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Form 990  Department of the Treasury Internal Revenue Service	Return of Organization Exempt From Income Tax Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)	OMB No 1545-0047 <div> <div>2010</div> <div>Open to Public Inspection</div> </div>
	The organization may have to use a copy of this return to satisfy state reporting requirements	

A For the 2010 calendar year, or tax year beginning 07-01-2010 and ending 06-30-2011

B Check if applicable <input type="checkbox"/> Address change <input type="checkbox"/> Name change <input type="checkbox"/> Initial return <input type="checkbox"/> Terminated <input type="checkbox"/> Amended return <input type="checkbox"/> Application pending	C Name of organization Meritus Medical Center Inc		D Employer identification number 52-0607949
	Doing Business As		E Telephone number (301) 790-8872
	Number and street (or P O box if mail is not delivered to street address) 11116 Medical Campus Road	Room/suite	G Gross receipts \$ 303,228,089
	City or town, state or country, and ZIP + 4 Hagerstown, MD 21742		
	F Name and address of principal officer Joseph Ross 11116 Medical Campus Road Hagerstown, MD 21742		
I Tax-exempt status <input checked="" type="checkbox"/> 501(c)(3) <input type="checkbox"/> 501(c) () <input type="checkbox"/> (Insert no) <input type="checkbox"/> 4947(a)(1) or <input type="checkbox"/> 527		H(a) Is this a group return for affiliates? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No H(b) Are all affiliates included? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No If "No," attach a list (see instructions) H(c) Group exemption number <input type="checkbox"/>	
J Website: <input checked="" type="checkbox"/> www.meritushealth.com			

K Form of organization <input checked="" type="checkbox"/> Corporation <input type="checkbox"/> Trust <input type="checkbox"/> Association <input type="checkbox"/> Other ▶	L Year of formation 1904	M State of legal domicile MD
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Part I Summary

Activities & Governance	1 Briefly describe the organization's mission or most significant activities Meritus Medical Center, Inc (MMC) is an acute care hospital located in Hagerstown, Maryland and serves the residents of western Maryland, southern Pennsylvania and the panhandle of West Virginia		
	2 Check this box <input type="checkbox"/> if the organization discontinued its operations or disposed of more than 25% of its net assets		
	3 Number of voting members of the governing body (Part VI, line 1a)	3	8
	4 Number of independent voting members of the governing body (Part VI, line 1b)	4	4
	5 Total number of individuals employed in calendar year 2010 (Part V, line 2a)	5	2,212
	6 Total number of volunteers (estimate if necessary)	6	370
7a Total unrelated business revenue from Part VIII, column (C), line 12	7a	1,024,534	
7b Net unrelated business taxable income from Form 990-T, line 34	7b	-454,254	
Revenue	8 Contributions and grants (Part VIII, line 1h)	Prior Year	Current Year
	9 Program service revenue (Part VIII, line 2g)	458,483	450,488
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	251,494,585	276,520,687
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	2,910,754	7,175,560
	12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	1,157,188	1,133,628
		256,021,010	285,280,363
Expenses	13 Grants and similar amounts paid (Part IX, column (A), lines 1–3)	112,903	119,271
	14 Benefits paid to or for members (Part IX, column (A), line 4)		0
	15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	132,508,787	131,824,483
	16a Professional fundraising fees (Part IX, column (A), line 11e)		0
	b Total fundraising expenses (Part IX, column (D), line 25) <input type="checkbox"/> 0		
	17 Other expenses (Part IX, column (A), lines 11a–11d, 11f–24f)	123,975,811	143,293,039
	18 Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	256,597,501	275,236,793
	19 Revenue less expenses Subtract line 18 from line 12	-576,491	10,043,570
	Net Assets or Fund Balances		Beginning of Current Year
20 Total assets (Part X, line 16)		435,961,170	428,264,494
21 Total liabilities (Part X, line 26)		333,379,439	311,188,035
22 Net assets or fund balances Subtract line 21 from line 20		102,581,731	117,076,459

Part II Signature Block

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here	***** Signature of officer			2012-05-15 Date	
	Raymond A Grahe VP/Treasurer Type or print name and title				
Paid Preparer Use Only	Print/Type preparer's name		Preparer's signature		Date
	Firm's name ▶ Meritus Medical Center				PTIN
	Firm's address ▶ 251 East Antietam Street Hagerstown, MD 21740				Firm's EIN ▶ Phone no ▶

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

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

The mission of MMC is to be the most effective provider of health services in our service area through (1) Leadership and responsiveness to our community's healthcare needs (2) Accessibility of those services in partnership with our extended community (3) The high level of respect we afford our patients, physicians, customers, and employees MMC will succeed in accomplishing its mission of ensuring it is the community's preeminent quality healthcare provider via a five-part strategy This strategy includes (1) Creating and enhancing regional healthcare through an integrated delivery system, (2) Forming a framework of partnerships and affiliations, (3) Establishing centers of excellence in partnership with the medical community, (4) Providing excellent health education in cooperation with appropriate institutions and (5) Developing a health plan that assures a holistic approach to medical issues and coverage

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

If "Yes," describe these changes on Schedule O

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

4a	(Code)	(Expenses \$)	211,307,119	including grants of \$	119,271)	(Revenue \$ 276,520,687)
	<p>Mentus Medical Center offers a variety of specialized services to meet the healthcare needs of the tri-state region The Cardiac Catheterization Lab has focused on bringing the very best in cardiac services to the community Services in cardiac screening, diagnosis, intervention, and rehabilitation are offered Meritus Medical Center has invested in the most up-to-date technologies to assist physicians in diagnosing and treating heart disease The board certified cardiologists and interventional cardiologists offer patients a highly specialized experience in structural heart disease and electrical heart malfunctions They are supported by a team of highly-trained nurses and technicians The Center for Clinical Research is a growing program that manages from fifteen to twenty active research studies at any given time The researchers are certified by the Association of Clinical Research Professionals Physicians serve as the principal investigators for the research studies performed by the center The Center for Joint Replacement offers a comprehensive program that includes pre- and postoperative therapy as well as the actual surgery The program has clearly demonstrated a decreased length of hospital stay and improved recovery rates The Family Birthing Center is a special place where single-room maternity care provides privacy and family bonding The room is equipped for labor, delivery, postpartum, and newborn care The special care nursery allows babies born as early as 32 weeks gestation to be treated at Meritus Medical Center The Home Health Care Services cover the full spectrum of care, ranging from skilled nursing to assistance with the activities of daily living They also can help with medication management issues The John R Marsh Cancer Center offers chemotherapy, intensity modulated radiation therapy, and image guided radiation therapy The center also offers MammoSite which delivers partial irradiation treatment for breast cancer patients in just five days Total Rehab Care is a comprehensive service providing a full range of rehabilitation programs, including pediatric services, traumatic brain injury rehab, outpatient therapies, inpatient joint replacement, occupational rehabilitation, and support groups Skilled physicians, nurses, and therapists develop individualized treatment plans for every patient As a level III trauma service, the medical center offers twenty four hour a day, seven days a week access to trauma surgeons, neurosurgeons, and orthopedic surgeons, as well as a specialized trauma team and consulting physicians The Weight Loss Clinic offers bariatric surgery which includes the most common procedures of gastric bypass and adjustable gastric banding This can be a treatment for the lifelong condition of morbid obesity The Wound Center care is customized to each patient's unique situation to promote the healing process The Wound Center team specializes in diabetic foot and leg ulcers, bone infections, preparation and preservation of skin grafts, crash injuries, and thermal burns The vision of the Nursing Department at Meritus Medical Center is to be a dynamic force in the advancement of nursing practice and an advocate for the promotion of quality healthcare for all Their mission is to foster the development and advancement of nursing practice and to work to achieve quality healthcare for all They believe that the excellence of care for patients and families matters the most and that superior customer service and constant innovation sustains excellence</p>					




















[illegible][illegible]

4d Other program services (Describe in Schedule O)
(Expenses \$ _____ including grants of \$ _____) (Revenue \$ _____)

4e	Total program service expenses	\$ 211,307,119
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Part IV

Checklist of Required Schedules

		Yes	No
1	Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? <i>If "Yes," complete Schedule A.</i> 	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? <i>If "Yes," complete Schedule C, Part I.</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 "Yes," complete Schedule C, Part II.</i> 	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? <i>If "Yes," complete Schedule C, Part III.</i> 	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? <i>If "Yes," complete Schedule D, Part I.</i> 	6	No
7	Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas or historic structures? <i>If "Yes," complete Schedule D, Part II.</i> 	7	No
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? <i>If "Yes," complete Schedule D, Part III.</i> 	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 "Yes," complete Schedule D, Part IV.</i> 	9	No
10	Did the organization, directly or through a related organization, hold assets in term, permanent, or quasi-endowments? <i>If "Yes," complete Schedule D, Part V.</i> 	10	Yes
11	If the organization's answer to any of the following questions is 'Yes,' then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable		
a	Did the organization report an amount for land, buildings, and equipment in Part X, line 10? <i>If "Yes," complete Schedule D, Part VI.</i> 	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? <i>If "Yes," complete Schedule D, Part VII.</i> 	11b	No
c	Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part VIII.</i> 	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? <i>If "Yes," complete Schedule D, Part IX.</i> 	11d	Yes
e	Did the organization report an amount for other liabilities in Part X, line 25? <i>If "Yes," complete Schedule D, Part X.</i> 	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)? <i>If "Yes," complete Schedule D, Part X.</i> 	11f	Yes
12a	Did the organization obtain separate, independent audited financial statements for the tax year? <i>If "Yes," complete Schedule D, Parts XI, XII, and XIII.</i> 	12a	No
b	Was the organization included in consolidated, independent audited financial statements for the tax year? <i>If "Yes," and if the organization answered 'No' to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional.</i> 	12b	Yes
13	Is the organization a school described in section 170(b)(1)(A)(ii)? <i>If "Yes," complete Schedule E.</i>	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 "Yes," complete Schedule F, Parts I and IV.</i>	14b	No
15	Did the organization report on Part IX, column (A), line 3, more than \$5,000 of grants or assistance to any organization or entity located outside the U S ? <i>If "Yes," complete Schedule F, Parts II and IV.</i>	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 ? <i>If "Yes," complete Schedule F, Parts III and IV.</i>	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 "Yes," complete Schedule G, Part I (see instructions)</i>	17	No
18	Did the organization report more than \$15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? <i>If "Yes," complete Schedule G, Part II.</i>	18	No
19	Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? <i>If "Yes," complete Schedule G, Part III.</i>	19	No
20a	Did the organization operate one or more hospitals? <i>If "Yes," complete Schedule H.</i> 	20a	Yes
b	If "Yes" to line 20a, did the organization attach its audited financial statement to this return? Note. Some Form 990 filers that operate one or more hospitals must attach audited financial statements (see instructions)	20b	Yes

Part IV

Checklist of Required Schedules (continued)

21	Did the organization report more than \$5,000 of grants and other assistance to governments and organizations in the United States on Part IX, column (A), line 1? <i>If "Yes," complete Schedule I, Parts I and II</i>	21		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? <i>If "Yes," complete Schedule I, Parts I and III</i>	22	Yes	
23	Did the organization answer "Yes" to Part VII, Section A, questions 3, 4, or 5, about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? <i>If "Yes," complete Schedule J</i>	23	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? <i>If "Yes," answer lines 24b-24d and complete Schedule K. If "No," go to line 25</i>	24a	Yes	
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	24b		No
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		No
25a	Section 501(c)(3) and 501(c)(4) organizations. Did the organization engage in an excess benefit transaction with a disqualified person during the year? <i>If "Yes," complete Schedule L, Part I</i>	25a		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? <i>If "Yes," complete Schedule L, Part I</i>	25b		No
26	Was a loan to or by a current or former officer, director, trustee, key employee, highly compensated employee, or disqualified person outstanding as of the end of the organization's tax year? <i>If "Yes," complete Schedule L, Part II</i>	26		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor, or a grant selection committee member, or to a person related to such an individual? <i>If "Yes," complete Schedule L, Part III</i>	27		No
28	Was the organization a party to a business transaction with one of the following parties? (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28a	Yes	
b	A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28b	Yes	
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? <i>If "Yes," complete Schedule L, Part IV</i>	28c	Yes	
29	Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i>	29		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i>	30		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i>	31		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i>	32		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? <i>If "Yes," complete Schedule R, Part I</i>	33		No
34	Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Parts II, III, IV, and V, line 1</i>	34	Yes	
35	Is any related organization a controlled entity within the meaning of section 512(b)(13)?	35		No
a	Did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? <i>If "Yes," complete Schedule R, Part V, line 2</i>			
36	Section 501(c)(3) organizations. Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2</i>	36		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? <i>If "Yes," complete Schedule R, Part VI</i>	37		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11 and 19? Note. All Form 990 filers are required to complete Schedule O	38	Yes	

Part V Statements Regarding Other IRS Filings and Tax Compliance			
Check if Schedule O contains a response to any question in this Part V <input type="checkbox"/>			
		Yes	No
1a	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable.	1a	219
b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.	1b	0
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	1c	Yes
2a	Enter the number of employees reported on Form W-3, <i>Transmittal of Wage and Tax Statements</i> filed for the calendar year ending with or within the year covered by this return.	2a	2,212
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns?	2b	Yes
Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions).			
3a	Did the organization have unrelated business gross income of \$1,000 or more during the year?	3a	Yes
b	If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O.	3b	Yes
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?	4a	No
b	If "Yes," enter the name of the foreign country: See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.		
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?	5a	No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	5b	No
c	If "Yes" to line 5a or 5b, did the organization file Form 8886-T?	5c	No
6a	Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible?	6a	No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	6b	No
7 Organizations that may receive deductible contributions under section 170(c).			
a	Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?	7a	No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?	7b	No
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?	7c	No
d	If "Yes," indicate the number of Forms 8282 filed during the year.	7d	0
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	No
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	7h	No
8	Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations. Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?	8	No
9 Sponsoring organizations maintaining donor advised funds.			
a	Did the organization make any taxable distributions under section 4966?	9a	No
b	Did the organization make a distribution to a donor, donor advisor, or related person?	9b	No
10 Section 501(c)(7) organizations. Enter			
a	Initiation fees and capital contributions included on Part VIII, line 12.	10a	
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities.	10b	
11 Section 501(c)(12) organizations. Enter			
a	Gross income from members or shareholders.	11a	
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them).	11b	
12a	Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041?	12a	No
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year.	12b	
13 Section 501(c)(29) qualified nonprofit health insurance issuers.			
a	Is the organization licensed to issue qualified health plans in more than one state? Note. See the instructions for additional information the organization must report on Schedule O.	13a	No
b	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans.	13b	
c	Enter the amount of reserves on hand.	13c	
14a	Did the organization receive any payments for indoor tanning services during the tax year?	14a	No
b	If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O.	14b	No

Part VI

Governance, Management, and Disclosure

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

Section A. Governing Body and Management

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

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

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

Section C. Disclosure

17	List the States with which a copy of this Form 990 is required to be filed <input checked="" type="checkbox"/> MD
18	Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c) (3)s only) available for public inspection. Indicate how you make these available. Check all that apply. <input type="checkbox"/> Own website <input type="checkbox"/> Another's website <input checked="" type="checkbox"/> Upon request
19	Describe in Schedule O whether (and if so, how), the organization makes its governing documents, conflict of interest policy, and financial statements available to the public. See Additional Data Table.
20	State the name, physical address, and telephone number of the person who possesses the books and records of the organization <input checked="" type="checkbox"/> Raymond A Grahe 11116 Medical Campus Road Hagerstown, MD 21742 (301) 790-8872

Part VII

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

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

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

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

- List all of the organization's **current** officers, directors, trustees (whether individuals or organizations), regardless of amount of compensation, 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 week (describe hours for related organizations in Schedule O)	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(1) William Su MD Director	20.00	X						135,506	0	0
(2) Thomas Gilbert MD Physician	50.00					X		769,417	0	21,205
(3) T Michael White Vice President	50.00				X			326,557	0	19,631
(4) Rodney Shoop Director	3.00	X						0	0	0
(5) Raymond Grahe VP/Treasurer	50.00			X				288,799	0	27,880
(6) Pamela Bradford MD Director	3.00	X						0	0	0
(7) Nancy Rothrock Secretary	40.00			X				77,124	0	11,313
(8) Michael Zampelli Vice President	10.00				X			0	286,650	41,031
(9) Matthew Wagner MD Physician	50.00					X		300,557	0	24,116
(10) Mary Towe Vice President	50.00				X			188,540	0	15,200
(11) Marc Kross MD Director	3.00	X						0	0	0
(12) Kelly Corbi Vice President	50.00				X			181,442	0	19,673
(13) Joseph Ross President & CEO	3.00	X		X				0	0	0
(14) Jayantilal Kadiwar MD Physician	50.00					X		420,662	0	19,023
(15) James P Hamill Former Pres	50.00	X		X				482,711	0	22,807
(16) Gregory Snook Chairman	3.00	X						0	0	0

Part VII

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

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(17) Garry Seligman MD Physician	50 00					X		216,108	0	20,445
(18) Deborah Addo-Samuels Vice President	50 00				X			203,620	0	18,455
(19) Cynthia Pellegrino Vice Chairman	3 00	X						0	0	0
(20) Carolyn Simonsen Vice President	50 00				X			182,404	0	11,894
(21) Carey Leverett Vice President	50 00				X			175,448	0	18,321
(22) Barbara Miller Director	3 00	X						0	0	0
(23) Adriana Maldonado-Brem Physician	50 00					X		189,166	0	28,360
1b Sub-Total										
c Total from continuation sheets to Part VII, Section A										
d Total (add lines 1b and 1c)								4,138,061	286,650	319,354

2

Total number of individuals (including but not limited to those listed above) who received more than \$100,000 in reportable compensation from the organization▶139

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

Section B. Independent Contractors

1 Complete this table for your five highest compensated independent contractors that received more than \$100,000 of compensation from the organization		
(A) Name and business address	(B) Description of services	(C) Compensation
Neurosurgical Specialists LLC 1150 Professional Court Hagerstown, MD 21740	Medical	497,434
Hagerstown Heart PA 1733 Howell Road Hagerstown, MD 21740	Medical	465,045
EmCare Inc 7032 Collection Center Drive Chicago, IL 60693	Medical	898,437
Blue Ridge Anesthesia Associates LLC 119 King Street Hagerstown, MD 21740	Medical	1,533,757
Associates in Medical Physics 7505 Greenway Center Drive Greenbelt, MD 20770	Medical	488,905
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 ▶37		

Part VIII

Statement of Revenue

			(A)	(B)	(C)	(D)		
			Total revenue	Related or exempt function revenue	Unrelated business revenue	Revenue excluded from tax under sections 512, 513, or 514		
Contributions, gifts, grants and other similar amounts	1a	Federated campaigns . . .	1a					
	b	Membership dues	1b					
	c	Fundraising events	1c					
	d	Related organizations	1d					
	e	Government grants (contributions)	1e	54,125				
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	396,363				
	g	Noncash contributions included in lines 1a-1f \$						
	h	Total. Add lines 1a-1f		450,488				
	Program Service Revenue			Business Code				
2a		Wellness	900099	109,725	109,725			
b		Pharmacy	900099	105,925	105,925			
c		Patient revenue	900099	273,822,984	273,822,984			
d		Other revenue	900099	1,117,066	1,117,066			
e		Cafeteria sales	900099	1,244,532	1,244,532			
f		All other program service revenue		120,455	120,455			
g		Total. Add lines 2a-2f		276,520,687				
Other Revenue		3	Investment income (including dividends, interest and other similar amounts)		5,682,950		5,682,950	
	4	Income from investment of tax-exempt bond proceeds . .		0				
	5	Royalties		0				
	6a	Gross Rents	(i) Real	(ii) Personal				
		b	Less rental expenses					
		c	Rental income or (loss)					
		d	Net rental income or (loss)	109,094				109,094
	7a	Gross amount from sales of assets other than inventory	(i) Securities	(ii) Other				
		b	Less cost or other basis and sales expenses					
		c	Gain or (loss)					
		d	Net gain or (loss)	1,492,610				1,492,610
	8a	Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18	a					
		b	Less direct expenses	b				
		c	Net income or (loss) from fundraising events . .					0
	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 . . .					0
	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 . . .					0
Miscellaneous Revenue		Business Code						
11a	Robinwood Food Service	722210	539,597		539,597			
	b	Clinical Trials	541700	484,937		484,937		
	c							
	d	All other revenue						
e	Total. Add lines 11a-11d		1,024,534					
12	Total revenue. See Instructions		285,280,363	276,629,781	1,024,534	7,175,560		

Part IX

Statement of Functional Expenses

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

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

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.		(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1	Grants and other assistance to governments and organizations in the U S See Part IV, line 21	0			
2	Grants and other assistance to individuals in the U S See Part IV, line 22	119,271	119,271		
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	4,012,261		4,012,261	
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)	0			
7	Other salaries and wages	99,863,747	79,890,998	19,972,749	
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	0			
9	Other employee benefits	20,044,961	16,035,969	4,008,992	
10	Payroll taxes	7,903,514	6,322,811	1,580,703	
a	Fees for services (non-employees) Management	0			
b	Legal	309,957	247,966	61,991	
c	Accounting	233,580	186,864	46,716	
d	Lobbying	15,430	15,430		
e	Professional fundraising services See Part IV, line 17	0			
f	Investment management fees	99,218	79,374	19,844	
g	Other	15,480,896	12,384,717	3,096,179	
12	Advertising and promotion	685,891	548,713	137,178	
13	Office expenses	1,255,332	1,004,266	251,066	
14	Information technology	1,715,919	1,372,735	343,184	
15	Royalties	0			
16	Occupancy	4,409,854	3,527,883	881,971	
17	Travel	585,684	468,547	117,137	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials	0			
19	Conferences, conventions, and meetings	121,922	97,538	24,384	
20	Interest	8,909,404	5,345,642	3,563,762	
21	Payments to affiliates	327,110	261,688	65,422	
22	Depreciation, depletion, and amortization	19,587,835	11,752,701	7,835,134	
23	Insurance	1,370,882	1,096,706	274,176	
24	Other expenses Itemize expenses not covered above (List miscellaneous expenses in line 24f If line 24f amount exceeds 10% of line 25, column (A) amount, list line 24f expenses on Schedule O)				
a	Purchased linen service	759,375	607,500	151,875	
b	Prov for uncollectible acc	12,904,290	10,323,432	2,580,858	
c	Physician fees	8,696,248	6,956,998	1,739,250	
d	Medical supplies	59,732,777	47,786,222	11,946,555	
e	Equipment maintenance	3,238,006	2,590,405	647,601	
f	All other expenses	2,853,429	2,282,743	570,686	
25	Total functional expenses. Add lines 1 through 24f	275,236,793	211,307,119	63,929,674	0
26	Joint costs. Check here <input checked="" type="checkbox"/> if following SOP 98-2 (ASC 958-720) Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation				

Part X

Balance Sheet

					(A)		(B)
					Beginning of year		End of year
Assets	1	Cash—non-interest-bearing				1	0
	2	Savings and temporary cash investments			19,955,626	2	17,126,778
	3	Pledges and grants receivable, net				3	0
	4	Accounts receivable, net			32,272,912	4	37,340,076
	5	Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees. Complete Part II of Schedule L				5	0
	6	Receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers, and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions) Schedule L				6	0
	7	Notes and loans receivable, net			6,069,111	7	4,546,136
	8	Inventories for sale or use			5,534,418	8	6,270,491
	9	Prepaid expenses and deferred charges			5,595,625	9	5,344,130
	10a	Land, buildings, and equipment: cost or other basis. Complete Part VI of Schedule D.	10a	350,725,287			
	b	Less: accumulated depreciation	10b	77,398,922	242,146,761	10c	273,326,365
	11	Investments—publicly traded securities			24,228,879	11	33,868,350
	12	Investments—other securities. See Part IV, line 11				12	0
	13	Investments—program-related. See Part IV, line 11				13	0
	14	Intangible assets				14	0
	15	Other assets. See Part IV, line 11			100,157,838	15	50,442,168
16	Total assets. Add lines 1 through 15 (must equal line 34)			435,961,170	16	428,264,494	
Liabilities	17	Accounts payable and accrued expenses			55,138,183	17	38,853,319
	18	Grants payable				18	
	19	Deferred revenue				19	
	20	Tax-exempt bond liabilities			262,903,342	20	263,026,204
	21	Escrow or custodial account liability. Complete Part IV of Schedule D				21	
	22	Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons. Complete Part II of Schedule L				22	
	23	Secured mortgages and notes payable to unrelated third parties			10,158,902	23	6,477,567
	24	Unsecured notes and loans payable to unrelated third parties				24	
	25	Other liabilities. Complete Part X of Schedule D			5,179,012	25	2,830,945
	26	Total liabilities. Add lines 17 through 25			333,379,439	26	311,188,035
Net Assets or Fund Balances	Organizations that follow SFAS 117, check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.						
	27	Unrestricted net assets			97,723,567	27	110,748,543
	28	Temporarily restricted net assets			3,829,546	28	5,299,298
	29	Permanently restricted net assets			1,028,618	29	1,028,618
	Organizations that do not follow SFAS 117, check here <input type="checkbox"/> and complete lines 30 through 34.						
	30	Capital stock or trust principal, or current funds				30	
	31	Paid-in or capital surplus, or land, building or equipment fund				31	
	32	Retained earnings, endowment, accumulated income, or other funds				32	
	33	Total net assets or fund balances			102,581,731	33	117,076,459
34	Total liabilities and net assets/fund balances			435,961,170	34	428,264,494	

Part XI Reconciliation of Net Assets

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

1	Total revenue (must equal Part VIII, column (A), line 12)	1	285,280,363
2	Total expenses (must equal Part IX, column (A), line 25)	2	275,236,793
3	Revenue less expenses Subtract line 2 from line 1	3	10,043,570
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	102,581,731
5	Other changes in net assets or fund balances (explain in Schedule O)	5	4,451,158
6	Net assets or fund balances at end of year Combine lines 3, 4, and 5 (must equal Part X, line 33, column (B))	6	117,076,459

Part XII Financial Statements and Reporting

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

		Yes	No
1	Accounting method used to prepare the Form 990 <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Accrual <input type="checkbox"/> Other If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O		
2a	Were the organization's financial statements compiled or reviewed by an independent accountant?		No
b	Were the organization's financial statements audited by an independent accountant?	Yes	
c	If "Yes," to 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant? If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O	Yes	
d	If "Yes" to line 2a or 2b, check a box below to indicate whether the financial statements for the year were issued on a separate basis, consolidated basis, or both <input type="checkbox"/> Separate basis <input checked="" type="checkbox"/> Consolidated basis <input type="checkbox"/> Both consolidated and separated basis		
3a	As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133?		No
b	If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits		No

SCHEDULE A

(Form 990 or 990EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

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

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

OMB No 1545-0047

2010

Open to Public
Inspection

Name of the organization Mentus Medical Center Inc	Employer identification number 52-0607949
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Part I

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

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

- 1

☐

A church, convention of churches, or association of churches described in **section 170(b)(1)(A)(i).**
- 2

☐

A school described in **section 170(b)(1)(A)(ii).** (Attach Schedule E)
- 3

☒

A hospital or a cooperative hospital service organization described in **section 170(b)(1)(A)(iii).**
- 4

☐

A medical research organization operated in conjunction with a hospital described in **section 170(b)(1)(A)(iii).** Enter the hospital's name, city, and state
- 5

☐

An organization operated for the benefit of a college or university owned or operated by a governmental unit described in **section 170(b)(1)(A)(iv).** (Complete Part II)
- 6

☐

A federal, state, or local government or governmental unit described in **section 170(b)(1)(A)(v).**
- 7

☐

An organization that normally receives a substantial part of its support from a governmental unit or from the general public described in **section 170(b)(1)(A)(vi)** (Complete Part II)
- 8

☐

A community trust described in **section 170(b)(1)(A)(vi)** (Complete Part II)
- 9

☐

An organization that normally receives (1) more than 33 1/3% of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions—subject to certain exceptions, and (2) no more than 33 1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975 See **section 509(a)(2).** (Complete Part III)
- 10

☐

An organization organized and operated exclusively to test for public safety See**section 509(a)(4).**
- 11

☐

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

a

☐

Type I

b

☐

Type II

c

☐

Type III - Functionally integrated

d

☐

Type III - Other
- e

☐

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

☐

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

☐

Since August 17, 2006, has the organization accepted any gift or contribution from any of the following persons?

(i)

a person who directly or indirectly controls, either alone or together with persons described in (ii) and (iii) below, the governing body of the the supported organization?

(ii)

a family member of a person described in (i) above?

(iii)

a 35% controlled entity of a person described in (i) or (ii) above?
- h

☐

Provide the following information about the supported organization(s)

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

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

Part II

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

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

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

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

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

Part III

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

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

Section B. Total Support						
Calendar year (or fiscal year beginning in) 	(a) 2006	(b) 2007	(c) 2008	(d) 2009	(e) 2010	(f) Total
9 Amounts from line 6						
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
c Add lines 10a and 10b						
11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
12 Other income. Do not include gain or loss from the sale of capital assets (Explain in Part IV)						
13 Total support (Add lines 9, 10c, 11 and 12)						
14 First Five Years If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a section 501(c)(3) organization, check this box and stop here 						

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

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

Part IV

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

SCHEDULE C
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Political Campaign and Lobbying Activities

For Organizations Exempt From Income Tax Under section 501(c) and section 527
▶ **Complete if the organization is described below.**
▶ **Attach to Form 990 or Form 990-EZ. ▶ See separate instructions.**

OMB No 1545-0047

2010

Open to Public Inspection

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

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

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

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

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

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

Name of the organization Meritus Medical Center Inc	Employer identification number 52-0607949
--	--

Part I-A Complete if the organization is exempt under section 501(c) or is a section 527 organization.

1	Provide a description of the organization’s direct and indirect political campaign activities in Part IV	
2	Political expenditures	▶ \$
3	Volunteer hours	

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

1	Enter the amount of any excise tax incurred by the organization under section 4955	▶ \$
2	Enter the amount of any excise tax incurred by organization managers under section 4955	▶ \$
3	If the organization incurred a section 4955 tax, did it file Form 4720 for this year?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
4a	Was a correction made?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
b	If “Yes,” describe in Part IV	

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

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

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

Part II-A

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

A

Check

☐

if the filing organization belongs to an affiliated group

B

Check

☐

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

Limits on Lobbying Expenditures (The term "expenditures" means amounts paid or incurred.)		(a) Filing Organization's Totals	(b) Affiliated Group Totals												
1a Total lobbying expenditures to influence public opinion (grass roots lobbying)															
b Total lobbying expenditures to influence a legislative body (direct lobbying)															
c Total lobbying expenditures (add lines 1a and 1b)															
d Other exempt purpose expenditures															
e Total exempt purpose expenditures (add lines 1c and 1d)															
f Lobbying nontaxable amount Enter the amount from the following table in both columns															
<table><thead><tr><th>If the amount on line 1e, column (a) or (b) is:</th><th>The lobbying nontaxable amount is:</th></tr></thead><tbody><tr><td>Not over \$500,000</td><td>20% of the amount on line 1e</td></tr><tr><td>Over \$500,000 but not over \$1,000,000</td><td>\$100,000 plus 15% of the excess over \$500,000</td></tr><tr><td>Over \$1,000,000 but not over \$1,500,000</td><td>\$175,000 plus 10% of the excess over \$1,000,000</td></tr><tr><td>Over \$1,500,000 but not over \$17,000,000</td><td>\$225,000 plus 5% of the excess over \$1,500,000</td></tr><tr><td>Over \$17,000,000</td><td>\$1,000,000</td></tr></tbody></table>		If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:	Not over \$500,000	20% of the amount on line 1e	Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000	Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000	Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000	Over \$17,000,000	\$1,000,000		
If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:														
Not over \$500,000	20% of the amount on line 1e														
Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000														
Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000														
Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000														
Over \$17,000,000	\$1,000,000														
g Grassroots nontaxable amount (enter 25% of line 1f)															
h Subtract line 1g from line 1a If zero or less, enter -0-															
i Subtract line 1f from line 1c If zero or less, enter -0-															
j If there is an amount other than zero on either line 1h or line 1i, did the organization file Form 4720 reporting section 4911 tax for this year?		<div><input type="checkbox"/> Yes <input type="checkbox"/> No</div>													

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

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

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

		(a)		(b)
		Yes	No	Amount
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
	a Volunteers?		No	
	b Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		No	
	c Media advertisements?		No	
	d Mailings to members, legislators, or the public?		No	
	e Publications, or published or broadcast statements?		No	
	f Grants to other organizations for lobbying purposes?		No	
	g Direct contact with legislators, their staffs, government officials, or a legislative body?		No	
	h Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?	Yes		
	i Other activities? If "Yes," describe in Part IV	Yes		15,430
	j Total lines 1c through 1i			15,430
2a	Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No	
b	If "Yes," enter the amount of any tax incurred under section 4912			
c	If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
d	If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?		No	

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).	2a	
a	Current year		
b	Carryover from last year		
c	Total		
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
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SCHEDULE D

(Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

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

OMB No 1545-0047

2010

Open to Public
Inspection

Name of the organization
Meritus Medical Center Inc

Employer identification number
52-0607949

Part I

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

	(a) Donor advised funds	(b) Funds and other accounts
1	Total number at end of year	
2	Aggregate contributions to (during year)	
3	Aggregate grants from (during year)	
4	Aggregate value at end of year	
5	Did the organization inform all donors and donor advisors in writing that the assets held in donor advised funds are the organization's property, subject to the organization's exclusive legal control? <div><input type="checkbox"/> Yes<input type="checkbox"/> No</div>	
6	Did the organization inform all grantees, donors, and donor advisors in writing that grant funds may be used only for charitable purposes and not for the benefit of the donor or donor advisor, or for any other purpose conferring impermissible private benefit <div><input type="checkbox"/> Yes<input type="checkbox"/> No</div>	

Part II

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

1

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

☐ Preservation of land for public use (e g , recreation or pleasure)

☐ Preservation of an historically importantly land area

☐ Protection of natural habitat

☐ Preservation of a certified historic structure

☐ Preservation of open space

2

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

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

3

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

4

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

5

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

☐ Yes☐ No

6

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

7

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

8

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

☐ Yes☐ No

9

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

Part III

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

1a

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

b

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

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

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

2

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

a

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

b

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

Part III

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

3

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

a

☐ Public exhibition

b

☐ Scholarly research

c

☐ Preservation for future generations

d

☐ Loan or exchange programs

e

☐ Other

4

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

5

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

☐ Yes

☐ No

Part IV

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

1a

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

☐ Yes

☐ No

b

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

	Amount
1c	
1d	
1e	
1f	

2a

Did the organization include an amount on Form 990, Part X, line 21?

☐ Yes

☐ No

b

If "Yes," explain the arrangement in Part XIV

Part V

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

	(a)Current Year	(b)Prior Year	(c)Two Years Back	(d)Three Years Back	(e)Four Years Back
1a	Beginning of year balance	1,044,234	1,056,042	1,031,425	
b	Contributions				
c	Investment earnings or losses	24,155	23,318	29,534	
d	Grants or scholarships				
e	Other expenditures for facilities and programs	22,163	35,126	4,917	
f	Administrative expenses				
g	End of year balance	1,046,226	1,044,234	1,056,042	

2

Provide the estimated percentage of the year end balance held as

a

Board designated or quasi-endowment ▶

b

Permanent endowment ▶ 53 000 %

c

Term endowment ▶ 47 000 %

3a

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

(i) unrelated organizations

(ii) related organizations

3a(i)

☐ Yes

☐ No

3a(ii)

☐ Yes

☐ No

b

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

3b

☐ Yes

☐ No

4

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

Part VI

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

Description of investment	(a) Cost or other basis (investment)	(b)Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land		15,585,243		15,585,243
b Buildings		168,903,230	9,177,169	159,726,061
c Leasehold improvements				
d Equipment		165,082,991	68,221,753	96,861,238
e Other		1,153,823		1,153,823
Total. Add lines 1a-1e (Column (d) should equal Form 990, Part X, column (B), line 10(c).) ▶				273,326,365

Schedule D (Form 990) 2010

Part XIReconciliation of Change in Net Assets from Form 990 to Financial Statements		
1	Total revenue (Form 990, Part VIII, column (A), line 12)	1
2	Total expenses (Form 990, Part IX, column (A), line 25)	2
3	Excess or (deficit) for the year Subtract line 2 from line 1	3
4	Net unrealized gains (losses) on investments	4
5	Donated services and use of facilities	5
6	Investment expenses	6
7	Prior period adjustments	7
8	Other (Describe in Part XIV)	8
9	Total adjustments (net) Add lines 4 - 8	9
10	Excess or (deficit) for the year per financial statements Combine lines 3 and 9	10

Part XIIReconciliation of Revenue per Audited Financial Statements With Revenue per Return		
1	Total revenue, gains, and other support per audited financial statements	1
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12	
a	Net unrealized gains on investments2a	
b	Donated services and use of facilities2b	
c	Recoveries of prior year grants2c	
d	Other (Describe in Part XIV)2d	
e	Add lines 2a through 2d2e	
3	Subtract line 2e from line 13	
4	Amounts included on Form 990, Part VIII, line 12, but not on line 1	
a	Investment expenses not included on Form 990, Part VIII, line 7b4a	
b	Other (Describe in Part XIV)4b	
c	Add lines 4a and 4b4c	
5	Total Revenue Add lines 3 and 4c. (This should equal Form 990, Part I, line 12)5	

Part XIIIReconciliation of Expenses per Audited Financial Statements With Expenses per Return		
1	Total expenses and losses per audited financial statements	1
2	Amounts included on line 1 but not on Form 990, Part IX, line 25	
a	Donated services and use of facilities2a	
b	Prior year adjustments2b	
c	Other losses2c	
d	Other (Describe in Part XIV)2d	
e	Add lines 2a through 2d2e	
3	Subtract line 2e from line 13	
4	Amounts included on Form 990, Part IX, line 25, but not on line 1:	
a	Investment expenses not included on Form 990, Part VIII, line 7b4a	
b	Other (Describe in Part XIV)4b	
c	Add lines 4a and 4b4c	
5	Total expenses Add lines 3 and 4c. (This should equal Form 990, Part I, line 18)5	

Part XIVSupplemental Information

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

Identifier	Return Reference	Explanation
Part X	Part X FIN48 Footnote	MMC follows the accounting guidance for uncertainties in income tax positions which requires that a tax position be recognized or derecognized based on a "more likely than not" threshold This applies to positons taken or expected to be taken in a tax return
Part XI, Line 8	Part XI, Line 8 Other Changes in Net Assets or Fund Balances	Minimum pension liability adjustment \$714279 Net assets held by Meritus Healthcare Foundation \$1470059 Other \$ -444468
Part V, Line 4	Part V, Line 4 Intended uses of the endowment fund	Charity care

SCHEDULE H
(Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

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

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
Mentus Medical Center Inc

Employer identification number
52-0607949

Part I

Financial Assistance and Certain Other Community Benefits at Cost

		Yes	No	
1a	Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a .	1a	Yes	
b	If "Yes," is it a written policy?	1b	Yes	
2	If the organization has multiple hospitals, indicate which of the following best describes application of the financial assistance policy to its various hospital facilities during the tax year <div><input type="checkbox"/> Applied uniformly to all hospitals</div> <div><input type="checkbox"/> Applied uniformly to most hospitals</div> <div><input type="checkbox"/> Generally tailored to individual hospitals</div>			
3	Answer the following based on the the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year			
a	Does the organization use Federal Poverty Guidelines (FPG) to determine eligibility for providing <i>free</i> care to low income individuals? If "Yes," indicate which of the following is the FPG family income limit for eligibility for free care <div><input type="checkbox"/> 100%</div> <div><input checked="" type="checkbox"/> 150%</div> <div><input type="checkbox"/> 200%</div> <div><input type="checkbox"/> Other _____%</div>	3a	Yes	
b	Does the organization use FPG to determine eligibility for providing <i>discounted</i> care to low income individuals? If "Yes," indicate which of the following is the family income limit for eligibility for discounted care <div><input type="checkbox"/> 200%</div> <div><input type="checkbox"/> 250%</div> <div><input type="checkbox"/> 300%</div> <div><input type="checkbox"/> 350%</div> <div><input type="checkbox"/> 400%</div> <div><input checked="" type="checkbox"/> Other 150.000000000%</div>	3b	Yes	
c	If the organization does not use FPG to determine eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care Include in the description whether the organization uses an asset test or other threshold, regardless of income, to determine eligibility for free or discounted care			
4	Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for free or discounted care to the "medically indigent"?	4	Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	5a	Yes	
b	If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?	5b		No
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care?	5c		No
6a	Does the organization prepare a community benefit report during the tax year?	6a	Yes	
6b	If "Yes," did the organization make it available to the public?	6b	Yes	
Complete the following table using the worksheets provided in the Schedule H instructions Do not submit these worksheets with the Schedule H				

7 Financial Assistance and Certain Other Community Benefits at Cost						
Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheets 1 and 2)		3,725	9,588,597		9,588,597	3 480 %
b Unreimbursed Medicaid (from Worksheet 3, column a)			638,272		638,272	0 230 %
c Unreimbursed costs—other means-tested government programs (from Worksheet 3, column b)						
d Total Financial Assistance and Means-Tested Government Programs		3,725	10,226,869		10,226,869	3 710 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)		397,490	1,286,029		1,286,029	0 470 %
f Health professions education (from Worksheet 5)		4,496	117,003		117,003	0 040 %
g Subsidized health services (from Worksheet 6)		24,829	11,851,304	2,733,447	9,117,857	3 310 %
h Research (from Worksheet 7)		406	811,458	484,937	326,521	0 120 %
i Cash and in-kind contributions to community groups (from Worksheet 8)		1,672	444,471	287,649	156,822	0 060 %
j Total Other Benefits		428,893	14,510,265	3,506,033	11,004,232	4 000 %
k Total. Add lines 7d and 7j		432,618	24,737,134	3,506,033	21,231,101	7 710 %

Part II

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

	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1	Physical improvements and housing					
2	Economic development					
3	Community support	48	1,258		1,258	
4	Environmental improvements					
5	Leadership development and training for community members					
6	Coalition building					
7	Community health improvement advocacy	4	1,279		1,279	
8	Workforce development					
9	Other	1,000	693		693	
10	Total	1,052	3,230		3,230	

Part III

Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

		Yes	No
1	Did the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No. 15?	1	Yes
2	Enter the amount of the organization's bad debt expense (at cost)	2	9,984,049
3	Enter the estimated amount of the organization's bad debt expense (at cost) attributable to patients eligible under the organization's financial assistance policy	3	1,806,601
4	Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense. In addition, describe the costing methodology used in determining the amounts reported on lines 2 and 3, and rationale for including a portion of bad debt amounts as community benefit		

Section B. Medicare

5	Enter total revenue received from Medicare (including DSH and IME)	5	261,906,044
6	Enter Medicare allowable costs of care relating to payments on line 5	6	239,028,749
7	Subtract line 6 from line 5. This is the surplus or (shortfall)	7	22,877,295
8	Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit. Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6. Check the box that describes the method used: <input type="checkbox"/> Cost accounting system <input checked="" type="checkbox"/> Cost to charge ratio <input type="checkbox"/> Other		

Section C. Collection Practices

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

Part IV

Management Companies and Joint Ventures

(a) Name of entity	(b) Description of primary activity of entity	(c) Organization's profit % or stock ownership %	(d) Officers, directors, trustees, or key employees' profit % or stock ownership%	(e) Physicians' profit % or stock ownership %
1	Tri-State Health Part Inc	PHO	50 000 %	50 000 %
2	Maryland Care Inc	healthcare	25 000 %	
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				

Section A. Hospital Facilities

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

Schedule H (Form 990) 2010

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

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

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

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

Part VI

Supplemental Information

Complete this part to provide the following information

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

Identifier	ReturnReference	Explanation
	Part VI - Additional Information	Line 7a Column (d), Line 7f Columns (c) and (d) - 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) determines payment through a rate-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 includes a method for referencing Uncompensated Care in each payors' rates, which does not enable Maryland hospitals to breakout any offsetting revenue related to Uncompensated Care Line 7b Columns (c) through (f) - 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) determines payment through a rate-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 includes 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

Identifier	ReturnReference	Explanation
	Part V - Explanation of Number of Facility Type	N/A

Identifier	ReturnReference	Explanation
	Part VI - States Where Community Benefit Report Filed	MD

Identifier	ReturnReference	Explanation
	Part VI - Affiliated Health Care System Roles and Promotion	<p>Meritus Health - the largest healthcare provider in Western Maryland - is located at the crossroads of Western Maryland, southern Pennsylvania, and the Eastern Panhandle of West Virginia. As the largest employer in Washington County, it has a deep understanding of the needs of the community. Its programs span the continuum of healthcare, ranging from inpatient care to occupational health services to physician practices and outpatient care. The system delivers patient care through two primary components, MMC and ME. Located in Hagerstown, MMC, an acute care hospital- which opened December 11, 2010 - has 267 single-patient rooms, along with the most advanced technologies available. Services include a special care nursery, a level III trauma program, a primary stroke center, a wound center, as well as a cardiac diagnostic laboratory. Other hospital services that address outpatient needs continue to be available, such as the John R. Marsh Cancer Center, Total Rehab Care, the Center for Clinical Research, and the Center for Bariatric Surgery. State-of-the-art medical technologies at MMC include new technologies such as advanced 3T magnetic resonance imaging, single-photo-emission computed tomography (SPECT) scanners, and cardiac interventions. Patients will benefit from the convenient location of MMC, which is adjacent to the Robinwood Professional Center, operated by ME. With this proximity, patients can take advantage of an array of both inpatient and outpatient services. The medical mall houses a pharmacy, medical laboratory, an urgent care clinic, surgery centers, and diagnostic imaging services. In addition, there are numerous physician practices, offering a wide variety of medical specialties. ME, an affiliate of MH, is a leading provider in ambulatory health care services in the tri-state region. Its mission is to engage in ambulatory health activities that complement the goals and objectives of MH. ME vigorously recruits physicians and other healthcare providers to the region, to assure an adequate supply of physicians in many medical specialties. ME has a very successful record of joint-venture relationships with physicians that has greatly benefited the wellbeing of tri-state area residents. ME includes a number of businesses and medical practices. It maintains three urgent care clinics in Hagerstown. The urgent care clinics work closely with primary care physicians, caring for patients with minor illnesses or injuries. Because numerous patients can be seen at these clinics, local physicians have more time to spend with regularly-scheduled patients in their offices. Tri-State Health Partners (THP) is a physician hospital organization (PHO) owned by more than 200 physicians and MMC. This partnership enhances the ability of its physician owners and the medical center to focus on technology and initiatives to improve quality and patient care outcomes in the community. THP's mission is to be the region's most comprehensive healthcare solutions company, fostering collaboration with community practitioners and providers to create a fully-integrated medical care delivery system. Clinical integration engages THP physicians in a cooperative effort to improve the quality of healthcare and the cost-effectiveness of healthcare services. MHF is a private, not-for-profit, tax-exempt organization managed by a volunteer board of community leaders whose mission is to support hospital programs and services, scientific research, equipment, technology, medical training and community education. The foundation is an integral part of the overall health system organization, and contributions have a direct impact on the quality of care. MH is able to provide. The Foundation Board of Directors works closely with the MH boards and leadership to match resources with MH needs, enabling caregivers to provide the very best care possible every single day.</p>

Identifier	ReturnReference	Explanation
	Part VI - Explanation Of How Organization Furthers Its Exempt Purpose	<p>The mission, vision and values of the Meritus Medical Center (MMC) are summarized in MMC's pledge Responsiveness to need Excellence in Caring Respect for All The pledge says that MMC strives to meet the healthcare needs of the citizens of the tri-state region, is dedicated to providing quality patient care in a safe and caring environment andthat MMC esteems the personal dignity of patients and staff alike Every day, the hospital's employees live out MMC's values by treating others as they would like to be treated MMC participates in a variety of activities that focus on the well-being of the patients, including committees and teams that evaluate the progress in the areas of quality patient care, patient safety and professional development Many staff members provide outreach to the community through educational offerings which have been identified by a survey of community health education needs MMC is a vibrant healthcare facility, where dedicated staff engages patients and their families in their care, promoting a partnership that leads to improved patient outcomes At the same time, employees work together to plan a future that focuses on the well-being of the citizens of the tri-state region The focus for any healthcare organization is the community it serves At Meritus Health, the parent company of Meritus Medical Center, we want to ensure that we are a good corporate citizen We do that in two very important ways the way we use our financial resources to provide healthcare services and through the oversight provided by our boards of directors All surplus funds are used for the purchase of capital equipment which improves the quality of care provided As a tax exempt hospital, we contribute funds to help many people who might not be able to afford their healthcare These dollars are used to provide free, reduced-cost or subsidized services to many individuals in the community It's a collaborative effort involving numerous areas of the health system in activities such as health education and outreach, screenings, programs and events, as well as helping individuals obtain prescription medications, access to needed services, and even transportation to healthcare appointments Unlike giant healthcare corporations -where every decision is made at company headquarters-all decisions regarding Meritus Health are made here in Hagerstown That's because as a regional health system, our local governing board of directors, made up entirely of volunteers, guides the health system's decisions with the best interests of the community at heart In addition to attending quarterly meetings to determine the direction the health system will take, the health system board members, who are community and business leaders as well as physicians, serve on various committees, including quality, finance and capital, audit and business integrity, compensation, and governance The board and its committees ensure that the health system complies with state and federal requirements, while keeping the organization's mission of providing quality care front and center By working together toward this goal, the board members create policies and procedures that help deliver results As a community trust that works hard to keep the values and interests of the community at heart, the Meritus Heath Board of Directors is ensuring that the health system has the support necessary to provide care for future generations The opening of MMC on December 11, 2010 was a realization of the planning and hard work by staff that went into creating a cutting-edge facility to take the region into the next century in health care Through the planning and implementation of a project this size, people were tapped along the way to make sure the replacement facility was going to meet the needs of the community now and beyond With the new facility, basic needs such as a larger emergency room are being met, and technologies that were not available even a year ago have been added</p>

Identifier	ReturnReference	Explanation
	Part VI - Community Building Activities	<p>Meritus Medical Center participates in an on-going, nationally recognized program called KidShape. It seeks to improve the health and well-being of children from ages 6 to 17. It targets overweight and obese children by involving them and their parents in a program that emphasizes eating management and fun activities to get kids active. The program benefits the whole family. Children are referred by their physicians and parents may self-refer. It is an outreach program implemented by the hospital's community health education outreach department. The KidShape program was initiated in April 2008. Since that time, 19 families have completed the course. Evaluations were done at the end of each course. KidShape staff reported the following:</p> <ul style="list-style-type: none"> 1. 69% decreased or maintained their BMI 2. 72% decreased their blood pressure 3. 52% increased vegetable consumption 4. 45% increased fruit consumption 5. 67% decreased their "junk" food intake 6. 54% decreased TV time on weekends 7. 46% increased time they spend exercising 8. 46% increased their self-esteem <p>As a result of the evaluations, the hospital is continuing its commitment to providing the KidShape program in our community.</p>

Identifier	ReturnReference	Explanation
	Part VI - Community Information	<p>Meritus Medical Center is a regional medical center for residents of the tri-state area including Washington County, Maryland, Frederick County, Maryland, Franklin County, PA, Fulton County, PA, Morgan County, WV, Jefferson County, WV, and Berkley County, WV. The hospital's primary service area is Washington County, MD and residents of the county make up the majority of the hospital's customers. However, with service offerings including a regional trauma center, a center for bariatric surgery, non-primary and primary angioplasty, and a designated stroke center, the hospital draws from southern PA and northern WV for a variety of services. For example, in 2009, emergency medical service providers brought more than 200 Frederick county residents to Meritus Medical Center's trauma center for treatment. According to the Hagerstown-Washington County Economic Development Commission, people are moving to Washington County for its employment opportunities, world-class educational system, and excellent quality of life. With a net increase of 1,000 people, Washington County ranks first in Maryland for the largest total migration increase according to the U.S. Census Bureau 2007 Statistics. The population of the county is 145,384 and is projected to grow to 170,950 by 2020, according to the Maryland Department of Planning.</p>

Identifier	ReturnReference	Explanation
	Part VI - Patient Education of Eligibility for Assistance	Meritus Medical Center informs patients and/or their families of the hospital's financial assistance policy by providing a copy of the policy and contact information as part of the intake process. The financial assistance policy and contact information is posted in the admitting area, emergency room and other areas throughout the facility where eligible patients are likely to present. When applicable, a representative of the hospital discusses the availability of financial assistance as well as Medicaid and other governmental benefits with patients or their families. The hospital makes every effort to inform patients of this policy throughout their visit. MMC follows the Maryland Hospital Association's Standards for Financial Assistance for Maryland. MMC will provide 100 percent free hospital care for patients below 150 percent of Federal Poverty levels and who have less than \$10,000 in net assets. When a patient's income and/or net assets does not qualify them for 100 percent financial assistance, they may be eligible to qualify for financial assistance based on a sliding scale. MMC will consider the size of a patient's bill relative to their ability to pay in determining financial assistance options, which could include payment plans. MMC will grant financial assistance for services determined to be medically necessary.

Identifier	ReturnReference	Explanation
	Part VI - Needs Assessment	<p>Meritus Medical Center completed a community health needs assessment in the Spring of 2009. It was sent to major community agencies to determine what they knew and perceived to be the most important healthcare needs of Washington County residents. Twenty agencies were surveyed, including the healthcare organizations, the United Way, and the Department of Social Services. Internal healthcare providers were also surveyed, some of them included the healthcare management department, medical director of internal medicine, and the community health education and outreach department. Respondents completed a survey which asked them to identify the three most important health needs they have encountered, which ones they have designated as current fiscal year priorities, and to name any other agencies that should be included in the survey. Respondents listed the following as the most important health needs: mental health services, services for the elderly, dental services, and obesity. They identified three that are fiscal year priorities: mental health, dental services, and substance abuse. In response to the community needs assessment completed in 2009, MMC responded to the identified needs during fiscal year 2011. The first need identified was to improve access to adolescent mental health and social functioning. MMC developed a model to provide in-school assessment and counseling services at Boonsboro High School which experienced above average substance abuse rates and suicide. MMC secured grant funding of \$70,000 from Maryland Physicians Care and secured funding for building renovations from Washington County Community Partnership. The program services were implemented by Villa Maria Catholic Charities and 34 adolescents were treated. MMC also worked to advocate and enhance existing community child and adult mental health services by providing expertise to the mental health providers. MMC helped to secure an early childhood mental health grant from Maryland Hospital Association and provided board support and clinical supervision of services. Service expansion included case management and juvenile drug court diversion. Secondly, MMC increased awareness of senior services. Seniors living in the Washington County region were identified as having a lack of awareness of health issues unique to an aging population. Through community health fairs, screenings, and educational events, MMC provides the information necessary to heighten awareness of senior issues and assist seniors in identifying where help can be obtained. A third identified area was the need to decrease adult obesity. MMC provided BMI screenings and nutritional information at community educational events and health fairs to increase awareness and knowledge of elevated body mass index and potential health risks. Participants were able to identify the need to make lifestyle changes and where such assistance could be obtained. 204 persons completed obesity screening and education for fiscal year 2011.</p>

Identifier	ReturnReference	Explanation
Number of Hospital Facility - 0	Part V, Line 19d - Other Billing Determination of Individuals Without Insurance	MMC will follow the Maryland Hospital Association Standards for Financial Assistance for Maryland a MMC will provide 100 percent free hospital care for patients below 200 percent of Federal Poverty levels and the income threshold for reduced-cost medically necessary care is between 200 and 300 percent of the federal poverty level and who have less than \$10,000 in net assets b When a patient's income and/or net assets does not qualify them for 100 percent Financial Assistance, they may be eligible to qualify for financial assistance based on a sliding scale as referenced in Appendix 1 c MMC will consider the size of a patient's bill relative to their ability to pay in determining financial assistance and financial assistance options, which could include payment plans d MMC will grant financial assistance for services determined to be medically necessary e It is recognized that Amish and Mennonite patients do not rely on in any manner on any type of government programs or private insurance based upon their religious beliefs These groups rely on their religious community to pull resources together to pay for healthcare bills for members of their community These patients, who are 100% self-pay, will be granted a 25% discount when bill is paid in full within 30 days of service

Identifier	ReturnReference	Explanation
	Part III, Line 9b - Provisions On Collection Practices For Qualified Patients	<p>Meritus Medical Center is committed to providing quality health care for all patients regardless of their inability to meet the associated financial obligation and without discrimination on the grounds of race, color, national origin or creed. Financial assistance can be offered during, or after services are rendered. The financial assistance procedures are designed to assist individuals who qualify for less than full coverage under available federal, state and local medical assistance programs, but whom residual "self-pay" balances exceed their own ability to pay. Meritus Medical Center informs patients and/or their families of the hospital's financial assistance policy by providing a copy of the policy and contact information as part of the intake process. The financial assistance policy and contact information is posted in the admitting area, emergency room and other areas throughout the facility where eligible patients are likely to present. When applicable, a representative of the hospital discusses the availability of financial assistance as well as Medicaid and other governmental benefits with patients or their families. The hospital makes every effort to inform patients of this policy throughout their visit. A financial application that has been approved for financial assistance will remain eligible for a period of six months. Patients or guarantors incurring accounts after the six month period will be required to reapply, so that any changes in their financial status can be reassessed. Accounts receivable accounts approved for financial assistance will be reconciled by the Finance Department at fiscal year end and reported annually to the Health Services Cost Review Commission of the State of Maryland. If financial assistance is denied, a payment arrangement will be obtained on any balance due by the patient or the guarantor by a Patient Financial Services Representative.</p>

Identifier	ReturnReference	Explanation
	Part III, Line 4 - Bad Debt Expense	Meritus Medical Center (MMC) provides an allowance for doubtful accounts for estimated losses resulting from the unwillingness or inability of patients to make payments for services. The allowance is determined by analyzing specific accounts and historical data and trends. Patient accounts receivable are charged off against the allowance for doubtful accounts when management determines that recovery is unlikely and MMC ceases collection efforts. Losses have been consistent with management's expectations.

Identifier	ReturnReference	Explanation
	Part I, Line 7g - Costs Associated With Physicans Clinics	Subsidized health services for Meritus Medical Center include the following (1) Hospital owned endocrinology and diabetes program (2) Western Maryland Medication Assistance Center (3) Hospital owned psychiatric practice (4) Level III trauma program (5) On-call fees for emergency specialist call (6) Hospital owned respiratory care program (7) Hospice of Washington County allowed a voluntary contractual allowance

Identifier	ReturnReference	Explanation
	Part I, Line 7, Column F - Explanation of Bad Debt Expense	Meritus Medical Center (MMC) is committed to providing quality health care for all patients regardless of their inability to meet the associated financial obligation and without discrimination on the grounds of race, color, national origin or creed. It shall be the policy of MMC to ensure that all appropriate and reasonable efforts have been made prior to referring an account to bad debt, a collection agency or outside attorney. In addition, a satisfactory level of control is maintained over bad debts and levels of management are involved in the decision making process prior to write-off and/or assignment of bad debt.

Identifier	ReturnReference	Explanation
	Part I, Line 7 - Explanation of Costing Methodology	The direct cost was calculated by using the expense categories for salaries and wages, benefits, expendable supplies, purchased services, repairs and maintenance and depreciation The indirect cost was calculated using the approved methodology on the community benefit report

Identifier	ReturnReference	Explanation
	Part I, Line 6a - Related Organization Community Benefit Report	MMC prepares a community benefits report through the Maryland Health Services Cost Review Commission (HSCRC), and it is available via their website

Schedule I
(Form 990)

Department of the Treasury
Internal Revenue Service

Name of the organization
Meritus Medical Center Inc

Grants and Other Assistance to Organizations,
Governments and Individuals in the United States

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

OMB No 1545-0047

2010

Open to Public
Inspection

Employer identification number
52-0607949

Part I General Information on Grants and Assistance

1

Does the organization maintain records to substantiate the amount of the grants or assistance, the grantees' eligibility for the grants or assistance, and the selection criteria used to award the grants or assistance?

☒ Yes ☐ No

2

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

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

1 (a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance

2

Enter total number of section 501(c)(3) and government organizations

0

3

Enter total number of other organizations

0

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

(a)Type of grant or assistance	(b)Number of recipients	(c)Amount of cash grant	(d)Amount of non-cash assistance	(e)Method of valuation (book, FMV, appraisal, other)	(f)Description of non-cash assistance
(1) HSCRC Nursing Grant	13	119,271		N/A	N/A

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

Identifier	Return Reference	Explanation
Grantmaker's Description of How Grants are Used		The HSCRC grant provides money to employees of the Hospital who are enrolled in the Hagerstown Community College nursing program The grant program pays for all of the student's tuition, books, and fees with an agreement that upon graduation the student will work for the Hospital as a registered nurse The grant also provides monies for registered nurses who are working on their MSN in education Each award recipient will be required to sign a Service Card Agreement with the Meritus Medical Center The length of payback will be one year of service (equivalent to 2,080 hours of service) for each year of the grant you receive The program is five semesters long and most recipients will owe 4,160 hours

Schedule J
(Form 990)

Compensation Information

OMB No 1545-0047

2010

Open to Public Inspection

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

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

▶ Attach to Form 990. ▶ See separate instructions.

Name of the organization
Meritus Medical Center Inc

Employer identification number
52-0607949

Part I

Questions Regarding Compensation

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

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

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

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

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
(1) Thomas Gilbert MD	(i) (ii)	765,329		4,088	6,125	15,080	790,622	
(2) T Michael White	(i) (ii)	319,237		7,320	8,674	10,957	346,188	
(3) Raymond Grahe	(i) (ii)	280,919		7,880	17,150	10,730	316,679	
(4) Michael Zampelli	(i) (ii)	281,022		5,628	26,790	14,241	327,681	
(5) Matthew Wagner MD	(i) (ii)	296,419		4,138	9,800	14,316	324,673	
(6) Mary Towe	(i) (ii)	186,656		1,884	12,882	2,318	203,740	
(7) Kelly Corbi	(i) (ii)	173,137		8,305	6,046	13,627	201,115	
(8) Jayantilal Kadiwar MD	(i) (ii)	414,540		6,122	6,164	12,859	439,685	
(9) James P Hamill	(i) (ii)	459,897		22,814	10,922	11,885	505,518	
(10) Garry Seligman MD	(i) (ii)	209,735		6,373	8,697	11,748	236,553	
(11) Deborah Addo-Samuels	(i) (ii)	201,304		2,316	8,243	10,212	222,075	
(12) Carolyn Simonsen	(i) (ii)	175,898		6,506	6,006	5,888	194,298	
(13) Carey Leverett	(i) (ii)	171,776		3,672	6,832	11,489	193,769	
(14) Adriana Maldonado-Brem	(i) (ii)	182,259		6,907	10,152	18,208	217,526	
(15)								
(16)								

Part IIISupplemental Information

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

Identifier	Return Reference	Explanation
Sch J, Part I, Line 1a	Part I, Line 1a. Relevant information in regards to selections on 1a.	

Schedule K
(Form 990)

Supplemental Information on Tax Exempt Bonds

OMB No 1545-0047

2010

Open to Public Inspection

Department of the Treasury
Internal Revenue Service

Name of the organization
Meritus Medical Center Inc

Employer identification number
52-0607949

Part I Bond Issues

(a) Issuer Name	(b) Issuer EIN	(c) CUSIP #	(d) Date Issued	(e) Issue Price	(f) Description of Purpose	(g) Defeased		(h) On Behalf of Issuer		(i) Pool financing	
						Yes	No	Yes	No	Yes	No
A MD Hlth & Hig Ed Fac Aut	52-0936091	574217T21	02-12-2008	264,300,000	Construction-new hospital		X		X		

Part II Proceeds

		A		B		C		D	
1	Amount of bonds retired								
2	Amount of bonds legally defeased								
3	Total proceeds of issue	262,855,181							
4	Gross proceeds in reserve funds	18,344,513							
5	Capitalized interest from proceeds								
6	Proceeds in refunding escrow								
7	Issuance costs from proceeds	3,121,975							
8	Credit enhancement from proceeds								
9	Working capital expenditures from proceeds								
10	Capital expenditures from proceeds	235,980,961							
11	Other spent proceeds	5,407,732							
12	Other unspent proceeds								
13	Year of substantial completion	2010							
		Yes	No	Yes	No	Yes	No	Yes	No
14	Were the bonds issued as part of a current refunding issue?		X						
15	Were the bonds issued as part of an advance refunding issue?		X						
16	Has the final allocation of proceeds been made?	X							
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	X							

Part III Private Business Use

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

Part IIIPrivate Business Use (Continued)

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
3a	Are there any management or service contracts that may result in private business use?		X						
b	Are there any research agreements that may result in private business use of bond-financed property?		X						
c	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?	X							
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	30 000 %							
5	Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government								
6	Total of lines 4 and 5	30 000 %							
7	Has the organization adopted management practices and procedures to ensure the post-issuance compliance of its tax-exempt bond liabilities?	X							

Part IVArbitrage

		A		B		C		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?	X							
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						
b	Name of provider								
c	Term of hedge								
d	Was the hedge superintegrated?								
e	Was a hedge terminated?								
4a	Were gross proceeds invested in a GIC?		X						
b	Name of provider								
c	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?		X						
6	Did the bond issue qualify for an exception to rebate?	X							

Part VSupplemental Information

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

Identifier	Return Reference	Explanation

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.

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
Meritus Medical Center Inc

Employer identification number
52-0607949

Part I Excess Benefit Transactions (section 501(c)(3) and section 501 (c)(4) organizations only).

Complete if the organization answered "Yes" on Form 990, Part IV, line 25a or 25b, or Form 990-EZ, Part V, line 40b

1	(a) Name of disqualified person	(b) Description of transaction	(c) Corrected?	
			Yes	No

2 Enter the amount of tax imposed on the organization managers or disqualified persons during the year under section 4958 ▶ \$ _____

3 Enter the amount of tax, if any, on line 2, above, reimbursed by the organization ▶ \$ _____

Part II Loans to and/or From Interested Persons.

Complete if the organization answered "Yes" on Form 990, Part IV, line 26, or Form 990-EZ, Part V, line 38a

(a) Name of interested person and purpose	(b) Loan to or from the organization?		(c) Original principal amount	(d) Balance due	(e) In default?		(f) Approved by board or committee?		(g) Written agreement?	
	To	From			Yes	No	Yes	No	Yes	No
Total ▶ \$ _____										

Part III Grants or Assistance Benefitting Interested Persons.

Complete if the organization answered "Yes" on Form 990, Part IV, line 27.

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of grant or type of assistance

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 organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
(1) Greg Snook	Director	146,181	See suppl info below		No
(2) Marc Kross MD	Director	614,374	See suppl info below		No
(3) Raymond A Grahe	Officer	99,218	See suppl info below		No
(4) William Su MD	Director	135,506	See suppl info below		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
		Marc Kross, MD has contracts with MMC to serve as Surgeon and Chief of Trauma, to provide emergency room call coverage and to provide trauma call coverage William Su, MD has a contract directly with MMC to provide emergency room and trauma call coverage Raymond Grahe is an officer of the MHF board and an employee of MMC and served on the local board of Columbia Bank until 1/1/2011 Greg Snook is the owner of a property that is leased by Meritus Enterprises and his brother owns a storage company in which various entities under MH lease space

SCHEDULE O
(Form 990 or 990-EZ)Department of the Treasury
Internal Revenue Service**Supplemental Information to Form 990 or 990-EZ****Complete to provide information for responses to specific questions on
Form 990 or to provide any additional information.**
▶ **Attach to Form 990 or 990-EZ.**

OMB No 1545-0047

2010**Open to Public
Inspection****Name of the organization**
Meritus Medical Center Inc**Employer identification number**

52-0607949

Identifier	Return Reference	Explanation
	Statement of Program Service Acc	<p>Meritus Health is the largest healthcare provider in Western Maryland, located at the crossroads of Western Maryland, southern Pennsylvania, and the eastern panhandle of West Virginia MMC is an acute care hospital with 272 single-patient rooms providing services including a special care nursery, a designated trauma center, a primary stroke center, a wound center, and a designated cardiac interventional center As the leading provider of healthcare services in the tri-state region, Meritus Health's primary service area is Washington County, Maryland - with residents of that county making up the majority of the hospital's customers - while also serving residents of Frederick County, Maryland, Franklin County, Pennsylvania, Fulton County, Pennsylvania, Morgan County, West Virginia, Jefferson County, West Virginia, and Berkeley County, West Virginia In a quest to meet the health care needs of the community and region, MMC constructed a new facility that opened in December of 2010 With the new facility, basic needs such as a larger emergency room are being met, and technologies that were not available even a year ago have been added to bring the facility into the next century The improvements will benefit the staff and the patients of MMC From single-patient rooms to high-tech operating suites, MMC will maximize patient care As a sole community provider, MMC must provide around the clock care in the Emergency Department (ED) It has become increasingly difficult to insure 24/7 specialist coverage for the ED in the current environment of decreased physician reimbursement and increasing volume Therefore, MMC pays on-call fees for emergency specialist call to insure adequate physician coverage in the ED Those specialties contracted with to provide emergency specialist call include cardiology, critical care, ENT, eye, GI, general surgery, interventional cardiologist, neurology, neurosurgery, ortho, pediatrics, plastics, and urology</p>

Identifier	Return Reference	Explanation
	Schedule K	As of the fiscal year ending June 30, 2010, MMC was entering the final stages of its new hospital, which was the purpose of Maryland Health & Higher Educational Facility's 2008 bond In this regard, the above mentioned new hospital facility was completed and opened on December 11, 2010

Identifier	Return Reference	Explanation
	Part XI, Line 2b	Meritus Medcial Center is audited as part of the consolidated audit of the Meritus Health, Inc entities. The medical center received consolidated audited financial statements prepared in accordance with GAAP from an independent accounting firm.

Identifier	Return Reference	Explanation
	Part VII, Section 6, Line 8	Joseph Ross began employment on March 30, 2011 and did not receive any compensation during calendar year 2010

Identifier	Return Reference	Explanation
	Part VI, Line 16b	As defined by the Meritus Medical Center bylaws which state the process for joint venture activity, a joint venture arrangement with a taxable entity would first be evaluated by the the Meritus Medical Center Board and the Meritus Health, Inc Board After presentation and approval by those two boards, the Finance & Capital Board of Meritus Health, Inc would evaluate the financial implications of the joint venture The Audit & Business Integrity Committee of the Meritus Health, Inc Board would analyze any possible interested party transactions and the limitations and prohibitions associated with the section 501(c)(3) status of the medical center The Meritus Health, Inc Board would ultimately need to approve any joint venture resolutions

Identifier	Return Reference	Explanation
	Part VI, Line 16a	<p>Meritus Medical Center holds a 25% equity interest in Maryland Care, Inc. Maryland Care, Inc. is a managed care organization ("MCO") that was established to serve Maryland's Medicaid population as a result of the State's requirement for Medicaid patients to be a member of an MCO. Meritus Medical Center holds a 50% equity interest in Tri-State Health Partners ("THP"). THP is an innovative physician-hospital organization ("PHO") established to organize, assemble and facilitate the provision of cost effective health care services. The partnership consists of more than 200 local physicians and the Hospital. THP is involved in the medical management of more than 6,000 covered lives through regional self-insured businesses. In April of 2009, THP developed a clinical integration program that was approved by the Federal Trade Commission ("FTC"). THP has one of only three clinical integration programs that have been approved by the FTC to date. Within a clinical integration program, physicians agree to work together with a high degree of cooperation, collaboration and mutual interdependence that focuses on improving the quality of care they collectively provide. Physicians use electronic health record technology to coordinate treatment among the patients' healthcare providers, which can substantially reduce the cost of care.</p>

Identifier	Return Reference	Explanation
	Part I, Line 6 - Volunteers	Meritus Medical Center receives volunteers that are recruited by the Meritus Medical Center Auxiliary, Inc ("Auxiliary") The mission of the Auxiliary is to cooperate and assist in the work of the medical center by promoting the medical center's work in the community and supplementing the work of the staff of the medical center

Identifier	Return Reference	Explanation
Form 990, Part VI, Line 19	Form 990, Part VI, Line 19 Other Organization Documents Publicly Available	Governing documents, conflict of interest policy, and financial statements are available upon request. In addition, the annual audited financial statements are available on the organization's website.

Identifier	Return Reference	Explanation
Form 990, Part VI, Line 15b	Form 990, Part VI, Line 15b Compensation Review and Approval Process for Officers and Key Employees	<p>Annually in September, the Compensation Committee of the MH Board meets and reviews the following as it relates to compensation of the CEO and other key employees</p> <p>Market Data - Presented by an independent third party compensation consultant</p> <p>Performance Evaluation - Provided by the CEO</p> <p>Overall Financials- used for Bonus Current Salary Along with Merit Guidelines</p> <p>The independent third party compensation consultant then makes recommendations to the compensation committee and the committee deliberates, discusses, and approves the recommendation as is or makes amendments to it before approval</p> <p>The report and resulting decision is then reported to the MH Board</p> <p>The positions reviewed on 9/24/10 were as follows: CEO, VP for Information Services, VP for Financial Services, VP for Patient Care Services, Chief Medical Officer, VP for Business Integrity, VP for Human Resources, VP for Nursing Services, VP for Meritus Enterprises and Executive Director of the MHF</p>

Identifier	Return Reference	Explanation
Form 990, Part VI, Line 12c	Form 990, Part VI, Line 12c Explanation of Monitoring and Enforcement of Conflicts	An annual disclosure of interest is required for all officers, directors or trustees, and key employees. These disclosures are then reviewed against the accounts payable system to determine the amount, if any, of transactions that have occurred. All disclosures and transactions are reviewed in detail by the following group of individuals: Vice President for Business Integrity, Director of Internal Audit, Chair of the MH Board, Chair of the Audit and Business Integrity Committee, President and CEO of MH, and Legal Counsel. A summary of all disclosures are then provided to the full Audit and Business Integrity Committee for review. After this review, a copy of the disclosures, by Board or Committee, listing the type of involvement/transactions the entity has with the named disclosure, if any, are provided to the chair of the Board or Committee. Any director with a determined conflict is prohibited from participating in the Board's decisions and decisions with regards to that transaction.

Identifier	Return Reference	Explanation
Form 990, Part VI, Line 11	Form 990, Part VI, Line 11 Form 990 Review Process	The Form 990 was prepared by the Finance department of MH and reviewed by an independent accounting firm. A copy of the Form 990 was provided to the Audit and Business Integrity Committee of the MH Board (Parent). Acting under the authority of the MH Board, the Committee reviewed the Form 990 prior to the submission of the Form 990 to the Internal Revenue Service. In addition, the Form 990 will be provided to the MHF Board before it is filed with the Internal Revenue Service.

Identifier	Return Reference	Explanation
Form 990, Part VI, Line 7a	Form 990, Part VI, Line 7a How Members or Shareholders Elect Governing Body	MMC nominates candidates for their board and presents the nominees to the MH Board (Parent) through the board designated Governance Committee Final election occurs through the MH Board The MH Board also approves the budget

Identifier	Return Reference	Explanation
Form 990, Part VI, Line 6	Form 990, Part VI, Line 6 Explanation of Classes of Members or Shareholder	The sole member of the Corporation, MMC, is MH MH has the right to elect the members of the governing body and approve significant decisions of the governing body

Identifier	Return Reference	Explanation
Form 990, Part VI, Line 2	Form 990, Part VI, Line 2 Description of Business or Family Relationship of Officers, Directors, Et	Marc Kross, MD has contracts with MMC to serve as Surgeon and Chief of Trauma, to provide emergency room call coverage and to provide trauma call coverage William Su, MD has a contract directly with MMC to provide emergency room and trauma call coverage Raymond Grahe is an officer of the MHF board and an employee of MMC and served on the local board of Columbia Bank until 1/1/2011 Greg Snook is the owner of a property that is leased by Meritus Enterprises and his brother owns a storage company in which various entities under MH lease space

Identifier	Return Reference	Explanation
Form 990, Part III, Line 2	Form 990, Part III, Line 2 New Services	eICU (eCare Program) - A technology that links video cameras and physiologic monitoring systems within ICU units, as well as other data from clinical information systems to a remote eICU site. The remote site is staffed by experienced board-certified intensivists and specially trained nursing staff, who monitor the condition of the patients and apply the latest evidence-based decision support tools in managing the care provided to each of the patients.

SCHEDULE R
(Form 990)

Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

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

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
Mentus Medical Center Inc

Employer identification number
52-0607949

Part I

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

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

Part II

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled organization	
						Yes	No
(1) Mentus Healthcare Foundation Inc 11116 Medical Campus Road Hagerstown, MD 21742 01-0639265	Fundraising	MD	501(c)(3)	11c	MH		No
(2) Mentus Health Inc 11116 Medical Campus Road Hagerstown, MD 21742 52-1656378	Parent corporation	MD	501(c)(3)	11-III FI	NA		No
(3) Mentus Medical Center Endowment Fund 11116 Medical Campus Road Hagerstown, MD 21742 23-7411960	Develops rental properties	MD	501(c)(3)	11-III FI	MH		No

Part III

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

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

Part IV

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership
(1) Mentus Insurance Company Ltd PO Box 1109GT Grand Cayman CJ 98-0162257	Captive insurance	CJ	MH				100 000 %
(2) Mentus Enterprises Inc 11116 Medical Campus Road Hagerstown, MD21742 52-1393624	Health serv	MD	MH	C corp			100 000 %

Part V

Transactions With Related Organizations (Complete if the organization answered "Yes" on Form 990, Part IV, line 34, 35, 35A, or 36.)

Note. Complete line 1 if any entity is listed in Parts II, III or IV

1 During the tax year, did the organization engage in any of the following transactions with one or more related organizations listed in Parts II-IV?

a Receipt of **(i)** interest **(ii)** annuities **(iii)** royalties **(iv)** rent from a controlled entity

b Gift, grant, or capital contribution to other organization(s)

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

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

e Loans or loan guarantees by other organization(s)

f Sale of assets to other organization(s)

g Purchase of assets from other organization(s)

h Exchange of assets

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

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

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

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

m Sharing of facilities, equipment, mailing lists, or other assets

n Sharing of paid employees

o Reimbursement paid to other organization for expenses

p Reimbursement paid by other organization for expenses

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

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

Yes

No

1a

1b

1c

1d

1e

1f

1g

1h

1i

1j

1k

1l

1m

1n

1o

1p

1q

1r

No

No

No

No

No

No

No

No

No

No

No

No

No

No

No

No

No

No

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

(a) Name of other organization	(b) Transaction type(a-r)	(c) Amount involved	(d) Method of determining amount involved
(1)			
(2)			
(3)			
(4)			
(5)			
(6)			

Schedule R (Form 990) 2010

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

[illegible]

Part VII

Supplemental Information

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

Identifier	Return Reference	Explanation
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Consolidated Financial Statements and
Report of Independent Certified Public Accountants

Meritus Health, Inc.

(Formerly The Washington County Health System, Inc. and Subsidiaries)

June 30, 2011 and 2010

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Report of Independent Certified Public Accountants

To the Board of Directors
Mentus Health, Inc

Audit • Tax • Advisory

Grant Thornton LLP
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We have audited the accompanying consolidated balance sheets of Mentus Health, Inc (formerly The Washington County Health System, Inc and Subsidiaries) ("Mentus") at June 30, 2011 and 2010, and the related consolidated statements of operations and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of Mentus' management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of Mentus Healthcare Foundation (formerly Antietam Healthcare Foundation) (the "Foundation"), which statements reflect total assets of approximately three and two percent of total consolidated assets at June 30, 2011 and 2010, respectively, and total revenues of approximately one percent of the related consolidated total revenues for the years then ended of Mentus. Those statements were audited by other auditors, whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based on the reports of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America as established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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 Mentus' 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, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion and the report of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Mentus Health, Inc (formerly The Washington County Health System, Inc and Subsidiaries) as of 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 accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Grant Thornton LLP". The signature is written in a cursive, flowing style.

Baltimore, Maryland
September 26, 2011

Meritus Health, Inc.
(Formerly The Washington County Health System, Inc. and Subsidiaries)

CONSOLIDATED BALANCE SHEETS

June 30,

ASSETS	<u>2011</u>	<u>2010</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 18,380,698	\$ 23,025,683
Restricted cash	2,614,437	2,601,651
Short-term investments	4,399,794	4,731,657
Current portion of assets whose use is limited	10,232,054	23,081,967
Accounts receivable, net	45,878,319	41,385,245
Supplies	10,252,192	9,640,469
Prepaid and other current assets	<u>5,914,333</u>	<u>5,749,191</u>
Total current assets	97,671,827	110,215,863
 EQUITY INVESTMENTS IN AFFILIATES	 22,752,291	 19,432,755
 ASSETS WHOSE USE IS LIMITED		
Board designated funds	75,555,190	60,171,745
Supplemental retirement benefit investments	3,539,997	2,969,470
Temporarily and permanently restricted donor funds	<u>1,165,136</u>	<u>924,031</u>
	80,260,323	64,065,246
Assets held by trustee for debt service and construction	18,465,329	59,402,684
Funds designated for insurance purposes	<u>7,647,952</u>	<u>7,154,386</u>
	106,373,604	130,622,316
 PROPERTY, PLANT AND EQUIPMENT, net	 303,540,192	 272,716,066
 PLEDGES RECEIVABLE, net	 3,893,162	 3,484,189
 DEFERRED FINANCING COSTS, net	 2,805,574	 2,937,209
 OTHER ASSETS	 <u>1,292,149</u>	 <u>759,506</u>
Total assets	<u>\$538,328,799</u>	<u>\$540,167,904</u>

The accompanying notes are an integral part of these financial statements.

LIABILITIES AND NET ASSETS		<u>2011</u>	<u>2010</u>
CURRENT LIABILITIES			
Accounts payable and accrued expenses	\$	15,151,202	\$ 12,761,464
Construction and retainage payable		1,153,823	14,166,331
Accrued salaries, wages and withholdings		4,151,982	8,920,979
Accrued compensation benefit		16,210,039	15,014,599
Advances from third-party payors		6,684,832	6,663,875
Accrued interest payable		7,795,244	7,504,756
Current portion of long-term debt		<u>9,140,210</u>	<u>6,067,114</u>
Total current liabilities		60,287,332	71,099,118
LONG-TERM DEBT , net of current portion		266,146,562	273,591,018
ACCRUED RETIREMENT BENEFITS		3,900,084	8,312,366
ASSET RETIREMENT OBLIGATION		-	1,993,500
OTHER LONG-TERM LIABILITIES		<u>4,555,379</u>	<u>3,500,265</u>
Total liabilities		334,889,357	358,496,267
NET ASSETS			
Unrestricted			
Meritus		190,332,321	170,208,396
Non-controlling interest		<u>1,440,713</u>	<u>1,664,348</u>
Total unrestricted net assets		191,773,034	171,872,744
Temporarily restricted		10,637,790	8,770,275
Permanently restricted		<u>1,028,618</u>	<u>1,028,618</u>
Total net assets		<u>203,439,442</u>	<u>181,671,637</u>
Total liabilities and net assets		<u>\$538,328,799</u>	<u>\$540,167,904</u>

Meritus Health, Inc.
(Formerly The Washington County Health System, Inc. and Subsidiaries)

**CONSOLIDATED STATEMENTS OF OPERATIONS
AND CHANGES IN NET ASSETS**

Years ended June 30,

	<u>2011</u>	<u>2010</u>
Unrestricted revenue, gains and other support		
Net patient service revenue	\$327,046,507	\$301,173,125
Sales	27,809,493	28,884,376
Rental income, net of expense	1,932,293	2,056,141
Loss on disposal of assets	(197,187)	(384,413)
Other revenue	9,765,511	4,795,330
Equity earnings in affiliates	7,094,777	7,231,427
Net assets released from restriction used for operations	<u>847,815</u>	<u>1,236,272</u>
	374,299,209	344,992,258
Expenses		
Salaries and wages	141,555,417	138,625,975
Professional fees	9,620,750	9,781,100
Cost of goods sold	19,070,547	19,558,504
Supplies and other	147,655,304	141,454,848
Interest	9,212,306	621,399
Depreciation and amortization	22,153,445	16,366,229
Provision for bad debts	<u>14,550,932</u>	<u>13,722,835</u>
	<u>363,818,701</u>	<u>340,130,890</u>
Operating income before other items	10,480,508	4,861,368
Other items		
Demolition costs	(954,579)	-
Early retirement costs	(569,942)	(1,451,379)
Transition costs	<u>(2,797,289)</u>	<u>(706,986)</u>
	<u>(4,321,810)</u>	<u>(2,158,365)</u>
Operating income	6,158,698	2,703,003
Non-operating gains (losses), net		
Investment returns, net	12,762,559	10,240,301
Other, net	874,080	(1,545,929)
Income tax expense	<u>(174,635)</u>	<u>(1,194,992)</u>
Excess of revenue over expenses	19,620,702	10,202,383
Excess of revenue over expenses attributable to non-controlling interest	<u>(296,365)</u>	<u>(300,815)</u>
Excess of revenue over expenses attributable to Meritus	19,324,337	9,901,568

The accompanying notes are an integral part of these financial statements.

	<u>2011</u>	<u>2010</u>
Other changes in unrestricted net assets		
Net assets released from restrictions for property, plant and equipment	-	2,946,776
Change in retirement benefit obligation	714,279	2,445,987
Change in non-controlling interests	(223,635)	(159,184)
Other	<u>85,309</u>	<u>1,375,715</u>
Increase in unrestricted net assets	19,900,290	16,510,862
Temporarily restricted net assets		
Contributions	2,667,532	3,142,588
Net realized and unrealized gains and losses on investments	47,798	19,836
Net assets released from restrictions for property, plant and equipment	-	(2,946,776)
Net assets released from restrictions for operations	<u>(847,815)</u>	<u>(1,236,272)</u>
Increase (decrease) in temporarily restricted net assets	<u>1,867,515</u>	<u>(1,020,624)</u>
INCREASE IN NET ASSETS	21,767,805	15,490,238
Net assets		
Beginning of year	<u>181,671,637</u>	<u>166,181,399</u>
End of year	<u><u>\$203,439,442</u></u>	<u><u>\$181,671,637</u></u>

Meritus Health, Inc.
(Formerly The Washington County Health System, Inc. and Subsidiaries)

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended June 30,

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities		
Increase in net assets	\$ 21,767,805	\$ 15,490,238
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation and amortization	22,153,445	16,366,229
Provision for bad debts	14,550,932	13,722,835
Change in retirement benefit obligation	(714,279)	(2,445,987)
Change in non-controlling interest	223,635	159,184
Net realized and unrealized gains on investments	(10,583,839)	(7,839,926)
Loss on disposal of assets	197,187	384,413
Equity earnings in affiliates	(7,094,777)	(7,231,427)
Accretion of asset retirement obligation	165,960	99,675
Changes in assets and liabilities		
Accounts receivable	(19,044,006)	(9,460,460)
Supplies, prepaid, and other current assets	(776,865)	(1,024,791)
Other assets	(941,616)	794,890
Accounts payable, accrued expenses and long-term liabilities	513,054	1,768,037
Accrued salaries, wages and withholdings	(4,768,997)	1,080,963
Accrued compensation benefit	(752,427)	700,699
Advances from third-party payors	20,957	590,196
Interest payable	290,488	-
Retirement benefits	<u>(1,069,798)</u>	<u>(1,255,883)</u>
Net cash provided by operating activities	14,136,859	21,898,885
Cash flows from investing activities		
Purchase of property, plant and equipment	(66,021,503)	(112,494,039)
Proceeds from the disposal of assets	5	217,886
Purchase of restricted cash, short-term investments, and assets whose use is limited	(314,611,853)	(529,195,760)
Sale of restricted cash, short-term investments, and assets whose use is limited	362,613,394	625,800,326
Equity investments in affiliates	<u>3,775,241</u>	<u>3,248,304</u>
Net cash used in investing activities	(14,244,716)	(12,423,283)

The accompanying notes are an integral part of these financial statements.

	<u>2011</u>	<u>2010</u>
Cash flows from financing activities		
Proceeds from long-term debt	1,300,000	700,000
Payments on long-term debt	<u>(5,837,128)</u>	<u>(6,931,468)</u>
Net cash used in financing activities	<u>(4,537,128)</u>	<u>(6,231,468)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(4,644,985)	3,244,134
Cash and cash equivalents		
Beginning of year	<u>23,025,683</u>	<u>19,781,549</u>
End of year	<u>\$ 18,380,698</u>	<u>\$ 23,025,683</u>
<u>Supplemental disclosure of cash flow information:</u>		
Cash paid for income taxes	\$ 1,041,108	\$ 952,024
Cash paid for interest, net of amounts capitalized	8,631,330	621,399
<u>Supplemental disclosure of non-cash investing and financing activities:</u>		
Assets acquired under capital leases	\$ 165,768	\$ 4,557,137
Decrease in accrual for the purchase of property, plant and equipment	(13,012,508)	(201,566)

Meritus Health, Inc.
(Formerly The Washington County Health System, Inc. and Subsidiaries)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2011 and 2010

1. DESCRIPTION OF ORGANIZATION

Organization

Meritus Health, Inc (formerly The Washington County Health System, Inc) ("Parent"), is the parent corporation of the Meritus Medical Center, Inc (formerly Washington County Hospital Association) ("Hospital"), Meritus Enterprises (formerly Antietam Health Services, Inc) ("MEI"), the Meritus Medical Center Endowment Fund, Inc (formerly Washington County Hospital Endowment Fund, Inc) ("Fund"), the Meritus Healthcare Foundation, Inc (formerly Antietam Healthcare Foundation, Inc) ("Foundation"), and the Meritus Insurance Company, Ltd (formerly Antietam Insurance Company, Ltd) ("MIC") These entities are collectively referred to as "Meritus"

The Hospital is a not-for-profit acute care hospital located in Hagerstown, Maryland and serves the residents of western Maryland, southern Pennsylvania, and the panhandle of West Virginia The Parent is the sole corporate member of the Hospital The Hospital currently offers acute general hospital inpatient services including adult medical/surgical care, obstetrics and newborn care, including a family birthing center, cardiac catheterizations, comprehensive inpatient rehabilitation, radiology and diagnostic services, inpatient and outpatient mental health services, a regional Level III Trauma Center, an intensive care unit, a progressive care unit, a coronary care unit, and a pediatric unit The Hospital completed construction of a replacement hospital, which opened in December 2010

MEI is a for-profit corporation located in Hagerstown, Maryland and serves the residents of western Maryland, southern Pennsylvania, and the panhandle of West Virginia MEI is wholly-owned by the Parent MEI has a 100% interest in entities that provide laboratory, pharmacy, and other health services In addition, MEI holds a 60% interest in Robinwood Surgery Center which provides ambulatory surgery services and a 50% interest in Diagnostic Imaging Services which provides outpatient imaging services

The Fund is a not-for-profit corporation which manages gifts, donations or bequests given for the benefit of Meritus The Parent is the sole corporate member of the Fund The Fund also acquires real estate properties for rental to medical provider entities and development opportunities The Fund is the sole member of Meritus Medical Center Endowment Development Company, Inc (formerly The Washington County Endowment Development Company, Inc) ("Development Company") a not-for-profit corporation, which was formed to develop and lease real estate properties for rental to medical provider entities

The Fund's By Laws and Articles of Incorporation provide that the Fund is to be operated exclusively for the support and benefit of the Hospital and the Parent or activities or programs which benefit the Hospital or the Parent Distributions are made to the Hospital or the Parent in amounts and in periods determined by the Fund's Board of Directors, who may also restrict the use of funds In the event the Fund is dissolved, all remaining assets would be returned to the Hospital or the Parent

The Foundation a not-for-profit corporation whose purpose is to raise philanthropic support for the capital and endowment campaigns of the Hospital and the Fund The Foundation also raises money for the Hospital's medical programs, healthcare objectives, scientific research, educational programs, and related community activities Resources for the Foundation's activities are primarily provided by donors

Meritus Health, Inc.

(Formerly The Washington County Health System, Inc. and Subsidiaries)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2011 and 2010

1. DESCRIPTION OF ORGANIZATION - Continued

Organization - continued

MIC is a Cayman Island captive insurance company, wholly-owned by the Parent that provides primary limits of insurance to Meritus for professional liability, employed physicians professional liability, comprehensive general liability, deductible, and stop loss coverage for health insurance

Effective July 1, 2011, MEI completed a structural realignment to include the formation of a new tax-exempt entity, Meritus Holdings, LLC ("Holdings") which is a Delaware LLC. This realignment included the conversion of taxable subsidiaries of MEI, Hagerstown Medical Lab, Health @ Work, and Meritus Urgent Care to tax-exempt status with a transfer of ownership to Holdings. In addition, Holdings is the only owner of MEI. The Hospital is the sole member of Holdings. Holdings is a disregarded entity for federal income tax purposes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Parent, the Hospital, MEI, the Fund, the Foundation, and MIC. MEI owns a 60% interest in Robinwood Surgery Center, LLC, at June 30, 2011 and 2010, which is included in the consolidated financial statements with the related non-controlling interest reported as a component of net assets. All material inter-company balances and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of consolidated financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates. The most significant management estimates and assumptions related to the determination of allowance for doubtful accounts and contractual allowances for patient accounts receivable, tax accruals, useful lives of property, plant and equipment, actuarial estimates for the postretirement benefit plan, self-insured reserves, including professional and general liabilities and the reported fair values of certain assets and liabilities.

Fair Value Measurements

Meritus measures fair value as the price that would be received to sell an asset or paid to transfer a liability (the exit price) in an orderly transaction between market participants at the measurement date. The accounting guidance outlines a valuation framework and creates a fair value hierarchy in order to increase the consistency and comparability of fair value measurements and the related disclosures. The fair value hierarchy is broken down into three levels based on the source of inputs as follows:

Meritus Health, Inc.

(Formerly The Washington County Health System, Inc. and Subsidiaries)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2011 and 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fair Value Measurements - continued

- Level I -** Quoted prices are available in active markets for identical assets or liabilities as of the report date. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market.
- Level II -** Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the report date. The nature of these securities include investments for which quoted prices are available but traded less frequently and investments that are fair valued using other securities, the parameters of which can be directly observed.
- Level III -** Securities that have little to no pricing observability as of the report date. These securities are measured using management's best estimate of fair value, where the inputs into the determination of fair value are not observable and require significant management judgment or estimation.

Financial instruments consist of cash equivalents, patient accounts receivable, investments, excluding those accounted for by the equity method, accounts payable and accrued expenses and long-term debt. The carrying amounts reported in the consolidated balance sheets for cash equivalents, patient accounts receivable, and accounts payable and accrued expenses approximate fair value. Management's estimates of other financial instruments are described elsewhere in the notes to the consolidated financial statements.

Allowance for Doubtful Accounts

Meritus provides an allowance for doubtful accounts for estimated losses resulting from the unwillingness or inability of patients or third-party payors to make payments for services. The allowance is determined by analyzing specific accounts and historical data and trends. Patient accounts receivable are charged off against the allowance for doubtful accounts when management determines that recovery is unlikely and Meritus ceases collection efforts. Losses have been consistent with management's expectations.

Cash and Cash Equivalents

Cash and cash equivalents consist of short-term, highly liquid investments that are readily convertible to cash and have original maturities of three months or less. Cash and cash equivalents are carried at cost which approximates fair value. Meritus entered into overnight investment repurchase transactions of \$13,968,000 and \$9,622,806 as of June 30, 2011 and 2010, respectively.

Meritus Health, Inc.

(Formerly The Washington County Health System, Inc. and Subsidiaries)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2011 and 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Assets Whose Use is Limited

Assets whose use is limited include assets set aside by the Board of Directors for specific purposes, for supplemental retirement benefit investments, to fulfill donor purposes, assets held by trustees under debt indenture agreement (debt and construction), and funds designated for insurance purposes. Amounts required to meet current liabilities are shown as current assets in the consolidated balance sheets.

Investments and Investment Income

Investments in equity securities (i.e., investments that have readily determinable fair values and are not accounted for by the equity method) and all investments in debt securities are reported at fair value on the consolidated balance sheets, under the fair value option.

Investment income, which includes interest and dividends, on proceeds of borrowings that are held by a trustee, to the extent not capitalized, are reported as other revenue. Other investment income, which includes interest, dividends and realized and unrealized gains and losses on assets limited as to use by Board of Directors and funds designated for insurance purposes are recorded as non-operating gains (losses), net, unless the income or loss is restricted by donor or law.

Meritus' investments are managed by investment managers. Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the consolidated financial statements.

Supplies

Supplies for the Hospital are carried at the lower of cost or market on a weighted average basis.

Supplies for MEI are valued at the lower of cost or market, with the cost being recorded on the first-in, first-out method.

Major classes of supplies as of June 30, are as follows:

	<u>2011</u>	<u>2010</u>
Durable medical equipment	\$ 751,414	\$ 747,587
Surgical and medical supplies	5,631,585	4,737,738
Other supplies	1,017,163	1,137,813
Pharmacy and home care infusion	2,354,710	2,515,780
Medical laboratory	<u>497,320</u>	<u>501,551</u>
	<u>\$10,252,192</u>	<u>\$9,640,469</u>

Meritus Health, Inc.

(Formerly The Washington County Health System, Inc. and Subsidiaries)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2011 and 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Property, Plant and Equipment

Property, plant and equipment acquisitions are recorded at cost. Those assets acquired by gift are carried at amounts established as fair value at the time of acquisition. Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed using the straight-line method. Equipment under capital lease is amortized by the straight-line method over the shorter of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the consolidated financial statements. 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. Durable medical equipment held for resale is included in supplies. The remainder of durable medical equipment is rented to patients and is included in property, plant and equipment. Assets are retired or disposed of at book value and related gains or losses are recorded for assets sold. Useful lives range as follows:

Land improvements	5 - 25 years
Buildings	10 - 40 years
Equipment	5 - 20 years

Gifts of long-lived assets such as land, buildings, or equipment are reported as other changes in unrestricted net assets unless explicit donor stipulations specify how the donated assets must be used. When applicable, gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long-lived assets must be maintained, expirations of donor restrictions occur when the donated or acquired long-lived assets are placed into service.

Meritus continually evaluates whether events and circumstances have occurred that indicate the remaining estimated useful life of long-lived assets is appropriate, or whether the remaining balance may not be recoverable. When factors indicate that long-lived assets should be evaluated for possible impairment, Meritus uses an estimate of the related undiscounted operating income over the remaining life of the long-lived asset in measuring whether the long-lived asset is recoverable. The impairment loss on these assets is measured as the excess of the carrying amount of the asset over its fair value. Fair value is based upon market prices where available, or discounted cash flows. Management believes that no revision to the remaining useful lives or write-down of long-lived assets is required at June 30, 2011.

Deferred Financing Costs

Financing costs incurred in issuing debt have been capitalized and are being amortized over the life of the debt using the interest method.

Advertising Costs

Advertising costs for the years ended June 30, 2011 and 2010 were \$718,165 and \$588,000, respectively.

Meritus Health, Inc.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2011 and 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Compensated Absences

Meritus records a liability for amounts due to employees for future absences which are attributable to services performed in the current and prior periods. This liability is included in accrued salaries, wages and withholdings on the consolidated balance sheets.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by Meritus has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by Meritus in perpetuity.

Excess of Revenue over Expenses

The consolidated statements of operations include the excess of revenue over expenses. Changes in unrestricted net assets that are excluded from the excess of revenues over expenses, consistent with industry practice, include net assets released from restrictions for property, plant and equipment, the change in retirement benefit obligation, change in non-controlling interest and other items.

Net Patient Service Revenue

For services provided at the Hospital campus, all payors are required to pay the Maryland Health Services Cost Review Commission ("HSCRC") approved rates. The major third-party payors, as recognized by the HSCRC, are allowed discounts of up to 6% on approved rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered. Contractual adjustments to patient service revenue were \$82,011,300 and \$82,503,967 for the years ended June 30, 2011 and 2010, respectively.

The Hospital's charges are subject to review and approval by the HSCRC. The Hospital management has filed the required forms with the HSCRC and believes the Hospital to be in compliance with HSCRC requirements. The total rate of reimbursement for services to patients under the Medicare and Medicaid programs is based on an arrangement between the Centers for Medicare and Medicaid Service and the HSCRC. Management believes that this program will remain in effect at least through June 30, 2012. Effective July 1, 2010, the Hospital entered into an agreement with the HSCRC under a rate regulation concept called Total Patient Revenue ("TPR") for a three year period. TPR is a revenue constraint methodology which provides for inflation, bad debt, payer differential and adjustments for population growth, but excludes case mix and volume changes. For fiscal year 2011, the regulated revenue cap was \$275,699,700. For fiscal year 2010, the HSCRC methodology was a base period charge per admission that was adjusted annually to reflect cost inflation plus an incentive factor during years when the net revenue per adjusted admission nationally is greater than cost inflation. For fiscal year 2010, this methodology established a charge per admission cap of \$8,684, for the Hospital, which was subject to adjustment for changes in hospital specific and state-wide case mix.

Meritus Health, Inc.
(Formerly The Washington County Health System, Inc. and Subsidiaries)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2011 and 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Net Patient Service Revenue - continued

Services not located on the Hospital campus are not regulated by the HSCRC. Medicare and Medicaid pay the revenues associated with these services based upon established fee schedules. Commercial payors pay at negotiated rates for these services.

Net patient service revenue is reported as estimated net realizable amounts from patients, third-party payors, and others for services rendered and include estimated retroactive revenue adjustments due to future audits, reviews, and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews, and investigations.

Net revenues from the Medicare and Medicaid programs collectively constitute approximately 48% of Meritus' net patient service revenue for the years ended June 30, 2011 and 2010. Laws and regulations governing the HSCRC, Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Meritus 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. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action.

Charity Care

Meritus provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Meritus does not pursue collection on amounts deemed to qualify as charity. Meritus estimates that \$14,525,095 and \$12,738,000 of charity care, based on established rates, was provided for the years ended June 30, 2011 and 2010, respectively.

Meritus' patient acceptance policy is based upon its mission statement and its charitable purposes. This policy results in Meritus' assumption of higher-than-normal credit risk from its patients. To the extent that Meritus realizes additional losses resulting from such higher credit risks and clients are not identified or do not meet Meritus' defined charity care policy, such additional losses are included in the provision for bad debt.

Meritus also sponsors certain other charitable programs, which provide substantial benefit to the broader community. Such programs include services to needy and elderly populations that require special support, as well as health and education for the general community welfare. In addition, all other uncollectable amounts resulting from the patients' inability to pay are recorded as a reduction to net patient service, consistent with Meritus' policy.

Meritus Health, Inc.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2011 and 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Income Taxes

The Internal Revenue Service has ruled that the Parent, the Hospital, the Fund, the Development Company and the Foundation qualify under Section 501(c)(3) of the Internal Revenue Code and are, therefore, not subject to tax under present income tax regulations

MEI accounts for income taxes through the current recognition of deferred tax liabilities and assets for the expected future tax consequences of temporary differences between tax bases and financial reporting bases of other assets and liabilities

At present, no income, profit or capital gain taxes are levied in the Cayman Islands and accordingly, no provision for taxation has been made for MIC. In the event that such taxes are levied, MIC has been granted an exemption until September 9, 2023 for any such taxes that might be introduced. MIC intends to conduct its affairs so as not to be liable for taxes in any other jurisdiction.

Meritus follows the accounting guidance for uncertainties in income tax positions which requires that a tax position be recognized or derecognized based on a "more likely than not" threshold. This applies to positions taken or expected to be taken in a tax return.

Concentration of Credit Risk

Meritus invests its excess cash, investments, and assets in financial institutions which are federally insured under the Federal Deposit Insurance Act ("FDIA"). Deposits in certain accounts exceed federally insured deposit limits. Meritus has experienced no losses on its deposits.

Meritus grants credit without collateral to the patients it serves who primarily live in the tri-state area. The majority of these patients have either insurance through Blue Cross, another insurance company or a health maintenance organization or qualify for the Maryland Medical Assistance or the Centers for Medicare and Medicaid Services ("CMS") programs.

At June 30, Meritus' patient accounts receivable were made up of the following:

	<u>2011</u>	<u>2010</u>
Health maintenance organizations	3 ⁰ °	2 ⁰ °
Medical assistance HMO	14	14
Medicare	30	26
Commercial insurance and other	23	23
Blue Cross/Blue Shield	18	18
Self-pay	<u>12</u>	<u>17</u>
	<u>100</u> ⁰ °	<u>100</u> ⁰ °

Meritus Health, Inc.

(Formerly The Washington County Health System, Inc. and Subsidiaries)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2011 and 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

457(b) Deferred Compensation Plan

The Hospital is party to a 457(b) deferred compensation plan intended to provide retirement benefits to certain eligible employees. Assets are deposited with the plan managers, pursuant to this agreement, such that the value of the assets determined by the fair value approximately equals the related accrued deferred compensation liability. The funds are placed into a range of investment strategies from conservative to aggressive. The liability associated with this plan is included in accrued retirement benefits on the consolidated balance sheets.

Pending Accounting Pronouncements

In August 2010, the FASB issued amended authoritative guidance to reduce the diversity in practice regarding the measurement basis used in the identification and disclosure of charity care by healthcare entities. The amendments in this guidance require that cost be used as the measurement for charity care disclosure purposes and that cost be identified as the direct and indirect cost of providing the care. The guidance also requires entities to disclose their method used to identify or determine such costs. This authoritative guidance is effective for financial statements issued for fiscal years beginning after December 15, 2010 and should be applied retrospectively to all prior fiscal years presented. Early application is permitted. Meritus has not early adopted this guidance, but plans to adopt it for the year ending June 30, 2012. The new guidance is not expected to affect the results of operations or financial position, however, changes to the charity care disclosures will be required.

In August 2010, the FASB issued amended authoritative guidance to reduce the diversity in practice related to the accounting by healthcare entities for medical malpractice claims and similar liabilities, and their related expected insurance recoveries. The amendments in this guidance state that insurance claims liabilities should be determined without consideration of any expected insurance recoveries, consistent with practice in other industries, and clarifies that healthcare entities should no longer net expected insurance recoveries against the related claims liabilities, thus recognizing their gross exposure in the financial statements. This authoritative guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2010. A cumulative-effect adjustment should be recognized in opening equity in the period of adoption if a difference exists between any liabilities and insurance receivables recorded as a result of applying the amendments in this guidance. Retrospective and early applications are also permitted. Meritus has not early adopted this guidance, but plans to adopt it for the year ending June 30, 2012. Meritus is evaluating the impact of adopting this guidance.

In July 2011, the FASB issued authoritative guidance to provide amendments to the presentation of the statement of operations for certain healthcare entities and enhanced disclosure about net patient service revenue and the related allowance for doubtful accounts. These amendments require certain healthcare entities to present their provision for bad debts associated with patient service revenue as a deduction from patient service revenue (net of contractual allowances and discounts). These amendments also require disclosure of patient service revenue (net of contractual allowances and discounts) as well as qualitative and quantitative information about changes in the allowance for doubtful accounts. Additionally, healthcare entities are required to provide enhanced disclosure about their policies for recognizing revenue and assessing bad debts.

Meritus Health, Inc.

(Formerly The Washington County Health System, Inc. and Subsidiaries)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2011 and 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Pending Accounting Pronouncements - continued

The guidance is effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2011, with early adoption permitted. The amendments to the presentation of the provision for bad debts related to patient service revenue in the statement of operations should be applied retrospectively to all prior periods presented. The disclosures required by the amendments in this update should be provided for the period of adoption and subsequent reporting periods. Meritus is evaluating the impact of adopting this guidance on its results of operations and financial position.

Reclassifications

Certain prior year amounts in the accompanying consolidated financial statements have been reclassified to conform to current year presentation. These reclassifications had no impact on total assets, total liabilities, and net assets or excess of revenue over expenses previously reported.

Subsequent Events

Meritus evaluated subsequent events through September 26, 2011, the date of these consolidated financial statements were available to be issued. All material matters are disclosed in the footnotes to the consolidated financial statements.

3. INVESTMENTS AND INVESTMENT INCOME

Investments at June 30 consisted of the following:

	2011		2010	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Short-term investments:				
U.S. government securities	\$ <u>4,399,794</u>	\$ <u>4,399,794</u>	\$ <u>4,731,657</u>	\$ <u>4,731,657</u>
Assets whose use is limited:				
Cash and cash equivalents	\$ 190,552	\$ 190,552	\$ 1,751,515	\$ 1,751,515
Fixed income	29,264,585	29,891,730	26,630,529	27,336,457
Common stock	43,771,897	47,521,106	35,525,616	32,688,142
Mutual funds	<u>2,656,935</u>	<u>2,656,935</u>	<u>2,289,132</u>	<u>2,289,132</u>
	\$ <u>75,883,969</u>	\$ <u>80,260,323</u>	\$ <u>66,196,792</u>	\$ <u>64,065,246</u>
Assets held by trustee for debt service and construction:				
U.S. government securities	\$ <u>27,731,117</u>	\$ <u>27,776,762</u>	\$ <u>81,898,999</u>	\$ <u>81,073,771</u>
Funds designated for insurance purposes:				
Fixed income	\$ <u>8,338,296</u>	\$ <u>8,568,573</u>	\$ <u>8,180,476</u>	\$ <u>8,565,266</u>

Meritus Health, Inc.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2011 and 2010

3. INVESTMENTS AND INVESTMENT INCOME - Continued

Meritus had restricted cash of \$2,614,437 and \$2,601,651 as of June 30, 2011 and 2010, respectively, for unemployment insurance collateral and workers' compensation collateral, in compliance with the self-insurance requirement under the regulations of the State of Maryland Employment Security Administration and Workers' Compensation Administration

Investment returns, net on investments included in the consolidated statements of operations and changes in net assets are comprised of the following for the years ended June 30

	<u>2011</u>	<u>2010</u>
Investment returns, net		
Interest and dividends, net of investment fees of \$234,905 and \$206,240 in 2011 and 2010, respectively	\$ 2,226,518	\$ 2,420,211
Net realized gains (losses) on investments	4,217,673	(3,171,432)
Change in unrealized gains and losses on investments	<u>6,318,368</u>	<u>10,991,522</u>
	<u>\$12,762,559</u>	<u>\$10,240,301</u>

4. FAIR VALUE MEASUREMENTS

The following table presents Meritus' assets measured at fair value on a recurring basis using the market approach, all of which are Level 1 financial instruments, as of June 30

	<u>2011</u>	<u>2010</u>
Cash and cash equivalents	\$ 18,380,698	\$ 23,025,683
Restricted cash	2,614,437	2,601,651
Short-term investments	4,399,794	4,731,657
Assets whose use is limited	<u>116,605,658</u>	<u>153,704,283</u>
Total assets	<u>\$142,000,587</u>	<u>\$184,063,274</u>

Meritus does not have any Level 2 or 3 financial instruments as of June 30, 2011 and 2010

Pledges receivable are non-recurring fair value measurements. Any multi-year pledge received in fiscal year 2011 and 2010 are recorded at the present value of future cash flows with a discount rate adjusted for any market conditions to arrive at fair value.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2011 and 2010

5. ACCOUNTS RECEIVABLE

Accounts receivable at June 30 consist of the following

	<u>2011</u>	<u>2010</u>
Patient accounts	\$52,034,966	\$46,712,574
Less Contractual allowance	(5,857,365)	(5,957,119)
Less Allowance for doubtful accounts	<u>(3,676,453)</u>	<u>(2,995,908)</u>
	42,501,148	37,759,547
Other receivables	<u>3,377,171</u>	<u>3,625,698</u>
	<u>\$45,878,319</u>	<u>\$41,385,245</u>

Pledges receivable at June 30 consist of the following

	<u>2011</u>	<u>2010</u>
Capital campaign	\$6,915,922	\$6,718,696
Other	<u>298,879</u>	<u>149,331</u>
Total unconditional promises to give	7,214,801	6,868,027
Receivable in less than one year	2,328,567	2,563,506
Receivable in one to five years	4,197,227	4,302,521
Receivable in more than five years	<u>689,007</u>	<u>2,000</u>
Total unconditional promises to give	7,214,801	6,868,027
Less discounts to net present value	(718,414)	(604,155)
Less allowance for uncollectible promises	<u>(630,017)</u>	<u>(591,262)</u>
Net unconditional promises to give	<u>\$5,866,370</u>	<u>\$5,672,610</u>
Pledges receivable, current portion included in other receivables	\$1,973,208	\$2,188,421
Pledges receivable, net of current portion	<u>3,893,162</u>	<u>3,484,189</u>
	<u>\$5,866,370</u>	<u>\$5,672,610</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2011 and 2010

6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment at June 30 is comprised of the following

	<u>2011</u>	<u>2010</u>
Land	\$ 24,845,055	\$ 12,729,449
Buildings, and improvements used in operations	177,838,850	78,296,483
Buildings used in rental operations	22,083,494	22,008,861
Equipment	<u>180,542,923</u>	<u>139,779,304</u>
	405,310,322	252,814,097
Less accumulated depreciation and amortization	<u>(103,081,471)</u>	<u>(167,689,232)</u>
	302,228,851	85,124,865
Construction in progress	<u>1,311,341</u>	<u>187,591,201</u>
Property, plant and equipment, net	<u>\$ 303,540,192</u>	<u>\$ 272,716,066</u>

The following equipment is held under capital leases, included in the equipment category of property, plant and equipment

	<u>2011</u>	<u>2010</u>
Equipment	\$14,670,518	\$16,951,834
Less accumulated amortization	<u>(2,651,757)</u>	<u>(8,456,786)</u>
	<u>\$12,018,761</u>	<u>\$ 8,495,048</u>

Total depreciation and amortization expense for the years ended June 30, 2011 and 2010 was \$22,153,445 and \$16,366,229, respectively

Meritus has a conditional asset retirement obligation (CARO) of \$1,608,950 and \$1,993,500 at June 30, 2011 and 2010, respectively (2011 included in accounts payable and accrued expenses, 2010 included in other long-term liabilities), that relates to the removal and disposal of asbestos and 2 underground fuel storage tanks. Total accretion for the years ended 2011 and 2010 was \$165,960 and \$99,675, respectively. Payments for the year ended June 30, 2011 were \$550,510.

7. EQUITY INVESTMENTS IN AFFILIATES

The following investments, recorded under the equity method of accounting, are included in the consolidated balance sheets

The Hospital holds a 25% equity interest in Maryland Care, Inc. Maryland Care, Inc. is a managed care organization ("MCO") that was established to serve Maryland's Medicaid population as a result of the State's requirement for Medicaid patients to be a member of an MCO.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2011 and 2010

7. EQUITY INVESTMENTS IN AFFILIATES - Continued

The Hospital holds a 50% equity interest in Tri-State Health Partners. Tri-State Health Partners is a physician hospital organization ("PHO") established to organize, assemble and facilitate the provision of cost effective healthcare services.

MEI has a 50% interest in Diagnostic Imaging, which provides radiology imaging services, and has a 33 33% interest in Western Maryland Supply, LLC, which provides durable medical equipment for rental or purchase. Endoscopy Center at Robinwood, LLC, an ambulatory center for gastroenterology procedures, and Endoscopy Real Estate are 50% owned by Robinwood Surgery Center, LLC. GI Real Estate provides rental property to a group of healthcare practitioners and is 50% owned by MEI.

Summary financial information as of June 30, 2011 and 2010 and for the years then ended appears below for the significant equity investments:

	<u>Hospital Maryland Care, Inc.</u>		<u>Hospital Tri-State Health Partners</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Assets	\$150,200,000	\$153,148,063	\$2,903,609	\$2,938,648
Liabilities	<u>86,300,000</u>	<u>99,897,376</u>	<u>52,852</u>	<u>352,616</u>
Equity	<u>\$ 63,900,000</u>	<u>\$ 53,250,687</u>	<u>\$2,850,757</u>	<u>\$2,586,032</u>
Net income	<u>\$ 18,033,088</u>	<u>\$ 14,053,869</u>	<u>\$ 194,869</u>	<u>\$ 238,478</u>
	<u>MEI Diagnostic Imaging Services, LLC</u>		<u>MEI Endoscopy Center at Robinwood, LLC</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Assets	\$ 11,505,376	\$ 12,124,040	\$ 591,356	\$ 635,632
Liabilities	<u>3,920,254</u>	<u>4,736,016</u>	<u>28,924</u>	<u>119,120</u>
Equity	<u>\$ 7,585,122</u>	<u>\$ 7,388,024</u>	<u>\$ 562,432</u>	<u>\$ 516,512</u>
Net income	<u>\$ 2,697,098</u>	<u>\$ 3,697,415</u>	<u>\$1,915,919</u>	<u>\$2,150,494</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2011 and 2010

7. EQUITY INVESTMENTS IN AFFILIATES - Continued

	MEI Endoscopy Real Estate		MEI GI Real Estate	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Assets	\$1,261,915	\$1,206,908	\$ 580,726	\$ 597,843
Liabilities	<u>1,231,860</u>	<u>1,269,461</u>	<u>408,977</u>	<u>456,459</u>
Equity	<u>\$ 30,055</u>	<u>\$ (62,553)</u>	<u>\$ 171,749</u>	<u>\$ 141,384</u>
Net income	<u>\$ 92,609</u>	<u>\$ 74,044</u>	<u>\$ 30,365</u>	<u>\$ 25,635</u>
	MEI - Western Maryland Medical Supply, LLC			
	<u>2011</u>	<u>2010</u>		
Assets	\$1,312,866	\$1,343,175		
Liabilities	<u>420,869</u>	<u>407,122</u>		
Equity	<u>\$ 891,997</u>	<u>\$ 936,053</u>		
Net (loss) income	<u>\$ (44,056)</u>	<u>\$ 24,345</u>		

8. LONG-TERM DEBT

Long-term debt at June 30 consists of the following

	<u>2011</u>	<u>2010</u>
MHHEFA Revenue Bonds		
Series 2008 4.000% - 6.000% serial bonds, net of original issue discounts of \$1,273,796 and \$1,333,053, respectively	\$263,026,204	\$262,966,947
2001 Taxable Note B to Bank of America	2,522,762	3,515,169
City of Hagerstown note	177,475	193,824
Mortgages and equipment loans with banks, with interest rates ranging from 2.3% to 7.75%	3,260,239	3,017,114
Capital lease obligations, with interest rates ranging from 2.9% to 5.0%	<u>6,300,092</u>	<u>9,965,078</u>
	275,286,772	279,658,132
Less current portion of long-term debt	<u>(9,140,210)</u>	<u>(6,067,114)</u>
	<u>\$266,146,562</u>	<u>\$273,591,018</u>

Meritus Health, Inc.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2011 and 2010

8. LONG-TERM DEBT - Continued

Meritus uses current market prices in determining the fair value of its Revenue Bonds. The carrying value of other long-term debt approximates fair value. The fair value of total long-term debt, excluding capital lease obligations, was approximately \$269,175,000 and \$225,655,000 at June 30, 2011 and 2010, respectively.

In February 2008, Meritus issued Maryland Health and Higher Educational Facilities Authority ("MHHEFA") Revenue Bonds Washington County Hospital Issue Series 2008 for the construction of a replacement hospital, funding of the debt service reserve and capitalized interest funds, and to refinance various previously outstanding debt. The Series 2008 Bonds are due in annual principal installments beginning in January 2012 and will mature in 2043. Interest is due semi-annually in January and July.

The long-term debt related to the Series 2008 bonds is reflected in the consolidated financial statements net of the unamortized original issue bond discounts. The original issue bond discounts are being amortized over the life of the debt and are included in amortization expense in the consolidated statements of operations and changes in net assets.

All bonds are collateralized by a first lien and claims on all receipts of Meritus, except restricted donations and contributions. In connection with the Series 2008 Bonds, MHHEFA has a Security interest in existing facilities of Meritus. All bonds require the Obligated Group, which consists of Meritus, the Hospital, and the Fund, to maintain certain financial ratios and stipulated insurance coverage as defined. Meritus was in compliance with these covenants at June 30, 2011 and 2010.

The Fund has entered into guaranty agreements with MHHEFA for the Series 2008 Bonds. Under the terms of these agreements, the Fund guarantees the payment of the principal and interest on the Series 2008 Bonds and the payment of any and all Reserve Fund Loans. In accordance with the provisions of this guaranty agreement, only the unrestricted donations, bequests, and other assets held or owned by the Fund would be available for payment. The terms of the guaranty agreements restrict the Fund's ability to transfer, lease, sell or otherwise dispose of certain assets or to create additional indebtedness, liens, or encumbrances on non-restricted assets.

The 2001 Taxable Note B to Bank of America was issued for the construction of the Robinwood Medical Center III. The taxable portion of the debt requires monthly principal payments of \$82,701 through February 1, 2014. The interest is calculated and payable monthly based upon the outstanding principal balance at the time. The variable interest rates were 1.35% and 1.31%, as of June 30, 2011 and 2010, respectively. The bonds may be repaid, at the option of Meritus, in part or in full at any time with 30 days notice. The bonds are collateralized by a mortgage of the real property of both the Fund and the Hospital.

The 7.75% mortgage loan was issued in September 2002 to acquire land adjacent to the Robinwood Medical Center. Principal on the outstanding balance is paid semi-annually and interest is paid monthly. The loan is collateralized by a mortgage on the property and is due in the year 2022.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2011 and 2010

8. LONG-TERM DEBT - Continued

Scheduled principal repayments on long-term debt including payments on capital lease obligations are as follows for the next five years as of June 30

	Long-Term Debt	Capital Lease Obligations
2012	\$ 5,026,782	\$4,179,235
2013	5,111,706	1,694,188
2014	4,751,742	578,944
2015	4,330,293	124,000
2016	3,751,478	-
Thereafter	<u>247,288,475</u>	<u>-</u>
	<u>\$270,260,476</u>	6,576,367
Less amount representing interest		<u>(276,275)</u>
		<u>\$6,300,092</u>

The Hospital maintains a line of credit with a financial institution which is renewed annually in the amount of \$1,000,000, bearing interest on the drawn portion at the bank's prime interest rate. The line was not in use at June 30, 2011 and 2010.

MEI maintains a line of credit with a financial institution which is renewed annually in the amount of \$500,000, bearing interest on the drawn portion at the bank's prime interest rate plus 2%. The line was not in use at June 30, 2011 and 2010.

Capitalized Interest

A summary of interest cost and investment income on borrowed funds held by the trustee under the Series 2008 Revenue Bonds for the years ended June 30, is as follows:

	<u>2011</u>	<u>2010</u>
Interest cost:		
Expense	\$ 8,500,000	\$ -
Capitalized	<u>6,825,828</u>	<u>15,076,522</u>
	<u>\$15,325,828</u>	<u>\$15,076,522</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2011 and 2010

8. LONG-TERM DEBT - Continued

Capitalized Interest - continued

	<u>2011</u>	<u>2010</u>
Investment income:		
Other income	\$126,358	\$ -
Capitalized	<u>618,172</u>	<u>1,348,999</u>
	<u>\$744,530</u>	<u>\$1,348,999</u>

9. INCOME TAXES

MEI and its subsidiaries file a consolidated federal return and separate state returns. The income tax expense for the years ended June 30, consists of

	<u>2011</u>	<u>2010</u>
Current:		
Federal	\$ 174,845	\$1,325,274
State	<u>139,130</u>	<u>401,702</u>
	313,975	1,726,976
Deferred:		
Federal	(120,031)	(461,437)
State	<u>(19,309)</u>	<u>(70,547)</u>
	<u>(139,340)</u>	<u>(531,984)</u>
	<u>\$ 174,635</u>	<u>\$1,194,992</u>

Meritus Health, Inc.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2011 and 2010

9. INCOME TAXES - Continued

The significant components of the deferred tax assets, which are included in prepaid and other current assets and other assets at June 30, are as follows

	<u>2011</u>	<u>2010</u>
Deferred tax asset:		
Accrued vacation	\$ 1,280,507	\$1,200,527
Deferred compensation	843,062	451,881
Captive insurance premiums	-	169,798
Allowance for bad debts	578,305	512,394
Other	<u>316,561</u>	<u>216,635</u>
	3,018,435	2,551,235
Deferred tax liabilities:		
Fixed assets and intangible assets	(967,973)	(673,520)
Deferred compensation	(4,082)	(33,472)
Captive insurance premiums	(27,174)	-
Partnership basis	<u>(35,623)</u>	<u>-</u>
	(1,034,852)	(706,992)
	<u>\$ 1,983,583</u>	<u>\$1,844,243</u>

10. POST RETIREMENT BENEFIT PLANS

The Hospital has a 403(b) defined contribution plan available to all employees. Employees can receive up to 50% matching contributions, up to 6% of employee's salary based upon meeting years of service requirements, subject to the annual IRS limitations. Contributions made to the plan by the Hospital on behalf of employees were \$3,065,514 and \$3,264,242 in 2011 and 2010, respectively.

MEI has an employee savings plan under Section 401(k) of the Internal Revenue Code available to all employees. MEI matches employee contributions for an amount up to 6% of each employee's base salary, subject to limitations, depending upon the length of service with MEI. MEI's contributions vest after the first three years of service. Amounts charged to expense were \$1,868,975 and \$1,837,989 in 2011 and 2010, respectively. MEI also makes discretionary contributions to eligible employees of 10% of total compensation in 2011 and 2010, which also vests after the first three years of service. In 2011 and 2010, this amount was \$0 and \$330,263, respectively. During plan year 2011, MEI Savings Plan failed to satisfy one of the operational requirements of maintaining a qualified retirement plan. To resolve this issue, MEI adopted a resolution for the Hospital to provide a profit sharing allocation under the plan to 575 selected employees. This contribution was paid April 2011 in the amount of \$122,656.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2011 and 2010

10. POST RETIREMENT BENEFIT PLANS - Continued

MEI maintains an employee funded supplemental non-qualified retirement plan for certain employees. The plan requires the benefits be paid upon termination, retirement or death. The related liability is \$883,062 and \$2,453,016 at June 30, 2011 and 2010, respectively. Management has designated investments for the intended purpose of funding the liability when payable.

Meritus maintains a cash balance pension plan ("Plan"), which was terminated for all participants, effective June 30, 2011. Meritus is in the termination process which ends with the distribution of plan assets to participants and is expected to be complete by June 30, 2012. Disclosure assumptions reflect the termination and pending settlement of the benefit obligations. The Plan covered substantially all current Hospital employees and maintains the balance for MEI employees previously employed by the Hospital. Benefits under the plan are generally based on the participant's age, years of service and compensation levels. Annual contributions are made to the plan in accordance with the Employee Retirement Income Security Act of 1974 ("ERISA") regulations. Employees are fully vested after three years of service.

The change in benefit obligation, plan assets, and funded status of the Plan are shown below:

	<u>2011</u>	<u>2010</u>
Change in benefit obligation:		
Benefit obligation at beginning of year	\$45,842,769	\$43,649,864
Interest cost	2,374,753	2,642,651
Actuarial loss	2,601,926	1,504,560
Benefits paid	<u>(6,291,828)</u>	<u>(1,954,306)</u>
Benefit obligation at end of year	<u>\$44,527,620</u>	<u>\$45,842,769</u>
Change in plan assets:		
Fair value of plan assets at beginning of year	\$40,663,757	\$34,305,409
Actual return on plan assets	5,907,824	5,687,654
Contributions	2,300,000	2,625,000
Benefits paid	<u>(6,291,828)</u>	<u>(1,954,306)</u>
Fair value of plan assets at end of year	<u>\$42,579,753</u>	<u>\$40,663,757</u>
Net amount recognized:		
Accrued compensation benefits - current	\$ (1,947,867)	\$ -
Accrued retirement benefits - non-current	<u>-</u>	<u>(5,179,012)</u>
	<u>\$ (1,947,867)</u>	<u>\$ (5,179,012)</u>
Amounts recognized in unrestricted net assets consist of:		
Net actuarial loss	\$11,018,940	\$11,685,043
Prior service cost	<u>183,877</u>	<u>232,053</u>
Net amount recognized in unrestricted net assets	<u>\$11,202,817</u>	<u>\$11,917,096</u>
Change in amounts recognized in unrestricted net assets	<u>\$ 714,279</u>	<u>\$ 2,445,987</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2011 and 2010

10. POST RETIREMENT BENEFIT PLANS - Continued

The accumulated benefit obligation is \$44,527,620 and \$45,842,769 at June 30, 2011 and 2010, respectively

Amounts in unrestricted net assets expected to be recognized as components of net periodic benefit cost for the year ending June 30, 2012 are prior service costs of \$48,176 and actuarial losses of \$593,687

	<u>2011</u>	<u>2010</u>
Net periodic benefit (income) cost:		
Interest cost	\$ 2,374,753	\$ 2,642,651
Expected return on plan assets	(3,168,040)	(2,770,060)
Prior service cost	<u>576,421</u>	<u>1,032,938</u>
	<u>\$ (216,866)</u>	<u>\$ 905,529</u>

Assumptions

	<u>2011</u>	<u>2010</u>
Weighted-average assumptions used to determine benefit obligations as of June 30:		
Discount rate	3.41%	5.65%
Rate of compensation increase	N/A	N/A
Measurement date	June 30	June 30
Weighted-average assumptions used to determine net periodic benefit cost for the years ended June 30:		
Discount rate	5.65%	6.25%
Expected return on plan assets	8.00%	8.00%
Rate of compensation increase	N/A	N/A

Basis for Expected Long-Term Rate of Return

The expected long-term rate of return reflects the expected return for each major asset class and the weighting of each asset class

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2011 and 2010

10. POST RETIREMENT BENEFIT PLANS - Continued

Plan Assets

The Plan's weighted-average asset allocations at June 30, are as follows

	<u>2011</u>	<u>2010</u>
Asset category:		
Equity securities	0% ^o	54% ^o
Fixed income	0% ^o	45% ^o
Cash and cash equivalent	<u>100%^o</u>	<u>1%^o</u>
	<u>100%^o</u>	<u>100%^o</u>

Description of Investment Policies and Strategies

<u>Asset Class</u>	<u>Range</u>	<u>Target</u>	<u>Benchmark</u>
Equities	45 - 65% ^o	60% ^o	
Large Company	30 - 50% ^o	40% ^o	S&P 500 and Russell 1000 Value
Mid/Small Company	5 - 15% ^o	11% ^o	Russell 2000
International	5 - 15% ^o	9% ^o	MSCI EAFE
Fixed income	25 - 55% ^o	40% ^o	Lehman Aggregate Bond
Cash	0 - 15% ^o	0% ^o	Salomon 3-Mo T-Bill

As a result of the plan termination, during fiscal year 2011, Meritus modified its strategy to protect fund assets from market fluctuations. As such, the plan assets were invested in cash and cash equivalents.

Fair Value of Plan Assets

The following fair value hierarchy table presents information about each major category of the Plan's financial assets measured at fair value on a recurring basis using the market approach as of June 30.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2011 and 2010

10. POST RETIREMENT BENEFIT PLANS - Continued

Fair Value of Plan Assets - continued

		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	<u>Total</u>			
2011:				
Assets				
Cash and cash equivalents	\$42,579,753	\$42,579,753	\$ -	\$ -
	<u>\$42,579,753</u>	<u>\$42,579,753</u>	<u>\$ -</u>	<u>\$ -</u>
2010:				
Assets				
Cash and cash equivalents	\$ 267,540	\$ 267,540	\$ -	\$ -
Fixed income	18,471,758	18,471,758	-	-
Equity securities	<u>21,924,459</u>	<u>21,924,459</u>	-	-
	<u>\$40,663,757</u>	<u>\$40,663,757</u>	<u>\$ -</u>	<u>\$ -</u>

Contributions

Contributions to the plan for the year ending June 30, 2012 are expected to be less than \$2,000,000

Estimated Future Benefit Payments

Benefit payments are expected to be paid from the Plan in year ending June 30, 2012 of \$44,527,620

11. INSURANCE COVERAGE

The Parent has a wholly-owned insurance captive, MIC, to provide primary limits of insurance of \$1 million per occurrence/\$3 million aggregate for professional and general liability. The professional liability coverage is provided on a claims-made basis. In addition, MIC purchased reinsurance from an A rated re-insurer in the amount of \$15 million to cover any potential liabilities above the \$1 million/\$3 million primary limits, which were covered by MIC. The self-insured liabilities for professional and general are discounted at 4%, as determined by an actuary, were \$5,476,000 and \$4,911,145 as of June 30, 2011 and 2010, respectively and are included in other liabilities in the consolidated balance sheets.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2011 and 2010

11. INSURANCE COVERAGE - Continued

For the year ended June 30, 2011, MIC applied a retrospective premium credit which reduced premiums by \$1,480,680 which has been eliminated in the consolidation process

Consistent with most companies with similar insurance operations, the liability for losses is ultimately based on management's reasonable expectations of future events. It is reasonably possible that the expectations associated with these amounts could change in the near term (i.e., within one year) and that the effect of such changes could be material to the consolidated financial statements.

	<u>2011</u>	<u>2010</u>
Reserves for losses and loss adjustment expenses at beginning of year	\$ 4,911,145	\$3,369,039
Less reinsurance recoverable on unpaid claims	<u>(586,725)</u>	<u>(451,099)</u>
Net reserves for losses and loss adjustment expenses at beginning of year	4,324,420	2,917,940
Incurred related to		
Current year	1,586,107	1,273,608
Prior years	<u>108,493</u>	<u>1,056,876</u>
Total losses and loss adjustment expenses incurred, net of reinsurance recoverable	1,694,600	2,330,484
Paid related to		
Current year	(267,688)	(86,750)
Prior years	<u>(1,420,769)</u>	<u>(837,254)</u>
Total losses and loss adjustment expenses paid	(1,688,457)	(924,004)
Net reserves for losses and loss adjustment expenses at end of year	4,330,563	4,324,420
Add reinsurance recoverable on unpaid claims	<u>1,145,437</u>	<u>586,725</u>
Reserves for losses and loss adjustment expenses at end of year	<u>\$ 5,476,000</u>	<u>\$4,911,145</u>

12. COMMITMENTS AND CONTINGENCIES

Operating Lease Obligations

Meritus leases equipment under non-cancelable lease arrangements. In addition, Meritus leases office space in several locations under operating leases. Some of the leases provide for renewal options. Rent expense under all operating leases was \$6,264,981 and \$5,217,465 for the years ended June 30, 2011 and 2010, respectively.

Meritus Health, Inc.

(Formerly The Washington County Health System, Inc. and Subsidiaries)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2011 and 2010

12. COMMITMENTS AND CONTINGENCIES

Operating Lease Obligations - continued

Future minimum lease payments under these non-cancelable operating leases as of June 30 are as follows

2012	\$4,766,910
2013	4,062,858
2014	2,828,059
2015	1,760,054
2016	1,155,714

Rental Properties

The Fund's real estate is used for rental operations. The leases have five-year terms plus renewal options and include provisions for increased operating costs and taxes. The minimum future rental amounts from unrelated entities, based on non-cancelable leases, exclusive of any future renewal options, as of June 30 are as follows

2012	\$162,736
2013	96,986
2014	74,224
2015	48,007
2016	7,320

Litigation

Meritus is involved in litigation and regulatory investigations arising in the course of business. After consultation with legal counsel, management estimates that these matters will be resolved without a material adverse effect on Meritus' financial position or results of operations.

Meritus Health, Inc.

(Formerly The Washington County Health System, Inc. and Subsidiaries)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2011 and 2010

13. TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily and permanently restricted net assets at June 30 are restricted for the following purposes

	<u>2011</u>	<u>2010</u>
Temporarily restricted for financial support of patients and hospital programs	\$ 2,610,889	\$4,827,012
Capital campaign	5,595,548	3,683,263
Endowment campaign	<u>2,431,353</u>	<u>260,000</u>
	<u>\$10,637,790</u>	<u>\$8,770,275</u>
Permanently restricted investments are to be held in perpetuity, the income of which is expendable to support charity care and healthcare education	<u>\$ 1,028,618</u>	<u>\$1,028,618</u>

14. FUNCTIONAL EXPENSES

Meritus provides general healthcare services to residents within its geographic location. Expenses related to providing these services for the years ended June 30 are as follows:

	<u>2011</u>	<u>2010</u>
Healthcare services	\$343,137,420	\$321,733,868
Fundraising	225,581	329,366
Administration	<u>20,455,700</u>	<u>18,067,656</u>
Total expenses	<u>\$363,818,701</u>	<u>\$340,130,890</u>

SUPPLEMENTARY INFORMATION



**Report of Independent Certified Public Accountants
Supplementary Information**

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To the Board of Directors
Meritus Health, Inc

Our audit of the consolidated financial statements of Meritus Health, Inc (formerly The Washington County Health System, Inc and Subsidiaries) for the year ended June 30, 2011 was conducted for the purpose of forming an opinion on the consolidated financial statements. The following consolidating balance sheet and consolidating statement of operations and changes in net assets are presented for the purposes of additional analysis and is not a required part of the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, are fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

A handwritten signature in black ink that reads "Grant Thornton LLP". The signature is written in a cursive, flowing style.

Baltimore, Maryland
September 26, 2011

Meritus Health, Inc.
(Formerly The Washington County Health System, Inc. and Subsidiaries)

CONSOLIDATING BALANCE SHEET

June 30, 2011

ASSETS	Meritus Medical Center, Inc.	Meritus Medical Center, Endowment Fund, Inc.	Meritus Health, Inc.	Meritus Health Obligated Group Consolidating Adjustments	Meritus Health Obligated Group	Meritus Enterprises, Inc and Subsidiaries	Meritus Insurance Company, Ltd.	Meritus Healthcare Foundation	Eliminations	Consolidated Meritus Health, Inc.
CURRENT ASSETS										
Cash and cash equivalents	\$ 10,692,132	\$ 217,912	\$ 514,669	\$ (85,268)	\$ 11,339,445	\$ 5,746,475	\$ 176,277	\$ 1,033,233	\$ 85,268	\$ 18,380,698
Restricted cash	2,614,437	-	-	-	2,614,437	-	-	-	-	2,614,437
Short-term investments	4,399,794	-	-	-	4,399,794	-	-	-	-	4,399,794
Current portion of assets whose use is limited	9,311,433	-	-	-	9,311,433	-	920,621	-	-	10,232,054
Accounts receivable, net	37,340,076	-	3,647,507	(1,018,643)	39,968,940	7,526,444	57,234	1,973,208	(3,647,507)	45,878,319
Due from related parties, net	651,686	-	-	-	651,686	816,608	-	5,034	(1,473,328)	-
Supplies	6,270,491	-	-	-	6,270,491	3,981,701	-	-	-	10,252,192
Prepaid expenses and other current assets	<u>2,571,036</u>	<u>282,845</u>	<u>-</u>	<u>-</u>	<u>2,853,881</u>	<u>2,840,057</u>	<u>206,621</u>	<u>13,774</u>	<u>-</u>	<u>5,914,333</u>
Total current assets	73,851,085	500,757	4,162,176	(1,103,911)	77,410,107	20,911,285	1,360,753	3,025,249	(5,035,567)	97,671,827
EQUITY INVESTMENTS IN AFFILIATES	17,427,553	-	3,348,559	20,734,074	41,510,186	4,441,572	-	-	(23,199,467)	22,752,291
ASSETS WHOSE USE IS LIMITED										
Board designated funds	31,240,567	34,975,950	2,361,988	-	68,578,505	-	-	6,976,685	-	75,555,190
Supplemental retirement benefit investments	883,062	-	-	-	883,062	2,656,935	-	-	-	3,539,997
Temporarily and permanently restricted donor funds	<u>1,165,136</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,165,136</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,165,136</u>
	33,288,765	34,975,950	2,361,988	-	70,626,703	2,656,935	-	6,976,685	-	80,260,323
Assets held by trustee for debt service and construction	18,465,329	-	-	-	18,465,329	-	-	-	-	18,465,329
Funds designated for insurance purposes	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,647,952</u>	<u>-</u>	<u>-</u>	<u>7,647,952</u>
	51,754,094	34,975,950	2,361,988	-	89,092,032	2,656,935	7,647,952	6,976,685	-	106,373,604
PROPERTY, PLANT AND EQUIPMENT, net	273,326,365	18,943,816	-	(2,287,717)	289,982,464	11,250,782	-	19,229	2,287,717	303,540,192
PLEDGES RECEIVABLE, net	-	-	-	-	-	-	-	3,893,162	-	3,893,162
DEFERRED FINANCING COSTS, net	2,773,094	32,480	-	-	2,805,574	-	-	-	-	2,805,574
OTHER ASSETS	-	-	-	-	-	138,532	1,145,437	8,180	-	1,292,149
DUE FROM RELATED PARTIES	<u>9,132,303</u>	<u>-</u>	<u>-</u>	<u>(3,894,451)</u>	<u>5,237,852</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,237,852)</u>	<u>-</u>
Total assets	<u>\$428,264,494</u>	<u>\$54,453,003</u>	<u>\$9,872,723</u>	<u>\$13,447,995</u>	<u>\$506,038,215</u>	<u>\$39,399,106</u>	<u>\$10,154,142</u>	<u>\$13,922,505</u>	<u>\$\$(31,185,169)</u>	<u>\$538,328,799</u>

Meritus Health, Inc.
(Formerly The Washington County Health System, Inc. and Subsidiaries)

CONSOLIDATING BALANCE SHEET - CONTINUED

June 30, 2011

LIABILITIES AND NET ASSETS	Meritus Medical Center, Inc	Meritus Medical Center, Endowment Fund, Inc	Meritus Health, Inc	Meritus Health Obligated Group Consolidating Adjustments	Meritus Health Obligated Group	Meritus Enterprises, Inc and Subsidiaries	Meritus Insurance Company, Ltd	Meritus Healthcare Foundation	Eliminations	Consolidated Meritus Health, Inc
CURRENT LIABILITIES										
Accounts payable and accrued expenses	\$ 10,242,085	\$ 253,399	\$ 4,991	\$ -	\$ 10,500,475	\$ 2,917,200	\$ 1,680,194	\$ 53,333	\$ -	\$ 15,151,202
Construction and retainage payable	1,153,823	-	-	-	1,153,823	-	-	-	-	1,153,823
Due to related parties, net	-	33,584	1,113,921	-	1,147,505	32,005	-	-	(1,179,510)	-
Accrued salaries, wages and withholdings	3,051,694	-	-	-	3,051,694	1,100,288	-	-	-	4,151,982
Accrued compensation benefits	11,873,509	-	-	-	11,873,509	4,325,933	-	10,597	-	16,210,039
Advances from third-party payors	6,684,832	-	-	-	6,684,832	-	-	-	-	6,684,832
Accrued interest payable	7,795,244	-	-	-	7,795,244	-	-	-	-	7,795,244
Current portion of long-term debt	<u>7,333,582</u>	<u>2,051,370</u>	<u>-</u>	<u>(1,058,963)</u>	<u>8,325,989</u>	<u>962,051</u>	<u>-</u>	<u>-</u>	<u>(147,830)</u>	<u>9,140,210</u>
Total current liabilities	48,134,769	2,338,353	1,118,912	(1,058,963)	50,533,071	9,337,477	1,680,194	63,930	(1,327,340)	60,287,332
LONG-TERM DEBT, net of current portion	262,170,189	5,848,164	-	(4,317,810)	263,700,543	2,335,729	-	-	110,290	266,146,562
ACCRUED RETIREMENT BENEFITS	883,077	-	-	-	883,077	3,017,007	-	-	-	3,900,084
OTHER LONG-TERM LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,202,886</u>	<u>-</u>	<u>(3,647,507)</u>	<u>4,555,379</u>
Total liabilities	311,188,035	8,186,517	1,118,912	(5,376,773)	315,116,691	14,690,213	9,883,080	63,930	(4,864,557)	334,889,357
STOCKHOLDERS' EQUITY										
Common stock	-	-	-	-	-	700,000	120,000	-	(820,000)	-
Paid-in capital	-	-	-	-	-	1,150,080	-	-	(1,150,080)	-
Retained earnings	-	-	-	-	-	21,418,100	151,062	-	(21,569,162)	-
Non-controlling interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,440,713</u>	<u>-</u>	<u>-</u>	<u>(1,440,713)</u>	<u>-</u>
Total stockholders' equity	-	-	-	-	-	24,708,893	271,062	-	(24,979,955)	-
NET ASSETS										
Unrestricted										
Meritus	110,748,543	46,266,486	8,753,811	18,824,768	184,593,608	-	-	3,282,231	2,456,482	190,332,321
Non-controlling interest	-	-	-	-	-	-	-	-	1,440,713	1,440,713
Total unrestricted net assets	110,748,543	46,266,486	8,753,811	18,824,768	184,593,608	-	-	3,282,231	3,897,195	191,773,034
Temporarily restricted	5,299,298	-	-	-	5,299,298	-	-	10,576,344	(5,237,852)	10,637,790
Permanently restricted	<u>1,028,618</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,028,618</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,028,618</u>
Total net assets	<u>117,076,459</u>	<u>46,266,486</u>	<u>8,753,811</u>	<u>18,824,768</u>	<u>190,921,524</u>	<u>-</u>	<u>-</u>	<u>13,858,575</u>	<u>(1,340,657)</u>	<u>203,439,442</u>
Total liabilities and net assets	<u>\$428,264,494</u>	<u>\$54,453,003</u>	<u>\$9,872,723</u>	<u>\$13,447,995</u>	<u>\$506,038,215</u>	<u>\$39,399,106</u>	<u>\$10,154,142</u>	<u>\$13,922,505</u>	<u>\$31,185,169</u>	<u>\$538,328,799</u>

Meritus Health, Inc.

(Formerly The Washington County Health System, Inc. and Subsidiaries)

CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

Year end June 30, 2011

	Meritus Medical Center, Inc	Meritus Medical Center, Endowment Fund, Inc	Meritus Health, Inc	Meritus Health Group Consolidating Adjustments	Meritus Health Obligated Group	Meritus Enterprises, Inc and Subsidiaries	Meritus Insurance Company, Ltd	Meritus Healthcare Foundation	Eliminations	Consolidated Meritus Health, Inc
Unrestricted revenue, gains and other support										
Net patient service revenue	\$273,822,984	\$ -	\$ -	\$ -	\$273,822,984	\$ 63,231,744	\$ -	\$ -	\$(10,008,221)	\$327,046,507
Sales	-	-	-	-	-	31,536,573	-	-	(3,727,080)	27,809,493
Rental income, net of expense	-	1,932,293	-	(6,641)	1,925,652	-	-	-	6,641	1,932,293
(Loss) gain on disposal of assets	(210,079)	-	-	-	(210,079)	12,892	-	-	-	(197,187)
Other revenue	3,059,681	-	(963,389)	-	2,096,292	3,302,938	4,531,906	879,178	(1,044,803)	9,765,511
Equity earnings in affiliates	47,411,117	-	-	369,407	5,110,524	2,353,660	-	-	(369,407)	7,094,777
Net assets released from restriction used for operations	444,468	-	-	-	444,468	-	-	1,085,351	(682,004)	847,815
	281,858,171	1,932,293	(963,389)	362,766	283,189,841	100,437,807	4,531,906	1,964,529	(15,824,874)	374,299,209
Expenses										
Salaries and wages	103,152,879	-	-	-	103,152,879	38,015,664	-	386,874	-	141,555,417
Professional fees	8,696,248	-	-	-	8,696,248	924,502	-	-	-	9,620,750
Cost of goods sold	-	-	-	-	-	22,313,107	-	-	(3,242,560)	19,070,547
Supplies and other	117,260,145	439,524	268,261	600,229	118,568,159	35,357,547	4,795,379	86,999	(11,152,780)	147,655,304
Interest	8,909,404	177,947	-	(37,498)	9,049,853	124,955	-	-	37,498	9,212,306
Depreciation and amortization	19,587,835	877,211	-	-	20,465,046	1,681,211	-	7,188	-	22,153,445
Provision for bad debts	12,904,290	-	-	-	12,904,290	1,646,642	-	-	-	14,550,932
	270,510,801	1,494,682	268,261	562,731	272,836,475	100,063,628	4,795,379	481,061	(14,357,842)	363,818,701
Operating income (loss) before other items	11,347,370	437,611	(1,231,650)	(199,965)	10,353,366	374,179	(263,473)	1,483,468	(1,467,032)	10,480,508
Other items										
Demolition costs	(954,579)	-	-	-	(954,579)	-	-	-	-	(954,579)
Early retirement costs	(461,643)	-	-	-	(461,643)	(108,299)	-	-	-	(569,942)
Transition costs	(2,797,289)	-	-	-	(2,797,289)	-	-	-	-	(2,797,289)
	(4,213,511)	-	-	-	(4,213,511)	(108,299)	-	-	-	(4,321,810)
Operating income (loss)	7,133,859	437,611	(1,231,650)	(199,965)	6,139,855	265,880	(263,473)	1,483,468	(1,467,032)	6,158,698
Non-operating gains (losses), net										
Investment returns, net	5,208,794	5,658,611	392,757	-	11,260,162	240,195	263,473	998,729	-	12,762,559
Other, net	(31,956)	-	(320,354)	626,625	274,315	15,373	-	(1,926,039)	2,510,431	874,080
Income tax expense	-	-	-	-	-	(174,635)	-	-	-	(174,635)
Excess of (deficiency in) revenue over expenses	12,310,697	6,096,222	(1,159,247)	426,660	17,674,332	346,813	-	556,158	1,043,399	19,620,702
Excess of revenue attributable to non-controlling interest	-	-	-	-	-	(296,365)	-	-	-	(296,365)
Excess of (deficiency in) revenue over expenses attributable to Meritus	12,310,697	6,096,222	(1,159,247)	426,660	17,674,332	50,448	-	556,158	1,043,399	19,324,337

Meritus Health, Inc.

(Formerly The Washington County Health System, Inc. and Subsidiaries)

CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS - CONTINUED

Year end June 30, 2011

	Meritus Medical Center, Inc	Meritus Medical Center, Endowment Fund, Inc	Meritus Health, Inc	Meritus Health Obligated Group Consolidating Adjustments	Meritus Health Obligated Group	Meritus Enterprises, Inc and Subsidiaries	Meritus Insurance Company, Ltd	Meritus Healthcare Foundation	Eliminations	Consolidated Meritus Health, Inc
Other changes in unrestricted net assets										
Change in retirement benefit obligation	714,279	-	-	-	714,279	-	-	-	-	714,279
Change in non-controlling interest	-	-	-	-	-	(223,635)	-	-	-	(223,635)
Other	-	-	-	-	-	85,309	-	-	-	85,309
Increase (decrease) in unrestricted net assets	13,024,976	6,096,222	(1,159,247)	426,660	18,388,611	(87,878)	-	556,158	1,043,399	19,900,290
Temporarily restricted net assets										
Contributions	396,363	-	-	-	396,363	-	-	2,953,173	(682,004)	2,667,532
Net realized and unrealized gains and (losses) on investments	47,798	-	-	-	47,798	-	-	-	-	47,798
Net assets held by MHF	1,470,059	-	-	-	1,470,059	-	-	-	(1,470,059)	-
Net assets released from restrictions for operations	(444,468)	-	-	-	(444,468)	-	-	(1,085,351)	682,004	(847,815)
Increase (decrease) in temporarily restricted net assets	1,469,752	-	-	-	1,469,752	-	-	1,867,822	(1,470,059)	1,867,515
INCREASE (DECREASE) IN NET ASSETS	14,494,728	6,096,222	(1,159,247)	426,660	19,858,363	(87,878)	-	2,423,980	(426,660)	21,767,805
Net assets										
Beginning of year	102,581,731	40,170,264	9,913,058	18,398,108	171,063,161	24,796,771	271,062	11,434,595	(25,893,952)	181,671,637
End of year	<u>\$117,076,459</u>	<u>\$46,266,486</u>	<u>\$8,753,811</u>	<u>\$18,824,768</u>	<u>\$190,921,254</u>	<u>\$24,708,893</u>	<u>\$271,062</u>	<u>\$13,858,575</u>	<u>\$(26,320,612)</u>	<u>\$203,439,442</u>



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