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Form 990  Department of the Treasury Internal Revenue Service	Return of Organization Exempt From Income Tax Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation) ▶ The organization may have to use a copy of this return to satisfy state reporting requirements	OMB No 1545-0047 2011 Open to Public Inspection
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A For the 2011 calendar year, or tax year beginning 04-01-2011 and ending 03-31-2012		
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	C Name of organization MARY FREE BED HOSPITAL & REHABILITATION CENTER Doing Business As MARY FREE BED REHABILITATION HOSPITAL 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	D Employer identification number 38-1359265 E Telephone number (616) 242-0300 G Gross receipts \$ 65,628,152
	F Name and address of principal officer RANDALL L DENEFF 235 WEALTHY ST SE GRAND RAPIDS, MI 495035247	H(a) Is this a group return for affiliates? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No H(b) Are all affiliates included? <input type="checkbox"/> Yes <input type="checkbox"/> No If "No," attach a list (see instructions) H(c) Group exemption number ▶
	I 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	
	J Website: ▶ WWW.MARYFREEBED.COM	
	K Form of organization <input checked="" type="checkbox"/> Corporation <input type="checkbox"/> Trust <input type="checkbox"/> Association <input type="checkbox"/> Other ▶	
L Year of formation 1913		
M State of legal domicile MI		

Part I		Summary	
Activities & Governance	1 Briefly describe the organization's mission or most significant activities HELPING PEOPLE WITH DISABILITIES ACHIEVE INDEPENDENCE THROUGH REHABILITATION SERVICES EDUCATING THE COMMUNITY ON DISABLING DISEASES AND INJURY PREVENTION CARRYING OUT MEDICAL AND SCIENTIFIC RESEARCH TO IMPROVE THE CARE AND OUTCOMES FOR PEOPLE WITH DISABILITIES		
	2 Check this box <input checked="" type="checkbox"/> if the organization discontinued its operations or disposed of more than 25% of its net assets		
	3 Number of voting members of the governing body (Part VI, line 1a)	3	24
	4 Number of independent voting members of the governing body (Part VI, line 1b)	4	22
	5 Total number of individuals employed in calendar year 2011 (Part V, line 2a)	5	831
6 Total number of volunteers (estimate if necessary)	6	161	
7a Total unrelated business revenue from Part VIII, column (C), line 12	7a	0	
b Net unrelated business taxable income from Form 990-T, line 34	7b	0	
Revenue	8 Contributions and grants (Part VIII, line 1h)	Prior Year	Current Year
	9 Program service revenue (Part VIII, line 2g)	1,542,786	1,411,165
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	43,465,027	51,665,206
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	909,513	1,787,108
	12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	529,581	547,680
		46,446,907	55,411,159
Expenses	13 Grants and similar amounts paid (Part IX, column (A), lines 1–3)	2,200,000	1,040,000
	14 Benefits paid to or for members (Part IX, column (A), line 4)	0	0
	15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	31,842,046	36,425,393
	16a Professional fundraising fees (Part IX, column (A), line 11e)	0	0
	b Total fundraising expenses (Part IX, column (D), line 25) ▶0		
	17 Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	10,939,754	13,196,991
	18 Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	44,981,800	50,662,384
	19 Revenue less expenses Subtract line 18 from line 12	1,465,107	4,748,775
Net Assets or Fund Balances		Beginning of Current Year	End of Year
	20 Total assets (Part X, line 16)	73,999,442	73,913,775
	21 Total liabilities (Part X, line 26)	7,768,833	9,436,790
	22 Net assets or fund balances Subtract line 21 from line 20	66,230,609	64,476,985

Part II Signature Block				
Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.				
Sign Here	***** Signature of officer			2012-11-15 Date
	RANDALL L DENEFF VICE PRESIDENT - FINANCE Type or print name and title			
Paid Preparer's Use Only	Preparer's signature ▶ CAROL LALONDE CPA	Date	Check if self-employed ▶ <input type="checkbox"/>	Preparer's taxpayer identification number (see instructions) P00181637
	Firm's name (or yours if self-employed), address, and ZIP + 4 ▶	PLANTE & MORAN PLLC 750 TRADE CENTRE WAY STE 300 PORTAGE, MI 49002		EIN ▶ 38-1357951
				Phone no ▶ (269) 567-4500
May the IRS discuss this return with the preparer shown above? (see instructions) <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No				

Part III

Statement of Program Service Accomplishments

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

1

Briefly describe the organization's mission

RESTORING HOPE AND FREEDOM THROUGH REHABILITATION

2

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

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

3

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

If "Yes," describe these changes on Schedule O

4

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

4a

(Code) (Expenses \$ 8,368,262 including grants of \$) (Revenue \$ 11,652,125)

PROVIDE THERAPY AND OTHER MEDICAL SERVICES FOR 19,486 PATIENT DAYS

4b

(Code) (Expenses \$ 9,796,267 including grants of \$) (Revenue \$ 11,255,205)

PROVIDE OUTPATIENT REHABILITATION AND CLINIC SERVICES FOR APPROXIMATELY 62,822 PATIENT VISITS

4c

(Code) (Expenses \$ 7,212,978 including grants of \$) (Revenue \$ 15,006,872)

PROVIDE NURSING SERVICES AND INFECTION CONTROL FOR 19,486 PATIENT DAYS

(Code) (Expenses \$ 17,187,189 including grants of \$ 1,040,000) (Revenue \$ 13,751,004)

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

4d

Other program services (Describe in Schedule O)

(Expenses \$ 17,187,189 including grants of \$ 1,040,000) (Revenue \$ 13,751,004)





















4e

Total program service expenses \$ 42,564,696

Form 990 (2011)

Part IV

Checklist of Required Schedules

		Yes	No	
1	Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? If "Yes," complete Schedule A 	1	Yes	
2	Is the organization required to complete Schedule B, Schedule of Contributors (see instructions)? 	2	Yes	
3	Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? If "Yes," complete Schedule C, Part I 	3		No
4	Section 501(c)(3) organizations. Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? If "Yes," complete Schedule C, Part II 	4	Yes	
5	Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? If "Yes," complete Schedule C, Part III 	5		No
6	Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? If "Yes," complete Schedule D, Part I 	6		No
7	Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas or historic structures? If "Yes," complete Schedule D, Part II 	7		No
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? If "Yes," complete Schedule D, Part III 	8		No
9	Did the organization report an amount in Part X, line 21, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? If "Yes," complete Schedule D, Part IV 	9		No
10	Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? If "Yes," complete Schedule D, Part V 	10		No
11	If the organization's answer to any of the following questions is 'Yes,' then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable			
a	Did the organization report an amount for land, buildings, and equipment in Part X, 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	Yes	
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, investment, and program service activities outside the United States, or aggregate foreign investments valued at \$100,000 or more? If "Yes," complete Schedule F, Part I	14b		No
15	Did the organization report on Part IX, column (A), line 3, more than \$5,000 of grants or assistance to any organization or entity located outside the U S ? If "Yes," complete Schedule F, Part II and IV	15		No
16	Did the organization report on Part IX, column (A), line 3, more than \$5,000 of aggregate grants or assistance to individuals located outside the U S ? If "Yes," complete Schedule F, Part III and IV	16		No
17	Did the organization report a total of more than \$15,000, of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? If "Yes," complete Schedule G, Part I	17		No
18	Did the organization report more than \$15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? If "Yes," complete Schedule G, Part II	18		No
19	Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? If "Yes," complete Schedule G, Part III	19		No
20a	Did the organization operate one or more hospitals? If "Yes," complete Schedule H 	20a	Yes	
b	If "Yes" to line 20a, did the organization attach its audited financial statement to this return? Note. All Form 990 filers that operated one or more hospitals must attach audited financial statements 	20b	Yes	

Part IV

Checklist of Required Schedules (continued)

21	Did the organization report more than \$5,000 of grants and other assistance to governments and organizations in the United States on Part IX, column (A), line 1? <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 questions 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	Section 501(c)(3) and 501(c)(4) organizations. Did the organization engage in an excess benefit transaction with a disqualified person during the year? <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 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	
35a	Is any related organization a controlled entity of the filing organization within the meaning of section 512(b)(13)?	35a	Yes	
b	Did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? <i>If "Yes," complete Schedule R, Part V, line 2</i>	35b	Yes	
36	Section 501(c)(3) organizations. 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? Note. All Form 990 filers are required to complete Schedule O	38	Yes	

<div>Part V</div> <div>Statements Regarding Other IRS Filings and Tax Compliance</div>						
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	29			
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	831			
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns? Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions).	2b	Yes			
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 or securities account)?	4a				No
b	If "Yes," enter the name of the foreign country: See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.					
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?	5a				No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	5b				No
c	If "Yes" to line 5a or 5b, did the organization file Form 8886-T?	5c				
6a	Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible?	6a				No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	6b				
7	Organizations that may receive deductible contributions under section 170(c).					
a	Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?	7a				No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?	7b				
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?	7c				No
d	If "Yes," indicate the number of Forms 8282 filed during the year.	7d				
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	7e				No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?	7f				No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	7g				
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	7h				
8	Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations. Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?	8				
9	Sponsoring organizations maintaining donor advised funds.					
a	Did the organization make any taxable distributions under section 4966?	9a				
b	Did the organization make a distribution to a donor, donor advisor, or related person?	9b				
10	Section 501(c)(7) organizations. Enter					
a	Initiation fees and capital contributions included on Part VIII, line 12.	10a				
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities.	10b				
11	Section 501(c)(12) organizations. Enter					
a	Gross income from members or shareholders.	11a				
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them).	11b				
12a	Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041?	12a				
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year.	12b				
13	Section 501(c)(29) qualified nonprofit health insurance issuers.					
a	Is the organization licensed to issue qualified health plans in more than one state? Note. All 501(c)(29) organizations must list in Schedule O each state in which they are licensed to issue qualified health plans, the amount of reserves required by each state, and the amount of reserves the organization allocated to each state.	13a				
b	Enter the aggregate amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans.	13b				
c	Enter the aggregate amount of reserves on hand.	13c				
14a	Did the organization receive any payments for indoor tanning services during the tax year?	14a				No
b	If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O.	14b				

Part VI

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

Section A. Governing Body and Management

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

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

		Yes	No
10a	Did the organization have local chapters, branches, or affiliates?	10a	No
b	If "Yes," did the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with the organization's exempt purposes?	10b	
11a	Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form?	11a	No
b	Describe in Schedule O the process, if any, used by the organization to review the Form 990		
12a	Did the organization have a written conflict of interest policy? If "No," go to line 13	12a	Yes
b	Were officers, directors or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	12b	Yes
c	Did the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this was done	12c	Yes
13	Did the organization have a written whistleblower policy?	13	No
14	Did the organization have a written document retention and destruction policy?	14	Yes
15	Did the process for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision?		
a	The organization's CEO, Executive Director, or top management official	15a	Yes
b	Other officers or key employees of the organization	15b	Yes
	If "Yes," to line 15a or 15b, describe the process in Schedule O (see instructions)		
16a	Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year?	16a	Yes
b	If "Yes," did the organization follow a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and take steps to safeguard the organization's exempt status with respect to such arrangements?	16b	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 made 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 made its governing documents, conflict of interest policy, and financial statements available to the public. See Additional Data Table.
20	State the name, physical address, and telephone number of the person who possesses the books and records of the organization ▶ 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 organizations compensated any current or former officer, director, or trustee

Form **990** (2011)

Part VII

1b	Sub-Total	▼			
c	Total from continuation sheets to Part VII, Section A	▼			
d	Total (add lines 1b and 1c)	▼	1,953,278	0	205,820

2 Total number of individuals (including but not limited to those listed in Item 1) who received more than \$100,000 of reportable compensation from the organization. 13

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

Section B. Independent Contractors

1 Complete this table for your five highest compensated independent contractors that received more than \$100,000 of compensation from the organization. Report compensation for the calendar year ending with or within the organization's tax year.

(A)	(B)	(C)
Name and business address	Description of services	Compensation
ST MARY'S LABORATORY 300 LAFAYETTE STREET GRAND RAPIDS, MI 49503	LAB/PHARMACY SERVICES	1,545,940
CERNER CORPORATION 2800 ROCK CREEK PARKWAY KANSAS CITY, MO 64117	SOFTWARE	1,415,625
ICOMM 3129 CHICAGO DR SW GRANDVILLE, MI 49418	COMMUNICATIONS	326,458
QUADRAMED 12110 SUNSET HILLS STE 600 RESTON, VA 20190	SOFTWARE	278,696
DATA STRATEGY 4020 E BELTLINE STE 201 GRAND RAPIDS, MI 49525	SOFTWARE	225,146

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

Part VIII

Statement of Revenue

				(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514	
Contributions, gifts, grants and other similar amounts	1a	Federated campaigns . . .	1a					
	b	Membership dues	1b					
	c	Fundraising events	1c					
	d	Related organizations	1d	616,210				
	e	Government grants (contributions)	1e	224,255				
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	570,700				
	g	Noncash contributions included in lines 1a-1f \$ _____						
	h	Total. Add lines 1a-1f		1,411,165				
Program Service Revenue			Business Code					
	2a	PATIENT SERVICE REVENUE	621400	45,046,655	45,046,655			
	b	CONTRACT SERVICE REVEN	621400	6,126,831	6,126,831			
	c	PROGRAM EXPENSE REIMBU	621400	491,720	491,720			
	d							
	e							
	f	All other program service revenue						
	g	Total. Add lines 2a-2f		51,665,206				
Other Revenue	3	Investment income (including dividends, interest and other similar amounts)		1,364,464			1,364,464	
	4	Income from investment of tax-exempt bond proceeds . .						
	5	Royalties						
	6a	(i) Real		(ii) Personal				
		Gross rents	493,572					
		b Less rental expenses	0					
		c Rental income or (loss)	493,572					
	d	Net rental income or (loss)		493,572			493,572	
	7a	(i) Securities		(ii) Other				
		Gross amount from sales of assets other than inventory	10,614,516	25,121				
		b Less cost or other basis and sales expenses	10,216,993	0				
		c Gain or (loss)	397,523	25,121				
	d	Net gain or (loss)		422,644			422,644	
	8a	Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18	a					
	b	Less direct expenses	b					
	c	Net income or (loss) from fundraising events . .						
	9a	Gross income from gaming activities See Part IV, line 19	a					
	b	Less direct expenses	b					
	c	Net income or (loss) from gaming activities . .						
	10a	Gross sales of inventory, less returns and allowances	a					
	b	Less cost of goods sold	b					
	c	Net income or (loss) from sales of inventory . .						
Miscellaneous Revenue		Business Code						
11a	COMPUTER/SYSTEM SUPPORT	541519	45,708			45,708		
b	DONATION PROCESSING SUPPLIES	541900	8,400			8,400		
c								
d	All other revenue							
e	Total. Add lines 11a-11d		54,108					
12	Total revenue. See Instructions		55,411,159	51,665,206	0	2,334,788		

Part IX

Statement of Functional Expenses

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

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

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

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.		(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1	Grants and other assistance to governments and organizations in the United States See Part IV, line 21	1,040,000	1,040,000		
2	Grants and other assistance to individuals in the United States See Part IV, line 22				
3	Grants and other assistance to governments, organizations, and individuals outside the United States See Part IV, lines 15 and 16				
4	Benefits paid to or for members				
5	Compensation of current officers, directors, trustees, and key employees	1,380,006		1,380,006	
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	28,109,203	25,249,608	2,859,595	
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	1,237,469	1,118,309	119,160	
9	Other employee benefits	3,387,406	2,999,431	387,975	
10	Payroll taxes	2,311,309	2,010,649	300,660	
11	Fees for services (non-employees)				
a	Management				
b	Legal	107,136	27,619	79,517	
c	Accounting	38,850		38,850	
d	Lobbying	7,105		7,105	
e	Professional fundraising See Part IV, line 17				
f	Investment management fees				
g	Other				
12	Advertising and promotion				
13	Office expenses	923,104	816,189	106,915	
14	Information technology	1,221,831		1,221,831	
15	Royalties				
16	Occupancy				
17	Travel	62,208	52,703	9,505	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials				
19	Conferences, conventions, and meetings	174,050	143,719	30,331	
20	Interest				
21	Payments to affiliates				
22	Depreciation, depletion, and amortization	1,774,105	1,543,325	230,780	
23	Insurance	229,140	199,333	29,807	
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	4,125,498	3,315,130	810,368	
b	QAAP	1,333,733	1,333,733		
c	SUPPLIES	1,165,834	1,086,230	79,604	
d	UTILITIES	599,444	499,469	99,975	
e					
f	All other expenses	1,434,953	1,129,249	305,704	
25	Total functional expenses. Add lines 1 through 24f	50,662,384	42,564,696	8,097,688	0
26	Joint costs. Check here <input type="checkbox"/> if following SOP 98-2 (ASC 958-720) Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation				

Part X

Balance Sheet

					(A)		(B)
					Beginning of year		End of year
Assets	1	Cash—non-interest-bearing			500	1	500
	2	Savings and temporary cash investments			8,871,154	2	5,055,028
	3	Pledges and grants receivable, net				3	
	4	Accounts receivable, net			6,077,825	4	7,528,986
	5	Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees. Complete Part II of Schedule L				5	
	6	Receivables from other disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B). Complete Part II of Schedule L				6	
	7	Notes and loans receivable, net				7	
	8	Inventories for sale or use			118,202	8	122,690
	9	Prepaid expenses and deferred charges			450,144	9	462,121
	10a	Land, buildings, and equipment, cost or other basis. Complete Part VI of Schedule D	10a	29,626,358			
	b	Less: accumulated depreciation	10b	19,896,451	8,733,803	10c	9,729,907
	11	Investments—publicly traded securities			46,255,767	11	47,138,242
	12	Investments—other securities. See Part IV, line 11				12	
	13	Investments—program-related. See Part IV, line 11				13	
	14	Intangible assets			625,936	14	
	15	Other assets. See Part IV, line 11			2,866,111	15	3,876,301
	16	Total assets. Add lines 1 through 15 (must equal line 34)			73,999,442	16	73,913,775
Liabilities	17	Accounts payable and accrued expenses			7,768,833	17	9,436,790
	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 (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24). Complete Part X of Schedule D				25	
	26	Total liabilities. Add lines 17 through 25			7,768,833	26	9,436,790
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			65,361,140	27	63,364,453
	28	Temporarily restricted net assets			869,469	28	1,112,532
	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			66,230,609	33	64,476,985
	34	Total liabilities and net assets/fund balances			73,999,442	34	73,913,775

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	55,411,159
2	Total expenses (must equal Part IX, column (A), line 25)	2	50,662,384
3	Revenue less expenses Subtract line 2 from line 1	3	4,748,775
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	66,230,609
5	Other changes in net assets or fund balances (explain in Schedule O)	5	-6,502,399
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	64,476,985

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

2011

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 **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 Se**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 IRC 170(b)(1)(A)(iv) and 170(b)(1)(A)(vi)
(Complete only if you checked the box on line 5, 7, or 8 of Part I or if the organization failed to qualify under Part III. If the organization fails to qualify under the tests listed below, please complete Part III.)

Section A. Public Support						
Calendar year (or fiscal year beginning in)	(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants ")						
2 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
3 The value of services or facilities furnished by a governmental unit to the organization without charge						
4 Total. Add lines 1 through 3						
5 The portion of total contributions by each person (other than a governmental unit or publicly supported organization) included on line 1 that exceeds 2% of the amount shown on line 11, column (f)						
6 Public Support. Subtract line 5 from line 4						

Section B. Total Support						
Calendar year (or fiscal year beginning in)	(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(f) Total
7 Amounts from line 4						
8 Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
9 Net income from unrelated business activities, whether or not the business is regularly carried on						
10 Other income (Explain in Part IV) Do not include gain or loss from the sale of capital assets						
11 Total support (Add lines 7 through 10)						

12

Gross receipts from related activities, etc (See instructions)

12

13

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

Section C. Computation of Public Support Percentage		
14	Public Support Percentage for 2011 (line 6 column (f) divided by line 11 column (f))	14
15	Public Support Percentage for 2010 Schedule A, Part II, line 14	15
16a	33 1/3% support test—2011. If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and stop here. The organization qualifies as a publicly supported organization	
b	33 1/3% support test—2010. If the organization did not check the box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and stop here. The organization qualifies as a publicly supported organization	
17a	10%-facts-and-circumstances test—2011. If the organization did not check a box on line 13, 16a, or 16b and line 14 is 10% or more, and if the organization meets the "facts and circumstances" test, check this box and stop here. Explain in Part IV how the organization meets the "facts and circumstances" test The organization qualifies as a publicly supported organization	
b	10%-facts-and-circumstances test—2010. If the organization did not check a box on line 13, 16a, 16b, or 17a and line 15 is 10% or more, and if the organization meets the "facts and circumstances" test, check this box and stop here. Explain in Part IV how the organization meets the "facts and circumstances" test The organization qualifies as a publicly supported organization	
18	Private Foundation If the organization did not check a box on line 13, 16a, 16b, 17a or 17b, check this box and see instructions	

Part IIIPart III

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

Section A. Public Support						
Calendar year (or fiscal year beginning in)	(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants.")						
2 Gross receipts from admissions, merchandise sold or services performed, or facilities furnished in any activity that is related to the organization's tax-exempt purpose						
3 Gross receipts from activities that are not an unrelated trade or business under section 513						
4 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
5 The value of services or facilities furnished by a governmental unit to the organization without charge						
6 Total. Add lines 1 through 5						
7a Amounts included on lines 1, 2, and 3 received from disqualified persons						
b Amounts included on lines 2 and 3 received from other than disqualified persons that exceed the greater of \$5,000 or 1% of the amount on line 13 for the year						
c Add lines 7a and 7b						
8 Public Support (Subtract line 7c from line 6.)						

Section B. Total Support						
Calendar year (or fiscal year beginning in)	(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(f) Total
9 Amounts from line 6						
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
c Add lines 10a and 10b						
11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
12 Other income. Do not include gain or loss from the sale of capital assets (Explain in Part IV.)						
13 Total support (Add lines 9, 10c, 11 and 12.)						
14 First Five Years If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and stop here						

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

Section D. Computation of Investment Income Percentage		
17 Investment income percentage for 2011 (line 10c column (f) divided by line 13 column (f))	17	
18 Investment income percentage from 2010 Schedule A, Part III, line 17	18	
19a 33 1/3% support tests—2011. If the organization did not check the box on line 14, and line 15 is more than 33 1/3% and line 17 is not more than 33 1/3%, check this box and stop here. The organization qualifies as a publicly supported organization		
b 33 1/3% support tests—2010. If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3% and line 18 is not more than 33 1/3%, check this box and stop here. The organization qualifies as a publicly supported organization		
20 Private Foundation If the organization did not check a box on line 14, 19a or 19b, check this box and see instructions		

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

Facts And Circumstances Test

Explanation

Additional Data

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

Form 990, Special Condition Description:

Special Condition Description

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

4d. Other program services
(Code) (Expenses \$ 17,187,189 including grants of \$ 1,040,000) (Revenue \$ 13,751,004) 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

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 - THROUGH 6/30	45 00	X		X				303,055	0	27,526
JOHN F BUTZER MD MEDICAL DIRECTOR	50 00	X		X				453,345	0	29,050
KENT RIDDLE INTERIM PRESIDENT AS OF 6/30	45 00	X		X				368,232	0	22,470
JULIE RIDENOUR DIRECTOR	1 00	X						0	0	0
MARIANNE DELAVAN DIRECTOR	1 00	X						0	0	0
STEPHEN DREW DIRECTOR - THROUGH 8/11	1 00	X						0	0	0
DOUG KINDSCHI VICE CHAIRMAN - THROUGH 8/11	1 00	X		X				0	0	0
MOLLY KRAUSS DIRECTOR	1 00	X						0	0	0
DAVID MUIR VICE CHAIRMAN	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 CHAIRMAN	1 00	X		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
STEPHEN BLOOM DO DIRECTOR	1 00	X						0	0	0
SUSAN BLOSS DIRECTOR	1 00	X						0	0	0
CHAD BUSH TREASURER	1 00	X		X				0	0	0
CHARLES DUBOSE JR MD DIRECTOR - THROUGH 8/11	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
GREG CONWAY DIRECTOR	1 00	X						0	0	0

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			
JAMES MOYER DIRECTOR	1 00	X						0	0	0
TERRENCE O'ROURKE DIRECTOR	1 00	X						0	0	0
MIKE WILLIAMS DIRECTOR	1 00	X						0	0	0
RANDALL DENEFF VP OF FINANCE	45 00			X				176,079	0	29,561
BRUCE BRASSER VP OF CLINICAL OPERATIONS	45 00					X		157,006	0	24,154
WILLIAM SONDAY DIRECTOR OF IN-PATIENT PRO	45 00					X		129,366	0	8,902
FRANCES DIETRICH DIRECTOR OF OUT-PATIENT PR	45 00					X		123,033	0	13,729
KEVIN ARNOLD DIR OF PROFESSIONAL SERVICES	45 00					X		122,069	0	25,198
JACOBUS DONDEERS CHIEF PSYCHOLOGIST	45 00					X		121,093	0	25,230

SCHEDULE C

(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Political Campaign and Lobbying Activities

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

▶ **Complete if the organization is described below.**

▶ **Attach to Form 990 or Form 990-EZ.** ▶ **See separate instructions.**

OMB No 1545-0047

2011

Open to Public
Inspection

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

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

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

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

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

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

Name of the organization 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 on behalf of or in opposition to candidates for public office in Part IV
- 2 Political expenditures ▶ \$
- 3 Volunteer hours

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

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

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

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

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

Part II-A

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

- A
- Check
- ☐
- if the filing organization belongs to an affiliated group (and list in Part IV each affiliated group member's name, address, EIN, expenses, and share of excess lobbying expenditures)
- B
- Check
- ☐
- if the filing organization checked box A and "limited control" provisions apply

Limits on Lobbying Expenditures (The term "expenditures" means amounts paid or incurred.)		(a) Filing Organization's Totals	(b) Affiliated Group Totals												
1a	Total lobbying expenditures to influence public opinion (grass roots lobbying)														
b	Total lobbying expenditures to influence a legislative body (direct lobbying)														
c	Total lobbying expenditures (add lines 1a and 1b)														
d	Other exempt purpose expenditures														
e	Total exempt purpose expenditures (add lines 1c and 1d)														
f	Lobbying nontaxable amount. Enter the amount from the following table in both columns.														
<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) 2008	(b) 2009	(c) 2010	(d) 2011	(e) Total
2a Lobbying non-taxable amount					
b Lobbying ceiling amount (150% of line 2a, column(e))					
c Total lobbying expenditures					
d Grassroots non-taxable amount					
e Grassroots ceiling amount (150% of line 2d, column (e))					
f Grassroots lobbying expenditures					

Part II-B

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

		(a)		(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		7,105
j	Total lines 1c through 1i			7,105
2a	Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No	
b	If "Yes," enter the amount of any tax incurred under section 4912			
c	If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
d	If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?			

Part III-A

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

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

Part III-B

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

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

Part IV

Supplemental Information

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

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

Supplemental Financial Statements

OMB No 1545-0047

2011

Open to Public Inspection

Department of the Treasury
Internal Revenue Service

▶ Complete if the organization answered "Yes," to Form 990, Part IV, line 6, 7, 9, 10, 11a, 11b, 11c, 11d, 11e, 11f, 12a, or 12b
▶ Attach to Form 990. ▶ See separate instructions.

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

Part II

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

1 Purpose(s) of conservation easements held by the organization (check all that apply)
☐ Preservation of land for public use (e g , recreation or pleasure) ☐ Preservation of an historically importantly land area
☐ Protection of natural habitat ☐ Preservation of a certified historic structure
☐ Preservation of open space

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

	Held at the End of the Year
a	Total number of conservation easements
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

3 Number of conservation easements modified, transferred, released, extinguished, or terminated by the organization during the taxable year ▶ _____

4 Number of states where property subject to conservation easement is located ▶ _____

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

6 Staff and volunteer hours devoted to monitoring, inspecting and enforcing conservation easements during the year ▶ _____

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

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

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

Part III

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

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

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

(i) Revenues included in Form 990, Part VIII, line 1 ▶ \$ _____

(ii) Assets included in Form 990, Part X ▶ \$ _____

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

a Revenues included in Form 990, Part VIII, line 1 ▶ \$ _____

b Assets included in Form 990, Part X ▶ \$ _____

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

- 3

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

☐ Public exhibition

d

☐ Loan or exchange programs

b

☐ Scholarly research

e

☐ Other

c

☐ Preservation for future generations
- 4

Provide a description of the organization's collections and explain how they further the organization's exempt purpose in Part XIV
- 5

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

☐ Yes

☐ No

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

- 1a

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

☐ Yes

☐ No
- b

If "Yes," explain the arrangement in Part XIV and complete the following table
- | | |
|----|--------|
| | Amount |
| 1c | |
| 1d | |
| 1e | |
| 1f | |

c

Beginning balance

d

Additions during the year

e

Distributions during the year

f

Ending balance
- 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

3a(i)

Yes

No

(ii)

related organizations

3a(ii)

b

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

3b
- 4

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

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

Description of property	(a) Cost or other basis (investment)	(b)Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land		1,102,670		1,102,670
b Buildings		13,829,182	9,222,326	4,606,856
c Leasehold improvements		432,123	340,482	91,641
d Equipment		12,301,825	9,972,704	2,329,121
e Other		1,960,558	360,939	1,599,619
Total. Add lines 1a-1e (Column (d) should equal Form 990, Part X, column (B), line 10(c).) ▶				9,729,907

Part XI

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

1	Total revenue (Form 990, Part VIII, column (A), line 12)	1	55,411,159
2	Total expenses (Form 990, Part IX, column (A), line 25)	2	50,662,384
3	Excess or (deficit) for the year Subtract line 2 from line 1	3	4,748,775
4	Net unrealized gains (losses) on investments	4	-637,001
5	Donated services and use of facilities	5	
6	Investment expenses	6	
7	Prior period adjustments	7	
8	Other (Describe in Part XIV)	8	-5,865,398
9	Total adjustments (net) Add lines 4 - 8	9	-6,502,399
10	Excess or (deficit) for the year per financial statements Combine lines 3 and 9	10	-1,753,624

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. WITH FEW EXCEPTIONS, THE HOSPITAL'S TAX RETURNS ARE NOT SUBJECT TO EXAMINATION FOR YEARS BEGINNING PRIOR TO MARCH 31, 2009. 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 -5,821,959 DECREASE IN EQUITY JOINT VENTURE -43,439 TOTAL TO SCHEDULE D, PART XI, LINE 8 -5,865,398

SCHEDULE H
(Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
MARY FREE BED HOSPITAL & REHABILITATION CENTER

Employer identification number
38-1359265

Part I

Charity Care and Certain Other Community Benefits at Cost

		Yes	No	
1a	Did the organization have a charity care policy? If "No," skip to question 6a	1a	Yes	
b	If "Yes," is it a written policy?	1b	Yes	
2	If the organization had multiple hospitals, indicate which of the following best describes application of the charity care policy to the various hospitals <div><input type="checkbox"/> Applied uniformly to all hospitals</div> <div><input type="checkbox"/> Applied uniformly to most hospitals</div> <div><input type="checkbox"/> Generally tailored to individual hospitals</div>			
3	Answer the following based on the charity care eligibility criteria that applies to the largest number of the organization's patients during the tax year a Did the organization use Federal Poverty Guidelines (FPG) to determine eligibility for providing <i>free</i> care? If "Yes," indicate which of the following is the FPG family income limit for eligibility for free care <div><input type="checkbox"/> 100%</div> <div><input type="checkbox"/> 150%</div> <div><input type="checkbox"/> 200%</div> <div><input checked="" type="checkbox"/> Other <u>145.000000000000 %</u></div>	3a	Yes	
b	Did the organization use FPG to determine eligibility for providing <i>discounted</i> care? If "Yes," indicate which of the following is the family income limit for eligibility for discounted care <div><input type="checkbox"/> 200%</div> <div><input checked="" type="checkbox"/> 250%</div> <div><input type="checkbox"/> 300%</div> <div><input type="checkbox"/> 350%</div> <div><input type="checkbox"/> 400%</div> <div><input type="checkbox"/> Other _____%</div>	3b	Yes	
c	If the organization did not use FPG to determine eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care Include in the description whether the organization uses an asset test or other threshold, regardless of income, to determine eligibility for free or discounted care			
4	Did the organization's policy provide free or discounted care to the "medically indigent"?	4	Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	5a	Yes	
b	If "Yes," did the organization's charity care expenses exceed the budgeted amount?	5b		No
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care?	5c		
6a	Did the organization prepare a community benefit reportduring the tax year?	6a		No
6b	If "Yes," did the organization make it available to the public?	6b		
	Complete the following table using the worksheets provided in the Schedule H instructions Do not submit these worksheets with the Schedule H			

7 Charity Care and Certain Other Community Benefits at Cost						
Charity Care and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Charity care at cost (from Worksheet 1)			644,229		644,229	1 280 %
b Medicaid (from Worksheet 3, column a)			8,449,306	6,139,289	2,310,017	4 590 %
c Costs of other means-tested government programs (from Worksheet 3, column b)			18,201	5,044	13,157	0 030 %
d Total Charity Care and Means-Tested Government Programs			9,111,736	6,144,333	2,967,403	5 900 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			24,169		24,169	0 050 %
f Health professions education (from Worksheet 5)			65,618		65,618	0 130 %
g Subsidized health services (from Worksheet 6)						
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)			1,050,794		1,050,794	2 090 %
j Total Other Benefits			1,140,581		1,140,581	2 270 %
k Total. Add lines 7d and 7j			10,252,317	6,144,333	4,107,984	8 170 %

Part IICommunity Building Activities

Complete this table if the organization conducted any community building activities.

	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1Physical improvements and housing						
2Economic development						
3Community support						
4Environmental improvements						
5Leadership development and training for community members						
6Coalition building						
7Community health improvement advocacy						
8Workforce development						
9Other						
10Total						

Part IIIBad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

		Yes	No
1	Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No. 15?	1Yes	
2	Enter the amount of the organization's bad debt expense	2350,421	
3	Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's charity care policy	320,000	
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)	58,459,552	
6	Enter Medicare allowable costs of care relating to payments on line 5	68,960,445	
7	Subtract line 6 from line 5. This is the surplus or (shortfall).	7-500,893	
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	Did the organization have a written debt collection policy during the tax year?	9aYes	
b	If "Yes," did the organization's collection policy that applied to the largest number of its patients during the tax year contain provisions on the collection practices to be followed for patients who are known to qualify for financial assistance? Describe in Part VI.	9bYes	

Part IVManagement Companies and Joint Ventures (see instructions)

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

Section A. Hospital Facilities

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

Name and address

[illegible]

Part V Facility Information (continued)

Section B. Facility Policies and Practices.

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

MARY FREE BED HOSPITAL & REHABILITATION

Name of Hospital Facility:

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

	Yes	No
Community Health Needs Assessment (Lines 1 through 7 are optional for 2011)		
1 During the tax year or any prior tax year, did the hospital facility conduct a community health needs assessment ("Needs Assessment")? If "No," skip to question 8 If "Yes," indicate what the Needs Assessment describes (check all that apply) a <input type="checkbox"/> A definition of the community served by the hospital facility b <input type="checkbox"/> Demographics of the community c <input type="checkbox"/> Existing health care facilities and resources within the community that are available to respond to the health needs of the community d <input type="checkbox"/> How data was obtained e <input type="checkbox"/> The health needs of the community f <input type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups g <input type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet those needs h <input type="checkbox"/> The process for consulting with persons representing the community's interests i <input type="checkbox"/> Information gaps that limit the hospital facility's ability to assess the community's health needs j <input type="checkbox"/> Other (describe in Part VI)	1	
2 Indicate the tax year the hospital facility last conducted a Needs Assessment 20 ____		
3 In conducting its most recent Needs Assessment, did the hospital facility take into account input from persons who represent the community served by the hospital facility? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	3	
4 Was the hospital facility's Needs Assessment conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	4	
5 Did the hospital facility make its Needs Assessment widely available to the public? If "Yes," indicate how the Needs Assessment was made widely available (check all that apply) a <input type="checkbox"/> Hospital facility's website b <input type="checkbox"/> Available upon request from the hospital facility c <input type="checkbox"/> Other (describe in Part VI)	5	
6 If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply) a <input type="checkbox"/> Adoption of an implementation strategy to address the health needs of the hospital facility's community b <input type="checkbox"/> Execution of the implementation strategy c <input type="checkbox"/> Development of a community-wide community benefit plan for the facility d <input type="checkbox"/> Participation in community-wide community benefit plan e <input type="checkbox"/> Inclusion of a community benefit section in operational plans f <input type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the CHNA g <input type="checkbox"/> Prioritization of health needs in the community h <input type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community i <input type="checkbox"/> Other (describe in Part VI)		
7 Did the hospital facility address all of the needs identified in its most recently conducted Needs Assessment? If "No," explain in Part VI which needs it has not addressed together with the reasons why it has not addressed such needs	7	
Financial Assistance Policy		
Did the hospital facility have in place during the tax year a written financial assistance policy that		
8 Explains eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	8	Yes
9 Used federal poverty guidelines (FPG) to determine eligibility for providing free care? If "Yes," indicate the FPG family income limit for eligibility for free care 145 0000000000000% If "No," explain in Part VI the criteria the hospital facility used	9	Yes

Part V

Facility Information (continued)

		Yes	No	
10	Used FPG to determine eligibility for providing discounted care? If "Yes," indicate the FPG family income limit for eligibility for discounted care <u>250 000000000000%</u> If "No," explain in Part VI the criteria the hospital facility used	10	Yes	
11	Explained the basis for calculating amounts charged to patients? If "Yes," indicate the factors used in determining such amounts (check all that apply) a <input checked="" type="checkbox"/> Income level b <input type="checkbox"/> Asset level c <input checked="" type="checkbox"/> Medical indigency d <input type="checkbox"/> Insurance status e <input checked="" type="checkbox"/> Uninsured discount f <input type="checkbox"/> Medicaid/Medicare g <input type="checkbox"/> State regulation h <input checked="" type="checkbox"/> Other (describe in Part VI)	11	Yes	
12	Explained the method for applying for financial assistance?	12	Yes	
13	Included measures to publicize the policy within the community served by the hospital facility? If "Yes," indicate how the hospital facility publicized the policy (check all that apply) a <input checked="" type="checkbox"/> The policy was posted at all times on the hospital facility's web site b <input type="checkbox"/> The policy was attached to all billing invoices c <input checked="" type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms d <input checked="" type="checkbox"/> The policy was posted in the hospital facility's admissions offices e <input checked="" type="checkbox"/> The policy was provided, in writing, to patients upon admission to the hospital facility f <input checked="" type="checkbox"/> The policy was available upon request g <input type="checkbox"/> Other (describe in Part VI)	13	Yes	

Billing and Collections

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

Part V

Facility Information (continued)

Policy Relating to Emergency Medical Care

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

Individuals Eligible for Financial Assistance

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

Part V

Facility Information (continued)

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

(list in order of size from largest to smallest)

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

Name and address		Type of Facility (Describe)
1	MARY FREE BED MEDICAL GROUP 235 WEALTHY ST SE GRAND RAPIDS, MI 49503	CLINIC
2		
3		
4		
5		
6		
7		
8		
9		
10		

Part VI

Supplemental Information

Complete this part to provide the following information

- 1
- Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7, Part II, Part III, lines 4, 8, and 9b, and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 9, 10, 11h, 13g, 15e, 16e, 17e, 18d, 19d, 20, and 21
- 2
- Community health needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any community health needs assessments reported in Part V, Section B
- 3
- Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy
- 4
- Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves
- 5
- Promotion of community health.** Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e g , open medical staff, community board, use of surplus funds, etc)
- 6
- Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served
- 7
- State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report

Identifier	ReturnReference	Explanation
		PART I, LINE 7, COLUMN (F) THE BAD DEBT EXPENSE INCLUDED ON FORM 990, PART IX, LINE 25, COLUMN (A), BUT SUBTRACTED FOR PURPOSES OF CALCULATING THE PERCENTAGE IN THIS COLUMN IS \$ 350421

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 SHOP ALSO PROVIDE COMMUNITY BENEFITS IN ADDITION TO SUPPORTING THE MARY FREE BED HOSPITAL & REHABILITATION CENTER, MARY FREE BED BRACE & CORSET SHOP AND THE MARY FREE BED MEDICAL GROUP, THE MARY FREE BED FUND PROVIDED \$294,571 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 SHOP 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 (1) ALL OF THE MEDICARE SHORTFALL SHOULD BE CONSIDERED A COMMUNITY BENEFIT BECAUSE SERVICES WERE PROVIDED AT LESS THAN OUR COSTS (2) HOSPITAL COSTS ARE REPORTED USING THE ACCRUAL METHOD TO BETTER MATCH EXPENSES WITH REVENUES (3) MEDICARE COSTS WERE DETERMINED BY TAKING ALL MEDICARE PROGRAM CHARGES FOR THE YEAR AND MULTIPLYING BY A COST TO CHARGE RATIO PULLED FROM THE MEDICARE COST REPORT

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
MARY FREE BED HOSPITAL & REHABILITATION		PART V, SECTION B, LINE 4 METROHEALTH HOSPITAL, SPECTRUM HEALTH, SAINT MARY'S HEALTHCARE, AND PINE REST CHRISTIAN MENTAL HEALTH SERVICES - ALL LOCATED IN GRAND RAPIDS, MICHIGAN, KENT COUNTY

Identifier	ReturnReference	Explanation
MARY FREE BED HOSPITAL & REHABILITATION		PART V, SECTION B, LINE 11H SELF PAY PATIENTS CHARGE AMOUNTS WERE BASED ON THE OVERALL AVERAGE OF NET COLLECTIONS AND CONSIDERED CHARITY, BAD DEBTS, MEDCIARE, MEDICAID, AND ALL OTHER PAYERS

Identifier	ReturnReference	Explanation
MARY FREE BED HOSPITAL & REHABILITATION		PART V, SECTION B, LINE 19D AMOUNTS WERE CALCULATED USING THE AVERAGE PAYMENT RATE OF ALL PAYERS

Identifier	ReturnReference	Explanation
		PART VI, LINE 2 THE HEALTHCARE NEEDS OF THE COMMUNITIES SERVED ARE DETERMINED THROUGH THE HOSPITAL'S ANNUAL STRATEGIC PLANNING PROCESS AND A COMMUNITY-WIDE SURVEY BY THE KENT COUNTY HEALTH DEPARTMENT 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 PRIMARILY SERVES KENT COUNTY IN WESTERN MICHIGAN AND 12 OR SO SURROUNDING COUNTIES KENT COUNTY HAD 602,600 PEOPLE IN 2010 APROXIMATELY 75% OF THE RESIDENTS WERE WHITE, AND ABOUT 10% BLACK/AFRICAN AMERICAN ABOUT 10% OF THE POPULATION HAS NO HIGH SCHOOL DIPLOMA AND 50% HAVE A HIGH SCHOOL DIPLOMA OR GED EQUIVALENT IN 2009, 14 5% OF ITS RESIDENTS LIVED BELOW THE POVERTY LEVEL

Identifier	ReturnReference	Explanation
		PART VI, LINE 5 MARY FREE BED REHABILITATION HOSPITAL HAS AN OPEN MEDICAL STAFF AND A COMMUNITY BOARD THE HOSPITAL AND A SISTER CORPORATION, THE MARY FREE BED FUND, USE SURPLUS AND DONATED FUNDS FOR A VARIETY OF ACTIVITIES TO SUPPORT THE HEALTH OF OUR GENERAL COMMUNITY AND MORE SPECIFICALLY, THE HEALTH AND WELL BEING OF PERSONS WITH DISABILITIES

Schedule I
(Form 990)

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

OMB No 1545-0047

2011

Open to Public
Inspection

Department of the Treasury
Internal Revenue Service

Name of the organization
MARY FREE BED HOSPITAL & REHABILITATION CENTER

Employer identification number
38-1359265

Part I

General Information on Grants and Assistance

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

Part 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. Use Part IV and Schedule I-1 (Form 990) if additional space is needed ☐

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
(1) MARY FREE BED FUND 235 WEALTHY ST SE GRAND RAPIDS,MI 49503	38-2643392	501(C)(3)	1,000,000		N/A	N/A	GENERAL PROGRAM SUPPORT
(2) MICHIGAN REHABILITATION SERVICES CO UNITED WAY750 FRONT NW GRAND RAPIDS,MI 49504	38-6000134	GOVERNMENTAL	40,000				REHABILITATION SERVICES

2 Enter total number of section 501(c)(3) and government organizations listed in the line 1 table

2

3 Enter total number of other organizations listed in the line 1 table

0

Part III

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

(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

2011

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
<div>1a</div> <div>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><div><div><input type="checkbox"/> First-class or charter travel</div><div><input type="checkbox"/> Travel for companions</div><div><input type="checkbox"/> Tax idemnification and gross-up payments</div><div><input type="checkbox"/> Discretionary spending account</div></div><div><div><input type="checkbox"/> Housing allowance or residence for personal use</div><div><input type="checkbox"/> Payments for business use of personal residence</div><div><input type="checkbox"/> Health or social club dues or initiation fees</div><div><input type="checkbox"/> Personal services (e g , maid, chauffeur, chef)</div></div></div>		
<div>b</div> <div>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</div>	1b	
<div>2</div> <div>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?</div>	2	
<div>3</div> <div>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><div><div><input checked="" type="checkbox"/> Compensation committee</div><div><input type="checkbox"/> Independent compensation consultant</div><div><input checked="" type="checkbox"/> Form 990 of other organizations</div></div><div><div><input checked="" type="checkbox"/> Written employment contract</div><div><input checked="" type="checkbox"/> Compensation survey or study</div><div><input checked="" type="checkbox"/> Approval by the board or compensation committee</div></div></div>		
<div>4</div> <div>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</div>		
<div>a</div> <div>Receive a severance payment or change-of-control payment?</div>	4a	No
<div>b</div> <div>Participate in, or receive payment from, a supplemental nonqualified retirement plan?</div>	4b	No
<div>c</div> <div>Participate in, or receive payment from, an equity-based compensation arrangement?</div> <div>If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III</div>	4c	No
<div>Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.</div>		
<div>5</div> <div>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</div>		
<div>a</div> <div>The organization?</div>	5a	No
<div>b</div> <div>Any related organization?</div> <div>If "Yes," to line 5a or 5b, describe in Part III</div>	5b	No
<div>6</div> <div>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</div>		
<div>a</div> <div>The organization?</div>	6a	No
<div>b</div> <div>Any related organization?</div> <div>If "Yes," to line 6a or 6b, describe in Part III</div>	6b	No
<div>7</div> <div>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</div>	7	No
<div>8</div> <div>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</div>	8	No
<div>9</div> <div>If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53 4958-6(c)?</div>	9	

Part II **Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees.** Use Schedule J-1 if additional space needed.

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

Note. The sum of columns (B)(i)-(iii) for each listed individual must equal the total amount of Form 990, Part VII, Section A, line 1a, columns (D) and (E) for that individual

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
(1) WILLIAM H BLESSING	(i) (ii)	238,555 0	64,500 0	0 0	15,000 0	12,526 0	330,581 0	0 0
(2) JOHN F BUTZER MD	(i) (ii)	380,665 0	72,680 0	0 0	15,000 0	14,050 0	482,395 0	0 0
(3) KENT RIDDLE	(i) (ii)	359,527 0	8,705 0	0 0	7,500 0	14,970 0	390,702 0	0 0
(4) RANDALL DENEFF	(i) (ii)	168,315 0	7,764 0	0 0	10,565 0	18,996 0	205,640 0	0 0
(5) BRUCE BRASSER	(i) (ii)	150,336 0	6,670 0	0 0	6,280 0	17,874 0	181,160 0	0 0

Part III **Supplemental Information**

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

Identifier	Return Reference	Explanation
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SCHEDULE O
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
MARY FREE BED HOSPITAL & REHABILITATION CENTER

Employer identification number
38-1359265

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
	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
	FORM 990, PART VI, SECTION A, LINE 7B	THE SOLE SHAREHOLDER MUST APPROVE CERTAIN HOSPITAL BOARD TRANSACTIONS SUCH AS REAL ESTATE TRANSACTIONS
	FORM 990, PART VI, SECTION B, LINE 11	THE VP OF FINANCE REVIEWS THE 990 NO REVIEW WAS OR WILL BE CONDUCTED BY THE GOVERNING BODY PRIOR TO FILING AFTER COMPLETION OF THE RETURN, RETURN WILL BE POSTED TO INTERNAL WEBSITE PORTAL FOR ALL BOARD MEMBERS
	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 IF A CONFLICT OF INTEREST IS EXPOSED, THE INDIVIDUAL WHO IS THE SUBJECT OF THE CONFLICT IS EXCUSED FROM THE MEETING SO THE REST OF THE BOARD MAY DISCUSS THE ISSUE AND TAKE APPROPRIATE ACTION
	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 2011
	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
	FORM 990, PART VII	WILLIAM BLESSING, BRUCE BRASSER, JOHN BUTZER, JAN LIPPERT, JULIE RIDENOUR, AND KENT RIDDLE EACH WORKED AN AVERAGE OF AT LEAST 2 HOURS PER WEEK AT RELATED ORGANIZATIONS RANDY DENEFF, MOLLY KRAUSS, SHELLEY MISHLER, AND KIM RIDINGS EACH WORKED AN AVERAGE OF AT LEAST 1 HOUR PER WEEK AT RELATED ORGANIZATIONS
CHANGES IN NET ASSETS OR FUND BALANCES	FORM 990, PART XI, LINE 5	NET UNREALIZED LOSSES ON INVESTMENTS -637,001 PENSION RELATED CHANGES -5,821,959 DECREASE IN EQUITY JOINT VENTURE -43,439 TOTAL TO FORM 990, PART XI, LINE 5 -6,502,399
	FORM 990, PART XII, LINE 2C	THERE HAS BEEN NO CHANGE IN PROCESS FROM PRIOR YEAR

SCHEDULE R
(Form 990)

Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
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		No
(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) Disproportionate allocations?		(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
							Yes	No		Yes	No	

Part IV

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

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

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 related organization(s)

c Gift, grant, or capital contribution from related organization(s)

d Loans or loan guarantees to or for related organization(s)

e Loans or loan guarantees by related organization(s)

f Sale of assets to related organization(s)

g Purchase of assets from related organization(s)

h Exchange of assets with related organization(s)

i Lease of facilities, equipment, or other assets to related organization(s)

j Lease of facilities, equipment, or other assets from related organization(s)

k Performance of services or membership or fundraising solicitations for related organization(s)

l Performance of services or membership or fundraising solicitations by related organization(s)

m Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)

n Sharing of paid employees with related organization(s)

o Reimbursement paid to related organization(s) for expenses

p Reimbursement paid by related organization(s) for expenses

q Other transfer of cash or property to related organization(s)

r Other transfer of cash or property from related organization(s)

Yes

No

1a

No

1b

Yes

1c

Yes

1d

No

1e

No

1f

No

1g

No

1h

No

1i

Yes

1j

No

1k

No

1l

Yes

1m

No

1n

Yes

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 FUND	B	1,000,000	CASH
(2) MARY FREE BED FUND	C	616,210	CASH
(3) MARY FREE BED MEDICAL GROUP	P	1,161,125	ACTUAL COSTS INCURRED
(4) MARY FREE BED BRACE AND CORSET	P	920,839	ACTUAL COSTS INCURRED
(5) MARY FREE BED BRACE AND CORSET	I	159,480	ACTUAL COSTS INCURRED
(6) MARY FREE BED BRACE AND CORSET	L	168,314	ACTUAL COSTS INCURRED

Schedule R (Form 990) 2011

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	
------------	------------------	-------------	--

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 FUND	B	1,000,000	CASH
(2) MARY FREE BED FUND	C	616,210	CASH
(3) MARY FREE BED MEDICAL GROUP	P	1,161,125	ACTUAL COSTS INCURRED
(4) MARY FREE BED BRACE AND CORSET	P	920,839	ACTUAL COSTS INCURRED
(5) MARY FREE BED BRACE AND CORSET	I	159,480	ACTUAL COSTS INCURRED
(6) MARY FREE BED BRACE AND CORSET	L	168,314	ACTUAL COSTS INCURRED

Mary Free Bed Hospital and Rehabilitation Center

**Financial Report
March 31, 2012**

Mary Free Bed Hospital and Rehabilitation Center

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Plante & Moran, PLLC
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Independent Auditor's Report

To the Board of Trustees
Mary Free Bed Hospital and
Rehabilitation Center

We have audited the accompanying balance sheet of Mary Free Bed Hospital and Rehabilitation Center (the "Hospital") as of March 31, 2012, 2011, and 2010 and the related statements of operations, changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the 2012, 2011, and 2010 financial statements referred to above present fairly, in all material respects, the financial position of Mary Free Bed Hospital and Rehabilitation Center at March 31, 2012, 2011, and 2010 and the results of its 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

June 8, 2012

Mary Free Bed Hospital and Rehabilitation Center

Balance Sheet

	<u>March 31, 2012</u>	<u>March 31, 2011</u>	<u>March 31, 2010</u>
Assets			
Current Assets			
Cash and cash equivalents	\$ 4,232,723	\$ 7,644,151	\$ 2,814,495
Short-term investments (Note 5)	1,094,873	1,502,816	4,393,365
Patient accounts receivable (Note 4)	8,080,973	6,761,965	8,375,834
Other receivables	2,073,907	1,959,041	1,716,378
Estimated third-party payor settlements (Note 2)	1,051,981	346,759	802,399
Prepays and other current assets	<u>592,351</u>	<u>570,611</u>	<u>491,977</u>
Total current assets	17,126,808	18,785,343	18,594,448
Prepaid Pension Cost (Note 10)	-	625,936	-
Property and Equipment - Net (Note 7)	9,743,708	8,745,854	9,636,928
Other Assets			
Investment in joint venture	185,321	129,004	164,337
Assets limited as to use (Note 5)	<u>47,138,242</u>	<u>46,255,767</u>	<u>40,261,709</u>
Total assets	<u>\$ 74,194,079</u>	<u>\$ 74,541,904</u>	<u>\$ 68,657,422</u>
Liabilities and Net Assets			
Current Liabilities			
Accounts payable	\$ 961,006	\$ 674,500	\$ 589,097
Estimated third-party payor settlements (Note 2)	154,650	1,844,158	1,998,684
Accrued liabilities (Note 8)	<u>5,695,866</u>	<u>5,330,137</u>	<u>5,155,573</u>
Total current liabilities	6,811,522	7,848,795	7,743,354
Accrued Pension Cost (Note 10)	2,824,271	-	967,216
Net Assets			
Unrestricted	63,445,754	65,823,640	59,088,182
Temporarily restricted	<u>1,112,532</u>	<u>869,469</u>	<u>858,670</u>
Total net assets	<u>64,558,286</u>	<u>66,693,109</u>	<u>59,946,852</u>
Total liabilities and net assets	<u>\$ 74,194,079</u>	<u>\$ 74,541,904</u>	<u>\$ 68,657,422</u>

Mary Free Bed Hospital and Rehabilitation Center

Statement of Operations

	Year Ended		
	March 31, 2012	March 31, 2011	March 31, 2010
Unrestricted Revenue, Gains, and Other Support			
Net patient service revenue	\$ 46,807,559	\$ 39,445,661	\$ 36,526,440
Other operating revenue	8,327,763	7,415,471	7,089,789
Contributions and bequests	72,042	76,395	36,704
Net assets released from restrictions used in operations	98,017	156,356	174,021
Total unrestricted revenue, gains, and other support	55,305,381	47,093,883	43,826,954
Expenses			
Salaries and benefits	37,674,521	32,625,261	31,891,959
Operating supplies and expenses	1,628,166	1,084,992	984,239
Purchased services	6,489,483	5,033,893	3,590,207
Insurance	260,252	239,033	215,707
Rent, repairs, and utilities	1,207,506	978,744	830,363
Food service	518,720	441,245	477,171
Communications	363,871	353,483	366,241
Staff development and education	291,833	257,539	181,072
Depreciation and amortization	1,777,433	1,807,455	1,847,929
Provision for bad debts	475,421	505,150	518,312
Other	1,906,196	1,504,604	1,318,913
Total expenses (Note 13)	52,593,402	44,831,399	42,222,113
Operating Income	2,711,979	2,262,484	1,604,841
Other Income (Expense)			
Investment income (Note 5)	1,761,987	896,696	1,717,521
(Losses on) equity in earnings in joint venture	(43,439)	46,167	133,043
Other income (expense)	545	(42,372)	(101,889)
Change in unrealized investment (loss) gain (Note 5)	(637,001)	4,691,694	10,660,249
Total other income	1,082,092	5,592,185	12,408,924
Excess of Revenue Over Expenses	3,794,071	7,854,669	14,013,765
Transfer to Affiliate (Note 12)	(350,000)	(1,529,854)	(677,245)
Pension-related Changes Other Than Net Periodic Benefit Cost	(5,821,957)	410,643	2,191,553
(Decrease) Increase in Unrestricted Net Assets	<u>\$ (2,377,886)</u>	<u>\$ 6,735,458</u>	<u>\$ 15,528,073</u>

Mary Free Bed Hospital and Rehabilitation Center

Statement of Changes in Net Assets

	Year Ended		
	March 31, 2012	March 31, 2011	March 31, 2010
Unrestricted Net Assets			
Excess of revenue over expenses	\$ 3,794,071	\$ 7,854,669	\$ 14,013,765
Transfer to affiliate	(350,000)	(1,529,854)	(677,245)
Pension-related changes other than net periodic benefit	(5,821,957)	410,643	2,191,553
(Decrease) Increase in Unrestricted Net Assets	(2,377,886)	6,735,458	15,528,073
Temporarily Restricted Net Assets			
Restricted contributions	341,080	167,155	176,425
Net assets released from restriction	(98,017)	(156,356)	(174,021)
Increase in temporarily restricted net assets	243,063	10,799	2,404
(Decrease) Increase in Net Assets	(2,134,823)	6,746,257	15,530,477
Net Assets - Beginning of year	66,693,109	59,946,852	44,416,375
Net Assets - End of year	\$ 64,558,286	\$ 66,693,109	\$ 59,946,852

Mary Free Bed Hospital and Rehabilitation Center

Statement of Cash Flows

	Year Ended		
	March 31, 2012	March 31, 2011	March 31, 2010
Cash Flows from Operating Activities			
(Decrease) increase in net assets	\$ (2,134,823)	\$ 6,746,257	\$ 15,530,477
Adjustments to reconcile (decrease) increase in net assets to net cash from operating activities:			
Depreciation and amortization	1,777,433	1,807,455	1,847,929
Net change in unrealized net losses (gains) on investments	637,001	(4,691,694)	(10,660,249)
Net realized (gains) and losses on investments	(397,523)	238,979	1,926,161
(Gain) loss on disposal of equipment	(25,121)	-	5,535
Pension-related changes other than net periodic benefit	5,821,964	(410,643)	(2,191,553)
Capital asset transfer to affiliate	-	329,854	-
(Gain) loss on investment in joint venture	(56,317)	35,333	(49,930)
Restricted contributions	(341,080)	(167,155)	(176,425)
Provision for bad debts	475,421	505,150	518,312
Changes in assets and liabilities which (used) provided cash:			
Accounts receivable	(1,794,429)	1,108,719	(3,085,573)
Other current assets	(21,740)	(78,634)	207,001
Third-party payor settlements	(2,394,730)	301,114	(778,495)
Other receivables	(114,866)	(242,663)	460,523
Prepaid Pension cost	625,936	(625,936)	-
Other assets	-	-	123,917
Accounts payable	286,506	85,403	(471,435)
Accrued liabilities	365,729	174,564	1,965,904
Accrued pension cost	(2,997,693)	(556,573)	(469,454)
Net cash (used in) provided by operating activities	(288,332)	4,559,530	4,702,645
Cash Flows from Investing Activities			
Purchase of property and equipment	(2,797,189)	(1,246,235)	(705,968)
Proceeds from sale of property and equipment	47,023	-	-
Purchase of investments and assets limited as to use	(12,019,080)	(22,729,472)	(10,887,029)
Proceeds from sale and maturities of investments and assets limited as to use	11,305,070	24,078,678	5,974,451
Net cash (used in) provided by investing activities	(3,464,176)	102,971	(5,618,546)
Cash Flows from Financing Activities - Restricted contributions			
	341,080	167,155	176,425
Net (Decrease) Increase in Cash and Cash Equivalents	(3,411,428)	4,829,656	(739,476)
Cash and Cash Equivalents - Beginning of year	7,644,151	2,814,495	3,553,971
Cash and Cash Equivalents - End of year	<u>\$ 4,232,723</u>	<u>\$ 7,644,151</u>	<u>\$ 2,814,495</u>

Mary Free Bed Hospital and Rehabilitation Center

Notes to Financial Statements March 31, 2012, 2011, and 2010

Note 1 - Nature of Business and Significant Accounting Policies

Organization and Nature of Operations - The financial statements include the accounts of Mary Free Bed Rehabilitation Hospital Center and Mary Free Bed Medical Group (collectively, the "Hospital"). Upon consolidation, all intercompany accounts and transactions have been eliminated.

Mary Free Bed Hospital and Rehabilitation Center (the "Hospital"), a wholly owned subsidiary of Mary Free Bed Guild of Grand Rapids, Michigan (the "Guild"), was established to provide physical medicine and rehabilitation services to people with disabilities. The Hospital provides inpatient and outpatient services to patients primarily from western Michigan.

Mary Free Bed Medical Group was established to provide physician services specific to rehabilitation.

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.

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. Cash balances held in the bank exceed the federal depository insurance limit. The Hospital's cash is only insured up to the federal depository insurance limit.

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

Investments - Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the balance sheet. Investment income or loss (including interest and dividends) is included in excess of revenue over expenses unless the income or loss is restricted by donor or law. All of these assets are set aside for either board or donor designations.

Mary Free Bed Hospital and Rehabilitation Center

Notes to Financial Statements March 31, 2012, 2011, and 2010

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

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

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 limited as to use also include assets temporarily restricted or permanently restricted by donor.

Property and Equipment - Property and equipment amounts are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Costs of maintenance and repairs are charged to expense when incurred.

Investment in Joint Venture - The Hospital has a one-half ownership interest in Porter Hills Rehabilitation, LLC. This is accounted for as an equity method investment, with earnings included in nonoperating income and excess of revenue over expenses.

Classification of Net Assets - Net assets of the Hospital are classified as temporarily restricted or unrestricted depending on the presence and characteristics of donor-imposed restrictions limiting the Hospital'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. Temporarily restricted net assets are restricted for rehabilitation programs, medical education, indigent care, property and equipment purchases, and other programs. Earnings, gains, and losses on restricted net assets are classified as unrestricted unless specifically restricted by the donor or by applicable state law.

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 or day, 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.

Mary Free Bed Hospital and Rehabilitation Center

Notes to Financial Statements March 31, 2012, 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 of such laws and regulations is subject to future government review and interpretation. Violations may result in significant regulatory action including fines, penalties, and exclusions from the Medicare and Medicaid programs.

Other Operating Revenue - Other operating revenue includes revenue derived from the Hospital's operations other than direct patient care. Significant components of other operating revenue include service contracts to staff and manage rehabilitation units and departments of unrelated entities.

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 statement of changes in net assets as net assets released from restrictions.

Charity Care - The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than established rates.

Estimated Malpractice Costs - The provision for estimated medical malpractice claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported.

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

Tax Status - 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. With few exceptions, the Hospital's tax returns are not subject to examination for years beginning prior to March 31, 2009.

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.

Mary Free Bed Hospital and Rehabilitation Center

Notes to Financial Statements March 31, 2012, 2011, and 2010

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

New Accounting Pronouncements - During 2011, the Financial Accounting Standards Board (FASB) adopted *Accounting Standards Update (ASU) 2011 07, Health Care Entities (Topic 954) Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities*, establishing accounting and disclosures for healthcare entities to recognize significant amounts of patient service revenue at the time services are rendered even though the entities do not assess a patient's ability to pay. The amendments in the ASU change the presentation of the statement of operations and add new disclosures that are not required under current GAAP for entities within the scope of this update. The provision for bad debts associated with patient service revenue for certain entities is required to be presented on a separate line as a deduction from patient service revenue (net of contractual allowances and discounts) in the statement of operations. The ASU is effective for the Hospital for the year ending March 31, 2013.

Reclassification - An amount totaling approximately \$55,000 of 2011 communications expense has been reclassified on the statement of operations to rent, repairs, and maintenance to conform to the 2012 presentation.

Subsequent Events - The financial statements and related disclosures include evaluation of events up through and including June 8, 2012, which is the date the financial statements were available to be issued.

Note 2 - Patient Service Revenue

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

- **Medicare** - Inpatient 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 and in some cases on a per-unit-of-service basis.
- **Medicaid** - Inpatient rehabilitation services rendered to Medicaid program beneficiaries are also paid at prospectively determined rates per day. 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.

Mary Free Bed Hospital and Rehabilitation Center

Notes to Financial Statements March 31, 2012, 2011, and 2010

Note 2 - Patient Service Revenue (Continued)

- **Blue Cross/Blue Shield of Michigan** - Inpatient services are reimbursed at a prospectively determined rate per day. Outpatient services are reimbursed on a fee-for-service and percentage-of-charge basis. Outpatient and physician services are reimbursed on an established fee-for-service methodology.
- **Other Third-party Payors** - The Hospital has also entered into agreements with certain commercial carriers, health maintenance organizations, and preferred provider organizations. The basis for reimbursement to the Hospital under these agreements is discounts from established charges, prospectively determined rates per discharge, and prospectively determined daily rates. Some outpatient and physician services are reimbursed on an established fee-for-service or percentage of charge methodology.
- **Health Maintenance Organizations** - Services rendered to HMO beneficiaries are paid at predetermined rates or at a percentage of hospital charges.

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

The Medicare program has initiated a recovery audit contractor (RAC) initiative, whereby claims subsequent to October 1, 2007 will be reviewed by contractors for validity, accuracy, and proper documentation. The Hospital is unable to determine if it will be audited and, if so, the extent of liability for overpayments, if any. If selected for audit, the potential exists for overpayment of claims liability for the Hospital at a future date.

Mary Free Bed Hospital and Rehabilitation Center

Notes to Financial Statements March 31, 2012, 2011, and 2010

Note 3 - Community Benefit

In support of its mission, the Hospital provides various health-related services, at a loss, to the indigent and other residents in its service area. The following is a summary of the Hospital's community benefit expense for the years ended March 31, 2012, 2011, and 2010:

	2012	2011	2010
Traditional charity care	\$ 694,000	\$ 786,000	\$ 460,000
Unpaid costs for Medicaid program patients (unaudited)	2,474,000	1,758,000	2,084,000
Unpaid costs for Medicare program patients (unaudited)	1,111,000	1,147,000	1,102,000
Costs of services associated with uncollectible accounts (unaudited)	244,000	361,000	388,000
Total	<u>\$ 4,523,000</u>	<u>\$ 4,052,000</u>	<u>\$ 4,034,000</u>

Traditional Charity Care - Traditional charity care covers services provided to people who cannot afford to pay. The amount reflects the cost of free or discounted health services, net of contributions and other revenue received, as direct assistance for the provision of charity care. The estimated cost of providing charity services is based on a calculation which applies a ratio of cost to charges to the gross uncompensated charges associated with providing care to charity patients.

Unpaid Costs for Government Program Patients - The Hospital is a licensed Medicare and Medicaid provider with approximately 41 percent of its patient base qualifying for these programs. At present, the reimbursement rates do not fully cover the cost of provider care to these patients. This represents the estimated "shortfall" created when a facility receives payments below the costs of treating Medicare and Medicaid beneficiaries.

Mary Free Bed Hospital and Rehabilitation Center

Notes to Financial Statements March 31, 2012, 2011, and 2010

Note 4 - Patient Accounts Receivable

The details of patient accounts receivable are set forth below:

	2012	2011	2010
Patient accounts receivable	\$ 20,079,973	\$ 13,539,965	\$ 14,365,834
Less:			
Allowance for uncollectible accounts	(1,507,000)	(1,470,000)	(1,190,000)
Allowance for contractual adjustments	(10,492,000)	(5,308,000)	(4,800,000)
Net patient accounts receivable	<u>\$ 8,080,973</u>	<u>\$ 6,761,965</u>	<u>\$ 8,375,834</u>

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

	Percent		
	2012	2011	2010
Medicare	20	7	11
Blue Cross/Blue Shield of Michigan	11	13	18
Medicaid	28	25	23
Commercial insurance and HMOs	38	50	45
Self-pay	3	5	3
Total	<u>100</u>	<u>100</u>	<u>100</u>

Mary Free Bed Hospital and Rehabilitation Center

Notes to Financial Statements March 31, 2012, 2011, and 2010

Note 5 - Investments

The detail of investments is summarized in the following schedule:

	2012	2011	2010
Assets limited as to use and temporarily restricted:			
By board of trustees for future capital improvements	\$ 46,025,710	\$ 45,386,298	\$ 39,403,039
By donors for specific purposes	1,112,532	869,469	858,670
Total assets limited as to use and temporarily restricted	47,138,242	46,255,767	40,261,709
Short-term investments	1,094,873	1,502,816	4,393,365
Total investments	<u>\$ 48,233,115</u>	<u>\$ 47,758,583</u>	<u>\$ 44,655,074</u>

The Hospital participates in the Guild's pooled investment management program, which is an investment pool of funds originating from the Hospital and other Guild affiliates. At March 31, 2012, 2011, and 2010, \$46,025,710, \$45,386,298, and \$39,403,038, respectively, of the Hospital's assets limited as to use are with this investment pool. All realized and unrealized gains and losses of the Guild's pooled investment management program are allocated to investing affiliate organizations based on each affiliate organization's pro rata share of the total assets of the Guild's pooled investment management program.

	2012	2011	2010
Interest and dividends	\$ 1,364,464	\$ 1,135,675	\$ 1,036,744
Realized gains (losses) on investments	397,523	(238,979)	(1,926,161)
Total investment income	1,761,987	896,696	(889,417)
Realized gain on sale of FinCor	-	-	2,606,938
Change in net unrealized (losses) gains on investments	(637,001)	4,691,694	10,660,249
Total	<u>\$ 1,124,986</u>	<u>\$ 5,588,390</u>	<u>\$ 12,377,770</u>

Mary Free Bed Hospital and Rehabilitation Center

Notes to Financial Statements March 31, 2012, 2011, and 2010

Note 5 - Investments (Continued)

During fiscal year 2010, the Hospital received proceeds and recognized a gain of \$2.6 million on the sale of FinCor Holdings, Inc. (FinCor) stock pursuant to the acquisition of FinCor by Medical Professional Mutual Insurance Company. The Hospital held shares of FinCor; however, the Hospital did not recognize a value of the shares on the balance sheet prior to the sale because of the inability to determine fair value of the stock prior to this transaction.

Note 6 - Fair Value Measurements

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

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

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

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

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset.

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

The Hospital's policy is to recognize transfers in and transfers out of Level 1, 2, and 3 fair value classifications as of the end of the reporting period. During the years ended March 31, 2012, 2011, and 2010, there were no transfers between levels.

Mary Free Bed Hospital and Rehabilitation Center

Notes to Financial Statements March 31, 2012, 2011, and 2010

Note 6 - Fair Value Measurements (Continued)

Assets Measured at Fair Value on a Recurring Basis at March 31, 2012

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at March 31, 2012
Short-term investments - Money market funds	\$ 1,094,873	\$ -	\$ -	\$ 1,094,873
Assets limited as to use - Money market funds	1,112,532	-	-	1,112,532
Assets limited as to use - Investment in Guild pooled investment management program for future capital improvements	-	46,025,710	-	46,025,710
Total	<u>\$ 2,207,405</u>	<u>\$ 46,025,710</u>	<u>\$ -</u>	<u>\$ 48,233,115</u>

Assets Measured at Fair Value on a Recurring Basis at March 31, 2011

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at March 31, 2011
Short-term investments - Money market funds	\$ 1,502,816	\$ -	\$ -	\$ 1,502,816
Assets limited as to use - Money market funds	869,469	-	-	869,469
Assets limited as to use - Investment in Guild pooled investment management program for future capital improvements	-	45,386,298	-	45,386,298
Total	<u>\$ 2,372,285</u>	<u>\$ 45,386,298</u>	<u>\$ -</u>	<u>\$ 47,758,583</u>

Assets Measured at Fair Value on a Recurring Basis at March 31, 2010

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at March 31, 2010
Short-term investments - Money market funds	\$ 4,393,365	\$ -	\$ -	\$ 4,393,365
Assets limited as to use - Money market funds	858,670	-	-	858,670
Assets limited as to use - Investment in Guild pooled investment management program	-	39,403,039	-	39,403,039
Total	<u>\$ 5,252,035</u>	<u>\$ 39,403,039</u>	<u>\$ -</u>	<u>\$ 44,655,074</u>

Mary Free Bed Hospital and Rehabilitation Center

Notes to Financial Statements March 31, 2012, 2011, and 2010

Note 7 - Property and Equipment

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

	2012	2011	2010	Depreciable Life - Years
Land improvements	\$ 1,534,793	\$ 1,572,668	\$ 1,625,292	10-40
Buildings	14,214,884	15,790,545	17,050,510	10-40
Equipment	12,344,256	12,952,117	13,891,254	3-10
Construction in progress	1,552,199	69,393	148,547	-
Total cost	29,646,132	30,384,723	32,715,603	
Accumulated depreciation	(19,902,424)	(21,638,869)	(23,078,675)	
Net property and equipment	<u>\$ 9,743,708</u>	<u>\$ 8,745,854</u>	<u>\$ 9,636,928</u>	

Depreciation and amortization expense on property and equipment totaled \$1,777,433, \$1,807,455, and \$1,847,929 in 2012, 2011, and 2010, respectively.

At March 31, 2012, construction in progress consists primarily of costs for an electronic health records information system and other building and improvement projects. At March 31, 2012, remaining capital commitments on contracts related to construction in progress approximated \$420,000.

Note 8 - Accrued Liabilities

The details of accrued liabilities are given below:

	2012	2011	2010
Payroll and related costs	\$ 2,748,835	\$ 2,986,532	\$ 3,071,362
Compensated absences	1,749,529	1,500,260	1,383,432
Other	1,197,502	843,345	700,779
Total accrued liabilities	<u>\$ 5,695,866</u>	<u>\$ 5,330,137</u>	<u>\$ 5,155,573</u>

Mary Free Bed Hospital and Rehabilitation Center

Notes to Financial Statements March 31, 2012, 2011, and 2010

Note 9 - Workers' Compensation, Professional Liability, and Health Insurance

The Hospital is self-insured for workers' compensation and a portion of employee medical and dental claims. Insurance coverage has been obtained for claims in excess of a specific amount for each type of coverage. Insurance accruals, included in other accrued liabilities in the accompanying balance sheet, represent the uninsured cost of known claims based upon an estimate provided by the Hospital's claims administrator and an estimate of the cost of claims that have occurred but have not been reported through the balance sheet date.

The Hospital's professional liability insurance policy is a claims-made policy. Should this policy not be renewed or replaced with equivalent insurance, claims based on occurrences during its term, but reported subsequently, will be uninsured. However, the Hospital has an option to purchase insurance at rates in effect at the time the option is exercised, which would cover such claims.

Note 10 - Defined Benefit Pension Plan

The Hospital has a defined benefit pension plan covering substantially all employees of the Hospital and Mary Free Bed Brace and Corset Shop (the "Brace Shop"). The benefits are based on years of service and an employee's compensation as defined by the plan. The Hospital annually accrues and funds pension costs relating to its employees. Effective June 30, 2010, the plan was amended to close the plan to new members and cease the accrual of benefits. During the year ended March 31, 2012, the Board of Mary Free Bed Hospital passed a resolution to terminate the defined benefit pension plan, effective April 1, 2012. The termination calculations have not yet been determined.

The following table sets forth the funded status and amounts recognized in the Hospital's balance sheet for the defined benefit plan:

	2012	2011	2010
Projected benefit obligation for services rendered to date	\$ 39,378,052	\$ 32,598,591	\$ 30,480,250
Plan assets at fair market value	36,553,781	33,224,527	29,513,034
(Underfunded) overfunded status	\$ (2,824,271)	\$ 625,936	\$ (967,216)
(Accrued) prepaid pension cost	\$ (2,824,271)	\$ 625,936	\$ (967,216)
Net periodic pension (income) cost	\$ (371,757)	\$ 311,607	\$ 2,030,546
Employer contribution	\$ 2,000,000	\$ 1,500,000	\$ 2,500,000
Benefits paid	\$ 822,384	\$ 616,911	\$ 617,059

Mary Free Bed Hospital and Rehabilitation Center

Notes to Financial Statements March 31, 2012, 2011, and 2010

Note 10 - Defined Benefit Pension Plan (Continued)

	2012	2011	2010
Actuarial assumptions used to determine benefit obligations at March 31:			
Weighted average discount rate	4.75 %	5.75 %	6.50 %
Increase in future compensation levels	- %	- %	3.50 %
Actuarial assumptions used to determine net periodic benefit cost for the year ended March 31:			
Weighted average discount rate	5.75 %	6.50 %	7.25 %
Increase in future compensation levels	- %	3.50 %	3.50 %
Expected rate of return on plan assets	7.00 %	7.00 %	7.00 %

The investment policy objectives, as established by the board of trustees, include (1) meeting and funding the liabilities of the defined benefit pension plan, (2) providing long-term growth of principal without undue risk through capital appreciation, income, and contributions, and (3) achieving consistent long-term capital appreciation and income.

Plan Assets - The Hospital's pension plan weighted average asset allocation at March 31, 2012, 2011, and 2010, by asset category, is as follows:

	Percent		
	2012	2011	2010
Common stocks	32	26	35
Debt securities	65	74	64
Other	3	-	1
Total	100	100	100

Contributions - The Hospital does not expect to contribute to the plan in 2013, other than required contributions to finalize termination.

Mary Free Bed Hospital and Rehabilitation Center

Notes to Financial Statements March 31, 2012, 2011, and 2010

Note 10 - Defined Benefit Pension Plan (Continued)

Estimated Future Benefit Payments - Benefits expected to be paid by the plan during the ensuing five years and thereafter are approximately as follows:

2013	\$ 1,005,000
2014	1,149,000
2015	1,333,000
2016	1,462,000
2017	1,611,662
2018-2022	9,884,000

The fair values of the Hospital's pension plan assets for the years ended March 31, 2012 and 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)	Balance at March 31, 2012
Common stocks - Domestic	\$ 11,329,260	\$ -	\$ -	\$ 11,329,260
Common stocks - Foreign	341,118	-	-	341,118
Fixed-income fund	-	23,622,971	-	23,622,971
Cash and short-term investments	1,260,432	-	-	1,260,432
Total	\$ 12,930,810	\$ 23,622,971	\$ -	\$ 36,553,781

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at March 31, 2011
Common stocks - Domestic	\$ 8,140,812	\$ -	\$ -	\$ 8,140,812
Common stocks - Foreign	430,711	-	-	430,711
Fixed-income fund	-	24,500,202	-	24,500,202
Cash and short-term investments	152,802	-	-	152,802
Total	\$ 8,724,325	\$ 24,500,202	\$ -	\$ 33,224,527

The above tables present information about the pension plan assets measured at fair value 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.

Mary Free Bed Hospital and Rehabilitation Center

Notes to Financial Statements March 31, 2012, 2011, and 2010

Note 10 - Defined Benefit Pension Plan (Continued)

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.

The Hospital's policy is to recognize transfers in and transfers out of Level 1, 2, and 3 fair value classifications as of the end of the reporting period. During the years ended March 31, 2012, 2011, and 2010, there were no transfers between levels.

Note 11 - Defined Contribution Pension Plan

During fiscal year 2011, the Hospital started a defined contribution plan for employees who meet certain requirements as to age and length of service. Contributions to the plan are discretionary and are determined by the board of trustees each year. Each employee's interest is vested as specified in the plan. Pension expense included in the statement of operations was approximately \$1,542,000 and \$357,000 in 2012 and 2011, respectively.

Note 12 - Related Party Transactions

The Hospital provided space to Mary Free Bed Brace and Corset Shop, another wholly owned subsidiary of the Guild, at a charge of approximately \$159,500 during fiscal years 2012, 2011, and 2010. In addition, the Hospital charged the Brace Shop approximately \$921,000, \$912,000, and \$960,000 for the years ended March 31, 2012, 2011, and 2010, respectively, for inclusion of the Brace Shop's employees in the Hospital's pension plan, certain other fringe benefits, liability insurance, and management services.

During fiscal years 2012 and 2011, the Hospital made net cash transfers to Mary Free Bed Fund totaling \$350,000 and \$1,200,000, respectively. The Hospital made capital asset transfers to Mary Free Bed Fund totaling \$0, \$724,168, and \$0 for the years ended March 31, 2012, 2011, and 2010, respectively. The Hospital received capital asset transfers from Mary Free Bed Fund totaling \$0, \$394,314, and \$0 for the years ended March 31, 2012, 2011, and 2010, respectively.

Mary Free Bed Hospital and Rehabilitation Center

Notes to Financial Statements March 31, 2012, 2011, and 2010

Note 13 - Functional Expenses

The Hospital is a physical medicine and rehabilitation facility that provides inpatient and outpatient healthcare services to patients in western Michigan. Estimated allocated expenses related to providing these services for the years ended March 31, 2012, 2011, and 2010 are as follows:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Healthcare services	\$ 45,383,325	\$ 38,846,009	\$ 36,152,859
General and administrative	<u>7,210,077</u>	<u>5,985,390</u>	<u>6,069,254</u>
Total	<u>\$ 52,593,402</u>	<u>\$ 44,831,399</u>	<u>\$ 42,222,113</u>