,376,291 for the years ended June 30, 2011 and 2010, respectively.

### **Note 13 - Postretirement Benefits**

The Hospital sponsors a defined benefit postretirement plan that provides postretirement medical benefits to substantially all employees who have attained the age of 62 and have a minimum of five years of continuous full-time service. The retiree healthcare plan requires participant contributions and deductibles. The postretirement healthcare plan is not funded. During 2005, the Hospital elected to cease coverage for any employees not retired prior to January 1, 2005. During 2011, the Hospital terminated the plan in its entirety and settlement payments were provided to participants. At June 30, 2010, the unfunded status of the plan was \$1,198,931. Benefit payments in 2010 were \$109,481 and net periodic postretirement cost was \$66,119. Significant actuarial assumptions were a 5.7 percent discount rate to determine the liability and a 6.5 percent discount rate to determine the benefit cost as of June 30, 2010.

### **Note 14 - Professional Liability Self-insurance**

The Hospital maintains a program of self-insurance for professional and other liability claims up to \$3 million. A revocable trust is maintained with a trustee to provide funds for payment of any future settlements. The Hospital makes necessary contributions to the trust fund, as determined by an independent actuary, to adequately provide for asserted or expected claims. The Hospital also purchased excess liability coverage from independent carriers at varying limits, on an occurrence-made basis.

# **Metro Health Corporation and Affiliates**

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

### **Note 14 - Professional Liability Self-insurance (Continued)**

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

The assets of the trusts are included in the consolidated balance sheet with assets limited as to use (see Note 6).

### **Note 15 - Operating Leases**

The Corporation is obligated under certain operating leases, primarily for facilities and equipment. Total rent expense under these leases was approximately \$11,818,000 and \$6,290,000 for the years ended June 30, 2011 and 2010, respectively.

Future minimum rental commitments are as follows:

| Years Ending |                      |
|--------------|----------------------|
| June 30      | Amount               |
| 2012         | \$ 14,360,000        |
| 2013         | 10,220,000           |
| 2014         | 7,600,000            |
| 2015         | 5,770,000            |
| 2016         | 4,390,000            |
| Thereafter   | <u>9,400,000</u>     |
| Total        | <u>\$ 51,740,000</u> |

### **Note 16 - Functional Expenses**

The Hospital is a general acute-care facility that provides inpatient and outpatient healthcare services to patients in Kent and Ottawa Counties and their vicinities. Expenses related to providing these services for the years ended June 30 are as follows:

|                            | 2011                  | 2010                  |
|----------------------------|-----------------------|-----------------------|
| Healthcare services        | \$ 202,535,410        | \$ 195,707,031        |
| General and administrative | <u>89,699,502</u>     | <u>78,959,634</u>     |
| Total                      | <u>\$ 292,234,912</u> | <u>\$ 274,666,665</u> |

# **Metro Health Corporation and Affiliates**

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

### **Note 17 - Fair Value of Financial Instruments**

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

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

**Investments** - Investments are recorded at fair value in the accompanying consolidated financial statements. Fair value is determined based on the fair value measurement principles outlined in Note 7.

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

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

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

### **Note 18 - Sale and Leaseback of Plazas**

During 2004, the Hospital entered an agreement to sell various medical plazas and then lease the plazas back under lease arrangements for 20 years. The sale price of the plazas was \$13,000,000, resulting in a gain on sale of approximately \$1,770,000. The leases are treated as capital leases and the gain on the sale of the plazas was deferred and recognized over the period of the lease.

### **Note 19 - Contingency**

During 2007, the Hospital received notice from the Medicare program regarding a change in interpretation of qualifying disproportionate share days related to the 2003 and 2004 cost reports, as part of the cost report finalization process for these years.

The interpretation change, along with a regulation change by Medicare in 2005 that the Hospital has brought to court, results in a significant reduction of disproportionate share reimbursement for 2003 through 2011. The impact of the change in interpretation and regulation for the years ended 2003 through 2011 is approximately \$14 million.

The Hospital and its legal counsel have begun the process of appealing the interpretation change with the Medicare program and have brought suit in federal court related to the regulation change.

# **Metro Health Corporation and Affiliates**

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

### **Note 19 - Contingency (Continued)**

During 2010, the Federal District Court issued an opinion agreeing with the Hospital's position. The Court has ordered the Hospital and Medicare to submit a final judgment for the amount owed to the Hospital. The Hospital feels that there is a high likelihood that the Hospital's position will prevail, based on its circumstances and recent results in federal district court. Accordingly, the accompanying consolidated financial statements reflect a receivable for the funds in question and the reduction in the disproportionate share reimbursement to Medicare has not been recognized in the accompanying consolidated financial statements.

If the Hospital does not prevail in the appeal process, the Hospital will be required to recognize the receivable from Medicare and a reduction in revenue in the fiscal period in which the appeal process concludes.

## **Additional Information**

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### Independent Auditor's Report on Additional Information

To the Board of Directors  
Metro Health Corporation and Affiliates

We have audited the consolidated financial statements of Metro Health Corporation and Affiliates 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. The following consolidating statements, as listed in the table of contents, are presented for the purpose of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual entities and are not a required part of the basic consolidated financial statements. The consolidating information has been subjected to the procedures applied in the audits of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

*Plante & Moran, PLLC*

September 16, 2011



# Metro Health Corporation and Affiliates

## Consolidating Balance Sheet June 30, 2011

|  | Metro Health Hospital | Metropolitan Enterprises | Metro Health Hospital Foundation | Metro Health Corporation | Metro Health ASC, LLC | Eliminations          | Total                 |
|--|-----------------------|--------------------------|----------------------------------|--------------------------|-----------------------|-----------------------|-----------------------|
| <b>Assets</b>                                  |                       |                          |                                  |                          |                       |                       |                       |
| <b>Current Assets</b>                          |                       |                          |                                  |                          |                       |                       |                       |
| Cash and cash equivalents                      | \$ 31,436,091         | \$ 64,583                | \$ 433,357                       | \$ -                     | \$ 790,473            | \$ -                  | \$ 32,724,504         |
| Accounts receivable - Net                      | 27,223,871            | 2,222,324                | -                                | -                        | 891,901               | -                     | 30,338,096            |
| Cost report settlements receivable             | 15,005,539            | -                        | -                                | -                        | -                     | -                     | 15,005,539            |
| Other current assets                           | 8,072,102             | 87,012                   | -                                | -                        | 335,111               | (300,005)             | 8,194,220             |
| Total current assets                           | 81,737,603            | 2,373,919                | 433,357                          | -                        | 2,017,485             | (300,005)             | 86,262,359            |
| <b>Property and Equipment - Net</b>            | <b>195,237,061</b>    | <b>317,544</b>           | <b>-</b>                         | <b>-</b>                 | <b>634,824</b>        | <b>-</b>              | <b>196,189,429</b>    |
| <b>Other Assets</b>                            | <b>51,573,741</b>     | <b>190,045</b>           | <b>9,549,422</b>                 | <b>210,743</b>           | <b>-</b>              | <b>(4,120,925)</b>    | <b>57,403,026</b>     |
| <b>Total assets</b>                            | <b>\$ 328,548,405</b> | <b>\$ 2,881,508</b>      | <b>\$ 9,982,779</b>              | <b>\$ 210,743</b>        | <b>\$ 2,652,309</b>   | <b>\$ (4,420,930)</b> | <b>\$ 339,854,814</b> |
| <b>Liabilities and Net Assets</b>              |                       |                          |                                  |                          |                       |                       |                       |
| <b>Current Liabilities</b>                     |                       |                          |                                  |                          |                       |                       |                       |
| Bank line of credit                            | \$ 3,300,000          | \$ -                     | \$ -                             | \$ -                     | \$ -                  | \$ -                  | \$ 3,300,000          |
| Current portion of long-term debt              | 2,682,917             | -                        | -                                | -                        | -                     | -                     | 2,682,917             |
| Accounts payable                               | 15,060,982            | 3,309,021                | 215,470                          | -                        | 675,279               | (2,275,237)           | 16,985,515            |
| Cost report settlements payable                | 4,706,378             | -                        | -                                | -                        | -                     | -                     | 4,706,378             |
| Deferred revenue                               | 1,069,354             | -                        | -                                | -                        | -                     | -                     | 1,069,354             |
| Accrued liabilities and other                  | 11,541,499            | 750,201                  | -                                | -                        | -                     | -                     | 12,291,700            |
| Total current liabilities                      | 38,361,130            | 4,059,222                | 215,470                          | -                        | 675,279               | (2,275,237)           | 41,035,864            |
| <b>Long-term Debt - Net of current portion</b> | <b>177,004,818</b>    | <b>-</b>                 | <b>-</b>                         | <b>-</b>                 | <b>-</b>              | <b>-</b>              | <b>177,004,818</b>    |
| <b>Other Liabilities</b>                       | <b>19,067,813</b>     | <b>-</b>                 | <b>-</b>                         | <b>-</b>                 | <b>832,231</b>        | <b>(832,231)</b>      | <b>19,067,813</b>     |
| <b>Total liabilities</b>                       | <b>234,433,761</b>    | <b>4,059,222</b>         | <b>215,470</b>                   | <b>-</b>                 | <b>1,507,510</b>      | <b>(3,107,468)</b>    | <b>237,108,495</b>    |
| <b>Net Assets</b>                              |                       |                          |                                  |                          |                       |                       |                       |
| Unrestricted                                   | 94,114,644            | (1,177,714)              | 5,272,363                        | 210,743                  | 1,144,799             | (1,313,462)           | 98,251,373            |
| Temporarily restricted                         | -                     | -                        | 4,494,946                        | -                        | -                     | -                     | 4,494,946             |
| <b>Total liabilities and net assets</b>        | <b>\$ 328,548,405</b> | <b>\$ 2,881,508</b>      | <b>\$ 9,982,779</b>              | <b>\$ 210,743</b>        | <b>\$ 2,652,309</b>   | <b>\$ (4,420,930)</b> | <b>\$ 339,854,814</b> |

# Metro Health Corporation and Affiliates

## Consolidating Statement of Operations Year Ended June 30, 2011

|  | Metro Health Hospital | Metropolitan Enterprises | Metro Health Hospital Foundation | Metro Health Corporation | Metro Health ASC, LLC | Eliminations | Total                |
|--|-----------------------|--------------------------|----------------------------------|--------------------------|-----------------------|--------------|----------------------|
| <b>Unrestricted Revenue, Gains, and Other Support</b>                |                       |                          |                                  |                          |                       |              |                      |
| Net patient service revenue  | \$ 258,968,271        | \$ 21,686,814            | \$ -                             | \$ -                     | \$ 6,871,096          | \$ -         | \$ 287,526,181       |
| Capitation revenue   | -                     | 4,062,866                | -                                | -                        | -                     | -            | 4,062,866            |
| Other  | 10,829,705            | 508,480                  | -                                | -                        | 610                   | (2,173,003)  | 9,165,792            |
| Total unrestricted revenue, gains, and other support                 | 269,797,976           | 26,258,160               | -                                | -                        | 6,871,706             | (2,173,003)  | 300,754,839          |
| <b>Expenses</b>  |                       |                          |                                  |                          |                       |              |                      |
| Salaries   | 87,682,368            | 7,136,398                | -                                | -                        | 1,397,883             | -            | 96,216,649           |
| Fringe benefits  | 23,500,578            | 989,462                  | -                                | -                        | 147,985               | -            | 24,638,025           |
| Supplies   | 45,093,123            | 2,454,987                | -                                | -                        | 2,397,992             | -            | 49,946,102           |
| Professional liability and legal costs                               | 729,347               | -                        | -                                | -                        | -                     | -            | 729,347              |
| Purchased services   | 32,757,946            | 12,748,719               | -                                | -                        | 669,669               | -            | 46,176,334           |
| Other  | 29,389,972            | 3,418,226                | -                                | -                        | 1,587,502             | (2,173,003)  | 32,222,697           |
| Depreciation and amortization  | 16,566,215            | 164,033                  | -                                | -                        | 54,185                | -            | 16,784,433           |
| Provision for bad debts  | 15,233,178            | 523,937                  | -                                | -                        | -                     | -            | 15,757,115           |
| Interest expense   | 9,738,013             | -                        | -                                | -                        | 26,197                | -            | 9,764,210            |
| Total expenses   | 260,690,740           | 27,435,762               | -                                | -                        | 6,281,413             | (2,173,003)  | 292,234,912          |
| <b>Operating Income (Loss) Before Sale of Property and Equipment</b> | <b>9,107,236</b>      | <b>(1,177,602)</b>       | <b>-</b>                         | <b>-</b>                 | <b>590,293</b>        | <b>-</b>     | <b>8,519,927</b>     |
| <b>Gain (loss) on Sale of Property and Equipment</b>                 | <b>14,307</b>         | <b>(112)</b>             | <b>-</b>                         | <b>-</b>                 | <b>-</b>              | <b>-</b>     | <b>14,195</b>        |
| <b>Operating Income (Loss)</b>                                       | <b>9,121,543</b>      | <b>(1,177,714)</b>       | <b>-</b>                         | <b>-</b>                 | <b>590,293</b>        | <b>-</b>     | <b>8,534,122</b>     |
| <b>Other Income (Loss)</b>   |                       |                          |                                  |                          |                       |              |                      |
| Investment income  | 1,794,918             | -                        | 531,618                          | -                        | -                     | -            | 2,326,536            |
| Contributions  | 204,055               | -                        | 26,764                           | -                        | -                     | (204,055)    | 26,764               |
| Change in unrealized investment income                               | 929,414               | -                        | 509,333                          | -                        | -                     | -            | 1,438,747            |
| Other  | 137,236               | -                        | (1,464,423)                      | 31,193                   | -                     | 204,055      | (1,091,939)          |
| Total other income (loss)  | 3,065,623             | -                        | (396,708)                        | 31,193                   | -                     | -            | 2,700,108            |
| <b>Excess of Revenue Over (Under) Expenses</b>                       | <b>12,187,166</b>     | <b>(1,177,714)</b>       | <b>(396,708)</b>                 | <b>31,193</b>            | <b>590,293</b>        | <b>-</b>     | <b>11,234,230</b>    |
| <b>Transfer (to) from Affiliate</b>                                  | <b>(2,486,079)</b>    | <b>2,486,079</b>         | <b>-</b>                         | <b>-</b>                 | <b>-</b>              | <b>-</b>     | <b>-</b>             |
| <b>Other Change in Net Assets</b>                                    | <b>-</b>              | <b>-</b>                 | <b>-</b>                         | <b>-</b>                 | <b>(81,669)</b>       | <b>-</b>     | <b>(81,669)</b>      |
| <b>Pension-related Changes Other than Net Periodic Benefit Cost</b>  | <b>5,374,466</b>      | <b>-</b>                 | <b>-</b>                         | <b>-</b>                 | <b>-</b>              | <b>-</b>     | <b>5,374,466</b>     |
| <b>Net Assets Released from Restriction</b>                          | <b>-</b>              | <b>-</b>                 | <b>2,009,844</b>                 | <b>-</b>                 | <b>-</b>              | <b>-</b>     | <b>2,009,844</b>     |
| <b>Increase in Unrestricted Net Assets</b>                           | <b>\$ 15,075,553</b>  | <b>\$ 1,308,365</b>      | <b>\$ 1,613,136</b>              | <b>\$ 31,193</b>         | <b>\$ 508,624</b>     | <b>\$ -</b>  | <b>\$ 18,536,871</b> |

# Metro Health Corporation and Affiliates

## Consolidating Balance Sheet Including Metropolitan Obligated Group June 30, 2011

|  | Metropolitan<br>Obligated Group | Nonobligated<br>Group Members | Eliminations          | Total                 |
|--|---------------------------------|-------------------------------|-----------------------|-----------------------|
| <b>Assets</b>                                  |                                 |                               |                       |                       |
| <b>Current Assets</b>                          |                                 |                               |                       |                       |
| Cash and cash equivalents                      | \$ 31,869,448                   | \$ 855,056                    | -                     | \$ 32,724,504         |
| Accounts receivable - Net                      | 27,223,871                      | 3,114,225                     | -                     | 30,338,096            |
| Cost report settlements receivable             | 15,005,539                      | -                             | -                     | 15,005,539            |
| Other current assets                           | 8,072,102                       | 422,123                       | (300,005)             | 8,194,220             |
| Total current assets                           | 82,170,960                      | 4,391,404                     | (300,005)             | 86,262,359            |
| <b>Property and Equipment - Net</b>            | 195,237,061                     | 952,368                       | -                     | 196,189,429           |
| <b>Other Assets</b>                            | 61,333,906                      | 190,045                       | (4,120,925)           | 57,403,026            |
| <b>Total assets</b>                            | <b>\$ 338,741,927</b>           | <b>\$ 5,533,817</b>           | <b>\$ (4,420,930)</b> | <b>\$ 339,854,814</b> |
| <b>Liabilities and Net Assets</b>              |                                 |                               |                       |                       |
| <b>Current Liabilities</b>                     |                                 |                               |                       |                       |
| Bank line of credit                            | \$ 3,300,000                    | \$ -                          | \$ -                  | \$ 3,300,000          |
| Current portion of long-term debt              | 2,682,917                       | -                             | -                     | 2,682,917             |
| Accounts payable                               | 15,276,452                      | 3,984,300                     | (2,275,237)           | 16,985,515            |
| Cost report settlements payable                | 4,706,378                       | -                             | -                     | 4,706,378             |
| Deferred revenue                               | 1,069,354                       | -                             | -                     | 1,069,354             |
| Accrued liabilities and other                  | 11,541,499                      | 750,201                       | -                     | 12,291,700            |
| Total current liabilities                      | 38,576,600                      | 4,734,501                     | (2,275,237)           | 41,035,864            |
| <b>Long-term Debt - Net of current portion</b> | 177,004,818                     | -                             | -                     | 177,004,818           |
| <b>Other Liabilities</b>                       | 19,067,813                      | 832,231                       | (832,231)             | 19,067,813            |
| <b>Total liabilities</b>                       | <b>234,649,231</b>              | <b>5,566,732</b>              | <b>(3,107,468)</b>    | <b>237,108,495</b>    |
| <b>Net Assets</b>                              |                                 |                               |                       |                       |
| Unrestricted                                   | 99,597,750                      | (32,915)                      | (1,313,462)           | 98,251,373            |
| Temporarily restricted                         | 4,494,946                       | -                             | -                     | 4,494,946             |
| Total net assets                               | 104,092,696                     | (32,915)                      | (1,313,462)           | 102,746,319           |
| <b>Total liabilities and net assets</b>        | <b>\$ 338,741,927</b>           | <b>\$ 5,533,817</b>           | <b>\$ (4,420,930)</b> | <b>\$ 339,854,814</b> |

# Metro Health Corporation and Affiliates

## Consolidating Statement of Operations Including Metropolitan Obligated Group Year Ended June 30, 2011

|  | Metropolitan<br>Obligated Group | Nonobligated<br>Group Members | Eliminations          | Total                |
|--|---------------------------------|-------------------------------|-----------------------|----------------------|
| <b>Unrestricted Revenue, Gains, and<br/>Other Support</b>                |                                 |                               |                       |                      |
| Net patient service revenue  | \$ 258,968,271                  | \$ 28,557,910                 | \$ -                  | \$ 287,526,181       |
| Capitation revenue   | -                               | 4,062,866                     | -                     | 4,062,866            |
| Other  | 10,829,705                      | 509,090                       | (2,173,003)           | 9,165,792            |
| Total unrestricted revenue,<br>gains, and other support                  | 269,797,976                     | 33,129,866                    | (2,173,003)           | 300,754,839          |
| <b>Expenses</b>  |                                 |                               |                       |                      |
| Salaries   | 87,682,368                      | 8,534,281                     | -                     | 96,216,649           |
| Fringe benefits  | 23,500,578                      | 1,137,447                     | -                     | 24,638,025           |
| Supplies   | 45,093,123                      | 4,852,979                     | -                     | 49,946,102           |
| Professional liability and legal costs                                   | 729,347                         | -                             | -                     | 729,347              |
| Purchased services   | 32,757,946                      | 13,418,388                    | -                     | 46,176,334           |
| Other  | 29,389,972                      | 5,005,728                     | (2,173,003)           | 32,222,697           |
| Depreciation and amortization  | 16,566,215                      | 218,218                       | -                     | 16,784,433           |
| Provision for bad debts  | 15,233,178                      | 523,937                       | -                     | 15,757,115           |
| Interest expense   | 9,738,013                       | 26,197                        | -                     | 9,764,210            |
| Total expenses   | 260,690,740                     | 33,717,175                    | (2,173,003)           | 292,234,912          |
| <b>Operating Income (Loss) Before Sale of<br/>Property and Equipment</b> | 9,107,236                       | (587,309)                     | -                     | 8,519,927            |
| <b>Gain (loss) on Sale of Property and<br/>Equipment</b>                 | 14,307                          | (112)                         | -                     | 14,195               |
| <b>Operating Income (Loss)</b>   | 9,121,543                       | (587,421)                     | -                     | 8,534,122            |
| <b>Other Income</b>  | 2,700,108                       | -                             | -                     | 2,700,108            |
| <b>Excess of Revenue Over (Under)<br/>Expenses</b>                       | 11,821,651                      | (587,421)                     | -                     | 11,234,230           |
| <b>Transfer (to) from Affiliate</b>                                      | (2,486,079)                     | 2,486,079                     | -                     | -                    |
| <b>Other Change in Net Assets</b>  | -                               | (81,669)                      | -                     | (81,669)             |
| <b>Pension-related Changes Other<br/>than Net Periodic Pension Costs</b> | 5,374,466                       | -                             | -                     | 5,374,466            |
| <b>Net Assets Released from Restriction</b>                              | 2,009,844                       | -                             | -                     | 2,009,844            |
| <b>Increase in Unrestricted Net Assets</b>                               | 16,719,882                      | 1,816,989                     | -                     | 18,536,871           |
| <b>Unrestricted Net Assets (Deficit) -<br/>Beginning of year</b>         | 82,877,868                      | (1,849,904)                   | (1,313,462)           | 79,714,502           |
| <b>Unrestricted Net Assets (Deficit) -<br/>End of year</b>               | <b>\$ 99,597,750</b>            | <b>\$ (32,915)</b>            | <b>\$ (1,313,462)</b> | <b>\$ 98,251,373</b> |

**Additional Data**

**Software ID:**  
**Software Version:**  
**EIN:** 38-1359265  
**Name:** MARY FREE BED HOSPITAL & REHABILITATION CENTER

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

| (A)<br>Name and Title                | (B)<br>Average<br>hours<br>per<br>week | (C)<br>Position (check all<br>that apply) |                       |          |              |                                 | (D)<br>Reportable<br>compensation<br>from the<br>organization (W-<br>2/1099-MISC) | (E)<br>Reportable<br>compensation<br>from related<br>organizations<br>(W- 2/1099-<br>MISC) | (F)<br>Estimated<br>amount of other<br>compensation<br>from the<br>organization and<br>related<br>organizations |
|--------------------------------------|--|---|-----------------------|----------|--------------|---------------------------------|---|--|---|
|                                      |  | Individual trustee<br>or director         | Institutional Trustee | Official | Key employee | Highest compensated<br>employee |   |  |   |
| WILLIAM H BLESSING<br>PRESIDENT      | 45 00                                  | X   |                       | X        |              |                                 | 444,336   | 0  | 41,115  |
| JOHN F BUTZER MD<br>MEDICAL DIRECTOR | 50 00                                  | X   |                       | X        |              | X                               | 469,665   | 0  | 41,118  |
| KENT RIDDLE<br>CHAIRMAN              | 1 00                                   | X   |                       | X        |              |                                 | 0   | 0  | 0   |
| JULIE RIDENOUR<br>DIRECTOR           | 1 00                                   | X   |                       |          |              |                                 | 0   | 0  | 0   |
| MARIANNE DELAVAN<br>DIRECTOR         | 1 00                                   | X   |                       |          |              |                                 | 0   | 0  | 0   |
| STEPHEN DREW<br>DIRECTOR             | 1 00                                   | X   |                       |          |              |                                 | 0   | 0  | 0   |
| DOUG KINDSCHI<br>VICE CHAIRMAN       | 1 00                                   | X   |                       | X        |              |                                 | 0   | 0  | 0   |
| MOLLY KRAUSS<br>DIRECTOR             | 1 00                                   | X   |                       |          |              |                                 | 0   | 0  | 0   |
| DAVID MUIR<br>TREASURER              | 1 00                                   | X   |                       | X        |              |                                 | 0   | 0  | 0   |
| ELLEN NELSON<br>DIRECTOR             | 1 00                                   | X   |                       |          |              |                                 | 0   | 0  | 0   |
| JUDY PALMER<br>DIRECTOR              | 1 00                                   | X   |                       |          |              |                                 | 0   | 0  | 0   |
| LINDA PATTERSON<br>DIRECTOR          | 1 00                                   | X   |                       |          |              |                                 | 0   | 0  | 0   |
| SUSAN STEKETEE<br>DIRECTOR           | 1 00                                   | X   |                       |          |              |                                 | 0   | 0  | 0   |
| DAN VAUGHAN<br>DIRECTOR              | 1 00                                   | X   |                       |          |              |                                 | 0   | 0  | 0   |
| SHELLY MISHLER<br>SECRETARY          | 1 00                                   | X   |                       | X        |              |                                 | 0   | 0  | 0   |
| KIM RIDINGS<br>ASSISTANT TREASURER   | 1 00                                   | X   |                       | X        |              |                                 | 0   | 0  | 0   |
| NANCY ALBERS<br>DIRECTOR             | 1 00                                   | X   |                       |          |              |                                 | 0   | 0  | 0   |
| STEPHAN BLOOM DO<br>DIRECTOR         | 1 00                                   | X   |                       |          |              |                                 | 0   | 0  | 0   |
| SUSAN BLOSS<br>DIRECTOR              | 1 00                                   | X   |                       |          |              |                                 | 0   | 0  | 0   |
| CHAD BUSH<br>DIRECTOR                | 1 00                                   | X   |                       |          |              |                                 | 0   | 0  | 0   |
| CHARLES DUBOSE JR MD<br>DIRECTOR     | 1 00                                   | X   |                       |          |              |                                 | 0   | 0  | 0   |
| JOAN KULLGREN<br>DIRECTOR            | 1 00                                   | X   |                       |          |              |                                 | 0   | 0  | 0   |
| JAN LIPPERT<br>DIRECTOR              | 1 00                                   | X   |                       |          |              |                                 | 0   | 0  | 0   |
| JENNIFER TAYLOR<br>DIRECTOR          | 1 00                                   | X   |                       |          |              |                                 | 0   | 0  | 0   |
| RANDALL DENEFF<br>VP OF FINANCE      | 45 00                                  |   |                       | X        |              | X                               | 173,144   | 0  | 22,996  |

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

| (A)<br>Name and Title                           | (B)<br>Average<br>hours<br>per<br>week | (C)<br>Position (check all<br>that apply) |                       |        |              |                                 | (D)<br>Reportable<br>compensation<br>from the<br>organization (W-<br>2/1099-MISC) | (E)<br>Reportable<br>compensation<br>from related<br>organizations<br>(W- 2/1099-<br>MISC) | (F)<br>Estimated<br>amount of other<br>compensation<br>from the<br>organization and<br>related<br>organizations |
|---|--|---|-----------------------|--------|--------------|---------------------------------|---|--|---|
|   |  | Individual trustee<br>or director         | Institutional Trustee | Office | Key employee | Highest compensated<br>employee |   |  |   |
| DAYLE MAPLES MD<br>PEDIATRIC ORTHOPEDIC SURGE   | 30 00                                  |   |                       |        | X            |                                 | 270,224   | 0  | 3,880   |
| BRUCE BRASSER<br>VP OF CLINICAL OPERATIONS      | 45 00                                  |   |                       |        | X            |                                 | 153,412   | 0  | 20,822  |
| WILLIAM SONDAY<br>DIRECTOR OF IN-PATIENT PRO    | 45 00                                  |   |                       |        | X            |                                 | 131,952   | 0  | 4,158   |
| FRANCES DIETRICH<br>DIRECTOR OF OUT-PATIENT PRO | 45 00                                  |   |                       |        | X            |                                 | 123,708   | 0  | 7,218   |
| ED O'CONNOR<br>SPORTS PSYCHOLOGIST              | 40 00                                  |   |                       |        | X            |                                 | 114,585   | 0  | 18,272  |

**Form 990, Part III - 4 Program Service Accomplishments (See the Instructions)****4d. Other program services**

|       |              |            |                        |                         |              |
|-------|--------------|------------|------------------------|-------------------------|--------------|
| (Code | (Expenses \$ | 16,309,952 | including grants of \$ | 2,200,000 ) (Revenue \$ | 10,363,267 ) |
|-------|--------------|------------|------------------------|-------------------------|--------------|

REHABILITATION STAFFING AND MANAGEMENT SERVICES, MEDICAL SERVICES REHABILITATION PROGRAM  
ADMINISTRATION, OFFICE EXPENSES FOR PROGRAM SERVICES, MEDICAL RECORDS, SUPPLIES, UTILITIES, MAINTENANCE,  
DEPRECIATION RELATED TO PROGRAM SERVICES AND ASSETS, PATIENT MEALS, INSURANCE, DRIVER REHABILITATION  
SERVICES, MOTION ANALYSIS/GAIT LAB SERVICES, BENEFIT COSTS AND PAYROLL TAXES ON PROGRAM SALARIES NOT  
SPECIFICALLY LISTED, OTHER PROGRAM SERVICES AND MEDICAL SERVICES NOT SPECIFICALLY LISTED, BAD DEBTS,  
TRAVEL/CONFERENCES