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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>2011</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 2011 calendar year, or tax year beginning 01-01-2011 and ending 12-31-2011		D Employer identification number 52-1253920	
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		E Telephone number (410) 877-3700	
C Name of organization UPPER CHESAPEAKE MEDICAL CENTER		G Gross receipts \$ 241,216,767	
Doing Business As			
Number and street (or P O box if mail is not delivered to street address) Room/suite 500 UPPER CHESAPEAKE DRIVE			
City or town, state or country, and ZIP + 4 BEL AIR, MD 21014			
F Name and address of principal officer LYLE E SHELDON 520 UPPER CHESAPEAKE DR STE BEL AIR, MD 21014		H(a) Is this a group return for affiliates? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
		H(b) Are all affiliates included? <input type="checkbox"/> Yes <input type="checkbox"/> No If "No," attach a list (see instructions)	
I Tax-exempt status <input checked="" type="checkbox"/> 501(c)(3) <input type="checkbox"/> 501(c) () (Insert no) <input type="checkbox"/> 4947(a)(1) or <input type="checkbox"/> 527		H(c) Group exemption number ▶	
J Website: WWW.UCHS.ORG			
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 1997	M State of legal domicile MD

Part I		Summary	
Activities & Governance	1 Briefly describe the organization's mission or most significant activities ACUTE HOSPITAL CARE		
	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	16
	4 Number of independent voting members of the governing body (Part VI, line 1b)	4	12
	5 Total number of individuals employed in calendar year 2011 (Part V, line 2a)	5	2,242
	6 Total number of volunteers (estimate if necessary)	6	704
	7a Total unrelated business revenue from Part VIII, column (C), line 12	7a	0
	7b Net unrelated business taxable income from Form 990-T, line 34	7b	0
Revenue	8 Contributions and grants (Part VIII, line 1h)	Prior Year 27,538,437	Current Year 7,361,725
	9 Program service revenue (Part VIII, line 2g)	201,719,717	229,956,458
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	102,580	579,927
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	169,420	275,563
	12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	229,530,154	238,173,673
	Expenses	13 Grants and similar amounts paid (Part IX, column (A), lines 1–3)	11,364,025
14 Benefits paid to or for members (Part IX, column (A), line 4)		0	0
15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)		89,163,616	95,049,836
16a Professional fundraising fees (Part IX, column (A), line 11e)		0	0
16b Total fundraising expenses (Part IX, column (D), line 25) <input type="checkbox"/> 0			
17 Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)		101,925,468	116,218,745
18 Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)		202,453,109	219,410,195
19 Revenue less expenses Subtract line 18 from line 12		27,077,045	18,763,478
Net Assets or Fund Balances		Beginning of Current Year	
	20 Total assets (Part X, line 16)	300,806,783	321,262,781
	21 Total liabilities (Part X, line 26)	213,904,536	234,530,464
	22 Net assets or fund balances Subtract line 21 from line 20	86,902,247	86,732,317

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	<div>*****</div> <div>Signature of officer</div>		<div>2012-11-13</div> <div>Date</div>
	<div>JOSEPH E HOFFMAN III CFO</div> <div>Type or print name and title</div>		
Paid Preparer's Use Only	<div>Preparer's signature</div>	<div>Date</div>	<div>Check if self-employed <input type="checkbox"/></div>
	<div>Preparer's taxpayer identification number (see instructions)</div>		<div>Firm's name (or yours if self-employed), address, and ZIP + 4</div> <div>GRANT THORNTON LLP</div> <div>2001 MARKET STREET SUITE 3100</div> <div>PHILADELPHIA, PA 19103</div>
		<div>EIN</div>	<div>Phone no (215) 561-4200</div>
<div>May the IRS discuss this return with the preparer shown above? (see instructions)</div> <div><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</div>			

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

ACUTE HOSPITAL CARE

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

If "Yes," describe these changes on Schedule O





















4a	(Code) (Expenses \$ 160,339,944 including grants of \$ 8,080,501) (Revenue \$ 229,956,458)
	SEE SCHEDULE O

4c (Code) (Expenses \$ including grants of \$) (Revenue \$)

4e	Total program service expenses	\$ 160,339,944
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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 <i>Schedule B, Schedule of Contributors</i> (see instructions)? 	2	Yes	
3	Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? <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 for which 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 temporarily restricted endowments, permanent endowments, or quasi-endowments? <i>If "Yes," complete Schedule D, Part V.</i> 	10		No
11	If the organization's answer to any of the following questions is 'Yes,' then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable			
a	Did the organization report an amount for land, buildings, and equipment in Part X, line 10? <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, investment, and program service activities outside the United States, or aggregate foreign investments valued at \$100,000 or more? <i>If "Yes," complete Schedule F, Part I.</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, Part 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, Part 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.</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. All Form 990 filers that operated one or more hospitals must attach audited financial statements 	20b	Yes	

Part IV

Checklist of Required Schedules (continued)

21	Did the organization report more than \$5,000 of grants and other assistance to governments and organizations in the United States on Part IX, column (A), line 1? <i>If "Yes," complete Schedule I, Parts I and II</i>	21	Yes	
22	Did the organization report more than \$5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? <i>If "Yes," complete Schedule I, Parts I and III</i>	22		No
23	Did the organization answer "Yes" to Part VII, Section A, questions 3, 4, or 5, about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? <i>If "Yes," complete Schedule J</i>	23	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? <i>If "Yes," answer questions 24b-24d and complete Schedule K. If "No," go to line 25</i>	24a	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		No
b	A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28b		No
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or owner? <i>If "Yes," complete Schedule L, Part IV</i>	28c		No
29	Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i>	29		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i>	30		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i>	31		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i>	32		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? <i>If "Yes," complete Schedule R, Part I</i>	33		No
34	Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Parts II, III, IV, and V, line 1</i>	34	Yes	
35a	Is any related organization a controlled entity of the filing organization within the meaning of section 512(b)(13)?	35a		No
b	Did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? <i>If "Yes," complete Schedule R, Part V, line 2</i>	35b		No
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

		Yes	No
1a	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable. .		
	1a8		
b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.		
	1b0		
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	1c	Yes
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements filed for the calendar year ending with or within the year covered by this return.		
	2a2,242		
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns? Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions).	2b	Yes
3a	Did the organization have unrelated business gross income of \$1,000 or more during the year?	3a	No
b	If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O.	3b	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 or securities account)?	4a	No
b	If "Yes," enter the name of the foreign country: See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.		
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?	5a	No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	5b	No
c	If "Yes" to line 5a or 5b, did the organization file Form 8886-T?	5c	
6a	Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible?	6a	No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	6b	
7	Organizations that may receive deductible contributions under section 170(c).		
a	Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?	7a	No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?	7b	
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?	7c	No
d	If "Yes," indicate the number of Forms 8282 filed during the year.	7d	
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	7e	No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?	7f	No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	7g	
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	7h	
8	Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations. Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?	8	
9	Sponsoring organizations maintaining donor advised funds.		
a	Did the organization make any taxable distributions under section 4966?	9a	
b	Did the organization make a distribution to a donor, donor advisor, or related person?	9b	
10	Section 501(c)(7) organizations. Enter		
a	Initiation fees and capital contributions included on Part VIII, line 12.	10a	
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities.	10b	
11	Section 501(c)(12) organizations. Enter		
a	Gross income from members or shareholders.	11a	
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them).	11b	
12a	Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041?	12a	
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year.	12b	
13	Section 501(c)(29) qualified nonprofit health insurance issuers.		
a	Is the organization licensed to issue qualified health plans in more than one state? Note. All 501(c)(29) organizations must list in Schedule O each state in which they are licensed to issue qualified health plans, the amount of reserves required by each state, and the amount of reserves the organization allocated to each state.	13a	
b	Enter the aggregate amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans.	13b	
c	Enter the aggregate amount of reserves on hand.	13c	
14a	Did the organization receive any payments for indoor tanning services during the tax year?	14a	No
b	If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O.	14b	

Part VI

Governance, Management, and Disclosure

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

Section A. Governing Body and Management

		Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year		
1b	Enter the number of voting members included in line 1a, above, who are independent		
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	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	Did the organization have members or stockholders?	6	Yes
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?	7a	No
7b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	7b	No
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following		
8a	The governing body?	8a	Yes
8b	Each committee with authority to act on behalf of the governing body?	8b	Yes
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O	9	No

Section B. Policies

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

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

Section C. Disclosure

17	List the States with which a copy of this Form 990 is required to be filed	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 made these available. Check all that apply. <input type="checkbox"/> Own website <input type="checkbox"/> Another's website <input checked="" type="checkbox"/> Upon request	
19	Describe in Schedule O whether (and if so, how), the organization made its governing documents, conflict of interest policy, and financial statements available to the public. See Additional Data Table.	
20	State the name, physical address, and telephone number of the person who possesses the books and records of the organization.	
JOSEPH E HOFFMAN III 520 UPPER CHESAPEAKE DRIVE BEL AIR, MD 21014 (443) 643-3340		

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, or 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 organizations compensated any current or former officer, director, or trustee

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(1) H WILLIAM ACKER VICE CHAIRMAN/DIRECTOR	5 0	X		X				0	0	0
(2) STEVEN M BENTMAN MD DIRECTOR	1 0	X						27,083	0	0
(3) JOHN H CAIN DIRECTOR	1 0	X						0	0	0
(4) MELINDA L CRAIG DIRECTOR	1 0	X						0	0	0
(5) DIANE K FORD DIRECTOR	1 0	X						0	0	0
(6) ROBERT F HOOFNAGLE JR MD DIRECTOR	1 0	X						65,792	0	0
(7) M SCOT KAUFMAN SECRETARY/DIRECTOR	5 0	X		X				0	0	0
(8) ANDREW KLEIN DIRECTOR	1 0	X						0	0	0
(9) JAMES LAMB DIN DIRECTOR	1 0	X						0	0	0
(10) ANTHONY J MEOLI TREASURER/DIRECTOR	5 0	X		X				0	0	0
(11) ROGER E SCHNEIDER MD CHAIRMAN/DIRECTOR	5 0	X		X				0	0	0
(12) LYLE E SHELDON PRESIDENT & CEO/DIRECTOR	5 0	X		X				0	802,498	90,419
(13) RICHARD P STRETT JR VMD DIRECTOR	1 0	X						0	0	0
(14) ADELE A WILZACK RN MS DIRECTOR	1 0	X						0	0	0
(15) ALBERT J A YOUNG DIRECTOR	1 0	X						0	0	0
(16) FAHEEM YOUNUS MD DIRECTOR	1 0	X						151,250	0	0
(17) JOYCE FOX VP - PATIENT SVCS/CNO	20 0				X			0	223,146	44,446

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 (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(18) JOSEPH E HOFFMAN III SR VP/CFO	5 0				X			0	396,292	81,484
(19) KENNETH D KOZEL SR VP/COO	5 0				X			0	394,262	63,239
(20) DEAN C KASTER SR VP - CORP STRATEGY/PLANNING	5 0				X			0	276,903	58,880
(21) MARGARET M VAUGHAN SR VP - CHIEF MEDICAL OFFICER	5 0				X			0	376,634	77,548
(22) E SCOTT CONOVER SR VP/GENERAL COUNSEL	5 0				X			0	354,257	52,953
(23) TONI M SHIVERY VP - HUMAN RESOURCES	5 0				X			0	200,181	64,160
(24) ROY PHILLIPS PHYSICIAN/HOSPITALIST	40 0					X		255,803	0	46,478
(25) OLUFUNMILAYO ONOBRAKPEYA PHYSICIAN	40 0					X		223,702	0	20,775
(26) TAMARA L CALLIGARO EXEC DIR-PERIOPERATIVE SVCS	40 0					X		149,094	0	31,596
(27) BERTHA SIMON REGISTERED NURSE	40 0					X		138,784	0	41,450
(28) ANGELA M KAITIS DIR - PHARMACEUTICAL SERVICES	40 0					X		131,484	0	45,627
1b Sub-Total										
c Total from continuation sheets to Part VII, Section A										
d Total (add lines 1b and 1c)								1,142,992	3,024,173	719,055

2

Total number of individuals (including but not limited to those listed above) who received more than \$100,000 of reportable compensation from the organization▶78

		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 Report compensation for the calendar year ending with or within the organization's tax year

(A) Name and business address	(B) Description of services	(C) Compensation
NORTHERN CHESAPEAKE ANESTHESIA ASSO PO BOX 89 BEL AIR, MD 21014	PHYSICIAN FEES	2,507,122
VISION CONSULTING LLC 3325 ASPEN GROVE DRIVE SUITE 204 FRANKLIN, TN 37067	SOFTWARE CONSULTING	1,637,782
MEDQUIST TRANSCRIPTIONS LTD PO BOX 102467 ATLANTA, GA 30368	TRANSCRIPTION	698,014
NCO FINANCIAL SYSTEMS INC PO BOX 931053 CLEVELAND, OH 44193	COLLECTIONS	479,627
BRAIN AND SPINE SPECIALISTS PA 520 UPPER CHESAPEAKE DR SUITE 211 BEL AIR, MD 21014	PHYSICIAN FEES	443,720
2 Total number of independent contractors (including but not limited to those listed above) who received more than \$100,000 of compensation from the organization ▶26		

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	7,361,725			
	e	Government grants (contributions)	1e				
	f	All other contributions, gifts, grants, and similar amounts not included above	1f				
	g	Noncash contributions included in lines 1a-1f \$ _____					
	h	Total. Add lines 1a-1f		7,361,725			
Program Service Revenue	2a	NET PATIENT SERVICE REVENUE	Business Code 621110	229,797,797	229,797,797		
	b	SPINE CENTER/ENDOCRINOLOGY	621110	158,661	158,661		
	c						
	d						
	e						
	f	All other program service revenue					
	g	Total. Add lines 2a-2f		229,956,458			
	Other Revenue	3	Investment income (including dividends, interest and other similar amounts)		163,688		
4		Income from investment of tax-exempt bond proceeds . .		0			
5		Royalties		0			
6a		Gross rents	(i) Real 1,410,089	(ii) Personal			
b		Less rental expenses	3,043,094				
c		Rental income or (loss)	-1,633,005				
d		Net rental income or (loss)		-1,633,005			-1,633,005
7a		Gross amount from sales of assets other than inventory	(i) Securities 516,669	(ii) Other -100,430			
b		Less cost or other basis and sales expenses		0			
c		Gain or (loss)	516,669	-100,430			
d		Net gain or (loss)		416,239			416,239
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		CAFETERIA SALES	900099	1,093,279			1,093,279
b		PARKING GARAGE	900099	202,776			202,776
c	LOSS ON EARLY RETIREMENT OF DEBT	900099	-111,896			-111,896	
d	All other revenue		724,409		0	724,409	
e	Total. Add lines 11a-11d		1,908,568				
12	Total revenue. See Instructions		238,173,673	229,956,458	0	855,490	

Part IX

Statement of Functional Expenses

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

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

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

☒

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.		(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1	Grants and other assistance to governments and organizations in the United States See Part IV, line 21	8,141,614	8,141,614		
2	Grants and other assistance to individuals in the United States See Part IV, line 22	0			
3	Grants and other assistance to governments, organizations, and individuals outside the United States 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	0			
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	77,302,959	57,044,270	20,258,689	
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	4,673,489	3,448,714	1,224,775	
9	Other employee benefits	6,351,206	4,670,738	1,680,468	
10	Payroll taxes	6,722,182	4,960,508	1,761,674	
11	Fees for services (non-employees)				
a	Management	0			
b	Legal	0			
c	Accounting	22,310		22,310	
d	Lobbying	0			
e	Professional fundraising See Part IV, line 17	0			
f	Investment management fees	0			
g	Other	6,835,233	4,219,507	2,615,726	
12	Advertising and promotion	836,475	816	835,659	
13	Office expenses	51,100,242	46,834,132	4,266,110	
14	Information technology	0			
15	Royalties	0			
16	Occupancy	2,767,510		2,767,510	
17	Travel	27,197	14,513	12,684	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials	0			
19	Conferences, conventions, and meetings	108,449	7,262	101,187	
20	Interest	2,968,185	1,877,154	1,091,031	
21	Payments to affiliates	0			
22	Depreciation, depletion, and amortization	8,957,545	6,456,381	2,501,164	
23	Insurance	2,793,535	2,061,437	732,098	
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	PROVISION FOR BAD DEBT	13,889,579	13,889,579		0
b	MANAGEMENT FEES - UCHS	7,345,781		7,345,781	0
c	PURCHASED SERVICES	4,437,627	2,239,476	2,198,151	0
d	MAINTENANCE CONTRACT	2,626,122	741,092	1,885,030	0
e					
f	All other expenses	11,502,955	3,732,751	7,770,204	
25	Total functional expenses. Add lines 1 through 24f	219,410,195	160,339,944	59,070,251	0
26	Joint costs. Check here <input type="checkbox"/> if following SOP 98-2 (ASC 958-720) Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation				

Part X

Balance Sheet

					(A)		(B)
					Beginning of year		End of year
Assets	1	Cash—non-interest-bearing			20,493,286	1	18,019,127
	2	Savings and temporary cash investments			0	2	0
	3	Pledges and grants receivable, net			0	3	0
	4	Accounts receivable, net			21,238,343	4	26,206,766
	5	Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees. Complete Part II of Schedule L			0	5	0
	6	Receivables from other disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B). Complete Part II of Schedule L			0	6	0
	7	Notes and loans receivable, net			0	7	0
	8	Inventories for sale or use			4,325,056	8	5,693,980
	9	Prepaid expenses and deferred charges			444,953	9	1,214,175
	10a	Land, buildings, and equipment: cost or other basis. Complete Part VI of Schedule D	10a	232,547,673			
	b	Less: accumulated depreciation	10b	76,761,675	146,439,423	10c	155,785,998
	11	Investments—publicly traded securities			53,944,023	11	41,080,170
	12	Investments—other securities. See Part IV, line 11			0	12	0
	13	Investments—program-related. See Part IV, line 11			0	13	0
	14	Intangible assets			543,168	14	383,343
	15	Other assets. See Part IV, line 11			53,378,531	15	72,879,222
	16	Total assets. Add lines 1 through 15 (must equal line 34)			300,806,783	16	321,262,781
Liabilities	17	Accounts payable and accrued expenses			21,364,795	17	24,574,005
	18	Grants payable			0	18	0
	19	Deferred revenue			0	19	0
	20	Tax-exempt bond liabilities			147,235,698	20	146,396,066
	21	Escrow or custodial account liability. Complete Part IV of Schedule D			0	21	0
	22	Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons. Complete Part II of Schedule L			0	22	0
	23	Secured mortgages and notes payable to unrelated third parties			0	23	0
	24	Unsecured notes and loans payable to unrelated third parties			0	24	0
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24). Complete Part X of Schedule D			45,304,043	25	63,560,393
	26	Total liabilities. Add lines 17 through 25			213,904,536	26	234,530,464
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			86,902,247	27	79,725,317
	28	Temporarily restricted net assets			0	28	7,007,000
	29	Permanently restricted net assets			0	29	0
	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			86,902,247	33	86,732,317
	34	Total liabilities and net assets/fund balances			300,806,783	34	321,262,781

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	238,173,673
2	Total expenses (must equal Part IX, column (A), line 25)	2	219,410,195
3	Revenue less expenses Subtract line 2 from line 1	3	18,763,478
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	86,902,247
5	Other changes in net assets or fund balances (explain in Schedule O)	5	-18,933,408
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	86,732,317

Part XII Financial Statements and Reporting

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

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

SCHEDULE A
(Form 990 or 990EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

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

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

OMB No 1545-0047

2011

Open to Public
Inspection

Name of the organization UPPER CHESAPEAKE MEDICAL CENTER	Employer identification number 52-1253920
---	--

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

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

1

☐

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

2

☐

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

3

☒

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

4

☐

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

5

☐

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

6

☐

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

7

☐

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

8

☐

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

9

☐

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

10

☐

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

11

☐

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

a

☐

Type I

b

☐

Type II

c

☐

Type III - Functionally integrated

d

☐

Type III - Other

e

☐

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

f

☐

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

g

☐

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

(i)

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

(ii)

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

(iii)

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

h

☐

Provide the following information about the supported organization(s)

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

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

Part II

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

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

Section B. Total Support						
Calendar year	(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(f) Total
7 Amounts from line 4						
8 Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
9 Net income from unrelated business activities, whether or not the business is regularly carried on						
10 Other income (Explain in Part IV) Do not include gain or loss from the sale of capital assets						
11 Total support (Add lines 7 through 10)						
12 Gross receipts from related activities, etc (See instructions)					12	
13 First Five Years If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and stop here						

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

Part IIIPart III

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

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

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

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

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

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

Facts And Circumstances Test

Explanation

Additional Data

Software ID:
Software Version:
EIN: 52-1253920
Name: UPPER CHESAPEAKE MEDICAL CENTER

Form 990, Special Condition Description:

Special Condition Description

SCHEDULE C
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Political Campaign and Lobbying Activities

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

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

OMB No 1545-0047

2011

Open to Public Inspection

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

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

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

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

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

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

Name of the organization UPPER CHESAPEAKE MEDICAL CENTER	Employer identification number 52-1253920
---	--

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

1	Provide a description of the organization's direct and indirect political campaign activities on behalf of or in opposition to candidates for public office in Part IV	
2	Political expenditures	▶ \$
3	Volunteer hours	

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

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

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

1	Enter the amount directly expended by the filing organization for section 527 exempt function activities	▶ \$
2	Enter the amount of the filing organization's funds contributed to other organizations for section 527 exempt funtion activities	▶ \$
3	Total exempt function expenditures Add lines 1 and 2 Enter here and on Form 1120-POL, line 17b	▶ \$
4	Did the filing organization file 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 (and list in Part IV each affiliated group member's name, address, EIN, expenses, and share of excess lobbying expenditures)
- B

Check

☐

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

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

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

Lobbying Expenditures During 4-Year Averaging Period					
Calendar year (or fiscal year beginning in)	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) Total
2a Lobbying non-taxable amount					
b Lobbying ceiling amount (150% of line 2a, column(e))					
c Total lobbying expenditures					
d Grassroots non-taxable amount					
e Grassroots ceiling amount (150% of line 2d, column (e))					
f Grassroots lobbying expenditures					

Part II-B

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

		(a)		(b)
		Yes	No	Amount
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
	a Volunteers?		No	
	b Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		No	
	c Media advertisements?		No	
	d Mailings to members, legislators, or the public?		No	
	e Publications, or published or broadcast statements?		No	
	f Grants to other organizations for lobbying purposes?		No	
	g Direct contact with legislators, their staffs, government officials, or a legislative body?		No	
	h Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
	i Other activities? If "Yes," describe in Part IV	Yes		22,524
	j Total lines 1c through 1i			22,524
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).		
a	Current year	2a	
b	Carryover from last year	2b	
c	Total	2c	
3	Aggregate amount reported in section 6033(e)(1)(A) notices of nondeductible section 162(e) dues	3	
4	If notices were sent and the amount on line 2c exceeds the amount on line 3, what portion of the excess does the organization agree to carryover to the reasonable estimate of nondeductible lobbying and political expenditure next year?	4	
5	Taxable amount of lobbying and political expenditures (see instructions)	5	

Part IV

Supplemental Information

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

Identifier	Return Reference	Explanation
LOBBYING ACTIVITIES	SCHEDULE C, PART II-B, LINE 1i	LOBBYING EXPENSES IN THE AMOUNT OF \$22,524 FOR 12/31/11 REPRESENT A PORTION OF THE DUES PAID TO AMERICAN HOSPITAL ASSOCIATION AND MARYLAND HOSPITAL ASSOCIATION THESE ASSOCIATIONS ALLOCATE A PORTION OF MEMBER DUES TO LOBBYING ACTIVITY

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, 9, 10, 11a, 11b, 11c, 11d, 11e, 11f, 12a, or 12b
► Attach to Form 990. ► See separate instructions.

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
UPPER CHESAPEAKE MEDICAL CENTER

Employer identification number
52-1253920

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
a	Total number of conservation easements
b	Total acreage restricted by conservation easements
c	Number of conservation easements on a certified historic structure included in (a)
d	Number of conservation easements included in (c) acquired after 8/17/06

3

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

4

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

5

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

☐ Yes ☐ No

6

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

7

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

8

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

☐ Yes ☐ No

9

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

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

1a

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

b

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

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

► \$ _____

(ii) Assets included in Form 990, Part X

► \$ _____

2

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

a

Revenues included in Form 990, Part VIII, line 1

► \$ _____

b

Assets included in Form 990, Part X

► \$ _____

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

Cat No 52283D

Schedule D (Form 990) 2011

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	Beginning balance
1d	Additions during the year
1e	Distributions during the year
1f	Ending balance

2a

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

☐ Yes

☐ No

b

If "Yes," explain the arrangement in Part XIV

Part V

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

	(a)Current Year	(b)Prior Year	(c)Two Years Back	(d)Three Years Back	(e)Four Years Back
1a	Beginning of year balance				
b	Contributions				
c	Investment earnings or losses				
d	Grants or scholarships				
e	Other expenditures for facilities and programs				
f	Administrative expenses				
g	End of year balance				

2

Provide the estimated percentage of the year end balance held as

a

Board designated or quasi-endowment ▶

b

Permanent endowment ▶

c

Term endowment ▶

3a

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

	Yes	No
(i) unrelated organizations	3a(i)	
(ii) related organizations	3a(ii)	
b If "Yes" to 3a(ii), are the related organizations listed as required on Schedule R?	3b	

4

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

Part VI

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

Description of property	(a) Cost or other basis (investment)	(b)Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land		6,947,954		6,947,954
b Buildings		137,856,821	30,486,620	107,370,201
c Leasehold improvements		5,150,473	759,076	4,391,397
d Equipment		46,625,416	33,790,390	12,835,026
e Other		35,967,009	11,725,589	24,241,420
Total. Add lines 1a-1e (Column (d) should equal Form 990, Part X, column (B), line 10(c).) ▶				155,785,998

Part XI

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

1	Total revenue (Form 990, Part VIII, column (A), line 12)	1	238,173,673
2	Total expenses (Form 990, Part IX, column (A), line 25)	2	219,410,195
3	Excess or (deficit) for the year Subtract line 2 from line 1	3	18,763,478
4	Net unrealized gains (losses) on investments	4	68,902
5	Donated services and use of facilities	5	
6	Investment expenses	6	
7	Prior period adjustments	7	
8	Other (Describe in Part XIV)	8	-19,003,599
9	Total adjustments (net) Add lines 4 - 8	9	-18,934,697
10	Excess or (deficit) for the year per financial statements Combine lines 3 and 9	10	-171,219

Part XII

Reconciliation of Revenue per Audited Financial Statements With Revenue per Return

1	Total revenue, gains, and other support per audited financial statements	1	212,474,569
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12		
a	Net unrealized gains on investments	2a	68,902
b	Donated services and use of facilities	2b	
c	Recoveries of prior year grants	2c	
d	Other (Describe in Part XIV)	2d	-28,811,100
e	Add lines 2a through 2d	2e	-28,742,198
3	Subtract line 2e from line 1	3	241,216,767
4	Amounts included on Form 990, Part VIII, line 12, but not on line 1:		
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a	
b	Other (Describe in Part XIV)	4b	-3,043,094
c	Add lines 4a and 4b	4c	-3,043,094
5	Total Revenue Add lines 3 and 4c. (This should equal Form 990, Part I, line 12)	5	238,173,673

Part XIII

Reconciliation of Expenses per Audited Financial Statements With Expenses per Return

1	Total expenses and losses per audited financial statements	1	212,645,788
2	Amounts included on line 1 but not on Form 990, Part IX, line 25		
a	Donated services and use of facilities	2a	
b	Prior year adjustments	2b	
c	Other losses	2c	
d	Other (Describe in Part XIV)	2d	3,043,094
e	Add lines 2a through 2d	2e	3,043,094
3	Subtract line 2e from line 1	3	209,602,694
4	Amounts included on Form 990, Part IX, line 25, but not on line 1:		
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a	
b	Other (Describe in Part XIV)	4b	9,807,501
c	Add lines 4a and 4b	4c	9,807,501
5	Total expenses Add lines 3 and 4c. (This should equal Form 990, Part I, line 18)	5	219,410,195

Part XIV

Supplemental Information

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

Identifier	Return Reference	Explanation
INCOME TAXES (FIN 48)	PART X, QUESTION 2	Upper Chesapeake Medical Center accounts for tax provisions in accordance with FASB Interpretation No. 48 (FIN 48), Accounting for Uncertainty in Income Taxes, included in ASC Subtopic 740-10, Income Taxes - Overall, which clarifies the accounting for uncertainty in tax provisions. FIN 48 requires that Upper Chesapeake Medical Center recognize the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs.
RECONCILIATION OF CHANGE IN NET ASSETS	SCHEDULE D, PART XI, LINE 8	UNREALIZED GAIN/(LOSS) ON SWAP (12,174,354) MINIMUM PENSION LIABILITY (6,829,245) ----- TOTAL (19,003,599) =====
RECONCILIATION OF REVENUE	SCHEDULE D, PART XII	LINE 2D - OTHER REVENUE ON BOOKS NOT ON RETURN UNREALIZED GAIN/(LOSS) ON SWAP \$(12,174,354) MINIMUM PENSION LIABILITY (6,829,245) RECLASS - TRANSFER TO/FROM AFFILIATES (9,807,501) ----- TOTAL \$(28,811,100) ===== LINE 4B - OTHER REVENUE ON RETURN NOT ON BOOKS RECLASS - RENTAL EXPENSES \$ (3,043,094)
RECONCILIATION OF EXPENSES	SCHEDULE D, PART XIII	LINE 2D - OTHER EXPENSES INCLUDED ON BOOKS NOT ON RETURN RECLASS - RENTAL EXPENSES \$3,043,094 LINE 4B - OTHER EXPENSES INCLUDED ON RETURN NOT ON BOOKS RECLASS - TRANSFER TO/FROM AFFILIATES \$9,807,501

SCHEDULE H
(Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
UPPER CHESAPEAKE MEDICAL CENTER

Employer identification number
52-1253920

Part I

Charity Care and Certain Other Community Benefits at Cost

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

Charity Care and Certain Other Community Benefits at Cost

Charity Care and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Charity care at cost (from Worksheet 1)			12,895,119		12,895,119	6 000 %
b Medicaid (from Worksheet 3, column a)						
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d Total Charity Care and Means-Tested Government Programs			12,895,119		12,895,119	6 000 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			1,784,910	73,345	1,711,565	1 000 %
f Health professions education (from Worksheet 5)			81,571		81,571	0 040 %
g Subsidized health services (from Worksheet 6)			3,441,825		3,441,825	2 000 %
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)			73,133		73,133	0 030 %
j Total Other Benefits			5,381,439	73,345	5,308,094	3 070 %
k Total. Add lines 7d and 7j			18,276,558	73,345	18,203,213	9 070 %

Part IICommunity Building Activities

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

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

Part IIIBad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

		Yes	No
1Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No. 15?	1	Yes	
2Enter the amount of the organization's bad debt expense	2	13,889,579	
3Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's charity care policy	3	2,816,183	
4Provide 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

5Enter total revenue received from Medicare (including DSH and IME)	5	86,780,002	
6Enter Medicare allowable costs of care relating to payments on line 5	6	80,302,780	
7Subtract line 6 from line 5. This is the surplus or (shortfall)	7	6,477,222	
8Describe 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 type="checkbox"/> Cost to charge ratio <input checked="" type="checkbox"/> Other			

Section C. Collection Practices

9aDid the organization have a written debt collection policy during the tax year?	9a	Yes	
9bIf "Yes," did the organization's collection policy that applied to the largest number of its patients during the tax year contain provisions on the collection practices to be followed for patients who are known to qualify for financial assistance? Describe in Part VI	9b	Yes	

Part IVManagement Companies and Joint Ventures (see instructions)

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

Section A. Hospital Facilities

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

Name and address

[illegible]

Part V Facility Information (continued)

Section B. Facility Policies and Practices.

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

UPPER CHESAPEAKE MEDICAL CENTER INC

Name of Hospital Facility:_____

Line Number of Hospital Facility (from Schedule H, Part V, Section A):_____1_____

	Yes	No
Community Health Needs Assessment (Lines 1 through 7 are optional for 2011)		
1 During the tax year or any prior tax year, did the hospital facility conduct a community health needs assessment ("Needs Assessment")? If "No," skip to question 8 If "Yes," indicate what the Needs Assessment describes (check all that apply) a <input type="checkbox"/> A definition of the community served by the hospital facility b <input type="checkbox"/> Demographics of the community c <input type="checkbox"/> Existing health care facilities and resources within the community that are available to respond to the health needs of the community d <input type="checkbox"/> How data was obtained e <input type="checkbox"/> The health needs of the community f <input type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups g <input type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet those needs h <input type="checkbox"/> The process for consulting with persons representing the community's interests i <input type="checkbox"/> Information gaps that limit the hospital facility's ability to assess the community's health needs j <input type="checkbox"/> Other (describe in Part VI)	1	
2 Indicate the tax year the hospital facility last conducted a Needs Assessment 20 ____		
3 In conducting its most recent Needs Assessment, did the hospital facility take into account input from persons who represent the community served by the hospital facility? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	3	
4 Was the hospital facility's Needs Assessment conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	4	
5 Did the hospital facility make its Needs Assessment widely available to the public? If "Yes," indicate how the Needs Assessment was made widely available (check all that apply) a <input type="checkbox"/> Hospital facility's website b <input type="checkbox"/> Available upon request from the hospital facility c <input type="checkbox"/> Other (describe in Part VI)	5	
6 If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply) a <input type="checkbox"/> Adoption of an implementation strategy to address the health needs of the hospital facility's community b <input type="checkbox"/> Execution of the implementation strategy c <input type="checkbox"/> Development of a community-wide community benefit plan for the facility d <input type="checkbox"/> Participation in community-wide community benefit plan e <input type="checkbox"/> Inclusion of a community benefit section in operational plans f <input type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the CHNA g <input type="checkbox"/> Prioritization of health needs in the community h <input type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community i <input type="checkbox"/> Other (describe in Part VI)		
7 Did the hospital facility address all of the needs identified in its most recently conducted Needs Assessment? If "No," explain in Part VI which needs it has not addressed together with the reasons why it has not addressed such needs	7	
Financial Assistance Policy		
Did the hospital facility have in place during the tax year a written financial assistance policy that		
8 Explains eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	8	Yes
9 Used federal poverty guidelines (FPG) to determine eligibility for providing free care? If "Yes," indicate the FPG family income limit for eligibility for free care 200 % If "No," explain in Part VI the criteria the hospital facility used	9	Yes

Part V

Facility Information (continued)

		Yes	No	
10	Used FPG to determine eligibility for providing discounted care? If "Yes," indicate the FPG family income limit for eligibility for discounted care <u>300</u> % If "No," explain in Part VI the criteria the hospital facility used	10	Yes	
11	Explained the basis for calculating amounts charged to patients? If "Yes," indicate the factors used in determining such amounts (check all that apply) a <input checked="" type="checkbox"/> Income level b <input checked="" type="checkbox"/> Asset level c <input checked="" type="checkbox"/> Medical indigency d <input type="checkbox"/> Insurance status e <input type="checkbox"/> Uninsured discount f <input type="checkbox"/> Medicaid/Medicare g <input checked="" type="checkbox"/> State regulation h <input type="checkbox"/> Other (describe in Part VI)	11	Yes	
12	Explained the method for applying for financial assistance?	12	Yes	
13	Included measures to publicize the policy within the community served by the hospital facility? If "Yes," indicate how the hospital facility publicized the policy (check all that apply) a <input checked="" type="checkbox"/> The policy was posted at all times on the hospital facility's web site b <input checked="" type="checkbox"/> The policy was attached to all billing invoices c <input checked="" type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms d <input checked="" type="checkbox"/> The policy was posted in the hospital facility's admissions offices e <input checked="" type="checkbox"/> The policy was provided, in writing, to patients upon admission to the hospital facility f <input checked="" type="checkbox"/> The policy was available upon request g <input type="checkbox"/> Other (describe in Part VI)	13	Yes	

Billing and Collections

14	Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment?	14	Yes	
15	Check all of the following collection actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP a <input type="checkbox"/> Reporting to credit agency b <input checked="" type="checkbox"/> Lawsuits c <input type="checkbox"/> Liens on residences d <input type="checkbox"/> Body attachments or arrests e <input checked="" type="checkbox"/> Other similar actions (describe in Part VI)			
16	Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP? If "Yes," check all actions in which the hospital facility or a third party engaged a <input type="checkbox"/> Reporting to credit agency b <input type="checkbox"/> Lawsuits c <input type="checkbox"/> Liens on residences d <input type="checkbox"/> Body attachments e <input checked="" type="checkbox"/> Other similar actions (describe in Part VI)	16	Yes	
17	Indicate which efforts the hospital facility made before initiating any of the actions checked in question 16 (check all that apply) a <input checked="" type="checkbox"/> Notified patients of the financial assistance policy upon admission b <input checked="" type="checkbox"/> Notified patients of the financial assistance policy prior to discharge c <input checked="" type="checkbox"/> Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills d <input checked="" type="checkbox"/> Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy e <input type="checkbox"/> Other (describe in Part VI)			

Part V

Facility Information (continued)

Policy Relating to Emergency Medical Care

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

Individuals Eligible for Financial Assistance

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

Part V

Facility Information *(continued)*

Section C. Other Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility
(list in order of size from largest to smallest)

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

Name and address		Type of Facility (Describe)
1	UC HEALTH LINK CLINIC 2027 PULASKI HWY SUITE 206 HAVRE DE GRACE, MD 21078	PRIMARY CARE CLINIC FOR MEDICALLY INDIGENT
2		
3		
4		
5		
6		
7		
8		
9		
10		

Part VI Supplemental Information

Complete this part to provide the following information

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

Identifier	ReturnReference	Explanation
PART III, SECTION A, LINE 4	BAD DEBT EXPENSE	The Hospital grants credit to patients, substantially all of whom are local residents The Hospital generally does not require collateral or other security in extending credit, however, the Hospital routinely obtains assignment of (or are otherwsie entitled to receive) patients' benefits receivable under their health insurance programs, plans or policies

Identifier	ReturnReference	Explanation
PART III, SECTION B, LINE 8	COMMUNITY BENEFIT AND SHORTFALL	The Hospital did not have a Medicare shortfall

Identifier	ReturnReference	Explanation
PART III, SECTION C, LINE 9B	COLLECTION PRACTICES	IT IS THE POLICY OF UPPER CHESAPEAKE MEDICAL CENTER ("UCMC") TO ATTEMPT TO COLLECT PAYMENT FOR ALL SERVICES RENDERED TO PATIENTS IN THE MOST EFFICIENT AND PATIENT FRIENDLY MANNER UCMC WILL FIRST ATTEMPT TO COLLECT PAYMENT FROM THE PATIENT'S INSURANCE COMPANY IN THE EVENT THE PATIENT HAS NO INSURANCE OR LIMITED INSURANCE COVERAGE, UCMC WILL ATTEMPT TO QUALIFY THE PATIENT FOR THE MARYLAND MEDICAL ASSISTANCE PROGRAM AND/OR UCMC'S FINANCIAL ASSISTANCE POLICY

Identifier	ReturnReference	Explanation
PART V, LINES 15E/16E/19D/21		Billing and Collections Line 15E PATIENTS WHO ARE LEFT WITH A BALANCE AFTER ALL INSURANCES HAVE BEEN PURSUED AND FINANCIAL ASSISTANCE HAS BEEN OFFERED WILL BE FORWARDED TO A COLLECTION AGENCY AS A LAST RESORT TO OBTAIN PAYMENT FROM THE PATIENT Line 16E TWO AGENCIES ARE EMPLOYED BY UCMC, EACH RECEIVING APPROXIMATELY FIFTY PERCENT OF THE ACCOUNT (BASED ON TEH FIRST LETTER OF THE LAST NAME OF EACH PATIENT) ACCOUNTS PLACED WITH ONE OF THE COLLECTION AGENCIES ARE CLASSIFIED AS BAD DEBTS AND REMOVED FROM ACCOUNTS RECEIVABLE Charges for Medical Care Lines 19D & 21 THE STATE OF MARYLAND HEALTH SERVICES COST REVIEW COMMISSION SETS RATES FOR ALL HOSPITALS IN THE STATE THOSE RATES ARE APPLIED UNIFORMLY TO ALL PATIENTS GROSS CHARGES MAY NOT BE DISCOUNTED OUTSIDE OF STATE-ACCEPTED DISCOUNTS FOR PROMPT PAYMENT AND ADVANCE FUNDING IF A PATIENT QUALIFIES FOR FINANCIAL ASSISTANCE, A PERCENTAGE OF THE GROSS CHARGES ARE THEN WRITTEN-OFF TO CHARITY CARE

Identifier	ReturnReference	Explanation
PART VI, SUPPLEMENTAL INFORMATION	NEEDS ASSESSMENT	Every three years a Community Health Assessment Survey/Plan is performed

Identifier	ReturnReference	Explanation
PART VI, SUPPLEMENTAL INFORMATION	PATIENT EDUCATION OF ELIGIBILITY FOR ASSISTANCE	The Hospital displays signs at every registration point informing the patients about the availability of the various financial and medical assistance programs The Hospital offers every self-pay patient or any patient who inquires the financial assistance informational packet and application The cover sheet for the financial assistance packet also includes information on obtaining Medical Assistance In addition, the Hospital has a financial counselor that visits the self-pay patient in the emergency department or in the patient's room to discuss what is available to them The Hospital also employs a medical assistance advocacy company to assist the hospital's patients get medical assistance The Hospital also provides information about the programs in each billing statement

Identifier	ReturnReference	Explanation
PART VI, SUPPLEMENTAL INFORMATION	COMMUNITY INFORMATION	<p>The service area of the Upper Chesapeake Health System, which includes Upper Chesapeake Medical Center, consists of the northeast part of Maryland, including Harford County, western Cecil County and portion of Baltimore County This service area is located at the apex of the Chesapeake Bay and is spread across 536 square miles It contains, among others, the cities and towns of Havre de Grace, Aberdeen, Bel Air, Fallston, and Edgewood The service area enjoys a diverse economic base, ranging from concentrations in service, manufacturing, distribution, and retail, to Federal government employment Harford Community College provides a local venue for advanced education and Harford County's proximity to Baltimore gives it access to nationally recognized universities which help provide a skilled workforce The Service Area is served by Interstate 95, Amtrak and freight rail lines along the busy east-coast transportation corridor between New York and Washington, DC In 2007, the Service Area had a total population of 276,500 people with historical annual growth rates of approximately 1.8% per year This growth has been characterized by an influx of young families seeking suburban environment in which to live and is complemented by a growth in businesses and other services that follow young, middle class families In 2007, the Service Area had an estimated 101,930 households with a median family income of \$67,300 and an average household income of \$81,000 87% of the service area's adults over the age of 25 are high school graduates or higher, 27% achieved bachelor's degrees or higher The service area's growth and geographic location explain its ability to attract major east-coast distribution center and industry, which have provided additional employment opportunities in the service area In December 2007, the service area had a work force of approximately 142,829 Please see Schedule O for more information</p>

Identifier	ReturnReference	Explanation
PART VI, SUPPLEMENTAL INFORMATION	PROMOTION OF COMMUNITY HEALTH	UPPER CHESAPEAKE MEDICAL CENTER DID NOT HAVE COMMUNITY BUILDING ACTIVITIES DURING THE CALENDAR YEAR ENDED DECEMBER 31, 2011

Identifier	ReturnReference	Explanation
PART VI, SUPPLEMENTAL INFORMATION	AFFILIATED HEALTH CARE SYSTEM	Upper Chesapeake Medical Center, Inc (UCMC) is one hospital in an "Affiliated Health Care System" that includes a second hospital, Harford Memorial Hospital, Inc (HMH), a physician services organization (Upper Chesapeake Medical Services, Inc), a property holding company (Upper Chesapeake Properties, Inc), a hospice residence (Upper Chesapeake Residential Hospice House, Inc & Hospice of Harford County LLC) and a for-profit venture with investments in private imaging services (Upper Chesapeake Health Ventures, Inc) The "System" provides a broad range of community health care services, including preventive, ambulatory, acute and hospice services, through an integrated health care delivery system in Harford County and parts of Baltimore and Cecil Counties, in northeast Maryland UCMC and HMH are the only hospitals in Harford County, Maryland UCMC offers acute care services, including intensive care, emergency and other outpatient services, and has the only acute care maternity services in Harford County

Identifier	ReturnReference	Explanation
PART VI, SUPPLEMENTAL INFORMATION	STATE FILING OF COMMUNITY BENEFIT REPORT	The Health Services Cost Review Commission, the State agency that regulates hospital rates in Maryland, requires a Community Benefit Report to be filed annually

Identifier	ReturnReference	Explanation
SUPPLEMENTAL INFORMATION		UPPER CHESAPEAKE MEDICAL CENTER EXPECTS ITS COMMUNITY HEALTH NEEDS ASSESSMENT AND IMPLEMENTATION PLAN TO BE COMPLETED BY THE END OF TAX YEAR 2013 IN ACCORDANCE WITH THE AFFORDABLE CARE ACT IMPLEMENTATION PLAN TO BE COMPLETED BY THE END OF TAX YEAR 2013 IN ACCORDANCE WITH THE AFFORDABLE CARE ACT

Schedule I
(Form 990)

Department of the Treasury
Internal Revenue Service

Name of the organization
UPPER CHESAPEAKE MEDICAL CENTER

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

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

OMB No 1545-0047

2011

Open to Public
Inspection

Employer identification number
52-1253920

Part I

General Information on Grants and Assistance

- 1

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

☒ Yes ☐ No
- 2

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

Part II

Grants and Other Assistance to Governments and Organizations in the United States. Complete if the organization answered "Yes" to Form 990, Part IV, line 21 for any recipient that received more than \$5,000. Check this box if no one recipient received more than \$5,000. Use Part IV and Schedule I-1 (Form 990) if additional space is needed ☐

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
(1) HARFORD COMMUNITY COLLEGE401 THOMAS RUN ROAD BEL AIR,MD 21015	52-1635738		51,258				GENERAL SUPPORT
(2) UPPER CHESAPEAKE MEDICAL SERVICES520 UPPER CHESAPEAKE DRIVE BEL AIR,MD 21014	52-1501734	501(C)(3)	8,080,501				PHY PRACTICE SUPPRT
(3) CECIL COMMUNITY COLLEGEONE SEAHAWK DRIVE NORTH EAST,MD 21901	23-7345298		5,481				GENERAL SUPPORT

2

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

3

3

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

Part III

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

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

Part IV

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

Identifier	Return Reference	Explanation
SCHEDULE I - GRANTS & OTHER ASSISTANCE	PART I, QUESTION 2 - GENERAL INFORMATION ON GRANTS AND ASSISTANCE	ALTHOUGH THE FILING ORGANIZATION DOES NOT HAVE FORMALIZED INTERNAL PROCEDYRES FOR MONITORING THE USE OF GRANT FUNDS IN THE UNITED STATES, THE FILING ORGANIZATION DOES HAVE A WRITTEN AND APPROVED CHARITABLE GIVING POLICY AND PROCEDURE THERE IS WRITTEN CRITERIA REGARDING THE RECOMMENDATIONS FOR CONSIDERATION WHEN EVALUATING CONTRIBUTION REQUESTS SUCH AS FOLLOWS (1) THAT CONTRIBUTIONS WILL BE MADE ONLY TO ORGANIZATIONS FOR PURPOSES CONSISTENT WITH UPPER CHESAPEAKE HEALTH SYSTEM'S (PARENT ENTITY) VISION AND MISSION (2) CONTRIBUTIONS WILL BE MADE ONLY TO NOT-FOR-PROFIT ORGANIZATIONS (3) CONTRIBUTIONS WILL PREFERABLY BE MADE TO ORGANIZATIONS WHICH DIRECTLY SERVE THE CITIZENS OF HARFORD AND CECIL COUNTIES (4) CONTRIBUTIONS WILL NOT BE GIVEN TO INDIVIDUALS (EXLUDING SCHOLARSHIPS) (5) CONTRIBUTIONS WILL NOT BE MADE FOR RELIGIOUS PURPOSES, HOWEVER, THERE MAY BE CONTRIBUTIONS GIVEN FOR A SPECIFIC EFFORT OR PROGRAM WITHIN A CHURCH OR RELIGIOUS FACILITY WHICH PROVIDES HEALTH-RELATED SERVICES TO THE BROADER COMMUNITY (6) CONTRIBUTIONS WILL NOT BE MADE IN SUPPORT OF POLITICAL ADVOCACY (7) UPPER CHESAPEAKE HEALTH SYSTEM WILL STRIVE TO DONATE TO ORGANIZATIONS WHERE THE MAJORITY OF THE FUNDS RECEIVED ARE APPLIED DIRECTLY TO THE NEED THE ORGANIZATION IS DESIGNED TO MEET *** REQUESTS FOR \$5,000 AND UNDER ARE REFERRED TO THE PRESIDENT/CEO FOR REVIEW AND APPROVAL *** REQUESTS FOR GREATER THAN \$5,000 ARE REFERRED TO THE COMMUNITY DEVELOPMENT COMMITTEE FOR DISCUSSION AND APPROVAL

Schedule J
(Form 990)

Compensation Information

OMB No 1545-0047

2011

Open to Public Inspection

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

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

▶ Attach to Form 990. ▶ See separate instructions.

Name of the organization
UPPER CHESAPEAKE MEDICAL CENTER

Employer identification number
52-1253920

Part I

Questions Regarding Compensation

		Yes	No
1a	Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a Complete Part III to provide any relevant information regarding these items		
	<div><div><input type="checkbox"/> First-class or charter travel</div><div><input type="checkbox"/> Housing allowance or residence for personal use</div><div><input type="checkbox"/> Travel for companions</div><div><input type="checkbox"/> Payments for business use of personal residence</div><div><input type="checkbox"/> Tax idemnification and gross-up payments</div><div><input type="checkbox"/> Health or social club dues or initiation fees</div><div><input type="checkbox"/> Discretionary spending account</div><div><input type="checkbox"/> Personal services (e g , maid, chauffeur, chef)</div></div>		
b	If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all the expenses described above? If "No," complete Part III to explain	1b	
2	Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a?	2	
3	Indicate which, if any, of the following the organization uses to establish the compensation of the organization's CEO/Executive Director Check all that apply		
	<div><div><input checked="" type="checkbox"/> Compensation committee</div><div><input checked="" type="checkbox"/> Written employment contract</div><div><input checked="" type="checkbox"/> Independent compensation consultant</div><div><input checked="" type="checkbox"/> Compensation survey or study</div><div><input type="checkbox"/> Form 990 of other organizations</div><div><input checked="" type="checkbox"/> Approval by the board or compensation committee</div></div>		
4	During the year, did any person listed in Form 990, Part VII, Section A, line 1a with respect to the filing organization or a related organization		
a	Receive a severance payment or change-of-control payment?	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	

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

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

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

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
(1) LYLE E SHELDON	(i)	0	0	0	0	0	0	
	(ii)	508,341	243,424	50,733	53,200	37,219	892,917	
(2) FAHEEM YOUNUS MD	(i)	0	0	151,250	0	0	151,250	
	(ii)	0	0	0	0	0	0	
(3) JOYCE FOX	(i)	0	0	0	0	0	0	
	(ii)	168,021	44,381	10,744	42,814	1,632	267,592	
(4) JOSEPH E HOFFMAN III	(i)	0	0	0	0	0	0	
	(ii)	259,860	109,199	27,233	50,750	30,734	477,776	
(5) KENNETH D KOZEL	(i)	0	0	0	0	0	0	
	(ii)	259,655	97,090	37,517	49,116	14,123	457,501	
(6) DEAN C KASTER	(i)	0	0	0	0	0	0	
	(ii)	202,337	72,031	2,535	31,674	27,206	335,783	
(7) MARGARET M VAUGHAN	(i)	0	0	0	0	0	0	
	(ii)	269,500	84,773	22,361	52,601	24,947	454,182	
(8) E SCOTT CONOVER	(i)	0	0	0	0	0	0	
	(ii)	246,940	89,544	17,773	51,503	1,450	407,210	
(9) TONI M SHIVERY	(i)	0	0	0	0	0	0	
	(ii)	150,490	40,019	9,672	36,583	27,577	264,341	
(10) ROY PHILLIPS	(i)	202,869	52,000	934	29,149	17,329	302,281	
	(ii)	0	0	0	0	0	0	
(11) OLUFUNMILAYO ONOBRAKPEYA	(i)	191,423	32,000	279	19,869	906	244,477	
	(ii)	0	0	0	0	0	0	
(12) TAMARA L CALLIGARO	(i)	107,977	11,626	29,491	10,135	21,461	180,690	
	(ii)	0	0	0	0	0	0	
(13) BERTHA SIMON	(i)	126,687	11,760	337	26,288	15,162	180,234	
	(ii)	0	0	0	0	0	0	
(14) ANGELA M KAITIS	(i)	117,700	13,007	777	27,454	18,173	177,111	
	(ii)	0	0	0	0	0	0	

Part III **Supplemental Information**

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

Identifier	Return Reference	Explanation
SCHEDULE J, COMPENSATION INFORMATION, PART I, QUESTION 4B		AN ORGANIZATION RELATED TO THIS FILING ORGANIZATION MADE INTERNAL REVENUE CODE SECTION 457F PLAN CONTRIBUTIONS TO THE FOLLOWING MEMBERS OF SENIOR LEADERSHIP WHO ARE LISTED ON THIS FILING ORGANIZATION'S FORM 990, PART VII, SECTION A, LINE 1A: KENNETH D. KOZEL \$13,531; E. SCOTT CONOVER \$11,169. An organization related to this filing organization made split-dollar life insurance plan contributions to the following members of senior leadership who are listed on this filing organization's Form 990, Part VII, Section A, Line 1A: Lyle E. Sheldon \$109,924; Margaret M. Vaughan \$31,362; Joseph E. Hoffman III \$30,462; Dean C. Kaster \$22,999.

Schedule K (Form 990)	<div>Supplemental Information on Tax Exempt Bonds</div> <div>▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 24a. Provide descriptions, explanations, and any additional information in Schedule O (Form 990). ▶ Attach to Form 990. ▶ See separate instructions.</div>	OMB No 1545-0047
		2011
		Open to Public Inspection

Department of the Treasury Internal Revenue Service	Name of the organization UPPER CHESAPEAKE MEDICAL CENTER	Employer identification number 52-1253920
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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 MARYLAND HEALTH & HIGHER ED FACILITIES AUTHORITY	52-0936091	5742172P9	08-08-2008	46,473,000	REFINANCE EXISTING DEBT		X		X		X

Part II Proceeds									
		A		B		C		D	
1	Amount of bonds retired	45,465,000							
2	Amount of bonds defeased	0							
3	Total proceeds of issue	49,220,640							
4	Gross proceeds in reserve funds	3,340,680							
5	Capitalized interest from proceeds	0							
6	Proceeds in refunding escrow	35,384,358							
7	Issuance costs from proceeds	414,720							
8	Credit enhancement from proceeds	0							
9	Working capital expenditures from proceeds	0							
10	Capital expenditures from proceeds	0							
11	Other spent proceeds	0							
12	Other unspent proceeds	0							
13	Year of substantial completion	2008							
		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 III

Private 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	If 'Yes' to line 3a, does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts relating to the financed property?		X						
c	Are there any research agreements that may result in private business use of bond-financed property?		X						
d	If 'Yes' to line 3c, does the organization routinely engage bond counsel or other outside counsel to review any research agreements relating to the financed property?		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	0 %							
5	Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government	0 %							
6	Total of lines 4 and 5	0 %							
7	Has the organization adopted management practices and procedures to ensure the post-issuance compliance of its tax-exempt bond liabilities?	X							

Part IV

Arbitrage

		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	0							
c	Term of hedge								
d	Was the hedge superintegrated?		X						
e	Was a hedge terminated?		X						
4a	Were gross proceeds invested in a GIC?		X						
b	Name of provider	0							
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 V

Procedures To Undertake Corrective Action

Check the box if the organization established written procedures to ensure that violations of federal tax requirements are timely identified and corrected through the voluntary closing agreement program if self-remediation is not available under applicable regulations ☐ Yes ☒ No

Part VI

Supplemental Information

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

Identifier	Return Reference	Explanation
THE OBLIGATED GROUP ON THE BOND ISSUES IDENTIFIED IN SCHEDULE K INCLUDE	0	
BOTH UPPER CHESAPEAKE MEDICAL CENTER, INC (52-1253920) AND HARFORD	0	
MEMORIAL HOSPITAL, INC (52-0591484) THE ALLOCATION IS AS FOLLOWS	0	
UPPER CHESAPEAKE MEDICAL CENTER 84%, HARFORD MEMORIAL HOSPITAL 16%	0	

SCHEDULE O

(Form 990 or 990-EZ)

Department of the Treasury

Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

Complete to provide information for responses to specific questions on

Form 990 or to provide any additional information.

▶ Attach to Form 990 or 990-EZ.

OMB No 1545-0047

2011

Open to Public

Inspection

Name of the organization

UPPER CHESAPEAKE MEDICAL CENTER

Employer identification number

52-1253920

Identifier	Return Reference	Explanation
PART VI, SECTION A, GOVERNING BODY & MANAGEMENT, QUESTION 2	FAMILY OR BUSINESS RELATIONSHIP	LYLE E SHELDON AND JOSEPH E HOFFMAN III ARE OFFICERS IN THE SAME BUSINESS ENTITIES THE SAME BUSINESS ENTITIES ARE THE FOR-PROFIT CORPORATIONS OR PARTNERSHIPS THAT ARE RELATED TO THIS FILING ENTITY PLEASE SEE FORM 990, SCHEDULE R

Identifier	Return Reference	Explanation
PART VI, SECTION A, GOVERNING BODY & MANAGEMENT, QUESTION 6	EXISTENCE OF MEMBERS	UPPER CHESAPEAKE HEALTH SYSTEM AND UNIVERSITY OF MARYLAND MEDICAL SYSTEM ARE PARTNERS IN A MARYLAND LIMITED LIABILITY COMPANY NAMED UCHS/UMMS VENTURE LLC ("VENTURE") THE VENTURE WAS ORGANIZED FOR CHARITABLE PURPOSES TO COORDINATE ACTIVITIES OF HEALTHCARE FACILITIES AND OTHER CORPORATE BODIES WHOSE PURPOSES INCLUDE THE PROVISION OF HEALTHCARE SERVICES OR FINANCIAL ASSISTANCE TO HEALTHCARE FACILITIES IN HARFORD COUNTY, MARYLAND VENTURE IS THE SOLE MEMBER OF THIS FILING ORGANIZATION

Identifier	Return Reference	Explanation
PART VI, SECTION B, POLICIES, QUESTION 11B	ORGANIZATIONAL REVIEW OF FORM 990	THE BOARD OF UPPER CHESAPEAKE HEALTH SYSTEM, INC ("HEALTH SYSTEM") HAS ASSIGNED THE EXECUTIVE COMMITTEE OF THE HEALTH SYSTEM'S BOARD TO REVIEW AND APPROVE ALL CONTENTS OF FORM 990 ON BEHALF OF THE BOARDS OF ALL HEALTH SYSTEM'S TAX-EXEMPT AFFILIATES. IN TURN, ONCE THE FORM 990 HAS BEEN APPROVED BY HEALTH SYSTEM'S EXECUTIVE COMMITTEE, A FINAL VERSION OF THE FORM 990 WILL BE MADE AVAILABLE TO ALL BOARD MEMBERS OF THE RESPECTIVE HEALTH SYSTEM'S TAX-EXEMPT AFFILIATES. FORMAL NOTIFICATION OF THE FINAL AND APPROVED FORM 990 FOR EACH OF THE HEALTH SYSTEM'S AFFILIATES AS WELL AS ITS AVAILABILITY WILL BE COMMUNICATED TO THE APPLICABLE BOARD MEMBERS ON OR BEFORE THE FILING OF THE FORM 990.

Identifier	Return Reference	Explanation
PART VI, SECTION B, POLICIES, QUESTION 12C	CONFLICT OF INTEREST POLICY	The organization's written conflict of interest policy covers the following individuals: Directors, Principal Officers, and Senior Management. Furthermore, the policy extends to the family members (per Internal Revenue Service definition) of such Directors, Principal Officers, and Senior Management. The Board of Directors and any committee considering a contract, transaction or arrangement to which a known or potential conflict of interest relates, determines whether a conflict exists. Actual conflicts are reviewed by the Chairman of the Board. An individual with a known or potential conflict of interest must refrain from participating in, or acting on, the decision on any matter in which a conflict of interest, or even the appearance of such a conflict of interest, is present with respect to such individual and will remove himself or herself from any meeting or deliberations on the matter.

Identifier	Return Reference	Explanation
PART VI, SECTION B, POLICIES, QUESTION 15	PROCESS FOR DETERMINING COMPENSATION	The executive compensation committee of the board of directors approves compensation for the Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, and all key employees. The executive compensation committee utilizes but is not limited to the following resources in evaluating and establishing reasonable compensation: independent compensation consultants, compensation surveys and compensation studies. This organization and its tax-exempt affiliates strive to maintain an arm's length relationship between itself and its employees. It is the goal of the executive compensation committee to ensure that total compensation (compensation and benefits) paid to its employees is fair and reasonable. Finally, the process of setting and approving such compensation is performed annually by the board's executive compensation committee.

Identifier	Return Reference	Explanation
PART VI, SECTION C, DISCLOSURE, QUESTION 19	DOCUMENTS AVAILABLE TO THE PUBLIC	THE ORGANIZATION WILL MAKE THE FOLLOWING DOCUMENTS AVAILABLE TO THE PUBLIC UPON REQUEST ARTICLES OF INCORPORATION, BYLAWS, CONFLICT OF INTEREST POLICY , AND AUDITED FINANCIAL STATEMENTS (HARFORD MEMORIAL HOSPITAL, INC AND UPPER CHESAPEAKE MEDICAL CENTER, INC)

Identifier	Return Reference	Explanation
PART VIII STATEMENT OF REVENUE	LINE 2A - PROGRAM SERVICE REVENUE	GROSS PATIENT REVENUE \$ 260,106,771 LESS ALLOWANCES & CHARITY POLICIES (30,308,973) ----- NET PATIENT REVENUE \$ 229,797,798

Identifier	Return Reference	Explanation
PART VII, SECTION A, PART I	AVERAGE HOURS PER WEEK	<p>The following chart details the filing organization's board of directors members and officers who are also board of directors members and officers of related exempt organizations and the hours spent per week on duties for those related exempt organizations. The chart does not reflect hours spent per week on duties for any related for-profit entities. The hours reflected in Part VII, Section A, Column B are only the average hours per week for this filing organization.</p> <p>UCF HMH UCMS UCP UCHC UCHS HH UCRHH LYLE E. SHELDON 1 5 1 1 50 40 1 50 PRES/CEO JOSEPH E. HOFFMAN III 1 1 1 1 1 40 - 1 SR VP/CFO JOYCE FOX - 20 - - - - - VP PATIENT SERVICES/CNO MARGARET M. VAUGHAN - 5 1 - - 40 - - SR VP/CMO KENNETH D. KOZEL 1 5 1 1 1 40 - - SR VP/COO DEAN C KASTER - 5 - - - 40 - - SR VP/CORP STRTGY/PLNING TONI M. SHIVERY - 5 - - - 40 - - VP/HUMAN RESOURCES E SCOTT CONVOER - 5 1 - - 40 - - SR VP/GENERAL COUNSEL UCF - UPPER CHESAPEAKE HEALTH FOUNDATION HMH - HARFORD MEMORIAL HOSPITAL UCMS - UPPER CHESAPEAKE MEDICAL SERVICES UCP - UPPER CHESAPEAKE PROPERTIES UCHC - UPPER CHESAPEAKE/ST. JOE'S HOME CARE UCHS - UPPER CHESAPEAKE HEALTH SYSTEM HH - HEALTHY HARFORD UCRHH - UPPER CHESAPEAKE RESIDENTIAL HOSPICE HOUSE</p>

Identifier	Return Reference	Explanation
PART XI, LINE 5	RECONCILIATION OF NET ASSETS	UNREALIZED GAIN/(LOSS) ON SWAP \$(12,174,354) MINIMUM PENSION LIABILITY (6,829,245) UNREALIZED GAIN/(LOSS) ON SECURITIES 68,902 ROUNDING 1,289 ----- Total \$(18,933,408)

Identifier	Return Reference	Explanation																																																		
PART III, PROGRAM SERVICE ACCOMPLISHMENTS		<p>TO PROVIDE HEALTHCARE SERVICES TO PATIENTS REGARDLESS OF THEIR ABILITY TO PAY FOR SUCH SERVICES FOR MORE THAN 90 YEARS, UPPER CHESAPEAKE HEALTH HAS BEEN PROVIDING COMPREHENSIVE, HIGH QUALITY HEALTH CARE. ITS TWO HOSPITALS, HARFORD MEMORIAL HOSPITAL AND UPPER CHESAPEAKE MEDICAL CENTER OFFER SOME OF THE AREAS MOST ADVANCED INPATIENT AND OUTPATIENT SERVICES SO THAT PATIENTS CAN ENJOY THE SUPERIOR WELLNESS RESOURCES A HEALTHY LIFESTYLE NEEDS, WITHOUT LEAVING THEIR NEIGHBORHOOD. UPPER CHESAPEAKE HEALTH SYSTEM IS A COMMUNITY-BASED, NON-PROFIT HEALTH SYSTEM LOCATED IN HARFORD COUNTY, MARYLAND. OUR VISION IS BASED ON CREATING THE HEALTHIEST COMMUNITY IN MARYLAND. BUILDING ON THAT VISION, WE HAVE A STRONG COMMITMENT TO SERVICE EXCELLENCE. SO MUCH SO THAT IT HAS BECOME PART OF THE FABRIC OF THE HEALTHCARE EXPERIENCE AT UPPER CHESAPEAKE HEALTH. UPPER CHESAPEAKE HEALTH SYSTEM HAS OVER 2,500 PHYSICIANS AND HEALTHCARE PROFESSIONALS WHO ARE DELIVERING CARE FOR THE MIND, BODY AND SPIRIT IN SETTINGS FROM OFFICES, TO OUTPATIENT CENTERS, TO HOSPITALS, TO SHOPPING CENTERS, TO BUSINESSES AND HOMES. UPPER CHESAPEAKE MEDICAL CENTER IS A MEMBER OF THE UPPER CHESAPEAKE HEALTH SYSTEM. UPPER CHESAPEAKE MEDICAL CENTER IS AN ACUTE CARE, NON-PROFIT FACILITY OFFERING A FULL COMPLEMENT OF MEDICAL, DIAGNOSTIC AND EMERGENCY CARE SERVICES. THE HOSPITAL IS FULLY ACCREDITED BY THE JOINT COMMISSION ON THE ACCREDITATION OF HEALTHCARE ORGANIZATIONS (JCAHO). THIS PREMIER HEALTH CARE FACILITY INCORPORATES SEVERAL TRENDS THAT REFLECT HOW HEALTH CARE IS CHANGING, INCLUDING REORIENTATION TOWARDS OUTPATIENT CARE, MORE ACUTELY ILL PATIENTS IN THE HOSPITAL AND FLEXIBILITY FOR GROWTH AND CHANGE TO MEET OUR COMMUNITY'S FUTURE HEALTH CARE NEEDS. LOCATED ON THE MEDICAL CAMPUS IS THE UPPER CHESAPEAKE MEDICAL CENTER WITH 194 ACUTE CARE BEDS. ADJACENT TO THE MEDICAL CENTER IS THE AMBULATORY CARE CENTER OF HARFORD COUNTY, CONTAINING PHYSICIAN OFFICES, OUTPATIENT IMAGING AND LABORATORY PROCEDURES, OUTPATIENT PRE-ASSESSMENT TESTING AND ASSESSMENT, UPPER CHESAPEAKE CARDIOVASCULAR INSTITUTE, AND THE ADMINISTRATIVE OFFICES OF UPPER CHESAPEAKE HEALTH. ALSO LOCATED NEXT TO THE MEDICAL CENTER, IS A PRE-EXISTING MEDICAL OFFICE BUILDING WITH PHYSICIAN OFFICES AND OTHER HEALTHCARE RELATED SERVICES, A PARKING GARAGE AND A SECOND MEDICAL OFFICE BUILDING WHICH INCLUDES OUTPATIENT SERVICES AND PHYSICIAN OFFICES. HARFORD MEMORIAL AND UPPER CHESAPEAKE MEDICAL CENTER MAINTAIN CHARITY CARE PROGRAMS AND, IN ADDITION, CONDUCT MANY COMMUNITY OUTREACH AND COMMUNITY BUILDING ACTIVITIES, INCLUDING - COMMUNITY HEALTH EDUCATION PROGRAMS WHICH INCLUDE NEWBORN BABY CARE, SITTING SAFETY PROGRAM, INFANT CPR, INFANT SAFETY, STOP SMOKING CLASS, KIDS SAFETY CLASS, AND PRENATAL BREAST FEEDING CLASS. SUPPORT GROUPS INCLUDING BREAST FEEDING SUPPORT, BREAST CANCER AWARENESS GROUPS, PERINATAL BEREAVEMENT, ASTHMA SUPPORT GROUP, WIDOW AND WIDOWERS SUPPORT GROUP, GRIEF SUPPORT GROUP, PROSTATE CANCER SUPPORT GROUP, AMPUTEE NETWORK, BRAIN INJURY SUPPORT GROUP, STROKE CLUB, LUPUS SUPPORT GROUP, AND OTHERS. HEALTH SCREENINGS INCLUDING SCREENINGS FOR OSTEOPOROSIS, CARDIAC PROBLEMS, BLOOD PRESSURE, AND OTHER ISSUES. FREE AND MOBILE CLINICS. A NUMERICAL SUMMARY OF COMMUNITY ACTIVITIES FOR UPPER CHESAPEAKE MEDICAL CENTER IS AS FOLLOWS:</p> <table><tr><td># OF STAFF HOURS</td><td># OF ENCOUNTERS</td></tr><tr><td>COMMUNITY HEALTH SERVICES 3,292</td><td>17,605</td></tr><tr><td>HEALTH PROFESSIONS EDUCATION 6,594</td><td>- RESEARCH - 20</td></tr><tr><td>FINANCIAL CONTRIBUTIONS 33,221</td><td>COMMUNITY BENEFIT OPERATIONS 7 -</td></tr><tr><td colspan="2">----- TOTAL HOSPITAL COMMUNITY BENEFIT 9,925</td></tr><tr><td>17,846</td><td>DIRECT COST (\$)</td></tr><tr><td>INDIRECT COST (\$)</td><td>COMMUNITY HEALTH SERVICES 1,159,869</td></tr><tr><td>624,590</td><td>HEALTH PROFESSIONS EDUCATION 206,922</td></tr><tr><td>111,428</td><td>MISSION DRIVEN HEALTHCARE SVCS 3,132,501</td></tr><tr><td>1,686,852</td><td>RESEARCH 1,443</td></tr><tr><td>777</td><td>FINANCIAL CONTRIBUTIONS 70,921</td></tr><tr><td>38,191</td><td>COMMUNITY BENEFIT OPERATIONS 294</td></tr><tr><td>158</td><td>FOUNDATION FUNDED COMM BENEFIT 109,567</td></tr><tr><td>59,002</td><td>MEDICAID ASSESSMENTS 5,643,166</td></tr><tr><td colspan="2">----- TOTAL HOSPITAL COMMUNITY BENEFIT 10,324,683</td></tr><tr><td>2,520,997</td><td>OFFSETTING NET COMMUNITY REVENUE (\$)</td></tr><tr><td>BENEFIT (\$)</td><td>COMMUNITY HEALTH SERVICES 73,345</td></tr><tr><td>1,711,114</td><td>HEALTH PROFESSIONS EDUCATION 2,600</td></tr><tr><td>315,750</td><td>MISSION DRIVEN HEALTH CARE SVCS - 4,819,352</td></tr><tr><td>RESEARCH - 2,220</td><td>FINANCIAL CONTRIBUTIONS 2,470</td></tr><tr><td>106,642</td><td>COMMUNITY BENEFIT OPERATIONS - 452</td></tr><tr><td>CHARITY CARE - 3,679,633</td><td>FOUNDATION FUNDED COMM BENEFIT - 168,569</td></tr><tr><td>MEDICAID ASSESSMENTS 4,687,103</td><td>956,063</td></tr><tr><td colspan="2">----- TOTAL HOSPITAL COMMUNITY BENEFIT 4,765,518</td></tr><tr><td>11,759,795</td><td></td></tr></table>	# OF STAFF HOURS	# OF ENCOUNTERS	COMMUNITY HEALTH SERVICES 3,292	17,605	HEALTH PROFESSIONS EDUCATION 6,594	- RESEARCH - 20	FINANCIAL CONTRIBUTIONS 33,221	COMMUNITY BENEFIT OPERATIONS 7 -	----- TOTAL HOSPITAL COMMUNITY BENEFIT 9,925		17,846	DIRECT COST (\$)	INDIRECT COST (\$)	COMMUNITY HEALTH SERVICES 1,159,869	624,590	HEALTH PROFESSIONS EDUCATION 206,922	111,428	MISSION DRIVEN HEALTHCARE SVCS 3,132,501	1,686,852	RESEARCH 1,443	777	FINANCIAL CONTRIBUTIONS 70,921	38,191	COMMUNITY BENEFIT OPERATIONS 294	158	FOUNDATION FUNDED COMM BENEFIT 109,567	59,002	MEDICAID ASSESSMENTS 5,643,166	----- TOTAL HOSPITAL COMMUNITY BENEFIT 10,324,683		2,520,997	OFFSETTING NET COMMUNITY REVENUE (\$)	BENEFIT (\$)	COMMUNITY HEALTH SERVICES 73,345	1,711,114	HEALTH PROFESSIONS EDUCATION 2,600	315,750	MISSION DRIVEN HEALTH CARE SVCS - 4,819,352	RESEARCH - 2,220	FINANCIAL CONTRIBUTIONS 2,470	106,642	COMMUNITY BENEFIT OPERATIONS - 452	CHARITY CARE - 3,679,633	FOUNDATION FUNDED COMM BENEFIT - 168,569	MEDICAID ASSESSMENTS 4,687,103	956,063	----- TOTAL HOSPITAL COMMUNITY BENEFIT 4,765,518		11,759,795	
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Identifier	Return Reference	Explanation
COMMUNITY OUTREACH		<p>In 2011, HealthLink had approximately 23,060 community-wide contacts through their screening and educational programs, flu vaccination clinics, support groups and HealthLink Primary Care Clinic visits. Approximately 7,400 of these contacts were for health screenings (blood pressure, body fat, cholesterol, osteoporosis, stroke, sleep, diabetes risk assessments, foot and eye screenings, and cancer screenings). This also includes 3,575 contacts that were realized through the HealthLink Primary Care Clinic. Over 2,570 influenza vaccinations were administered countywide. Community Outreach also provided local businesses with employee health screenings and vaccinations totaling 456 encounters. And more than 3,150 Harford County children received health education from Upper Chesapeake Community Outreach Senior Center Programs. In addition to Community Health holding monthly blood pressure screenings at all six senior centers, a Jeopardy Health Fair was held at each center. A Jeopardy game was played on a large screen for groups of seniors. The focus was on general health and wellbeing. Health screenings including osteoporosis, blood pressures and stroke risk assessments were provided. There were also educational tables as well as tetanus vaccinations available that were provided by Community Outreach. Approximately 250 seniors participated in these events.</p> <p>Children's Programs - A total of 710 children were involved with our Glo Germ Program. This is a program that emphasizes how infection is spread and the importance of good hand washing habits. - Approximately 1,130 children were exposed to our "KATU" (Kids Against Tobacco Use) program and new Smoking Out the Truth. These programs teach children, adolescents, and teens about the dangers associated with tobacco use. "Toxic Soup" is a program that addresses the effects of secondhand smoke, which is a program included at times. - Approximately 1,040 children attended our Teddy Bear Clinics. This is a program that familiarizes children with the hospital experience. - "Be Smart about Body Art" was also taken out into the community. It educates teens about the potential dangers associated with body piercing and tattooing. This program has been very successful with over 275 teens being educated in 2011. - "How Sweet It Is", a fairly new program was also taken out into the community. The program educates children and adults on the sugar content in many of their favorite drinks including juice boxes, sports drinks, soda, flavored water, and popular coffee drinks. Over 2,500 children and adults were exposed to this program. - A new program was developed this year titled "Sun Sense". This program educates children, teens and adults on the harmful effects of the sun including the dangers of tanning beds. A skin analyzer was purchased by the Community Outreach. This machine allows individuals to examine their own skin and realize the impact that the sun has had on their skin. Over 1,235 adults and children participated in this program. In addition to the above programs, a nutrition program titled "Mission Nutrition" was developed geared for children, teens and young adults, and seniors. The program includes new information regarding the "MyPlate" approach, portion control, reading labels, etc. Over 215 adults and children participated in a nutrition program.</p> <p>New Screenings - In 2011, equipment was purchased for vision and hearing screenings. This allows Community Health to offer these screenings to Harford County private schools and home schoolers that may not have the opportunity to be screened. Hearing screenings are also being made available to seniors. Approximately 260 people participated in these screenings.</p>

Identifier	Return Reference	Explanation
VACCINES		<p>- Community Outreach administered approximately 2,570 community flu vaccinations throughout the county in 2011</p> <p>"Dining with Docs" Lectures - In 2011 "Dining with Docs" community lectures were held at both Upper Chesapeake Medical Center and Harford Memorial. A total of 239 community residents attended the lectures.</p> <p>Havre de Grace Health-Tacular - A large health fair was held at the Havre de Grace Activity Center. Free flu vaccinations were offered as well as twenty different health screenings. These included balance, blood pressure, body fat composition, cholesterol, glucose, DEXA scans, carotid ultrasounds, stroke risk assessments, diabetic eye and foot screenings, and hearing screenings. Cancer screenings were also offered including prostate, skin, oral and colorectal cancer screenings. Children were fitted for bike helmets and provided a free helmet. UCH service lines as well as outside vendors were represented. This event would not have been possible without the strong partnership with the HC Office on Aging, Parks and Rec and the Boys and Girls Club. Over 380 people attended this event.</p> <p>HealthLink Community Wellness Center - In 2011, the HealthLink Community Wellness Center, which operates out of the HL Medical Mobile Van, had 130 residents participate in one of the available health screenings offered throughout the year. The Wellness Centers are offered monthly at two different locations in the County.</p> <p>Primary Care Clinic - The HealthLink Primary Care Clinic (PCC) provided primary care on a sliding fee scale to low income adults age 19 and above who are uninsured or underinsured and meet specific income criteria. In 2011, the PCC had approximately 1,315 established patients and a total of 3,575 patient encounters.</p> <p>HealthLink Call Center - In 2011, our HealthLink Call Center handled approximately 8,060 calls. This included almost 590 physician referral, 4,635 physicians' related calls, and 2,335 service calls.</p> <p>- The "flu HOTLINE" was reinstated to keep the community better informed about the locations and times that flu clinics were being held throughout the county. As new information became available or changed, the recording on the HOTLINE was updated so that residents could get accurate information.</p> <p>Support Groups - HealthLink RNs facilitate countywide support groups, stroke and diabetes. Both groups meet monthly, the stroke group meets at UCMC and the diabetes group meets at the Aberdeen Senior Center. Two additional diabetes support groups were established in 2011, one at the Edgewood Senior Center and the second at the McFaul Activity Center. The stroke group averages 12 participants per meeting (146 per year) and the diabetes support groups served 66 participants.</p> <p>HealthLink and Community Health Improvement Coalitions and Committees - Harford County School Health Board - Harford County Tobacco Coalition - Harford County Cancer Coalition - Office on Aging Advisory Board - Harford County Homeless Advisory Board - GAIN Committee - Healthy Harford</p>

SCHEDULE R
(Form 990)

Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
UPPER CHESAPEAKE MEDICAL CENTER

Employer identification number
52-1253920

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
See Additional Data Table							

Part III

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512- 514)	(f) Share of total income	(g) Share of end-of- year assets	(h) Disproportionate allocations?		(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
							Yes	No		Yes	No	
(1) UCHSUMMS VENT LLC 520 UPPER CHESAPEAKE BEL AIR, MD 21014 52-2178070	MEDICAL SERVI	MD	NA	N/A								
(2) UCHSUMMS REAL ESTATE TRUST 520 UPPER CHESAPEAKE DRIVE BEL AIR, MD 21014 27-6803540	HOLD LAND	MD	NA	N/A								

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) UPPER CHESAPEAKE HEALTH VENTURES INC 520 UPPER CHESAPEAKE DRIVE BEL AIR, MD 21014 52-2031264	MISC SERVICE	MD	NA	C CORP			
(2) UPPER CHESAPEAKE MED OFFICE BLDG INC 520 UPPER CHESAPEAKE DRIVE BEL AIR, MD 21014 52-1946829	REAL ESTATE	MD	NA	C CORP			
(3) UPPER CHESAPEAKE MGMT SVCS ORG INC 520 UPPER CHESAPEAKE DRIVE BEL AIR, MD 21014 52-1946025	MANAGEMENT SV	MD	NA	C CORP			
(4) UC MEDICAL CENTER LAND CONDOMINIUM INC 520 UPPER CHESAPEAKE DRIVE BEL AIR, MD 21014 77-0674478	REAL ESTATE	MD	NA	C CORP			
(5) UPPER CHESAPEAKE INSURANCE COMPANY LTD PO BOX 1109 GRAND CAYMAN, CAYMAN ISLANDS KY1-1102 CJ 98-0468438	CAPTIVE INSURANCE	CJ	NA	LTD			

Part V

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

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

1

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

a

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

b

Gift, grant, or capital contribution to related organization(s)

c

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

d

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

e

Loans or loan guarantees by related organization(s)

f

Sale of assets to related organization(s)

g

Purchase of assets from related organization(s)

h

Exchange of assets with related organization(s)

i

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

j

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

k

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

l

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

m

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

n

Sharing of paid employees with related organization(s)

o

Reimbursement paid to related organization(s) for expenses

p

Reimbursement paid by related organization(s) for expenses

q

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

r

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

Yes

No

1a

Yes

1b

No

1c

Yes

1d

No

1e

No

1f

No

1g

No

1h

No

1i

No

1j

No

1k

No

1l

Yes

1m

No

1n

No

1o

No

1p

Yes

1q

No

1r

No

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

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

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

[illegible]

Part VII

Supplemental Information

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

Identifier	Return Reference	Explanation	
------------	------------------	-------------	--

Software ID:
Software Version:
EIN: 52-1253920
Name: UPPER CHESAPEAKE MEDICAL CENTER

Form 990, Schedule R, Part II - Identification of Related Tax-Exempt Organizations

(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 501(c)(3))	(f) Direct Controlling Entity	(g) Section 512 (b)(13) controlled organization	
UPPER CHESAPEAKE HEALTH SYSTEMS INC 520 UPPER CHESAPEAKE DRIVE BEL AIR, MD 21014 52-1398513	HLTHCARE SVCS	MD	501(c)(3)	11C,III-FI	NA		No
UPPER CHESAPEAKE HEALTH FOUNDATION INC 520 UPPER CHESAPEAKE DRIVE BEL AIR, MD 21014 52-1398507	FIN SUPPORT	MD	501(c)(3)	11A	UCHS		No
UPPER CHESAPEAKE MEDICAL SERVICES INC 520 UPPER CHESAPEAKE DRIVE BEL AIR, MD 21014 52-1501734	PHYSICIAN SVC	MD	501(c)(3)	9	UCHSUMMS VN		No
HARFORD MEMORIAL HOSPITAL INC 520 UPPER CHESAPEAKE DRIVE BEL AIR, MD 21014 52-0591484	HOSPITAL CARE	MD	501(c)(3)	3	UCHSUMMS VN		No
UPPER CHESAPEAKE PROPERTIES INC 520 UPPER CHESAPEAKE DRIVE BEL AIR, MD 21014 52-1907237	TITLE HOLDING	MD	501(c)(2)	N/A	UCHSUMMS VN		No
UPPER CHESAPEAKEST JOE'S HOME CARE INC 520 UPPER CHESAPEAKE DRIVE BEL AIR, MD 21014 52-1229742	HOSPICE CARE	MD	501(c)(3)	9	UCHSUMMS VN		No
UPPER CHESAPKE RESIDENTIAL HOSPICE HOUSE 520 UPPER CHESAPEAKE DRIVE BEL AIR, MD 21014 26-0737028	HOSPICE CARE	MD	501(c)(3)	7	UCHSUMMS VN		No
HEALTHY HARFORD INC 2027 PULASKI HWY SUITE 215 HAVRE DE GRACE, MD 21078 52-1944325	HEALTH INIATV	MD	501(c)(3)	7	NA		No



**HARFORD MEMORIAL HOSPITAL, INC. AND
UPPER CHESAPEAKE MEDICAL CENTER, INC.**

Combined Financial Statements and Combining Schedules

December 31, 2011 and 2010

(With Independent Auditors' Report Thereon)

**HARFORD MEMORIAL HOSPITAL, INC. AND
UPPER CHESAPEAKE MEDICAL CENTER, INC.**

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KPMG LLP
1 East Pratt Street
Baltimore, MD 21202-1128

Independent Auditors' Report

The Boards of Directors
Harford Memorial Hospital, Inc. and
Upper Chesapeake Medical Center, Inc

We have audited the accompanying combined balance sheets of Harford Memorial Hospital, Inc. and Upper Chesapeake Medical Center, Inc. (the Hospitals or the Obligated Group) as of December 31, 2011 and 2010, and the related combined statements of operations and changes in net assets and cash flows for the years then ended. These combined financial statements are the responsibility of the Hospitals' management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 the Hospitals' 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, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of Harford Memorial Hospital, Inc. and Upper Chesapeake Medical Center, Inc. as of December 31, 2011 and 2010, and the combined results of their operations, the combined changes in their net assets, and their combined cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The supplementary information included in schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audits of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.

KPMG LLP

April 26, 2012

**HARFORD MEMORIAL HOSPITAL, INC. AND
UPPER CHESAPEAKE MEDICAL CENTER, INC.**

Combined Balance Sheets

December 31, 2011 and 2010

(In thousands)

Assets	2011	2010
Current assets		
Cash and cash equivalents	\$ 35,903	32,385
Current portion of assets held by trustee (notes 2, 7, and 13)	2,848	2,934
Board-designated and other investments (notes 2, 7, and 13)	84,985	95,890
Patient accounts receivable, net of allowance and contractuals of \$17,806 and \$11,381 in 2011 and 2010, respectively (note 3)	38,378	30,994
Prepaid expenses and other current assets	11,148	9,771
Total current assets	173,262	171,974
Due from affiliates (note 12)	27,759	9,674
Assets held by trustee, less current portion (notes 2 and 13)	4,069	5,796
Property, plant, and equipment, net (notes 4, 7, and 14)	191,826	181,797
Economic interest in net assets of foundation	7,007	—
Other assets (note 5)	1,641	1,232
Total assets	\$ 405,564	370,473
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 21,382	16,196
Accrued salaries, benefits, and other (notes 8 and 9)	25,994	20,494
Current portion of long-term debt (notes 7 and 13)	895	13,013
Advances from third-party payors	6,833	5,818
Total current liabilities	55,104	55,521
Due to affiliates (note 12)	—	37
Long-term debt, less current portion (notes 7 and 13)	172,898	162,267
Other long-term liabilities (notes 7 and 14)	55,659	37,761
Pension liability (note 8)	10,200	3,842
Total liabilities	293,861	259,428
Unrestricted net assets	104,696	111,045
Temporarily restricted net assets	7,007	—
Total net assets	111,703	111,045
Total liabilities and net assets	\$ 405,564	370,473

See accompanying notes to combined financial statements

**HARFORD MEMORIAL HOSPITAL, INC. AND
UPPER CHESAPEAKE MEDICAL CENTER, INC.**

Combined Statements of Operations and Changes in Net Assets

Years ended December 31, 2011 and 2010

(In thousands)

	<u>2011</u>	<u>2010</u>
Operating activities		
Unrestricted revenues, gains, and other support		
Net patient service revenue (notes 3, 7, 9, and 11)	\$ 319,551	292,581
Other	5,319	4,519
Total unrestricted revenues, gains, and other support	<u>324,870</u>	<u>297,100</u>
Expenses (note 15)		
Salaries	113,255	108,459
Employee benefits (notes 8 and 9)	26,338	24,723
Provision for bad debts	23,124	21,987
Supplies and other operating expenses	120,842	109,807
Depreciation and amortization (notes 4 and 5)	13,070	12,009
Interest and amortization (notes 4, 5, and 7)	5,624	5,986
Total expenses	<u>302,253</u>	<u>282,971</u>
Operating income	<u>22,617</u>	<u>14,129</u>
Nonoperating income		
Investment income (note 2)	19	5,215
Change in the fair value and settlement payments on derivative instruments (note 7)	(12,174)	(11,766)
Other	(241)	—
Nonoperating loss	<u>(12,396)</u>	<u>(6,551)</u>
Excess of revenues over expenses	10,221	7,578
Other changes in unrestricted net assets		
Contributions for purchases of property and equipment (note 12)	701	532
Equity contribution	—	26,750
Pension – related changes other than net periodic pension cost (note 8)	(9,756)	2,793
Transfers to affiliates, net (note 12)	(7,515)	(10,927)
(Decrease) increase in unrestricted net assets	<u>(6,349)</u>	<u>26,726</u>
Increase in temporarily restricted net assets		
Donor restricted gifts	7,007	—
Net assets, beginning of year	<u>111,045</u>	<u>84,319</u>
Net assets, end of year	<u>\$ 111,703</u>	<u>111,045</u>

See accompanying notes to combined financial statements

**HARFORD MEMORIAL HOSPITAL, INC. AND
UPPER CHESAPEAKE MEDICAL CENTER, INC.**

Combined Statements of Cash Flows
Years ended December 31, 2011 and 2010
(In thousands)

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities		
Increase in net assets	\$ 658	26,726
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation and amortization	13,070	12,009
Amortization of deferred financing costs	174	245
Amortization of bond discount	36	35
Provision for bad debts	23,124	21,987
Realized and unrealized loss (gains) on securities	775	(4,464)
Loss on interest rate swaps	8,151	7,597
Contributions for purchases of property and equipment	(701)	(532)
Equity contribution	—	(26,750)
Donor restricted gifts	(7,007)	—
Change in funded status of defined benefit plan	9,756	(2,793)
Loss on debt refinancing	133	—
Transfers to affiliates, net	7,515	10,927
Change in assets and liabilities		
Increase in patient accounts receivable	(30,508)	(22,342)
(Decrease) increase in prepaid expenses and other current assets	(1,377)	34
Increase in accounts payable, accrued expenses, and advances from third-party payors	10,645	2,975
Increase in amounts due to affiliates, net	(18,123)	(2,584)
Pension liability	(3,398)	(2,366)
Increase (decrease) in other long-term liabilities	9,747	(233)
Net cash provided by operating activities	<u>22,670</u>	<u>20,471</u>
Cash flows from investing activities		
Property, plant, and equipment additions	(19,589)	(13,045)
Purchases/sales of assets held by trustee, board-designated, other investments, net	11,942	(14,996)
Net cash used in investing activities	<u>(7,647)</u>	<u>(28,041)</u>
Cash flows from financing activities		
Proceeds of borrowings	122,438	—
Repayment of long-term debt	(123,961)	(2,545)
Repayment of line of credit	—	(2,000)
Payment of financing costs	(876)	—
Contributions for purchases of property and equipment	701	532
Equity contribution	—	26,750
Transfers to affiliates, net	(9,807)	(10,927)
Net cash (used in) provided by financing activities	<u>(11,505)</u>	<u>11,810</u>
Net increase in cash and cash equivalents	3,518	4,240
Cash and cash equivalents, beginning of year	32,385	28,145
Cash and cash equivalents, end of year	<u>\$ 35,903</u>	<u>32,385</u>
Supplemental information		
Transfer of fixed assets from affiliate	\$ 2,292	—
Capital additions accrued but not paid	1,056	—

See accompanying notes to combined financial statements

**HARFORD MEMORIAL HOSPITAL, INC. AND
UPPER CHESAPEAKE MEDICAL CENTER, INC.**

Notes to Combined Financial Statements

December 31, 2011 and 2010

(Dollars in thousands)

(1) Summary of Significant Accounting Policies

(a) Organization

Harford Memorial Hospital, Inc. and Upper Chesapeake Medical Center, Inc. (collectively, the Hospitals or the Obligated Group) are nonprofit, nonstock membership corporations formed under the laws of the State of Maryland, organized for charitable purposes and recognized by the Internal Revenue Service (IRS) as tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code. UCHS/UMMS Venture, LLC (the Venture) is the sole member of the Hospitals. The Venture members are University of Maryland Medical System (UMMS) and Upper Chesapeake Health System, Inc. (UCHS). The Venture, a Maryland limited liability company, is organized to coordinate activities of healthcare facilities and other corporate bodies whose purposes include the provision of healthcare services or financial assistance to healthcare facilities in Harford County, Maryland. The Venture is also the member or sole shareholder of the common stock of each of the following entities:

- Harford Memorial Hospital, Inc. (HMH)
- Upper Chesapeake Medical Center, Inc. (UMMC)
- Upper Chesapeake Medical Services, Inc. (UCMS)
- Upper Chesapeake Properties, Inc. (UCP)
- Upper Chesapeake Health Foundation, Inc. (UCHF)
- Upper Chesapeake Health Ventures, Inc. (UCHV)
- Upper Chesapeake Residential Hospice House, Inc. (UCRHH)
- Hospice of Harford County, LLC (HHC)
- UC Land Development, LLC (UCLD)

On October 1, 2009, the Venture and UMMS executed an Affiliation Agreement (the Agreement) and an Amended and Restated Operating Agreement, which increased UMMS' ownership in the Venture to 34% in exchange for cash, which is designated primarily for use for clinical projects. The Agreement requires profits for each calendar year to be allocated according to ownership percentage.

The Agreement required UMMS to purchase an additional 15% interest in the Venture, which occurred on October 1, 2010. Their total interest in the Venture is 49% as of December 31, 2011. The purchase of the additional 15% interest was in exchange for cash.

Under the terms of the Agreement, the Board of Directors consists of 17 seats, 15 controlled by UCHS and 2 controlled by UMMS.

The Agreement also provides that at some point in the future, UMMS may become the sole member of UCHS by contributing a stated amount of immediately available funds, which will be restricted for use related to capital expansion of health services for the residents of Harford County, Maryland, and a final contribution of cash on or before December 31, 2018, which will also be restricted for use.

**HARFORD MEMORIAL HOSPITAL, INC. AND
UPPER CHESAPEAKE MEDICAL CENTER, INC.**

Notes to Combined Financial Statements

December 31, 2011 and 2010

(Dollars in thousands)

Under the Agreement, 4% cumulative distributions on the purchase price will be earned by UMMS, and will be payable within 120 days after the end of each fiscal year, commencing with the fiscal year ending December 31, 2017, if net cash is available for distribution as calculated under the Agreement. Such distributions will terminate at the time UMMS becomes the sole member of UCHS.

(b) *Basis of Accounting*

The combined financial statements are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP), and include the accounts of HMH and UCMC, which comprise the Obligated Group as defined in the Amended and Restated Master Loan Agreement described in note 7. In combination, all material intercompany balances and transactions have been eliminated.

(c) *Cash and Cash Equivalents*

Cash equivalents consist primarily of temporary investments with original maturities of three months or less.

(d) *Assets Held by Trustee, Board-Designated, and Other Investments*

The assets held by trustee, board-designated, and other investments are considered trading and are classified as current or noncurrent assets based on management's intention as to use. All debt and equity securities are reported at fair value principally based on quoted market prices on the combined balance sheets.

The Hospitals hold an investment which under GAAP is considered an alternative investment totaling \$2,344 as of December 31, 2011, which invests primarily in debt securities of emerging markets. This asset was not held as of December 31, 2010. This fund utilizes various types of debt and equity securities along with derivative instruments in their investment strategy. Alternative investments are recorded under the equity method of accounting.

Assets limited as to use include assets held by the trustee under an indenture agreement. Board designated investments are set aside by the Board of Directors to fund future capital improvements. The board retains control of these assets and may, at their discretion, use such assets for other corporate purposes.

Investments are exposed to certain risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, changes in the value of investment securities could occur in the near term, and these changes could materially differ from the amounts reported in the accompanying combined financial statements.

Investment income including unrealized gains and losses, realized gains and losses on investment sales, and interest and dividends are recorded on the accrual basis and are reported as nonoperating gains or losses in the excess of revenues over expenses in the accompanying combined statements of

**HARFORD MEMORIAL HOSPITAL, INC. AND
UPPER CHESAPEAKE MEDICAL CENTER, INC.**

Notes to Combined Financial Statements

December 31, 2011 and 2010

(Dollars in thousands)

operations and changes in net assets unless the income or loss is restricted by the donor or law. Investment income and net gains that are restricted by the donor are recorded as a component of changes in temporarily or permanently restricted net assets, in accordance with donor-imposed restrictions. Realized gains and losses are determined based on the specific security's original purchase price.

(e) *Derivative Instruments and Hedging Activities*

The Hospitals account for derivatives and hedging activities in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 815, *Derivatives and Hedging*, which requires entities to recognize all derivative instruments as either assets or liabilities in the balance sheet at their respective fair values.

The Hospitals formally assess, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. Changes in the fair value of a derivative that is highly effective and that is designated and qualifies as a cash flow hedge are recorded in other changes in net assets to the extent that the derivative is effective as a hedge, until earnings are affected by the variability in cash flows of the designated hedged item. The ineffective portion of the change in fair value of a derivative instrument that qualifies as a cash flow hedge is reported in excess of revenues over expenses.

The Hospitals discontinue hedge accounting prospectively when it is determined that the derivative is no longer effective in offsetting changes in the fair value or cash flows of the hedged item, the derivative expires or is sold, terminated, exercised, or management determines that designation of the derivative as a hedging instrument is no longer appropriate.

In all situations in which hedge accounting is discontinued and the derivative is retained, the Hospitals continue to carry the derivative at its fair value on the balance sheet and recognize any subsequent changes in its fair value in excess of revenues over expenses.

(f) *Patient Accounts Receivable*

Patient accounts receivable are stated at estimated net realizable amounts from patients, third-party payors, and other insurers for services provided.

The Hospitals grant credit to patients, substantially all of whom are local residents. The Hospitals generally do not require collateral or other security in extending credit; however, they routinely obtain assignment of (or are otherwise entitled to receive) patients' benefits receivable under their health insurance programs, plans, or policies.

**HARFORD MEMORIAL HOSPITAL, INC. AND
UPPER CHESAPEAKE MEDICAL CENTER, INC.**

Notes to Combined Financial Statements

December 31, 2011 and 2010

(Dollars in thousands)

(g) *Inventories*

Inventories consisting primarily of drugs and medical/surgical supplies are stated at lower of cost or market and are included in prepaid expenses and other current assets on the combined balance sheets. Cost is determined principally using the first-in, first-out method.

(h) *Property, Plant, and Equipment*

Property, plant, and equipment are recorded at cost or, if donated, at their fair market value on the date of receipt. Depreciation is taken on a straight-line basis over the estimated useful lives of the depreciable assets. The estimated useful lives of the assets are as follows:

Land improvements	3 – 20 years
Buildings	20 – 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 and are excluded from the excess of revenues over expenses, unless explicit donor stipulations specify how the donated assets must be used. 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 those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Gains and losses on disposal or sale of long-lived assets are recorded as a component of operating income in the combined statement of operations and changes in net assets.

The Hospitals' policy is to capitalize interest cost incurred on debt during the construction of major projects exceeding one year.

The Hospitals entered into an agreement during 2007 to lease space in Medical Office Building II (MOB II), which opened during 2008 and is on the campus of UCMC. A nonaffiliated entity developed, owns and operates the MOB II. The Hospitals determined that due to certain structural elements installed by the Hospitals during construction of the space being leased, the Hospitals are required to be treated, for accounting purposes, as the "owner" of the MOB II in accordance with FASB ASC Subtopic 840-40, *Leases – Sale-Leaseback Transactions*.

(i) *Economic Interest in Net Assets of Foundation*

The Hospitals account for the activities of the Upper Chesapeake Health Foundation (the Foundation) in accordance with ASC Topic 958 *Not-for-Profit Entities*. For fiscal year ending December 31, 2011, the Hospitals recognized an economic interest in the net assets of the Foundation, a financially interrelated organization, as these fundraising activities were designated for use by the Hospitals.

**HARFORD MEMORIAL HOSPITAL, INC. AND
UPPER CHESAPEAKE MEDICAL CENTER, INC.**

Notes to Combined Financial Statements

December 31, 2011 and 2010

(Dollars in thousands)

(j) *Deferred Financing Costs*

Deferred financing costs, which are classified as other assets, are being amortized on the effective-interest method over the term of the related debt or letters of credit, and are included in interest and amortization

(k) *Bond Discount*

The bond discount, which is classified as a reduction of long-term debt, is being amortized on the effective-interest method over the term of the related debt and is included in interest and amortization

(l) *Malpractice Claims*

Costs of malpractice claims, which are subject to deductible provisions of the Hospitals' insurance programs are accrued when incidents occur that give rise to the claims if it can be determined that a liability is probable and the amount can be reasonably estimated (note 9)

(m) *Temporarily Restricted Net Assets and Donor-Restricted Gifts*

Temporarily restricted net assets are those whose use by the Hospitals has been limited by donors to a specific time period or purpose. Unconditional promises to give cash and other assets to the Hospitals are reported at fair value at the date the promise is received. Donor-restricted gifts whose restrictions are met within the same year as received are reported as unrestricted gifts in the accompanying combined statements of operations and changes in net assets. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received.

(n) *Net Patient Service Revenue*

Patient service revenue of the Hospitals is recorded at rates established by the State of Maryland Health Services Cost Review Commission (HSCRC) and, accordingly, reflects actual charges to patients based on rates in effect during the period in which the services are rendered. The Hospitals have charge per case (CPC) agreements with the HSCRC, which are renewed annually. These CPC agreements establish a prospectively approved average charge per inpatient case (defined as hospital admissions plus births) and an estimated case mix index. These approved CPC targets are adjusted during the rate year for actual changes in case mix. The CPC agreements allow the Hospitals to adjust approved unit rates, within certain limits, to achieve the average CPC target for each rate year ending June 30.

Outpatient service revenue is recorded using a charge per visit (CPV) methodology for hospital based outpatient services, which is similar in nature to the CPC inpatient methodology discussed above. The CPV methodology establishes prospective per visit charges per outpatient visits for approximately 50% of outpatient services provided. The remaining outpatient services are charged using the established HSCRC unit rates. The HSCRC repealed its CPV methodology for hospital based outpatient services, effective July 1, 2011. For rate year 2012, revenue for outpatient services will be charged using the hospitals' approved HSCRC unit rates. The CPV methodology was in

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place for rate year 2011 only, however, the 2011 CPV period resulted in one-time and permanent rate adjustments that were applied to 2012 hospital rates. The one-time CPV price adjustment applied to 2012 rates will be reversed on July 1, 2012.

Contractual adjustments, which represent the difference between amounts billed as patient service revenue and amounts paid by third-party payors, are accrued in the period in which the related services are rendered.

(o) *Charity Care*

The Hospitals provide care to patients who meet certain criteria under their charity care policy without charge or at amounts less than their established rates. Because the facilities do not pursue the collection of amounts determined to qualify as charity care, those amounts are not reported as revenue.

(p) *Nonoperating Income*

Other activities that are largely unrelated to the Hospitals' primary mission are recorded as other nonoperating income, which includes investment income and change in the fair value and settlement payments on derivative instruments.

(q) *Impairment of Long-Lived Assets*

Management regularly evaluates whether events or changes in circumstances have occurred that could indicate impairment in the value of long-lived assets. If there is an indication that the carrying amount of an asset is not recoverable, the Hospitals estimate the projected undiscounted cash flows, excluding interest, to determine if an impairment loss should be recognized. The amount of impairment loss is determined by comparing the historical carrying value of the asset to its estimated fair value. Estimated fair value is determined through an evaluation of recent and projected financial performance using standard industry valuation techniques.

In addition to consideration of impairment upon the events or changes in circumstances described above, management regularly evaluates the remaining lives of its long-lived assets. If estimates are changed, the carrying value of affected assets is allocated over the remaining lives.

In estimating the future cash flows for determining whether an asset is impaired and if expected future cash flows used in measuring assets are impaired, the Hospitals group the assets at the lowest level for which there are identifiable cash flows independent of other groups of assets. If such assets are impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Based on management's evaluation, no long-lived assets were identified as impaired for the years ended December 31, 2011 and 2010.

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(r) *Excess of Revenues over Expenses*

The combined statements of operations and changes in net assets include excess of revenues over expenses. Changes in unrestricted net assets, which are excluded from excess of revenues over expenses, consistent with industry practice, include contributions of long-lived assets (including assets acquired using contributions, which by donor restriction were to be used for the purposes of acquiring such assets), equity contributions, changes in funded status of defined benefit plan, and transfers to or from affiliates.

(s) *Use of Estimates*

The preparation of the combined financial statements in conformity with GAAP 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 combined financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(t) *Income Taxes*

The Hospitals have been recognized by the IRS as tax-exempt pursuant to Section 501(c)(3) of the Internal Revenue Code.

The Hospitals account for tax provisions in accordance with FASB Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes*, included in ASC Subtopic 740-10, *Income Taxes – Overall*, which clarifies the accounting for uncertainty in tax provisions. FIN 48 requires that the Hospitals recognize the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs.

(u) *Employee Pension Plan*

UCHS sponsors a defined benefit pension plan. The plan is actuarially evaluated and involves various assumptions, which are elements of expense and liability measurement. Key assumptions include the discount rate and the expected rate of return on plan assets, retirement, mortality, turnover, and healthcare costs trend rates. UCHS evaluates these assumptions annually and modifies them as appropriate. UCHS froze the defined benefit pension plan as of December 31, 2005.

The Hospitals account for the defined benefit pension plan in accordance with ASC Subtopic 715-20, *Compensation – Retirement Benefits – Defined Benefit Plans – General (ASC Topic 715)*, which requires the recognition of the overfunded or underfunded status of a defined benefit pension plan as an asset or liability in the balance sheet and to recognize any changes in that funded status through unrestricted net assets. Additionally, ASC Topic 715 requires the measurement date for plan assets and liabilities to coincide with the employer's year-end and to disclose in the notes to the combined financial statements additional information about certain effects on net periodic benefit cost for the

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next fiscal year that arise from delayed recognition of the gains or losses, prior service costs or credits, and transition asset or obligation

(v) Fair Value Measurements

The Hospitals utilize valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Hospitals determine fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

- Level 1 Inputs: Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the reporting entity at the measurement date.
- Level 2 Inputs: Other than quoted prices included in Level 1 inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.
- Level 3 Inputs: Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situation in which there is little, if any, market activity for the asset or liability at measurement date.

In January 2010, the FASB issued Accounting Standards Update (ASU) 2010-06, *Fair Value Measurements and Disclosures (Topic 820) Improving Disclosures about Fair Value Measurements*, which provides additional disclosures for transfers in and out of Levels 1 and 2 and for activity in Level 3. This ASU also clarifies certain other existing disclosure requirements including level of desegregation and disclosures around inputs and valuation techniques. The provisions of the ASU are effective for annual or interim reporting periods beginning after December 15, 2009, except for the requirement to provide the Level 3 activity for purchases, sales, issuances, and settlements on a gross basis, which are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. In the period of initial adoption, the reporting entity shall not be required to provide the disclosures required for any previous periods presented for comparative purposes. The Hospitals adopted the provisions of the ASU in 2010, except for the requirements to provide the Level 3 activity for purchases, sales, issuances and settlements on a gross basis, which were adopted in 2011. The adoption of ASU 2010-06 did not have a material effect on the Hospitals' combined financial statements. See note 13 to the combined financial statements.

(vi) New Accounting Pronouncements

In August 2010, the FASB issued ASU No. 2010-23, *Health Care Entities (ASC Topic 954) Measuring Charity Care for Disclosure*. ASU 2010-23 is intended to reduce the diversity in practice regarding the measurement basis used in the disclosure of charity care. ASU 2010-23 requires that cost be used as the measurement basis for charity care disclosure purposes and that cost be identified

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as the direct and indirect cost of providing the charity care, and requires disclosure of the method used to identify or determine such costs. This ASU was effective for the Hospitals on January 1, 2011. The adoption did not impact the financial position or results of operations of the Hospitals. See note 11 for related disclosure information.

In August 2010, the FASB issued ASU 2010-24, *Health Care Entities (Topic 954) Presentation of Insurance Claims and Related Insurance Recoveries*. The amendments in the ASU clarify that a healthcare entity may not net insurance recoveries against related claim liabilities. In addition, the amount of the claim liability must be determined without consideration of insurance recoveries. This ASU was effective for the Hospitals on January 1, 2011. The adoption of this guidance resulted in the Hospitals recording an additional accrual for medical malpractice claims liability and an insurance recoveries receivable of \$11.428 on the balance sheet. Such amounts are included in Due from affiliates, Accrued salaries, benefits, and other, and other long-term liabilities. The Hospitals did not retroactively adopt the provisions of this ASU. The adoption of this guidance did not have any impact on the results of operations or cash flows of the Hospitals.

In July 2011, the FASB issued ASU 2011-07, *Health Care Entities (Topic 954), Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities*, which requires a healthcare entity to change the presentation of their statement of operations by reclassifying the provision for bad debts associated with patient service revenue from an operating expense to a deduction from patient service revenue (net of contractual allowance and discounts). Additionally, enhanced disclosures about an entity's policies for recognizing, assessing bad debts, as well as qualitative and quantitative information about changes in the allowance for doubtful accounts are required. The adoption of ASU 2011-07 is effective for the Hospitals beginning January 1, 2012.

(2) Assets Held by Trustee, Board Designated, and Other Investments

Assets held by trustee, board designated, and other investments include the following at December 31:

	<u>2011</u>	<u>2010</u>
Board-designated and other investments	\$ 82,641	95,890
Alternative investments	2,344	—
Funds held by the trustee	6,917	8,730
	<u>\$ 91,902</u>	<u>104,620</u>

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Board-designated and other investments carried at fair value or under the equity method of accounting in the case of alternative investments, consist of the following at December 31

	2011		2010	
Cash and cash equivalents	\$ 13.258	15%	\$ 27.526	29%
Common/preferred stock and mutual funds	28.905	34	28.198	29
Mortgage-backed and asset-backed securities	13.506	16	15.125	16
Corporate bonds and U S government obligations	26.972	32	25.041	26
Alternative investments	2.344	3	—	—
	<u>\$ 84.985</u>	<u>100%</u>	<u>\$ 95.890</u>	<u>100%</u>

As described in note 7, funds held by the trustee as of December 31, 2011 and 2010 are limited as to use under the Amended and Restated Master Loan Agreement. Funds held by the trustee, which consist of cash and U S government agency obligations, are stated at fair value and include the following funds at December 31

	2011	2010
Debt service funds	\$ 2.848	2.934
Debt service reserve funds	4.069	5.796
Total funds held by the trustee	<u>\$ 6.917</u>	<u>8.730</u>

The debt service fund has been established to secure the payment of principal and interest due on the Series 2008C Revenue Bonds (note 7). The debt service reserve fund has been established to provide for future deficiencies, if any, in various bond repayment terms established by the Amended and Restated Master Loan Agreement. If the balance in the debt service reserve funds falls below the minimum requirement as a result of investment losses or withdrawals relating to deficiencies in other specified funds, the Hospitals will be required to make equal monthly payments to the trustee to restore the amount on deposit therein to the minimum required amount within a 24-month period. No requirement to make such payments existed at December 31, 2011 or 2010.

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Investment income related to unrestricted investments is comprised of the following for the years ended December 31

	<u>2011</u>	<u>2010</u>
Interest and dividends	\$ 794	751
Gain (loss) on sale of investments and board-designated investments, net	3,377	(131)
Unrealized gain (loss) on investments and board-designated investments, net	(4,234)	4,661
Unrealized gain (loss) on trustee-held funds	82	(66)
Total investment return	<u>\$ 19</u>	<u>5,215</u>

(3) Patient Accounts Receivable

The Hospitals had receivables from third-party payors and others, net of contractual allowances, as follows at December 31

	<u>2011</u>	<u>2010</u>
Medicare	\$ 14,319	10,459
Medicaid	4,071	2,192
Commercial insurance and HMOs	23,222	16,456
Blue Cross	5,761	5,177
Self-pay and others	8,811	8,091
	<u>56,184</u>	<u>42,375</u>
Less allowance for estimated uncollectibles	<u>17,806</u>	<u>11,381</u>
Patient accounts receivable, net	<u>\$ 38,378</u>	<u>30,994</u>

Patient service revenue, by payor class, consisted of the following for the years ended December 31

	<u>2011</u>	<u>2010</u>
Medicare	41%	40%
Medicaid	2	2
Commercial insurance and HMOs	37	35
Blue Cross	15	15
Self-pay and others	5	8
	<u>100%</u>	<u>100%</u>

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(4) Property, Plant, and Equipment

Property, plant, and equipment are summarized as follows at December 31

	2011	2010
Land	\$ 17,767	16,217
Land improvements	4,687	1,598
Buildings	181,863	178,376
Equipment	125,373	111,910
Leasehold improvements	1,935	1,591
	<u>331,625</u>	<u>309,692</u>
Less accumulated depreciation	<u>147,191</u>	<u>134,027</u>
	184,434	175,665
Construction in process	<u>7,392</u>	<u>6,132</u>
	<u>\$ 191,826</u>	<u>181,797</u>

Depreciation expense for the years ended December 31, 2011 and 2010 was \$12,929 and \$11,848, respectively

(5) Other Assets

Other assets consist of the following at December 31

	2011	2010
Deferred financing costs, net	\$ 1,259	690
Bed licenses acquired	277	385
Other intangible assets	105	157
	<u>\$ 1,641</u>	<u>1,232</u>

As of December 31, 2010, costs incurred with the issuance of the Series 2008C bonds, approximately \$690 net of amortization, were deferred and are being amortized over the term of the related debt or letters of credit. During 2011, in connection with the refinancing discussed in note 9, \$133 was written off. New financing costs of \$876 were incurred relating to Series 2011 A, B and C. Further, the Hospitals incurred amortization expense of \$174 and \$245 for the years ended December 31, 2011 and 2010, respectively, and is included in the interest and amortization line item on the combined statement of operations and changes in net assets.

Bed licenses acquired associated with the purchase of Fallston General Hospital (FGH) in the amount of \$2,999 was capitalized and is being amortized over their estimated useful life of 28 years. These bed

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licenses were transferred to UCMC when FGH closed in 2000. Accumulated amortization amounted to \$2,722 and \$2,614 at December 31, 2011 and 2010, respectively, and is included in the depreciation and amortization line item on the combined statements of operations and changes in net assets.

Other intangible assets associated with the acquisition of Surgery Pavilion in the amount of \$520 were recorded and are being amortized over their estimated useful life of 10 years. Accumulated amortization amounted to \$415 and \$363 at December 31, 2011 and 2010, respectively, and is included in depreciation and amortization on the combined statements of operations and changes in net assets.

(6) Line of Credit

The Hospitals had an unsecured discretionary line of credit agreement with a bank that permitted the Hospitals to borrow up to \$7,000 at LIBOR plus 125 basis points, which expires in May 2012. There was no outstanding balance at December 31, 2011 and 2010.

(7) Long-Term Debt

Long-term debt consists of the following at December 31:

	<u>2011</u>	<u>2010</u>
Hospital revenue bonds		
Series 2008 A (due January 1, 2043)	\$ —	62,705
Series 2008 B (due January 1, 2043)	—	58,985
Series 2008 C (due January 1, 2038)	53,365	54,210
Series 2011A (due January 1, 2043)	2,558	—
Series 2011B (due January 1, 2040)	59,225	—
Series 2011C (due January 1, 2040)	59,225	—
	<u>174,373</u>	<u>175,900</u>
Less bond discount	580	620
	<u>173,793</u>	<u>175,280</u>
Less current portion	895	13,013
	<u>\$ 172,898</u>	<u>162,267</u>

The Series 2008C bonds are fixed rate term bonds obtained pursuant to the Amended and Restated Master Loan Agreement dated August 1, 2008 (the Master Loan Agreement) through the Maryland Health and Higher Educational Facilities Authority (the Authority or MHHEFA), which bear interest at 5.5% at December 31, 2011 and 2010. The Series 2008C Bonds were issued at a discount of \$706. Accumulated amortization amounted to \$126 and \$86 at December 31, 2011 and 2010, respectively. The loan principal is payable annually on January 1 and the loan interest is payable to a trustee semiannually.

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The Series 2008C bonds are subject to mandatory annual sinking fund requirements. The 2012 sinking fund installment amount is \$895. Sinking fund payments vary in increasing amounts from \$805 to \$3,750, with the final installment of \$3,750 due in 2038.

On October 1, 2011, the Obligated Group entered into a Financing Agreement with MHHEFA and a lender for up to \$50,000 of tax exempt Revenue Bonds, Series 2011A. The bonds are designated to support a capital project on the campus of UCMC, and bond proceeds are drawn upon as construction progresses. There was \$2,558 drawn on the Series 2011A bonds as of December 31, 2011. The Series 2011A bonds bear interest at 3.67% through October 31, 2021, and thereafter at LIBOR plus an applicable spread which is based on prevailing bond rates for similarly rated bonds. Principal payments on the Series 2011A bonds are due in annual installments on January 1 ranging from \$935 in 2014 to \$2,695 in 2043.

On December 1, 2011, MHHEFA issued \$59,225 of tax exempt Revenue Bonds, Series 2011B on behalf of the Obligated Group. Bond proceeds were loaned to the Obligated Group pursuant to a First Supplemental Indenture of Trust and Supplemental Loan Agreement. The Series 2011B bonds bear interest at 1.3655% through December 31, 2011, and at LIBOR plus 1.15% thereafter, subject to prevailing rates on bond spreads. The bond proceeds were used to refund the Series 2008B and a portion of the Series 2008A. Principal payments on the Series 2011B bonds are due in monthly installments ranging from \$80 in 2012 to \$430 in 2040. The Series 2011B bonds are subject to refinancing at the option of the bank in 2021.

On December 1, 2011, MHHEFA issued \$59,225 of tax exempt Revenue Bonds, Series 2011C on behalf of the Obligated Group. Bond proceeds were loaned to the Obligated Group pursuant to a First Supplemental Indenture of Trust and Supplemental Loan Agreement. The Series 2011C bonds bear interest at 1.159% through December 31, 2011, and at LIBOR plus 0.95% thereafter, subject to prevailing rates on bond spreads. The bond proceeds were used to refund the Series 2008A. Principal payments on the Series 2011C bonds are due in monthly installments ranging from \$80 in 2012 to \$405 in 2040. The Series 2011C bonds are subject to refinancing at the option of the bank in 2017.

Annual principal maturities of long-term liabilities including sinking fund payments at December 31, 2011 are as follows:

2012	\$	4,176
2013		9,808
2014		11,758
2015		12,027
2016		12,043
Thereafter		124,561
	\$	<u>174,373</u>

The Hospitals are jointly and severally liable under the Master Loan Agreement. Pursuant to the Master Loan Agreement, the Hospitals are required to maintain certain funds on deposit with the trustee as

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described in note 2. As security for the performance of its obligations under the Master Loan Agreement, the Obligated Group has granted the Authority a security interest in its revenues.

The Obligated Group is also subject to certain qualitative and quantitative financial covenants as defined in the Master Loan Agreement and in the First Supplemental Indenture of Trust and Supplemental Loan Agreements, as long as the bonds are outstanding. The Obligated Group is in compliance with the debt covenants as of December 31, 2011.

Interest payments were \$4.821 and \$4.923 for the years ended December 31, 2011 and 2010, respectively.

Total cost of capital for the years ended December 31, 2011 and 2010 was 5.3% and 5.4%, respectively.

The Hospitals use interest rate swaps as a part of its risk management strategy to manage exposure to fluctuations in interest rates and to manage the overall cost of its debt. The interest rate swaps are not used for speculative purposes and are measured at fair value in the combined balance sheet. The fair value of the interest rate swap agreements is the estimated amount that the Hospitals would receive or pay to terminate the swap agreements at the reporting date, taking into account current interest rates and the current creditworthiness of the swap counterparties. The swap agreements are valued based on readily observable market parameters for all substantial terms of the contracts and are therefore categorized as Level 2 securities. The fair market value of the swap agreements is included in other long-term liabilities and other in the accompanying combined balance sheet.

A derivative instrument (interest rate swap) was entered into in conjunction with the 2007 Series Bond issuance, with a notional amount of \$118,325 at December 31, 2011 at a fixed rate of 3.915% and a floating rate of 67% of one-month LIBOR. The purpose of the swap is to convert variable rate debt to fixed rate debt. The unrealized loss of \$(10,265) and \$(4,772) is included in nonoperating income for the years ended December 31, 2011 and 2010, respectively. The fair value of the interest rate swap was approximately \$(31,299) and \$(21,034) at December 31, 2011 and 2010, respectively, and is included in other long-term liabilities.

A derivative instrument (basis swap) was entered into in 2006 with a notional amount of \$93,050 at December 31, 2011. The unrealized gain (loss) of \$2,114 and \$(2,825) is included in nonoperating income for the years ended December 31, 2011 and 2010, respectively. The fair value of the basis swap was approximately \$(1,097) and \$(3,211) at December 31, 2011 and 2010, respectively, and is included in other long-term liabilities.

Settlement payments for the years ended December 31, 2011 and 2010 of \$(4,023) and \$(4,169), respectively, are included in the change in the fair value and settlement payments on derivative instruments.

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(8) Employee Benefit Plans

Defined Contribution Plan

UCHS sponsors a defined contribution benefit plan, which allows employees to contribute amounts tax-deferred up to certain limits allowable under IRS guidelines. The Hospitals are required to match up to 100% of employee contributions up to 4% of employee salaries, based on years of service. The Hospitals are also required to make a contribution of 1% of each employee's salary for all employees who work more than 1,000 hours annually. Additional contributions are required to be made by the Hospitals for employees aged 50 and older, who have completed 10 years of service. Employees vest in amounts contributed by the Hospitals ratably over a five-year period.

For the years ended December 31, 2011 and 2010, the Hospitals' expenses related to the defined contribution plan were approximately \$3,301 and \$2,620, respectively, and are included in the employee benefits line item on the combined statements of operations and changes in net assets located on page 3.

Defined Benefit Plan

The Hospitals participate in a noncontributory defined benefit pension plan (the Plan), administered by UCHS, which covers substantially all employees of HMH, UCMC, UCHF, UCHS and UCSJHC who have completed six months of employment and attained the age of twenty and a half years. UCHS and certain of its subsidiaries make annual contributions to the Plan equal to the minimum funding requirement pursuant to ERISA regulations. UCHS is the plan sponsor and elected to freeze the defined benefit plan on December 31, 2005.

The following tables set forth the changes in the projected benefit obligation, the changes in Plan assets, the Plan's funded status, and amounts recognized in the combined financial statements at December 31.

	2011	2010
Projected benefit obligation, at beginning of year	\$ 55,567	52,000
Actual benefit payments	(1,774)	(1,554)
Loss due to differences between actual and assumed experience	6,041	1,853
Interest cost	3,298	3,268
Projected benefit obligation, at end of year	<u>63,132</u>	<u>55,567</u>
Fair value of plan assets, at beginning of year	51,725	42,999
Contributions	4,485	4,425
Actual benefit payments	(1,774)	(1,554)
Return on plan assets	(1,504)	5,855
Fair value of plan assets, at end of year	<u>52,932</u>	<u>51,725</u>
Funded status	\$ <u>(10,200)</u>	<u>(3,842)</u>

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	<u>2011</u>	<u>2010</u>
Amounts recognized in unrestricted net assets		
Net actuarial loss	\$ (30.986)	(21.222)
Prior service cost	(32)	(40)
Accumulated amount in net assets	\$ <u>(31.018)</u>	<u>(21.262)</u>

The estimated amounts that will be amortized from unrestricted net assets into net periodic pension cost in fiscal year ending December 31, 2012 are as follows

Net actuarial loss	\$ 3.525
Prior service cost	8
	\$ <u>3.533</u>

	<u>2011</u>	<u>2010</u>
Components of net periodic pension costs		
Interest cost	\$ 3.298	3.268
Expected return on plan assets	(4.457)	(3.569)
Loss	2.238	2.351
Net amortization and deferral	8	8
Net periodic pension cost	\$ <u>1.087</u>	<u>2.058</u>

Assumptions used to determine benefit obligations as of December 31, 2011 and 2010 were as follows discount rate of 5.27% and 6.05% in 2011 and 2010, respectively, and expected long-term rate of return on assets of 8.5% in 2011 and 2010. Salary increases are not applicable to 2011 and 2010 because the Plan was frozen on December 31, 2005.

Assumptions used to determine net costs for 2011 and 2010 were as follows discount rate of 6.05% and 6.41% in 2011 and 2010, respectively, and expected long-term rate of return on assets of 8.5% in 2011 and 2010.

The overall long-term rate of return was developed by estimating the expected long-term real return for each asset class within the portfolio, computing an average weighted real rate of return for the portfolio as a whole, reflecting both the Plan's expected asset class allocation and the correlations between the various asset classes and adding that expected real rate of return to the expected long-term rate of inflation. The expected long-term rate of return reflects an expected real rate of return and an underlying inflation component per year.

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The investment objective of the Plan is to produce a rate of return as determined by the Plan actuary. The Plan is diversified into equities, fixed income obligations, and cash and cash equivalents, so as to provide a reasonable assurance that no single security or class of securities will have a disproportionate impact on the Plan's rate of return. Equity securities are targeted at 55% with a range from 40% to 70%. Fixed income obligations and cash equivalents are targeted at 30% with a range from 10% to 50%. Periodic rebalancing takes place to maintain the desired allocation. Management may change these allocations at its discretion, although such changes are likely to occur infrequently.

The Plan's asset allocation at December 31, by asset category, is as follows:

	<u>2011</u>	<u>2010</u>
Asset category		
Cash and equivalents	7%	10%
Common/preferred stock and mutual funds	52	70
Government bonds	30	6
Corporate bonds	11	9
Mortgage-backed securities	—	5
Total	<u>100%</u>	<u>100%</u>

The following tables present the Plan's assets measured at fair value at December 31, 2011 and 2010:

	<u>2011</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
Cash and cash equivalents	\$ 3,975	—	—	3,975
Common/preferred stock	17,558	—	—	17,558
Equity mutual funds and exchange traded funds	9,839	—	—	9,839
U S agency mortgage-backed and asset-backed securities	4,074	—	—	4,074
Corporate bonds	15,693	—	—	15,693
U S government obligations	1,237	—	—	1,237
Municipal bonds	556	—	—	556
Total assets	<u>\$ 52,932</u>	<u>—</u>	<u>—</u>	<u>52,932</u>

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Notes to Combined Financial Statements

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(Dollars in thousands)

	2010			
	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents	\$ 5,365	—	—	5,365
Common/preferred stock	22,983	—	—	22,983
Equity mutual funds and exchange traded funds	13,320	—	—	13,320
U S agency mortgage-backed and asset-backed securities	2,262	—	—	2,262
Corporate bonds	4,619	—	—	4,619
U S government obligations	2,994	—	—	2,994
Municipal bonds	182	—	—	182
Total assets	<u>\$ 51,725</u>	<u>—</u>	<u>—</u>	<u>51,725</u>

Equity and debt securities and fixed income obligations are measured using quoted market prices at the reporting date multiplied by the quantity held. Mortgage and asset-backed securities are measured using quoted market prices at the reporting date multiplied by the quantity held.

The Hospitals expect to contribute \$4,000 to the Plan in 2012.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid from plan assets:

Fiscal years	Expected benefit payments
2012	\$ 2,339
2013	2,560
2014	2,754
2015	3,008
2016	3,248
2017 – 2021	18,928

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(9) Certain Significant Risks and Uncertainties

(a) *Regulation and Reimbursement*

The Hospitals provide general acute healthcare services. The Hospitals and other healthcare providers in Maryland are subject to certain inherent risks, including the following:

- Dependence on revenues derived from reimbursement by the federal Medicare and state Medicaid programs
- Regulation of hospital rates by the HSCRC
- Government regulation, government budgetary constraints, and proposed legislative and regulatory changes
- Lawsuits alleging malpractice and related claims

Such inherent risks require the use of certain management estimates in the preparation of the Hospitals' combined financial statements and it is reasonably possible that a change in such estimates may occur.

The Medicare and state Medicaid reimbursement programs represent a substantial portion of the Hospitals' revenues and the Hospitals' operations are subject to a variety of other federal, state, and local regulatory requirements. Failure to maintain required regulatory approvals and licenses and/or changes in such regulatory requirements could have a significant adverse effect on the Hospitals. Changes in federal and state reimbursement funding mechanisms and related government budgetary constraints could have a significant adverse effect on the Hospitals.

The healthcare industry is also subject to numerous laws and regulations from federal, state and local governments, and the government has aggressively increased enforcement of Medicare and Medicaid anti-fraud and abuse laws. The Hospitals' compliance with these laws and regulations is subject to periodic governmental review, which could result in enforcement actions unknown or unasserted at this time. Management is aware of certain asserted and unasserted legal claims by the government, and is presently unable to determine the outcome of these claims.

The federal government and many states have aggressively increased enforcement under Medicare and Medicaid anti-fraud and abuse laws and physician self-referral laws (STARK law and regulation). Recent federal initiatives have prompted a national review of federally funded healthcare programs. In addition, the federal government and many states have implemented programs to audit and recover potential overpayments to providers from the Medicare and Medicaid programs. In 2010, the Hospitals were notified that the recovery audit contractors (RAC) would begin auditing company operations in 2011 and the Hospitals received their first request for records in June 2011. The Hospitals continue to receive these requests from the RAC and has implemented a response program as well as a compliance program to monitor conformance with applicable laws and regulations, but the possibility of future government review and enforcement action exists.

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As a result of recently enacted and pending federal healthcare reform legislation, substantial changes are anticipated in the United States healthcare system. Such legislation includes numerous provisions affecting the delivery of healthcare services, the financing of healthcare costs, reimbursement to healthcare providers and the legal obligations of health insurers, providers and employers. These provisions are currently slated to take effect at specified times over the next decade. This federal healthcare reform legislation did not affect the 2011 or 2010 combined financial statements.

(b) Malpractice

Claims alleging malpractice have been asserted against the Hospitals and are currently in various stages of litigation. Additional claims may be asserted arising from services provided to patients through December 31, 2011.

On October 1, 2005, the Hospitals entered into an insurance agreement whereby the malpractice claims are being administered through a captive insurance company (Upper Chesapeake Insurance Company LTD or the Captive) domiciled in the Cayman Islands, which is wholly owned by UCHS. The Captive is managed by HSBC, a management company based in the Cayman Islands, using information provided by their claims administrator, SISCO and actuarial information provided by Towers Watson. The Hospitals incurred premiums for claims-made insurance policies of \$3,379 and \$3,149 for the years ended December 31, 2011 and 2010, respectively. Retention limits on which the Captive assumes the risk of loss was based on an annual occurrence basis of \$1,000 per occurrence and \$3,000 in the aggregate through September 30, 2011, and thereafter, is based on an annual occurrence basis of \$1,000 per occurrence and \$6,000 in the aggregate.

In addition, the Hospitals have accrued \$2,505 and \$2,180 at December 31, 2011 and 2010, respectively, recorded in accrued salaries, benefits, and other in the accompanying combined balance sheets, for claims that are incurred but not reported.

In the opinion of management, based upon information provided by its advisors, estimated malpractice costs accrued at December 31, 2011 and 2010 are adequate to provide for potential losses resulting from pending or threatened litigation or for losses incurred but not reported claims.

(c) Welfare Benefit Plan

The Hospitals participate in a welfare benefit plan established by UCHS effective January 1, 1998. The purpose of this plan is to provide eligible employees and their dependents with coverage for hospital and medical expenses on a self-insured basis, subject to risk retention limits, and to provide dental and vision benefits pursuant to specified insurance policies and contracts. An estimate for incurred-but-not-reported health insurance claims of \$1,403 and \$1,347 has been accrued and recorded in accrued salaries, benefits, and other in the accompanying combined balance sheets at December 31, 2011 and 2010, respectively.

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(d) Workers' Compensation

The Hospitals participate in a self-insured plan for workers' compensation claims. Stop-loss coverage has been purchased through a commercial insurer for claims in excess of \$400. Accrued claims of \$3.046 and \$2.634 include estimates for incidents incurred but not reported and are included in accrued salaries, benefits, and other in the accompanying combined balance sheets at December 31, 2011 and 2010, respectively. The Hospitals maintain a surety bond in the amount of \$4.200 and a letter of credit in the amount of \$1.680 to secure payments on the outstanding workers' compensation claims as required by the State of Maryland Workers' Compensation Commission.

(e) Unemployment

The Hospitals maintain a letter of credit in the amount of \$1.328 for the purpose of securing unemployment benefit payments as required by the State of Maryland.

(f) Litigation

From time to time, the Hospitals are 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 material adverse effect on the Hospitals' future financial position or results of operations.

(g) Asset Retirement Obligation

The Hospitals have recorded an Asset Retirement Obligation (ARO) for asbestos removal. The liability is recognized at its net present value with a corresponding increase to the carrying amount of the long-lived asset to which the ARO relates. The estimated asbestos removal costs are \$1.303 and \$1.347 as of December 31, 2011 and 2010, respectively, and are included in other long-term liabilities. During 2011, there were payments made of \$61 related to asbestos removal, along with annual accretion of \$17.

(10) Leases

UCMC, as lessor, expects to receive minimum rents from tenants under operating leases as follows:

2012	\$	820
2013		628
2014		614
2015		538
2016 and thereafter		519
	\$	<u>3,119</u>

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The Hospitals have several operating lease agreements for office space, computer and medical equipment, office machines and vehicles. Total rent expense recorded by the Hospitals under these leases was approximately \$4,619 and \$4,490 for the years ended December 31, 2011 and 2010, respectively.

Future rental payments under noncancelable operating leases with durations in excess of one year are as follows:

2012	\$	3,901
2013		2,681
2014		1,395
2015		479
2016		55
	\$	<u>8,511</u>

(11) Charity Care and Other Deductions from Revenue

The Hospitals provide care to patients regardless of their ability to pay. In identifying charity care, the Hospitals assess the patient's ability to pay, utilizing generally recognized poverty income levels for the community, and identify certain cases where incurred charges are considered to be beyond the patient's ability to pay. The Hospitals maintain records to identify and monitor the level of charity care they provide. These records reflect the amount of charges forgone under their charity care policy and amounted to approximately \$7,214 and \$3,855 for the years ended December 31, 2011 and 2010, respectively. The total direct and indirect costs to provide the care amounted to approximately \$5,331 and \$2,951 for the years ended December 31, 2011 and 2010, respectively.

In addition to the direct charity care noted above, all patients covered by the Medicare and Medicaid and other third-party payors programs are accepted. These programs reimburse the Hospitals at less than the established charges for services provided to recipients. During 2011, the state instituted a charge based on the amount of revenue covered by hospitals for Medicaid Services rendered (Medicaid Assessment). The difference between the charges for these services and the related reimbursement amounts for these and other third-party payors are as follows for the years ended December 31:

	<u>2011</u>	<u>2010</u>
Medicare	\$ 20,806	13,901
Medicaid	606	530
Medicaid assessment	—	2,620
Other third-party payors	4,711	4,399
	<u>\$ 26,123</u>	<u>21,450</u>

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The Hospitals also provide free services to the community through their "Healthlink" program. The "Healthlink" program provides health information, wellness programs, health screenings, and educational programs.

(12) Related-Party Transactions

UCHS provides management, promotion, and other support services to the Hospitals. Fees relating to such services are allocated to these entities based on management's estimate of UCHS resources consumed at each entity. Such services were allocated 88.5% and 89.5% to the Hospitals in 2011 and 2010, respectively. Fees to UCHS included in other operating expenses were \$10.823 and \$9.902 in 2011 and 2010, respectively.

UCMS provides physician and other support services to the Hospitals. Fees to UCMS included in operating expenses were \$3.535 and \$3.124 for the years ended December 31, 2011 and 2010, respectively. The Obligated Group transferred \$10.024 and \$8.349 during 2011 and 2010, respectively, to UCMS, representing an equity contribution. The Hospitals have entered into an agreement with a bank whereby the Hospitals are the guarantor for an unsecured discretionary line of credit agreement between the bank and UCMS. The line of credit agreement permits UCMS to borrow up to \$3.500. The amount outstanding under this agreement was \$1.200 as of December 31, 2011 and 2010, respectively.

UCHF contributed \$701 and \$532 to the Hospitals for capital improvements and equipment purchases for the years ended December 31, 2011 and 2010, respectively. These amounts are presented as contributions for purchases of property and equipment in the combined financial statements. UCHF contributed \$12 and \$14 to the Hospitals for operations for the years ended December 31, 2011 and 2010, respectively.

The Obligated Group transferred \$3.104 during 2010 to UCP representing an equity contribution. On December 31, 2011, UCP contributed property with a book value of \$2.292, which supports the provision of healthcare services at HMH to the Obligated Group.

As a result of the sale of UCSJHC assets, the Venture received a cash distribution from its joint venture, UCSJHC, and then contributed \$217 to the Obligated Group.

On July 14, 2010, UCHS and UMMS executed a shareholder operating agreement and declaration of trust (the Trust Agreement) to form the UCHS/UMMS Real Estate Trust. On July 16, 2010, the UCHS/UMMS Real Estate Trust purchased the Barker Property in Havre de Grace, Maryland for approximately \$16,500. The Hospitals transferred \$3.109 to UCHS for the purchase of the land utilizing proceeds from the UMMS equity contribution.

The Obligated Group recognizes its rights to assets held by recipient organizations, which accept cash or other financial assets from a donor and agree to use those assets on behalf of or transfer those assets, the return on investment of those assets, or both, to the Obligated Group. In 2011 UCF embarked on the campaign for the Cancer Center at Upper Chesapeake Health. The contributions will be used for the benefit of the Cancer Center which will be on the campus of UCMC. As such, the Obligated Group recorded an economic interest in the net assets of UCF of \$7.007. The donor restricted gifts are included as an increase in temporarily restricted net assets in the combined statement of operations and changes in net assets.

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As discussed in notes 1(v) and 9(b), the Hospitals recorded an additional accrual for medical malpractice claims which resulted in an additional liability and related intercompany receivable of \$11,428 as of December 31, 2011

Net amounts receivable from (payable to) affiliates at December 31 are summarized as follows

	<u>2011</u>	<u>2010</u>
UCHS and subsidiary	\$ 3,951	6,283
UCLD	3,341	—
UCMS	6,465	3,016
Captive	11,684	(20)
UCRHH	366	375
UCP	64	—
UCHV	339	(17)
UCF	1,549	—
	<u>\$ 27,759</u>	<u>9,637</u>

(13) Fair Value Measurements

(a) Fair Value of Financial Instruments

The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Those fair value measurements maximize the use of observable inputs. However, in situations where there is little, if any, market activity for the asset or liability at the measurement date, the fair value measurement reflects the Hospitals own judgments about the assumptions that market participants would use in pricing the asset or liability. Those judgments are developed by the Hospitals based on the best information available in the circumstances.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Cash and cash equivalents, accounts receivable, due from affiliates, other assets, accounts payable, advances from third-party payors, due to affiliates, and accrued expenses The carrying amounts, at face value or cost plus accrued interest, approximate fair value because of the short maturity of these instruments.

Board-designated and other investments Equity and debt securities classified as trading and fixed income obligations are measured using quoted market prices at the reporting date multiplied by the quantity held. Mortgage and asset-backed securities are measured using quoted market prices at the reporting date multiplied by the quantity held.

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Derivative instruments The fair value of derivative instruments is determined using pricing models developed based on the LIBOR swap rate and other observable market data. The value was determined after considering the potential impact of collateralization and netting agreements, adjusted to reflect nonperformance risk of both the counterparty and the Obligated Group.

(b) Long-Term Debt

The Series 2008C and Series 2011A, B and C bonds bear interest at variable rate and fixed rates and, at December 31, 2011, had a fair value of \$178,676. The fair value of the outstanding debt at December 31, 2010 was \$177,151.

The fair value of the Hospitals' long-term debt is measured using quoted offered-side prices when quoted market prices are available. If quoted market prices are not available, the fair value is determined by discounting the future cash flows of each instrument at rates that reflect, among other things, market interest rates and the Hospitals' credit standing. In determining an appropriate spread to reflect its credit standing, the Hospitals consider credit default swap spreads, bond yields of other long-term debt offered by the Hospitals, and interest rates currently offered to the Hospitals for similar debt instruments of comparable maturities by the Hospitals' bankers as well as other banks that regularly compete to provide financing to the Hospitals.

(c) Fair Value Hierarchy

The following tables present assets and liabilities that are measured at fair value on a recurring basis at December 31, 2011 and 2010.

		2011			
		Level 1	Level 2	Level 3	Total
Assets					
Cash and cash equivalents	\$	13,258	—	—	13,258
Common/preferred stock		14,495	—	—	14,495
Equity mutual funds and exchange traded funds		14,410	—	—	14,410
U S agency mortgage-backed and asset-backed securities		13,506	—	—	13,506
Corporate bonds		22,243	1,203	—	23,446
U S government obligations		9,807	—	—	9,807
Municipal bonds		636	—	—	636
Total assets	\$	<u>88,355</u>	<u>1,203</u>	<u>—</u>	<u>89,558</u>
Liabilities					
Derivative instruments	\$	<u>—</u>	<u>32,396</u>	<u>—</u>	<u>32,396</u>

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(Dollars in thousands)

		2010			
		Level 1	Level 2	Level 3	Total
Assets					
Cash and cash equivalents	\$	27,526	—	—	27,526
Common/preferred stock		17,930	—	—	17,930
Equity mutual funds and exchange traded funds		10,268	—	—	10,268
U S agency mortgage-backed and asset-backed securities		15,125	—	—	15,125
Corporate bonds		20,787	—	—	20,787
U S government obligations		12,808	—	—	12,808
Municipal bonds		176	—	—	176
Total assets	\$	<u>104,620</u>	<u>—</u>	<u>—</u>	<u>104,620</u>
Liabilities					
Derivative instruments	\$	<u>—</u>	<u>24,245</u>	<u>—</u>	<u>24,245</u>

The Hospitals' accounting policy is to recognize transfers between levels of the fair value hierarchy on the date of the event or change in circumstances that caused the transfer. There were no significant transfers into or out of Level 1 for the year ended December 31, 2011.

(14) Medical Office Building II

As discussed in note 1, the Hospitals are required to be treated as the "owner" of MOB II. The asset and financing obligation will be reflected on the Hospitals' combined balance sheets until completion of the lease term, when they will be removed from the Hospitals' combined financial statements. At such time, the net of the remaining obligation and carrying value of the asset will be recognized as a gain on disposal. At December 31, 2011, the recorded amount for the asset is \$11,479 and the related liability is \$11,960, which are included in buildings and other long-term liabilities, respectively.

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The future minimum payments under the financing obligation for the initial lease term (10 years) are as follows

2012	\$	913
2013		941
2014		969
2015		998
2016		1,028
Thereafter		<u>1,779</u>
Total future minimum financing obligation payments		6,628
Less interest		<u>4,071</u>
Present value of future minimum financing obligation payments		<u><u>\$ 10,699</u></u>

(15) Functional Expenses

The Hospitals provide general healthcare services to residents within their geographic locations. Expenses related to providing these services, based on management's estimates of expense allocations, are as follows for the years ended December 31

	<u>2011</u>	<u>2010</u>
Healthcare services	\$ 252,627	237,587
General and administrative	<u>49,626</u>	<u>45,384</u>
	<u><u>\$ 302,253</u></u>	<u><u>282,971</u></u>

(16) Subsequent Events

The Hospitals evaluated all events and transactions that occurred after December 31, 2011 and through April 26, 2012. The Hospitals did not have any material recognizable subsequent events during this period.

**HARFORD MEMORIAL HOSPITAL, INC. AND
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Combining Balance Sheet Information

December 31, 2011

(In thousands)

Assets	Upper Chesapeake Medical Center, Inc.	Harford Memorial Hospital, Inc.	Eliminations	Combined
Current assets				
Cash and cash equivalents	\$ 18,019	17,884	—	35,903
Current portion of assets held by trustee	2,392	456	—	2,848
Board-designated and other investments	41,081	43,904	—	84,985
Patient accounts receivable, net	26,207	12,171	—	38,378
Prepaid expenses and other current assets	6,950	4,198	—	11,148
Total current assets	94,649	78,613	—	173,262
Due from affiliates	58,890	3,428	(34,559) (a)	27,759
Assets held by trustee, less current portion	3,419	650	—	4,069
Property, plant, and equipment, net	155,786	36,040	—	191,826
Economic interest in net assets of foundation	7,007	—	—	7,007
Other assets	1,511	130	—	1,641
Total assets	\$ 321,262	118,861	(34,559)	405,564
Liabilities and Net Assets				
Current liabilities				
Accounts payable	\$ 6,563	14,819	—	21,382
Accrued salaries, benefits and other	18,011	7,983	—	25,994
Current portion of long-term debt	751	144	—	895
Advances from third-party payors	5,065	1,768	—	6,833
Total current liabilities	30,390	24,714	—	55,104
Due to affiliates	—	34,559	(34,559) (a)	—
Long-term debt, less current portion	145,644	27,254	—	172,898
Other long-term liabilities	51,356	4,303	—	55,659
Pension liability	7,140	3,060	—	10,200
Total liabilities	234,530	93,890	(34,559)	293,861
Unrestricted net assets	79,725	24,971	—	104,696
Temporarily restricted net assets	7,007	—	—	7,007
Total net assets	86,732	24,971	—	111,703
Total liabilities and net assets	\$ 321,262	118,861	(34,559)	405,564
Combining eliminations				
(a) Eliminate intercompany receivables and payables				

See accompanying independent auditors' report

**HARFORD MEMORIAL HOSPITAL, INC. AND
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Combining Statement of Operations Information

Year ended December 31, 2011

(In thousands)

	Upper Chesapeake Medical Center, Inc.	Harford Memorial Hospital, Inc.	Combined
Operating activities			
Unrestricted revenues, gains, and other support			
Net patient service revenue	\$ 229,798	89,753	319,551
Other	3,739	1,580	5,319
Total unrestricted revenues, gains, and other support	<u>233,537</u>	<u>91,333</u>	<u>324,870</u>
Expenses			
Salaries	77,300	35,955	113,255
Employee benefits	17,808	8,530	26,338
Provision for bad debts	13,890	9,234	23,124
Supplies and other operating expenses	89,938	30,904	120,842
Depreciation and amortization	9,544	3,526	13,070
Interest and amortization	4,164	1,460	5,624
Total expenses	<u>212,644</u>	<u>89,609</u>	<u>302,253</u>
Operating income	<u>20,893</u>	<u>1,724</u>	<u>22,617</u>
Nonoperating income			
Investment income	619	(600)	19
Change in the fair value and settlement payments on derivative instruments	(12,174)	—	(12,174)
Other	(220)	(21)	(241)
Nonoperating loss	<u>(11,775)</u>	<u>(621)</u>	<u>(12,396)</u>
Excess of revenues over expenses	9,118	1,103	10,221
Other changes in unrestricted net assets			
Contributions for purchases of property and equipment	343	358	701
Pension – related changes other than net periodic pension cost	(6,829)	(2,927)	(9,756)
Transfers (to) from affiliates, net	(9,807)	2,292	(7,515)
(Decrease) increase in unrestricted net assets	<u>(7,175)</u>	<u>826</u>	<u>(6,349)</u>
Increase in temporarily restricted net assets			
Donor restricted gifts	7,007	—	7,007
Net assets, beginning of year	<u>86,900</u>	<u>24,145</u>	<u>111,045</u>
Net assets, end of year	\$ <u><u>86,732</u></u>	<u><u>24,971</u></u>	<u><u>111,703</u></u>

See accompanying independent auditors' report