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Form 990

## Return of Organization Exempt From Income Tax

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except private foundations)

OMB No 1545-0047

2013

Department of the Treasury  
Internal Revenue Service

► Do not enter Social Security numbers on this form as it may be made public.

► Information about Form 990 and its instructions is at [www.irs.gov/form990](http://www.irs.gov/form990).Open to Public  
Inspection

A For the 2013 calendar year, or tax year beginning APR 1, 2013 and ending MAR 31, 2014

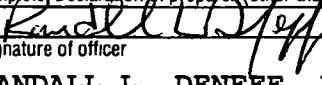
B Check if applicable.	C Name of organization <b>MARY FREE BED REHABILITATION HOSPITAL</b>		D Employer identification number <b>38-1359265</b>
<input type="checkbox"/> Address change <input checked="" type="checkbox"/> Name change <input type="checkbox"/> Initial return <input type="checkbox"/> Terminated <input checked="" type="checkbox"/> Amended return <input type="checkbox"/> Application pending	Doing Business As <b>MARY FREE BED HOSPITAL AND REHAB</b>		E Telephone number <b>800-528-8989</b>
Number and street (or P.O. box if mail is not delivered to street address) <b>235 WEALTHY ST. SE</b>		Room/suite	G Gross receipts \$ <b>88,247,480.</b>
City or town, state or province, country, and ZIP or foreign postal code <b>GRAND RAPIDS, MI 49503-5247</b>		H(a) Is this a group return for subordinates? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
F Name and address of principal officer: <b>RANDALL L. DENEFF</b> <b>SAME AS C ABOVE</b>		H(b) Are all subordinates included? <input type="checkbox"/> Yes <input type="checkbox"/> No If "No," attach a list (see instructions)	
I Tax-exempt status: <input checked="" type="checkbox"/> 501(c)(3) <input type="checkbox"/> 501(c)(4) <input type="checkbox"/> (insert no.) <input type="checkbox"/> 4947(a)(1) or <input type="checkbox"/> 527		H(c) Group exemption number ►	
J Website: ► <a href="http://WWW.MARYFREEBED.COM">WWW.MARYFREEBED.COM</a>		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: <b>1913</b> M State of legal domicile: <b>MI</b>	

## Part I Summary

Activities & Governance Revenue Expenses Net Assets or Fund Balances	1 Briefly describe the organization's mission or most significant activities: <b>HELPING PEOPLE WITH DISABILITIES ACHIEVE INDEPENDENCE THROUGH REHABILITATION SERVICES. EDUCATING THE</b>	
	2 Check this box ► <input 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) <b>3</b>	
	4 Number of independent voting members of the governing body (Part VI, line 1b) <b>4</b>	
	5 Total number of individuals employed in calendar year 2013 (Part V, line 2a) <b>1129</b>	
	6 Total number of volunteers (estimate if necessary) <b>120</b>	
	7a Total unrelated business revenue from Part VIII, column (C), line 12 <b>0.</b>	
	b Net unrelated business taxable income from Form 990-T, line 34 <b>0.</b>	
	8 Contributions and grants (Part VIII, line 1h) <b>1,088,938.</b>	
	9 Program service revenue (Part VIII, line 2g) <b>61,343,567.</b>	
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d) <b>1,750,947.</b>	
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9d, 10c, and 11e) <b>573,900.</b>	
12 Total revenue - add lines 8 through 11 (must equal Part VII, column (A), line 12) <b>64,757,352.</b>		
13 Grants and similar amounts paid (Part IX, column (A), lines 1-3) <b>45,000.</b>		
14 Benefits paid to or for members (Part IX, column (A), line 4) <b>0.</b>		
15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5-10) <b>43,172,569.</b>		
16a Professional fundraising fees (Part IX, column (A), line 11e) <b>0.</b>		
b Total fundraising expenses (Part IX, column (D), line 25) ► <b>0.</b>		
17 Other expenses (Part IX, column (A), lines 11a-11d, 11f-24e) <b>15,844,020.</b>		
18 Total expenses. Add lines 13-17 (must equal Part IX, column (A), line 25) <b>59,061,589.</b>		
19 Revenue less expenses Subtract line 18 from line 12 <b>5,695,763.</b>		
20 Total assets (Part X, line 16) <b>93,521,765.</b>	Beginning of Current Year	End of Year
21 Total liabilities (Part X, line 26) <b>21,576,250.</b>		<b>103,566,357.</b>
22 Net assets or fund balances. Subtract line 21 from line 20 <b>71,945,515.</b>		<b>24,373,467.</b>
		<b>79,192,890.</b>

## 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	3/30/15 Date
	► <b>RANDALL L. DENEFF, VICE PRESIDENT - FINANCE</b> Type or print name and title	
Paid Preparer	Print/Type preparer's name <b>CAROL LALONDE, CPA</b>	Preparer's signature  Date <b>3/30/15</b>
Use Only	Firm's name ► <b>PLANTE &amp; MORAN, PLLC</b>	Check <input type="checkbox"/> if self-employed Firm's EIN ► <b>38-1357951</b>
	Firm's address ► <b>750 TRADE CENTRE WAY, STE 300 PORTAGE, MI 49002</b>	Phone no. (269) <b>567-4500</b>

May the IRS discuss this return with the preparer shown above? (see instructions)

332001 10-29-13 LHA For Paperwork Reduction Act Notice, see the separate instructions.

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SEE SCHEDULE O FOR ORGANIZATION MISSION STATEMENT CONTINUATION

X

917

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**Part III Statement of Program Service Accomplishments**Check if Schedule O contains a response or note to any line in this Part III  X1 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  X 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  X 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 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 \$ 12,075,752. including grants of \$ 0.) (Revenue \$ 21,346,890.)  
**PROVIDE THERAPY AND OTHER MEDICAL SERVICES FOR 24,876 PATIENT DAYS.**4b (Code                   ) (Expenses \$ 13,956,019. including grants of \$ 0.) (Revenue \$ 15,128,952.)  
**PROVIDE OUTPATIENT REHABILITATION AND CLINIC SERVICES FOR APPROXIMATELY 74,579 PATIENT VISITS.**4c (Code                   ) (Expenses \$ 10,925,402. including grants of \$ 0.) (Revenue \$ 18,708,357.)  
**PROVIDE NURSING SERVICES AND INFECTION CONTROL FOR 24,876 PATIENT DAYS.**4d Other program services (Describe in Schedule O.)(Expenses \$ 21,436,211. including grants of \$ 925,000.) (Revenue \$ 13,012,653.)4e Total program service expenses ► 58,393,384.

## 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 X	
2 Is the organization required to complete Schedule B, Schedule of Contributors?	2 X	
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 X	
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 X	
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 X	
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 X	
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 X	
8 Did the organization maintain collections of works of art, historical treasures, or other similar assets? If "Yes," complete Schedule D, Part III	8 X	
9 Did the organization report an amount in Part X, line 21, for escrow or custodial account liability; 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 X	
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 X	
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 X	
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 X	
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 X	
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 X	
e Did the organization report an amount for other liabilities in Part X, line 25? If "Yes," complete Schedule D, Part X	11e X	
f Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? If "Yes," complete Schedule D, Part X	11f X	
12a Did the organization obtain separate, independent audited financial statements for the tax year? If "Yes," complete Schedule D, Parts XI and XII	12a X	
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 and XII is optional	12b X	
13 Is the organization a school described in section 170(b)(1)(A)(ii)? If "Yes," complete Schedule E	13 X	
14a Did the organization maintain an office, employees, or agents outside of the United States?	14a X	
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, Parts I and IV	14b X	
15 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of grants or other assistance to or for any foreign organization? If "Yes," complete Schedule F, Parts II and IV	15 X	
16 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of aggregate grants or other assistance to or for foreign individuals? If "Yes," complete Schedule F, Parts III and IV	16 X	
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 X	
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 X	
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 X	
20a Did the organization operate one or more hospital facilities? If "Yes," complete Schedule H	20a X	
b If "Yes" to line 20a, did the organization attach a copy of its audited financial statements to this return?	20b X	

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## Part IV Checklist of Required Schedules (continued)

		Yes	No
21	Did the organization report more than \$5,000 of grants or other assistance to any domestic organization or government on Part IX, column (A), line 1? If "Yes," complete Schedule I, Parts I and II	21 X	
22	Did the organization report more than \$5,000 of grants or other assistance to individuals in the United States on Part IX, column (A), line 2? If "Yes," complete Schedule I, Parts I and III	22 X	
23	Did the organization answer "Yes" to Part VII, Section A, line 3, 4, or 5 about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? If "Yes," complete Schedule J	23 X	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? If "Yes," answer lines 24b through 24d and complete Schedule K. If "No", go to line 25a	24a X	
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	24b X	
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 X	
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	24d X	
25a	<b>Section 501(c)(3) and 501(c)(4) organizations.</b> Did the organization engage in an excess benefit transaction with a disqualified person during the year? If "Yes," complete Schedule L, Part I	25a X	
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? If "Yes," complete Schedule L, Part I	25b X	
26	Did the organization report any amount on Part X, line 5, 6, or 22 for receivables from or payables to any current or former officers, directors, trustees, key employees, highest compensated employees, or disqualified persons? If so, complete Schedule L, Part II	26 X	
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor or employee thereof, a grant selection committee member, or to a 35% controlled entity or family member of any of these persons? If "Yes," complete Schedule L, Part III	27 X	
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? If "Yes," complete Schedule L, Part IV	28a X	
b	A family member of a current or former officer, director, trustee, or key employee? If "Yes," complete Schedule L, Part IV	28b X	
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? If "Yes," complete Schedule L, Part IV	28c X	
29	Did the organization receive more than \$25,000 in non-cash contributions? If "Yes," complete Schedule M	29 X	
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? If "Yes," complete Schedule M	30 X	
31	Did the organization liquidate, terminate, or dissolve and cease operations? If "Yes," complete Schedule N, Part I	31 X	
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? If "Yes," complete Schedule N, Part II	32 X	
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? If "Yes," complete Schedule R, Part I	33 X	
34	Was the organization related to any tax-exempt or taxable entity? If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1	34 X	
35a	Did the organization have a controlled entity within the meaning of section 512(b)(13)?	35a X	
b	If "Yes" to line 35a, did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? If "Yes," complete Schedule R, Part V, line 2	35b X	
36	<b>Section 501(c)(3) organizations.</b> Did the organization make any transfers to an exempt non-charitable related organization? If "Yes," complete Schedule R, Part V, line 2	36 X	
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? If "Yes," complete Schedule R, Part VI	37 X	
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11b and 19?	38 X	

**Note.** All Form 990 filers are required to complete Schedule O

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**Part V Statements Regarding Other IRS Filings and Tax Compliance**Check if Schedule O contains a response or note to any line in this Part V 

		Yes	No
1a	61		
1b	0		
1c	X		
2a	1129		
2b	X		
3a		X	
3b			
4a		X	
5a		X	
5b		X	
5c			
6a		X	
6b			
7a		X	
7b			
7c		X	
7d			
7e		X	
7f		X	
7g			
7h			
8			
9a			
9b			
10a			
10b			
11a			
11b			
12a			
12b			
13a			
13b			
13c			
14a		X	
14b			

1a Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable

1b Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable

1c Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?

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

2b 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)

3a Did the organization have unrelated business gross income of \$1,000 or more during the year?

3b If "Yes," has it filed a Form 990-T for this year? If "No," to line 3b, provide an explanation in Schedule O

4a At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?

4b 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?

5b Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?

5c If "Yes," to line 5a or 5b, did the organization file Form 8886-T?

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 as charitable contributions?

6b If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?

7 Organizations that may receive deductible contributions under section 170(c).

7a Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?

7b If "Yes," did the organization notify the donor of the value of the goods or services provided?

7c Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?

7d If "Yes," indicate the number of Forms 8282 filed during the year

7e Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?

7f Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?

7g If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?

7h If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?

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?

9 Sponsoring organizations maintaining donor advised funds.

9a Did the organization make any taxable distributions under section 4966?

9b Did the organization make a distribution to a donor, donor advisor, or related person?

10 Section 501(c)(7) organizations. Enter:

10a Initiation fees and capital contributions included on Part VIII, line 12

10b Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities

11 Section 501(c)(12) organizations. Enter:

11a Gross income from members or shareholders

11b Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them.)

12a Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041?

12b If "Yes," enter the amount of tax-exempt interest received or accrued during the year

13 Section 501(c)(29) qualified nonprofit health insurance issuers.

13a Is the organization licensed to issue qualified health plans in more than one state? Note. See the instructions for additional information the organization must report on Schedule O.

13b Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans

13c Enter the amount of reserves on hand

14a Did the organization receive any payments for indoor tanning services during the tax year?

14b If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O

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

Check if Schedule O contains a response or note to any line 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 If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain in Schedule O.	1a 25	
1b		1b 23	
2	Enter the number of voting members included in line 1a, above, who are independent	2 X	
3	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?	3 X	
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	4 X	
5	Did the organization become aware during the year of a significant diversion of the organization's assets?	5 X	
6	Did the organization have members or stockholders?	6 X	
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 X	
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 X	
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following:	8a X	
a	The governing body?	8b X	
b	Each committee with authority to act on behalf of the governing body?		
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 X	

### 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 X
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 X
11a	Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form?	11a X
b	Describe in Schedule O the process, if any, used by the organization to review this Form 990.	12a X
12a	Did the organization have a written conflict of interest policy? If "No," go to line 13	12b X
b	Were officers, directors, or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	12c X
c	Did the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this was done	13 X
13	Did the organization have a written whistleblower policy?	14 X
14	Did the organization have a written document retention and destruction policy?	
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 X
b	Other officers or key employees of the organization	15b X
	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 X
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 X

### Section C. Disclosure

17	List the states with which a copy of this Form 990 is required to be filed ►	NONE
18	Section 6104 requires an organization to make its Forms 1023 (or 1024 if applicable), 990, and 990-T (Section 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 <input type="checkbox"/> Other (explain in Schedule O)	
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 during the tax year.	
20	State the name, physical address, and telephone number of the person who possesses the books and records of the organization: ►	RANDALL DENEFF - 616-840-8317
		235 WEALTHY ST SE, GRAND RAPIDS, MI 49503

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

 Check if Schedule O contains a response or note to any line in this Part VII 
**Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees**

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

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

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

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

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)					(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			
(1) JOHN F. BUTZER, MD MEDICAL DIRECTOR	50.00 2.00	X	X				476,941.	0.	29,545.
(2) KENT RIDDLE PRESIDENT	50.00 2.00	X	X				475,690.	0.	21,331.
(3) DAVID MUIR CHAIRMAN	1.00 0.00	X	X				0.	0.	0.
(4) MOLLY KRAUSS VICE CHAIRMAN	1.00 0.00	X	X				0.	0.	0.
(5) VICKIE DODGE ASSISTANT TREASURER	1.00 1.00	X	X				0.	0.	0.
(6) KIM RIDINGS SECRETARY	1.00 1.00	X	X				0.	0.	0.
(7) CHAD BUSH TREASURER	1.00 0.00	X	X				0.	0.	0.
(8) JULIE RIDENOUR DIRECTOR	1.00 2.00	X					0.	0.	0.
(9) ELLEN NELSON DIRECTOR	1.00 0.00	X					0.	0.	0.
(10) SUSAN STEKETEE DIRECTOR	1.00 0.00	X					0.	0.	0.
(11) DAN VAUGHAN DIRECTOR	1.00 0.00	X					0.	0.	0.
(12) SHELLY MISHLER DIRECTOR	1.00 2.00	X					0.	0.	0.
(13) NANCY ALBERS DIRECTOR	1.00 0.00	X					0.	0.	0.
(14) SUSAN BLOSS DIRECTOR	1.00 0.00	X					0.	0.	0.
(15) JOAN KULLGREN DIRECTOR	1.00 0.00	X					0.	0.	0.
(16) JAN LIPPERT DIRECTOR	1.00 1.00	X					0.	0.	0.
(17) GREG CONWAY DIRECTOR	1.00 0.00	X					0.	0.	0.

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

(A) Name and title	(B) Average hours per week (list any hours for related organizations below line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)					(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			
(18) JAMES MOYER DIRECTOR	1.00 0.00	X					0.	0.	0.
(19) TERENCE O'ROURKE DIRECTOR	1.00 0.00	X					0.	0.	0.
(20) MIKE WILLIAMS DIRECTOR	1.00 0.00	X					0.	0.	0.
(21) MIKE JAKUBOWSKI, M.D. DIRECTOR	1.00 0.00	X					0.	0.	0.
(22) MIKE ANDARY, M.D. DIRECTOR	1.00 0.00	X					0.	0.	0.
(23) ANN CHAPMAN DEBES DIRECTOR	1.00 0.00	X					0.	0.	0.
(24) JENNIFER LANNON DIRECTOR	1.00 0.00	X					0.	0.	0.
(25) ROGER SPOELMAN DIRECTOR	1.00 0.00	X					0.	0.	0.
(26) MARIANNE DELAVAN DIRECTOR - THROUGH 8/13	1.00 0.00	X					0.	0.	0.
<b>1b Sub-total</b>						►	<b>952,631.</b>	0.	<b>50,876.</b>
<b>c Total from continuation sheets to Part VII, Section A</b>						►	<b>1,037,551.</b>	0.	<b>112,172.</b>
<b>d Total (add lines 1b and 1c)</b>						►	<b>1,990,182.</b>	0.	<b>163,048.</b>

2 Total number of individuals (including but not limited to those listed above) who received more than \$100,000 of reportable compensation from the organization ► 20

Yes No

3 Did the organization list any **former** officer, director, or trustee, key employee, or highest compensated employee on line 1a? If "Yes," complete Schedule J for such individual  
4 For any individual listed on line 1a, is the sum of reportable compensation and other compensation from the organization and related organizations greater than \$150,000? If "Yes," complete Schedule J for such individual  
5 Did any person listed on line 1a receive or accrue compensation from any unrelated organization or individual for services rendered to the organization? If "Yes," complete Schedule J for such person

3		X
4	X	
5		X

## 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) Name and business address	(B) Description of services	(C) Compensation
THE CHRISTMAN COMPANY, 634 FRONT AVE. NW, STE 500, GRAND RAPIDS, MI 49504	BLDG CONSTRUCTION	6,172,880.
MERCY HEALTH ST. MARY'S HEALTHCARE 200 JEFFERSON SE, GRAND RAPIDS, MI 49503	LAB/PHARMACY SERVICES	1,909,808.
URS CORPORATION, 600 MONTGOMERY ST. 6TH FLOOR, SAN FRANCISCO, CA 94111	CONSTRUCTION MANAGEMENT	784,596.
DATA STRATEGY 4020 E BELTLINE NE, GRAND RAPIDS, MI 49525	COMPUTER CONSULTING	679,151.
CBS OUTDOORS 405 LEXINGTON AVE, NEW YORK, NY 10174	ADVERTISING	124,400.

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 ► 17

SEE PART VII, SECTION A CONTINUATION SHEETS

Form 990 (2013)

**Part VII Statement of Revenue**

Check if Schedule O contains a response or note to any line in this Part VII

Check if Schedule C contains a response or note to any line in this Part VIII			(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512-514
<b>Contributions, Gifts, Grants and Other Similar Amounts</b>						
1 a Federated campaigns	1a					
b Membership dues	1b					
c Fundraising events	1c					
d Related organizations	1d	492,706.				
e Government grants (contributions)	1e	58,305.				
f All other contributions, gifts, grants, and similar amounts not included above	1f	366,562.				
g Noncash contributions included in lines 1a-1f \$		6,000.				
<b>h Total. Add lines 1a-1f</b>			917,573.			
<b>Program Service Revenue</b>						
2 a PATIENT SERVICE REVENUE	Business Code	621400	55,998,361.	55,998,361.		
b CONTRACT SERVICE REVENUE		621400	11,870,441.	11,870,441.		
c PROGRAM EXPENSE REIMBURSEMENT		621400	328,050.	328,050.		
d						
e						
f All other program service revenue						
<b>g Total. Add lines 2a-2f</b>			68,196,852.			
3 Investment income (including dividends, interest, and other similar amounts)			1,108,187.			1,108,187.
4 Income from investment of tax-exempt bond proceeds						
5 Royalties						
6 a Gross rents	(i) Real	610,611.				
b Less: rental expenses		0.				
c Rental income or (loss)		610,611.				
d Net rental income or (loss)			610,611.			610,611.
7 a Gross amount from sales of assets other than inventory	(i) Securities	17,358,599.				
b Less: cost or other basis and sales expenses		14,623,385.				
c Gain or (loss)		2,735,214.				
d Net gain or (loss)			2,735,214.			2,735,214.
8 a 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						
9 a Gross income from gaming activities. See Part IV, line 19	a					
b Less: direct expenses	b					
c Net income or (loss) from gaming activities						
10 a 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						
<b>Miscellaneous Revenue</b>			<b>Business Code</b>			
11 a COMPUTER/SYSTEM SUPPORT		541519	35,808.			35,808.
b DONATION PROCESSING SUPPORT		541900	19,850.			19,850.
c						
d All other revenue						
e <b>Total. Add lines 11a-11d</b>			55,658.			
<b>12 Total revenue. See instructions.</b>			73,624,095.	68,196,852.	0.	4,509,670.

**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).

Check if Schedule O contains a response or note to any line in this Part IX 

<i>Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.</i>	(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	925,000.	925,000.		
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	1,213,949.		1,213,949.	
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	38,165,745.	33,979,398.	4,186,347.	
8 Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions)	1,184,835.	1,062,520.	122,315.	
9 Other employee benefits	5,599,235.	4,906,051.	693,184.	
10 Payroll taxes	2,908,741.	2,530,605.	378,136.	
11 Fees for services (non-employees):				
a Management				
b Legal	328,499.	43,746.	284,753.	
c Accounting	45,069.		45,069.	
d Lobbying	11,938.		11,938.	
e Professional fundraising services. See Part IV, line 17				
f Investment management fees				
g Other. (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Sch O.)	76,775.	76,537.	238.	
12 Advertising and promotion				
13 Office expenses	857,735.	724,942.	132,793.	
14 Information technology	1,409,615.		1,409,615.	
15 Royalties				
16 Occupancy				
17 Travel	213,200.	182,756.	30,444.	
18 Payments of travel or entertainment expenses for any federal, state, or local public officials				
19 Conferences, conventions, and meetings	275,374.	214,923.	60,451.	
20 Interest				
21 Payments to affiliates				
22 Depreciation, depletion, and amortization	2,290,719.	1,992,926.	297,793.	
23 Insurance	218,584.	190,168.	28,416.	
24 Other expenses. Itemize expenses not covered above. (List miscellaneous expenses in line 24e. If line 24e amount exceeds 10% of line 25, column (A) amount, list line 24e expenses on Schedule O.)				
a PURCH - LAB & PHARMACY	6,447,234.	5,221,991.	1,225,243.	
b QAAP	1,752,318.	1,752,318.		
c SUPPLIES	1,614,431.	1,453,598.	160,833.	
d BAD DEBT	599,043.	599,043.		
e All other expenses	2,972,929.	2,536,862.	436,067.	
25 Total functional expenses. Add lines 1 through 24e	69,110,968.	58,393,384.	10,717,584.	0.
26 Joint costs. Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation.				
Check here ► <input type="checkbox"/> if following SOP 98-2 (ASC 958-720)				

## Part X Balance Sheet

Check if Schedule O contains a response or note to any line in this Part X 

		(A) Beginning of year		(B) End of year
Assets	1 Cash - non-interest-bearing	500.	1	500.
	2 Savings and temporary cash investments	4,119,608.	2	6,979,031.
	3 Pledges and grants receivable, net		3	
	4 Accounts receivable, net	9,445,978.	4	12,549,262.
	5 Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees. Complete Part II of Schedule L		5	
	6 Loans and other receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instr) Complete Part II of Sch L		6	
	7 Notes and loans receivable, net		7	
	8 Inventories for sale or use	162,477.	8	134,887.
	9 Prepaid expenses and deferred charges	712,585.	9	902,747.
	10a Land, buildings, and equipment: cost or other basis. Complete Part VI of Schedule D	10a 51,464,190.		
	b Less: accumulated depreciation	10b 22,519,680.	10c	28,944,510.
	11 Investments - publicly traded securities	46,233,680.	11	36,444,034.
	12 Investments - other securities See Part IV, line 11		12	
	13 Investments - program-related See Part IV, line 11		13	
	14 Intangible assets		14	
	15 Other assets. See Part IV, line 11	20,754,309.	15	17,611,386.
	16 Total assets. Add lines 1 through 15 (must equal line 34)	93,521,765.	16	103,566,357.
Liabilities	17 Accounts payable and accrued expenses	9,262,358.	17	13,358,493.
	18 Grants payable		18	
	19 Deferred revenue		19	
	20 Tax-exempt bond liabilities	12,313,892.	20	11,014,974.
	21 Escrow or custodial account liability Complete Part IV of Schedule D		21	
	22 Loans and other 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	21,576,250.	26	24,373,467.
Net Assets or Fund Balances	Organizations that follow SFAS 117 (ASC 958), check here ► <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.			
	27 Unrestricted net assets	70,621,445.	27	71,550,609.
	28 Temporarily restricted net assets	1,324,070.	28	7,642,281.
	29 Permanently restricted net assets		29	
	Organizations that do not follow SFAS 117 (ASC 958), 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	71,945,515.	33	79,192,890.
	34 Total liabilities and net assets/fund balances	93,521,765.	34	103,566,357.

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

1 Total revenue (must equal Part VIII, column (A), line 12)	1	73,624,095.
2 Total expenses (must equal Part IX, column (A), line 25)	2	69,110,968.
3 Revenue less expenses. Subtract line 2 from line 1	3	4,513,127.
4 Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	71,945,515.
5 Net unrealized gains (losses) on investments	5	602,289.
6 Donated services and use of facilities	6	
7 Investment expenses	7	
8 Prior period adjustments	8	
9 Other changes in net assets or fund balances (explain in Schedule O)	9	2,131,959.
10 Net assets or fund balances at end of year. Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	79,192,890.

**Part XII Financial Statements and Reporting**Check if Schedule O contains a response or note to any line 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? If "Yes," check a box below to indicate whether the financial statements for the year were compiled or reviewed on a separate basis, consolidated basis, or both: <input type="checkbox"/> Separate basis <input type="checkbox"/> Consolidated basis <input type="checkbox"/> Both consolidated and separate basis	2a	<input checked="" type="checkbox"/>
2b Were the organization's financial statements audited by an independent accountant? If "Yes," check a box below to indicate whether the financial statements for the year were audited 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 separate basis	2b	<input checked="" type="checkbox"/>
2c If "Yes" to line 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.	2c	<input checked="" type="checkbox"/>
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? 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	3a	<input checked="" type="checkbox"/>
	3b	

Form 990 (2013)



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

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

**Section A. Public Support**

Calendar year (or fiscal year beginning in) ►	(a) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(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) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(f) Total
7 Amounts from line 4						
8 Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
9 Net income from unrelated business activities, whether or not the business is regularly carried on						
10 Other income. Do not include gain or loss from the sale of capital assets (Explain in Part IV.)						
11 Total support. Add lines 7 through 10						
12 Gross receipts from related activities, etc. (see instructions)					12	
13 First five years. If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a section 501(c)(3) organization, check this box and stop here						► <input type="checkbox"/>

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

14 Public support percentage for 2013 (line 6, column (f) divided by line 11, column (f))	14	%
15 Public support percentage from 2012 Schedule A, Part II, line 14	15	%
16a 33 1/3% support test - 2013. 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	► <input type="checkbox"/>	
b 33 1/3% support test - 2012. If the organization did not check a 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	► <input type="checkbox"/>	
17a 10% -facts-and-circumstances test - 2013. 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	► <input type="checkbox"/>	
b 10% -facts-and-circumstances test - 2012. 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	► <input type="checkbox"/>	
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	► <input type="checkbox"/>	

Schedule A (Form 990 or 990-EZ) 2013

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

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

**Section A. Public Support**

Calendar year (or fiscal year beginning in) ►	(a) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(f) Total
1 Gifts, grants, contributions, and membership fees received. (Do not include any "unusual grants.")						
2 Gross receipts from admissions, merchandise sold or services performed, or facilities furnished in any activity that is related to the organization's tax-exempt purpose						
3 Gross receipts from activities that are not an unrelated trade or business under section 513						
4 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
5 The value of services or facilities furnished by a governmental unit to the organization without charge						
<b>6 Total.</b> Add lines 1 through 5						
<b>7a</b> Amounts included on lines 1, 2, and 3 received from disqualified persons						
<b>b</b> Amounts included on lines 2 and 3 received from other than disqualified persons that exceed the greater of \$5,000 or 1% of the amount on line 13 for the year						
<b>c</b> Add lines 7a and 7b						
<b>8 Public support.</b> (Subtract line 7c from line 6.)						

**Section B. Total Support**

Calendar year (or fiscal year beginning in) ►	(a) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(f) Total
9 Amounts from line 6						
<b>10a</b> Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
<b>b</b> Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
<b>c</b> Add lines 10a and 10b						
<b>11</b> Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
<b>12</b> Other income. Do not include gain or loss from the sale of capital assets (Explain in Part IV)						
<b>13 Total support.</b> (Add lines 9, 10c, 11, and 12.)						
<b>14 First five years.</b> If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a section 501(c)(3) organization, check this box and stop here ► <input type="checkbox"/>						

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

15 Public support percentage for 2013 (line 8, column (f) divided by line 13, column (f))	15	%
16 Public support percentage from 2012 Schedule A, Part III, line 15	16	%

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

17 Investment income percentage for 2013 (line 10c, column (f) divided by line 13, column (f))	17	%
18 Investment income percentage from 2012 Schedule A, Part III, line 17	18	%

**19a 33 1/3% support tests - 2013.** 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 - 2012.** 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 ►

Also complete this part for any additional information (See instructions)



**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.		
	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) 2010	(b) 2011	(c) 2012	(d) 2013	(e) Total
2a Lobbying nontaxable amount					
b Lobbying ceiling amount (150% of line 2a, column(e))					
c Total lobbying expenditures					
d Grassroots nontaxable 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)).

For each "Yes," response to lines 1a through 1i below, provide in Part IV a detailed description of the lobbying activity.	(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?		X	
b Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		X	
c Media advertisements?		X	
d Mailings to members, legislators, or the public?		X	
e Publications, or published or broadcast statements?		X	
f Grants to other organizations for lobbying purposes?		X	
g Direct contact with legislators, their staffs, government officials, or a legislative body?		X	
h Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		X	
i Other activities?	X		11,938.
j Total Add lines 1c through 1i			11,938.
2a Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		X	
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).

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

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

1 Dues, assessments and similar amounts from members	1	
2 Section 162(e) nondeductible 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?		
5 Taxable amount of lobbying and political expenditures (see instructions)	4	
	5	

**Part IV** Supplemental Information

Provide the descriptions required for Part I-A, line 1; Part I-B, line 4; Part I-C, line 5; Part II-A (affiliated group list); Part II-A, line 2; and Part II-B, line 1

Also, complete this part for any additional information

**PART II-B, LINE 1, LOBBYING ACTIVITIES:**

PORTION OF MEMBERSHIP FEES IDENTIFIED BY THE AMERICAN

HOSPITAL ASSOCIATION, MICHIGAN HEALTH & HOSPITAL ASSOCIATION, COALITION

PROTECTING AUTO NO FAULT, AMERICAN MEDICAL REHABILITATION PROVIDERS

ASSOCIATION. CONTACTS WITH STATE AND FEDERAL LEGISLATORS THROUGH

E-MAIL.

**SCHEDULE D**  
(Form 990)Department of the Treasury  
Internal Revenue Service**Supplemental Financial Statements**

OMB No 1545-0047

**2013**Open to Public  
Inspection► Complete if the organization answered "Yes," to Form 990,  
Part IV, line 6, 7, 8, 9, 10, 11a, 11b, 11c, 11d, 11e, 11f, 12a, or 12b.

► Attach to Form 990.

► Information about Schedule D (Form 990) and its instructions is at [www.irs.gov/form990](http://www.irs.gov/form990)

Name of the organization

**MARY FREE BED REHABILITATION HOSPITAL**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 can 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).	<input type="checkbox"/> Preservation of land for public use (e.g., recreation or education) <input type="checkbox"/> Preservation of an historically important land area
	<input type="checkbox"/> Protection of natural habitat <input type="checkbox"/> Preservation of a certified historic structure
	<input type="checkbox"/> Preservation of open space
2 Complete lines 2a through 2d if the organization held a qualified conservation contribution in the form of a conservation easement on the last day of the tax year	
a Total number of conservation easements	<b>Held at the End of the Tax Year</b>
b Total acreage restricted by conservation easements	2a
c Number of conservation easements on a certified historic structure included in (a)	2b
d Number of conservation easements included in (c) acquired after 8/17/06, and not on a historic structure listed in the National Register	2c
3 Number of conservation easements modified, transferred, released, extinguished, or terminated by the organization during the tax year ►	2d
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?	<input type="checkbox"/> Yes <input type="checkbox"/> 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 section 170(h)(4)(B)(ii)?	<input type="checkbox"/> Yes <input type="checkbox"/> No
9 In Part XIII, 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 (ASC 958), 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 XIII, the text of the footnote to its financial statements that describes these items.
1b If the organization elected, as permitted under SFAS 116 (ASC 958), 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 (ASC 958) 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 acquisition, accession, and other records, check any of the following that are a significant use of its collection items (check all that apply):

a  Public exhibition  
 b  Scholarly research  
 c  Preservation for future generations

d  Loan or exchange programs  
 e  Other \_\_\_\_\_

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

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 XIII 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 XIII. Check here if the explanation has been provided in Part XIII.

**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 Net investment earnings, gains, and 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 current year end balance (line 1g, column (a)) held as:

a Board designated or quasi-endowment ► \_\_\_\_\_ %

b Permanent endowment ► \_\_\_\_\_ %

c Temporarily restricted endowment ► \_\_\_\_\_ %

The percentages in lines 2a, 2b, and 2c should equal 100%

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

by:

(i) unrelated organizations

(ii) related organizations

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

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

	Yes	No
3a(i)		
3a(ii)		

3b

**Part VI Land, Buildings, and Equipment.**

Complete if the organization answered "Yes" to Form 990, Part IV, line 11a. 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		1,997,434.		1,997,434.
b Buildings		13,915,731.	9,864,700.	4,051,031.
c Leasehold improvements		419,031.	370,641.	48,390.
d Equipment		16,604,370.	11,891,987.	4,712,383.
e Other		18,527,624.	392,352.	18,135,272.

Total. Add lines 1a through 1e. (Column (d) must equal Form 990, Part X, column (B), line 10(c).) ► 28,944,510.

Schedule D (Form 990) 2013

**Part VII Investments - Other Securities.**

Complete if the organization answered "Yes" to Form 990, Part IV, line 11b. See Form 990, Part X, line 12

(a) Description of security or category (including name of security)	(b) Book value	(c) Method of valuation: Cost or end-of-year market value
(1) Financial derivatives		
(2) Closely-held equity interests		
(3) Other		
(A)		
(B)		
(C)		
(D)		
(E)		
(F)		
(G)		
(H)		
Total. (Col. (b) must equal Form 990, Part X, col. (B) line 12.) ►		

**Part VIII Investments - Program Related.**

Complete if the organization answered "Yes" to Form 990, Part IV, line 11c. See Form 990, Part X, line 13

(a) Description of investment	(b) Book value	(c) Method of valuation: Cost or end-of-year market value
(1)		
(2)		
(3)		
(4)		
(5)		
(6)		
(7)		
(8)		
(9)		
Total. (Col. (b) must equal Form 990, Part X, col. (B) line 13.) ►		

**Part IX Other Assets.**

Complete if the organization answered "Yes" to Form 990, Part IV, line 11d. See Form 990, Part X, line 15.

(a) Description	(b) Book value
(1) INVESTMENT IN JOINT VENTURE - REHABILITATION SERVICES	4,454,432.
(2) OTHER RECEIVABLES	2,943,762.
(3) DUE FROM MARY FREE BED MEDICAL GROUP	1,147,347.
(4) PROCEEDS FROM CONSTRUCTION LOAN	6,647,848.
(5) INTANGIBLE PENSION ASSET	1,417,997.
(6) RESERVE FOR PENSION LIABILITIES	1,000,000.
(7)	
(8)	
(9)	
Total. (Column (b) must equal Form 990, Part X, col. (B) line 15.) ►	17,611,386.

**Part X Other Liabilities.**

Complete if the organization answered "Yes" to Form 990, Part IV, line 11e or 11f. See Form 990, Part X, line 25

1. (a) Description of liability	(b) Book value	
(1) Federal income taxes		
(2)		
(3)		
(4)		
(5)		
(6)		
(7)		
(8)		
(9)		
Total. (Column (b) must equal Form 990, Part X, col. (B) line 25.) ►		

2. Liability for uncertain tax positions. In Part XIII, provide the text of the footnote to the organization's financial statements that reports the organization's liability for uncertain tax positions under FIN 48 (ASC 740). Check here if the text of the footnote has been provided in Part XIII

**Part XI Reconciliation of Revenue per Audited Financial Statements With Revenue per Return.**

Complete if the organization answered "Yes" to Form 990, Part IV, line 12a.

1 Total revenue, gains, and other support per audited financial statements  
 2 Amounts included on line 1 but not on Form 990, Part VIII, line 12:

a Net unrealized gains on investments  
 b Donated services and use of facilities  
 c Recoveries of prior year grants  
 d Other (Describe in Part XIII.)  
 e Add lines 2a through 2d  
 3 Subtract line 2e from line 1  
 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  
 b Other (Describe in Part XIII.)  
 c Add lines 4a and 4b  
 5 Total revenue. Add lines 3 and 4c. (This must equal Form 990, Part I, line 12.)

1	
2a	
2b	
2c	
2d	
2e	
3	
4a	
4b	
4c	
5	

**Part XII Reconciliation of Expenses per Audited Financial Statements With Expenses per Return.**

Complete if the organization answered "Yes" to Form 990, Part IV, line 12a

1 Total expenses and losses per audited financial statements  
 2 Amounts included on line 1 but not on Form 990, Part IX, line 25:

a Donated services and use of facilities  
 b Prior year adjustments  
 c Other losses  
 d Other (Describe in Part XIII.)  
 e Add lines 2a through 2d  
 3 Subtract line 2e from line 1  
 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  
 b Other (Describe in Part XIII.)  
 c Add lines 4a and 4b  
 5 Total expenses. Add lines 3 and 4c. (This must equal Form 990, Part I, line 18.)

1	
2a	
2b	
2c	
2d	
2e	
3	
4a	
4b	
4c	
5	

**Part XIII Supplemental Information.**

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, line 2; Part XI, lines 2d and 4b; and Part XII, lines 2d and 4b. Also complete this part to provide any additional information

**PART X, LINE 2:**

THE INTERNAL REVENUE SERVICE HAS RULED THAT THE HOSPITAL AND  
 ITS SUBSIDIARIES ARE EXEMPT FROM FEDERAL INCOME TAXES UNDER SECTION  
 501(C)(3) OF THE INTERNAL REVENUE CODE, AND ACCORDINGLY, NO TAX PROVISION  
 IS REFLECTED IN THE FINANCIAL STATEMENTS.

ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA  
 REQUIRE MANAGEMENT TO EVALUATE TAX POSITIONS TAKEN BY THE HOSPITAL AND  
 RECOGNIZE A TAX LIABILITY IF THE HOSPITAL HAS TAKEN AN UNCERTAIN POSITION  
 THAT MORE LIKELY THAN NOT WOULD NOT BE SUSTAINED UPON EXAMINATION BY THE  
 IRS OR OTHER APPLICABLE TAXING AUTHORITIES. MANAGEMENT HAS ANALYZED THE  
 TAX POSITIONS TAKEN BY THE HOSPITAL AND HAS CONCLUDED THAT AS OF MARCH 31,

2014, THERE ARE NO UNCERTAIN POSITIONS TAKEN OR EXPECTED TO BE TAKEN THAT  
WOULD REQUIRE RECOGNITION OF A LIABILITY OR DISCLOSURE IN THE FINANCIAL  
STATEMENTS. THE HOSPITAL IS SUBJECT TO ROUTINE AUDITS BY TAXING  
JURISDICTIONS; HOWEVER, THERE ARE CURRENTLY NO AUDITS FOR ANY TAX PERIODS  
IN PROGRESS. MANAGEMENT BELIEVES IT IS NO LONGER SUBJECT TO INCOME TAX  
EXAMINATIONS FOR YEARS PRIOR TO MARCH 31, 2011.

**SCHEDULE H**  
(Form 990)

Department of the Treasury  
Internal Revenue Service

**Hospitals**

OMB No 1545-0047

**2013**

Open to Public  
Inspection

Name of the organization

**MARY FREE BED REHABILITATION HOSPITAL**

Employer identification number  
**38-1359265**

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

1a Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a

b If "Yes," was it a written policy?  
If the organization had multiple hospital facilities, indicate which of the following best describes application of the financial assistance policy to its various hospital facilities during the tax year

Applied uniformly to all hospital facilities  Applied uniformly to most hospital facilities

Generally tailored to individual hospital facilities

3 Answer the following based on the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year

a Did the organization use Federal Poverty Guidelines (FPG) as a factor in determining eligibility for providing free care?  
If "Yes," indicate which of the following was the FPG family income limit for eligibility for free care:

100%  150%  200%  Other **145%**

b Did the organization use FPG as a factor in determining eligibility for providing discounted care? If "Yes," indicate which of the following was the family income limit for eligibility for discounted care:

200%  250%  300%  350%  400%  Other **%**

c If the organization used factors other than FPG in determining eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care. Include in the description whether the organization used an asset test or other threshold, regardless of income, as a factor in determining eligibility for free or discounted care

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

5a Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?

b If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?

c If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care?

6a Did the organization prepare a community benefit report during the tax year?

b If "Yes," did the organization make it available to the public?

	Yes	No
1a	X	
1b	X	
3a	X	
3b	X	
4	X	
5a	X	
5b	X	
5c	X	
6a	X	
6b		

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

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

<b>Financial Assistance and Means-Tested Government Programs</b>	<b>(a) Number of activities or programs (optional)</b>	<b>(b) Persons served (optional)</b>	<b>(c) Total community benefit expense</b>	<b>(d) Direct offsetting revenue</b>	<b>(e) Net community benefit expense</b>	<b>(f) Percent of total expense</b>
a Financial Assistance at cost (from Worksheet 1)			1,562,484.		1,562,484.	2.28%
b Medicaid (from Worksheet 3, column a)			5,029,332.	1,842,323.	3,187,009.	4.65%
c Costs of other means-tested government programs (from Worksheet 3, column b)			10,485.	2,084.	8,401.	.01%
<b>d Total Financial Assistance and Means-Tested Government Programs</b>			6,602,301.	1,844,407.	4,757,894.	6.94%
<b>Other Benefits</b>						
e Community health improvement services and community benefit operations (from Worksheet 4)			47,088.		47,088.	.07%
f Health professions education (from Worksheet 5)			178,384.		178,384.	.26%
g Subsidized health services (from Worksheet 6)			77,110.		77,110.	.11%
h Research (from Worksheet 7)			0.			
i Cash and in-kind contributions for community benefit (from Worksheet 8)			58,589.		58,589.	.09%
<b>j Total. Other Benefits</b>			361,171.		361,171.	.53%
<b>k Total. Add lines 7d and 7j</b>			6,963,472.	1,844,407.	5,119,065.	7.47%

332091 10-03-13 LHA For Paperwork Reduction Act Notice, see the Instructions for Form 990.

Schedule H (Form 990) 2013

**Part II Community Building Activities** Complete this table if the organization conducted any community building activities during the

tax year, and describe in Part VI how its community building activities promoted the health of the communities it serves.

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

Part III | Bad Debt, Medicare, & Collection Practices

## Section A. Bad Debt Expense

1	Did the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No 15?		
2	Enter the amount of the organization's bad debt expense Explain in Part VI the methodology used by the organization to estimate this amount	2	5
3	Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's financial assistance policy. Explain in Part VI the methodology used by the organization to estimate this amount and the rationale, if any, for including this portion of bad debt as community benefit	3	1
4	Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense or the page number on which this footnote is contained in the attached financial statements.		

		Yes	No
1	X		
2	599,043.		
3	119,809.		

## **Section B. Medicare**

5	Enter total revenue received from Medicare (including DSH and IME)	5	6
6	Enter Medicare allowable costs of care relating to payments on line 5	6	7
7	Subtract line 6 from line 5. This is the surplus (or shortfall)	7	-
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.		

Also describe in Part VI the costing methodology.  
Check the box that describes the method used:

Cost accounting system  Cost to charge ratio  Other

## Cost accounting system

**9a** Did the organization have a written debt collection policy during the tax year?

**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.

✓ year contain provisions on the  
Part VI

## Part IV | Management Companies and Joint Ventures

Part IV Management Companies and Joint Ventures (owned 10% or more by officers, directors, trustees, key employees, and physicians - see instructions)

## Part V Facility Information

## **Section A. Hospital Facilities**

(list in order of size, from largest to smallest)

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

Name, address, primary website address, and state license number

1 MARY FREE BED REHABILITATION HOSPITAL  
235 WEALTHY ST. SE  
GRAND RAPIDS, MI 49503-5247  
WWW.MARYFREEBED.COM

**Part V Facility Information (continued)****Section B. Facility Policies and Practices**

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

**Name of hospital facility or facility reporting group** MARY FREE BED REHABILITATION HOSPITAL**If reporting on Part V, Section B for a single hospital facility only: line number of****hospital facility (from Schedule H, Part V, Section A)**1

	Yes	No
<b>Community Health Needs Assessment (Lines 1 through 8c are optional for tax years beginning on or before March 23, 2012)</b>		
1 During the tax year or either of the two immediately preceding tax years, did the hospital facility conduct a community health needs assessment (CHNA)? If "No," skip to line 9	1	<input checked="" type="checkbox"/>
If "Yes," indicate what the CHNA report describes (check all that apply):		
a <input checked="" type="checkbox"/> A definition of the community served by the hospital facility		
b <input checked="" 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 checked="" type="checkbox"/> How data was obtained		
e <input checked="" type="checkbox"/> The health needs of the community		
f <input checked="" type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups		
g <input checked="" type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet the community health needs		
h <input checked="" type="checkbox"/> The process for consulting with persons representing the community's interests		
i <input checked="" 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 Section C)		
2 Indicate the tax year the hospital facility last conducted a CHNA:	20	<u>12</u>
3 In conducting its most recent CHNA, did the hospital facility take into account input from persons who represent the broad interests of the community served by the hospital facility, including those with special knowledge of or expertise in public health? If "Yes," describe in Section C how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	3	<input checked="" type="checkbox"/>
4 Was the hospital facility's CHNA conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Section C	4	<input checked="" type="checkbox"/>
5 Did the hospital facility make its CHNA report widely available to the public?	5	<input checked="" type="checkbox"/>
If "Yes," indicate how the CHNA report was made widely available (check all that apply):		
a <input checked="" type="checkbox"/> Hospital facility's website (list url): <u>WWW.MARYFREEBED.COM</u>		
b <input type="checkbox"/> Other website (list url): _____		
c <input checked="" type="checkbox"/> Available upon request from the hospital facility		
d <input checked="" type="checkbox"/> Other (describe in Section C)		
6 If the hospital facility addressed needs identified in its most recently conducted CHNA, indicate how (check all that apply as of the end of the tax year):		
a <input checked="" type="checkbox"/> Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA		
b <input checked="" type="checkbox"/> Execution of the implementation strategy		
c <input checked="" type="checkbox"/> Participation in the development of a community-wide plan		
d <input checked="" type="checkbox"/> Participation in the execution of a community-wide plan		
e <input checked="" type="checkbox"/> Inclusion of a community benefit section in operational plans		
f <input checked="" type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the CHNA		
g <input checked="" type="checkbox"/> Prioritization of health needs in its community		
h <input checked="" 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 Section C)		
7 Did the hospital facility address all of the needs identified in its most recently conducted CHNA? If "No," explain in Section C which needs it has not addressed and the reasons why it has not addressed such needs	7	<input checked="" type="checkbox"/>
8a Did the organization incur an excise tax under section 4959 for the hospital facility's failure to conduct a CHNA as required by section 501(t)(3)?	8a	<input checked="" type="checkbox"/>
b If "Yes" to line 8a, did the organization file Form 4720 to report the section 4959 excise tax?	8b	<input type="checkbox"/>
c If "Yes" to line 8b, what is the total amount of section 4959 excise tax the organization reported on Form 4720 for all of its hospital facilities? \$		

**Part V Facility Information (continued) MARY FREE BED REHABILITATION HOSPITAL**

<b>Financial Assistance Policy</b>		<b>Yes</b>	<b>No</b>
Did the hospital facility have in place during the tax year a written financial assistance policy that:			
9	Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	9	X
10	Used federal poverty guidelines (FPG) to determine eligibility for providing free care?	10	X
	If "Yes," indicate the FPG family income limit for eligibility for free care: <u>145</u> %		
	If "No," explain in Section C the criteria the hospital facility used.		
11	Used FPG to determine eligibility for providing discounted care?	11	X
	If "Yes," indicate the FPG family income limit for eligibility for discounted care: <u>250</u> %		
	If "No," explain in Section C the criteria the hospital facility used.		
12	Explained the basis for calculating amounts charged to patients?	12	X
	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 type="checkbox"/> Residency		
i	<input checked="" type="checkbox"/> Other (describe in Section C)		
13	Explained the method for applying for financial assistance?	13	X
14	Included measures to publicize the policy within the community served by the hospital facility?	14	X
	If "Yes," indicate how the hospital facility publicized the policy (check all that apply):		
a	<input checked="" type="checkbox"/> The policy was posted on the hospital facility's website		
b	<input type="checkbox"/> The policy was attached to 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 type="checkbox"/> The policy was provided, in writing, to patients on admission to the hospital facility		
f	<input checked="" type="checkbox"/> The policy was available on request		
g	<input type="checkbox"/> Other (describe in Section C)		
<b>Billing and Collections</b>			
15	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?	15	X
16	Check all of the following actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the individual'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		
e	<input type="checkbox"/> Other similar actions (describe in Section C)		
17	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 individual's eligibility under the facility's FAP?	17	X
	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 Section C)		

**Part V Facility Information (continued) MARY FREE BED REHABILITATION HOSPITAL**

18 Indicate which efforts the hospital facility made before initiating any of the actions listed in line 17 (check all that apply):

- a  Notified individuals of the financial assistance policy on admission
- b  Notified individuals of the financial assistance policy prior to discharge
- c  Notified individuals of the financial assistance policy in communications with the individuals regarding the individuals' bills
- d  Documented its determination of whether individuals were eligible for financial assistance under the hospital facility's financial assistance policy
- e  Other (describe in Section C)

**Policy Relating to Emergency Medical Care**

19 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?

	Yes	No
19		X

If "No," indicate why:

- a  The hospital facility did not provide care for any emergency medical conditions
- b  The hospital facility's policy was not in writing
- c  The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Section C)
- d  Other (describe in Section C)

**Charges to Individuals Eligible for Assistance under the FAP (FAP-Eligible Individuals)**

20 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  The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged
- b  The hospital facility used the average of its three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged
- c  The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged
- d  Other (describe in Section C)

21 During the tax year, did the hospital facility charge any FAP-eligible individual 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?

21		X
22		X

If "Yes," explain in Section C.

22 During the tax year, did the hospital facility charge any FAP-eligible individual an amount equal to the gross charge for any service provided to that individual?

If "Yes," explain in Section C

**Part V Facility Information (continued)**

Section C. Supplemental Information for Part V, Section B. Provide descriptions required for Part V, Section B, lines 1j, 3, 4, 5d, 6i, 7, 10, 11, 12i, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22. If applicable, provide separate descriptions for each facility in a facility reporting group, designated by "Facility A, " "Facility B, " etc.

MARY FREE BED REHABILITATION HOSPITAL:

PART V, SECTION B, LINE 3: 12 FOCUS GROUPS WITH 119 COMMUNITY MEMBERS  
PARTICIPATING; 395 INTERCEPT INTERVIEWS CONDUCTED IN 3 LANGUAGES BY  
COMMUNITY MEMBERS; 4 COMMUNITY INPUT WALLS.

MARY FREE BED REHABILITATION HOSPITAL:

PART V, SECTION B, LINE 4: SPECTRUM HEALTH, METRO HEALTH HOSPITAL, AND  
MERCY HEALTH ST. MARY'S.

MARY FREE BED REHABILITATION HOSPITAL:

PART V, SECTION B, LINE 5D: AVAILABLE FORM KENT COUNTY HEALTH DEPARTMENT

MARY FREE BED REHABILITATION HOSPITAL:

PART V, SECTION B, LINE 12I: SELF PAY PATIENTS CHARGE AMOUNTS WERE BASED  
ON THE OVERALL AVERAGE OF NET COLLECTIONS AND CONSIDERED CHARITY, BAD  
DEBTS, MEDICARE, MEDICAID, AND ALL OTHER PAYERS.

MARY FREE BED REHABILITATION HOSPITAL:

PART V, SECTION B, LINE 20D: AMOUNTS WERE CALCULATED USING THE AVERAGE  
PAYMENT RATE OF ALL PAYERS.

**Part V Facility Information (continued)**

**Section D. Other Health Care 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 health care 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

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Schedule H (Form 990) 2013

**Part VI Supplemental Information**

Provide the following information.

- 1 **Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7; Part II and Part III, lines 2, 3, 4, 8 and 9b
- 2 **Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any CHNAs 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.

**PART I, LINE 7, COLUMN (F):**

THE BAD DEBT EXPENSE INCLUDED ON FORM 990, PART IX, LINE 25(A),

BUT SUBTRACTED FOR PURPOSES OF CALCULATING THE PERCENTAGE IN

THIS COLUMN IS \$ 599,043.

**PART II, COMMUNITY BUILDING ACTIVITIES:**

TWO SISTER CORPORATIONS TO THE MARY FREE BED REHABILITATION

HOSPITAL, THE MARY FREE BED FUND AND MARY FREE BED ORTHOTICS AND

PROSTHETICS ALSO PROVIDE COMMUNITY BENEFITS. IN ADDITION TO SUPPORTING

THE MARY FREE BED REHABILITATION HOSPITAL, MARY FREE BED ORTHOTICS AND

PROSTHETICS AND THE MARY FREE BED MEDICAL GROUP, THE MARY FREE BED FUND

PROVIDED \$257,265 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 ORTHOTICS AND PROSTHETICS PROVIDED APPROXIMATELY

\$602,000 OF COMMUNITY BENEFITS TO ITS PATIENTS. THIS AMOUNT INCLUDES

332099 10-03-13

Schedule H (Form 990) 2013

## Part VI Supplemental Information (Continuation)

\$408,000 OF UNPAID COSTS OF MEDICAID PATIENTS AND UNCOLLECTIBLE ACCOUNTS.

PART III, LINE 3:

MANAGEMENT BELIEVES THAT APPROXIMATELY 20% OF THE TOTAL

BAD DEBT EXPENSE SHOULD BE TREATED AS COMMUNITY BENEFIT.

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.

FOR RECEIVABLES ASSOCIATED WITH SERVICES PROVIDED TO PATIENTS WHO HAVE

THIRD-PARTY COVERAGE, THE HOSPITAL ANALYZES CONTRACTUALLY DUE AMOUNTS AND

PROVIDES AN ALLOWANCE FOR DOUBTFUL ACCOUNTS AND A PROVISION FOR BAD DEBTS,

IF NECESSARY. FOR RECEIVABLES ASSOCIATED WITH SELF-PAY PATIENTS (WHICH

INCLUDES BOTH PATIENTS WITHOUT INSURANCE AND PATIENTS WITH DEDUCTIBLE AND

COPAYMENT BALANCES DUE FOR WHICH THIRD-PARTY COVERAGE EXISTS FOR PART OF

THE BILL), THE HOSPITAL RECORDS A PROVISION FOR BAD DEBTS IN THE PERIOD OF

## Part VI Supplemental Information (Continuation)

SERVICE ON THE BASIS OF ITS PAST EXPERIENCE, WHICH INDICATES THAT MANY PATIENTS ARE UNABLE OR UNWILLING TO PAY THE PORTION OF THEIR BILL FOR WHICH THEY ARE FINANCIALLY RESPONSIBLE. THE DIFFERENCE BETWEEN THE STANDARD RATES (OR THE DISCOUNTED RATES IF NEGOTIATED) AND THE AMOUNTS ACTUALLY COLLECTED AFTER ALL REASONABLE COLLECTION EFFORTS HAVE BEEN EXHAUSTED IS CHARGED OFF AGAINST THE ALLOWANCE FOR DOUBTFUL ACCOUNTS IN THE PERIOD THEY ARE DETERMINED TO BE UNCOLLECTIBLE.

## 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.

## 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.

## 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

## Part VI Supplemental Information (Continuation)

SERVED.

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.

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. APPROXIMATELY 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.

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.



MARY FREE BED REHABILITATION HOSPITAL

Bapt III Grants and Other

Grants and Outlays Assistance to Multilateral Banks

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**SCHEDULE J**  
**(Form 990)**

Department of the Treasury  
Internal Revenue Service

**Compensation Information**

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

► Complete if the organization answered "Yes" on Form 990, Part IV, line 23.

► Attach to Form 990. ► See separate instructions.

► Information about Schedule J (Form 990) and its instructions is at [www.irs.gov/form990](http://www.irs.gov/form990)

OMB No 1545-0047

**2013**

Open to Public  
Inspection

Name of the organization

**MARY FREE BED REHABILITATION HOSPITAL**

Employer identification number  
**38-1359265**

**Part I Questions Regarding Compensation**

Question	Yes	No
1a Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a Complete Part III to provide any relevant information regarding these items		
<input type="checkbox"/> First-class or charter travel	<input type="checkbox"/>	Housing allowance or residence for personal use
<input type="checkbox"/> Travel for companions	<input type="checkbox"/>	Payments for business use of personal residence
<input type="checkbox"/> Tax indemnification and gross-up payments	<input type="checkbox"/>	Health or social club dues or initiation fees
<input type="checkbox"/> Discretionary spending account	<input type="checkbox"/>	Personal services (e.g., maid, chauffeur, chef)
1b If any of the boxes on line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all of the expenses described above? If "No," complete Part III to explain	1b	
2 Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all directors, trustees, and officers, including the CEO/Executive Director, regarding the items checked in line 1a?	2	
3 Indicate which, if any, of the following the filing organization used to establish the compensation of the organization's CEO/Executive Director. Check all that apply. Do not check any boxes for methods used by a related organization to establish compensation of the CEO/Executive Director, but explain in Part III.		
<input checked="" type="checkbox"/> Compensation committee	<input checked="" type="checkbox"/>	Written employment contract
<input type="checkbox"/> Independent compensation consultant	<input checked="" type="checkbox"/>	Compensation survey or study
<input checked="" type="checkbox"/> Form 990 of other organizations	<input checked="" type="checkbox"/>	Approval by the board or compensation committee
4 During the year, did any person listed in Form 990, Part VII, Section A, line 1a, with respect to the filing organization or a related organization:	4a	X
a Receive a severance payment or change-of-control payment?	4b	X
b Participate in, or receive payment from, a supplemental nonqualified retirement plan?	4c	X
c Participate in, or receive payment from, an equity-based compensation arrangement?		
If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III.		

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

5 For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of:	5a	X
a The organization?	5b	X
If "Yes" to line 5a or 5b, describe in Part III.		
6 For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of:	6a	X
a The organization?	6b	X
If "Yes" to line 6a or 6b, describe in Part III.		
7 For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III	7	X
8 Were any amounts reported in Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in Regulations section 53.4958-4(a)(3)? If "Yes," describe in Part III	8	X
9 If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53.4958-6(c)?	9	

LHA For Paperwork Reduction Act Notice, see the Instructions for Form 990.

Schedule J (Form 990) 2013

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MARY FREE BED REHABILITATION HOSPITAL 38-1359265 Page 2

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

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For each individual whose compensation must be reported in Schedule I, 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, applicable column (D) and (E) amounts for that individual.

Provide the information, explanation, or descriptions required for Part I, lines 1a, 1b, 3, 4a, 4b, 4c, 5a, 5b, 6a, 6b, 7, and 8, and for Part II. Also complete this part for any additional information.

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

**Supplemental Information on Tax-Exempt Bonds**

► Complete if the organization answered "Yes" on Form 990, Part IV, line 24a. Provide descriptions, explanations, and any additional information in Part VI.

► Attach to Form 990. ► See separate instructions. ► Information about Schedule K (Form 990) and its instructions is at [www.irs.gov/form990](http://www.irs.gov/form990).

Name of the organization

**MARY FREE BED REHABILITATION HOSPITAL**

SEE PART VI FOR COLUMN (F) CONTINUATIONS

OMB No 1545-0047  
**2013**  
Open to Public  
Inspection

Employer identification number  
**38-1359265**

**Part I Bond Issues**

(a) Issuer name	(b) Issuer EIN	(c) CUSIP #	(d) Date issued	(e) Issue price	(f) Description of purpose	(g) Defeated (h) On behalf of issuer	(i) Pooled financing
KENT HOSPITAL FINANCE A AUTHORITY	38-2350002	NONE	10/26/12	14,000,000.00	PARITAL FUNDING OF NEW HOSPITAL A	X	X
B							
C							
D							

**Part II Proceeds**

	A	B	C	D
1 Amount of bonds retired				
2 Amount of bonds legally defeated				
3 Total proceeds of issue		<b>14,000,000.</b>		
4 Gross proceeds in reserve funds				
5 Capitalized interest from proceeds				
6 Proceeds in refunding escrows				
7 Issuance costs from proceeds				
8 Credit enhancement from proceeds				
9 Working capital expenditures from proceeds				
10 Capital expenditures from proceeds				
11 Other spent proceeds				
12 Other unspent proceeds				
13 Year of substantial completion				
14 Were the bonds issued as part of a current refunding issue?	Yes	No	Yes	No
15 Were the bonds issued as part of an advance refunding issue?		X		
16 Has the final allocation of proceeds been made?		X		
17 Does the organization maintain adequate books and records to support the final allocation of proceeds?		X		

**Part III Private Business Use**

	A	B	C	D
1 Was the organization a partner in a partnership, or a member of an LLC, which owned property financed by tax-exempt bonds?	Yes	No	Yes	No
2 Are there any lease arrangements that may result in private business use of bond-financed property?		X		

**Part III Private Business Use (Continued)**

	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>
	Yes	No	Yes	No
3a Are there any management or service contracts that may result in private business use of bond-financed property?	X			
b If "Yes" to line 3a, does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts relating to the financed property?				
c Are there any research agreements that may result in private business use of bond-financed property?	X			
d If "Yes" to line 3c, does the organization routinely engage bond counsel or other outside counsel to review any research agreements relating to the financed property?				
4 Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government	▲	%	%	%
5 Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government	▲	%	%	%
6 Total of lines 4 and 5		%	%	%
7 Does the bond issue meet the private security or payment test?		X		
8a Has there been a sale or disposition of any of the bond-financed property to a non-governmental person other than a 501(c)(3) organization since the bonds were issued?	X			
b If "Yes" to line 8a, enter the percentage of bond-financed property sold or disposed of		%	%	%
c If "Yes" to line 8a, was any remedial action taken pursuant to Regulations sections 1 141-12 and 1.145-2?				
9 Has the organization established written procedures to ensure that all nonqualified bonds of the issue are remediated in accordance with the requirements under Regulations sections 1 141-12 and 1.145-2?	X			

**Part IV Arbitrage**

	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>
	Yes	No	Yes	No
1 Has the issuer filed Form 8038-T, Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate?	X			
2 If "No" to line 1, did the following apply?				
a Rebate not due yet?	X			
b Exception to rebate?	X			
c No rebate due?	X			
If you checked "No rebate due" in line 2c, provide in Part VI the date the rebate computation was performed				
3 Is the bond issue a variable rate issue?				
4a Has the organization or the governmental issuer entered into a qualified hedge with respect to the bond issue?	X			
b Name of provider				
c Term of hedge				
d Was the hedge superintegrated?				
e Was the hedge terminated?				



**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 990-EZ or to provide any additional information.

► Attach to Form 990 or 990-EZ.

► Information about Schedule O (Form 990 or 990-EZ) and its instructions is at [www.irs.gov/form990](http://www.irs.gov/form990)

OMB No 1545-0047

**2013**

Open to Public  
Inspection

Name of the organization

MARY FREE BED REHABILITATION HOSPITAL

Employer identification number  
38-1359265

**FORM 990, PART I, DOING BUSINESS AS:**

MARY FREE BED HOSPITAL AND REHABILITATION CENTER

**FORM 990, PART I, LINE 1, DESCRIPTION OF ORGANIZATION MISSION:**

COMMUNITY ON DISABLING DISEASES AND INJURY PREVENTION. CARRYING OUT  
MEDICAL AND SCIENTIFIC RESEARCH TO IMPROVE THE CARE AND OUTCOMES FOR  
PEOPLE WITH DISABILITIES.

**FORM 990, PART III, LINE 4D, OTHER PROGRAM SERVICES:**

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.

EXPENSES \$ 21,436,211. INCL GRANTS OF \$ 925,000. REVENUE \$ 13,012,653.

**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.

LHA For Paperwork Reduction Act Notice, see the Instructions for Form 990 or 990-EZ.  
332211  
09-04-13

Schedule O (Form 990 or 990-EZ) (2013)

Name of the organization

MARY FREE BED REHABILITATION HOSPITAL

Employer identification number

38-1359265

FORM 990, PART VI, SECTION A, LINE 7B:THE SOLE SHAREHOLDER MUST APPROVE CERTAIN HOSPITAL BOARDTRANSACTIONS 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 BECONDUCTED BY THE GOVERNING BODY PRIOR TO FILING. AFTER COMPLETION OF THERETURN, RETURN WILL BE POSTED TO INTERNAL WEBSITE PORTAL FOR ALL BOARDMEMBERS.FORM 990, PART VI, SECTION B, LINE 12C:CONFLICT OF INTEREST POLICIES ARE UPDATED ANNUALLY BY ALLBOARD MEMBERS, OFFICERS, AND STAFF. PROCESS IS ADMINISTERED OUT OF THEEXECUTIVE ADMINISTRATION OFFICE. ANY DISCLOSED CONFLICTS OF INTERESTS WOULDBE DISCLOSED TO THE BOARD OF DIRECTORS AND ASSURANCES OBTAINED THAT NOILLEGAL OR SUBSIDIZED ACTIVITIES ARE OCCURRING. ALL DISCLOSURES REVIEWEDBY THE HOSPITAL'S COMPLIANCE COMMITTEE. IF A CONFLICT OF INTEREST ISEXPOSED, THE INDIVIDUAL WHO IS THE SUBJECT OF THE CONFLICT IS EXCUSED FROMTHE MEETING SO THE REST OF THE BOARD MAY DISCUSS THE ISSUE AND TAKEAPPROPRIATE ACTION.FORM 990, PART VI, SECTION B, LINE 15:THE EXECUTIVE COMMITTEE OF THE BOARD OF TRUSTEES DETERMINESTHE COMPENSATION FOR THE HOSPITAL'S PRESIDENT AND MEDICAL DIRECTOR. MARKETSURVEY DATA OF COMPARABLE SALARIES IS USED TO ESTABLISH BASE SALARY. FORM990S OF SIMILAR ORGANIZATIONS ARE ALSO USED TO ESTABLISH COMPENSATION FORTHE PRESIDENT AND THE MEDICAL DIRECTOR. WRITTEN EMPLOYMENT CONTRACTS EXIST332212  
09-04-13

Schedule O (Form 990 or 990-EZ) (2013)

Name of the organization

MARY FREE BED REHABILITATION HOSPITAL

Employer identification number

38-1359265

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 2012.

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 XI, LINE 9, CHANGES IN NET ASSETS:

PENSION RELATED CHANGES	2,134,786.
DECREASE IN EQUITY JOINT VENTURE	-2,827.
TOTAL TO FORM 990, PART XI, LINE 9	2,131,959.

FORM 990, PART XII, LINE 2C:

THERE HAS BEEN NO CHANGE IN PROCESS FROM PRIOR YEAR.

FORM 990, ITEM B:

A COPY OF THE AUDITED FINANCIAL STATEMENTS WERE NOT INCLUDED WITH THE ORIGINAL FILING OF THE RETURN IN ERROR. A COPY OF THE AUDITED FINANCIAL STATEMENTS ARE ATTACHED TO THIS AMENDED RETURN.



## **Part II** Continuation of Identification of Related Tax-Exempt Organizations

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

### Part III

none or more related

(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)

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

**Part V Transactions With Related Organizations** Complete if the organization answered "Yes" on Form 990, Part IV, line 34, 35b, or 36**Note.** Complete line 1 if any entity is listed in Parts II, III, or IV of this schedule

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 or (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 Dividends from related organization(s)
- g Sale of assets to related organization(s)
- h Purchase of assets from related organization(s)
- i Exchange of assets with related organization(s)
- j Lease of facilities, equipment, or other assets to related organization(s)
- k Lease of facilities, equipment, or other assets from related organization(s)
- l Performance of services or membership or fundraising solicitations for related organization(s)
- m Performance of services or membership or fundraising solicitations by related organization(s)
- n Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)
- o Sharing of paid employees with related organization(s)
- p Reimbursement paid to related organization(s) for expenses
- q Reimbursement paid by related organization(s) for expenses
- r Other transfer of cash or property to related organization(s)
- s Other transfer of cash or property from related organization(s)

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 related organization	(b) Transaction type (a-s)	(c) Amount involved	(d) Method of determining amount involved
(1) MARY FREE BED FUND	C	492,706. CASH	
(2) MARY FREE BED ORTHOTICS AND PROSTHETICS	O	938,970. ACTUAL COSTS INCURRED	
(3) MARY FREE BED ORTHOTICS AND PROSTHETICS	J	162,672. ACTUAL COSTS INCURRED	
(4) MARY FREE BED MEDICAL GROUP	B	880,000. CASH	
(5) MARY FREE BED FUND	L	96,696. ACTUAL COSTS INCURRED	
(6) MARY FREE BED ORTHOTICS AND PROSTHETICS	M	197,893. ACTUAL COSTS INCURRED	

## Part V Continuation of Transactions With Related Organizations (Schedule R (Form 990), Part V, line 2)

(a) Name of other organization	(b) Transaction type (a,r)	(c) Amount involved	(d) Method of determining amount involved
MARY FREE BED REHABILITATION HOSPITAL (7) FOUNDATION	Q	588,552.00	ACTUAL COSTS INCURRED
(8)			
(9)			
(10)			
(11)			
(12)			
(13)			
(14)			
(15)			
(16)			
(17)			
(18)			
(19)			
(20)			
(21)			
(22)			
(23)			
(24)			

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

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

**Part VII Supplemental Information**

Provide additional information for responses to questions on Schedule R (see instructions).

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

# **Mary Free Bed Rehabilitation Hospital**

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**Financial Report  
with Additional Information  
March 31, 2014**

# **Mary Free Bed Rehabilitation Hospital**

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### Independent Auditor's Report

To the Board of Directors  
Mary Free Bed Rehabilitation Hospital

We have audited the accompanying financial statements of Mary Free Bed Rehabilitation Hospital (the "Hospital"), which comprise the balance sheet as of March 31, 2014, 2013, and 2012 and the related statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditor's Responsibility***

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



To the Board of Directors  
Mary Free Bed Rehabilitation Hospital

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mary Free Bed Rehabilitation Hospital as of March 31, 2014, 2013, and 2012 and the results of its operations, changes in net assets, and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

*Plante & Moran, PLLC*

July 17, 2014

# Mary Free Bed Rehabilitation Hospital

## Balance Sheet

	March 31, 2014	March 31, 2013	March 31, 2012
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 5,012,526	\$ 2,660,260	\$ 4,232,723
Short-term investments (Note 5)	2,179,781	1,729,943	1,094,873
Patient accounts receivable - Net (Note 4)	12,987,377	9,822,532	8,080,973
Other receivables	3,096,121	3,143,175	2,073,907
Estimated third-party payor settlements (Note 2)	-	2,822,193	1,051,981
Prepays and other current assets.			
Prepaid expenses	902,747	712,585	469,661
Inventory	134,887	162,477	122,690
Pledges receivable (Note 9)	1,364,558	-	-
Total current assets	25,677,997	21,053,165	17,126,808
<b>Prepaid Pension Cost (Note 13)</b>	1,417,997	-	-
<b>Property and Equipment - Net (Note 8)</b>	28,994,513	12,120,933	9,743,708
<b>Other Assets</b>			
Pledges receivable (Note 9)	2,844,986	-	-
Investment in joint venture (Note 10)	4,454,432	359,911	185,321
Assets limited as to use (Note 5)	45,919,188	60,247,938	47,138,242
Other noncurrent assets	502,012	199,382	-
Total assets	<b>\$ 109,811,125</b>	<b>\$ 93,981,329</b>	<b>\$ 74,194,079</b>
<b>Liabilities and Net Assets</b>			
<b>Current Liabilities</b>			
Current portion of long-term debt (Note 15)	\$ 1,298,918	\$ 1,164,738	\$ -
Accounts payable	3,281,643	1,690,643	961,006
Estimated third-party payor settlements (Note 2)	475,208	-	154,650
Accrued liabilities (Note 11)	9,613,410	5,830,596	5,695,866
Total current liabilities	14,669,179	8,685,977	6,811,522
<b>Long-term Debt - Net of current portion (Note 15)</b>	11,014,974	12,313,892	-
<b>Accrued Pension Cost (Note 13)</b>	-	1,228,657	2,824,271
<b>Net Assets</b>			
Unrestricted	76,484,691	70,428,533	63,445,754
Temporarily restricted	7,642,281	1,324,270	1,112,532
Total net assets	84,126,972	71,752,803	64,558,286
Total Liabilities and net assets	<b>\$ 109,811,125</b>	<b>\$ 93,981,329</b>	<b>\$ 74,194,079</b>

# Mary Free Bed Rehabilitation Hospital

## Statement of Operations

	Year Ended		
	March 31, 2014	March 31, 2013	March 31, 2012
<b>Unrestricted Revenue, Gains, and Other Support</b>			
Net patient service revenue	\$ 57,936,957	\$ 53,805,849	46,807,559
Provision for bad debts	(599,043)	(161,960)	(475,421)
Net patient service revenue less provision for bad debts	57,337,914	53,643,889	46,332,138
Other operating revenue	14,118,644	11,107,594	8,327,763
Contributions and bequests	736	666	72,042
Net assets released from restrictions used in operations	490,883	273,624	98,017
<b>Total unrestricted revenue, gains, and other support</b>	<b>71,948,177</b>	<b>65,025,773</b>	<b>54,829,960</b>
<b>Expenses</b>			
Salaries and benefits	52,807,021	46,005,434	37,674,521
Operating supplies and expenses	1,645,051	1,509,448	1,628,166
Purchased services	9,437,730	7,769,387	6,489,483
Insurance	245,927	261,774	260,252
Utilities	1,316,821	1,127,012	1,207,506
Food service	774,394	603,802	518,720
Communications	486,883	402,064	363,871
Staff development and education	454,855	353,308	291,833
Depreciation and amortization	2,300,205	1,938,721	1,777,433
Other	3,001,551	2,599,068	1,906,196
<b>Total expenses (Note 17)</b>	<b>72,470,438</b>	<b>62,570,018</b>	<b>52,117,981</b>
<b>Operating (Loss) Income before Pension Expense - Settlement</b>	<b>(522,261)</b>	<b>2,455,755</b>	<b>2,711,979</b>
<b>Pension Expense - Settlement (Note 14)</b>	<b>(1,554,738)</b>	<b>-</b>	<b>-</b>
<b>Operating (Loss) Income</b>	<b>(2,076,999)</b>	<b>2,455,755</b>	<b>2,711,979</b>
<b>Nonoperating Income (Expense)</b>			
Investment income (Note 5)	3,844,258	1,753,853	1,761,987
Losses on earnings on joint venture	(2,827)	(11,342)	(43,439)
Other income	363	404	545
Change in unrealized investment gain (loss) (Note 5)	601,839	1,922,940	(637,001)
<b>Total nonoperating income</b>	<b>4,443,633</b>	<b>3,665,855</b>	<b>1,082,092</b>
<b>Excess of Revenue Over Expenses</b>	<b>2,366,634</b>	<b>6,121,610</b>	<b>3,794,071</b>
<b>Transfer from (to) Affiliate (Note 16)</b>	<b>-</b>	<b>1,000,000</b>	<b>(350,000)</b>
<b>Pension-related Changes Other Than Net Periodic Benefit Cost</b>	<b>3,689,524</b>	<b>(138,831)</b>	<b>(5,821,957)</b>
<b>Increase (Decrease) in Unrestricted Net Assets</b>	<b>\$ 6,056,158</b>	<b>\$ 6,982,779</b>	<b>\$ (2,377,886)</b>

# Mary Free Bed Rehabilitation Hospital

## Statement of Changes in Net Assets

	Year Ended		
	March 31, 2014	March 31, 2013	March 31, 2012
<b>Unrestricted Net Assets</b>			
Excess of revenue over expenses	\$ 2,366,634	\$ 6,121,610	\$ 3,794,071
Transfer from (to) affiliate	-	1,000,000	(350,000)
Pension-related changes other than net periodic benefit cost	<u>3,689,524</u>	<u>(138,831)</u>	<u>(5,821,957)</u>
<b>Increase (Decrease) in Unrestricted Net Assets</b>	<b>6,056,158</b>	<b>6,982,779</b>	<b>(2,377,886)</b>
<b>Temporarily Restricted Net Assets</b>			
Restricted contributions	6,808,894	485,362	341,080
Net assets released from restriction	<u>(490,883)</u>	<u>(273,624)</u>	<u>(98,017)</u>
<b>Increase in Temporarily Restricted Net Assets</b>	<b>6,318,011</b>	<b>211,738</b>	<b>243,063</b>
<b>Increase (Decrease) in Net Assets</b>	<b>12,374,169</b>	<b>7,194,517</b>	<b>(2,134,823)</b>
<b>Net Assets - Beginning of year</b>	<b>71,752,803</b>	<b>64,558,286</b>	<b>66,693,109</b>
<b>Net Assets - End of year</b>	<b><u>\$ 84,126,972</u></b>	<b><u>\$ 71,752,803</u></b>	<b><u>\$ 64,558,286</u></b>

# Mary Free Bed Rehabilitation Hospital

## Statement of Cash Flows

	Year Ended		
	March 31, 2014	March 31, 2013	March 31, 2012
<b>Cash Flows from Operating Activities</b>			
Increase (decrease) in net assets	\$ 12,374,169	\$ 7,194,517	\$ (2,134,823)
Adjustments to reconcile increase (decrease) in net assets to net cash from operating activities:			
Depreciation and amortization	2,300,205	1,938,721	1,777,433
Net change in unrealized net (gains) losses on investments	(601,839)	(1,922,940)	637,001
Net realized gains on investments	(2,735,214)	(416,367)	(397,523)
Loss (gain) on disposal of equipment	-	2,958	(25,121)
Pension-related changes other than net periodic benefit cost	(3,689,524)	138,831	5,821,964
Loss (gain) on investment in joint venture	2,827	11,342	(56,317)
Restricted contributions	(6,808,894)	(485,362)	(341,080)
Provision for bad debts	599,043	161,960	475,421
Changes in assets and liabilities which (used) provided cash			
Accounts receivable	(3,763,888)	(1,903,519)	(1,794,429)
Prepays and inventory	(162,572)	(282,711)	(21,740)
Third-party payor settlements	3,297,401	(1,924,862)	(2,394,730)
Other receivables	47,054	(1,069,268)	(114,866)
Prepaid pension cost	(1,417,997)	-	625,936
Accounts payable	1,591,000	729,637	286,506
Accrued liabilities	119,327	134,726	365,729
Accrued pension cost	2,460,867	(1,734,445)	(2,997,693)
Net cash provided by (used in) operating activities	3,611,965	573,218	(288,332)
<b>Cash Flows from Investing Activities</b>			
Purchase of property and equipment	(15,510,298)	(4,318,901)	(2,797,189)
Proceeds from sale of property and equipment	-	-	47,023
Purchase of investments and assets limited as to use	(8,313,686)	(3,024,282)	(12,019,080)
Proceeds from sale and maturities of investments and assets limited as to use	17,358,599	5,523,178	11,305,070
Capital contribution to joint ventures	(4,097,348)	(185,932)	-
Net cash used in investing activities	(10,562,733)	(2,005,937)	(3,464,176)
<b>Cash Flows from Financing Activities</b>			
Proceeds from issuance of debt obligations		14,000,000	-
Principal payment on long-term debt	(1,164,738)	(521,370)	-
Cash paid for bond financing costs		(89,478)	-
Net change in funds held by bond indenture	7,868,422	(14,014,258)	-
Restricted contributions	2,599,350	485,362	341,080
Net cash provided by (used in) financing activities	9,303,034	(139,744)	341,080
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>			
2,352,266	(1,572,463)	(3,411,428)	
<b>Cash and Cash Equivalents - Beginning of year</b>	<b>2,660,260</b>	<b>4,232,723</b>	<b>7,644,151</b>
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 5,012,526</b>	<b>\$ 2,660,260</b>	<b>\$ 4,232,723</b>
<b>Supplemental Cash Flow Information - Capital project related costs in accrued liabilities at year end</b>			
	\$ 3,663,487	\$ -	\$ -

# **Mary Free Bed Rehabilitation Hospital**

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## **Notes to Financial Statements March 31, 2014, 2013, and 2012**

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

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

Mary Free Bed Rehabilitation Hospital (the "Hospital"), a wholly owned subsidiary of Mary Free Bed Guild (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.

Mary Free Bed Hospital Foundation was established to raise funds to support the operations and capital needs of Mary Free Bed Rehabilitation Hospital.

**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.

# **Mary Free Bed Rehabilitation Hospital**

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## **Notes to Financial Statements March 31, 2014, 2013, and 2012**

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

For receivables associated with services provided to patients who have third-party coverage, the Hospital analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary. For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Hospital records a provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts in the period they are determined to be uncollectible.

**Investments** - Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value on 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.

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 on 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 directors for future capital improvement and funding of their pension plan, 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 donors as well as construction funds limited under a debt agreement.

**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.

# **Mary Free Bed Rehabilitation Hospital**

## **Notes to Financial Statements March 31, 2014, 2013, and 2012**

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

**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 recognizes patient service revenue associated with services provided to patients who have third-party coverage on the basis of contractual rates for the services rendered. For uninsured patients that do not qualify for charity care, the Hospital recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). On the basis of historical experience, a significant portion of the Hospital's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Hospital records a significant provision for bad debts related to uninsured patients in the period the services are provided. For the years ended March 31, 2014, 2013, and 2012, patient service revenue, net of contractual allowances and discounts (but before the provision for bad debts) was as follows:

	<b>Third-party Payors</b>	<b>Self-pay</b>	<b>Total All Payors</b>
<b>2014 - Patient service revenue (net of contractual allowances and discounts)</b>	\$ 56,940,613	\$ 996,344	\$ 57,936,957
<b>2013 - Patient service revenue (net of contractual allowances and discounts)</b>	52,849,035	956,814	53,805,849
<b>2012 - Patient service revenue (net of contractual allowances and discounts)</b>	46,091,154	716,405	46,807,559

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 Rehabilitation Hospital**

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## **Notes to Financial Statements March 31, 2014, 2013, and 2012**

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

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

**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.

**Federal Income Tax** - The Internal Revenue Service has ruled that the Hospital and its subsidiaries are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, and accordingly, no tax provision is reflected in the financial statements.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Hospital and recognize a tax liability if the Hospital has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS or other applicable taxing authorities. Management has analyzed the tax positions taken by the Hospital and has concluded that as of March 31, 2014, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Hospital is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations for years prior to March 31, 2011.

# **Mary Free Bed Rehabilitation Hospital**

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## **Notes to Financial Statements March 31, 2014, 2013, and 2012**

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

**Subsequent Events** - The financial statements and related disclosures include evaluation of events up through and including July 17, 2014, 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.
- **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.

# **Mary Free Bed Rehabilitation Hospital**

## **Notes to Financial Statements March 31, 2014, 2013, and 2012**

### **Note 2 - Patient Service Revenue (Continued)**

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.

### **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, 2014, 2013, and 2012:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Traditional charity care	\$ 1,562,000	\$ 648,000	\$ 694,000
Unpaid costs for Medicaid program patients (unaudited)	3,187,000	2,223,000	2,474,000
Unpaid costs for Medicare program patients (unaudited)	3,911,000	2,397,000	1,111,000
Costs of services associated with uncollectible accounts (unaudited)	273,000	110,000	244,000
<b>Total</b>	<b>\$ 8,933,000</b>	<b>\$ 5,378,000</b>	<b>\$ 4,523,000</b>

**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.

## **Mary Free Bed Rehabilitation Hospital**

### **Notes to Financial Statements March 31, 2014, 2013, and 2012**

#### **Note 3 - Community Benefit (Continued)**

**Unpaid Costs for Government Program Patients** - The Hospital is a licensed Medicare and Medicaid provider with approximately 44 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.

#### **Note 4 - Patient Accounts Receivable**

The details of patient accounts receivable are set forth below:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Patient accounts receivable	\$ 25,955,377	\$ 18,832,532	\$ 20,079,973
Less:			
Allowance for uncollectible accounts	(1,795,000)	(1,360,000)	(1,507,000)
Allowance for contractual adjustments	<u>(11,173,000)</u>	<u>(7,650,000)</u>	<u>(10,492,000)</u>
Net patient accounts receivable	<u>\$ 12,987,377</u>	<u>\$ 9,822,532</u>	<u>\$ 8,080,973</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:

	<u>Percent</u>		
	<u>2014</u>	<u>2013</u>	<u>2012</u>
Medicare	14 %	22 %	20 %
Blue Cross/Blue Shield of Michigan	12	10	11
Medicaid	20	16	28
Commercial insurance and HMOs	51	49	38
Self-pay	<u>3</u>	<u>3</u>	<u>3</u>
Total	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>

# **Mary Free Bed Rehabilitation Hospital**

## **Notes to Financial Statements March 31, 2014, 2013, and 2012**

### **Note 5 - Investments**

The detail of investments is summarized in the following schedule:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Assets limited as to use and temporarily restricted:			
Construction funds	\$ 6,145,836	\$ 14,014,258	\$ -
By board of trustees for future capital improvements	35,184,162	44,909,610	46,025,710
By donors for specific purposes	3,589,190	1,324,070	1,112,532
By board of trustees for funding of defined benefit pension plan	1,000,000	-	-
Total assets limited as to use and temporarily restricted	45,919,188	60,247,938	47,138,242
Short-term investments	2,179,781	1,729,943	1,094,873
<b>Total investments</b>	<b>\$ 48,098,969</b>	<b>\$ 61,977,881</b>	<b>\$ 48,233,115</b>

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, 2014, 2013, and 2012, \$35,184,162, \$44,909,610, and \$46,025,710, 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.

Within the Construction Fund there is cash of \$497,682 and \$499,409 as of March 31, 2014 and 2013, respectively, which is not included in the fair value note. As of March 31, 2014, there is cash of \$1 million designated by the board of trustees for funding of the defined benefit pension plan, which is not included in the fair value note.

## **Mary Free Bed Rehabilitation Hospital**

### **Notes to Financial Statements March 31, 2014, 2013, and 2012**

#### **Note 5 - Investments (Continued)**

Investment earnings for the years ended March 31, 2014, 2013, and 2012 were as follows:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Interest and dividends	\$ 1,109,044	\$ 1,337,486	\$ 1,364,464
Realized gains on investments	<u>2,735,214</u>	<u>416,367</u>	<u>397,523</u>
Total investment income	3,844,258	1,753,853	1,761,987
Change in net unrealized gains (losses) on investments	<u>601,839</u>	<u>1,922,940</u>	<u>(637,001)</u>
Total	<u>\$ 4,446,097</u>	<u>\$ 3,676,793</u>	<u>\$ 1,124,986</u>

#### **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 that the Hospital has the ability to access.

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

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

In instances whereby 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.

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, 2014, 2013, and 2012, there were no transfers between levels.

# Mary Free Bed Rehabilitation Hospital

## Notes to Financial Statements March 31, 2014, 2013, and 2012

### Note 6 - Fair Value Measurements (Continued)

#### Assets Measured at Fair Value on a Recurring Basis at March 31, 2014

	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, 2014
Short-term investments - Money market funds	\$ 2,179,781	\$ -	\$ -	\$ 2,179,781
Assets limited as to use - Money market funds	3,720,344	-	-	3,720,344
Assets limited as to use - Corporate bonds	-	2,122,000	-	2,122,000
Assets limited as to use - Municipal bonds	-	3,395,000	-	3,395,000
Assets limited as to use - Investment in Guild pooled investment management program for future capital improvements	-	35,184,162	-	35,184,162
<b>Total</b>	<b>\$ 5,900,125</b>	<b>\$ 40,701,162</b>	<b>\$ -</b>	<b>\$ 46,601,287</b>

#### Assets Measured at Fair Value on a Recurring Basis at March 31, 2013

	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, 2013
Short-term investments - Money market funds	\$ 1,729,943	\$ -	\$ -	\$ 1,729,943
Assets limited as to use - Money market funds	1,328,919	-	-	1,328,919
Assets limited as to use - Corporate bonds	-	10,735,000	-	10,735,000
Assets limited as to use - Municipal bonds	-	2,775,000	-	2,775,000
Assets limited as to use - Investment in Guild pooled investment management program for future capital improvements	-	44,909,610	-	44,909,610
<b>Total</b>	<b>\$ 3,058,862</b>	<b>\$ 58,419,610</b>	<b>\$ -</b>	<b>\$ 61,478,472</b>

# Mary Free Bed Rehabilitation Hospital

## Notes to Financial Statements March 31, 2014, 2013, and 2012

### 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	\$ 2,207,405	\$ 46,025,710	\$ -	\$ 48,233,115

The fair values of the Guild pooled investment management program, corporate bonds, and municipal bonds were determined primarily based on Level 2 inputs. The Hospital estimates the fair value of these investments based upon the value of investments and the readily determinable fair value of the underlying investments in the funds.

### Note 7 - Fair Value of Financial Instruments

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

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

**Investments** - Investments are recorded at fair value in the accompanying financial statements. Fair value is determined based on the fair value measurement principles described in Note 6.

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

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

**Long-term Debt** - The fair value of the Hospital's bonds are estimated based on current traded value. The fair value of the Hospital's remaining debt is estimated using discounted cash flow analysis, based on current investment borrowing rates for similar types of borrowing arrangements. The fair value of the Hospital's fixed-rate debt obligations at March 31, 2014 approximated the carrying value.

## **Mary Free Bed Rehabilitation Hospital**

### **Notes to Financial Statements March 31, 2014, 2013, and 2012**

#### **Note 7 - Fair Value of Financial Instruments (Continued)**

The fair value of the Hospital's fixed-rate revenue bond obligations is determined by applying the yield of openly marketed bonds that have substantially the same characteristics as the Hospital's bonds. The determination of fair value of the bond obligations is consistent with a Level 2 measurement under the fair value hierarchy.

#### **Note 8 - Property and Equipment**

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>	Depreciable Life - Years
Land	\$ 1,997,434	\$ 1,102,670	\$ 1,102,670	-
Land improvements	419,031	426,673	432,123	10-40
Buildings	13,915,731	13,996,216	14,214,884	10-40
Equipment	16,676,216	13,521,282	12,344,256	3-10
Construction in progress	<u>18,527,624</u>	<u>3,886,716</u>	<u>1,552,199</u>	-
Total cost	51,536,036	32,933,557	29,646,132	
Accumulated depreciation	<u>(22,541,523)</u>	<u>(20,812,624)</u>	<u>(19,902,424)</u>	
Net property and equipment	<u>\$ 28,994,513</u>	<u>\$ 12,120,933</u>	<u>\$ 9,743,708</u>	

Depreciation and amortization expense on property and equipment totaled \$2,300,205, \$1,938,721, and \$1,777,433 in 2014, 2013, and 2012, respectively.

Construction in progress consists primarily of costs for an electronic health records information system and a building construction project. At March 31, 2014, remaining capital commitments on contracts related to construction in progress approximated \$22,210,000.

## **Mary Free Bed Rehabilitation Hospital**

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### **Notes to Financial Statements March 31, 2014, 2013, and 2012**

#### **Note 9 - Pledges Receivable**

Pledges of cash and other assets, including unconditional promises to give in the future, are reported as revenue when granted or received, measured at fair value. Contributions with donor-imposed time or purpose restrictions are reported as restricted support. Contributions without donor-imposed restrictions and contributions with donor-imposed time or purpose restrictions that are met in the same period as the gift are both reported as unrestricted support. Other restricted gifts are reported as restricted support and temporarily restricted net assets.

Pledges receivable represent contributions for the construction project for the Hospital expansion. The following amounts are expected to be collected in future periods:

Receivable in less than one year	\$ 1,364,558
Receivable in greater than one year	<hr/>
Subtotal	4,786,113
Less allowance for uncollectible pledges	(221,555)
Less present value discount	<hr/>
Total	\$ 4,209,544

#### **Note 10 - Investment in Joint Venture**

The Hospital entered into a joint venture with a local Hospital on January 1, 2014, retaining 50 percent ownership. The joint venture was formed to operate the 25-bed inpatient rehabilitation unit located on the local hospital's campus. The Hospital accounts for the joint venture as an asset using the equity method. An initial investment of approximately \$4,100,000 was made by the Hospital to start up the joint venture. As of March 31, 2014, the value of the Hospital's ownership in the venture amounted to \$4,168,500.

The Hospital had ownership stakes in several other joint ventures as of March 31, 2014 for a total carrying amount of \$285,932.

#### **Note 11 - Accrued Liabilities**

The details of accrued liabilities are given below:

	2014	2013	2012
Payroll and related costs	\$ 2,513,925	\$ 2,887,314	\$ 2,748,835
Compensated absences	2,050,595	1,989,083	1,749,529
Capital project related costs	3,663,487	-	-
Other	1,385,403	954,199	1,197,502
<b>Total accrued liabilities</b>	<b>\$ 9,613,410</b>	<b>\$ 5,830,596</b>	<b>\$ 5,695,866</b>

# **Mary Free Bed Rehabilitation Hospital**

## **Notes to Financial Statements March 31, 2014, 2013, and 2012**

### **Note 12 - 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 on the accompanying balance sheet, represent the potential loss 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 13 - Defined Benefit Pension Plan**

The Hospital has a defined benefit pension plan covering substantially all employees of the Hospital and Mary Free Bed Orthotics & Prosthetics. 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.

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Projected benefit obligation for services rendered to date	\$ 35,291,299	\$ 42,252,673	\$ 39,378,052
Plan assets at fair market value	<u>36,709,296</u>	<u>41,024,016</u>	<u>36,553,781</u>
Overfunded (underfunded) status	<u>\$ 1,417,997</u>	<u>\$ (1,228,657)</u>	<u>\$ (2,824,271)</u>
Prepaid (accrued) pension cost	<u>\$ 1,417,997</u>	<u>\$ (1,228,657)</u>	<u>\$ (2,824,271)</u>
Net periodic pension expense (income)	<u>\$ 1,042,867</u>	<u>\$ (234,445)</u>	<u>\$ (371,757)</u>
Employer contribution	<u>\$ -</u>	<u>\$ 1,500,000</u>	<u>\$ 2,000,000</u>
Benefits paid	<u>\$ 988,251</u>	<u>\$ 829,880</u>	<u>\$ 822,384</u>

## **Mary Free Bed Rehabilitation Hospital**

### **Notes to Financial Statements March 31, 2014, 2013, and 2012**

#### **Note 13 - Defined Benefit Pension Plan (Continued)**

	<b>2014</b>	<b>2013</b>	<b>2012</b>
Actuarial assumptions used to determine benefit obligations at March 31 - Weighted average discount rate	4.75 %	4.50 %	4.75 %
Actuarial assumptions used to determine net periodic benefit cost for the year ended March 31:			
Weighted average discount rate	4.50 %	4.75 %	5.75 %
Expected rate of return on plan assets	6.50 %	6.50 %	7.00 %

The investment policy objectives, as established by the board of directors, 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, 2014, 2013, and 2012, by asset category, is as follows:

	<b>Percent</b>		
	<b>2014</b>	<b>2013</b>	<b>2012</b>
Common stocks	42 %	35 %	32 %
Debt securities	57	64	65
Other	1	1	3
<b>Total</b>	<b>100 %</b>	<b>100 %</b>	<b>100 %</b>

During 2014, the Hospital offered participants an opportunity to receive a cashout of accrued benefits by participating in a vested lump sum program. Approximately \$6.6 million of benefits were paid out. The Hospital was required to recognize a loss on plan settlement of approximately \$1.55 million during 2014 related to the lump sum payouts.

**Contributions** - The Hospital does not expect to contribute to the plan in 2015.

## Mary Free Bed Rehabilitation Hospital

### Notes to Financial Statements March 31, 2014, 2013, and 2012

#### Note 13 - 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:

2015	\$ 1,256,995
2016	1,348,312
2017	1,429,496
2018	1,550,879
2019	1,661,837
2020-2024	9,664,025

The fair values of the Hospital's pension plan assets for the years ended March 31, 2014, 2013, and 2012, 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, 2014
Common stocks - Domestic	\$ 12,956,976	\$ -	\$ -	\$ 12,956,976
Common stocks - Foreign	456,557			456,557
Equity - Closely held	-	2,059,192	-	2,059,192
Fixed-income fund	-	20,775,576	-	20,775,576
Cash and short-term investments	460,995	-	-	460,995
<b>Total</b>	<b>\$ 13,874,528</b>	<b>\$ 22,834,768</b>	<b>\$ -</b>	<b>\$ 36,709,296</b>

	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, 2013
Common stocks - Domestic	\$ 13,940,541	\$ -	\$ -	\$ 13,940,541
Common stocks - Foreign	545,336	-	-	545,336
Fixed-income fund	-	26,192,417	-	26,192,417
Cash and short-term investments	345,722	-	-	345,722
<b>Total</b>	<b>\$ 14,831,599</b>	<b>\$ 26,192,417</b>	<b>\$ -</b>	<b>\$ 41,024,016</b>

# Mary Free Bed Rehabilitation Hospital

## Notes to Financial Statements March 31, 2014, 2013, and 2012

### Note 13 - Defined Benefit Pension Plan (Continued)

	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

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.

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, 2014, 2013, and 2012, there were no transfers between levels.

### Note 14 - Defined Contribution Pension Plan

The Hospital has 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 directors each year. Each employee's interest is vested as specified in the plan. Pension expense included in the statement of operations was approximately \$1,602,000, \$1,636,000, and \$1,542,000 in 2014, 2013, and 2012, respectively.

## **Mary Free Bed Rehabilitation Hospital**

### **Notes to Financial Statements March 31, 2014, 2013, and 2012**

#### **Note 15 - Long-term Debt**

A summary of long-term debt obligations at March 31, 2014 and 2013 is as follows:

	<b>2014</b>	<b>2013</b>
Kent Hospital Finance Authority Revenue Bonds - Series 2012	\$ 12,313,892	\$ 13,478,630
Less current portion	<u>1,298,918</u>	<u>1,164,738</u>
Long-term portion	<u><u>\$ 11,014,974</u></u>	<u><u>\$ 12,313,892</u></u>

Kent Hospital Finance Authority bond payable, Series 2012, consists of hospital revenue bonds issued by Kent Hospital Finance Authority to Mary Free Bed Rehabilitation Hospital. The bonds consist of fixed-rate term bonds due in monthly installments through November 1, 2022 of \$130,708, at a fixed interest rate of 2.30 percent. The bonds are secured by the gross revenue of the Hospital.

In connection with its loan agreement, the Hospital has made various covenants, among others, to comply with certain financial ratios. As of March 31, 2014, the Hospital did not meet the required fixed-charge coverage ratio covenant. As a result, the Hospital has obtained a waiver from the bank regarding the covenant violations as of March 31, 2014.

Minimum principal payments on long-term debt to maturity as of March 31, 2014 are as follows:

2015	\$ 1,298,918
2016	1,329,110
2017	1,360,004
2018	1,391,616
2019	1,423,964
Thereafter	<u>5,510,280</u>
Total	<u><u>\$ 12,313,892</u></u>

#### **Note 16 - Related Party Transactions**

The Hospital provided space to Mary Free Bed Orthotics & Prosthetics, another wholly owned subsidiary of the Guild, at a charge of approximately \$162,700, \$159,500, and \$159,500 during fiscal years 2014, 2013, and 2012, respectively. In addition, the Hospital charged the Brace Shop approximately \$939,000, \$862,000, and \$921,000 for the years ended March 31, 2014, 2013, and 2012, respectively, for inclusion of the Mary Free Bed Orthotics & Prosthetics' employees in the Hospital's pension plan, certain other fringe benefits, liability insurance, and management services.

# **Mary Free Bed Rehabilitation Hospital**

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## **Notes to Financial Statements March 31, 2014, 2013, and 2012**

### **Note 16 - Related Party Transactions (Continued)**

During fiscal year 2013, the Hospital received asset transfers from The Mary Free Bed Fund totaling \$1,000,000. During fiscal year 2012, the Hospital made net cash transfers to The Mary Free Bed Fund totaling \$350,000.

### **Note 17 - 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, 2014, 2013, and 2012 are as follows:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Healthcare services	\$ 62,429,464	\$ 52,569,058	\$ 45,383,325
General and administrative	11,595,712	10,000,960	6,734,656
<b>Total</b>	<b>\$ 74,025,176</b>	<b>\$ 62,570,018</b>	<b>\$ 52,117,981</b>

## **Additional Information**

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Independent Auditor's Report on Additional Information

To the Board of Directors  
Mary Free Bed Rehabilitation Hospital

We have audited the financial statements of Mary Free Bed Rehabilitation Hospital as of and for the years ended March 31, 2014, 2013, and 2012. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying consolidating statement of operations is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidating financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidating financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Plante & Moran, PLLC*

July 17, 2014

# Mary Free Bed Rehabilitation Hospital

## Consolidating Statement of Operations Year Ended March 31, 2014

	Mary Free Bed Rehabilitation Hospital	Mary Free Bed Medical Group	Mary Free Bed Hospital Foundation	Eliminations	Totals
<b>Unrestricted Revenue, Gains, and Other Support</b>					
Net patient service revenue	\$ 55,998,361	\$ 1,938,596	\$ -	\$ -	\$ 57,936,957
Provision for bad debts	(599,043)	-	-	-	(599,043)
Net patient service revenue less provision for bad debts	55,399,318	1,938,596	-	-	57,337,914
Other operating revenue	13,355,849	648,030	114,765	-	14,118,644
Contributions and bequests	736	-	-	-	736
Net assets released from restrictions used in operations	490,883	-	-	-	490,883
Total unrestricted revenue, gains, and other support	69,246,786	2,586,626	114,765	-	71,948,177
<b>Expenses</b>					
Salaries and benefits	49,072,505	3,278,761	455,755	-	52,807,021
Operating supplies and expenses	1,634,778	5,613	4,660	-	1,645,051
Purchased services	8,564,681	684,616	188,433	-	9,437,730
Insurance	218,584	27,343	-	-	245,927
Utilities	1,264,915	48,735	3,171	-	1,316,821
Food service	774,394	-	-	-	774,394
Communications	477,167	9,716	-	-	486,883
Staff development and education	396,665	44,814	13,376	-	454,855
Depreciation and amortization	2,290,719	9,486	-	-	2,300,205
Other	2,937,517	27,571	36,463	-	3,001,551
Total expenses	67,631,925	4,136,655	701,858	-	72,470,438
<b>Operating Income (Loss) before Pension Expense - Settlement</b>					
Pension Expense - Settlement	1,614,861	(1,550,029)	(587,093)	-	(522,261)
<b>Pension Expense - Settlement</b>	<b>(1,554,738)</b>	-	-	-	<b>(1,554,738)</b>
<b>Operating Income (Loss)</b>	<b>60,123</b>	<b>(1,550,029)</b>	<b>(587,093)</b>	-	<b>(2,076,999)</b>
<b>Nonoperating Income (Expense)</b>					
Investment income	3,843,401	-	857	-	3,844,258
Losses on earnings on joint venture	(2,827)	-	-	-	(2,827)
Other income	3	360	-	-	363
Change in unrealized investment gain (loss)	602,289	-	(450)	-	601,839
Total nonoperating income	4,442,866	360	407	-	4,443,633
<b>Excess of Revenue Over (Under) Expenses</b>	<b>4,502,989</b>	<b>(1,549,669)</b>	<b>(586,686)</b>	-	<b>2,366,634</b>
<b>Transfer (to) from Affiliate</b>	<b>(880,000)</b>	<b>880,000</b>	-	-	-
<b>Pension-related Changes Other Than Net Periodic Benefit Cost</b>	<b>3,689,524</b>	-	-	-	<b>3,689,524</b>
<b>Increase (Decrease) in Unrestricted Net Position</b>	<b>\$ 7,312,513</b>	<b>\$ (669,669)</b>	<b>\$ (586,686)</b>	<b>\$ -</b>	<b>\$ 6,056,158</b>