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Form 990   Department of the Treasury Internal Revenue Service	<b>Return of Organization Exempt From Income Tax</b>  <b>Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)</b>  The organization may have to use a copy of this return to satisfy state reporting requirements	OMB No 1545-0047  <b>2010</b>  <b>Open to Public Inspection</b>
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<b>A For the 2010 calendar year, or tax year beginning 04-01-2010 and ending 03-31-2011</b>		
<b>B</b> Check if applicable <input type="checkbox"/> Address change  <input type="checkbox"/> Name change  <input type="checkbox"/> Initial return  <input type="checkbox"/> Terminated  <input type="checkbox"/> Amended return  <input type="checkbox"/> Application pending	<b>C</b> Name of organization MARY FREE BED HOSPITAL & REHABILITATION CENTER  Doing Business As MARY FREE BED REHABILITATION HOSPITA  Number and street (or P O box if mail is not delivered to street address) Room/suite 235 WEALTHY ST SE  City or town, state or country, and ZIP + 4 GRAND RAPIDS, MI 495035247	<b>D Employer identification number</b>  38-1359265  <b>E Telephone number</b>  (616) 242-0300  <b>G</b> Gross receipts \$ 67,882,020
	<b>F</b> Name and address of principal officer RANDALL DENEFF 235 WEALTHY ST SE GRAND RAPIDS, MI 495035247	<b>H(a)</b> Is this a group return for affiliates? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No  <b>H(b)</b> Are all affiliates included? <input type="checkbox"/> Yes <input type="checkbox"/> No If "No," attach a list (see instructions) <b>H(c)</b> Group exemption number ▶
	<b>I</b> Tax-exempt status <input checked="" type="checkbox"/> 501(c)(3) <input type="checkbox"/> 501(c) ( ) ◀ (insert no ) <input type="checkbox"/> 4947(a)(1) or <input type="checkbox"/> 527	
	<b>J Website:</b> ▶ WWW.MARYFREEBED.COM	
	<b>K</b> Form of organization <input checked="" type="checkbox"/> Corporation <input type="checkbox"/> Trust <input type="checkbox"/> Association <input type="checkbox"/> Other ▶	
<b>L</b> Year of formation 1913		
<b>M</b> State of legal domicile MI		

Part I		Summary	
Activities & Governance	<b>1</b> 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		
	<b>2</b> Check this box <input type="checkbox"/> if the organization discontinued its operations or disposed of more than 25% of its net assets		
	<b>3</b> Number of voting members of the governing body (Part VI, line 1a) . . . . .	<b>3</b>	24
	<b>4</b> Number of independent voting members of the governing body (Part VI, line 1b) . . . . .	<b>4</b>	22
	<b>5</b> Total number of individuals employed in calendar year 2010 (Part V, line 2a) . . . . .	<b>5</b>	747
<b>6</b> Total number of volunteers (estimate if necessary) . . . . .	<b>6</b>	89	
<b>7a</b> Total unrelated business revenue from Part VIII, column (C), line 12 . . . . .	<b>7a</b>	0	
<b>b</b> Net unrelated business taxable income from Form 990-T, line 34 . . . . .	<b>7b</b>	0	
Revenue	<b>8</b> Contributions and grants (Part VIII, line 1h) . . . . .	Prior Year	Current Year
	<b>9</b> Program service revenue (Part VIII, line 2g) . . . . .	1,826,077	1,542,786
	<b>10</b> Investment income (Part VIII, column (A), lines 3, 4, and 7d ) . . . . .	41,588,836	43,465,027
	<b>11</b> Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	1,723,056	909,513
	<b>12</b> Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12) . . . . .	516,666	529,581
		45,654,635	46,446,907
Expenses	<b>13</b> Grants and similar amounts paid (Part IX, column (A), lines 1–3 ) . . . . .	1,390,990	2,200,000
	<b>14</b> Benefits paid to or for members (Part IX, column (A), line 4) . . . . .	0	0
	<b>15</b> Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	31,891,959	31,842,046
	<b>16a</b> Professional fundraising fees (Part IX, column (A), line 11e) . . . . .	0	0
	<b>b</b> Total fundraising expenses (Part IX, column (D), line 25) <input type="checkbox"/> 0		
	<b>17</b> Other expenses (Part IX, column (A), lines 11a–11d, 11f–24f) . . . . .	9,693,011	10,939,754
	<b>18</b> Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	42,975,960	44,981,800
	<b>19</b> Revenue less expenses Subtract line 18 from line 12 . . . . .	2,678,675	1,465,107
Net Assets or Fund Balances		Beginning of Current Year	End of Year
	<b>20</b> Total assets (Part X, line 16) . . . . .	68,657,422	73,999,442
	<b>21</b> Total liabilities (Part X, line 26) . . . . .	8,710,570	7,768,833
	<b>22</b> Net assets or fund balances Subtract line 21 from line 20 . . . . .	59,946,852	66,230,609

<b>Part II</b>	<b>Signature Block</b>				
Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.					
Sign Here	Signature of officer			2012-03-16 Date	
	RANDALL L DENEFF VICE PRESIDENT - FINANCE Type or print name and title				
Paid Preparer Use Only	Print/Type preparer's name CAROL LALONDE CPA	Preparer's signature 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 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

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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

4a	(Code ) (Expenses \$ 7,107,309 including grants of \$ ) (Revenue \$ 12,326,610 )
	PROVIDE THERAPY AND OTHER MEDICAL SERVICES FOR 15,855 PATIENT DAYS
4b	(Code ) (Expenses \$ 9,057,918 including grants of \$ ) (Revenue \$ 9,422,350 )
	PROVIDE OUTPATIENT REHABILITATION AND CLINIC SERVICES FOR APPROXIMATELY 56,272 PATIENT VISITS
4c	(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

	Yes	No
1 Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? If "Yes," complete Schedule A 	1 Yes	
2 Is the organization required to complete Schedule B, Schedule of Contributors (see instruction)? 	2 Yes	
3 Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? If "Yes," complete Schedule C, Part I 	3	No
4 <b>Section 501(c)(3) organizations.</b> Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? If "Yes," complete Schedule C, Part II 	4 Yes	
5 Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? If "Yes," complete Schedule C, Part III	5	
6 Did the organization maintain any donor advised funds or any similar funds or accounts where donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? If "Yes," complete Schedule D, Part I 	6	No
7 Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas or historic structures? If "Yes," complete Schedule D, Part II 	7	No
8 Did the organization maintain collections of works of art, historical treasures, or other similar assets? If "Yes," complete Schedule D, Part III 	8	No
9 Did the organization report an amount in Part X, line 21, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? If "Yes," complete Schedule D, Part IV 	9	No
10 Did the organization, directly or through a related organization, hold assets in term, permanent, or quasi-endowments? If "Yes," complete Schedule D, Part V 	10	No
11 If the organization's answer to any of the following questions is 'Yes,' then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable		
a Did the organization report an amount for land, buildings, and equipment in Part X, line 10? If "Yes," complete Schedule D, Part VI. 	11a Yes	
b Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VII. 	11b	No
c Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VIII. 	11c	No
d Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part IX. 	11d	No
e Did the organization report an amount for other liabilities in Part X, line 25? If "Yes," complete Schedule D, Part X. 	11e	No
f Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? If "Yes," complete Schedule D, Part X. 	11f Yes	
12a Did the organization obtain separate, independent audited financial statements for the tax year? If "Yes," complete Schedule D, Parts XI, XII, and XIII 	12a	No
b Was the organization included in consolidated, independent audited financial statements for the tax year? If "Yes," and if the organization answered 'No' to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional 	12b Yes	
13 Is the organization a school described in section 170(b)(1)(A)(ii)? If "Yes," complete Schedule E	13	No
14a Did the organization maintain an office, employees, or agents outside of the United States?	14a	No
b Did the organization have aggregate revenues or expenses of more than \$10,000 from grantmaking, fundraising, business, and program service activities outside the United States? If "Yes," complete Schedule F, Parts I and IV	14b	No
15 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of grants or assistance to any organization or entity located outside the U S ? If "Yes," complete Schedule F, Parts II and IV	15	No
16 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of aggregate grants or assistance to individuals located outside the U S ? If "Yes," complete Schedule F, Parts III and IV	16	No
17 Did the organization report a total of more than \$15,000, of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? If "Yes," complete Schedule G, Part I (see instructions)	17	No
18 Did the organization report more than \$15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? If "Yes," complete Schedule G, Part II	18	No
19 Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? If "Yes," complete Schedule G, Part III	19	No
20a Did the organization operate one or more hospitals? If "Yes," complete Schedule H 	20a Yes	
b If "Yes" to line 20a, did the organization attach its audited financial statement to this return? <b>Note.</b> Some Form 990 filers that operate one or more hospitals must attach audited financial statements (see instructions)	20b Yes	



Part IV

Checklist of Required Schedules (continued)

21	Did the organization report more than \$5,000 of grants and other assistance to governments and organizations in the United States on Part IX, column (A), line 1? <i>If "Yes," complete Schedule I, Parts I and II</i> . . . . .	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? <i>If "Yes," complete Schedule I, Parts I and III</i> . . . . .	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? <i>If "Yes," complete Schedule J</i> . . . . .	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? <i>If "Yes," answer lines 24b–24d and complete Schedule K. If "No," go to line 25</i> . . . . .	24a		No
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception? . . . .	24b		
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds? . . . . .	24c		
d	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? <i>If "Yes," complete Schedule L, Part I</i> . . . . .	25a		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? <i>If "Yes," complete Schedule L, Part I</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? <i>If "Yes," complete Schedule L, Part II</i> . . . . .	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? <i>If "Yes," complete Schedule L, Part III</i> . . . . .	27		No
28	Was the organization a party to a business transaction with one of the following parties? (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i> . . . . .	28a		No
b	A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i> . . . . .	28b		No
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? <i>If "Yes," complete Schedule L, Part IV</i> . . . . .	28c		No
29	Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i> . . . . .	29		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i> . . . . .	30		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i> . . . . .	31		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i> . . . . .	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? <i>If "Yes," complete Schedule R, Part I</i> . . . . .	33		No
34	Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Parts II, III, IV, and V, line 1</i> . . . . .	34	Yes	
35	Is any related organization a controlled entity within the meaning of section 512(b)(13)? . . . . .	35	Yes	
a	Did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? <i>If "Yes," complete Schedule R, Part V, line 2</i> . . . . . <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No			
36	<b>Section 501(c)(3) organizations.</b> Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2</i> . . . . .	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? <i>If "Yes," complete Schedule R, Part VI</i> . . . . .	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 <input type="checkbox"/>			
		Yes	No
1a	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable.	1a	22
b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.	1b	0
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	1c	Yes
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements filed for the calendar year ending with or within the year covered by this return.	2a	747
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns?	2b	Yes
Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions).			
3a	Did the organization have unrelated business gross income of \$1,000 or more during the year?	3a	No
b	If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O.	3b	
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?	4a	No
b	If "Yes," enter the name of the foreign country: See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.		
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?	5a	No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	5b	No
c	If "Yes" to line 5a or 5b, did the organization file Form 8886-T?	5c	
6a	Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible?	6a	No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	6b	
7 Organizations that may receive deductible contributions under section 170(c).			
a	Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?	7a	No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?	7b	
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?	7c	No
d	If "Yes," indicate the number of Forms 8282 filed during the year.	7d	
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	7e	No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?	7f	No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	7g	
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	7h	
8 Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations. Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?			
8			
9 Sponsoring organizations maintaining donor advised funds.			
a	Did the organization make any taxable distributions under section 4966?	9a	
b	Did the organization make a distribution to a donor, donor advisor, or related person?	9b	
10 Section 501(c)(7) organizations. Enter			
a	Initiation fees and capital contributions included on Part VIII, line 12.	10a	
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities.	10b	
11 Section 501(c)(12) organizations. Enter			
a	Gross income from members or shareholders.	11a	
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them).	11b	
12a Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041?			
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year.	12b	
13 Section 501(c)(29) qualified nonprofit health insurance issuers.			
a	Is the organization licensed to issue qualified health plans in more than one state? Note. See the instructions for additional information the organization must report on Schedule O.	13a	
b	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans.	13b	
c	Enter the amount of reserves on hand.	13c	
14a Did the organization receive any payments for indoor tanning services during the tax year?			
14a			
b	If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O.	14b	No



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 . . . . .		
1b	Enter the number of voting members included in line 1a, above, who are independent . . . . .		
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? . . . . .		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? . . . . .		No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed? . . . . .		No
5	Did the organization become aware during the year of a significant diversion of the organization's assets? . . . . .		No
6	Does the organization have members or stockholders? . . . . .	Yes	
7a	Does the organization have members, stockholders, or other persons who may elect one or more members of the governing body? . . . . .	Yes	
7b	Are any decisions of the governing body subject to approval by members, stockholders, or other persons? . . . . .	Yes	
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following . . . . .		
8a	The governing body? . . . . .	Yes	
8b	Each committee with authority to act on behalf of the governing body? . . . . .	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 . . . . .		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? . . . . .		No
10b	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? . . . . .		
11a	Has the organization provided a copy of this Form 990 to all members of its governing body before filing the form? . . . . .		No
11b	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 . . . . .	Yes	
12b	Are officers, directors or trustees, and key employees required to disclose annually interests that could give rise to conflicts? . . . . .	Yes	
12c	Does the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this is done . . . . .	Yes	
13	Does the organization have a written whistleblower policy? . . . . .		No
14	Does the organization have a written document retention and destruction policy? . . . . .	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? . . . . .		
15a	The organization's CEO, Executive Director, or top management official . . . . .	Yes	
15b	Other officers or key employees of the organization . . . . .	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? . . . . .	Yes	
16b	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? . . . . .	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. <input type="checkbox"/> Own website <input type="checkbox"/> Another's website <input checked="" type="checkbox"/> 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



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

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

Form **990** (2010)



Part VII

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

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
See Additional Data Table										
1b Sub-Total . . . . .										
c Total from continuation sheets to Part VII, Section A . . . . .										
d Total (add lines 1b and 1c) . . . . .								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? <i>If "Yes," complete Schedule J for such individual</i> . . . . .		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? <i>If "Yes," complete Schedule J for such individual</i> . . . . .	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? <i>If "Yes," complete Schedule J for such person</i> . . . . .		No

Section B. Independent Contractors

1	Complete this table for your five highest compensated independent contractors that received more than \$100,000 of compensation from the organization		
(A) Name and business address		(B) Description of services	(C) Compensation
ADVANTAGE HEALTH PHYSICIANS NETWORK 245 STATE STREET SE GRAND RAPIDS, MI 49503		PHYSICIAN MEDICAL SERVICES	153,895
FRICANO CONSTRUCTION PO BOX 276 CALEDONIA, MI 49316		CONSTRUCTION MANAGEMENT	131,281
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		



Part VIII

Statement of Revenue

			(A)	(B)	(C)	(D)	
			Total revenue	Related or exempt function revenue	Unrelated business revenue	Revenue excluded from tax under sections 512, 513, or 514	
Contributions, gifts, grants and other similar amounts	1a	Federated campaigns . . . . .	1a				
	b	Membership dues . . . . .	1b				
	c	Fundraising events . . . . .	1c				
	d	Related organizations . . . . .	1d	882,986			
	e	Government grants (contributions)	1e	109,706			
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	550,094			
	g	Noncash contributions included in lines 1a-1f \$					
	h	Total. Add lines 1a-1f . . . . .		1,542,786			
Program Service Revenue	2a		Business Code				
		PATIENT SERVICE REVENU	621400	38,011,499	38,011,499		
	b	CONTRACT SERVICE REVEN	621400	4,986,701	4,986,701		
	c	PROGRAM EXPENSE REIMBU	621400	466,827	466,827		
	d						
	e						
	f	All other program service revenue					
	g	Total. Add lines 2a-2f . . . . .		43,465,027			
Other Revenue	3	Investment income (including dividends, interest and other similar amounts) . . . . .		1,135,675			1,135,675
	4	Income from investment of tax-exempt bond proceeds . . . . .					
	5	Royalties . . . . .					
	6a	Gross Rents	(i) Real	(ii) Personal			
	b	Less rental expenses	489,081				
	c	Rental income or (loss)	489,081				
	d	Net rental income or (loss) . . . . .			489,081		489,081
	7a	Gross amount from sales of assets other than inventory	(i) Securities	(ii) Other			
	b	Less cost or other basis and sales expenses	21,196,134	12,817			
	c	Gain or (loss)	21,435,113				
	d	Net gain or (loss) . . . . .	-238,979	12,817			
	8a	Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18 . . . . .					
	b	Less direct expenses . . . . .					
	c	Net income or (loss) from fundraising events . . . . .					
	9a	Gross income from gaming activities See Part IV, line 19 . . . . .					
	b	Less direct expenses . . . . .					
	c	Net income or (loss) from gaming activities . . . . .					
	10a	Gross sales of inventory, less returns and allowances . . . . .					
	b	Less cost of goods sold . . . . .					
	c	Net income or (loss) from sales of inventory . . . . .					
Miscellaneous Revenue		Business Code					
11a	COMPUTER/SYSTEM SUPPOR	541519	32,300			32,300	
b	DONATION PROCESSING SU	541900	8,200			8,200	
c							
d	All other revenue . . . . .						
e	Total. Add lines 11a-11d . . . . .		40,500				
12	Total revenue. 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).

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.		(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1	Grants and other assistance to governments and organizations in the U S See Part IV, line 21	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)				
	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	
25	Total functional expenses. Add lines 1 through 24f	44,981,800	38,815,204	6,166,596	0
26	Joint costs. Check here <input checked="" type="checkbox"/> if following SOP 98-2 (ASC 958-720) Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation				



Part X

Balance Sheet

					(A)		(B)
					Beginning of year		End of year
Assets	1	Cash—non-interest-bearing . . . . .			500	1	500
	2	Savings and temporary cash investments . . . . .			7,207,360	2	8,871,154
	3	Pledges and grants receivable, net . . . . .				3	
	4	Accounts receivable, net . . . . .			8,375,834	4	6,077,825
	5	Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees. Complete Part II of Schedule L . . . . .				5	
	6	Receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers, and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions). Schedule L . . . . .				6	
	7	Notes and loans receivable, net . . . . .				7	
	8	Inventories for sale or use . . . . .			100,458	8	118,202
	9	Prepaid expenses and deferred charges . . . . .			391,519	9	450,144
	10a	Land, buildings, and equipment: cost or other basis. Complete Part VI of Schedule D.	10a	30,370,027			
	b	Less: accumulated depreciation . . . . .	10b	21,636,224	9,636,928	10c	8,733,803
	11	Investments—publicly traded securities . . . . .			40,261,709	11	46,255,767
	12	Investments—other securities. See Part IV, line 11 . . . . .				12	
	13	Investments—program-related. See Part IV, line 11 . . . . .				13	
	14	Intangible assets . . . . .			0	14	625,936
	15	Other assets. See Part IV, line 11 . . . . .			2,683,114	15	2,866,111
16	Total assets. Add lines 1 through 15 (must equal line 34) . . . . .			68,657,422	16	73,999,442	
Liabilities	17	Accounts payable and accrued expenses . . . . .			7,743,354	17	7,768,833
	18	Grants payable . . . . .				18	
	19	Deferred revenue . . . . .				19	
	20	Tax-exempt bond liabilities . . . . .				20	
	21	Escrow or custodial account liability. Complete Part IV of Schedule D . . . . .				21	
	22	Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons. Complete Part II of Schedule L . . . . .				22	
	23	Secured mortgages and notes payable to unrelated third parties . . . . .				23	
	24	Unsecured notes and loans payable to unrelated third parties . . . . .				24	
	25	Other liabilities. Complete Part X of Schedule D . . . . .			967,216	25	0
	26	Total liabilities. Add lines 17 through 25 . . . . .			8,710,570	26	7,768,833
Net Assets or Fund Balances	Organizations that follow SFAS 117, check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.						
	27	Unrestricted net assets . . . . .			59,088,182	27	65,361,140
	28	Temporarily restricted net assets . . . . .			858,670	28	869,469
	29	Permanently restricted net assets . . . . .				29	
	Organizations that do not follow SFAS 117, check here <input type="checkbox"/> and complete lines 30 through 34.						
	30	Capital stock or trust principal, or current funds . . . . .				30	
	31	Paid-in or capital surplus, or land, building or equipment fund . . . . .				31	
	32	Retained earnings, endowment, accumulated income, or other funds . . . . .				32	
	33	Total net assets or fund balances . . . . .			59,946,852	33	66,230,609
34	Total liabilities and net assets/fund balances . . . . .			68,657,422	34	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 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?		No
b	Were the organization's financial statements audited by an independent accountant?	Yes	
c	If "Yes," to 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant? If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O	Yes	
d	If "Yes" to line 2a or 2b, check a box below to indicate whether the financial statements for the year were issued on a separate basis, consolidated basis, or both <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?		No
b	If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits		



SCHEDULE A  
(Form 990 or 990EZ)

Department of the Treasury  
Internal Revenue Service

Public Charity Status and Public Support

Complete if the organization is a section 501(c)(3) organization or a section 4947(a)(1) nonexempt charitable trust.

► Attach to Form 990 or Form 990-EZ. ► See separate instructions.

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization  
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

a

☐

Type I

b

☐

Type II

c

☐

Type III - Functionally integrated

d

☐

Type III - Other

e

☐

By checking this box, I certify that the organization is not controlled directly or indirectly by one or more disqualified persons other than foundation managers and other than one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2)

f

☐

If the organization received a written determination from the IRS that it is a Type I, Type II or Type III supporting organization, check this box

g

☐

Since August 17, 2006, has the organization accepted any gift or contribution from any of the following persons?  
(i) a person who directly or indirectly controls, either alone or together with persons described in (ii) and (iii) below, the governing body of the the supported organization?  
(ii) a family member of a person described in (i) above?  
(iii) a 35% controlled entity of a person described in (i) or (ii) above?

h

☐

Provide the following information about the supported organization(s)

	Yes	No
11g(i)		
11g(ii)		
11g(iii)		

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



Part II

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

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

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

Section B. Total Support						
Calendar year (or fiscal year beginning in) ▶	(a) 2006	(b) 2007	(c) 2008	(d) 2009	(e) 2010	(f) Total
7 Amounts from line 4						
8 Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
9 Net income from unrelated business activities, whether or not the business is regularly carried on						
10 Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV )						
11 Total support (Add lines 7 through 10)						
12 Gross receipts from related activities, etc (See instructions )					12	
13 First Five Years If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and stop here ▶						

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



Part IIISupport Schedule for Organizations Described in Section 509(a)(2)  
(Complete only if you checked the box on line 9 of Part I or if the organization failed to qualify under Part II. If the organization fails to qualify under the tests listed below, please complete Part II.)

Section A. Public Support						
Calendar year (or fiscal year beginning in) ▶	(a) 2006	(b) 2007	(c) 2008	(d) 2009	(e) 2010	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants.")						
2 Gross receipts from admissions, merchandise sold or services performed, or facilities furnished in any activity that is related to the organization's tax-exempt purpose						
3 Gross receipts from activities that are not an unrelated trade or business under section 513						
4 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
5 The value of services or facilities furnished by a governmental unit to the organization without charge						
6 Total. Add lines 1 through 5						
7a Amounts included on lines 1, 2, and 3 received from disqualified persons						
b Amounts included on lines 2 and 3 received from other than disqualified persons that exceed the greater of \$5,000 or 1% of the amount on line 13 for the year						
c Add lines 7a and 7b						
8 Public Support (Subtract line 7c from line 6 )						

Section B. Total Support						
Calendar year (or fiscal year beginning in) ▶	(a) 2006	(b) 2007	(c) 2008	(d) 2009	(e) 2010	(f) Total
9 Amounts from line 6						
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
c Add lines 10a and 10b						
11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
12 Other income. Do not include gain or loss from the sale of capital assets (Explain in Part IV.)						
13 Total support (Add lines 9, 10c, 11 and 12.)						
14 First Five Years If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a section501(c)(3) organization, check this box and stop here ▶						

Section C. Computation of Public Support Percentage		
15 Public Support Percentage for 2010 (line 8 column (f) divided by line 13 column (f))	15	
16 Public support percentage from 2009 Schedule A, Part III, line 15	16	

Section D. Computation of Investment Income Percentage		
17 Investment income percentage for 2010 (line 10c column (f) divided by line 13 column (f))	17	
18 Investment income percentage from 2009 Schedule A, Part III, line 17	18	
19a 33 1/3% support tests—2010. If the organization did not check the box on line 14, and line 15 is more than 33 1/3% and line 17 is not more than 33 1/3%, check this box and stop here. The organization qualifies as a publicly supported organization ▶		
b 33 1/3% support tests—2009. If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3% and line 18 is not more than 33 1/3%, check this box and stop here. The organization qualifies as a publicly supported organization ▶		
20 Private Foundation If the organization did not check a box on line 14, 19a or 19b, check this box and see instructions ▶		



Part IV

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

Facts And Circumstances Test



SCHEDULE C  
(Form 990 or 990-EZ)

Department of the Treasury  
Internal Revenue Service

Political Campaign and Lobbying Activities

For Organizations Exempt From Income Tax Under section 501(c) and section 527

▶ **Complete if the organization is described below.**  
▶ **Attach to Form 990 or Form 990-EZ. ▶ See separate instructions.**

OMB No 1545-0047

2010

Open to Public Inspection

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

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

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

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

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

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

Name of the organization MARY FREE BED HOSPITAL & REHABILITATION CENTER	Employer identification number 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?	<input type="checkbox"/> Yes <input type="checkbox"/> No
4a	Was a correction made?	<input type="checkbox"/> Yes <input type="checkbox"/> No
b	If "Yes," describe in Part IV	

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

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

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



Part II-A

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

A

Check

☐

if the filing organization belongs to an affiliated group

B

Check

☐

if the filing organization checked box A and "limited control" provisions apply

Limits on Lobbying Expenditures (The term "expenditures" means amounts paid or incurred.)		(a) Filing Organization's Totals	(b) Affiliated Group Totals												
1a Total lobbying expenditures to influence public opinion (grass roots lobbying)															
b Total lobbying expenditures to influence a legislative body (direct lobbying)															
c Total lobbying expenditures (add lines 1a and 1b)															
d Other exempt purpose expenditures															
e Total exempt purpose expenditures (add lines 1c and 1d)															
f Lobbying nontaxable amount Enter the amount from the following table in both columns															
<table><tr><td>If the amount on line 1e, column (a) or (b) is:</td><td>The lobbying nontaxable amount is:</td></tr><tr><td>Not over \$500,000</td><td>20% of the amount on line 1e</td></tr><tr><td>Over \$500,000 but not over \$1,000,000</td><td>\$100,000 plus 15% of the excess over \$500,000</td></tr><tr><td>Over \$1,000,000 but not over \$1,500,000</td><td>\$175,000 plus 10% of the excess over \$1,000,000</td></tr><tr><td>Over \$1,500,000 but not over \$17,000,000</td><td>\$225,000 plus 5% of the excess over \$1,500,000</td></tr><tr><td>Over \$17,000,000</td><td>\$1,000,000</td></tr></table>		If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:	Not over \$500,000	20% of the amount on line 1e	Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000	Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000	Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000	Over \$17,000,000	\$1,000,000		
If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:														
Not over \$500,000	20% of the amount on line 1e														
Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000														
Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000														
Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000														
Over \$17,000,000	\$1,000,000														
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?		<input type="checkbox"/> Yes	<input type="checkbox"/> No												

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

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



Part II-B

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

		(a)		(b)
		Yes	No	Amount
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
a	Volunteers?		No	
b	Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		No	
c	Media advertisements?		No	
d	Mailings to members, legislators, or the public?		No	
e	Publications, or published or broadcast statements?		No	
f	Grants to other organizations for lobbying purposes?		No	
g	Direct contact with legislators, their staffs, government officials, or a legislative body?		No	
h	Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
i	Other activities? If "Yes," describe in Part IV	Yes		6,042
j	Total lines 1c through 1i			6,042
2a	Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No	
b	If "Yes," enter the amount of any tax incurred under section 4912			
c	If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
d	If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?			

Part III-A

Complete if the organization is exempt under section 501(c)(4), section 501(c)(5), or section 501(c)(6).

			Yes	No
1	Were substantially all (90% or more) dues received nondeductible by members?	1		
2	Did the organization make only in-house lobbying expenditures of \$2,000 or less?	2		
3	Did the organization agree to carryover lobbying and political expenditures from the prior year?	3		

Part III-B

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

1	Dues, assessments and similar amounts from members	1	
2	Section 162(e) non-deductible lobbying and political expenditures (do not include amounts of political expenses for which the section 527(f) tax was paid).		
a	Current year	2a	
b	Carryover from last year	2b	
c	Total	2c	
3	Aggregate amount reported in section 6033(e)(1)(A) notices of nondeductible section 162(e) dues	3	
4	If notices were sent and the amount on line 2c exceeds the amount on line 3, what portion of the excess does the organization agree to carryover to the reasonable estimate of nondeductible lobbying and political expenditure next year?	4	
5	Taxable amount of lobbying and political expenditures (see instructions)	5	

Part IV

Supplemental Information

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

Identifier	Return Reference	Explanation
EXPLANATION OF OTHER LOBBYING ACTIVITIES	PART II-B, LINE 1I	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



SCHEDULE D

(Form 990)

Department of the Treasury  
Internal Revenue Service

Supplemental Financial Statements

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

OMB No 1545-0047

2010

Open to Public  
Inspection

**Name of the organization**  
MARY FREE BED HOSPITAL & 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? <div><input type="checkbox"/> Yes<input type="checkbox"/> No</div>	
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? <div><input type="checkbox"/> Yes<input type="checkbox"/> No</div>	

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

a

Total number of conservation easements

b

Total acreage restricted by conservation easements

c

Number of conservation easements on a certified historic structure included in (a)

d

Number of conservation easements included in (c) acquired after 8/17/06

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

► \$ \_\_\_\_\_

For Privacy Act and Paperwork Reduction Act Notice, see the Intructions for Form 990

Cat No 52283D

Schedule D (Form 990) 2010



Part III

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

3

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

a

☐ Public exhibition

b

☐ Scholarly research

c

☐ Preservation for future generations

d

☐ Loan or exchange programs

e

☐ Other

4

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

5

During the year, did the organization solicit or receive donations of art, historical treasures or other similar assets to be sold to raise funds rather than to be maintained as part of the organization's collection?

☐ Yes

☐ No

Part IV

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

1a

Is the organization an agent, trustee, custodian or other intermediary for contributions or other assets not included on Form 990, Part X?

☐ Yes

☐ No

b

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

c

Beginning balance

d

Additions during the year

e

Distributions during the year

f

Ending balance

	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 . . . . .

(ii)

related organizations . . . . .

3a(i)

Yes

No

3a(ii)

3b

b

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

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
Total. Add lines 1a-1e (Column (d) should equal Form 990, Part X, column (B), line 10(c).)				8,733,803







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)	146,446,907
2	Total expenses (Form 990, Part IX, column (A), line 25)	44,981,800
3	Excess or (deficit) for the year Subtract line 2 from line 1	1,465,107
4	Net unrealized gains (losses) on investments	4,691,694
5	Donated services and use of facilities	
6	Investment expenses	
7	Prior period adjustments	
8	Other (Describe in Part XIV)	126,956
9	Total adjustments (net) Add lines 4 - 8	4,818,650
10	Excess or (deficit) for the year per financial statements Combine lines 3 and 9	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.



## Hospitals

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

OMB No 1545-0047

# 2010

**Open to Public Inspection**

Employer identification number

38-1359265

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

		Yes	No
<b>1a</b>	Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a . . . . .	Yes	
<b>1b</b>	If "Yes," is it a written policy? . . . . .	Yes	
<b>2</b>	If the organization has multiple hospitals, indicate which of the following best describes application of the financial assistance policy to its various hospital facilities during the tax year <input type="checkbox"/> Applied uniformly to all hospitals <input type="checkbox"/> Generally tailored to individual hospitals <input type="checkbox"/> Applied uniformly to most hospitals		
<b>3</b>	Answer the following based on the the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year		
<b>a</b>	Does the organization use Federal Poverty Guidelines (FPG) to determine eligibility for providing <i>free</i> care to low income individuals? If "Yes," indicate which of the following is the FPG family income limit for eligibility for free care <input type="checkbox"/> 100% <input type="checkbox"/> 150% <input type="checkbox"/> 200% <input checked="" type="checkbox"/> Other <u>250.000000000000 %</u>	Yes	
<b>b</b>	Does the organization use FPG to determine eligibility for providing <i>discounted</i> care to low income individuals? If "Yes," indicate which of the following is the family income limit for eligibility for discounted care . . . . . <input type="checkbox"/> 200% <input checked="" type="checkbox"/> 250% <input type="checkbox"/> 300% <input type="checkbox"/> 350% <input type="checkbox"/> 400% <input type="checkbox"/> Other _____ %	Yes	
<b>c</b>	If the organization does not use FPG to determine eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care. Include in the description whether the organization uses an asset test or other threshold, regardless of income, to determine eligibility for free or discounted care		
<b>4</b>	Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for free or discounted care to the "medically indigent"? . . . . .	Yes	
<b>5a</b>	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year? . . . . .	Yes	
<b>b</b>	If "Yes," did the organization's financial assistance expenses exceed the budgeted amount? . . . . .		No
<b>c</b>	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care? . . . . .		
<b>6a</b>	Does the organization prepare a community benefit report during the tax year? . . . . .		No
<b>6b</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.			

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

<b>Financial Assistance and Means-Tested Government Programs</b>	<b>(a)</b> Number of activities or programs (optional)	<b>(b)</b> Persons served (optional)	<b>(c)</b> Total community benefit expense	<b>(d)</b> Direct offsetting revenue	<b>(e)</b> Net community benefit expense	<b>(f)</b> 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 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 Total</b> Other Benefits			141,775		141,775	0 320 %
<b>k 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
1	Physical improvements and housing					
2	Economic development					
3	Community support					
4	Environmental improvements					
5	Leadership development and training for community members					
6	Coalition building					
7	Community health improvement advocacy	238	2,901		2,901	0.010 %
8	Workforce development					
9	Other					
10	Total	238	2,901		2,901	0.010 %

Part III

Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

		Yes	No
1	Did the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No. 15?	1	Yes
2	Enter the amount of the organization's bad debt expense (at cost)	2	360,583
3	Enter the estimated amount of the organization's bad debt expense (at cost) attributable to patients eligible under the organization's financial assistance policy	3	7,500
4	Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense. In addition, describe the costing methodology used in determining the amounts reported on lines 2 and 3, and rationale for including a portion of bad debt amounts as community benefit.		

Section B. Medicare

5	Enter total revenue received from Medicare (including DSH and IME)	5	5,684,000
6	Enter Medicare allowable costs of care relating to payments on line 5	6	7,753,032
7	Subtract line 6 from line 5. This is the surplus or (shortfall)	7	-2,069,032
8	Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit. Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6. Check the box that describes the method used: <input type="checkbox"/> Cost accounting system <input checked="" type="checkbox"/> Cost to charge ratio <input type="checkbox"/> Other		

Section C. Collection Practices

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

Part IV

Management Companies and Joint Ventures

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



## Section A. Hospital Facilities

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

**Schedule H (Form 990) 2010**



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

Identifier	ReturnReference	Explanation
		PART I, LINE 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
		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



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 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



OMB No 1545-0047

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

## Open to Public Inspection

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

[illegible]

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



**Part III**

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

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

**Part IV**

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

Identifier	Return Reference	Explanation
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Schedule J  
(Form 990)

Compensation Information

OMB No 1545-0047

2010

Open to Public Inspection

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

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

▶ Attach to Form 990. ▶ See separate instructions.

Name of the organization

MARY FREE BED HOSPITAL & 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		
	<div><div><input type="checkbox"/> First-class or charter travel</div><div><input type="checkbox"/> Housing allowance or residence for personal use</div></div> <div><div><input type="checkbox"/> Travel for companions</div><div><input type="checkbox"/> Payments for business use of personal residence</div></div> <div><div><input type="checkbox"/> Tax idemnification and gross-up payments</div><div><input type="checkbox"/> Health or social club dues or initiation fees</div></div> <div><div><input type="checkbox"/> Discretionary spending account</div><div><input type="checkbox"/> Personal services (e g , maid, chauffeur, chef)</div></div>		
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	1b	
2	Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a?	2	
3	Indicate which, if any, of the following the organization uses to establish the compensation of the organization's CEO/Executive Director Check all that apply		
	<div><div><input checked="" type="checkbox"/> Compensation committee</div><div><input checked="" type="checkbox"/> Written employment contract</div></div> <div><div><input type="checkbox"/> Independent compensation consultant</div><div><input checked="" type="checkbox"/> Compensation survey or study</div></div> <div><div><input checked="" type="checkbox"/> Form 990 of other organizations</div><div><input checked="" type="checkbox"/> Approval by the board or compensation committee</div></div>		
4	During the year, did any person listed in Form 990, Part VII, Section A, line 1a with respect to the filing organization or a related organization		
a	Receive a severance payment or change-of-control payment from the organization or a related organization?	4a	No
b	Participate in, or receive payment from, a supplemental nonqualified retirement plan?	4b	No
c	Participate in, or receive payment from, an equity-based compensation arrangement?	4c	No
	If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III		
	Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.		
5	For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of		
a	The organization?	5a	No
b	Any related organization?	5b	No
	If "Yes," to line 5a or 5b, describe in Part III		
6	For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of		
a	The organization?	6a	No
b	Any related organization?	6b	No
	If "Yes," to line 6a or 6b, describe in Part III		
7	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III	7	No
8	Were any amounts reported in Form 990, Part VII, paid or 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	8	No
9	If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53 4958-6(c)?	9	



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

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

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

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
(1) WILLIAM H BLESSING	(i) (ii)	347,954 0	62,021 0	34,361 0	7,331 0	33,784 0	485,451 0	0 0
(2) JOHN F BUTZER MD	(i) (ii)	368,435 0	66,988 0	34,242 0	7,558 0	33,560 0	510,783 0	0 0
(3) RANDALL DENEFF	(i) (ii)	159,388 0	12,724 0	1,032 0	7,886 0	15,110 0	196,140 0	0 0
(4) DAYLE MAPLES MD	(i) (ii)	250,765 0	19,459 0	0 0	3,880 0	0 0	274,104 0	0 0
(5) BRUCE BRASSER	(i) (ii)	143,327 0	10,085 0	0 0	3,481 0	17,341 0	174,234 0	0 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
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SCHEDULE O

(Form 990 or 990-EZ)

Department of the Treasury  
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

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

OMB No 1545-0047

2010

Open to Public  
Inspection

Name of the organization MARY FREE BED HOSPITAL & REHABILITATION CENTER	Employer identification number 38-1359265
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Identifier	Return Reference	Explanation
FORM 990, PART VI, SECTION A, LINE 6		THE ORGANIZATION HAS ONE SHAREHOLDER, MARY FREE BED GUILD, AS DICTATED BY THE BY-LAWS



Identifier	Return Reference	Explanation
FORM 990, PART VI, 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



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



Identifier	Return Reference	Explanation
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



Identifier	Return Reference	Explanation
	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



SCHEDULE R  
(Form 990)

Department of the Treasury  
Internal Revenue Service

Related Organizations and Unrelated Partnerships

▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 33, 34, 35, 36, or 37.  
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization

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.)

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

Part II

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled organization	
						Yes	No
(1) MARY FREE BED GUILD OF GRAND RAPIDS  235 WEALTHY STREET SE  GRAND RAPIDS, MI 49503 38-2649369	CHARITABLE HEALTHCARE	MI	501(C)(3)	LINE 7	N/A	Yes	
(2) MARY FREE BED BRACE AND CORSET SHOP  235 WEALTHY STREET SE  GRAND RAPIDS, MI 49503 38-2643391	CHARITABLE HEALTHCARE	MI	501(C)(3)	LINE 9	MARY FREE BED GUILD OF GRAND RAPIDS	Yes	
(3) MARY FREE BED FUND  235 WEALTHY STREET SE  GRAND RAPIDS, MI 49503 38-2643392	SUPPORTING ORGANIZATION	MI	501(C)(3)	LINE 11A, I	MARY FREE BED GUILD OF GRAND RAPIDS	Yes	
(4) MARY FREE BED MEDICAL GROUP  235 WEALTHY STREET SE  GRAND RAPIDS, MI 49503 27-1589392	CHARITABLE HEALTHCARE	MI	501(C)(3)	LINE 11A, I	MARY FREE BED HOPSITAL & REHABILITATION CENTER	Yes	



Part III

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512- 514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproporionate allocations?		(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
							Yes	No		Yes	No	

Part IV

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership



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) Name of other organization	(b) Transaction type(a-r)	(c) Amount involved	(d) 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

Schedule R (Form 990) 2010



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.

[illegible]



**Part VII**   **Supplemental Information**

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

Identifier	Return Reference	Explanation
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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) Name of other organization	(b) Transaction type(a-r)	(c) Amount Involved (\$)	(d) 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



# **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.

*Plante & Moran, PLLC*

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
Total unrestricted revenue, gains, and other support	300,754,839	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
Total expenses (Note 16)	292,234,912	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</b> (Note 5)	14,195	(934,439)
<b>Operating Income</b>	8,534,122	6,364,735
<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)
Total other income	2,700,108	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	2,009,844	840,000
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 pledges receivable	716,948	937,217
Net assets released from restriction	(2,009,844)	(840,000)
(Decrease) increase in temporarily restricted net assets	(1,292,896)	97,217
<b>Increase in Net Assets</b>	17,243,975	2,010,164
<b>Net Assets - Beginning of year</b>	85,502,344	83,492,180
<b>Net Assets - End of year</b>	<b>\$ 102,746,319</b>	<b>\$ 85,502,344</b>



# 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	26,321,937	14,397,077
<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	11,682,542	19,329,175
Net cash used in investing activities	(9,355,218)	(7,072,950)
<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	1,574,061	937,217
Net cash used in financing activities	(162,872)	(4,807,361)
<b>Net Increase in Cash and Cash Equivalents</b>	16,803,847	2,516,766
<b>Cash and Cash Equivalents - Beginning of year</b>	15,920,657	13,403,891
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 32,724,504</b>	<b>\$ 15,920,657</b>
<b>Supplemental Cash Flow Information - Cash paid for interest</b>	<b>\$ 9,809,573</b>	<b>\$ 9,923,564</b>



# Metro Health Corporation and Affiliates

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

### Note 1 - 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

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

### Note 1 - 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

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

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

**Assets Limited as to Use** - Assets limited as to use include assets designated by the board of trustees for future capital improvement, 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**

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

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

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

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

### Note 1 - 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	(28,747,373)	(36,378,577)
Net patient accounts receivable	30,239,864	28,541,881
Other	98,232	99,210
Total accounts receivable	<u>\$ 30,338,096</u>	<u>\$ 28,641,091</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

## 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
Subtotal	<u>\$ 40,661,991</u>	<u>\$ 31,750,417</u>
Percentage of net revenue	<u>13.5 %</u>	<u>11.3 %</u>

**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:

	2011	2010	Depreciable 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	-
Total cost	304,607,339	294,142,218	
Accumulated depreciation	(108,417,910)	(91,647,051)	
Total property and equipment	<u>\$ 196,189,429</u>	<u>\$ 202,495,167</u>	

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:

	2011	2010
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	14,829,528	12,230,954
Total assets limited as to use and temporarily restricted	34,786,901	33,206,431
General investments	8,434,188	6,683,016
Total investments	43,221,089	39,889,447
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	7,288,039	5,383,675
Total other assets	\$ 57,403,026	\$ 55,102,563



# 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
Total	<u>\$ 26,828,665</u>	<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
Total	<u>\$ 16,392,424</u>	<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
Total	<u>\$ 3,765,283</u>	<u>\$ 2,317,042</u>



# **Metro Health Corporation and Affiliates**

## **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 Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at 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 managed futures	-	-	1,331,630	1,331,630
Alternative investments - Diversified hedge fund of funds	-	-	2,764,338	2,764,338
Total	\$ 14,350,655	\$ 15,828,826	\$ 4,095,968	\$ 34,275,449

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

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at 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 managed futures	-	-	1,337,090	1,337,090
Alternative investments - Diversified hedge fund of funds	-	-	2,400,656	2,400,656
Various other alternative investments	-	-	437,934	437,934
Total	\$ 11,440,853	\$ 17,231,964	\$ 4,175,680	\$ 32,848,497

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

	Fair Value at July 1, 2009	Net Purchases, Sales, Calls, and Maturities	Total Realized and Unrealized Gains Included in Other Revenue	Fair Value at 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**

## **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 interest	<u>(6,789,857)</u>
Present value of minimum lease 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 (Note 14)	1,213,420	2,050,748
Accrued defined contribution pension cost	1,636,670	1,509,265
Other	774,698	502,809
Total other liabilities	<u>\$ 19,067,813</u>	<u>\$ 27,395,950</u>

### 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	\$ (67,271,639)	\$ (66,931,082)
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 at June 30 - Weighted average discount rate	5.80 %	5.70 %
Actuarial assumptions used to determine net periodic benefit cost for the year ended June 30:		
Weighted average discount rate	5.70 %	6.50 %
Expected rate of return on plan assets	8.50 %	8.50 %



# Metro Health Corporation and Affiliates

## 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:

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

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 in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (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 in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (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:

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

	Fair Value at July 1, 2009	Purchases	Sales	Total Unrealized and Realized Gains (Net)	Fair Value at June 30, 2010
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:

<u>Years Ending June 30</u>	<u>Amount</u>
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:

	<u>2011</u>	<u>2010</u>
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**

## **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>	195,237,061	317,544	-	-	634,824	-	196,189,429
<b>Other Assets</b>	51,573,741	190,045	9,549,422	210,743	-	(4,120,925)	57,403,026
Total assets	<u>\$ 328,548,405</u>	<u>\$ 2,881,508</u>	<u>\$ 9,982,779</u>	<u>\$ 210,743</u>	<u>\$ 2,652,309</u>	<u>\$ (4,420,930)</u>	<u>\$ 339,854,814</u>
<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>	177,004,818	-	-	-	-	-	177,004,818
<b>Other Liabilities</b>	19,067,813	-	-	-	832,231	(832,231)	19,067,813
Total liabilities	234,433,761	4,059,222	215,470	-	1,507,510	(3,107,468)	237,108,495
<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
Total liabilities and net assets	<u>\$ 328,548,405</u>	<u>\$ 2,881,508</u>	<u>\$ 9,982,779</u>	<u>\$ 210,743</u>	<u>\$ 2,652,309</u>	<u>\$ (4,420,930)</u>	<u>\$ 339,854,814</u>



# 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>	9,107,236	(1,177,602)	-	-	590,293	-	8,519,927
<b>Gain (loss) on Sale of Property and Equipment</b>	14,307	(112)	-	-	-	-	14,195
<b>Operating Income (Loss)</b>	9,121,543	(1,177,714)	-	-	590,293	-	8,534,122
<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>	12,187,166	(1,177,714)	(396,708)	31,193	590,293	-	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 than Net Periodic Benefit Cost</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>	<u>\$ 15,075,553</u>	<u>\$ 1,308,365</u>	<u>\$ 1,613,136</u>	<u>\$ 31,193</u>	<u>\$ 508,624</u>	<u>\$ -</u>	<u>\$ 18,536,871</u>



# Metro Health Corporation and Affiliates

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

	Metropolitan Obligated Group	Nonobligated 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
Total assets	<u>\$ 338,741,927</u>	<u>\$ 5,533,817</u>	<u>\$ (4,420,930)</u>	<u>\$ 339,854,814</u>
<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
Total liabilities	234,649,231	5,566,732	(3,107,468)	237,108,495
<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
Total liabilities and net assets	<u>\$ 338,741,927</u>	<u>\$ 5,533,817</u>	<u>\$ (4,420,930)</u>	<u>\$ 339,854,814</u>



# Metro Health Corporation and Affiliates

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

	Metropolitan Obligated Group	Nonobligated Group Members	Eliminations	Total
<b>Unrestricted Revenue, Gains, and 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, 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 Property and Equipment</b>	9,107,236	(587,309)	-	8,519,927
<b>Gain (loss) on Sale of Property and 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) 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 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) - Beginning of year</b>	82,877,868	(1,849,904)	(1,313,462)	79,714,502
<b>Unrestricted Net Assets (Deficit) - End of year</b>	<u>\$ 99,597,750</u>	<u>\$ (32,915)</u>	<u>\$ (1,313,462)</u>	<u>\$ 98,251,373</u>



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) Name and Title	(B) Average hours per week	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
WILLIAM H BLESSING PRESIDENT	45 00	X		X				444,336	0	41,115
JOHN F BUTZER MD MEDICAL DIRECTOR	50 00	X		X		X		469,665	0	41,118
KENT RIDDLE CHAIRMAN	1 00	X		X				0	0	0
JULIE RIDENOUR DIRECTOR	1 00	X						0	0	0
MARIANNE DELAVAN DIRECTOR	1 00	X						0	0	0
STEPHEN DREW DIRECTOR	1 00	X						0	0	0
DOUG KINDSCHI VICE CHAIRMAN	1 00	X		X				0	0	0
MOLLY KRAUSS DIRECTOR	1 00	X						0	0	0
DAVID MUIR TREASURER	1 00	X		X				0	0	0
ELLEN NELSON DIRECTOR	1 00	X						0	0	0
JUDY PALMER DIRECTOR	1 00	X						0	0	0
LINDA PATTERSON DIRECTOR	1 00	X						0	0	0
SUSAN STEKETEE DIRECTOR	1 00	X						0	0	0
DAN VAUGHAN DIRECTOR	1 00	X						0	0	0
SHELLY MISHLER SECRETARY	1 00	X		X				0	0	0
KIM RIDINGS ASSISTANT TREASURER	1 00	X		X				0	0	0
NANCY ALBERS DIRECTOR	1 00	X						0	0	0
STEPHAN BLOOM DO DIRECTOR	1 00	X						0	0	0
SUSAN BLOSS DIRECTOR	1 00	X						0	0	0
CHAD BUSH DIRECTOR	1 00	X						0	0	0
CHARLES DUBOSE JR MD DIRECTOR	1 00	X						0	0	0
JOAN KULLGREN DIRECTOR	1 00	X						0	0	0
JAN LIPPERT DIRECTOR	1 00	X						0	0	0
JENNIFER TAYLOR DIRECTOR	1 00	X						0	0	0
RANDALL DENEFF 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) Name and Title	(B) Average hours per week	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
DAYLE MAPLES MD PEDIATRIC ORTHOPEDIC SURGE	30 00					X		270,224	0	3,880
BRUCE BRASSER VP OF CLINICAL OPERATIONS	45 00					X		153,412	0	20,822
WILLIAM SONDAY DIRECTOR OF IN-PATIENT PRO	45 00					X		131,952	0	4,158
FRANCES DIETRICH DIRECTOR OF OUT-PATIENT PRO	45 00					X		123,708	0	7,218
ED O'CONNOR 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				