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DLN: 93493136071602

Department of the Treasury

Return of Organization Exempt From Income Tax

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)

OMB No 1545-0047

Internal R	Revenue	e Service	► The organization may ha	ve to use a copy of this retu	rn to satisfy s	tate reporting	requirement	S Inspection
A For	the	2010 ca	lendar year, or tax year begi	nning 07-01-2010 and end	ing 06-30-2011	1		
B Che	ck ıf a	pplicable	C Name of organization PENINSULA REGIONAL MEDICAL	CENTER			D Employe	r identification number
☐ Addı	ress cl	hange		CENTER			52-059	1628
┌ Nam	ne cha	inge	Doing Business As				E Telephon	e number
Initia	al retu	ım	Number and street (or P.O. hov	ıf maıl ıs not delivered to street a	ddress)	Room/suite		
Tern	nınate	ed	100 EAST CARROLL STREET	ii maii is not delivered to street di	uu (C33)	Room, saice	(410)5	46-6400
Ame	ended	return	City or town, state or country, a	nd 7IP + 4			G Gross rece	eipts \$ 469,092,623
_		n pending	SALISBURY, MD 21801	THE ZII I TO				
ј Аррі	iicatioi	i pending				1		
			F Name and address of MARGARET NALEPPA C			H(a) Isthisa	group return for a	ffiliates? Yes No
			100 EAST CARROLL ST	REET		H(b) Are all a	affiliates include	ed?
			SALISBURY, MD 21801			` ´		st (see instructions)
							o exemption	
I lax	-exen	npt status	V 501(c)(3) 501(c) ()	◀ (insert no)	r 527			
J We	ebsite	e: 🕨 WW	W PENINSULA ORG					
K Form	of or	ganızatıon	Corporation Trust Assoc	ation Cother ►		L Year of for	mation 1897	M State of legal domicile
						•		MD
Par		Sumi	-					
		•	scribe the organization's mis E THE HEALTH OF THE CO	_	rivities			
ુ		1111 KO V	E THE HEALTH OF THE CO	MMONTHES WE SERVE				
<u>ē</u>								
Activities & Governance	_							
<u> </u>			is box 🔰 if the organization				1	1
×6			of voting members of the gov		-		3	
8			of independent voting member				4	
屋			nber of individuals employed	·	tV, line 2a) .		5	-,
ទ្ធ			nber of volunteers (estimate				6	
<u> </u>			elated business revenue fror	, , , , , , , , , , , , , , , , , , , ,			7a	' '
	b	Net unrei	ated business taxable incom	ne from Form 990-1, line 34			7b	
	_					Prior	Year	Current Year
<u>ā</u>	8		outions and grants (Part VIII			338,220 70,978,477	· · · · · · · · · · · · · · · · · · ·	
Revenue	9 10	_	m service revenue (Part VII) ment income (Part VIII, coli				10,994,124	
歪	11		revenue (Part VIII, column (961,189	<u> </u>
	12		evenue—add lines 8 through		•	_	901,109	943,331
	12						83,272,010	397,288,036
	13		and similar amounts paid (P				0	0
	14	Benefit	s paid to or for members (Pa	rt IX, column (A), line 4) .			0	0
	15		s, other compensation, empl	oyee benefits (Part IX, colu	mn (A), lines		72 677 704	174 002 024
δ. Σ		5-10)				<u> </u>	73,677,704	
Expenses	16a		sional fundraising fees (Part				0	0
_ ,	b		ndraising expenses (Part IX, column	-				
	17		expenses (Part IX, column (A				90,843,480	
	18		xpenses Add lines 13-17 (·			64,521,184	<u> </u>
\rightarrow	19	Keveni	ue less expenses Subtract li	ne 18 from line 12			18,750,826	29,331,479
8 9 8 8							of Current ear	End of Year
Net Assets or Fund Balances	20	Total a	ssets (Part X, line 16)				51,108,031	492,408,066
주를 문학	21		abilities (Part X, line 26) .			1	99,802,875	183,373,272
22	22	Net as:	sets or fund balances Subtra	act line 21 from line 20 .		2	51,305,156	309,034,794
Par	t II	Signa	ature Block			_		
knowle knowle ————————————————————————————————————	edge edge.	and belief	erjury, I declare that I have exa , it is true, correct, and comple ture of officer			r) is based on a	II information	
Here	:		E I RITCHIE CFO					
		<u> </u>	or print name and title	T	ı	Ι.	Shaale & 15	
		Print/Type preparer's		Preparer's signature	D		Check if self- employed 🕨 🏲	- PTIN
Paid	ļ		ne 🕨 ERNST & YOUNG US LLP	•	<u> </u>		<u> </u>	Firm's EIN 🕨
Preparer		Fırm's add	ress 🕨 75 BEATTIE PLACE SUITE 80	00				Phone no. b (864) 242-

GREENVILLE, SC 29601

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

Use Only

Phone no 🕨 (864) 242-

┌Yes ┌No

	Briefly describe	the organization's mission			
MP	ROVE THE HEALT	H OF THE COMMUNITIES W	E SERVE		
2	the prior Form 99	0 or 990-EZ?	orogram services during the year wh		√ No
	•	these new services on Sched			
3	services?		e significant changes in how it condu	ucts, any program Yes	;
	If "Yes," describe	these changes on Schedule C)		
4	Section 501(c)(3) and 501(c)(4) organizations	each of the organization's three lar and section 4947(a)(1) trusts are evenue, if any, for each program ser	required to report the amount of	
4a	(Code) (Expenses \$ 3	33,106,649 including grants of \$) (Revenue \$ 3	82,697,174)
	Peninsula in a comp the health of the co pay due to financial Emergency services more than 475,000 services rendered is essential medical se allowances totaling uncollectible accoun community education bona fide community regato speak before con women and CPR cla 2011, Peninsula Ree PROGRAM ACTIVITY outreach programs, Community Education Childbirth Sibling Cla Support Group Heac Cancer Screenings I	petent, compassionate, and cost-effer mmunities we serve by providing quitersources, efforts will be taken to as a care will be provided to everyone re- outpatient services during fiscal 2011 a critical to the operation and stability ervices. The Hospital, in keeping with \$39,261,709 Discounts to third party its \$17,410,750 The total unreimburs on and free programs offered through ty health need. Some of the program anding programs and services. Particip munity organizations on a variety of assess. We provide assistance to educ- gional Medical Center volunteers confunded and outreach Programs Labor. Support groups, community health's conal and Outreach Programs Labor. & assess Infant Care Classes Grandparei and Neck Cancer Support Group Ev- dearing Screenings Flu Clinic Education.	ary, secondary, and selected tertiary health ctive manner designed to elicit a high degreality medical care regardless of race, creed, source care at an affordable cost, or obtained gardless of ability to pay Peninsula Regional Food service provided more than 530,000 of Peninsula Regional Medical Center, it is the commitment to serve all members of to payors including government programs suced value of providing care to these patients and the year based upon activities and serves are as follows. A variety of brochures are bation in health fairs during FY 2011 in order the healthcare topics. We provide childbirth programs through our work with student nurses, instituted over 45,000 hours toward the commitment over 45,000 hours toward the commitment of the provide over 45,000 hours toward the commitment of the provided over 45,000 hours toward the commitment of the provided over 45,000 hours toward the commitment of the provided over 45,000 hours toward the commitment of the provided over 45,000 hours toward the commitment of the provided over 45,000 hours toward the commitment of the provided over 45,000 hours toward the commitment of the provided over 45,000 hours toward the commitment of the provided over 45,000 hours toward the commitment of the provided over 45,000 hours toward the commitment of the provided over 45,000 hours toward the commitment of the provided over 45,000 hours toward the commitment of the provided over 45,000 hours toward the commitment o	the of customer satisfaction. The Hospital' sex, national origin, handicap, or age. If a assistance through appropriate agencie al Medical Center served over 23,000 in 0 meals to patients and employees. Althorecognized that not all individuals posses he community, during fiscal 2011 provide in as Medicare and Medicaid \$37,721,488 is \$94,393,948. Also provided are many vices that Peninsula Regional Medical Celector of the foster health education in the comme paration classes, exercise classes for provided are many original medical celector of servicing the health care unity outreach activities. Specific examples supported by Peninsula Regional Medical Security outreach activities. Specific examples supported by Peninsula Regional Medical Security outreach activities. Specific examples to compare the supported by Peninsula Regional Medical Education Support Groups Diabetes at Blood Pressure Skin Cancer Screenings. Women's Health, Safe Sitter, Relay for I	s mission is to improve f a patient is unable to son the patient's behapatients and provided ough reimbursement for the ability to pay for ed. Chantly and other 9 Write-off of wellness programs, inter believes will serve to educate members of unity. Being called upcenatal and postpartum chnicians. During FY of the community less of education and call Center are as followses. Refresher Course. Support Groups Stroke. Oral, Head and Necklufe Benefits. March of
4b	(Code) (Expenses \$	including grants of \$) (Revenue \$)
		, (, (1	,
	/Codo				
4c	(Code) (Expenses \$	including grants of \$) (Revenue \$)
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4 c	(Code) (Expenses \$	including grants of \$) (Revenue \$)
4 c	(Code) (Expenses \$	including grants of \$) (Revenue \$)
4c 4d) (Revenue \$)
		services (Describe in Schedul) (Revenue \$)

Part TV	Checklist of	Required	Schedules
	CHCCKHSCOL	IXC GGII CG	Scriculics

			Yes	No
1	Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? If "Yes," complete Schedule A	1	Yes	
2	Is the organization required to complete Schedule B, Schedule of Contributors (see instruction)? 🕏	2	Yes	
3	Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? If "Yes," complete Schedule C, Part I	3		No
4	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? <i>If</i> "Yes," complete Schedule C, Part II.	4	Yes	
5	Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? If "Yes," complete Schedule C, Part III	5		No
6	Did the organization maintain any donor advised funds or any similar funds or accounts where donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? If "Yes," complete Schedule D, Part I.	6		No
7	Did the organization receive or hold a conservation easement, including easements to preserve open space,			No
8	the environment, historic land areas or historic structures? If "Yes," complete Schedule D, Part II Did the organization maintain collections of works of art, historical treasures, or other similar assets? If "Yes,"	7		
3	complete Schedule D, Part III 📆	8		No
9	Did the organization report an amount in Part X, line 21, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? <i>If</i> "Yes," complete Schedule D, Part IV	9		No
10	Did the organization, directly or through a related organization, hold assets in term, permanent,or quasi- endowments? If "Yes," complete Schedule D, Part V	10	Yes	
11	If the organization's answer to any of the following questions is 'Yes,' then complete Schedule D, Parts VI, VIII, VIII, IX, or X as applicable			
а	Did the organization report an amount for land, buildings, and equipment in Part X, line10? If "Yes," complete Schedule D, Part VI.	11a	Yes	
b	Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VII.	11b		No
С	Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VIII.	11c		No
d	Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part IX.	11d	Yes	
е	Did the organization report an amount for other liabilities in Part X, line 25? If "Yes," complete Schedule D, Part X.	11e	Yes	
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		No
12a	Did the organization obtain separate, independent audited financial statements for the tax year? <i>If "Yes,"</i> complete Schedule D, Parts XI, XII, and XIII	12a	Yes	
b	Was the organization included in consolidated, independent audited financial statements for the tax year? If "Yes," and if the organization answered 'No' to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional	12b	Yes	
13	Is the organization a school described in section 170(b)(1)(A)(ii)? If "Yes," complete Schedule E	13		No
14a	Did the organization maintain an office, employees, or agents outside of the United States?	14a		No
b	Did the organization have aggregate revenues or expenses of more than \$10,000 from grantmaking, fundraising, business, and program service activities outside the United States? <i>If</i> "Yes," complete Schedule F, Parts I and IV	14b		No
15	Did the organization report on Part IX, column (A), line 3, more than $$5,000$ of grants or assistance to any organization or entity located outside the U S ? If "Yes," complete Schedule F, Parts II and IV	15		No
16	Did the organization report on Part IX, column (A), line 3, more than $$5,000$ of aggregate grants or assistance to individuals located outside the U S ? If "Yes," complete Schedule F, Parts III and IV .	16		No
17	Did the organization report a total of more than \$15,000, of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? <i>If</i> "Yes," complete Schedule G, Part I (see instructions)	17		No
18	Did the organization report more than \$15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? If "Yes," complete Schedule G, Part II	18		No
19	Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? If "Yes," complete Schedule G, Part III	19		No
20a	Did the organization operate one or more hospitals? If "Yes," complete Schedule H	20a	Yes	
b	If "Yes" to line 20a, did the organization attach its audited financial statement to this return? Note. Some Form	20b	Yes	

Par	t IV Checklist of Required Schedules (continued)			
21	Did the organization report more than \$5,000 of grants and other assistance to governments and organizations in the United States on Part IX, column (A), line 1? If "Yes," complete Schedule I, Parts I and II	21		No
22	Did the organization report more than \$5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? If "Yes," complete Schedule I, Parts I and III	22		No
23	Did the organization answer "Yes" to Part VII, Section A, questions 3, 4, or 5, about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? If "Yes," complete Schedule J	23	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? If "Yes," answer lines 24b-24d and complete Schedule K. If "No," go to line 25	24a	Yes	
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	24b		Νo
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		No
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	24d		Νo
25a	Section 501(c)(3) and 501(c)(4) organizations. Did the organization engage in an excess benefit transaction with a disqualified person during the year? If "Yes," complete Schedule L, Part I	25a		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? If "Yes," complete Schedule L, Part I	25b		No
26	Was a loan to or by a current or former officer, director, trustee, key employee, highly compensated employee, or disqualified person outstanding as of the end of the organization's tax year? If "Yes," complete Schedule L, Part II	26		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor, or a grant selection committee member, or to a person related to such an individual? If "Yes," complete Schedule L, Part III	27		No
28	Was the organization a party to a business transaction with one of the following parties? (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
а	A current or former officer, director, trustee, or key employee? If "Yes," complete Schedule L, Part IV	28a		No
b	A family member of a current or former officer, director, trustee, or key employee? If "Yes," complete Schedule L, Part IV	28b		No
C	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? If "Yes," complete Schedule L, Part IV	28c	Yes	
29	Did the organization receive more than \$25,000 in non-cash contributions? If "Yes," complete Schedule M	29		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? If "Yes," complete Schedule M	30		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? If "Yes," complete Schedule N, Part I	31		N o
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		N o
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		No
34	Was the organization related to any tax-exempt or taxable entity? If "Yes," complete Schedule R, Parts II, III, IV, and V, line 1	34	Yes	
35	Is any related organization a controlled entity within the meaning of section 512(b)(13)?	35	Yes	
а	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			
36	Section 501(c)(3) organizations. Did the organization make any transfers to an exempt non-charitable related organization? If "Yes," complete Schedule R, Part V, line 2	36		N o
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		N o
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11 and 19? Note. All Form 990 filers are required to complete Schedule O	38	Yes	
		F	orm 990	(2010)

Part V Statements Regarding Other IRS Filings and Tax Compliance

	Check if Schedule O contains a response to any question in this Part V		. [
			Yes	No
a	Enter the number reported in Box 3 of Form 1096 Enter -0 - if not applicable 1a 267			
b	Enter the number of Forms W-2G included in line 1a Enter -0- if not applicable 1b 0			
С	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	1c	Yes	
a	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	10	103	
b	return			
	Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions)	2b	Yes	
а	Did the organization have unrelated business gross income of \$1,000 or more during the year?	За	Yes	
b	If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O	3b	Yes	
a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?	4a		No
b	If "Yes," enter the name of the foreign country 🕨			
	See instructions for filing requirements for Form TD F 90-22 1, Report of Foreign Bank and Financial Accounts			
а	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?	5a		Νo
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	5b		Νo
C	If "Yes" to line 5a or 5b, did the organization file Form 8886-T?	5c		
a	Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible?	6a		Νo
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	6b		
	Organizations that may receive deductible contributions under section 170(c).			
а	Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?	7a		Νo
	If "Yes," did the organization notify the donor of the value of the goods or services provided?	7b		
С	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?	7c		No
d	If "Yes," indicate the number of Forms 8282 filed during the year			
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	7e		No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?	7f		No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	7g		
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	7h		
	Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations. Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?	8		
	Sponsoring organizations maintaining donor advised funds.	_		
а	Did the organization make any taxable distributions under section 4966?	9a		
b	Did the organization make a distribution to a donor, donor advisor, or related person?	9b		
0	Section 501(c)(7) organizations. Enter			
	Initiation fees and capital contributions included on Part VIII, line 12 10a			
D	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities			
	Section 501(c)(12) organizations. Enter			
	Gross income from members or shareholders			
D	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them)			
	Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041?	12a		
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year			
3	Section 501(c)(29) qualified nonprofit health insurance issuers.			1
а	Is the organization licensed to issue qualified health plans in more than one state? Note. See the instructions for additional information the organization must report on Schedule O	13a		
b	Enter the amount of reserves the organization is required to maintain by the states			
	in which the organization is licensed to issue qualified health plans Enter the amount of reserves on hand			
	13c			
	Did the organization receive any payments for indoor tanning services during the tax year?	14a		Νo
b	If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O	14b		ı

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

Se	ection 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	16			
b	Enter the number of voting members included in line 1a, above, who are independent	14			
2	Did any officer, director, trustee, or key employee have a family relationship or a busines other officer, director, trustee, or key employee?	s relationship with any	2	Yes	
3	Did the organization delegate control over management duties customarily performed by supervision of officers, directors or trustees, or key employees to a management compan		3		No
4	Did the organization make any significant changes to its governing documents since the filed?	prior Form 990 was	4		No
5	Did the organization become aware during the year of a significant diversion of the organi	zation's assets? .	5		Νo
6	Does the organization have members or stockholders?		6	Yes	
7a	Does the organization have members, stockholders, or other persons who may elect one governing body?	or more members of the	7a	Yes	
b	Are any decisions of the governing body subject to approval by members, stockholders, o	or other persons?	7b	Yes	
8	Did the organization contemporaneously document the meetings held or written actions u year by the following	ndertaken during the			
а	The governing body?		8a	Yes	
b	Each committee with authority to act on behalf of the governing body?		8b	Yes	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who organization's mailing address? If "Yes," provide the names and addresses in Schedule O		9		Νo
	ection B. Policies (This Section B requests information about policies not requevenue Code.)	ured by the Internal			
				Yes	No
	Does the organization have local chapters, branches, or affiliates?		10a		Νo
	If "Yes," does the organization have written policies and procedures governing the activit affiliates, and branches to ensure their operations are consistent with those of the organi	zation?	10b		
	Has the organization provided a copy of this Form 990 to all members of its governing bo		11a		No
	Describe in Schedule O the process, if any, used by the organization to review this Form	990			
	Does the organization have a written conflict of interest policy? If "No," go to line 13		12a		Νo
	Are officers, directors or trustees, and key employees required to disclose annually inter to conflicts?		12b		
С	Does the organization regularly and consistently monitor and enforce compliance with the describe in Schedule O how this is done	e policy? If "Yes,"	12c		
13	Does the organization have a written whistleblower policy?		13		No
14	Does the organization have a written document retention and destruction policy?		14		No
15	Did the process for determining compensation of the following persons include a review a independent persons, comparability data, and contemporaneous substantiation of the del	iberation and decision?			
а	, , ,		15a	Yes	
b	Other officers or key employees of the organization		15b	Yes	
	If "Yes" to line 15a or 15b, describe the process in Schedule O (See instructions)				
16a	Did the organization invest in, contribute assets to, or participate in a joint venture or sin taxable entity during the year?		16a	Yes	
h			-		
_	If "Yes," has the organization adopted a written policy or procedure requiring the organization participation in joint venture arrangements under applicable federal tax law, and taken stoorganization's exempt status with respect to such arrangements?	eps to safeguard the	16b		No
	participation in joint venture arrangements under applicable federal tax law, and taken stoogramization's exempt status with respect to such arrangements?	eps to safeguard the	16b		No
	participation in joint venture arrangements under applicable federal tax law, and taken storganization's exempt status with respect to such arrangements?	eps to safeguard the	16b		Νo

- 19 Describe in Schedule O whether (and if so, how), the organization makes its governing documents, conflict of interest policy, and financial statements available to the public See Additional Data Table
- 20 State the name, physical address, and telephone number of the person who possesses the books and records of the organization

 JIM GREGORY

 100 EAST CARROLL ST

SALSIBURY, MD 21801 (410)912-4979

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

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, and **current** key employees 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	Posi t	tion (that a	che		II		(D) Reportable compensation from the	(E) Reportable compensation from related	(F) Estimated amount of other compensation
	week (describe hours for related organizations in Schedule O)	Individual trustee or director	Institutional Trustee	Officei	Key employee	Highest compensated employee	Former	organization (W- 2/1099-MISC)	organizations (W- 2/1099- MISC)	from the organization related organizations
(1) Jeffrey F Turner Board Member	1 0	х						0	0	0
(2) Farouk A Sultanı MD BOARD MEMBER	1 0	х						0	0	0
(3) Margaret Naleppa President/CEO	40 0	х		х				742,361	0	54,851
(4) Martın Neat Vıce-Chaırman	1 0	х		х				0	0	0
(5) Herbert J Geary III Board Member	1 0	х						0	0	0
(6) Michael E Crouch MD Board Member	1 0	х						0	0	0
(7) Murray Hoy Board Chairman	10 0	х		х				30,731	0	0
(8) Christjon J Huddleston MD Board Member	1 0	х						0	0	0
(9) Hugh McLaughlin Board Member	1 0	х						0	0	0
(10) Rene Desmarais MD Board Member	1 0	Х						0	0	0
(11) Susan Robinson Board Member (07/10 - 03/11)	1 0	х						0	0	0
(12) Brian Shockley Board Member	1 0	х						0	0	0
(13) Marion Keenan Board Member	1 0	Х						0	0	0
(14) SUSAN PEACOCK Board Member (04/11 - 06/11)	1 0	х						0	0	0
(15) Edward W Urban Secretary	1 0	х		х				0	0	0
(16) William R McCain Treasurer	1 0	Х		х				0	0	0

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

k kribe ss ed uzations dule	individual trustee or director	Institutional Trustee	Officei	Key employee	Highest compensatemployee	Former	from the organization (W- 2/1099-MISC)	from related organizations (W- 2/1099- MISC)	compensation from the organization and related organizations
1 0					<u> 8</u>				
	Х						0	0	0
40 0			Х				413,043	0	67,377
40 0			Х				361,272	0	51,972
40 0					х		508,410	0	64,000
40 0					х		573,638	0	19,633
40 0					х		508,047	0	31,094
40 0					х		607,198	0	29,134
40 0					х		533,007	0	23,418
						х	1,567,831	0	0
						-			
VII, Sect	tion A				F				
						F	5,845,538	0	341,479
į	40 0 40 0 40 0 40 0 40 0 40 0 VII, Sect	40 0 40 0 40 0 40 0 40 0 40 0 40 0 VII, Section A	40 0	40 0	40 0	40 0	40 0	40 0	40 0

\$100,000 in reportable compensation from the organization 139

			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	з	Yes	ı
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			
	ındıvıdual	4	Yes	ı
5	Did any person listed on line 1a receive or accrue compensation from any unrelated organization or individual for			
	services rendered to the organization? If "Yes," complete Schedule J for such person	5		Νo
				_

Section B. Independent Contractors

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

(A) Name and business address	(B) Description of services	(C) Compensation
HORIZON CSA 265 PIT ROAD MOORESVILLE, NC 28115	BIOMEDICAL SERVICES	4,841,504
SHERIDAN ANESTHESIA OF MD PO BOX 452197 SUNRISE, FL 33323	ANESTHESIA SERVICES	1,606,057
MAYO MEDICAL LABORATORIES PO BOX 9146 MINNEAPOLIS, MN 55480	MEDICAL SERVICES	1,379,692
SPECIALITY CARE CARDIOVASCULAR RESO DEPT 1614 PO BOX 1614 BIRMINGHAM, AL 35246	MEDICAL SERVICES	1,211,461
PENINSULA ORTHOPAEDIC ASSOCIATES 1675 WOODBROOKE DRIVE SALISBURY, MD 21801	MEDICAL SERVICES	1,021,757
2 Total number of independent contractors (including but not limited to those listed above)	who received more than	

\$100,000 in compensation from the organization \(\mathbb{E}51\)

Total revenue Total revenu	Form 9		(2010) Statement of Reven					Pag	e 9
Part				ue			Related or exempt function	Unrelated business	Revenue excluded from tax under sections 512, 513, or
Part	ants ints								
Part	gra								
Part	£, ₩	С	Fundraising events	1c					
Part	ਉੱਛੋ	d	Related organizations	. 1d	158,781				
Part	sin sin	e	Government grants (contributions)	1e					
Part	흕	f			14,315				
Part	# E to	g							
Part	S E	h	Total. Add lines 1a-1f	.		173,096			
3 Total Add intest 2					Business Code				
3 Total Add intest 2	anne Burie	2a	NET DATIENT CEDVICES					1,021,375	
3 Total Add intest 2	.¥6	ь							
3 Total Add intest 2	- Se		THE		900039	1,204,404	1,204,404		
3 Total Add intest 2	er Fi	d							
3 Total Add intest 2	رة ج	e							
3 Total Add intest 2	ja j	f	All other program service re	 venue					
3 Total Add intest 2	چ		Tabal Addison 2s 26	_					
### ### ##############################		_				382,714,431			
### A Intome from meastment of tax-exempt bond proceeds		3				4,938,903			4,938,903
S Royalties S Royalties S S S S S S S S S		4	•		ŀ				
1) Real		_				0			
February February			[(II) Personal				
### Express		6a	Gross Rents						
Comparison		ь		186,640					
Mode		c	Rental income	-8,338					
10		d	, ,	.		-8,338			-8,338
Total revenue See Instructions South Page See Instructions South Page See Instructions South Page South Pa			(1000)		(II) O ther				
Description September Se		7a	from sales of assets other						
March Section Sectio		ь	Less cost or other basis and	71,584,366	33,581				
Ba Gross income from fundraising events (not including \$ of contributions reported on line 1c) See Part IV, line 18			l l		32,979				
(not including						8,516,255			8,516,255
c Net income or (loss) from fundraising events .	venue	8a	(not including \$						
c Net income or (loss) from fundraising events .	æ								
c Net income or (loss) from fundraising events .	je.			а					
9a Gross income from gaming activities See Part IV, line 19 . a b Less direct expenses b c Net income or (loss) from gaming activities	₹								
b Less direct expenses b									
c Net income or (loss) from gaming activities ▶ 0 10a Gross sales of inventory, less returns and allowances					_				
10a Gross sales of inventory, less returns and allowances . a b Less cost of goods sold . b c Net income or (loss) from sales of inventory . ▶ Miscellaneous Revenue Business Code 11a CAFETERIA 900099 746,888 PARTNERSHIP REVENUE 900099 5,647 -17,257 22,904 c MEDICAL RECORDS 4 All other revenue 10 Total revenue. See Instructions ▶ 397,288,036 381,675,799 14,194,862			•		"	0			
returns and allowances . a b Less cost of goods sold . b c Net income or (loss) from sales of inventory . ▶ Miscellaneous Revenue 11a CAFETERIA b PARTNERSHIP REVENUE c MEDICAL RECORDS d All other revenue									
b Less cost of goods sold b c Net income or (loss) from sales of inventory . ▶ Miscellaneous Revenue Business Code 11a CAFETERIA 900099 746,888 746,888 b PARTNERSHIP REVENUE C MEDICAL RECORDS d All other revenue e Total. Add lines 11a-11d			returns and allowances .						
C Net income or (loss) from sales of inventory . ▶ 0 4 Miscellaneous Revenue Business Code 746,888 746,888 11a CAFETERIA 900099 746,888 746,888 746,888 b PARTNERSHIP REVENUE 900099 5,647 -17,257 22,904 c MEDICAL RECORDS 900003 1,154 1,154 d All other revenue 200,000 200,000 200,000 e Total. Add lines 11a-11d 953,689 397,288,036 381,675,799 1,244,279 14,194,862									
Miscellaneous Revenue Business Code			-			0			
11a CAFETERIA 900099 746,888 746,888 b PARTNERSHIP REVENUE 900099 5,647 -17,257 22,904 c MEDICAL RECORDS 900003 1,154 1,154 d All other revenue 200,000 200,000 e Total. Add lines 11a-11d 953,689 397,288,036 1,244,279 1,244,279 14,194,862				les of inventory	Business Code				
b PARTNERSHIP REVENUE c MEDICAL RECORDS d All other revenue		11a				746,888			746,888
C MEDICAL RECORDS d All other revenue					900099			22,904	
d All other revenue							·	•	
e Total. Add lines 11a-11d								200,000	
12 Total revenue. See Instructions						200,000		22,300	
397,288,036 1,244,279 381,675,799 14,194,862				•		953,689			
381,675,799 14,194,862		12	Total revenue. See Instructi	ons		307 288 026		1 244 270	
						331,200,030	381,675,799	, ,	14,194,862

	990 (2010)				Page 10				
Part IX Statement of Functional Expenses									
Section 501(c)(3) and 501(c)(4) organizations must complete all columns. All other organizations must complete column (A) but are not required to complete columns (B), (C), and (D).									
Do no	ot include amounts reported on lines 6b, b, 9b, and 10b of Part VIII.	(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses				
1	Grants and other assistance to governments and organizations in the U S See Part IV, line 21	0	ехрепяез	general expenses	expenses				
2	Grants and other assistance to individuals in the U.S. See Part IV, line 22	0							
3	Grants and other assistance to governments, organizations, and individuals outside the U S See Part IV, lines 15 and 16	0							
4	Benefits paid to or for members	0							
5	Compensation of current officers, directors, trustees, and key employees	1,708,329	1,562,142	142,464	3,723				
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)	1,361,720	1,245,193	113,559	2,968				
7	Other salaries and wages	135,841,291	124,216,893	 	296,039				
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	5,725,533	5,235,579		12,478				
9	Other employee benefits	20,736,110	18,968,738	' 	45,010				
10	Payroll taxes	9,620,948	8,864,543	 	18,209				
а	Fees for services (non-employees) Management	0	0,004,343	730,130	10,203				
ь	Legal	629,706	1,296	628,410					
c	Accounting	190,400	1,230	190,400					
d	Lobbying	32,138	32,138	· · · · · · · · · · · · · · · · · · ·					
e	Professional fundraising services See Part IV, line 17	32,130	32,130						
f	Investment management fees	927,540		927,540					
g	Other	31,287,331	21,615,724		52,183				
12	Advertising and promotion	31,207,331	21,013,724	3,013,424	32,103				
13	Office expenses	102,609,020	98,893,645	3,651,164	64,211				
14	Information technology	738,432	729,960	 					
15	Royalties	730,432	723,300	0,472					
16	Occupancy	5,095,376	5,095,376						
17	Travel	374,107	273,585	+ +	2,657				
18	Payments of travel or entertainment expenses for any federal, state, or local public officials	374,107	273,363	97,003	2,037				
19	Conferences, conventions, and meetings	85,614	85,614						
20	Interest	6,544,090	6,544,090						
21	Payments to affiliates	0,311,636	=,=,=30						
22	Depreciation, depletion, and amortization	21,733,777	21,687,683	46,094					
23	Insurance	4,775,587	496,535	· · ·	972				
24	Other expenses Itemize expenses not covered above (List miscellaneous expenses in line 24f If line 24f amount exceeds 10% of line 25, column (A) amount, list line 24f expenses on Schedule O)	,,,,,,	,	-,,					
а	BAD DEBT	17,410,750	17,410,750						
b	DUES	528,758	147,165	381,038	555				
С									
d									
e									
f 	All other expenses								
25	Total functional expenses. Add lines 1 through 24f	367,956,557	333,106,649	34,350,903	499,005				
26	Joint costs. Check here ► ☐ If following SOP 98-2 (ASC 958-720) Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation								
	combined educational campaign and idilidraising solicitation		l		000 (2010)				

Pa	rt X	Balance Sheet					<u> </u>
					(A) Beginning of year		(B) End of year
	1	Cash—non-interest-bearing			154,899	1	150,629
	2	Savings and temporary cash investments	25,139,457	2	25,487,082		
	3	Pledges and grants receivable, net		3			
	4	Accounts receivable, net			35,817,855	4	35,831,829
	5	Receivables from current and former officers, directors, trustee highest compensated employees Complete Part II of	s, key	employees, and			
		Schedule L				5	
	6	Receivables from other disqualified persons (as defined under spersons described in section $4958(c)(3)(B)$, and contributing esponsoring organizations of section $501(c)(9)$ voluntary emploorganizations (see instructions)	mploy	ers, and			
sts		Schedule L				6	
Assets	7	Notes and loans receivable, net				7	
۲	8	Inventories for sale or use			7,086,954	8	7,612,015
	9	Prepaid expenses and deferred charges			4,358,438	9	4,722,221
	10a	Land, buildings, and equipment cost or other basis <i>Complete Part VI of Schedule D</i>	10a	439,903,907			
	b	Less accumulated depreciation	10b	233,750,155	212,665,479	10 c	206,153,752
	11	Investments—publicly traded securities	105,748,847	11	141,953,184		
	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			60,136,102	15	70,497,354
	16	Total assets. Add lines 1 through 15 (must equal line 34) .			451,108,031	16	492,408,066
	17	Accounts payable and accrued expenses .			14,233,918	17	13,928,109
	18	Grants payable				18	
	19	Deferred revenue				19	
	20	Tax-exempt bond liabilities		137,319,548	20	134,315,588	
es.	21	Escrow or custodial account liability Complete Part IV of Schedu	le D			21	
bilities	22	Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified					
Lial		persons Complete Part II of Schedule L				22	
	23	Secured mortgages and notes payable to unrelated third parties	s .			23	
	24	Unsecured notes and loans payable to unrelated third parties			75,000	24	60,000
	25	Other liabilities Complete Part X of Schedule D		48,174,409	25	35,069,575	
	26	Total liabilities. Add lines 17 through 25			199,802,875	26	183,373,272
-		Organizations that follow SFAS 117, check here ▶	plete l	ines 27			_
eg.		through 29, and lines 33 and 34.					
Balance	27	Unrestricted net assets			231,374,493	27	286,634,592
æ	28	Temporarily restricted net assets	11,879,875	28	14,335,033		
Fund	29	Permanently restricted net assets			8,050,788	29	8,065,169
Œ		Organizations that do not follow SFAS 117, check here ▶ a	nd con	nplete			
ō		lines 30 through 34.					
£	30	Capital stock or trust principal, or current funds				30	
Assets	31	Paid-in or capital surplus, or land, building or equipment fund				31	
	32	Retained earnings, endowment, accumulated income, or other f	unds		051.005.155	32	000 004 75 :
Net	33	Total net assets or fund balances			251,305,156		309,034,794
	34	Total liabilities and net assets/fund balances			451,108,031	34	492,408,066

Pal	Check if Schedule O contains a response to any question in this Part XI			. [~	
1	Total revenue (must equal Part VIII, column (A), line 12)	1		397,2	88,036
2	Total expenses (must equal Part IX, column (A), line 25)	2			56,557
3	Revenue less expenses Subtract line 2 from line 1	3		29,3	31,479
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4		251,3	05,156
5	Other changes in net assets or fund balances (explain in Schedule O)	5		28,3	398,159
6		6		309,0	34,794
Pai	t XII Financial Statements and Reporting				
	Check if Schedule O contains a response to any question in this Part XII			୮	
				Yes	No
1	Accounting method used to prepare the Form 990				
2a	Were the organization's financial statements compiled or reviewed by an independent accountant?		2a		No
b	Were the organization's financial statements audited by an independent accountant?	[2b	Yes	
c	If "Yes," to 2a or 2b, does the organization have a committee that assumes responsibility for oversight of th 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	e			
	Schedule O	•	2c	Yes	
d	If "Yes" to line 2a or 2b, check a box below to indicate whether the financial statements for the year were iss on a separate basis, consolidated basis, or both	sued			
	☐ Separate basis ☐ Consolidated basis ☐ Both consolidated and separated basis				
За	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?		3a		No
b	If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the rec	quired	3b		

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As Filed Data -

DLN: 93493136071602

Employer identification number

OMB No 1545-0047

SCHEDULE A

(Form 990 or 990EZ)

Name of the organization

PENINSULA REGIONAL MEDICAL CENTER

Department of the Treasury Internal Revenue Service

Public Charity Status and Public Support

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

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

Inspection

52-0591628										
Part I Reason for Public Charity Status (All organizations must complete this part.) See instructions										
The org			te foundation becaus			-				
1 [— A chu	ırch, convent	ion of churches, or as	ssociation of	f churches d	escribed in s e	ection 170(b)(1)(A)(i).		
2	— A sch	A school described in section 170(b)(1)(A)(ii). (Attach Schedule E)								
3 [✓ A hos	pital or a cod	perative hospital se	rvice organiz	zatıon descr	ıbed ın sectio	n 170(b)(1)	(A)(iii).		
4 [A medical research organization operated in conjunction with a hospital described in section 170(b)(1)(A)(iii). Enter the hospital's name, city, and state								
5		An organization operated for the benefit of a college or university owned or operated by a governmental unit described in section 170(b)(1)(A)(iv). (Complete Part II)							ribed in	
6 [. , , ,	r local government or	,	tal unit desc	ribed in secti	ion 170(b)(1)(A)(v).		
7	An or descr	ganization th ibed in	at normally receives (A)(vi) (Complete P	a substantia					from the gen	eral public
8 [— A cor	nmunity trust	t described in sectior	170(b)(1)(A)(vi) (Cor	nplete Part II	[)			
9 [— An or	ganızatıon th	at normally receives	(1) more th	ian 331/3%	of its support	from contrib	outions, mer	nbershıp fee:	s, and gross
	recei	ots from activ	rities related to its ex	xempt functi	ons—subjec	t to certain e	xceptions, a	nd (2) no mo	ore than 331	/3% of
	ıts su	pport from gr	oss investment inco	me and unre	lated busine	ss taxable ın	come (less	section 511	tax) from bu	ısınesses
	acqui	red by the or	ganızatıon after June	30,1975 S	ee section !	509(a)(2). (C	omplete Par	tIII)		
10	— An or	ganızatıon or	ganized and operated	d exclusively	to test for p	oublic safety	See section	509(a)(4).		
11 「	one o	r more public	ganized and operated ly supported organiz libes the type of supp b Type I	ations descr oorting organ	ibed in sect ization and o	ion 509(a)(1)) or section ! s 11e throug	509(a)(2) S gh 11h	ee section 5	•
e [other secti	than foundat on 509(a)(2)		her than one	or more pub	olicly support	ed organızat	ions describ	oed in section	n 509(a)(1) or
f g	checl	this box	received a written do						III supporti	ng organization,
		ing persons? person who d	rectly or indirectly c	ontrols, eith	er alone or t	ogether with	persons des	crıbed ın (11)		Yes No
	and (п) below, the	governing body of th	e the suppo	rted organiza	ation?			11g	ı(i)
	(ii) a	family memb	er of a person descrı	bed in (i) abo	ove?				11g	(ii)
	(iii) a	35% contro	lled entity of a perso	n described	ın (ı) or (ıı) a	ibove?			11g((iii)
h	Provi	de the followi	ng information about	the support	ed organızat	ion(s)				
su	(i) ame of pported anization	(ii) EIN	(iii) Type of organization (described on lines 1- 9 above or IRC section (see	(iv) Is the organizate col (i) lis your gove docume	e Ion In ted In Erning	(v) Did you no organizat col (i) of suppor	tify the ion in your	(vi Is the organiza col (i) or in the l	he tion in ganized	(vii) A mount of support
			instructions))	Yes	No	Yes	No	Yes	No	
		1	1	t	†	1	1	1		+

Total

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.)

S	ection A. Public Support		and to quanty t			Jaco complete	
	endar year (or fiscal year beginning						
Care	in)	(a) 2006	(b) 2007	(c) 2008	(d) 2009	(e) 2010	(f) Total
1	Gifts, grants, contributions, and						
	membership fees received (Do not						
	ınclude 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						
Ū	line 4						
S	ection B. Total Support		<u> </u>	I I.			
	endar year (or fiscal year beginning						
	ın) >	(a) 2006	(b) 2007	(c) 2008	(d) 2009	(e) 2010	(f) Total
7	A mounts from line 4						
8	Gross income from interest,						
Ū	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 activiti	es, etc (See inst	ructions)			12	
13	First Five Years If the Form 990 is t	for the organizati	on's first, second	, thırd, fourth, or	fifth tax year as a	501(c)(3) organı	
	check this box and stop here						►
	-tiC Ct-ti	L'a Carana at B					
<u> </u>	ection C. Computation of Pub Public Support Percentage for 2010			11 column (f))			
	· ·		•	II Column (1))		14	
15	Public Support Percentage for 2009	Schedule A, Pa	rt II, line 14			15	
16a	33 1/3% support test—2010. If the				line 14 is 33 1/3%	or more, check	
_	and stop here. The organization qua						▶ □
b	33 1/3% support test—2009. If the				5a, and line 15 is 3	33 1/3% or more,	- -
	box and stop here. The organization				45.46		►
1/a	10%-facts-and-circumstances test-						
	is 10% or more, and if the organization made						rt a d
	in Part IV how the organization mee	ts the "racts and	circumstances"	test ine organiz	ration qualifies as	a publicly suppo	
L	organization	_2000 If+ba a	anization did not	chack a hay an l	no 12 165 166 -	r 17a and line	► □
D	10%-facts-and-circumstances test- 15 is 10% or more, and if the organ						
	Explain in Part IV how the organization						v
	supported organization	aon meets the 10	acts and circuilis	tances test fill	z organizacion qual	mes as a publici	y ▶[¯
18	Private Foundation If the organizati	on did not check	a box on line 13	. 16a. 16b. 17a o	r 17b, check this	box and see	- 1
	instructions	on ala not check	a box on fine 15	, 100, 100, 1700	I by check tills	SON GING SCC	▶ □

organization

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 (a) 2006 **(b)** 2007 (c) 2008 (d) 2009 (e) 2010 (f) Total ın) 🟲 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants") 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 Gross receipts from activities that are not an unrelated trade or business under section 513 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf The value of services or facilities furnished by a governmental unit to the organization without charge Total. Add lines 1 through 5 7a Amounts included on lines 1, 2, and 3 received from disqualified Amounts included on lines 2 and 3 received from other than disqualified persons that exceed the greater of \$5,000 or 1% of the amount on line 13 for the year c Add lines 7a and 7b Public Support (Subtract line 7c from line 6) Section B. Total Support Calendar year (or fiscal year beginning (a) 2006 **(b)** 2007 (c) 2008 (d) 2009 (e) 2010 (f) Total in) 9 Amounts from line 6 Gross income from interest, 10a dividends, payments received on securities loans, rents, royalties and income from similar sources Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975 Add lines 10a and 10b C Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on Other income Do not include 12 gain or loss from the sale of capital assets (Explain in Part IV) Total support (Add lines 9, 10c, 11 and 12) First Five Years If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a section 501(c)(3) organization, check this box and stop here Section C. Computation of Public Support Percentage Public Support Percentage for 2010 (line 8 column (f) divided by line 13 column (f)) 15 16 Public support percentage from 2009 Schedule A, Part III, line 15 16 Section D. Computation of Investment Income Percentage Investment income percentage for **2010** (line 10c column (f) divided by line 13 column (f)) 17 **17** Investment income percentage from 2009 Schedule A, Part III, line 17 18 18 19a 33 1/3% support tests—2010. If the organization did not check the box on line 14, and line 15 is more than 33 1/3% and line 17 is not more than 33 1/3%, check this box and stop here. The organization qualifies as a publicly supported

33 1/3% support tests-2009. If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3% and line

18 is not more than 33 1/3%, check this box and **stop here.** The organization qualifies as a publicly supported organization **Private Foundation** If the organization did not check a box on line 14, 19a or 19b, check this box and see instructions

▶□

Part IV

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

Schedule A (Form 990 or 990-EZ) 2010

DLN: 93493136071602

OMB No 1545-0047

Open to Public

SCHEDULE C

(Form 990 or 990-EZ)

Department of the Treasury Internal Revenue Service

For Organizations Exempt From Income Tax Under section 501(c) and section 527 ► Complete if the organization is described below.

Political Campaign and Lobbying Activities

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

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

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

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

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

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

Name of the organization	nizations Complete Part III		Employeriden	ntification number
PENINSULA REGIONAL MEDICAL CENTER				idilication number
Don't I. A. Complete if the c	rganization is exempt unde	ar coction FO1/	52-0591628	/ avanui-ntian
<u> </u>		_	_	organization.
_	rganization's direct and indirect po	litical campaign act	ivities in Part IV	
2 Political expenditures			•	\$
3 Volunteer hours				
Part I-B Complete if the o	rganization is exempt unde	er section 501(c)(3).	
1 Enter the amount of any excis	se tax incurred by the organization	under section 4955	5 ▶	\$
2 Enter the amount of any excis	se tax incurred by organization mar	nagers under sectio	n 4955 🕨	\$
3 If the organization incurred a	section 4955 tax, did it file Form 4	720 for this year?		┌ Yes ┌ No
4a Was a correction made?				┌ Yes ┌ No
b If "Yes," describe in Part IV				
Part I-C Complete if the or	rganization is exempt unde	er section 501(c) except section 50:	1(c)(3).
1 Enter the amount directly exp	ended by the filing organization for	section 527 exemp	ot function activities 🕨	\$
2 Enter the amount of the filing exempt funtion activities	organization's funds contributed to	other organizations	s for section 527	\$
3 Total exempt function expend	litures Add lines 1 and 2 Enter he	re and on Form 112	0-POL, line 17b	\$
4 Did the filing organization file	Form 1120-POL for this year?			┌ Yes ┌ No
E Enter the names addresses a	and ampleyer identification number	(ETN) of all costion	E27 political organizations	to which the filing
organization made payments amount of political contribution	and employer identification number For each organization listed, enter ons received that were promptly an a political action committee (PAC)	the amount paid fro d directly delivered	om the filing organization's to a separate political orga	funds Also enter the inization, such as a
organization made payments amount of political contribution	For each organization listed, enter ons received that were promptly an	the amount paid fro d directly delivered	om the filing organization's to a separate political orga	funds Also enter the inization, such as a tion in Part IV (e) Amount of political
organization made payments amount of political contribution separate segregated fund or a	For each organization listed, enterons received that were promptly an a political action committee (PAC)	the amount paid fro d directly delivered If additional space	om the filing organization's to a separate political organis needed, provide informa (d) A mount paid from filing organization's	funds Also enter the inization, such as a tion in Part IV (e) Amount of political contributions received and promptly and directly delivered to a separate political organization If none,
organization made payments amount of political contribution separate segregated fund or a	For each organization listed, enterons received that were promptly an a political action committee (PAC)	the amount paid fro d directly delivered If additional space	om the filing organization's to a separate political organis needed, provide informa (d) A mount paid from filing organization's	funds Also enter the inization, such as a tion in Part IV (e) Amount of political contributions received and promptly and directly delivered to a separate political organization If none,
organization made payments amount of political contribution separate segregated fund or a	For each organization listed, enterons received that were promptly an a political action committee (PAC)	the amount paid fro d directly delivered If additional space	om the filing organization's to a separate political organis needed, provide informa (d) A mount paid from filing organization's	funds Also enter the inization, such as a tion in Part IV (e) Amount of political contributions received and promptly and directly delivered to a separate political organization If none,
organization made payments amount of political contribution separate segregated fund or a	For each organization listed, enterons received that were promptly an a political action committee (PAC)	the amount paid fro d directly delivered If additional space	om the filing organization's to a separate political organis needed, provide informa (d) A mount paid from filing organization's	funds Also enter the inization, such as a tion in Part IV (e) Amount of political contributions received and promptly and directly delivered to a separate political organization If none,
organization made payments amount of political contribution separate segregated fund or a	For each organization listed, enterons received that were promptly an a political action committee (PAC)	the amount paid fro d directly delivered If additional space	om the filing organization's to a separate political organis needed, provide informa (d) A mount paid from filing organization's	funds Also enter the inization, such as a tion in Part IV (e) Amount of political contributions received and promptly and directly delivered to a separate political organization If none,
organization made payments amount of political contribution separate segregated fund or a	For each organization listed, enterons received that were promptly an a political action committee (PAC)	the amount paid fro d directly delivered If additional space	om the filing organization's to a separate political organis needed, provide informa (d) A mount paid from filing organization's	funds Also enter the inization, such as a tion in Part IV (e) Amount of political contributions received and promptly and directly delivered to a separate political organization If none,
organization made payments amount of political contribution separate segregated fund or a	For each organization listed, enterons received that were promptly an a political action committee (PAC)	the amount paid fro d directly delivered If additional space	om the filing organization's to a separate political organis needed, provide informa (d) A mount paid from filing organization's	funds Also enter the inization, such as a tion in Part IV (e) Amount of political contributions received and promptly and directly delivered to a separate political organization If none,
organization made payments amount of political contribution separate segregated fund or a	For each organization listed, enterons received that were promptly an a political action committee (PAC)	the amount paid fro d directly delivered If additional space	om the filing organization's to a separate political organis needed, provide informa (d) A mount paid from filing organization's	funds Also enter the inization, such as a tion in Part IV (e) Amount of political contributions received and promptly and directly delivered to a separate political organization If none,
organization made payments amount of political contribution separate segregated fund or a	For each organization listed, enterons received that were promptly an a political action committee (PAC)	the amount paid fro d directly delivered If additional space	om the filing organization's to a separate political organis needed, provide informa (d) A mount paid from filing organization's	funds Also enter the inization, such as a tion in Part IV (e) Amount of political contributions received and promptly and directly delivered to a separate political organization If none,
organization made payments amount of political contribution separate segregated fund or a	For each organization listed, enterons received that were promptly an a political action committee (PAC)	the amount paid fro d directly delivered If additional space	om the filing organization's to a separate political organis needed, provide informa (d) A mount paid from filing organization's	funds Also enter the inization, such as a tion in Part IV (e) Amount of political contributions received and promptly and directly delivered to a separate political organization If none,
organization made payments amount of political contribution separate segregated fund or a	For each organization listed, enterons received that were promptly an a political action committee (PAC)	the amount paid fro d directly delivered If additional space	om the filing organization's to a separate political organis needed, provide informa (d) A mount paid from filing organization's	funds Also enter the inization, such as a tion in Part IV (e) Amount of political contributions received and promptly and directly delivered to a separate political organization If none,

Р	art II-A Complete if the organization under section 501(h)).	is exempt under section 501(c)(3)	and filed Form 5768	(election
	Check If the filing organization belongs to a Check If the filing organization checked bo	n affiliated group x A and "limited control" provisions apply		
	Limits on Lobbying E (The term "expenditures" means ar		(a) Filing O rganization's Totals	(b) Affiliated Group Totals
1a	Total lobbying expenditures to influence public o	pınıon (grass roots lobbyıng)		
b	Total lobbying expenditures to influence a legisl	ative body (direct lobbying)		
C	Total lobbying expenditures (add lines 1a and 1	o)		
d	O ther exempt purpose expenditures			
е	Total exempt purpose expenditures (add lines 1	c and 1d)		
f	Lobbying nontaxable amount Enter the amount to columns	rom the following table in both		
	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		
	Grassroots nontaxable amount (enter 25% of lir	e 1f)		
h	Subtract line 1g from line 1a If zero or less, ent	er -0 -		
i	Subtract line 1f from line 1c If zero or less, ente	r-0-		
j	If there is an amount other than zero on either lii section 4911 tax for this year?	ne 1h or line 1i, did the organization file Form	4720 reporting	┌ Yes ┌ No

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

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

	,	<u> </u>	~ 9 '
Part II-B	Complete if the organiz	ation is exempt under section 501(c)(3) and has NOT filed Form 576	8
	(election under section	501(h)).	

		(6	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			
а	Volunteers?		No	
b	Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		No	
c	Media advertisements?		Νo	
d	Mailings to members, legislators, or the public?		Νo	
е	Publications, or published or broadcast statements?		No	
f	Grants to other organizations for lobbying purposes?		No	
g	Direct contact with legislators, their staffs, government officials, or a legislative body?		No	
h	Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
i	Other activities? If "Yes," describe in Part IV	Yes		32,138
j	Total lines 1c through 1i			32,138
2a	Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No	
b	If "Yes," enter the amount of any tax incurred under section 4912			
c	If "Yes," enter the amount of any tax incurred by organization managers under section 4912		ļ	
d	If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?			
Dai	+ HI-A. Complete if the organization is exempt under section $501(c)(4)$, section	E01/6	\ <u>/</u> E_0	rcoction

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

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

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

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

Part IV Supplemental Information

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

Identifier	Return Reference	Explanation
OTHER ACTIVITIES		PENINSULA REGIONAL MEDICAL CENTER PAYS DUES TO ORGANIZATIONS THAT LOBBY FEDERAL AND STATE LEGISLATORS ON BEHALF OF HOSPITALS AND HEALTH SYSTEMS THE PORTION OF DUES PAID TO THE AMERICAN HOSPITAL ASSOCIATION AND THE MARYLAND HOSPITAL ASSOCIATION ATTRIBUTABLE TO LOBBYING DURING FY 2011 TOTALED \$32,138

efile GRAPHIC print - DO NOT PROCESS

As Filed Data -

DLN: 93493136071602

OMB No 1545-0047

Open to Public Inspection

SCHEDULE D

(Form 990)

Department of the Treasury Internal Revenue Service

Supplemental Financial Statements

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

Name of the organization **Employer identification number** PENINSULA REGIONAL MEDICAL CENTER 52-0591628 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 Total number at end of year Aggregate contributions to (during year) 3 Aggregate grants from (during year) Aggregate value at end of year Did the organization inform all donors and donor advisors in writing that the assets held in donor advised ┌ Yes funds are the organization's property, subject to the organization's exclusive legal control? Did the organization inform all grantees, donors, and donor advisors in writing that grant funds may be used only for charitable purposes and not for the benefit of the donor or donor advisor, or for any other purpose conferring impermissible private benefit Part II Conservation Easements. Complete if the organization answered "Yes" to Form 990, Part IV, line 7. Purpose(s) of conservation easements held by the organization (check all that apply) Preservation of land for public use (e.g., recreation or pleasure) Preservation of an historically importantly land area Protection of natural habitat Preservation of a certified historic structure Preservation of open space Complete lines 2a-2d if the organization held a qualified conservation contribution in the form of a conservation easement on the last day of the tax year Held at the End of the Year Total number of conservation easements 2a Total acreage restricted by conservation easements 2b Number of conservation easements on a certified historic structure included in (a) 2c

Number of conservation easements included in (c) acquired after 8/17/06 3 Number of conservation easements modified, transferred, released, extinguished, or terminated by the organization during the taxable year ▶_

Number of states where property subject to conservation easement is located -

Does the organization have a written policy regarding the periodic monitoring, inspection, handling of violations, and enforcement of the conservation easements it holds?

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 ▶ \$

Does each conservation easement reported on line 2(d) above satisfy the requirements of section 170(h)(4)(B)(ı) and 170(h)(4)(B)(ıı)?

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

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

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

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

(i) Revenues included in Form 990, Part VIII, line 1

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

(ii) Assets included in Form 990, Part X

If the organization received or held works of art, historical treasures, or other similar assets for financial gain, provide the

following amounts required to be reported under SFAS 116 relating to these items

Revenues included in Form 990, Part VIII, line 1

Assets included in Form 990, Part X

Cat No 52283D

Schedule D (Form 990) 2010

▶\$_____

Part	TIT Organizations Maintaining Collec	ctions of Art, Hi	<u>stori</u>	<u>cal Treas</u>	ures, or Othe	<u>er Similar</u>	Asse	ts (co	<u>ntınued)</u>
3	Using the organization's accession and other reditems (check all that apply)	cords, check any of t	the fol	lowing that a	are a significant i	use of its co	llection	1	
а	Public exhibition	d	\vdash	Loan or ex	change programs	5			
ь	Scholarly research	e	Г	Other					
c	Preservation for future generations								
4	Provide a description of the organization's collect Part XIV	tions and explain ho	ow the	y further the	organization's e	xempt purpo	se in		
5	During the year, did the organization solicit or re assets to be sold to raise funds rather than to be					mılar	Г	Yes	┌ No
Par	Escrow and Custodial Arrangem Part IV, line 9, or reported an amou	ents. Complete i	f the	organizatio		es" to For	m 990),	
1a	Is the organization an agent, trustee, custodian included on Form 990, Part X?	or other intermediar	y for c	ontributions	or other assets	not	Γ	Yes	┌ No
b	If "Yes," explain the arrangement in Part XIV an	d complete the follo	wing t	able			Amou		
_	Decimaling helenge				1c		Amot	inc	
c d	Beginning balance Additions during the year				1d				
e	Distributions during the year				10 1e				
f	Ending balance				1f				
2a	Did the organization include an amount on Form	000 Part V June 21	2					Yes	┌ No
∠a b	If "Yes," explain the arrangement in Part XIV	990, Part X, IIIIe 21	•				'	165	, 140
	rt V Endowment Funds. Complete if the	e organization an	swer	ed "Yes" to	Form 990 Pa	rt IV line	10		
			(b) Prior			d) Three Years		Four Y	ears Back
1a	Beginning of year balance	28,295,999	2	5,231,843	29,317,177				
b	Contributions	105,500		206,865	110,900				
С	Investment earnings or losses	6,047,698		3,074,487	-4,000,545				
d	Grants or scholarships								
е	Other expenditures for facilities and programs								
f	Administrative expenses	257,805		217,196	195,689				
g	End of year balance	34,191,392	2	3,295,999	25,231,843				
2	Provide the estimated percentage of the year en								
а	Board designated or quasi-endowment 🕨 50	820 %							
b	Permanent endowment 🕨 0 150 %								
C	Term endowment ► 49 030 %								
3a	Are there endowment funds not in the possessio organization by	n of the organizatior	that	are held and	administered for	the		Yes	No
	(i) unrelated organizations					[3a(i)	163	No
	(ii) related organizations						3a(ii)		No
b	If "Yes" to 3a(II), are the related organizations li	sted as required on	Sched	lule R? .		[3b		
4	Describe in Part XIV the intended uses of the or	=							
Par	t VI Investments—Land, Buildings, a	nd Equipment.	See F	orm 990, I	Part X, line 10. I	1	<u> </u>		
	Description of investment			Cost or other (investment)	(b) Cost or other basis (other)	(c) Accumul depreciation		(d) Boo	ok value
1a	and				10,492,173			10	0,492,173
b i	Buildings				198,207,576	52,20	5,214	146	6,002,362
c I	_easehold improvements								
d i	Equipment				219,975,787	176,53	3,779	4:	3,442,008
					11,228,371		1,162		6,217,209
Tota	I. Add lines 1a-1e <i>(Column (d) should equal Form</i> :	990, Part X, column (E	3), line	10(c).) .		▶		206	6,153,752

Part VII Investments—Other Securities. Se (a) Description of security or category	(b)Book value	(c) Method of valuation
(Including name of security) (1)Financial derivatives	(b)Book value	Cost or end-of-year market value
(2)Closely-held equity interests		
O ther		
Total. (Column (b) should equal Form 990, Part X, col (B) line 12)	F	
Part VIII Investments—Program Related. S	ee Form 990, Part X, line	13.
(a) Description of investment type	(b) Book value	(c) Method of valuation
		Cost or end-of-year market value
Total. (Column (b) should equal Form 990, Part X, col (B) line 13)	je i	
Part IX Other Assets. See Form 990, Part X,		
(a) Desc	ription	(b) Book value
(1) INVESTMENT IN PARTNERSHIPS (2) UNAMORTIZED FINANCING COSTS		778,51 2,450,43
(3) OTHER ASSETS		2,430,43
(4) DEBT SERVICE RESERVE FUND		9,349,30
(5) DONOR RESTRICTED FUND		23,606,44
(6) SELF-INSURANCE FUND		14,984,15
(7) BOARD DESIGNATED INVESTMENTS		16,420,30
Total. (Column (b) should equal Form 990, Part X, col.(B) line		▶ 70,497,35
Part X Other Liabilities. See Form 990, Part		
1 (a) Description of Liability	(b) A mount	
Federal Income Taxes	0	
ADVANCES FROM 3RD PARTY PAYORS	8,461,106	
ACCRUED SELF INSURANCE LIABILITIES	11,803,381	
OTHER LIABILITIES	2,226,507	
EMP COMP RELATED PAYROLL TAX	12,578,581	
Total. (Column (b) should equal Form 990, Part X, col (B) line 25)	35,069,575	

1	Total revenue (Form 990, Part VIII, column (A), line 12)	1	397,288,036
2	Total expenses (Form 990, Part IX, column (A), line 25)	2	367,956,55
3	Excess or (deficit) for the year Subtract line 2 from line 1	3	29,331,479
4	Net unrealized gains (losses) on investments	4	14,624,32
5	Donated services and use of facilities	5	
6	Investment expenses	6	
7	Prior period adjustments	7	
8	Other (Describe in Part XIV)	8	13,773,838
9	Total adjustments (net) Add lines 4 - 8	9	28,398,159
10	Excess or (deficit) for the year per financial statements Combine lines 3 and 9	10	57,729,638
Par	t XII Reconciliation of Revenue per Audited Financial Statements With Revenue	er Reti	ırn
1	Total revenue, gains, and other support per audited financial statements	1	413,756,222
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12		
а	Net unrealized gains on investments		
b	Donated services and use of facilities		
c	Recoveries of prior year grants		
d	Other (Describe in Part XIV)		
e	Add lines 2a through 2d	2e	17,549,464
3	Subtract line 2e from line 1	3	396,206,758
4	Amounts included on Form 990, Part VIII, line 12, but not on line 1		
а	Investment expenses not included on Form 990, Part VIII, line 7b . 4a 927,540		
b	Other (Describe in Part XIV)		
C	Add lines 4a and 4b	4c	1,081,278
5	Total Revenue Add lines 3 and 4c. (This should equal Form 990, Part I, line 12)	5	397,288,036
	Reconciliation of Expenses per Audited Financial Statements With Expenses	per Re	
1	Total expenses and losses per audited financial statements	1	366,861,91
2	Amounts included on line 1 but not on Form 990, Part IX, line 25		
а	Donated services and use of facilities		
b	Prior year adjustments		
c	Other losses		
d	Other (Describe in Part XIV)		
e	Add lines 2a through 2d	2e	186,640
3	Subtract line 2e from line 1	3	366,675,27
4	Amounts included on Form 990, Part IX, line 25, but not on line 1:		
а	Investment expenses not included on Form 990, Part VIII, line 7b 4a 927,540		
b	Other (Describe in Part XIV) 4b 353,742		
C	Add lines 4a and 4b	4c	1,281,282
5	Total expenses Add lines 3 and 4c. (This should equal Form 990, Part I, line 18)	5	367,956,557

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

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

Identifier	Return Reference	Explanation				
INTENDED USE OF ENDOWMENTS FUNDS	PART V, LINE 4	THE ORGANIZATION'S ENDOWMENT FUND CAN BE USED FOR CAPITAL, PATIENT SERVICES OR EDUCATIONAL PURPOSES				
FIN 48 FOOTNOTE	PART X, LINE 2	The organization did not have any uncertain tax positions that were material to the financial statements. Accordingly, the organization did not include a FIN 48 footnote in its audited financial statements.				
RECONCILIATION		PART XI, LINE 8 - OTHER PENSION ADJUSTMENT - FAS 158 \$10,215,573 INVESTMENT INCOME SWAP 2,697,577 CHANGE IN EQUITY INTREST OF FOUNDATION 1,140,445 CAPITAL CAMPAIGN TRANSFERS FROM FOUNDATION 1,27 U/R NET ASSETS RELEASED FROM RESTRICTION 1,200,000 NET ASSETS RELEASED FROM RESTRICTION (1,520,810) PARTNERSHIP K-1 INCOME ON BOOKS NOT ON RETURN 40,926 TOTAL 13,773,838 PART XII, LINE 2D - OTHER RENT EXPENSE 186,640 PARTNERSHIP K-1 BOOK TO TAX 40,926 BASIS SWAP INCOME 2,697,5772,925,143 PART XII - LINE 4B - OTHER EXPENSES PREMIER K-1 687 CONTRIBUTIONS 153,051 153,738 PART XIII - LINE 2D - OTHER RENT EXPENSE 186,640 PART XIII - LINE 4B - OTHER EXPENSES ON PREMIER K-1 687 EXPENSE ROUNDING 4 FOUNDATION CONTRIBUTIONS 153,051 MANAGEMENT FEES RECLASSED FROM EXPENSES 200,000 353,742				

OMB No 1545-0047

Open to Public Inspection

SCHEDULE H (Form 990)

Department of the Treasury Internal Revenue Service

Name of the organization
PENINSULA REGIONAL MEDICAL CENTER

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

Hospitals

Employer identification number

Рa	rt I Financial Assista	nce and C	ertain Oth	er Community Be		0591628			
	i ilidiicidi Assista	ince and C	ortain ou	ioi community be	iiciits ut cost			Yes	No
1a	Did the organization have a fi	nnancıal assı	stance policy	y during the tax year? I	f "No," skip to questio	n 6 a .	1a	Yes	
b	If "Yes," is it a written policy						1b	Yes	
2	If the organization has multip	le hospitals,	ındıcate whic	h of the following best of	describes application o	of the financial		1	
	assistance policy to its vario	us hospital fa	cilities durin	g the tax year					
	Applied uniformly to all ho			Applied uniformly	to most hospitals				
	Generally tailored to indiv	ıdual hospıta	ıls						
3	Answer the following based or			nce eligibility criteria tl	nat applied to the large	st number of the			
	organization's patients during								
а	Does the organization use Fe income individuals? If "Yes,"						_		
		_			_	ity for free cure	3a	Yes	
	100% 150%		оо% Г	Other	<u>%</u>				
b	Does the organization use FP					dividuals? If			
	"Yes," indicate which of the fo	ollowing is the	e family incor	me limit for eligibility fo	r discounted care .		3b	Yes	
		▼ 30	oo% Г	350% Г 40	0% $m{\Gamma}$ Other_	<u>%</u>			
c	If the organization does not u	se FPG to de	termine eligil	oility, describe in Part \	/I the income based c	riteria for			
	determining eligibility for free test or other threshold, regard					uses an asset			
4	Did the organization's financi					uring the tay year	4	Yes	
7	provide for free or discounted					uring the tax year			
5a	Did the organization budget amount		·			· ·	5a	Yes	
b	If "Yes," did the organization		-		-		5b	Yes	
C	If "Yes" to line 5b, as a result care to a patient who was elig	_		· —	· ·	or discounted	E.		N.o.
6a	Does the organization prepare						5c 6a	Yes	No_
	year [?]					L	<u> </u>	1	
6b	If "Yes," did the organization		•				6b	Yes	
	Complete the following table worksheets with the Schedule	_	ksheets prov	ided in the Schedule H	instructions Do not s	ubmit these			
7	Financial Assistance and C	ertain Other	Community I	Benefits at Cost					
	Financial Assistance and	(a) Number of	(b) Persons	(c) Total community	(d) Direct offsetting	(e) Net community be	enefit	(f) Pero	cent of
	Means-Tested Government	piogranis	served (optional)	benefit expense	revenue	expense		total ex	pense
а	Programs Financial Assistance at cost	(optional)							
	(from Worksheets 1 and 2)			13,058,859		13,05	8,859	3	760 %
b	Unreimbursed Medicaid (from Worksheet 3, column a) .								
c	Unreimbursed costs—other means-tested government								
	programs (from Worksheet 3, column b)								
d	Total Financial Assistance and								
	Means-Tested Government Programs			13,058,859		13,05	8,859	3	760 %
_	Other Benefits Community health improvement								
e	services and community								
	benefit operations (from (Worksheet 4)	<u></u>	50,120	1,401,468	313,572	1,08	7,896	0	310 %
f	Health professions education (from Worksheet 5)		1,480	562,540	57,520	50	5,020	n	150 %
g	Subsidized health services		· ·	·	·				
h	(from Worksheet 6) Research (from Worksheet 7)		26,001	9,400,926	3,242,013	6,15	8,913	1	770 %
	Cash and in-kind contributions								
	to community groups (from Worksheet 8)		4,421	137,256		13	7,256	0	040 %
-	Total Other Benefits		82,022	11,502,190	3,613,105		9,085		270 %
L .	Total Add lines 7d and 7i	I	82 022	24 561 049	3 613 105	20 04.	7 944 I	6	030 %

	rt II Community Building activities during the of the communities	tax year, an	d describe in	Part VI how its co							alth
		(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) [orect off revenue	_	(e) Net communit building expense		(f) Perc total ex	
1	Physical improvements and housing										
2	Economic development			862					862		0 9
3	Community support			1,920				1.	920		0 (
4				2,520				2,	720		
5	Environmental improvements Leadership development and training								\dashv		
	for community members										
6	Coalition building Community health improvement			30,276				30,	276	0	010
	advocacy			19,078				19,	078	0	010
8	Workforce development			2,834				2,	834		0
9 0	Other								_		
	Total t IIII Bad Debt, Medicar	o & Colloc	tion Practice	54,970				54,	970	0	020
ect 1 2	ion A. Bad Debt Expense Did the organization report ba Statement No 15? Enter the amount of the organ					1anage 2	ment A 	ssociation • • • • 12,929,056	1	Yes	No
3	Enter the estimated amount o	_				3					
	attributable to patients eligibl	e under the or	ganızatıon's fına	ancial assistance po	licy .						
4 ect	Provide in Part VI the text of the In addition, describe the costinationale for including a portional B. Medicare	ng methodolo	gy used in deter	rmining the amounts							
5	Enter total revenue received f	rom Medicare	(ıncludıng DSH	and IME)		5		225,943,392			
5	Enter Medicare allowable cost	s of care relat	ing to payments	s on line 5		6		208,264,578			
7	Subtract line 6 from line 5 Th	•	. ,		• •	. 7		17,678,814			
3	Describe in Part VI the extent Also describe in Part VI the c Check the box that describes	osting method the method us	ology or source ed	used to determine	the amo						
	Cost accounting system	l ✓ Co	st to charge ra	tio	Other						
ect	ion C. Collection Practices										
9a	Does the organization have a								9a	Yes	
b	If "Yes," does the organization patients who are known to qua								9b	Yes	
Pai	rt IV Management Com				TIDE III	are vi				-	
	(a) Name of entity	(1	Description of pr activity of entity		c) Organ profit % o owners	or stock	,	I) Officers, directors, trustees, or key mployees' profit % r stock ownership%	pro	e) Physic ofit % or ownershi	stock
									T		
							-		+		
							_		-		
1											
							-		+		
							_		1		
i											
0									+		
.1									+		
							_		1		
2											
L3									T		

Part	V Facility Information									
(list in larges How m	on A. Hospital Facilities order of size, measured by total revenue per facility, from t to smallest) nany hospital facilities did the organization operate during t year? 1	Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	
Name	and address									Other (Describe)
1	PENINSULA REGIONAL MEDICAL CENTER 100 E CARROLL STREET SALISBURY,MD 218015493	х	х					х		
		<u> </u>								
		<u> </u>								
		<u> </u>								

Section C. Other Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility (list in order of size, measured by total revenue per facility, from largest to smallest)							
How many non-hospital facilities did the organization operate du	uring the tax year?						
Name and address	Type of Facility (Describe)						
1							
1							
3							
4							
5							
6 7							
8							
10							
	Schedule H (Form 990) 2010						

Part V Facility Information (continued)

Schedule H (Form 990) 2010 Page 8

Part VI Supplemental Information

Complete this part to provide the following information

Required descriptions. Provide the description required for Part I, lines 3c, 6a, and 7, Part II, Part III, lines 4, 8, and 9b, and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 11h, 13g, 15e, 16e, 17e, 18d, 19d, 20, and 21

- 2 **Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any needs assessments reported in Part V, Section B
- 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
- 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.)
- Affiliated health care system. If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served
- 7 **State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report

Identifier	ReturnReference	Explanation
SUPPLEMENTAL INFORMATION		PART I, LINE 3C N/A PART I, LINE 6A PENINSULA REGIONAL MEDICAL CENTER FILES ANNUALLY A COM
		MUNITY BENEFIT REPORT WITH THE STATE OF MARYLAND THE REPORT IS FILED WITH THE HSCRC (HEAL TH SERVICES COST REVIEW COMMISSION) PART I, LINE
		7 LINE 7 COLUMN (F) - THE AMOUNT OF BAD DEBT EXPENSE EXCLUDED FROM THE DENOMINATOR IN THE
		COLUMN (F) PERCENTAGES IS \$17,410,750 L INE 7A COLUMN (C) & (D)- MARYLAND'S REGULATORY SYSTEM
		CREATES A UNIQUE PROCESS FOR HOSPITA L PAYMENT THAT DIFFERS FROM THE REST OF THE NATION THE
		HEALTH SERVICES COST REVIEW COMMIS SION, (HSCRC) DETERMINES PAYMENT THROUGH A RATE-SETTING
		PROCESS AND ALL PAYORS, INCLUDING GOVERNMENTAL PAYORS, PAY THE SAME AMOUNT FOR THE SAME
		MARYLAND'S UNIQUE ALL-PAYOR SYSTEM INCLUDES A
		METHOD FOR REFERENCING UNCOMPENSATED CA RE IN EACH PAYORS' RATES, WHICH DOES NOT ENABLE MARYLAND HOSPITALS TO BREAKOUT ANY OFFSETT ING
		REVENUE RELATED TO UNCOMPENSATED CARE LINE 7B COLUMN (C) & (F)- MARYLAND'S REGULATORY SYSTEM
		CREATES A UNIQUE PROCESS FOR HOSPITAL PAYMENT THAT DIFFERS FROM THE REST OF THE NA TION THE
		HEALTH SERVICES COST REVIEW COMMISSION, (HSCRC) DETERMINES PAYMENT THROUGH A RAT E-SETTING
		PROCESS AND ALL PAYORS, INCLUDING GOVERNMENTAL PAYORS, PAY THE SAME AMOUNT FOR THE SAME
		SERVICES DELIVERED AT THE SAME HOSPITAL MARYLAND'S UNIQUE ALL-PAYOR SYSTEM INCLUD ES A
		METHOD FOR REFERENCING UNCOMPENSATED CARE IN EACH PAYORS' RATES, WHICH DOES NOT ENABLE
		MARYLAND HOSPITALS TO BREAKOUT ANY DIRECTED OFFSETTING REVENUE RELATED TO UNCOMPENSATED
		CARE COMMUNITY BENEFIT EXPENSES ARE EQUAL TO MEDICAID REVENUES IN MARYLAND, AS SUCH, THE NET EFFECT IS ZERO THE EXCEPTION TO THIS IS THE
		IMPACT ON THE HOSPITAL OF ITS SHARE OF THE MEDICAID ASSESSMENT IN RECENT YEARS, THE STATE
		OF MARYLAND HAS CLOSED FISCAL GAPS IN THE STATE MEDICAID BUDGET BY ASSESSING HOSPITALS THROUGH
		THE RATE-SETTING SYSTEM LINE 7F CO LUMN (C)- MARYLAND'S REGULATORY SYSTEM CREATES A UNIQUE
		PROCESS FOR HOSPITAL PAYMENT THAT DIFFERS FROM THE REST OF THE NATION THE HEALTH SERVICES COST
		REVIEW COMMISSION, (HSCRC) D ETERMINES PAYMENT THROUGH A RATE-SETTING PROCESS AND ALL PAYORS,
		INCLUDING GOVERNMENTAL PA YORS, PAY THE SAME AMOUNT FOR THE SAME SERVICES DELIVERED AT THE
		SAME HOSPITAL MARYLAND'S UNIQUE ALL-PAYOR SYSTEM INCLUDES A METHOD FOR REFERENCING
		UNCOMPENSATED CARE IN EACH PAYO RS' RATES, WHICH DOES NOT ENABLE MARYLAND HOSPITALS TO BREAKOUT ANY OFFSETTING REVENUE RELATED TO
		UNCOMPENSATED CARE LINE 7F COLUMN (D)- MARYLAND'S REGULATORY SYSTEM CREATES A UNI QUE
		PROCESS FOR HOSPITAL PAYMENT THAT DIFFERS FROM THE REST OF THE NATION THE HEALTH SERV ICES COST
		REVIEW COMMISSION, (HSCRC) DETERMINES PAYMENT THROUGH A RATE- SETTING PROCESS AN D ALL PAYORS,
		INCLUDING GOVERNMENTAL PAYORS, PAY THE SAME AMOUNT FOR THE SAME SERVICES DEL IVERED AT THE
		SAME HOSPITAL MARYLAND'S UNIQUE ALL-PAYOR SYSTEM INCLUDES A METHOD FOR REFE RENCING
		UNCOMPENSATED CARE IN EACH PAYORS' RATES, WHICH DOES NOT ENABLE MARYLAND HOSPITALS TO BREAKOUT ANY OFFSETTING REVENUE RELATED TO
		UNCOMPENSATED CARE SYSTEM INCLUDES A METHO D FOR REFERENCING UNCOMPENSATED CARE IN EACH
		PAYORS' RATES, WHICH DOES NOT ENABLE MARYLAND HOSPITALS TO BREAKOUT ANY OFFSETTING REVENUE
		RELATED TO UNCOMPENSATED CARE THE COST METH ODOLOGY FOR CHARITY CARE AND CERTAIN OTHER
		COMMUNITY BENEFITS IS THE COST-TO-CHARGE RATIO USED FOR THE CHARITY CARE PROGRAMS AND DIRECT
		COST METHOD FOR THE OTHER BENEFITS/PROGRAMS PART III, LINE 4 THE HOSPITAL PROVIDES SERVICES TO
		PATIENTS IN THE EASTERN SHORE AREA OF MARYLAND, DELAWARE AND VIRGINIA, THE MAJORITY OF WHOM ARE
		COVERED BY THIRD-PARTY HEALTH IN SURANCE THE HOSPITAL BILLS THE INSURER DIRECTLY FOR SERVICES PROVIDED INSURANCE COVERAGE AND FINANCIAL
		INFORMATION IS OBTAINED FROM PATIENTS UPON ADMISSION WHEN AVAILABLE THE HO SPITAL'S POLICY
		IS TO PERFORM IN-HOUSE COLLECTION PROCEDURES FOR APPROXIMATELY 85 DAYS A DETERMINATION IS
		MADE AT THAT TIME AS TO WHAT ADDITIONAL COLLECTION EFFORTS TO PURSUE A P ROVISION FOR
		UNCOLLECTIBLE ACCOUNTS IS RECORDED FOR AMOUNTS NOT YET WRITTEN OFF, WHICH ARE EXPECTED
		TO BECOME UNCOLLECTIBLE DISCOUNTS RANGING FROM 2% TO 6% OF CHARGES ARE GIVEN TO MEDICARE,
		MEDICAID AND CERTAIN APPROVED COMMERCIAL HEALTH INSURANCE AND HEALTH MAINTENANC E
		ORGANIZATION PROGRAMS FOR REGULATED SERVICES DISCOUNTS IN VARYING PERCENTAGES ARE GIVEN FOR
		CERTAIN UNREGULATED SERVICES THESE MAJOR PAYORS ROUTINELY REVIEW PATIENT BILLINGS AN D DENV BAYMENT FOR CERTAIN CHARGES AS MEDICALLY
		DENY PAYMENT FOR CERTAIN CHARGES AS MEDICALLY UNNECESSARY OR AS PERFORMED WITHOUT APPROP RIATE PREAUTHORIZATION DISCOUNTS AND DENIALS
		ARE RECORDED AS REDUCTIONS OF NET PATIENT SE RVICE REVENUE ACCOUNTS RECEIVABLE FROM THESE
		THIRD-PARTY PAYORS HAVE BEEN ADJUSTED TO REF LECT THE DIFFERENCE BETWEEN CHARGES AND THE
		ESTIMATED REIMBURSABLE AMOUNTS APPROXIMATELY 33% AND 36%, RESPECTIVELY, OF ACCOUNTS
		RECEIVABLE WERE DUE FROM THE MEDICARE PROGRAM AS OF JUNE 30, 2011 AND 2010, RESPECTIVELY LAWS
		AND REGULATIONS GOVERNING MEDICARE AND MEDICAI D PROGRAMS ARE COMPLEX AND SUBJECT TO
<u></u>		INTERPRETATI

Identifier	ReturnReference	Explanation
SUPPLEMENTAL INFORMATION		ON THE HOSPITAL BELIEVES THAT IT IS IN COMPLIANCE WITH ALL APPLICABLE LAWS AND REGULATION S AND IS
		NOT AWARE OF ANY PENDING OR THREATENED INVESTIGATIONS INVOLVING ALLEGATIONS OF PO
		TENTIAL WRONGDOING THAT WOULD HAVE A MATERIAL EFFECT ON THE FINANCIAL STATEMENTS COMPLIAN CE
		WITH SUCH LAWS AND REGULATIONS CAN BE SUBJECT
		TO FUTURE GOVERNMENT REVIEW AND INTERPRET ATION AS WELL AS SIGNIFICANT REGULATORY ACTION
		INCLUDING FINES, PENALTIES AND EXCLUSION FROM MEDICARE AND MEDICAID PROGRAMS BAD DEBT
		METHODOLOGY - PENINSULA REGIONAL MEDICAL CENTE R IS A TAX-EXEMPT NOT-FOR-PROFIT HOSPITAL THAT
		PROVIDES QUALITY MEDICAL SERVICES TO PATIEN TS REGARDLESS OF THEIR ABILITY TO PAY BY PROVIDING
		MEDICAL SERVICES TO ALL COMMUNITY MEMBERS
		REGARDLESS OF THEIR ABILITY TO PAY, THE HOSPITAL'S BAD DEBT EXPENSE QUALIFIES AS A COM MUNITY
		BENEFIT THE BAD DEBT EXPENSE CALCULATED ON LINE 2 WAS CALCULATED USING THE PATIENT CARE COST TO
		CHARGES METHODOLOGY PART III, LINE 8 MEDICARE ALLOWABLE COSTS WERE CALCULATE D USING A COST
		TO CHARGE RATIO PENINSULA REGIONAL MEDICAL CENTER PROVIDES QUALITY MEDICAL SERVICES TO ALL
		PATIENTS REGARDLESS OF WHAT INSURANCE THEY
		HAVE APPROXIMATELY, 49 44% OF THE MEDICAL CENTER'S REVENUE IS ATTRIBUTABLE TO MEDICARE
		PATIENTS PART III, LINE 9B COLL ECTION POLICIES ARE THE SAME FOR ALL PATIENTS IF A PATIENT NOTIFIES
		THE MEDICAL CENTER ABOUT THEIR INABILITY TO PAY, THE MEDICAL CENTER WILL SEND THEM THE CHARITY
		CARE AND FINANCI AL ASSISTANCE FORMS TO FILL OUT ONCE THE FORMS ARE COMPLETE AND RETURNED TO THE
		MEDICAL C ENTER AND THE PATIENT QUALIFIES FOR FINANCIAL ASSISTANCE, THEN THE PATIENT'S ACCOUNT
		WILL BE REMOVED FROM COLLECTIONS AND THE
		ACCOUNT WILL BE WRITTEN OFF PART V, LINE 13G PENINSUL A REGIONAL MEDICAL CENTER PUBLISHES
		ANNUALLY AN ADVERTISEMENT IN THE LOCAL NEWSPAPER ANNOU NCING THE AVAILABILITY OF FREE
		OR REDUCED COST CARE PART V, LINE 19D PENINSULA REGIONAL M EDICAL CENTER IS A MARYLAND HOSPITAL
		AS SUCH PATIENTS AND ALL INSURANCE COMPANIES, INCLUD ING MEDICARE & MEDICAID, PAY THE SAME
		RATE THIS RATE IS DETERMINED BY THE STATE AGENCY, IT HE MARYLAND HEALTH SERVICES COST REVIEW
		COMMISSION PART V, LINE 21 PENINSULA REGIONAL
		MED ICAL CENTER IS A MARYLAND HOSPITAL AS SUCH, PATIENTS AND ALL INSURANCE COMPANIES INCLUDIN G
		MEDICARE & MEDICAID PAY THE GROSS CHARGE PART VI, LINE 2 PENINSULA REGIONAL MEDICAL CEN TER IN
		COOPERATION WITH THE WICOMICO, WORCESTER AND SOMERSET COUNTIES, HEALTH DEPARTMENTS, THE
		ATLANTIC GENERAL HOSPITAL AND THE EDWARD W MCCREADY MEMORIAL HOSPITAL, HAS BEEN COND
		UCTING COMMUNITY HEALTH SURVEYS OF THE TRI- COUNTY AREA SINCE 1995 THESE SURVEYS, ADMINIST
		ERED BY PROFESSIONAL RESEARCH CONSULTANTS (PRC) OF OMAHA, NEBRASKA WERE ADMINISTERED IN 19 95,
		2000, 2004 AND 2009 IN ADDITION TO THESE ADULT
		SURVEYS, A SEPARATE ADOLESCENT SURVEY WAS CONDUCTED IN 2000, 2005, AND 2010 RESULTS OF
		THESE SURVEYS ARE USED BY THE PARTICIPAN TS TO ASSESS COMMUNITY HEALTH NEEDS AND PLAN FUTURE
		SERVICES OF PARTICULAR NOTE WAS THE D EVELOPMENT OF THE TRI-COUNTY DIABETES ALLIANCE,
		WHICH IS A COOPERATIVE VENTURE BETWEEN ALL THE PARTNERS AND COMMUNITY AGENCIES TO REDUCE THE
		INCIDENCES OF DIABETES IN THE TRI-COUNT Y AREA OTHER OUTCOMES RESULTING FROM THE SURVEY
		FINDINGS INCLUDE SMOKING CESSATION PROGRA MS,
		OTHER EARLY DETECTION AND SCREENING PROGRAMS FOR HEART AND CANCER, AS WELL AS HEALTH P
		ROMOTION AND EDUCATION WITH A FOCUS ON PREVENTION THE PRC COMMUNITY HEALTH
		ASSESSMENT IS A SYSTEMATIC, DATA-DRIVEN APPROACH TO DETERMINING THE HEALTH STATUS,
		BEHAVIORS AND NEEDS O F OUR COMMUNITY RESIDENTS SURVEY RESULTS ARE SHARED WITH THE
		COMMUNITY AND ARE POSTED TO THE PARTICIPANTS
		WEBSITES THIS COMMUNITY HEALTH ASSESSMENT SERVES AS A TOOL TOWARDS REACH ING THE
		FOLLOWING THREE GOALS 1 TO IMPROVE RESIDENTS' HEALTH STATUS, INCREASE THEIR LIFE SPANS, AND
		ELEVATE THEIR OVERALL QUALITY OF LIFE 2 REDUCE THE HEALTH DISPARITIES AMONG RESIDENTS BY
		GATHERING DEMOGRAPHIC INFORMATION ALONG WITH HEALTH STATUS AND BEHAVIOR DATA 3 TO INCREASE
		ACCESSIBILITY TO PREVENT

Identifier	ReturnReference	Explanation
STATE FILING OF COMMUNITY BENEFIT REPORT	990 SCHEDULE H, PART VI	MD,

Schedule H (Form 990) 2010

DLN: 93493136071602

OMB No 1545-0047

Inspection

Open to Public

Schedule J (Form 990)

Department of the Treasury Internal Revenue Service

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

Compensation Information

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

► Attach to Form 990. ► See separate instructions.

Name of the organization PENINSULA REGIONAL MEDICAL CENTER **Employer identification number**

	52-0391020							
Pa	rt I Questions Regarding Compensation		1					
	r		Yes	Νo				
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							
	First-class or charter travel Housing allowance or residence for personal use							
	▼ Travel for companions							
	Tax idemnification and gross-up payments Health or social club dues or initiation fees							
	Discretionary spending account Personal services (e g , maid, chauffeur, chef)							
b	If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement orprovision of all the expenses described above? If "No," complete Part III to explain	1b	Yes					
2	Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a?	2	Yes					
	onicers, unectors, dustees, and the CLO/Likecutive Director, regarding the items thetheu in line 147							
3	Indicate which, if any, of the following the organization uses to establish the compensation of the organization's CEO/Executive Director Check all that apply							
	✓ Compensation committee ✓ Written employment contract							
	✓ Independent compensation consultant ✓ Compensation survey or study							
	Form 990 of other organizations 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							
а	Receive a severance payment or change-of-control payment from the organization or a related organization?	4a		Νo				
b	Participate in, or receive payment from, a supplemental nonqualified retirement plan?	4b	Yes					
С	Participate in, or receive payment from, an equity-based compensation arrangement?	4c		Νo				
	If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III							
	Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.							
5	For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of							
а	The organization?	5a		Νo				
b	Any related organization?	5b		Νo				
	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							
а	The organization?	6a	Yes					
b	Any related organization?	6b	Yes					
	If "Yes," to line 6a or 6b, describe in Part III							
7	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III	7		No				
8	Were any amounts reported in Form 990, Part VII, paid or accured pursuant to a contract that was subject to the initial contract exception described in Regs section 53 4958-4(a)(3)? If "Yes," describe in Part III			N.a.				
_		8		No				
9	If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53 4958-6(c)?	9						

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

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

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

(A) Name		(B) Breakdown of	W-2 and/or 1099-MI	SC compensation	(C) Retirement and	(D) Nontaxable	(E) Total of columns	
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation	other deferred compensation	benefits	(B)(ı)-(D)	reported in prior Form 990 or Form 990-EZ
(1) R Alan Newberry	(I) (II)	785,358 0	0 0	782,473 0	0 0	0 0	1,567,831 0	
(2) Bruce I Ritchie	(I) (II)	314,624 0	62,340 0	36,079 0	47,221 0	20,156 0	480,420 0	
(3) Margaret Naleppa	(I) (II)	539,971 0	148,651 0	53,739 0	34,548 0	20,303 0	797,212 0	
(4) Lura Lunsford	(I) (II)	273,505 0	53,344 0	34,423 0	32,666 0	19,306 0	413,244 0	
(5) Thomas Lawrence MD	(I) (II)	372,384 0	86,142 0	49,884 0	40,571 0	23,429 0	572,410 0	
(6) James Martin MD	(I) (II)	573,638 0	0	0 0	13,185 0	6,448 0	593,271 0	
(7) PAUL ZORSKY MD	(ı) (ıı)	498,047 0	10,000 0	0	9,602 0	21,492 0	539,141 0	
(8) Justinian Ngaiza MD	(1) (11)	607,198 0	0 0	0	13,079 0	16,055 0	636,332 0	
(9) Panpit Klug MD	(1) (11)	533,007 0	0 0	0	13,185 0	10,233 0	556,425 0	
(10)								
(11)								
(12)								
(13)								
(14)								
(15)								
(16)								

Schedule J (Form 990) 2010

Part III Supplemental Information

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

Ident if ier	Return Reference	Explanation
Supplemental Compensation Information		Part I, Line 4B Margaret Naleppa is a participant in the 457F non qualified plan Part I, Line 6A and 6B Officers and key employees of Peninsula Regional Medical Center are paid compensation determined by the net earnings activity of the Medical Center and Peninsula Regional Health System

Schedule J (Form 990) 2010

Supplemental Information on Tax Exempt Bonds

Complete if the organization answered "Yes" to Form 990, Part IV, line 24a. Provide descriptions,

explanations, and any additional information in Schedule O (Form 990). ► Attach to Form 990. ► See separate instructions.

Department of the Treasury Internal Revenue Service

Schedule K

(Form 990)

Employer identification number

DLN: 93493136071602OMB No 1545-0047

Open to Public

Inspection

52-0591628

Name of the organization
PENINSULA REGIONAL MEDICAL CENTER

									ر ا	2 033	1020				
Part I Bond Issues															
	(a) Issuer Name	(b) Issuer EIN	(c) CUSIP #	(d) Date Issued	(e) Issue Price	e (f)	(f) Description of Purpose		(g) Defeased Bel		On (i) Possible (i) Possible (ii) Possible (iii) Possible (iiii) Possible (iiiii) Possible (iiiiii) Possible (iiiiiii) Possible (iiiiiiiiiii) Possible (iiiiiiiiiiiiiiiiiiiiiiiiiiiiiiiiiiii				
									Yes	No	Yes	No	Yes	No	
A	MARYLAND HEALTH & HIGHER EDUCATION FACILITY	52-0936091	574217WT8	02-09-2006	146,668,2	51 SEE	SEE PART IV			Х		х	T	х	
_															
	W-TT Dunanada														
Pa	rt II Proceeds				Α			В		С			D		
1	Amount of bonds retired	A mount of bonds retired					2,905								
2	A mount of bonds legally defe	A mount of bonds legally defeased													
3	Total proceeds of issue	154,	154,822,905												
4	Gross proceeds in reserve fui	11,127,422													
5	Capitalized interest from proc														
6	Proceeds in refunding escrow														
7	Issuance costs from proceed	1,167,501													
8	Credit enhancement from pro-														
9	Working capital expenditures														
10	Capital expenditures from pro	100,184,165													
11	O ther spent proceeds														
12	Other unspent proceeds														
13	Year of substantial completion				2009										
				Yes	No	Yes	No	Yes		No	Yes	s	No		
14	Were the bonds issued as par	X													
15	Were the bonds issued as par		Χ												
16	Has the final allocation of pro	Х													
17	Does the organization mainta allocation of proceeds?	х													
Pai	t IIII Private Business l	Jse					T					_			
l				Α		В		С			D				

property financed by tax-exempt bonds?

financed property?

2

Was the organization a partner in a partnership, or a member of an LLC, which owned

Are there any lease arrangements that may result in private business use of bond-

No

Χ

Yes

No

Yes

Yes

Yes

No

No

			Α	ı	В		С	ľ	D
		Yes	No	Yes	No	Yes	No	Yes	No
3a	Are there any management or service contracts that may result in private business use?	Х							
b	Are there any research agreements that may result in private business use of bond-financed property?		х						
С	Does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts or research agreements relating to the financed property?	Х							
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		0 850 %						
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		0 120 %						
6	Total of lines 4 and 5		0 970 %						
7	Has the organization adopted management practices and procedures to ensure the post-issuance compliance of its tax-exempt bond liabilities?	Х							

Pai	t IV Arbitrage				L	<u> </u>	I	I	
		А		В		С		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Has a Form 8038-T, Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate, been filed with respect to the bond issue?		Х						
2	Is the bond issue a variable rate issue?		X						
3a	Has the organization or the governmental issuer entered into a hedge with respect to the bond issue?								
		X							
	Name of provider	MORGAN ST	ANLEY						
	Name of provider								
c	Term of hedge		20 4						
d	Was the hedge superintegrated?		x						
e	Was a hedge terminated?		х						
4a	Were gross proceeds invested in a GIC?		Х						
ь	Name of provider								
С	Term of GIC								
d	Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?								
5	Were any gross proceeds invested beyond an available temporary period?		х						
6	Did the bond issue qualify for an exception to rebate?	Х							

Part V Supplemental Information

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

Identifier	Return Reference	Explanation
SCHEDULE K, PART I, COLUMN F		The proceeds of the issue, after payment of financing costs, were used primarily (i) to finance and refinance a portion of the costs of construction, renovation, acquisition and equipping of healthcare facilities, (ii) to refund outstanding 1993 bonds (issued 10/28/93), (iii) to pay a portion of the interest accruing on the Series 2006 Bonds for a period to extend to January 1, 2009, and (iv) to pay the Counterparty a termination payment of \$1,575 in connection with a forward starting interest rate exchange agreement entered into on August 9, 2005 and unwound on January 24, 2006 SCHEDULE K, PART II, LINE 10 Of the amount reported on Part II, Line 10, \$12,281,895 is capitalized interest

efile GRAPHIC print - DO NOT PROCESS

As Filed Data -

DLN: 93493136071602

OMB No 1545-0047

Schedule L

(Form 990 or 990-EZ)

Department of the Treasury Internal Revenue Service

Transactions with Interested Persons

► Complete if the organization answered "Yes" on Form 990, Part IV, lines 25a, 25b, 26, 27, 28a, 28b, or 28c, or Form 990-EZ, Part V lines 38a or 40b.

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

<u> 2010</u>

Open to Public Inspection

Name of the organization PENINSULA REGIONAL MEDICAL CENTER	EGIONAL MEDICAL CENTER						er				
art I Excess Benefit Tra	nsacti	ions (s	ection 501(c)	(3) a	nd section 501	(c)(4)		2-05916			
Complete if the organiza										ıne 40b	
1 (a) Name of disc	qualified	l person			(b) Description of transaction			Col	(c) Corrected?		
										Yes	No
Enter the amount of tax imposes		_	_				-	•	er ▶ ≰		
B Enter the amount of tax, If an								•	• \$		
Loans to and/or Complete if the organ					Part IV June 26	or For	m 990-l	E7 Dart\	/ line 3.8		
) Name of interested person and	(b) L	oan to om the ization?	(c) 0 rigina	ı	(d)Balance due	(e) defau	In	(f) Appro by boa	ved rd or	(g)Writ	
purpose	To	From	principal amo	ount		Yes	No	commit Yes	No No	Yes	No
	+ ' '	110111				103	110	103	110	103	+10
											\perp
			<u> </u>								<u></u>
<u>al.</u>				\$							
Grants or Assista Complete if the org						, line :	27.				
(a) Name of interested per	son	(en interested per janization	son	(c) A n	nount of g	rant or t	ype of assı	stance
						l					

Part IV Business Transactions Involving Interested Persons.

Complete if the organization answered "Yes" on Form 990, Part IV, line 28a, 28b, or 28c

(a) Name of interested person	(b) Relationship between interested person and the	(c) A mount of transaction	(d) Description of transaction	organı	arıng of zatıon's nues?
	organızatıon			Yes	No
(1) PENINSULA CARDIOLOGY ASSOCIATES	SEE PART V	258,589	RENTAL FEES		No

Part V Supplemental Information

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

Identifier	Return Reference	Explanation
SCHEDULE L, PART IV		RENE DESMARIAS, M D , A TRUSTEE OF THE MEDICAL CENTER, IS A MORE THAN 5% OWNER OF PENINSULA CARDIOLOGY ASSOCIATES

Schedule L (Form 990 or 990-EZ) 2010

efile GRAPHIC print - DO NOT PROCESS

As Filed Data -

DLN: 93493136071602

2010

Open to Public Inspection

SCHEDULE O (Form 990 or 990-EZ)

Name of the organization

PENINSULA REGIONAL MEDICAL CENTER

Department of the Treasury Internal Revenue Service Complete to provide information for responses to specific questions on Form 990 or to provide any additional information.

Supplemental Information to Form 990 or 990-EZ

► Attach to Form 990 or 990-EZ.

Employer identification number

Identifier	Return Reference	Explanation
		MARGARET NALEPPA, MARTIN NEAT, AND HUGH MCLAUGHLIN are members of the board of directors of Peninsula Health Ventures, a wholly-owned taxable subsidiary of Peninsula Regional Health System

ldentifier	Return Reference	Explanation
FORM 990, PART VI, SECTION A LINE 6	MEMBERS OF THE ORGANIZATION	PENINSULA REGIONAL HEALTH SYSTEM IS THE SOLE CORPORATE MEMBER OF THE MEDICAL CENTER FORM 990, PART VI, SECTION A, LINE 7A MEMBER'S ABILITY TO ELECT MEMBERS OF THE GOVERNING BODY IN ITS CAPACITY AS THE SOLE CORPORATE MEMBER OF THE MEDICAL CENTER, PENINSULA REGIONAL HEALTH SYSTEM HAS THE ABILITY TO ELECT MEMBERS OF THE MEDICAL CENTER'S GOVERNING BODY FORM 990, PART VI, SECTION A, LINE 7B DECISIONS SUBJECT TO APPROVAL BY MEMBERS AS THE SOLE CORPORATE MEMBER, PENINSULA REGIONAL HEALTH SYSTEM HAS THE ABILITY TO APPROVE MAJOR EXPENDITURES AND LONG TERM BORROWINGS OF THE MEDICAL CENTER

ldentifier	Return Reference	Explanation
FORM 990, PART VI, SECTION B, LINE 11B		OVERSIGHT OF THE COMPLETION OF THE ORGANIZATION'S FORM 990 HAS BEEN DELEGATED TO THE CHIEF FINANCIAL OFFICER OF PENINSULA REGIONAL MEDICAL CENTER BY THE PRESIDENT OF THE ORGANIZATION ONCE THE FORM 990 AND ALL SCHEDULES HAVE BEEN PREPARED BY THE ORGANIZATION'S INDEPENDENT TAX SERVICES PROVIDER, THEY ARE REVIEWED BY THE PRESIDENT PRIOR TO FILING

ldentifier	Return Reference	Explanation
FORM 990, PART VI, SECTION B, LINES 12A, 13, 14 & 16B	WRITTEN POLICIES	THE ORGANIZATION DOES HAVE WRITTEN CONFLICT OF INTEREST, WHISTLEBLOWER, DOCUMENT RETENTION & DESTRUCTION AND JOINT VENTURE POLICIES WITH WHICH IT COMPLIES HOWEVER, THE POLICIES HAD NOT BEEN FORMALLY ADOPTED BY THE HOSPITAL BOARD OR A COMMITTEE OF THE BOARD AS OF JUNE 30, 2011

Identifier	Return Reference	Explanation
FORM 990, PART VI SECTION B, LINE 15	PROCESS USED TO DETERMINE COMPENSATION	THE ORGANIZATION USES A COMPENSATION COMMITTEE TO DETERMINE THE COMPENSATION OF THE CEO/EXECUTIVE DIRECTOR AND OTHER KEY EMPLOYEES THE CEO OF THE ORGINIZATION HAS A WRITTEN EMPLOYMENT CONTRACT THE COMPENSATION COMMITTEE USES AN INDEPENDENT CONSULTANT, COMPENSATION SURVEYS AND OTHER ORGANIZATION'S FORM 990 IN THE DETERMINATION PROCESS

ldentifier	Return Reference	Explanation
	AVAILABILITY OF GOVERNING DOCUMENTS, POLICIES AND FINANCIAL STATEMENTS	THE ORGANIZATION'S GOVERNING DOCUMENTS, CONFLICT OF INTEREST POLICY AND FINANCIAL STATEMENTS ARE AVAILABLE TO THE PUBLIC UPON REQUEST TO THE PUBLIC INFORMATION OFFICE OF PENINSULA REGIONAL MEDICAL CENTER

Identifier	Return Reference	Explanation
FORM 990, PART VII, SECTION A, COLUMN (B)	AVERAGE HOURS PER WEEK DEVOTED TO RELATED ORGANIZATIONS	MURRAY HOY PENINSULA REGIONAL MEDICAL CENTER FOUNDATION - 1HRWK PENINSULA REGIONAL HEALTH SYSTEM - 1 HRWK MARTIN NEAT PENINSULA REGIONAL HEALTH SYSTEM - 1HRWK PENINSULA HEALTH VENTURES - 1 HRWK EDWARD URBAN PENINSULA REGIONAL HEALTH SYSTEM - 1 HRWK MARGARET NALEPPA PENINSULA REGIONAL HEALTH SYSTEM - 10 HRSWK PENINSULA HEALTH VENTURES - 1 HRWK MICHAEL CROUCH, M D PENINSULA REGIONAL HEALTH SYSTEM - 1 HRWK RENE DESMARAIS, M D PENINSULA REGIONAL HEALTH SYSTEM - 1 HRWK HERBERT GEARY III PENINSULA REGIONAL HEALTH SYSTEM - 1 HRWK MARION KEENAN PENINSULA REGIONAL HEALTH SYSTEM - 1 HRWK MARION KEENAN PENINSULA REGIONAL HEALTH SYSTEM - 1 HRWK MARION KEENAN PENINSULA REGIONAL HEALTH SYSTEM - 1 HRWK MONTY SAYLOR PENINSULA REGIONAL HEALTH SYSTEM - 1 HRWK FAROUK SULTANI, M D PENINSULA REGIONAL HEALTH SYSTEM - 1 HRWK FAROUK SULTANI, M D PENINSULA REGIONAL HEALTH SYSTEM - 1 HRWK FAROUK SULTANI, M D PENINSULA REGIONAL HEALTH SYSTEM - 1 HRWK FAROUK SULTANI, M D PENINSULA REGIONAL HEALTH SYSTEM - 1 HRWK FAROUK SULTANI, M D PENINSULA REGIONAL HEALTH SYSTEM - 1 HRWK FAROUK SULTANI, M D PENINSULA REGIONAL HEALTH SYSTEM - 1 HRWK FAROUK SULTANI, M D PENINSULA REGIONAL HEALTH SYSTEM - 1 HRWK

Identifier	Return Reference	Explanation
FORM 990, PART XI, LINE 5		Pension Adjustment - FAS 158 \$10,215,573 Unrealized gains on investments 14,624,321 Investment income Swap 2,697,577 Change in equity interest of Foundation 1,140,445 Capital campaign transfers from Foundation 127 U/R Net assets released from restriction 1,200,000 Net assets released from restriction (1,520,810) Partnership K-1 Income on books not on Tax return 40,926\$28,398,159

DLN: 93493136071602

2010

OMB No 1545-0047

Open to Public Inspection

Employer identification number

SCHEDULE R (Form 990)

Name of the organization

PENINSULA REGIONAL MEDICAL CENTER

Related Organizations and Unrelated Partnerships

► Complete if the organization answered "Yes" to Form 990, Part IV, line 33, 34, 35, 36, or 37.

► Attach to Form 990. ► See separate instructions.

Department of the Treasury Internal Revenue Service

100 EAST CARROLL ST

SALISBURY, MD 21801

100 EAST CARROLL ST

SALISBURY, MD 21801

(3) PENINSULA GENERAL HOSPITAL INS TRUST

52-2132761

52-6321234

52-0591628 Identification of Disregarded Entities (Complete if the organization answered "Yes" on Form 990, Part IV, line 33.) (d) (c) (e) Name, address, and EIN of disregarded entity Primary activity Legal domicile (state Total income End-of-year assets Direct controlling or foreign country) entity Identification of Related Tax-Exempt Organizations (Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related tax-exempt organizations during the tax year.) (g) Section 512(b)(13) (d) Direct controlling Name, address, and EIN of related organization Legal domicile (state Exempt Code section Public charity status Primary activity controlled (if section 501(c)(3)) or foreign country) entity organization Yes (1) PENINSULA REGIONAL MEDICAL FOUNDATION 100 EAST CARROLL ST 11 TYPE I **FUNDRAISING** MD 501(C)(3) SALISBURY, MD 21801 52-1851935 (2) PENINSULA REGIONAL HEALTH SYSTEM INC

PARENT

INS TRUST

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

MD

MD

501(C)(3)

501(C)(3)

11 TYPE II

11 TYPE III

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	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 Disprop allocat	rtionate	(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j Gene mana part	ral or aging	(k) Percentage ownership
							Yes	No	1	Yes	No	
(1) DELMARVA SURGERY CENTER 641 S SALISBURY BLVD SALISBURY, MD21801 52-2251436	HEALTHCARE	MD	NA	N/A								
Part IV Identif	fication of Relat	ed Org	anizations Taxa	ble as a Corpor	ation or Trust (Complete if the	organi	zatior	n answered "Yes"	on Fo	orm 9	90. Part IV.

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership
(1) PENINSULA HEALTH VENTURES INC 100 EAST CARROLL ST SALISBURY SALISBURY, MD21801 52-2250012	INVESTMENTS	MD	NA	C CORP			
(2) PRLTC INC 100 EAST CARROLL ST SALISBURY, MD21801 52-2190588	LONG TERM CARE	MD	NA	C CORP			
							200) 2010

Sched	ule R (Form 990) 2010		Рa	ge 3
Par	Transactions With Related Organizations (Complete if the organization answered "Yes" on Form 990, Part IV, line 34, 35, 35A, or 36.)			
	Note. Complete line 1 if any entity is listed in Parts II, III or IV		Yes	No
1 Du	ring the tax year, did the orgranization engage in any of the following transactions with one or more related organizations listed in Parts II-IV?			
а	Receipt of (i) interest (ii) annuities (iii) royalties (iv) rent from a controlled entity	1a		No
b	Gift, grant, or capital contribution to other organization(s)	1b		No
c	Gift, grant, or capital contribution from other organization(s)	1 c		No
d	Loans or loan guarantees to or for other organization(s)	1d		No
e	Loans or loan guarantees by other organization(s)	1e		No
f	Sale of assets to other organization(s)	1f		No
g	Purchase of assets from other organization(s)	1 g		No
h	Exchange of assets	1h		No
i	ease of facilities, equipment, or other assets to other organization(s)	1i		No
j	_ease of facilities, equipment, or other assets from other organization(s)	1j		No
k	Performance of services or membership or fundraising solicitations for other organization(s)	1k	Yes	
1	Performance of services or membership or fundraising solicitations by other organization(s)	11	Yes	
m	Sharing of facilities, equipment, mailing lists, or other assets	1m	Yes	
n	Sharing of paid employees	1n	Yes	
o	Reimbursement paid to other organization for expenses	10		No
р	Reimbursement paid by other organization for expenses	1 p	Yes	
q	O ther transfer of cash or property to other organization(s)	1q		No
r	Other transfer of cash or property from other organization(s)	1r	Yes	
	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) (b) (c) (c)	d)		

(a) Name of other organization	(b) Transaction type(a-r)	(c) Amount involved	(d) Method of determining amount involved
(1) PENINSULA REGIONAL MEDICAL CENTER FOUNDATION	L, R	1,458,780	
(2) PENINSULA REGIONAL MEDICAL CENTER FOUNDATION	M, N,	440,431	
(3) PENINSULA HEALTH VENTURES	к	200,000	
(4)			
(5)			
(6)			

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

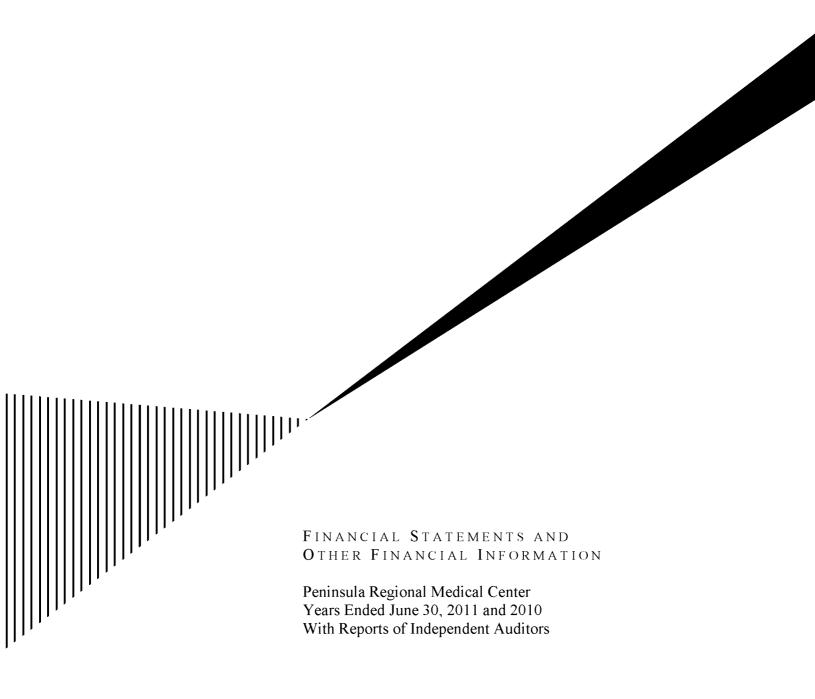
(a) Name, address, and EIN of entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Are all partners section 501(c)(3) organizations?		(e) Share of end-of-year assets	(f) Disproprtionate allocations?		(g) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	mana part	h) eral or laging tner?
			Yes	No		Yes	No		Yes	No
			+						+	1
			-				\vdash		+	╁
			1						+	-
										+
										┢
			+							
			<u> </u>							

Part VII Supplemental Information

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

Identifier	Return Reference	Explanation
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Schedule R (Form 990) 2010



Ernst & Young LLP



Financial Statements and Other Financial Information

Years Ended June 30, 2011 and 2010

Contents

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Ernst & Young LLP 621 East Pratt Street Baltimore, Maryland 21202

Tel + 1 410 539 7940 Fax + 1 410 783 3832 www.ey.com

Report of Independent Auditors

Board of Trustees Peninsula Regional Medical Center

We have audited the accompanying balance sheets of Peninsula Regional Medical Center (the Hospital) as of June 30, 2011 and 2010, and the related statements of operations and changes in net assets, and cash flows for the years then ended These financial statements are the responsibility of the Hospital's management Our responsibility is to express an opinion on these financial statements based on our audits

We conducted our audits in accordance with auditing standards generally accepted in the United States Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Hospital's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control over financial reporting Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Peninsula Regional Medical Center at June 30, 2011 and 2010, and the results of its operations and changes in its net assets and its cash flows for the years then ended in conformity with U S generally accepted accounting principles

September 16, 2011

1103-1241189

Ernst + Young LLP

Balance Sheets (In Thousands)

	June 30			
		2011		2010
Assets				
Current assets				
Cash and cash equivalents	\$	25,638	\$	25,295
Short-term investments		5,836		5,522
Accounts receivable, less allowance for uncollectible				
accounts (2011 – \$7,072, 2010 – \$7,689)		35,572		35,482
Inventories and other		13,119		12,306
Total current assets		80,165		78,605
Long-term investments		136,117		100,227
Board-designated investments		16,420		13,475
Assets limited as to use				
Debt service reserve fund		9,349		9,376
Donor-restricted fund		23,607		19,937
Self-insurance fund		14,459		12,494
		47,415		41,807
Property and equipment, net		206,154		212,665
Unamortized financing costs, net of accumulated				
amortization (2011 – \$471, 2010– \$373)		2,450		2,548
Other assets		3,687		1,782
Total assets	\$	492,408	\$	451,109

	June 30				
		2011		2010	
Liabilities and net assets					
Current liabilities					
Current portion of long-term debt	\$	2,810	\$	2,720	
Current portion of accrued self-insured liabilities		1,895		695	
Accounts payable and accrued liabilities		26,507		25,975	
Advances from third-party payors		8,461		8,158	
Total current liabilities		39,673		37,548	
Long-term debt, net		131,566		134,675	
Other liabilities		12,134		27,581	
Total liabilities		183,373		199,804	
Net assets					
Unrestricted		286,635		231,374	
Temporarily restricted		14,335		11,880	
Permanently restricted		8,065		8,051	
Total net assets		309,035		251,305	

Total liabilities and net assets

See accompanying notes.

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492,408 \$

451,109

Statements of Operations and Changes in Net Assets (In Thousands)

	Year Ended June 30			
	 2011		2010	
Unrestricted revenue and other support				
Net patient service revenue	\$ 380,052	\$	368,409	
Other operating revenue	2,357		2,059	
Total unrestricted revenue and other support	382,409		370,468	
Operating expenses				
Salaries and wages	138,742		137,107	
Supplies and other expenses	146,120		144,028	
Employee benefits	36,169		36,592	
Depreciation	21,829		20,881	
Bad debts	17,411		17,977	
Interest	 6,591		6,853	
Total operating expenses	366,862		363,438	
Income from operations	15,547		7,030	
Nonoperating income				
Nonoperating income	12,164		10,304	
Basis swap income	3,128		1,753	
•	15,292		12,057	
Excess of unrestricted revenue and other				
support over expenses	\$ 30,839	\$	19,087	

(continued)

Statements of Operations and Changes in Net Assets (continued) (In Thousands)

	Year Ended June 30		
	 2011	2010	
Unrestricted net assets			
Excess of unrestricted revenue and other			
support over expenses	\$ 30,839 \$,	
Net assets released from restrictions	1,200	2,530	
Unrealized gains on investments	13,006	4,433	
Pension adjustment	 10,216	(1,620)	
Increase in unrestricted net assets	55,261	24,430	
Temporarily restricted net assets			
Capital campaign transfers from the Foundation	_	1	
Change in equity interest in the Foundation	1,141	1,048	
Donations	_	29	
Net realized gains on investments	1,222	865	
Unrealized gains on investments	1,613	541	
Net assets released from restrictions	(1,521)	(2,942)	
Increase (decrease) in temporarily restricted net assets	 2,455	(458)	
Permanently restricted net assets			
Donations	5	12	
Net realized gains on investments	4	3	
Unrealized gain on investments	5	2	
Increase in permanently restricted net assets	 14	17	
Increase in net assets	57,730	23,989	
Net assets at beginning of year	 251,305	227,316	
Net assets at end of year	\$ 309,035 \$	251,305	

See accompanying notes.

Statements of Cash Flows (In Thousands)

	Year Ended June 30		
		2011	2010
Operating activities			
Change in net assets	\$	57,730 \$	23,989
Adjustments to reconcile change in net assets to net cash			
provided by operating activities			
Depreciation of property and equipment		21,829	20,835
Amortization of original issue premium		(299)	(297)
Amortization of intangible assets		98	98
(Gain) loss on sale of property and equipment		(32)	65
Net unrealized gains on investments		(13,021)	(4,976)
Net realized gains on investments		(7,478)	(5,813)
Non-cash change in donor-restricted fund		(2,038)	1.297
Proceeds from restricted contributions and realized		, , ,	
losses on restricted investments		1,226	867
Changes in operating assets and liabilities		,	
Accounts receivable		(90)	1,630
Inventories and other assets		(2,718)	(1,594)
Accounts payable and accrued liabilities		532	(2.124)
Accrued self-insured and other liabilities		(14,247)	(2.793)
Advances from third-party payors		303	13
Net cash provided by operating activities		41,795	31,197
Investing activities			
Purchase of investments		(99,550)	(95,247)
Proceeds from sales of investments		79,990	94.696
Purchases of property and equipment		(15,286)	(17,727)
Change in assets limited as to use		(2,660)	(1.546)
Net cash used in investing activities		(37,506)	(19,824)
Financing activities			
Proceeds from restricted contributions and realized			
losses on restricted investments		(1,226)	(867)
Repayments of long-term debt		(2,720)	(2,625)
Net cash used in financing activities		(3,946)	(3,492)
Net increase in cash and cash equivalents		343	7,881
Cash and cash equivalents at beginning of year		25,295	17,414
Cash and cash equivalents at end of year	\$	25,638 \$	25,295

See accompanying notes

Notes to Financial Statements (In Thousands)

June 30, 2011

1. Organization and Mission

Peninsula Regional Medical Center (the Hospital) is a not-for-profit, nonstock corporation founded in 1897 to serve the health care needs of its region Primary service areas include the Maryland counties of Wicomico, Somerset and Worcester, south Delaware and the northern Eastern Shore of Virginia The Hospital's mission is to improve the health care of the community by providing exceptional quality primary, secondary and selected tertiary health care services to patients in a competent and compassionate manner, designed to elicit a high degree of customer satisfaction. The Hospital provides services regardless of race, creed, sex, national origin, handicap or age

The Hospital is a wholly owned subsidiary of Peninsula Regional Health System, Inc (the Health System) which serves as the parent company to the Hospital, Peninsula Regional Medical Center Foundation, Inc (the Foundation) and Peninsula Health Ventures, Inc (Health Ventures) The Health System is a not-for-profit Maryland membership corporation established to manage the integrated delivery of health care services to the community. The Health System is the sole corporate member of the Hospital, the Foundation and Health Ventures. In its capacity as sole member of these entities, the Health System will appoint trustees, approve major expenditures and approve long-term borrowings.

2. Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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 revenues and expenses during the reporting period Actual amounts could differ from those estimates

Reclassifications

Certain amounts from the prior year financial statements have been reclassified in order to conform to the current year presentation

Notes to Financial Statements (continued) (In Thousands)

2. Significant Accounting Policies (continued)

Fair Value of Financial Instruments

The carrying amounts of financial instruments, including cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, and advances from third-party payors, approximate fair value given the short-term nature of these financial instruments

Cash and Cash Equivalents

Cash and cash equivalents include surplus operating funds invested in money market funds and highly liquid corporate, U S government and agency obligations, all with maturities of less than three months when purchased

Investments and Investment Income

Investments are carried at fair value All such investments are considered available for sale and are classified as current or noncurrent assets based on management's intention as to use Short-term investments represent investments with contractual maturities within one year and current investments in money market funds which have been designated for long-term investment purposes Assets limited as to use by donor restriction are recorded at fair value at the date of donation and changes in fair value are recognized in the period in which the change occurs Investment income from all unrestricted investments is reported as nonoperating income Investment income on investments of restricted assets is added to or deducted from the appropriate restricted net assets when restricted as to use by the donor

The value of securities sold is based on the specific identification method

The Hospital periodically evaluates whether any declines in the fair value of investments are other-than-temporary. This evaluation consists of a review of several factors, including but not limited to length of time and extent that a security has been in an unrealized loss position, the existence of an event that would impair the issuer's future earnings potential, the near-term prospects for recovery of the market value of a security, and the intent and ability of the Hospital to hold the security until the market value recovers. Realized gains or losses are included in nonoperating (expense) income in the accompanying statements of operations. Declines in fair value below cost that are deemed to be other-than-temporary would be recorded as realized losses within nonoperating (expense) income. Based on its evaluation, the Hospital has recorded no other-than-temporary impairments for the years ended June 30, 2011 and 2010.

Notes to Financial Statements (continued) (In Thousands)

2. Significant Accounting Policies (continued)

Derivative Instruments

The Hospital entered into a forward-starting interest rate exchange agreement on August 9, 2005 with Morgan Stanley Capital Services Inc (the Counterparty) to reduce the risk of changing interest rates with a notional amount of \$137,845 Under the agreement, the Hospital paid a fixed rate of approximately 3 5% and received a variable rate of 68% of three-month London Interbank Offered Rate (LIBOR) The Hospital unwound the agreement on January 24, 2006 and paid the Counterparty a termination payment of \$1,575 on February 9, 2006 from proceeds of the 2006 Bond issue The termination payment of \$1,575 has been recognized as unamortized financing costs and is being amortized over the life of the 2006 Bond issue using the straight-line method, which approximates the effective interest method

On January 26, 2006, the Hospital amended the August 9, 2005 agreement with the Counterparty and entered into an interest rate swap (the Basis Swap) on a notional amount of \$142,910 under which the Hospital will pay the Counterparty floating rate payments based upon the Securities Industry and Financial Markets Association (SIFMA) Municipal Swap Index and will receive floating rate payments based upon 68% of three-month LIBOR, plus a fixed spread of 0 523% Under Accounting Standards Codification (ASC) No 815, *Derivatives and Hedging*, the Hospital has recognized its derivative instruments in the balance sheets at fair value As these derivative instruments are not designated as hedges, the changes in fair value have been recognized in the accompanying statements of operations and changes in net assets as mark-to-market adjustments, included within basis swap income (loss)

The fair market value of the swap agreement is included in other liabilities or other assets in the accompanying balance sheets. The fair market value calculation includes a credit valuation adjustment (CVA) as required by ASC 820, Fair Value Measurements and Disclosures. At June 30, 2011, the valuation of the interest rate swap asset was increased by \$447 when applying the CVA. At June 30, 2010, the valuation of the interest rate swap agreement liability position was reduced by \$708 when applying the CVA. The change in the fair market value of the swap agreement is recorded in the performance indicator, as the swaps are not designated as an effective hedge.

Credit exposure associated with non-performance by the counterparty to the derivative instrument is generally limited to the uncollateralized fair value of the asset related to instruments recognized in the balance sheets

Notes to Financial Statements (continued) (In Thousands)

2. Significant Accounting Policies (continued)

The Hospital's derivative agreement does not contain any credit support provisions that require it to post collateral if there are declines in the derivative value or its credit rating

At June 30, 2011, the value of this instrument was a \$357 asset position, recorded in other assets At June 30, 2010, the value of this instrument was a \$2,075 liability position, recorded in other liabilities

Accounts Receivable and Contractual Allowances

The Hospital provides services to patients in the Eastern Shore area of Maryland, Delaware and Virginia, the majority of whom are covered by third-party health insurance The Hospital bills the insurer directly for services provided

Insurance coverage and financial information is obtained from patients upon admission when available The Hospital's policy is to perform in-house collection procedures for approximately 85 days A determination is made at that time as to what additional collection efforts to pursue A provision for uncollectible accounts is recorded for amounts not yet written off, which are expected to become uncollectible

Discounts ranging from 2% to 6% of charges are given to Medicare, Medicaid and certain approved commercial health insurance and health maintenance organization programs for regulated services Discounts in varying percentages are given for certain unregulated services. These major payors routinely review patient billings and deny payment for certain charges as medically unnecessary or as performed without appropriate preauthorization. Discounts and denials are recorded as reductions of net patient service revenue. Accounts receivable from these third-party payors have been adjusted to reflect the difference between charges and the estimated reimbursable amounts.

Approximately 33% and 36%, respectively, of accounts receivable were due from the Medicare program as of June 30, 2011 and 2010, respectively

Laws and regulations governing Medicare and Medicaid programs are complex and subject to interpretation. The Hospital believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing that would have a material effect on the financial statements. Compliance

Notes to Financial Statements (continued) (In Thousands)

2. Significant Accounting Policies (continued)

with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties and exclusion from Medicare and Medicaid programs

Inventories and Other Assets

Inventories and other primarily includes inventories of supplies and prepaid expenses Inventories of supplies are carried at lower of cost or market, using the first-in, first-out method

Other Assets

Other assets primarily include an investment in a limited partnership. This investment is accounted for under the equity method of accounting

Assets Limited as to Use

Assets limited as to use primarily includes assets held by trustees under indenture agreements, assets held by trustees under irrevocable self-insurance trust agreements and assets whose use has been limited by the donor of the underlying funds. Assets limited as to use also includes the Hospital's beneficial interest in the Foundation's temporarily restricted net assets. Amounts required to meet current liabilities of the Hospital have been classified in the balance sheets as current assets.

Board-Designated Investments

Board-designated investments include assets set aside by the Board of Trustees for future capital improvements and expansion The Board of Trustees retains control of these assets and may, at its discretion, subsequently use them for other purposes

Property and Equipment

Property and equipment acquisitions 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 Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets

Notes to Financial Statements (continued) (In Thousands)

2. Significant Accounting Policies (continued)

Gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted donations. Absent explicit donor stipulations about how long those assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Unamortized Financing Costs

Financing costs incurred in issuing the Maryland Health and Higher Educational Facilities Authority Project and Refunding Revenue Bonds have been capitalized and are being amortized using the straight-line method over the life of the bonds, which approximates the effective interest method The amount amortized is recorded as an operating expense

Estimated Self-Insurance Liabilities and Workers' Compensation

The provision for estimated professional liability claims, general liability claims and workers' compensation claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported

Pension Benefits

Pension benefits are recorded in accordance with ASC No 715, *Compensation – Retirement Benefits*, which requires the recognition of the funded status of pension plans within the accompanying balance sheets As of June 30, 2011 and 2010, the funded status of the pension plan has been recorded within other long-term assets and other long-term liabilities, respectively

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the Hospital has been limited by donors to a specific time period or purpose Temporarily restricted net assets are to be used for capital purposes and other health care services

Permanently restricted net assets have been restricted by donors to be maintained by the Hospital in perpetuity

Notes to Financial Statements (continued) (In Thousands)

2. Significant Accounting Policies (continued)

Net Patient Service Revenue

Net patient service revenue is reported at the estimated realizable amounts from patients, third-party payors and others for services rendered During 2011 and 2010, approximately 49% and 49% of net patient service revenue was received under the Medicare program, 13% and 14% from CareFirst Blue Cross Blue Shield, 30% and 29% from contracts with other third parties, and 8% and 8% from other sources, respectively

The following table sets forth the detail of net patient service revenue

	Year Ended June 30			
		2011		2010
Gross patient service revenue	\$	457,035	\$	426,582
Revenue deductions				
Charity care		15,662		13,865
Contractual and other allowances		61,321		44,308
Net patient service revenue	\$	380,052	\$	368,409

Charity Care

The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue

Donor-Restricted Gifts

Unconditional promises to give cash and other assets to the Hospital are reported at fair value at the date the promise is received Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as either temporarily or permanently restricted donations 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 the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statements of operations and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying financial statements

Notes to Financial Statements (continued) (In Thousands)

2. Significant Accounting Policies (continued)

Nonoperating Income

Nonoperating income primarily includes investment income from short-term and long-term investments, board-designated investments and investments within assets limited as to use In addition, investment income is also recorded for certain equity method investments that are included within other assets

The components of nonoperating income are as follows

	Year Ended June 30			
		2011		2010
Interest and dividend income	\$	3,356	\$	3,204
Realized gains, net		7,478		5,813
Income earned on equity method investments		1,316		1,202
Other		14		85
Total	\$	12,164	\$	10,304

Income Taxes

The Hospital is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code

Performance Indicator

The performance indicator for the Hospital is excess of unrestricted revenue and other support over expenses, which includes all changes in unrestricted net assets except for changes in unrealized gains and losses on investments, pension adjustments in accordance with ASC No 958-715 – Not for Profit Entities – Compensation – Retirement Benefits and net assets released from restrictions for property acquisitions

Notes to Financial Statements (continued) (In Thousands)

2. Significant Accounting Policies (continued)

Recent Accounting Pronouncements

In January 2010, the FASB issued ASC Accounting Standards Update (ASU) No 2010-06 (ASU 2010-06), which clarifies certain existing fair value measurement disclosure requirements of ASC Topic 820 – Fair Value Measurements and Disclosures and also requires additional fair value measurement disclosures Specifically, ASU 2010-06 clarifies that assets and liabilities must be leveled by major class of asset or liability, and provides guidance regarding the identification of such major classes Additionally, disclosures are required about valuation techniques and the inputs to those techniques, for those assets or liabilities designated as Level 2 or Level 3 instruments Disclosures regarding transfers between Level 1 and Level 2 assets and liabilities are required, as well as a deeper level of disaggregation of activity within existing rollforwards of the fair value of Level 3 assets and liabilities. The adoption of this guidance did not have a significant impact on the Hospital's financial statements for the year ended June 30, 2011

In August 2010, the FASB issued ASU 2010-23 which provided guidance on measuring charity care for disclosure purposes. This guidance requires that cost be used as the measurement basis for charity care disclosure purposes and that cost be identified as the direct and indirect costs of providing charity care. Disclosure requirements include the method used to identify or determine such costs. This guidance is effective for the Hospital for the fiscal year ending June 30, 2012. The Hospital is currently evaluating the impact of this guidance.

In July 2011, the FASB issued ASU 2011-07 which provided guidance on the presentation and disclosure of patient service revenue, provisions for bad debts, and the allowance for doubtful accounts for certain health care entities. This guidance changes the presentation of the statement of operations by reclassifying the provision for bad debts associated with patient service revenue from an operating expense to a deduction from patient service revenue (net of contractual allowances and discounts). Additionally, the guidance requires enhanced disclosures about the policies for recognizing revenue and assessing bad debts, as well as qualitative and quantitative information about changes in the allowance for doubtful accounts. This guidance is effective for the Hospital for the fiscal year ending June 30, 2013. The Hospital is currently evaluating the impact of this guidance.

Notes to Financial Statements (continued) (In Thousands)

3. Property and Equipment

A summary of property and equipment follows

	Estimated	June 30)
	Useful Lives		2011		2010
Land	_	\$	10,492	\$	10,492
Land improvements	20		11,228		10,626
Buildings and improvements	15 - 40		190,880		188,294
Fixed equipment	20		30,270		30,270
Movable equipment	7 - 10		189,707		179,964
			432,577		419,646
Less accumulated depreciation			(233,750)		(213,078)
			198,827		206,568
Construction in progress			7,327		6,097
Property and equipment, net		\$	206,154	\$	212,665

As of June 30, 2011, the Hospital was committed to building and equipment purchases totaling approximately \$1,279

4. Other Liabilities

The components of other liabilities are as follows

	June 30			
		2011		2010
Long-term benefit obligation Self insurance obligations Interest rate swap liability	\$	- 11,695 -	\$	14,610 10,087 2,075
Other		439		809
Total	\$	12,134	\$	27,581

Notes to Financial Statements (continued) (In Thousands)

5. Long-Term Debt

Long-term debt consists of the following

	June 30			
		2011		2010
Maryland Health and Higher Educational Facilities				
Authority Revenue Bonds Series 2006				
Serial bonds with interest rates ranging from 3 50% to				
5 00% and effective rates ranging from 3 49% to				
4 67% due in various annual amounts on July 1 of				
each year from 2007 through 2021 and 2027	\$	36,560	\$	39,265
5 00% term bonds with effective rate of 4 44% due				
July 1, 2026		24,635		24,635
5 00% term bonds with effective rate of 4 63% due				
July 1, 2036		69,505		69,505
Property acquisition note				
5 50% due March 1 of each year from 2007 to 2015		60		75
		130,760		133,480
Less				
Current portion of Maryland Health and Higher				
Educational Facilities Authority Series 2006 serial				
bonds		2,795		2,705
Property acquisition note		15		15
		127,950		130,760
Original issue premium		3,616		3,915
Long-term debt, less current portion	\$	131,566	\$	134,675

On February 9, 2006, the Maryland Health and Higher Educational Facilities Authority (MHHEFA) authorized the issuance of \$142,910 aggregate principal amount of Revenue Bonds (Series 2006 Bonds) at a premium of \$5,333. The proceeds of the issue, after payment of financing costs, were used primarily (i) to finance and refinance a portion of the costs of construction, renovation, acquisition and equipping of the 2006 Project, (ii) to refund outstanding 1993 bonds, (iii) to pay a portion of the interest accruing on the Series 2006 Bonds for a period to extend to January 1, 2009, and (iv) to pay the Counterparty a termination payment of \$1,575 in connection with a forward starting interest rate exchange agreement entered into on August 9, 2005 and unwound on January 24, 2006

Notes to Financial Statements (continued) (In Thousands)

5. Long-Term Debt (continued)

Under the terms of the 2006 project and refunding revenue bonds, the Hospital is required to maintain certain deposits with a trustee Such deposits are included within assets limited as to use The revenue note indenture also places limits on the incurrence of additional borrowings and requires that the Hospital satisfy certain measures of financial performance as long as the notes are outstanding

The Hospital is required to make semiannual payments to the trustee sufficient to meet the annual debt service requirements of the refunding bond issue for the succeeding year Annual sinking fund installments for the term bonds range from \$3,690 on July 1, 2027 to \$8,820 at maturity The premium on the Series 2006 Bonds is being amortized over the life of the bonds using the effective interest method

As security for the debt service requirements of the Series 2006 Bonds, MHHEFA has a first lien and claim on all receipts of the Hospital The terms of the indenture agreement restrict the Hospital's ability to create additional indebtedness and its use of the facilities, and require the Hospital to maintain stipulated insurance coverage and a rate structure in each year sufficient to meet certain rate covenant requirements

On March 1, 2006, the Hospital entered into a promissory note for the acquisition of property in the amount of \$135 (\$60 outstanding at June 30, 2011) The interest rate is 5 50% with principal and interest due annually through 2015

On October 30, 2001, Delmarva Surgery Center, LLC (the Company), a 51%-owned subsidiary of Health Ventures, entered into variable rate loan agreements with M&T Bank in the amount of \$4,500 (\$2,168 outstanding at June 30, 2011) with monthly payments in various amounts through May 2012 to build and equip an ambulatory surgery center. The Company has entered into interest rate swap agreements that effectively convert its variable rate debt to a fixed rate basis for the years ended June 30, 2011 and 2010. The unrealized gain or loss on the interest rate swap is not significant.

Health Ventures has guaranteed the loan limited to its pro rata interest. In addition, the Hospital has entered into an agreement with M&T Bank to guarantee Health Ventures' commitment for this loan.

Notes to Financial Statements (continued) (In Thousands)

5. Long-Term Debt (continued)

Scheduled principal repayments on long-term debt for the years ending June 30 are as follows

2012	\$ 2,810
2013	2,930
2014	3,055
2015	3,185
2016	3,330
2017 and thereafter	115,450
	\$ 130,760

Fair values of long-term debt are estimated using discounted cash flow analyses, based on current incremental borrowing rates for similar types of borrowing arrangements

The fair market value of the Hospital's long-term debt outstanding as of June 30, 2011 and 2010 was \$130,631 and \$135,899, respectively

Total interest paid for fiscal years 2011 and 2010 was \$6,544 and \$6,652, respectively

6. Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purposes

	June 30				
	 2011		2010		
Health care services					
Capital purposes	\$ 10,310	\$	8,095		
Patient services	3,295		3,027		
Educational purposes	 730		758		
	\$ 14,335	\$	11,880		

Notes to Financial Statements (continued) (In Thousands)

6. Temporarily and Permanently Restricted Net Assets (continued)

Permanently restricted net assets are restricted to

	June 30				
	 2011 20				
Investments to be held in perpetuity, the income from which is expendable to support health care services	\$ 8,065	\$	8,051		

The Foundation initiated a major fundraising campaign for capital funds during fiscal year 2005 to support the Hospital's capital plans that include expansion and modernization of facilities. The Foundation has raised approximately \$14,834 as of June 30, 2011, which includes net pledges receivable present valued at approximately \$2,515. There were two large donations that represent approximately 32% and 35%, respectively, of the net pledges receivable at year-end. The Foundation expects to receive payment on the majority of the pledges by 2014 and all payments by 2025.

Scheduled payments on pledges receivable for the years ending June 30 are as follows

2012	\$ 1,336
2013 - 2016	1,070
2017 and thereafter	730
	3,136
Less	
Impact of discounting of pledges receivable to net present value	(276)
Allowance for uncollectible pledges	(345)
Net pledges receivable, capital campaign	2,515
Other pledges receivable	424
Total pledges receivable	\$ 2,939

Notes to Financial Statements (continued) (In Thousands)

7. Functional Expenses

The Hospital considers health care services and management and general to be its primary functional categories for purposes of expense classification Depreciation and interest costs are included in health care services The Hospital's operating expenses by functional classification are as follows

	Year Ended June 30					
	 2011		2010			
Health care services Management and general	\$ 335,768 31,094	\$	334,750 28,688			
	\$ 366,862	\$	363,438			

8. Estimated Self-Insured Liability Claims and Workers' Compensation

The Hospital is self-insured for professional liability claims up to an annual limit of \$2,000 per claim and \$8,000 in aggregate. The Hospital carries an excess liability insurance policy for claims above these limits. There are known claims and incidents that may result in the assertion of additional claims, as well as claims from unknown incidents that may be asserted arising from services provided to patients. The Hospital has employed independent actuaries to estimate the ultimate costs, if any, of the settlement of such claims. The accrued self-insured professional liability losses have been discounted at 4% and in management's opinion provide an adequate reserve for loss contingencies. As of June 30, 2011 and 2010, respectively, \$10,953 and \$8,326 have been reserved for professional liability loss contingencies.

The Hospital established a trust for the purpose of setting aside assets based on actuarial funding recommendations. Under the trust agreement, the trust assets can only be used for payment of malpractice losses, related expenses and the cost of administering the trust. The assets of the trust are reported in assets limited as to use, income from trust assets, administrative costs and the Hospital's annual estimate of malpractice losses are reported in the statements of operations and changes in net assets.

The Hospital is self-insured for general liability claims beginning March 1, 2004 up to an annual limit of \$1,000 per claim and \$3,000 in aggregate The Hospital carries an excess liability insurance policy for claims above these limits

Notes to Financial Statements (continued) (In Thousands)

8. Estimated Self-Insured Liability Claims and Workers' Compensation (continued)

The Hospital is also self-insured for workers' compensation up to an annual limit of \$400 per occurrence. The Hospital carries an excess liability insurance policy for workers' compensation claims above this limit. As of June 30, 2011 and 2010, respectively, \$2,592 and \$2,410 have been reserved for workers' compensation loss contingencies.

9. Investments

The following methods and assumptions were used by the Hospital in estimating the fair value of its financial instruments

Fair values of all investments, including short-term investments, long-term investments, board-designated investments, and assets limited to use are based on quoted market prices and/or prices obtained from a third party using other market data for the same or comparable instruments and transactions in establishing the prices Assets limited as to use also include the beneficial interest in the Foundation's temporarily restricted net assets which primarily consist of pledges receivable Certain long-term pledges receivable have been discounted

Fair value of investments and certain assets limited as to use held by the Hospital is summarized as follows

		June 30			
	2011			2010	
Investments					
Cash and cash equivalents	\$	14,368	\$	6,988	
U S treasury securities		20,118		14,651	
Corporate bonds		37,067		36,143	
Equity securities		111,410		79,025	
Government sponsored mortgage-backed securities		19,013		20,097	
Other (including pledges receivable held at the					
Foundation)		4,169		4,127	
Total	\$	206,145	\$	161,031	

Notes to Financial Statements (continued)
(In Thousands)

9. Investments (continued)

ASC No 320, *Investments – Debt and Equity Securities*, provides guidance on the recognition and presentation of other-than-temporary impairments. In addition, additional disclosures are required related to other-than-temporary impairments. Under this revised guidance, if a debt security is in an unrealized loss position and the Hospital has the intent to sell the debt security, or it is more likely than not that the Hospital will have to sell the debt security before recovery of its amortized cost basis, the decline in value is deemed to be other-than-temporary and is recorded to other-than-temporary impairment losses recognized in the performance indicator in the statements of operations. For impaired debt securities that the Hospital does not intend to sell or it is more likely than not that the Hospital will not have to sell such securities, but the Hospital expects that it will not fully recover the amortized cost basis, the credit component of the other-than-temporary impairment is recognized in other-than-temporary impairment losses recognized in the performance indicator in the statements of operations and the non-credit component of the other-than-temporary impairment is recognized as a change in unrestricted net assets

The credit component of an other-than-temporary impairment is determined by comparing the net present value of projected future cash flows with the amortized cost basis of the debt security. The net present value is calculated by discounting the best estimate of projected future cash flows at the effective interest rate implicit in the debt security at the date of acquisition. Cash flow estimates are driven by assumptions regarding probability of default, including changes in credit ratings, and estimates regarding timing and amount of recoveries associated with a default. Furthermore, unrealized losses entirely caused by non-credit-related factors related to debt securities for which the Hospital expects to fully recover the amortized cost basis continue to be recognized as an unrealized loss on investments within the changes in unrestricted net assets

Notes to Financial Statements (continued) (In Thousands)

9. Investments (continued)

The following table shows the gross unrealized losses and fair value of the Hospital's investments with unrealized losses that are not deemed to be other than temporarily impaired, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at June 30, 2011 and 2010

	air Value < 1 year	Inrealized Losses < 1 year	Fair Value > 1 year	I	Unrealized Losses > 1 year	ι	Total Inrealized Losses
June 30, 2011 Government sponsored mortgage-backed securities	\$ 10,647	\$ 111	\$ _	\$	_	\$	111
Corporate debt securities Equity securities	6,429 14,395	86 922	- 1,260		_ 146		86 1,068
Total investments	\$ 31,471	\$ 1,119	\$ 1,260	\$	146	\$	1,265
June 30, 2010 Government sponsored							
mortgage-backed securities	\$ 1.407	\$ 17	\$ _	\$	_	\$	17
Corporate debt securities	2,608 30,773	134 2,884	_ 233		- 18		134 2,902
Equity securities Total investments	\$ 34,788	\$ 3,035	\$ 233	\$	18	\$	3,053

Notes to Financial Statements (continued) (In Thousands)

10. Fair Value Measurements

ASC No 820, Fair Value Measurements and Disclosures, establishes a framework for measuring fair value That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements) The three levels of the fair value hierarchy under ASC No 820 are described below

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Hospital has the ability to access
- Level 2 Inputs to the valuation methodology include
 - Quoted prices for similar assets or liabilities in active markets,
 - Quoted prices for identical or similar assets or liabilities in inactive markets,
 - Inputs other than quoted prices that are observable for the asset or liability, and
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means
- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs

Notes to Financial Statements (continued) (In Thousands)

10. Fair Value Measurements (continued)

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values Furthermore, while the Hospital believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date

The following table presents the Hospital's assets and liabilities measured at fair value, aggregated by level in the fair value hierarchy within which those measurements fall

	Assets at Fair Value as of June 30, 2011							
		Level 1		Level 2		Level 3		Total
Assets								
Cash and cash equivalents	\$	14,368	\$	_	\$	_	\$	14,368
U S treasury securities		20,118		_		_		20,118
Corporate debt securities		_		37,067		_		37,067
Mortgage-backed securities		_		19,013		_		19,013
Publically traded equity								
securities		111,010		400		_		111,410
Other		873		357		2,939		4,169
Total assets	\$	146,369	\$	56,837	\$	2,939	\$	206,145

	Assets at Fair Value as of June 30, 2010							0
		Level 1		Level 2		Level 3		Total
Assets								
Cash and cash equivalents	\$	6,988	\$	_	\$	_	\$	6,988
U S treasury securities		14,651		_		_		14,651
Corporate debt securities		_		36,143		_		36,143
Mortgage-backed securities		_		20,097		_		20,097
Publically traded equity								
securities		78,889		136		_		79,025
Other		940		_		3,187		4,127
Total assets	\$	101,468	\$	56,376	\$	3,187	\$	161,031
Liabilities								
Interest rate swap liabilities	\$	_	\$	(2,075)	\$	_	\$	(2,075)
Total liabilities	\$	_	\$	(2,075)	\$	_	\$	(2.075)

Notes to Financial Statements (continued) (In Thousands)

10. Fair Value Measurements (continued)

The fair values of securities are determined by third-party service providers utilizing various methods dependent upon the specific type of investment. Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Where significant inputs, including benchmark yields, broker-dealer quotes, issuer spreads, bids, offers, the LIBOR curve and measures of volatility, are used by these third-party dealers or independent pricing services to determine fair values, the securities are classified within Level 2

Long-term pledges receivable, which are measured at fair value on a non-recurring basis, are discounted to net present value upon receipt using an appropriate risk-free discount rate based on the term of the receivable Pledges receivable are recorded net of an allowance for uncollectible pledges. The following table provides a reconciliation of the beginning and ending balances of pledges receivable at fair value that used significant unobservable inputs (Level 3)

	Year Ended June 30				
	 2011	2010			
Pledges receivable					
Balance at July 1	\$ 3,187 \$	4,483			
New pledges	482	_			
Collections on pledges	(667)	(1.591)			
Write-off of pledges	(133)	(45)			
Changes in reserves	 70	340			
Balance at June 30	\$ 2,939 \$	3,187			

11. Pension Plan

The Hospital has a cash balance-type defined benefit pension plan covering substantially all of its employees. The Plan benefits are based on years of service and the employees' compensation during the last five years of covered employment. The Hospital's funding policy is to make sufficient contributions to the Plan to comply with the minimum funding provisions of the Employee Retirement Income Security Act. Contributions are intended to provide not only for benefits attributed to service to date but also for those expected to be earned in the future.

The Peninsula Regional Medical Center PensionPlus Plan (the Plan) provides annual allocations to a participant's hypothetical account When a participant retires, the participant has the choice to receive a lump-sum distribution equal to the value of the hypothetical account or to receive an annuity based on the value of the hypothetical account

Notes to Financial Statements (continued) (In Thousands)

11. Pension Plan (continued)

Prior to January 1, 2009, the Plan provided three different allocations (i) a service-related allocation, (ii) an age-related allocation and (iii) a matching allocation Both the service-related allocation and the age-related allocation were determined by multiplying a participant's annual compensation by a certain percentage. The matching allocation operated to provide an annual allocation in the Plan based on the participant's contribution to the Hospital's 403(b) Plan

The IRS issued new regulations that were effective as of January 1, 2009 The new regulations prohibited a pension plan from providing a matching allocation based on a participant's contributions to a different plan The Plan provided a matching allocation based on a participant's contribution to a 403(b) Plan In order to comply with the new tax law requirements, the Plan was amended effective as of December 31, 2008, to eliminate future matching allocations in the Plan At the same time, the Hospital adopted a 403(b) plan effective as of January 1, 2009 and provided a replacement matching contribution in the 403(b) plan

The assets of the Plan are available to pay the benefits of eligible employees of all participating entities. The Plan had a prepaid asset of \$2,016 and an unfunded liability of \$14,610 as of June 30, 2011 and 2010, respectively

Notes to Financial Statements (continued) (In Thousands)

11. Pension Plan (continued)

The following provides a reconciliation of the changes in fair value of the Plan's assets and projected benefit obligations, and the Plan's funded status

		2011	2010		
Accumulated benefit obligation	\$	79,466	\$ 73,326		
Projected benefit obligation, beginning of year Service cost Interest cost	\$	80,834 3,825 4,444	\$ 72.140 3.450 4.397		
Actuarial (gain) loss Benefits paid Projected benefit obligation, end of year		(1,133) (2,739) 85,231	3,947 (3,100) 80,834		
Fair value of plan assets, beginning of year Actual gain on plan assets		66,224 12,762	55.926 5.398		
Employer contributions Benefits paid Fair value of plan assets, end of year		11,000 (2,739) 87,247	8,000 (3,100) 66,224		
Fair value of plan assets greater than/(less than) projected benefit obligation Prepaid/(Accrued) pension cost recorded in the balance sheets	<u> </u>	2,016 2,016	\$ (14.610) (14.610)		

Components of net periodic benefit cost are as follows

	Year Ended June 30					
		2011		2010		
Service cost	\$	3,825	\$	3,450		
Interest cost		4,444		4,397		
Expected return on plan assets		(6,214)		(5,543)		
Amortization of prior service credit		(126)		(126)		
Recognized net actuarial loss		2,661		2,598		
Net periodic benefit cost	\$	4,590	\$	4,776		

Notes to Financial Statements (continued) (In Thousands)

11. Pension Plan (continued)

Net amount recognized in unrestricted net assets that have not been recognized in net periodic benefit cost are as follows

		2010		
Net actuarial loss Prior service credit	\$	30,341 (692)	\$ 40.682 (818)	
Total recognized in unrestricted net assets	\$	29,649	\$ 39,864	

The estimated net actuarial loss and prior service credit for the Plan that will be amortized from unrestricted net assets into net periodic benefit cost over the next fiscal year are \$2,106 and \$(126), respectively

Weighted average assumptions used to determine projected benefit obligations and net periodic benefit costs at June 30 were as follows

Projected benefit obligation	2011	2010
Discount rate	6.00%	5 60%
Rates of increase in compensation levels	3.70	5 00
Net periodic benefit cost	2011	2010
Discount rate	5.60%	6 31%
Rates of increase in compensation levels	5.00	5 00
Expected long-term rate of return on assets	7.75	8 00

The defined benefit pension plan asset allocation as of the measurement date (June 30) and the target asset allocation, presented as a percentage of total plan assets, were as follows

2011	2010	Target Allocation
30%	36%	25% – 40%
65%	59	45% – 75%
5%	5	1% - 10%
100%	100%	
	30% 65% 5%	30% 36% 59 5% 5

Notes to Financial Statements (continued) (In Thousands)

11. Pension Plan (continued)

The Hospital's defined benefit plan invests in a diversified mix of traditional asset classes Investments in U S equity securities and fixed income securities are made to maximize long-term results while recognizing the need for adequate liquidity to meet ongoing benefit and administrative obligations. Risk tolerance of unexpected investment and actuarial outcomes is continually evaluated by understanding the pension plan's liability characteristics. This is performed through forecasting and assessing ranges of investment outcomes over short- and long-term horizons, and by assessing the Hospital's financial condition and its future potential obligations from both the pension and general operational requirements. Complementary investment styles, such as growth and value equity investing techniques, are utilized by the Hospital's investment advisors to further improve portfolio and operational risk characteristics. Equity investments, both active and passively managed, are used primarily to increase overall plan returns. Fixed income investments provide diversification benefits and liability hedging attributes that are desirable, especially in falling interest rate environments.

Asset allocations and investment performance are formally reviewed at regularly scheduled meetings of the Hospital's Financial Resources Committee

The overall rate of expected return on assets assumption was based on historical returns, with adjustments made to reflect expectations of future returns. The extent to which the future expectations were recognized included the target rates of return for the future, which have not historically changed

The fair value of the Hospital's pension plan assets as of June 30, 2011 and June 30, 2010, by asset category (see Note 10, *Fair Value Measurements*, for a description of the asset categories) are as follows

June 30, 2011	Level 1	Level 2	Level 3	Total
Assets				
Investments at fair value				
Cash and cash equivalents	\$ 864	\$ -	\$ - \$	864
U S Treasuries	5,396	-	-	5,396
United States government and				
agency obligations	_	4,792	-	4,792
Corporate debt securities	-	15,461	-	15,461
Money market funds	4,269	-	-	4,269
Publically traded equity securities	55,929	182	-	56,111
Other	354	-	-	354
Total investments	\$ 66,812	\$ 20,435	\$ - \$	87,247

Notes to Financial Statements (continued) (In Thousands)

11. Pension Plan (continued)

June 30, 2010	 Level 1	Level 2	Level 3	Total		
Assets						
Investments at fair value						
Cash and cash equivalents	\$ 349	\$ -	\$ - \$	349		
United States government and						
agency obligations	5,223	3,560	-	8,783		
Corporate debt securities	-	14,922	-	14,922		
Money market funds	3,540	-	-	3,540		
Publically traded equity securities	38,630	-	-	38,630		
Total investments	\$ 47,742	\$ 18,482	\$ - \$	66,224		

The following methods and assumptions were used to estimate fair value of each class of financial instrument

United States government and agency obligations the fair value is determined by an active price for an identical security in an observable market

Corporate debt securities the fair value is estimated using quoted prices for similar assets in active markets or quoted prices for identical or similar assets in non-active markets (few transactions, limited information, non-current prices, and high variability over time)

Money market funds the carrying value of these money market funds approximates fair value as the maturities are less than three months

Publically traded equity securities the fair value is determined by market quotes for an identical security in an observable market

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Hospital believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date

Notes to Financial Statements (continued) (In Thousands)

11. Pension Plan (continued)

Cash Flows

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows for the years ending June 30

2012	\$ 7,449
2013	7,784
2014	8,015
2015	8,032
2016	7,907
2017 - 2021	37,781

The Hospital intends to make voluntary contributions to the defined benefit pension plan of \$4,500 through June 30, 2012 This funding level exceeds any regulatory requirements for 2011

12. Commitments and Contingencies

Agreement in Principle with the Office of Inspector General

The Hospital received several subpoenas from the Office of Inspector General of the US Department of Health and Human Services ("OIG"), requiring the production of certain documents related to claims for physician health care services provided by a former Medical Staff Member These subpoenas were issued in connection with a civil investigation being conducted by the U.S. Attorney's Office for the District of Maryland. In January 2011, the Hospital reached a tentative "Agreement in Principle", which was ultimately approved by the U S Department of Justice, the OIG, the Office of Personnel Management (OPM), and the state of Maryland in August 2011, to resolve all remaining potential civil claims arising out of the Hospital's medical services to patients of the physician The Hospital reached this agreement without admitting liability in order to avoid the expense and uncertainty of litigation and to allow the Hospital to move forward In this regard and consistent with the settlement, an amount of \$1.8 million was paid in June 2011 and recorded as an other expense in the accompanying 2011 statement of operations and changes in net assets. The settlement also includes a five year Corporate Integrity Agreement that will require the Hospital to establish and/or enhance various compliance processes and also have several independent peer review reports completed on an annual basis

Notes to Financial Statements (continued)
(In Thousands)

12. Commitments and Contingencies (continued)

Other

The Hospital has been named as a defendant in various lawsuits arising from the performance of its normal activities. In the opinion of the Hospital's management, after discussion with legal counsel, the amount, if any, of the Hospital's ultimate liability under these lawsuits will not have a material adverse effect on the financial position of the Hospital

A portion of the Hospital's revenues is received from health maintenance organizations and other managed care payors Managed care payors generally use case management activities to control utilization. These payors also have the ability to select providers offering the most cost-effective care. Management does not believe that the organization has undue exposure to any one managed care payor.

The Hospital's revenues may be subject to adjustment as a result of examination by government agencies or contractors, and as a result of differing interpretation of government regulations, medical diagnosis, charge coding, medical necessity, or other contract terms. The resolution of these matters, if any, often is not finalized until subsequent to the period during which the services were rendered.

13. Maryland Health Services Cost Review Commission

Certain Hospital charges are subject to review and approval by the Maryland Health Services Cost Review Commission (the Commission) Hospital management has filed the required forms with the Commission and believes the Hospital to be in compliance with Commission requirements

The current rate of reimbursement for principally all inpatient services and certain other services to patients under the Medicare and Medicaid programs is based on an agreement between the Centers for Medicare and Medicaid Services and the Commission This agreement is based upon a waiver from Medicare prospective payment system reimbursement principles granted to the State of Maryland under Section 1814(b) of the Social Security Act and will continue as long as the rate of increase for costs per hospital inpatient admission in Maryland is below the national average Management expects this agreement will remain in effect at least through June 30, 2012

Notes to Financial Statements (continued)
(In Thousands)

13. Maryland Health Services Cost Review Commission (continued)

The Commission and the Hospital entered into an agreement that is based on a rate methodology for those hospital service centers that provide inpatient services. Under this methodology, a target average charge per case is established for the Hospital based on past actual charges and case mix indices. The actual average charge per case is compared with the target average charge per case, and to the extent that the actual average exceeds or is less than the target, the difference adjusted for applicable penalties will reduce or increase the approved target for future rate years. For the year ended June 30, 2011, the Hospital was in compliance with its average charge per case target.

The Commission's rate-setting methodology for hospital service centers that provide both inpatient and outpatient services or only outpatient services consists of establishing an acceptable unit rate for defined inpatient and outpatient service centers within the hospital. The actual average unit charge for each service center is compared to the approved rate monthly and annually Overcharges and undercharges due to either patient volume or price variances, adjusted for penalties where applicable, are applied to decrease (in the case of overcharges) or increase (in the case of undercharges) future approved rates on an annual basis

Under the Commission's rate methodology for certain outpatient services, a target average charge per visit was established for the Hospital based on past actual charges and case mix indices. The actual average charge per visit is compared with the target average charge per visit, and to the extent that the actual average exceeds or is less than the target, it will reduce or increase the approved rates for future years. Management believes that this methodology will not have a significant impact on the Hospital in future years.

The timing of the Commission's rate adjustments for the Hospital could result in an increase or reduction in rates due to the variances and penalties described above in a year subsequent to the year in which such items occur, and there is at least a possibility that the amounts may be material The Hospital's policy is to record revenue based on actual charges for services to patients in the year in which the services are performed The Hospital recognizes unbilled revenue for in-house patients

14. Subsequent Events

The Hospital has evaluated subsequent events through September 16, 2011, the date the financial statements were issued

Other Financial Information



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Ernst + Young LLP

Report of Independent Auditors on Other Financial Information

Board of Trustees Peninsula Regional Medical Center

Our audit was conducted for the purpose of forming an opinion on the June 30, 2011 financial statements taken as a whole The June 30, 2011 supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements Such information has been subjected to the auditing procedures applied in our audit of the June 30, 2011 financial statements and, in our opinion, is fairly stated in all material respects in relation to the June 30, 2011 financial statements taken as a whole

September 16, 2011

Summary of Operations (In Thousands)

Year Ended June 30

	I car Ended sunc 30									
	2011	2010	2009	2008	2007					
Gross patient revenue	\$ 457,035	\$ 426,582	\$ 418,478	\$ 399,948	\$ 361,938					
Deductions from revenue	76,983	58,173	50,440	45,406	41,700					
Net patient service revenue	380,052	368,409	368,038	354,542	320,238					
Other operating revenue	2,357	2,059	1,976	1,080	1,362					
	382,409	370,468	370,014	355,622	321,600					
Operating expenses	366,862	363,438	357,978	327,422	300,046					
Income from operations	15,547	7,030	12,036	28,200	21,554					
Nonoperating income (expense)										
Nonoperating income (expense)	12,164	10,304	(14,533)	12,033	7,419					
Basis swap income (loss)	3,128	1,753	(3,344)	(1,927)	3,944					
	15,292	12,057	(17,877)	10,106	11,363					
Excess (deficit) of unrestricted revenue and other support over expenses	\$ 30,839	\$ 19,087	\$ (5,841) \$	\$ 38,306	\$ 32,917					
•										

Gross Patient Revenue

(In Thousands)

		nded June 30			
	2011	2010			
Total gross patient revenue					
Routine care					
Daily hospital care	\$ 115,62				
Daily hospital care – nursery	6,55				
Emergency services	21,36	25,340	0		
Admissions charge	3,39	3 3,487	7		
	146,93	1 135.933	3		
Professional services					
Pathology and clinical laboratory	32,29	8 31,748	8		
Operating room	30,54	6 33,166	6		
Pharmacy	50,150	0 49,468	8		
Radiology					
Diagnostic	4,738	8 5,181	1		
Nuclear medicine	2,29	3 2,728	8		
Special procedures	3,01	3 3,106	6		
Ultrasound lab	3,07	7 3,204	4		
C/T scanning and magnetic resonance imaging	7,59	6 8,434	4		
Vascular lab	3,49	2 3,704	4		
Radiation oncology	14,08	5 10,648	8		
Medical oncology	6,23	2 6,194	4		
Respiratory care and pulmonary function	9,81	1 8,958	8		
Blood bank	1,95	9 2,015	5		
Medical and surgical supplies	57,00	4 61,796	6		
Delivery service	6,53	6 6,266	6		
Anesthesiology	3,25		7		
Electrocardiogram	429	9 468	8		
Cardiac laboratory	12,65	13,383	3		
Intravenous solutions	688	8 723	3		
Lithotripsy	4	4 43	3		
Physical, speech and occupational therapy	4,72	4 5,594	4		
Neurological diagnostics	1,97	4 1,859	9		
Cardiac rehabilitation	1,39	1.078	8		
Family practice, clinic and diagnostic centers	17,65	14.863	3		
Specialty practices	19,62	736	6		
Transitional care	7,62	7,856	6		
Recovery care	6,75	6 4,793	3		
Observation service	46		_		
	310,10	4 290,649	9		
Gross patient revenue	\$ 457,03	5 \$ 426,582	2		

Operating Expenses (In Thousands)

	Year End	Increase		
	 2011	2010	(De	ecrease)
Nursing services	\$ 94,459	\$ 94,606	\$	(147)
Buildings and grounds	14,545	14,240		305
Laboratory	13,844	13,599		245
Materials management	7,184	7,768		(584)
Administration	26,020	22,279		3,741
Food services	4,066	3,907		159
Financial affairs and information systems	17,571	17,637		(66)
Respiratory services	5,325	5,372		(47)
Pharmacy	32,924	31,089		1,835
Radiology	14,369	14,104		265
Radiation oncology	4,706	4,339		367
Medical oncology	6,338	6,567		(229)
Physician services	7,518	11,477		(3,959)
Electrocardiology, neurological diagnostic, cardiac catheterization laboratory, family practice,				
lithotripsy, diagnostic and breast care centers	35,971	32,724		3,247
Physical, speech and occupational therapy	3,101	2,915		186
Admitting and registration	2,318	2,225		93
Education and training	1,258	1,312		(54)
Transitional care	2,241	2,239		2
Employee benefits, child care (exclusive of FICA)	27,274	29,328		(2,054)
Bad debts	17,411	17,977		(566)
Depreciation	21,829	20,835		994
Interest	6,544	6,853		(309)
Amortization of financing costs and deferred				
charge for retirement of debt	 46	46		
	\$ 366,862	\$ 363,438	\$	3,424

Analysis of Property and Equipment (In Thousands)

			Assets						Allow ances for Depreciation										
	I	Balance					Balance		Balance						Balance		Net Amount June 30, 2011		
	Ju	ly 1, 2010	Add	itions	Disp	osals	Jun	June 30, 2011 July		July 1, 2010 Provisions		Deductions June 30, 2011							
Property used in operations																			
Land	\$	10,492		_		_	\$	10,492	\$	_		_		_	\$	_	\$	10,492	
Land improvements		10,626		602		_		11,228		4,470		541		_		5,011		6,217	
Buildings		188.294		2,645		59		190,880		45,980		6,275		49		52,206		138,674	
Fixed equipment		30,270		_		_		30,270		28,743		908		_		29,651		619	
Movable equipment		179,964		10.874		1.131		189,707	1	133,885		14,105		1.108		146,882		42,825	
		419,646		14,121		1,190		432,577		213,078		21.829		1,157		233,750		198,827	
Property and costs related to																			
construction in progress		6,097		1,230		_		7,327		_		_		_				7,327	
	\$	425,743	\$	15,351	\$	1,190	\$	439,904	\$ 2	213,078	\$	21,829	\$	1,157	\$	233,750	\$	206,154	

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