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Form **990**

Department of the Treasury
Internal Revenue Service

Return of Organization Exempt From Income Tax

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

▶ The organization may have to use a copy of this return to satisfy state reporting requirements

OMB No 1545-0047

2011

Open to Public Inspection

A For the 2011 calendar year, or tax year beginning 07-01-2011 and ending 06-30-2012

B Check if applicable
☐ Address change
☐ Name change
☐ Initial return
☐ Terminated
☐ Amended return
☐ Application pending

C Name of organization
SHORE HEALTH SYSTEM INC

Doing Business As

Number and street (or P O box if mail is not delivered to street address) | Room/suite
219 South Washington St

City or town, state or country, and ZIP + 4
Easton, MD 21601

D Employer identification number
52-0610538

E Telephone number
(410)822-1000

G Gross receipts $ 224,909,331

F Name and address of principal officer
Kenneth Kozel
219 South Washington St
Easton,MD 21601

H(a) Is this a group return for affiliates? ☐ Yes ☑ No

H(b) **Are all affiliates included?** ☐ Yes ☐ No
If "No," attach a list (see instructions)

H(c) Group exemption number ▶

I Tax-exempt status ☑ 501(c)(3) ☐ 501(c) ( ) ◀ (insert no) ☐ 4947(a)(1) or ☐ 527

J Website: ▶ www shorehealth org

K Form of organization ☑ Corporation ☐ Trust ☐ Association ☐ Other ▶

L Year of formation 1906

M State of legal domicile MD

Part I Summary

Activities & Governance

1 Briefly describe the organization's mission or most significant activities
SHORE HEALTH SYSTEM IS A REGIONAL, NOT-FOR-PROFIT NETWORK OF INPATIENT AND OUTPATIENT SERVICES WITH FACILITIES IN TALBOT, DORCHESTER, CAROLINE, AND QUEEN ANNE'S COUNTIES

2 Check this box ▶☐ 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	17
4	Number of independent voting members of the governing body (Part VI, line 1b)	4	14
5	Total number of individuals employed in calendar year 2011 (Part V, line 2a)	5	2,085
6	Total number of volunteers (estimate if necessary)	6	665
7a	Total unrelated business revenue from Part VIII, column (C), line 12	7a	6,088,024
b	Net unrelated business taxable income from Form 990-T, line 34	7b	-728,770

			Prior Year	Current Year
Revenue	8	Contributions and grants (Part VIII, line 1h)	1,135,148	1,194,279
	9	Program service revenue (Part VIII, line 2g)	223,957,928	225,611,170
	10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	7,209,286	-2,269,405
	11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	289,580	236,517
	12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	232,591,942	224,772,561
Expenses	13	Grants and similar amounts paid (Part IX, column (A), lines 1–3)	0	0
	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)	105,263,166	104,912,922
	16a	Professional fundraising fees (Part IX, column (A), line 11e)	0	0
	b	Total fundraising expenses (Part IX, column (D), line 25) ▶0		
	17	Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	104,117,804	102,308,028
	18	Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	209,380,970	207,220,950
	19	Revenue less expenses Subtract line 18 from line 12	23,210,972	17,551,611

			Beginning of Current Year	End of Year
Net Assets or Fund Balances	20	Total assets (Part X, line 16)	304,359,977	331,373,142
	21	Total liabilities (Part X, line 26)	124,473,468	145,166,142
	22	Net assets or fund balances Subtract line 21 from line 20	179,886,509	186,207,000

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

****** | 2013-05-08
Signature of officer | Date

WALTER ZAJAC CFO
Type or print name and title

Paid Preparer's Use Only

Preparer's signature ▶ Frank Giardini	Date	Check if self-employed ▶ ☐	Preparer's taxpayer identification number (see instructions)
Firm's name (or yours if self-employed), address, and ZIP + 4 ▶ GRANT THORNTON LLP, 2001 MARKET STREET SUITE 3100, PHILADELPHIA, PA 19103			EIN ▶
			Phone no ▶ (215) 561-4200

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

Part III **Statement of Program Service Accomplishments**

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

1 Briefly describe the organization's mission

TO EXCEL IN QUALITY CARE AND PATIENT SATISFACTION

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

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

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

If "Yes," describe these changes on Schedule O

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

4a (Code) (Expenses $ 174,078,386 including grants of $) (Revenue $ 225,611,170)

SHORE HEALTH SYSTEM, INC IS A 217 LICENSED BED COMMUNITY HOSPITAL PROVIDING A FULL RANGE OF INPATIENT AND OUTPATIENT CLINICAL SERVICES TO THE MARYLAND MID-SHORE AREA, INCLUDING GENERAL HOSPITAL, EMERGENCY, AND SPECIALIZED SERVICES AS WELL AS OUTPATIENT CENTERS FOR PRIMARY CARE, DIAGNOSTICS, TREATMENT, EDUCATION, AND REHABILITATION THE SYSTEM OFFERS FREE EDUCATION PROGRAMS AND SERVICES TO PROMOTE HEALTH AWARENESS IN THE COMMUNITY DURING FY 2012, THE SYSTEM PROVIDED CARE FOR 12,190 INPATIENTS RESULTING IN 46,465 DAYS OF PATIENT CARE, TREATED 71,196 PATIENTS IN THE ER, AND PERFORMED 16,212 SURGERIES IN THE OR THE SYSTEM'S ANCILLARY SERVICE DEPARTMENTS REALIZED 476,784 OUTPATIENT ENCOUNTERS HOME HEALTH/HOSPICE SERVICES WERE PROVIDED TO 1,745 PATIENTS IN 30,862 NURSING VISITS THE SYSTEMS MISSION STATEMENT IS "TO EXCEL IN QUALITY CARE AND PATIENT SATISFACTION" ITS STRATEGIC PRINCIPLE IS "EXCEPTIONAL CARE, EVERY DAY", AND ITS VALUES STATEMENT IS "EVERY INTERACTION WITH ANOTHER IS AN OPPORTUNITY TO CARE" AS A PART OF ITS MISSION, THE SYSTEM PROVIDES CHARITY CARE TO PATIENTS UNABLE TO PAY, PROVIDING $13 4 MILLION OF CHARITY CARE IN FY 2012

4b (Code) (Expenses $ including grants of $) (Revenue $)

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

4d Other program services (Describe in Schedule O)

(Expenses $ including grants of $) (Revenue $)

4e **Total program service expenses** ▶$ 174,078,386

Part IV Checklist of Required Schedules

			Yes	No
1	Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? *If "Yes," complete Schedule A*	1	Yes	
2	Is the organization required to complete *Schedule B, Schedule of Contributors* (see instructions)?	2	Yes	
3	Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? *If "Yes," complete Schedule C, Part I*	3		No
4	**Section 501(c)(3) organizations.** Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? *If "Yes," complete Schedule C, Part II*	4	Yes	
5	Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? *If "Yes," complete Schedule C, Part III*	5		No
6	Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? *If "Yes," complete Schedule D, Part I*	6		No
7	Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas or historic structures? *If "Yes," complete Schedule D, Part II*	7		No
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? *If "Yes," complete Schedule D, Part III*	8		No
9	Did the organization report an amount in Part X, line 21, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? *If "Yes," complete Schedule D, Part IV*	9		No
10	Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? *If "Yes," complete Schedule D, Part V*	10	Yes	
11	If the organization's answer to any of the following questions is 'Yes,' then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable			
a	Did the organization report an amount for land, buildings, and equipment in Part X, line10? *If "Yes," complete Schedule D, Part VI.*	11a	Yes	
b	Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VII.*	11b	Yes	
c	Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VIII.*	11c		No
d	Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part IX.*	11d	Yes	
e	Did the organization report an amount for other liabilities in Part X, line 25? *If "Yes," complete Schedule D, Part X.*	11e	Yes	
f	Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? *If "Yes," complete Schedule D, Part X.*	11f	Yes	
12a	Did the organization obtain separate, independent audited financial statements for the tax year? *If "Yes," complete Schedule D, Parts XI, XII, and XIII*	12a		No
b	Was the organization included in consolidated, independent audited financial statements for the tax year? *If "Yes," and if the organization answered 'No' to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional*	12b	Yes	
13	Is the organization a school described in section 170(b)(1)(A)(ii)? *If "Yes," complete Schedule E*	13		No
14a	Did the organization maintain an office, employees, or agents outside of the United States?	14a		No
b	Did the organization have aggregate revenues or expenses of more than $10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at $100,000 or more? *If "Yes," complete Schedule F, Part I*	14b		No
15	Did the organization report on Part IX, column (A), line 3, more than $5,000 of grants or assistance to any organization or entity located outside the U S ? *If "Yes," complete Schedule F, Part II and IV*	15		No
16	Did the organization report on Part IX, column (A), line 3, more than $5,000 of aggregate grants or assistance to individuals located outside the U S ? *If "Yes," complete Schedule F, Part III and IV*	16		No
17	Did the organization report a total of more than $15,000, of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? *If "Yes," complete Schedule G, Part I*	17		No
18	Did the organization report more than $15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? *If "Yes," complete Schedule G, Part II*	18	Yes	
19	Did the organization report more than $15,000 of gross income from gaming activities on Part VIII, line 9a? *If "Yes," complete Schedule G, Part III*	19		No
20a	Did the organization operate one or more hospitals? *If "Yes," complete Schedule H*	20a	Yes	
b	If "Yes" to line 20a, did the organization attach its audited financial statement to this return? **Note.** All Form 990 filers that operated one or more hospitals must attach audited financial statements	20b	Yes	

Part IV Checklist of Required Schedules *(continued)*

			Yes	No
21	Did the organization report more than $5,000 of grants and other assistance to governments and organizations in the United States on Part IX, column (A), line 1? *If "Yes," complete Schedule I, Parts I and II*	21		No
22	Did the organization report more than $5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? *If "Yes," complete Schedule I, Parts I and III*	22		No
23	Did the organization answer "Yes" to Part VII, Section A, questions 3, 4, or 5, about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? *If "Yes," complete Schedule J*	23	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than $100,000 as of the last day of the year, that was issued after December 31, 2002? *If "Yes," answer questions 24b–24d and complete Schedule K. If "No," go to line 25*	24a		No
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	24b		
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	24c		
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	24d		
25a	**Section 501(c)(3) and 501(c)(4) organizations.** Did the organization engage in an excess benefit transaction with a disqualified person during the year? *If "Yes," complete Schedule L, Part I*	25a		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? *If "Yes," complete Schedule L, Part I*	25b		No
26	Was a loan to or by a current or former officer, director, trustee, key employee, highly compensated employee, or disqualified person outstanding as of the end of the organization's tax year? *If "Yes," complete Schedule L, Part II*	26		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor, or a grant selection committee member, or to a person related to such an individual? *If "Yes," complete Schedule L, Part III*	27		No
28	Was the organization a party to a business transaction with one of the following parties? (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	28a		No
b	A family member of a current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	28b		No
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or owner? *If "Yes," complete Schedule L, Part IV*	28c		No
29	Did the organization receive more than $25,000 in non-cash contributions? *If "Yes," complete Schedule M*	29		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? *If "Yes," complete Schedule M*	30		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? *If "Yes," complete Schedule N, Part I*	31		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? *If "Yes," complete Schedule N, Part II*	32		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? *If "Yes," complete Schedule R, Part I*	33	Yes	
34	Was the organization related to any tax-exempt or taxable entity? *If "Yes," complete Schedule R, Parts II, III, IV, and V, line 1*	34	Yes	
35a	Is any related organization a controlled entity of the filing organization within the meaning of section 512(b)(13)?	35a	Yes	
b	Did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? *If "Yes," complete Schedule R, Part V, line 2*	35b	Yes	
36	**Section 501(c)(3) organizations.** Did the organization make any transfers to an exempt non-charitable related organization? *If "Yes," complete Schedule R, Part V, line 2*	36		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? *If "Yes," complete Schedule R, Part VI*	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	1a	649			
b	Enter the number of Forms W-2G included in line 1a *Enter -0-* if not applicable	1b	0			
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?			1c	Yes	
2a	Enter the number of employees reported on Form W-3, *Transmittal of Wage and Tax Statements* filed for the calendar year ending with or within the year covered by this return	2a	2,085			
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns?			2b	Yes	
	Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions)					
3a	Did the organization have unrelated business gross income of $1,000 or more during the year?			3a	Yes	
b	If "Yes," has it filed a Form 990-T for this year? *If "No," provide an explanation in Schedule O*			3b	Yes	
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account 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	Yes	
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?			7b	Yes	
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?			7c		No
d	If "Yes," indicate the number of Forms 8282 filed during the year	7d				
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?			7e		No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? . .			7f		No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?			7g		
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?			7h		
8	**Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.** Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?			8		
9	**Sponsoring organizations maintaining donor advised funds.**					
a	Did the organization make any taxable distributions under section 4966?			9a		
b	Did the organization make a distribution to a donor, donor advisor, or related person?			9b		
10	**Section 501(c)(7) organizations.** Enter					
a	Initiation fees and capital contributions included on Part VIII, line 12 . . .	10a				
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities	10b				
11	**Section 501(c)(12) organizations.** Enter					
a	Gross income from members or shareholders	11a				
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them)	11b				
12a	**Section 4947(a)(1) non-exempt charitable trusts.** Is the organization filing Form 990 in lieu of Form 1041?			12a		
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year	12b				
13	**Section 501(c)(29) qualified nonprofit health insurance issuers.**					
a	Is the organization licensed to issue qualified health plans in more than one state? **Note.** All 501(c)(29) organizations must list in Schedule O each state in which they are licensed to issue qualified health plans, the amount of reserves required by each state, and the amount of reserves the organization allocated to each state			13a		
b	Enter the aggregate amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans	13b				
c	Enter the aggregate amount of reserves on hand	13c				
14a	Did the organization receive any payments for indoor tanning services during the tax year?			14a		No
b	If "Yes," has it filed a Form 720 to report these payments? *If "No," provide an explanation in Schedule O* . .			14b		

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

Check if Schedule O contains a response to any question in this Part VI . . . . ☑

Section A. Governing Body and Management

				Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year	1a 17			
b	Enter the number of voting members included in line 1a, above, who are independent	1b 14			
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?		2		No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person?		3		No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?		4		No
5	Did the organization become aware during the year of a significant diversion of the organization's assets?		5		No
6	Did the organization have members or stockholders?		6	Yes	
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?		7a	Yes	
b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?		7b	Yes	
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following				
a	The governing body?		8a	Yes	
b	Each committee with authority to act on behalf of the governing body?		8b	Yes	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O		9		No

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

			Yes	No
10a	Did the organization have local chapters, branches, or affiliates?	10a		No
b	If "Yes," did the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with the organization's exempt purposes?	10b		
11a	Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form?	11a	Yes	
b	Describe in Schedule O the process, if any, used by the organization to review the Form 990			
12a	Did the organization have a written conflict of interest policy? *If "No," go to line 13*	12a	Yes	
b	Were officers, directors or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	12b	Yes	
c	Did the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this was done	12c	Yes	
13	Did the organization have a written whistleblower policy?	13	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?			
a	The organization's CEO, Executive Director, or top management official	15a	Yes	
b	Other officers or key employees of the organization	15b	Yes	
	If "Yes," to line 15a or 15b, describe the process in Schedule O (see instructions)			
16a	Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year?	16a	Yes	
b	If "Yes," did the organization follow a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and take steps to safeguard the organization's exempt status with respect to such arrangements?	16b	Yes	

Section C. Disclosure

17 List the States with which a copy of this Form 990 is required to be filed ▶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

☐ Own website ☐ Another's website ☑ 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 ▶

WALTER ZAJAC CFO
219 SOUTH WASHINGTON ST
EASTON, MD 21601
(410) 822-1000

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			
See Additional Data Table										

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) Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former	(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
See Additional Data Table										

		(D)	(E)	(F)
1b	**Sub-Total** ▶			
c	**Total from continuation sheets to Part VII, Section A** ▶			
d	**Total (add lines 1b and 1c)** ▶	3,368,257	2,642,991	495,228

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 ▶63

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

Section B. Independent Contractors

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

(A) Name and business address	(B) Description of services	(C) Compensation
Eagle Hospital Physicians LLC 16000 N Dallas Parkway Suite 450 DALLAS, TX 75248	Mgmt Fees	1,934,013
Tidewater Anesthesia Assoc PA PO Box 1208 EASTON, MD 21601	Prof Services	1,663,478
Willow Construction LLC 400 Maryland Ave EASTON, MD 21601	Construction	1,104,886
Innovative Health Services LLC PO Box 778 EASTON, MD 21601	Mgmt Fees	758,069
University of MD Neurosurgery Assoc 22 S Greene St Suite 212D BALTIMORE, MD 21201	Prof Services	605,822

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 ▶27

Part VIII Statement of Revenue

				(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514
Contributions, gifts, grants and other similar amounts	1a	Federated campaigns . .	1a				
	b	Membership dues	1b				
	c	Fundraising events	1c 54,389				
	d	Related organizations . . .	1d 877,191				
	e	Government grants (contributions)	1e 121,624				
	f	All other contributions, gifts, grants, and similar amounts not included above	1f 141,075				
	g	Noncash contributions included in lines 1a-1f $					
	h	**Total.** Add lines 1a-1f . . . . ▶		1,194,279			
Program Service Revenue			Business Code				
	2a	PATIENT SERVICE REVENUE	621500	221,078,335	214,990,311	6,088,024	
	b	OTHER OPERATING REVENUE	900099	4,532,835	4,532,835		
	c						
	d						
	e						
	f	All other program service revenue					
	g	**Total.** Add lines 2a–2f . . . . ▶		225,611,170			
Other Revenue	3	Investment income (including dividends, interest and other similar amounts) . . . . . ▶		-4,312,373			-4,312,373
	4	Income from investment of tax-exempt bond proceeds . . ▶		0			
	5	Royalties . . . . ▶		0			
			(i) Real / (ii) Personal				
	6a	Gross rents	(i) 365,680				
	b	Less rental expenses	(i) 128,163				
	c	Rental income or (loss)	(i) 237,517				
	d	Net rental income or (loss) . . . . ▶		237,517			237,517
			(i) Securities / (ii) Other				
	7a	Gross amount from sales of assets other than inventory	(i) 2,042,968				
	b	Less cost or other basis and sales expenses					
	c	Gain or (loss)	(i) 2,042,968				
	d	Net gain or (loss) . . . . ▶		2,042,968			2,042,968
	8a	Gross income from fundraising events (not including $ 54,389 of contributions reported on line 1c) See Part IV, line 18 . . . a	5,335				
	b	Less direct expenses . . . b	8,607				
	c	Net income or (loss) from fundraising events . . ▶		-3,272			-3,272
	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	JOINT VENTURE REVENUE	900099	2,272	2,272		
	b						
	c						
	d	All other revenue					
	e	**Total.** Add lines 11a–11d . . . . . . ▶		2,272			
	12	**Total revenue.** See Instructions . . . ▶		224,772,561	219,525,418	6,088,024	-2,035,160

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	0			
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	3,584,004	3,499,436	84,568	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	78,146,806	68,530,388	9,616,418	
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	2,936,102	2,587,603	348,499	
9	Other employee benefits	14,107,473	12,432,996	1,674,477	
10	Payroll taxes	6,138,537	5,409,927	728,610	
11	Fees for services (non-employees)				
a	Management	0			
b	Legal	37,774		37,774	
c	Accounting	1,545,845		1,545,845	
d	Lobbying	19,900	19,900		
e	Professional fundraising *See Part IV, line 17* . .	0			
f	Investment management fees	0			
g	Other	21,577,486	14,457,784	7,119,702	
12	Advertising and promotion	794,851	794,851		
13	Office expenses	2,323,202	1,932,727	390,475	
14	Information technology	6,835,286	136,230	6,699,056	
15	Royalties . .	0			
16	Occupancy	5,654,705	5,654,705		
17	Travel	301,241	266,110	35,131	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials	0			
19	Conferences, conventions, and meetings	0			
20	Interest	3,567,385	710,816	2,856,569	
21	Payments to affiliates	0			
22	Depreciation, depletion, and amortization	13,804,675	13,082,944	721,731	
23	Insurance	2,788,991	2,788,991		
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	BAD DEBT	2,371,312	2,371,312		
b	MEDICAL SUPPLIES	30,756,979	30,756,979		
c	RECRUITMENT	598,907	444,378	154,529	
d	EXPENDITURES FOR FUND PURPOSES	166,232	166,232		
e					
f	All other expenses	9,163,257	8,034,077	1,129,180	
25	**Total functional expenses.** Add lines 1 through 24f	207,220,950	174,078,386	33,142,564	0
26	**Joint costs.** Check here ▶ ☐ if following SOP 98-2 (ASC 958-720) Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation				

Part X **Balance Sheet**

				(A) Beginning of year		(B) End of year
Assets	1	Cash—non-interest-bearing		13,584,502	1	17,315,902
	2	Savings and temporary cash investments		0	2	0
	3	Pledges and grants receivable, net		26,391,398	3	28,938,280
	4	Accounts receivable, net		0	4	0
	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		3,773,781	8	3,367,228
	9	Prepaid expenses and deferred charges		940,539	9	808,307
	10a	Land, buildings, and equipment cost or other basis *Complete Part VI of Schedule D*	10a 273,120,416			
	b	Less accumulated depreciation	10b 145,732,584	112,836,175	10c	127,387,832
	11	Investments—publicly traded securities		30,162,177	11	29,179,138
	12	Investments—other securities See Part IV, line 11		25,000,000	12	25,000,000
	13	Investments—program-related See Part IV, line 11		0	13	0
	14	Intangible assets		0	14	0
	15	Other assets See Part IV, line 11		91,671,405	15	99,376,455
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)		304,359,977	16	331,373,142
Liabilities	17	Accounts payable and accrued expenses		18,424,310	17	21,368,350
	18	Grants payable		0	18	0
	19	Deferred revenue		0	19	3,031
	20	Tax-exempt bond liabilities		0	20	0
	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		1,676,876	23	682,671
	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		104,372,282	25	123,112,090
	26	**Total liabilities.** Add lines 17 through 25		124,473,468	26	145,166,142
Net Assets or Fund Balances		**Organizations that follow SFAS 117, check here ▶ ☑ and complete lines 27 through 29, and lines 33 and 34.**				
	27	Unrestricted net assets		155,505,594	27	160,571,116
	28	Temporarily restricted net assets		12,196,575	28	11,798,446
	29	Permanently restricted net assets		12,184,340	29	13,837,438
		Organizations that do not follow SFAS 117, check here ▶ ☐ 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		179,886,509	33	186,207,000
	34	Total liabilities and net assets/fund balances		304,359,977	34	331,373,142

Part XI Reconcilliation 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	224,772,561
2	Total expenses (must equal Part IX, column (A), line 25)	2	207,220,950
3	Revenue less expenses Subtract line 2 from line 1	3	17,551,611
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A)) . .	4	179,886,509
5	Other changes in net assets or fund balances (explain in Schedule O)	5	-11,231,120
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	186,207,000

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 ☐ Cash ☑ Accrual ☐ 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? . .	2a		No
b	Were the organization's financial statements audited by an independent accountant?	2b	Yes	
c	If "Yes," to 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant? If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O	2c	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 ☐ Separate basis ☑ Consolidated basis ☐ 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?	3a		
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 . .	3b		

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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
SHORE HEALTH SYSTEM INC

Employer identification number
52-0610538

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 See **section 509(a)(4).**
11 ☐ An organization organized and operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2) See **section 509(a)(3).** Check the box that describes the type of supporting organization and complete lines 11e through 11h
a ☐ Type I **b** ☐ Type II **c** ☐ Type III - Functionally integrated **d** ☐ Type III - Other
e ☐ By checking this box, I certify that the organization is not controlled directly or indirectly by one or more disqualified persons other than foundation managers and other than one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2)
f If the organization received a written determination from the IRS that it is a Type I, Type II or Type III supporting organization, check this box ☐
g Since August 17, 2006, has the organization accepted any gift or contribution from any of the following persons?

		Yes	No
(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?	**11g(i)**		
(ii) a family member of a person described in (i) above?	**11g(ii)**		
(iii) a 35% controlled entity of a person described in (i) or (ii) above?	**11g(iii)**		

h Provide the following information about the supported organization(s)

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

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

Section A. Public Support

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

Section B. Total Support

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

12 Gross receipts from related activities, etc (See instructions) | 12 |

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

Section C. Computation of Public Support Percentage

14 Public Support Percentage for 2011 (line 6 column (f) divided by line 11 column (f)) | 14 |

15 Public Support Percentage for 2010 Schedule A, Part II, line 14 | 15 |

16a **33 1/3% support test—2011.** If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

b **33 1/3% support test—2010.** If the organization did not check the box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

17a **10%-facts-and-circumstances test—2011.** If the organization did not check a box on line 13, 16a, or 16b and line 14 is 10% or more, and if the organization meets the "facts and circumstances" test, check this box and **stop here.** Explain in Part IV how the organization meets the "facts and circumstances" test The organization qualifies as a publicly supported organization ▶☐

b **10%-facts-and-circumstances test—2010.** If the organization did not check a box on line 13, 16a, 16b, or 17a and line 15 is 10% or more, and if the organization meets the "facts and circumstances" test, check this box and **stop here.** Explain in Part IV how the organization meets the "facts and circumstances" test The organization qualifies as a publicly supported organization ▶☐

18 **Private Foundation** If the organization did not check a box on line 13, 16a, 16b, 17a or 17b, check this box and see instructions ▶☐

Part 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

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	Employer identification number
SHORE HEALTH SYSTEM INC	52-0610538

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

1 Provide a description of the organization's direct and indirect political campaign activities on behalf of or in opposition to candidates for public office in Part IV

2 Political expenditures ▶ $

3 Volunteer hours

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

1 Enter the amount of any excise tax incurred by the organization under section 4955 ▶ $

2 Enter the amount of any excise tax incurred by organization managers under section 4955 ▶ $

3 If the organization incurred a section 4955 tax, did it file Form 4720 for this year? ☐ Yes ☐ No

4a Was a correction made? ☐ Yes ☐ No

b If "Yes," describe in Part IV

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

1 Enter the amount directly expended by the filing organization for section 527 exempt function activities ▶ $

2 Enter the amount of the filing organization's funds contributed to other organizations for section 527 exempt funtion activities ▶ $

3 Total exempt function expenditures Add lines 1 and 2 Enter here and on Form 1120-POL, line 17b ▶ $

4 Did the filing organization file **Form 1120-POL** for this year? ☐ Yes ☐ No

5 Enter the names, addresses and employer identification number (EIN) of all section 527 political organizations to which the filing organization made payments For each organization listed, enter the amount paid from the filing organization's funds Also enter the amount of political contributions received that were promptly and directly delivered to a separate political organization, such as a separate segregated fund or a political action committee (PAC) If additional space is needed, provide information in Part IV

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

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

A Check ☐ if the filing organization belongs to an affiliated group (and list in Part IV each affiliated group member's name, address, EIN, expenses, and share of excess lobbying expenditures)

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

Limits on Lobbying Expenditures (The term "expenditures" means amounts paid or incurred.)	**(a)** Filing Organization's Totals	**(b)** Affiliated Group Totals
1a Total lobbying expenditures to influence public opinion (grass roots lobbying)		
b Total lobbying expenditures to influence a legislative body (direct lobbying)		
c Total lobbying expenditures (add lines 1a and 1b)		
d Other exempt purpose expenditures		
e Total exempt purpose expenditures (add lines 1c and 1d)		
f Lobbying nontaxable amount Enter the amount from the following table in both columns		

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

	(a)	(b)
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? ☐ **Yes** ☐ **No**

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

Lobbying Expenditures During 4-Year Averaging Period

Calendar year (or fiscal year beginning in)	**(a)** 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) Yes	(a) No	(b) 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		19,900
j	Total lines 1c through 1i			19,900
2a	Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No	
b	If "Yes," enter the amount of any tax incurred under section 4912			
c	If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
d	If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?			

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

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

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

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

Part IV Supplemental Information

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

Identifier	Return Reference	Explanation
Other Activities	Schedule C, Part II-B, Line 1i	THE ORGANIZATION DOES NOT ENGAGE IN ANY DIRECT LOBBYING ACTIVITIES THE ORGANIZATION PAYS MEMBERSHIP DUES TO THE MARYLAND HOSPITAL ASSOCIATION (MHA) AND THE AMERICAN HOSPITAL ASSOCIATION (AHA) and American Medical Rehabilitation Providers Association (AMRPA) MHA, AHA AND AMRPA ENGAGE IN MANY SUPPORT ACTIVITIES INCLUDING LOBBYING AND ADVOCATING FOR THEIR MEMBER HOSPITALS THE MHA, AHA, and AMRPA REPORTED THAT 7 35%, 24 60%, and 29 0% RESPECTIVELY OF MEMBER DUES WERE USED FOR LOBBYING PURPOSES AND AS SUCH, THE ORGANIZATION HAS REPORTED THIS AMOUNT ON SCHEDULE C PART II-B LINE 1I AS LOBBYING ACTIVITIES

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
SHORE HEALTH SYSTEM INC

Employer identification number
52-0610538

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? ☐ Yes ☐ No

6 Did the organization inform all grantees, donors, and donor advisors in writing that grant funds may be used only for charitable purposes and not for the benefit of the donor or donor advisor, or for any other purpose conferring impermissible private benefit ☐ Yes ☐ No

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

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

☐ Preservation of land for public use (e g , recreation or pleasure)
☐ Protection of natural habitat
☐ Preservation of open space
☐ Preservation of an historically importantly land area
☐ Preservation of a certified historic structure

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	2a	
b	Total acreage restricted by conservation easements	2b	
c	Number of conservation easements on a certified historic structure included in (a)	2c	
d	Number of conservation easements included in (c) acquired after 8/17/06	2d	

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

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

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

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

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

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

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

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

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

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

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

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

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

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

b Assets included in Form 990, Part X ▶ $

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

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

a ☐ Public exhibition
b ☐ Scholarly research
c ☐ Preservation for future generations
d ☐ Loan or exchange programs
e ☐ Other

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

5 During the year, did the organization solicit or receive donations of art, historical treasures or other similar assets to be sold to raise funds rather than to be maintained as part of the organization's collection? ☐ Yes ☐ No

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

1a Is the organization an agent, trustee, custodian or other intermediary for contributions or other assets not included on Form 990, Part X? ☐ Yes ☐ No

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

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

2a Did the organization include an amount on Form 990, Part X, line 21? ☐ Yes ☐ No

b If "Yes," explain the arrangement in Part XIV

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

	(a) Current Year	(b) Prior Year	(c) Two Years Back	(d) Three Years Back	(e) Four Years Back
1a Beginning of year balance	2,404,542	2,404,542	2,404,542	2,404,542	
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	2,404,542	2,404,542	2,404,542	2,404,542	

2 Provide the estimated percentage of the year end balance held as

a Board designated or quasi-endowment ▶

b Permanent endowment ▶ 100 000 %

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)		No
(ii) related organizations	3a(ii)		No
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	0	3,154,541		3,154,541
b Buildings		127,110,942	45,078,679	82,032,263
c Leasehold improvements				
d Equipment		142,854,933	100,653,905	42,201,028
e Other		0		0
Total. Add lines 1a-1e *(Column (d) should equal Form 990, Part X, column (B), line 10(c).)* ▶				127,387,832

Part VII Investments—Other Securities. See Form 990, Part X, line 12.

(a) Description of security or category (including name of security)	(b) Book value	(c) Method of valuation Cost or end-of-year market value
(1) Financial derivatives		
(2) Closely-held equity interests		
(3) Other		
(A) RELATED TO AFFILIATION AGMT	25,000,000	F
Total. *(Column (b) should equal Form 990, Part X, col (B) line 12)* ▶	25,000,000	

Part VIII Investments—Program Related. See Form 990, Part X, line 13.

(a) Description of investment type	(b) Book value	(c) Method of valuation Cost or end-of-year market value
Total. *(Column (b) should equal Form 990, Part X, col (B) line 13)* ▶		

Part IX Other Assets. See Form 990, Part X, line 15.

(a) Description	(b) Book value
(1) ASSETS WHOSE USE IS LIMITED	22,644,507
(2) OTHER RECEIVABLES	839,424
(3) ASSETS OF RELATED ORGANIZATION	59,597,642
(4) OTHER ASSETS	15,581,134
(5) CURRENT PORTION	713,748
Total. *(Column (b) should equal Form 990, Part X, col.(B) line 15.)* . . . . ▶	99,376,455

Part X Other Liabilities. See Form 990, Part X, line 25.

1 (a) Description of Liability	(b) Amount
Federal Income Taxes	0
ADVANCES FROM 3RD PARTY PAYORS	6,704,088
OTHER LIABILITIES	30,695,876
DUE TO UMMS	85,712,126
Total. *(Column (b) should equal Form 990, Part X, col (B) line 25)* ▶	123,112,090

2. Fin 48 (ASC 740) Footnote In Part XIV, provide the text of the footnote to the organization's financial statements that reports the organization's liability for uncertain tax positions under FIN 48 (ASC740)

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

Part XII Reconciliation of Revenue per Audited Financial Statements With Revenue per Return

1	Total revenue, gains, and other support per audited financial statements			1	
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12				
a	Net unrealized gains on investments	2a			
b	Donated services and use of facilities	2b			
c	Recoveries of prior year grants	2c			
d	Other (Describe in Part XIV)	2d			
e	Add lines **2a** through **2d**			2e	
3	Subtract line **2e** from line **1**			3	
4	Amounts included on Form 990, Part VIII, line 12, but not on line **1**				
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a			
b	Other (Describe in Part XIV)	4b			
c	Add lines **4a** and **4b**			4c	
5	Total Revenue Add lines **3** and **4c.** (This should equal Form 990, Part I, line 12)			5	

Part XIII Reconciliation of Expenses per Audited Financial Statements With Expenses per Return

1	Total expenses and losses per audited financial statements			1	
2	Amounts included on line 1 but not on Form 990, Part IX, line 25				
a	Donated services and use of facilities	2a			
b	Prior year adjustments	2b			
c	Other losses	2c			
d	Other (Describe in Part XIV)	2d			
e	Add lines **2a** through **2d**			2e	
3	Subtract line **2e** from line **1**			3	
4	Amounts included on Form 990, Part IX, line 25, but not on line **1:**				
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a			
b	Other (Describe in Part XIV)	4b			
c	Add lines **4a** and **4b**			4c	
5	Total expenses Add lines **3** and **4c.** (This should equal Form 990, Part I, line 18)			5	

Part XIV Supplemental Information

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

Identifier	Return Reference	Explanation
Intended Uses of Endowment Funds	Schedule D, Part V, Line 4	ENDOWMENT FUNDS ARE USED TO SUPPORT THE HEALTHCARE MISSION OF SHORE HEALTH SYSTEM INVESTMENT EARNINGS ON THE ENDOWMENT FUND ARE TRANSFERED TO RESTRICTED AND UNRESTRICTED FUNDS IN SUPPORT OF THE ORGANIZATION'S TAX EXEMPT MISSION
Liability for Uncertain Tax Position (ASC 740)	Schedule D, Part X, Line 2	The organization is a subsidiary of the University of Maryland Medical System Corporation (The Corporation) The Corporation adopted the provisions of ASC 740, Accounting for Uncertainty in the Income Taxes (FIN 48) on July 1, 2007 The footnote related to ASC 740 in the Corporation's audited financial statements is as follows The Corporation follows a threshold of more-likely-than-not for recognition and derecognition of tax positions taken or expected to be taken in a tax return Management does not believe that there are any unrecognized tax benefits that should be recognized

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SCHEDULE G
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information Regarding Fundraising or Gaming Activities

Complete if the organization answered "Yes" to Form 990, Part IV, lines 17, 18, or 19, or if the organization entered more than $15,000 on Form 990-EZ, line 6a.
▶ Attach to Form 990 or Form 990-EZ. ▶ See separate instructions.

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
SHORE HEALTH SYSTEM INC

Employer identification number
52-0610538

Part I **Fundraising Activities.** Complete if the organization answered "Yes" to Form 990, Part IV, line 17.

1 Indicate whether the organization raised funds through any of the following activities Check all that apply

a ☐ Mail solicitations
b ☐ Internet and e-mail solicitations
c ☐ Phone solicitations
d ☐ In-person solicitations
e ☐ Solicitation of non-government grants
f ☐ Solicitation of government grants
g ☐ Special fundraising events

2a Did the organization have a written or oral agreement with any individual (including officers, directors, trustees or key employees listed in Form 990, Part VII) or entity in connection with professional fundraising services? ☐ **Yes** ☐ **No**

b If "Yes," list the ten highest paid individuals or entities (fundraisers) pursuant to agreements under which the fundraiser is to be compensated at least $5,000 by the organization Form 990-EZ filers are not required to complete this table

(i) Name and address of individual or entity (fundraiser)	**(ii)** Activity	**(iii)** Did fundraiser have custody or control of contributions? Yes	No	**(iv)** Gross receipts from activity	**(v)** Amount paid to (or retained by) fundraiser listed in col **(i)**	**(vi)** Amount paid to (or retained by) organization
Total . . . . ▶						

3 List all states in which the organization is registered or licensed to solicit funds or has been notified it is exempt from registration or licensing

Part II **Fundraising Events.** Complete if the organization answered "Yes" to Form 990, Part IV, line 18, or reported more than $15,000 on Form 990-EZ, line 6a. List events with gross receipts greater than $5,000.

			(a) Event #1 Dinner/Dance (event type)	(b) Event #2 (event type)	(c) Other Events 0 (total number)	(d) Total Events (Add col (a) through col (c))
Revenue	1	Gross receipts . . .	59,724			59,724
	2	Less Charitable contributions . . .	54,389			54,389
	3	Gross income (line 1 minus line 2) . . .	5,335			5,335
Direct Expenses	4	Cash prizes . . .				
	5	Non-cash prizes . .				
	6	Rent/facility costs . .	770			770
	7	Food and beverages . .	3,793			3,793
	8	Entertainment . . .	240			240
	9	Other direct expenses .	3,804			3,804
	10	Direct expense summary Add lines 4 through 9 in column (d) . . . . ▶				(8,607)
	11	Net income summary Combine lines 3 and 10 in column (d). . . . . ▶				-3,272

Part III **Gaming.** Complete if the organization answered "Yes" to Form 990, Part IV, line 19, or reported more than $15,000 on Form 990-EZ, line 6a.

			(a) Bingo	(b) Pull tabs/Instant bingo/progressive bingo	(c) Other gaming	(d) Total gaming (Add col (a) through col (c))
Revenue	1	Gross revenue				
Direct Expenses	2	Cash prizes				
	3	Non-cash prizes . . .				
	4	Rent/facility costs . . .				
	5	Other direct expenses . .				
	6	Volunteer labor . . .	☐ Yes ______ ☐ No	☐ Yes ______ ☐ No	☐ Yes ______ ☐ No	
	7	Direct expense summary Add lines 2 through 5 in column (d) . . . . ▶				( )
	8	Net gaming income summary Combine lines 1 and 7 in column (d) . . . . ▶				

9 Enter the state(s) in which the organization operates gaming activities ____________

a Is the organization licensed to operate gaming activities in each of these states? . . . . ☐ Yes ☐ No

b If "No," Explain ____________

10a Were any of the organization's gaming licenses revoked, suspended or terminated during the tax year? . . . . . . ☐ Yes ☐ No

b If "Yes," Explain ____________

11 Does the organization operate gaming activities with nonmembers? . . . . ☐ Yes ☐ No

12 Is the organization a grantor, beneficiary or trustee of a trust or a member of a partnership or other entity formed to administer charitable gaming? . . . . ☐ Yes ☐ No

13 Indicate the percentage of gaming activity operated in

a The organization's facility	13a	
b An outside facility	13b	

14 Provide the name and address of the person who prepares the organization's gaming/special events books and records

Name ▶

Address ▶

15a Does the organization have a contract with a third party from whom the organization receives gaming revenue? . . . . ☐ Yes ☐ No

b If "Yes," enter the amount of gaming revenue received by the organization ▶ $ ____________ and the amount of gaming revenue retained by the third party ▶ $ ____________

c If "Yes," enter name and address

Name ▶

Address ▶

16 Gaming manager information

Name ▶

Gaming manager compensation ▶ $

Description of services provided ▶

☐ Director/officer ☐ Employee ☐ Independent contractor

17 Mandatory distributions

a Is the organization required under state law to make charitable distributions from the gaming proceeds to retain the state gaming license? . . . . ☐ Yes ☐ No

b Enter the amount of distributions required under state law distributed to other exempt organizations or spent in the organization's own exempt activities during the tax year ▶ $

Part IV Complete this part to provide additional information for responses to quuestion on Schedule G (see instructions.)

Identifier	ReturnReference	Explanation

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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
SHORE HEALTH SYSTEM INC

Employer identification number
52-0610538

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 ☑ Applied uniformly to all hospitals ☐ Applied uniformly to most hospitals ☐ Generally tailored to individual hospitals			
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 *free* care? If "Yes," indicate which of the following is the FPG family income limit for eligibility for free care	3a	Yes	
	☐ 100% ☐ 150% ☑ 200% ☐ Other ______ %			
b	Did the organization use FPG to determine eligibility for providing *discounted* care? If "Yes," indicate which of the following is the family income limit for eligibility for discounted care	3b	Yes	
	☐ 200% ☐ 250% ☐ 300% ☐ 350% ☐ 400% ☑ Other 500. %			
c	If the organization did not use FPG to determine eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care Include in the description whether the organization uses an asset test or other threshold, regardless of income, to determine eligibility for free or discounted care			
4	Did the organization's policy provide free or discounted care to the "medically indigent"?	4	Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	5a	Yes	
b	If "Yes," did the organization's charity care expenses exceed the budgeted amount?	5b	Yes	
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 eligibile for free or discounted care?	5c		No
6a	Did the organization prepare a community benefit reportduring 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)			9,351,439		9,351,439	4 510 %
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			9,351,439		9,351,439	4 510 %
Other Benefits						
e Community health improvement services and community benefit operations (from (Worksheet 4)			1,280,910	60,964	1,219,946	0 590 %
f Health professions education (from Worksheet 5)			1,327,285		1,327,285	0 640 %
g Subsidized health services (from Worksheet 6)			2,801,738		2,801,738	1 350 %
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)			136,982		136,982	0 070 %
j **Total** Other Benefits			5,546,915	60,964	5,485,951	2 650 %
k **Total.** Add lines 7d and 7j			14,898,354	60,964	14,837,390	7 160 %

Part II **Community 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
1 Physical improvements and housing						
2 Economic development						
3 Community support			1,449		1,449	
4 Environmental improvements						
5 Leadership development and training for community members						
6 Coalition building			8,701		8,701	
7 Community health improvement advocacy			933		933	
8 Workforce development			138,935		138,935	0 070 %
9 Other						
10 **Total**			150,018		150,018	0 070 %

Part III **Bad Debt, Medicare, & Collection Practices**

Section A. Bad Debt Expense

				Yes	No
1	Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No 15?		1	Yes	
2	Enter the amount of the organization's bad debt expense	2	1,650,172		
3	Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's charity care policy	3			
4	Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense In addition, describe the costing methodology used in determining the amounts reported on lines 2 and 3, and rationale for including a portion of bad debt amounts as community benefit				

Section B. Medicare

5	Enter total revenue received from Medicare (including DSH and IME)	5	102,476,723
6	Enter Medicare allowable costs of care relating to payments on line 5	6	81,078,281
7	Subtract line 6 from line 5 This is the surplus or (shortfall)	7	21,398,442
8	Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6 Check the box that describes the method used		

☐ Cost accounting system ☑ Cost to charge ratio ☐ Other

Section C. Collection Practices

			Yes	No
9a	Did the organization have a written debt collection policy during the tax year?	9a	Yes	
b	If "Yes," did the organization's collection policy that applied to the largest number of its patients during the tax year contain provisions on the collection practices to be followed for patients who are known to qualify for financial assistance? Describe in Part VI	9b	Yes	

Part IV **Management 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					
8					
9					
10					
11					
12					
13					

Part V Facility Information

Section A. Hospital Facilities

(list in order of size from largest to smallest)

How many hospital facilities did the organization operate during the tax year? 2

	Name and address	Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (Describe)
1	THE MEMORIAL HOSPITAL AT EASTON 219 S WASHINGTON STREET EASTON, MD 21601	X	X					X		
2	DORCHESTER GENERAL HOSPITAL 300 BYRN STREET CAMBRIDGE, MD 21613	X	X					X		

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)

Name of Hospital Facility: THE MEMORIAL HOSPITAL AT EASTON

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	1		
If "Yes," indicate what the Needs Assessment describes (check all that apply) a ☐ A definition of the community served by the hospital facility b ☐ Demographics of the community c ☐ Existing health care facilities and resources within the community that are available to respond to the health needs of the community d ☐ How data was obtained e ☐ The health needs of the community f ☐ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups g ☐ The process for identifying and prioritizing community health needs and services to meet those needs h ☐ The process for consulting with persons representing the community's interests i ☐ Information gaps that limit the hospital facility's ability to assess the community's health needs j ☐ Other (describe in Part VI)			
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?	5		
If "Yes," indicate how the Needs Assessment was made widely available (check all that apply) a ☐ Hospital facility's website b ☐ Available upon request from the hospital facility c ☐ Other (describe in Part VI)			
6 If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply) a ☐ Adoption of an implementation strategy to address the health needs of the hospital facility's community b ☐ Execution of the implementation strategy c ☐ Development of a community-wide community benefit plan for the facility d ☐ Participation in community-wide community benefit plan e ☐ Inclusion of a community benefit section in operational plans f ☐ Adoption of a budget for provision of services that address the needs identified in the CHNA g ☐ Prioritization of health needs in the community h ☐ Prioritization of services that the hospital facility will undertake to meet health needs in its community i ☐ 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?	9	Yes	
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			

Part V Facility Information *(continued)*

			Yes	No
10	Used FPG to determine eligibility for providing discounted care?	10	Yes	
	If "Yes," indicate the FPG family income limit for eligibility for discounted care 500 % If "No," explain in Part VI the criteria the hospital facility used			
11	Explained the basis for calculating amounts charged to patients?	11	Yes	
	If "Yes," indicate the factors used in determining such amounts (check all that apply) **a** ☑ Income level **b** ☑ Asset level **c** ☑ Medical indigency **d** ☑ Insurance status **e** ☐ Uninsured discount **f** ☐ Medicaid/Medicare **g** ☐ State regulation **h** ☐ Other (describe in Part VI)			
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?	13	Yes	
	If "Yes," indicate how the hospital facility publicized the policy (check all that apply) **a** ☐ The policy was posted at all times on the hospital facility's web site **b** ☑ The policy was attached to all billing invoices **c** ☑ The policy was posted in the hospital facility's emergency rooms or waiting rooms **d** ☑ The policy was posted in the hospital facility's admissions offices **e** ☑ The policy was provided, in writing, to patients upon admission to the hospital facility **f** ☑ The policy was available upon request **g** ☐ Other (describe in Part VI)			
	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** ☑ Reporting to credit agency **b** ☑ Lawsuits **c** ☐ Liens on residences **d** ☐ Body attachments or arrests **e** ☐ 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?	16	Yes	
	If "Yes," check all actions in which the hospital facility or a third party engaged **a** ☑ Reporting to credit agency **b** ☑ Lawsuits **c** ☐ Liens on residences **d** ☐ Body attachments **e** ☐ Other similar actions (describe in Part VI)			
17	Indicate which efforts the hospital facility made before initiating any of the actions checked in question 16 (check all that apply) **a** ☑ Notified patients of the financial assistance policy upon admission **b** ☑ Notified patients of the financial assistance policy prior to discharge **c** ☑ Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills **d** ☑ Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy **e** ☐ 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?	**18**	Yes	

If "No," indicate why

- **a** ☐ The hospital facility did not provide care for any emergency medical conditions
- **b** ☐ The hospital facility's policy was not in writing
- **c** ☐ The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)
- **d** ☐ 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** ☐ The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged
- **b** ☐ The hospital facility used the average of it's three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged
- **c** ☐ The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged
- **d** ☐ Other (describe in Part VI)

		Yes	No
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?	**20**		No
If "Yes," explain in Part VI			
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?	**21**	Yes	
If "Yes," explain in Part VI			

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)

Name of Hospital Facility: DORCHESTER GENERAL HOSPITAL

Line Number of Hospital Facility (from Schedule H, Part V, Section A): 2

		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	1		
If "Yes," indicate what the Needs Assessment describes (check all that apply) a ☐ A definition of the community served by the hospital facility b ☐ Demographics of the community c ☐ Existing health care facilities and resources within the community that are available to respond to the health needs of the community d ☐ How data was obtained e ☐ The health needs of the community f ☐ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups g ☐ The process for identifying and prioritizing community health needs and services to meet those needs h ☐ The process for consulting with persons representing the community's interests i ☐ Information gaps that limit the hospital facility's ability to assess the community's health needs j ☐ Other (describe in Part VI)			
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?	5		
If "Yes," indicate how the Needs Assessment was made widely available (check all that apply) a ☐ Hospital facility's website b ☐ Available upon request from the hospital facility c ☐ Other (describe in Part VI)			
6 If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply) a ☐ Adoption of an implementation strategy to address the health needs of the hospital facility's community b ☐ Execution of the implementation strategy c ☐ Development of a community-wide community benefit plan for the facility d ☐ Participation in community-wide community benefit plan e ☐ Inclusion of a community benefit section in operational plans f ☐ Adoption of a budget for provision of services that address the needs identified in the CHNA g ☐ Prioritization of health needs in the community h ☐ Prioritization of services that the hospital facility will undertake to meet health needs in its community i ☐ 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?	9	Yes	
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			

Part V Facility Information *(continued)*

			Yes	No
10	Used FPG to determine eligibility for providing discounted care?	10	Yes	
	If "Yes," indicate the FPG family income limit for eligibility for discounted care 500 % If "No," explain in Part VI the criteria the hospital facility used			
11	Explained the basis for calculating amounts charged to patients?	11	Yes	
	If "Yes," indicate the factors used in determining such amounts (check all that apply) a ☑ Income level b ☑ Asset level c ☑ Medical indigency d ☑ Insurance status e ☐ Uninsured discount f ☐ Medicaid/Medicare g ☐ State regulation h ☐ Other (describe in Part VI)			
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?	13	Yes	
	If "Yes," indicate how the hospital facility publicized the policy (check all that apply) a ☐ The policy was posted at all times on the hospital facility's web site b ☑ The policy was attached to all billing invoices c ☑ The policy was posted in the hospital facility's emergency rooms or waiting rooms d ☑ The policy was posted in the hospital facility's admissions offices e ☑ The policy was provided, in writing, to patients upon admission to the hospital facility f ☑ The policy was available upon request g ☐ Other (describe in Part VI)			

Billing and Collections

			Yes	No
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 ☑ Reporting to credit agency b ☑ Lawsuits c ☐ Liens on residences d ☐ Body attachments or arrests e ☐ 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?	16	Yes	
	If "Yes," check all actions in which the hospital facility or a third party engaged a ☑ Reporting to credit agency b ☑ Lawsuits c ☐ Liens on residences d ☐ Body attachments e ☐ Other similar actions (describe in Part VI)			
17	Indicate which efforts the hospital facility made before initiating any of the actions checked in question 16 (check all that apply) a ☑ Notified patients of the financial assistance policy upon admission b ☑ Notified patients of the financial assistance policy prior to discharge c ☑ Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills d ☑ Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy e ☐ 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?	**18**	Yes	

If "No," indicate why

a ☐ The hospital facility did not provide care for any emergency medical conditions

b ☐ The hospital facility's policy was not in writing

c ☐ The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)

d ☐ 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 ☐ The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged

b ☐ The hospital facility used the average of it's three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged

c ☐ The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged

d ☐ Other (describe in Part VI)

		Yes	No
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?	**20**		No
If "Yes," explain in Part VI			
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?	**21**	Yes	
If "Yes," explain in Part VI			

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? **11**

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

Part VI Supplemental Information

Complete this part to provide the following information

1 **Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7, Part II, Part III, lines 4, 8, and 9b, and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 9, 10, 11h, 13g, 15e, 16e, 17e, 18d, 19d, 20, and 21

2 **Community health needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any community health needs assessments reported in Part V, Section B

3 **Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy

4 **Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves

5 **Promotion of community health.** Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e g , open medical staff, community board, use of surplus funds, etc)

6 **Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served

7 **State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report

Identifier	ReturnReference	Explanation
Criteria for Free or Discounted Care	Schedule H, Part I, Line 3c	SHORE HEALTH SYSTEM WILL PROVIDE FINANCIAL ASSISTANCE TO PERSONS WHO HAVE HEALTHCARE NEEDS AND ARE UNINSURED, UNDERINSURED, INELIGIBLE FOR A GOVERNMENT PROGRAM, OR OTHERWISE UNABLE TO PAY FOR MEDICALLY NECESSARY CARE BASED ON THEIR INDIVIDUAL FINANCIAL SITUATION, FOR RELATED SYSTEM HOSPITALS, FINANCIAL ASSISTANCE IS BASED ON INDIGENCE OR HIGH MEDICAL EXPENSE FOR PATIENTS WHO MEET SPECIFIED FINANCIAL CRITERIA, REQUEST ASSISTANCE, AND PROVIDE ADEQUATE EVIDENCE OF SUCH NEED AND ELIGIBILITY ELIGIBILITY INCLUDES INCOME, PRESUMPTIVE FINANCIAL ASSISTANCE ELIGIBILITY, AND MEDICAL HARDSHIP CRITERIA, WHICH MAY INCLUDE ASSET CONSIDERATION

Identifier	ReturnReference	Explanation
Related Organization Report	Schedule H, Part I, Line 6a	SHORE HEALTH SYSTEM, IS AN AFFILIATE OF THE UNIVERSITY OF MARYLAND MEDICAL SYSTEM THE COMMUNITY BENEFIT REPORT IS PREPARED SEPARATELY

Identifier	ReturnReference	Explanation
Cost Attributable to a Physical Clinic	Schedule H, Part I, Line 7g	SUBSIDIZED COSTS ARE NOT ATTRIBUTED TO A PHYSICIAN CLINIC, BUT ANESTHESIA AND EMERGENCY HOSPITAL SERVICES

Identifier	ReturnReference	Explanation
Costing Methodology	Schedule H, Part I, Line 7b, Columns (c) through (f)	MARYLAND'S REGULATORY SYSTEM CREATES A UNIQUE PROCESS FOR HOSPITAL PAYMENT THAT DIFFERS FROM THE REST OF THE NATION THE HEALTH SERVICES COST REVIEW COMMISSION, (HSCRC) DETERMINES PAYMENT THROUGH A RATE SETTING PROCESS AND ALL PAYORS, INCLUDING GOVERNMENTAL PAYORS, PAY THE SAME AMOUNT FOR THE SAME SERVICES DELIVERED AT THE SAME HOSPITAL MARYLAND'S UNIQUE ALL PAYOR SYSTEM INCLUDES A METHOD FOR REFERENCING UNCOMPENSATED CARE IN EACH PAYORS' RATES, WHICH DOES NOT ENABLE MARYLAND HOSPITALS TO BREAKOUT ANY OFFSETTING REVENUE RELATED TO UNCOMPENSATED CARE COMMUNITY BENEFIT EXPENSES ARE EQUAL TO MEDICAID REVENUES IN MARYLAND, AS SUCH, THE NET EFFECT IS ZERO ADDITIONALLY, NET REVENUES FOR MEDICAID SHOULD REFLECT THE FULL IMPACT ON THE HOSPITAL OF ITS SHARE OF THE MEDICAID ASSESSMENT SCHEDULE H, LINE 7A, COLUMN (D), LINE 7F, COLUMN (C), LINE 7F, COLUMN (D) MARYLAND'S REGULATORY SYSTEM CREATES A UNIQUE PROCESS FOR HOSPITAL PAYMENT THAT DIFFERS FROM THE REST OF THE NATION THE HEALTH SERVICES COST REVIEW COMMISSION, (HSCRC) DETERMINES PAYMENT THROUGH A RATE SETTING PROCESS AND ALL PAYORS, INCLUDING GOVERNMENTAL PAYORS, PAY THE SAME AMOUNT FOR THE SAME SERVICES DELIVERED AT THE SAME HOSPITAL MARYLAND'S UNIQUE ALL PAYOR SYSTEM INCLUDES A METHOD FOR REFERENCING UNCOMPENSATED CARE IN EACH PAYORS' RATES, WHICH DOES NOT ENABLE MARYLAND HOSPITALS TO BREAKOUT ANY OFFSETTING REVENUE RELATED TO UNCOMPENSATED CARE

Identifier	ReturnReference	Explanation
Community Building Activities	Schedule H, Part II	Shore Wellness Partners Well Partners is a unique program that provides a continuum of care, focusing on preventive care to improve the ability of patients and families to work together to manage chronic disease Designed for at-risk families and individuals who do not have sufficient resources and are not eligible for other in-home services Wellness Partners helps patients with disease management and life skills so that they can continue to live in their own homes The service is provided by Shore Health System at no charge for those who qualify Objectives * Managing physical health problems Connection with other community services * Dietary education * Home safety evaluations * Safe medicine use * Education on specific illness and treatments * Emotional support * Monitoring client progress through home visits or phone calls Outcomes * 590 referrals were contacted by phone and letters to provide information about the program and the enrollment process * 168 active clients * Hospital admissions for clients in program for greater than 6 months decreased by 6 visits on average Anti-thrombosis Clinic Provide anticoagulated patients (no charge) with close monitoring, educational resources and dedicated expertise to prevent adverse outcomes, reduction of hospital encounters related to over anticoagulation or under anticoagulation Outcomes * Clinic manages greater than 1,000 patients enrolled * Average time to therapeutic INR is 4 1 days compared to national average of 5 6 days * 75% of patients spend greater than 90% of time in therapeutic range * 1 2% adverse event requiring hospitalization ER Urgent "To GO" Meds Provide continued patient care for uninsured Program designed to reduce readmissions to ER for same/like illnesses due to lack of follow-up care Outcomes * Quality patient care with decreased recidivism rate for same/like illness * Served 1,365 persons Shore Regional Breast Outreach Increase breast screening levels among uninsured and underinsured women, to provide follow up diagnosis and treatment when needed to these women resulting in improved outcomes through early diagnosis and treatment To focus efforts on medically underserved women in the community, particularly members of the African American and Latina populations Outcomes * Increased the communitys awareness of breast cancer prevention, detection and treatments * Served 1,267 persons The stage at diagnosis as reported by the Tumor Registry for the Cancer Center indicates women are being diagnosed at early stages of the disease, and that there is no distinction between the ethnic groups in our community The program serves as a point of access into care for age and risk specific mammography screening, clinical breast exam, and genetic testing for breast cancer Baseline/Strategies/Outcomes Offered no cost mammograms to eligible women those under the age of 40 and over 65who have no insurance and Latina women of all ages who will be screened annually thereafter Those women needing further diagnostic tests or who need treatment for breast cancer will be enrolled in the State of Maryland Diagnosis and Treatment Program through the case manager Ongoing data collection reported monthly to capture total number seen with breakdown by race Of the 242 women served, 2 were diagnosed with breast cancer, one at Stage I and one at Stage II 87 women had no health insurance and no primary care provider demonstrating the need to expand services to include cervical cancer screening This expansion of services was initiated for 2012-13 fiscal year Prostate Cancer Screening Provide men in the mid shore, the opportunity to obtain a free prostate cancer screening which includes blood test and exam by a competent physician Outcomes * Increased awareness and detection of prostate cancer * Provided access to screenings to underserved persons of community * 98 clients were served All results are reviewed by the screening physician Results are mailed to the participant

Identifier	ReturnReference	Explanation
Bad Debt Expense	Schedule H, Part III, Line 4	REVENUE IS REDUCED FOR ANTICIPATED DISCOUNTS UNDER CONTRACTUAL ARRANGEMENTS AND FOR CHARITY CARE AN ESTIMATED PROVISION FOR BAD DEBTS IS RECORDED IN THE PERIOD THE RELATED SERVICES ARE PROVIDED BASED UPON ANTICIPATED UNCOMPENSATED CARE, AND IS ADJUSTED AS ADDITIONAL INFORMATION BECOMES AVAILABLE THE PROVISION FOR BAD DEBTS IS BASED UPON MANAGEMENT'S ASSESSMENT OF HISTORICAL AND EXPECTED NET COLLECTIONS CONSIDERING HISTORICAL BUSINESS AND ECONOMIC CONDITIONS, TRENDS IN HEALTH CARE COVERAGE, AND OTHER COLLECTION INDICATORS PERIODICALLY THROUGHOUT THE YEAR, MANAGEMENT ASSESSES THE ADEQUACY OF THE ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS BASED UPON HISTORICAL WRITE-OFF EXPERIENCE BY PAYOR CATEGORY THE RESULTS OF THIS REVIEW ARE THEN USED TO MAKE MODIFICATIONS TO THE PROVISION FOR BAD DEBTS AND TO ESTABLISH AN ALLOWANCE FOR UNCOLLECTIBLE RECEIVABLES AFTER COLLECTION OF AMOUNTS DUE FROM INSURERS, THE CORPORATION FOLLOWS INTERNAL GUIDELINES FOR PLACING CERTAIN PAST DUE BALANCES WITH COLLECTION AGENCIES

Identifier	ReturnReference	Explanation
Medicare Cost Report	Schedule H, Part III, Line 8	ALLOWABLE COSTS ARE ESTIMATED RATIO OF COST TO CHARGE APPLIED TO GROSS CHARGES

Identifier	ReturnReference	Explanation
Collection Practices	Schedule H, Part III, Line 9b	APPENDIX 1 DESCRIBE YOUR CHARITY CARE POLICY A DESCRIBE HOW THE HOSPITAL INFORMS PATIENTS AND PERSON WHO WOULD OTHERWISE BE BILLED FOR SERVICES ABOUT THEIR ELIGIBILITY FOR ASSISTANCE UNDER FEDERAL, STATE OR LOCAL GOVERNMENT PROGRAMS OR UNDER THE HOSPITALS CHARITY CARE POLICY IT IS THE POLICY OF SHORE HEALTH SYSTEM TO WORK WITH OUR PATIENTS TO IDENTIFY AVAILABLE RESOURCES TO PAY FOR THEIR CARE ALL PATIENTS PRESENTING AS SELF PAY AND REQUESTING CHARITY RELIEF FROM THEIR BILL WILL BE SCREENED AT ALL POINTS OF ENTRY, FOR POSSIBLE COVERAGE THROUGH STATE PROGRAMS AND A PROBABLE DETERMINATION FOR COVERAGE FOR EITHER MEDICAL ASSISTANCE OR FINANCIAL ASSISTANCE (CHARITY CARE) FROM THE HOSPITAL IS IMMEDIATELY GIVEN TO THE PATIENT THE PROCESS IS RESOURCE INTENSIVE AND TIME CONSUMING FOR PATIENTS AND THE HOSPITAL, HOWEVER, IF PATIENTS QUALIFY FOR ONE OF THESE PROGRAMS, THEN THEY WILL HAVE HEALTH BENEFITS THAT THEY WILL CARRY WITH THEM BEYOND THEIR CURRENT HOSPITAL BILLS, AND ALLOW THEM TO ACCESS PREVENTIVE CARE SERVICES AS WELL SHORE HEALTH SYSTEM WORKS WITH A BUSINESS PARTNER WHO WILL WORK WITH OUR PATIENTS TO ASSIST THEM WITH THE STATE ASSISTANCE PROGRAMS, WHICH IS FREE TO OUR PATIENTS IF A PATIENT DOES NOT QUALIFY FOR MEDICAID OR ANOTHER PROGRAM, SHORE HEALTH SYSTEM OFFERS OUR FINANCIAL ASSISTANCE PROGRAM SHORE HEALTH SYSTEM POSTS NOTICES OF OUR POLICY IN CONSPICUOUS PLACES THROUGHOUT THE HOSPITALS, HAS INFORMATION WITHIN OUR HOSPITAL BILLING BROCHURE, EDUCATES ALL NEW EMPLOYEES THOROUGHLY ON THE PROCESS DURING ORIENTATION, AND DOES A YEARLY RE-EDUCATION TO ALL EXISTING STAFF ALL STAFF HAVE COPIES OF THE FINANCIAL ASSISTANCE APPLICATION, BOTH IN ENGLISH AND SPANISH, TO SUPPLY TO PATIENTS WHO WE DEEM, AFTER SCREENING, TO HAVE A NEED FOR ASSISTANCE SHORE HEALTH SYSTEM HAS A DEDICATED FINANCIAL ASSISTANCE LIAISON TO WORK WITH OUR PATIENTS TO ASSIST THEM WITH THIS PROCESS AND EXPEDITE THE DECISION PROCESS

Identifier	ReturnReference	Explanation
THE MEMORIAL HOSPITAL AT EASTON 1	Schedule H, Part V, Section B	Line 19d - Calculates an Approved % of Financial Assistance based on income and % of Federal Poverty Level Income The patient is billed the charges less the % of Financial Assistance determined Line 21 - Gross charges for services are always charged at the same rate without discrimination Gross charges for services are always billed, any adjustment such as financial assistance is applied to result in the balance due for payment

Identifier	ReturnReference	Explanation
DORCHESTER GENERAL HOSPITAL 2	Schedule H, Part V, Section B	Line 19d - Calculates an Approved % of Financial Assistance based on income and % of Federal Poverty Level Income The patient is billed the charges less the % of Financial Assistance determined Line 21 - Gross charges for services are always charged at the same rate without discrimination Gross charges for services are always billed, any adjustment such as financial assistance is applied to result in the balance due for payment

Identifier	ReturnReference	Explanation
Community Health Care Needs Assessment	Schedule H, Part VI, Line 2	Shore Health System did not perform a community health needs assessment as defined by the federal reform bill in FY12 However, such an assessment is in the final phase of completion and will be published along with Shore Health Systems implementation strategy/plan May 2013 The information included below reflects the standard assessment process which Shore Health System has typically conducted each year 1 Identification of community health needs Describe in detail the process(s) your hospital used for identifying the health needs in your community and the resource(s) used The process Shore Health System utilizes to identify the health needs of our community includes collecting and analyzing primary and secondary data In particular we seek input and feedback from Talbot, Caroline, Dorchester, and Queen Annes Health Departments These public health partnerships enable us to continue identifying and prioritizing opportunities to ensure sustainable health system economics in our service area Additionally, Shore Health, is a participating member of the Mid-Shore SHIP coalition, where we are partnering with other community stakeholders invested in improving the communitys overall health Members of the Mid-Shore SHIP coalition include community leaders, county government representatives, local non-profit organizations, local health providers, and members of the business community Feedback from customers includes data collected from surveys, advisory groups and from our community outreach and education sessions Secondary data resources referenced to identify community health needs include County Health Rankings (http //www countyhealthrankings org), Maryland Department of Health and Mental Hygienes State Health Improvement Process (SHIP)(http //dhmh maryland gov/ship/), the Maryland ChartBook of Minority Health and Minority Health Disparities (http //dhmh maryland gov/mhhd/Documents/2ndResource_2009 pdf Shore Health participates on the University of Maryland Medical System (UMMS) Community Benefits Workgroup to study demographics, assess community health disparities, inventory resources and establish community benefit goals for both Shore Health System and UMMS 2 In seeking information about community health needs, what organizations or individuals outside the hospital were consulted? Include representatives of diverse sub-populations within the CBSA, including racial and ethnic minorities (such as community health leaders, local health departments, and the Minority Outreach & Technical Assistance program in the jurisdiction) Shore Health System consulted with community partners and organizations to discuss community needs related to health improvement and access to care The following list of partner agencies meets on a monthly basis as members of the Mid-Shore SHIP coalition * Choptank Community Health Systems * Caroline County Minority Outreach Technical Assistance * Talbot County Local Management Board * Partnership for Drug Free Dorchester * Caroline County Community Representative * Eastern Shore Area Health Education Center * Kent County Minority Outreach Technical Assistance * YMCA of the Chesapeake * University of MD Extension * Kent County Local Management Board * Kent County Department of Juvenile Services * Coalition Against Tobacco Use * Mt Olive AME Church * Mid Shore Core Service Agency * Associated Black Charities * Queen Anne County Housing and Family Services * Queen Anne County Health Department * Dorchester County Health Department * Talbot County Health Department * Caroline County Health Department * Easton Memorial Hospital * Chester River Hospital Chester River Health and Shore Health hosted a series of community listening forums to gather community input for a regionalization study that explores the benefits of a regional approach to providing health care for Caroline, Dorchester, Kent, Queen Anne's and Talbot counties In addition, Shore Health meets quarterly with members of the local health departments and community leaders Shore Health participated in a two-year Health Transportation Planning Group which studied what impact transportation barriers/needs has on access to care The study rounded out this project by holding community based meetings attended by 85 people from the Mid Shore Findings and recommendations of the study were presented to members of Shore Health Senior Leadership In addition, the following agencies/organizations are referenced in gathering information and data * Maryland Department of Health and Mental Hygiene * Maryland Department of Planning * Maryland Vital Statistics Administration * HealthStream, Inc * County Health Rankings * Mid Shore Comprehensive Economic Development Strategy CEDS

Identifier	ReturnReference	Explanation
Eligibility Education	Schedule H, Part VI, Line 3	Description of SHS Financial Assistance Policy (FAP) It is the policy of Shore Health System to work with our patients to identify available resources to pay for their care All patients presenting as self pay and requesting charity relief from their bill will be screened at all points of entry, for possible coverage through state programs and a probable determination for coverage for either Medical Assistance or Financial Assistance (charity care) from the hospital is immediately given to the patient The process is resource intensive and time consuming for patients and the hospital, however, if patients qualify for one of these programs, then they will have health benefits that they will carry with them beyond their current hospital bills, and allow them to access preventive care services as well Shore Health System works with a business partner who will work with our patients to assist them with the state assistance programs, which is free to our patients If a patient does not qualify for Medicaid or another program, Shore Health System offers our financial assistance program Shore Health System posts notices of our policy in conspicuous places throughout the hospitals- including the emergency department, has information within our hospital billing brochure, educates all new employees thoroughly on the process during orientation, and does a yearly re-education to all existing staff All staff have copies of the financial assistance application, both in English and Spanish, to supply to patients who we deem, after screening, to have a need for assistance Shore Health System has a dedicated Financial Assistance Liaison to work with our patients to assist them with this process and expedite the decision process Shore Health notifies patients of availability of financial assistance funds prior to service during our calls to patients, through signage at all of our registration locations, through our patient billing brochure and through our discussions with patients during registration In addition, the information sheet is mailed to patients with all statements and/or handed to them if needed Notices are sent regarding our Hill Burton program yearly as well * Shore Health prepares its FAP in a culturally sensitive manner, at a reading comprehension level appropriate to the CBSAs population, and in Spanish * Shore Health posts its FAP and financial assistance contact information in admissions areas, emergency rooms, and other areas of facilities in which eligible patients are likely to present, * Shore Health provides a copy of the FAP and financial assistance contact information to patients or their families as part of the intake process, * Shore Health provides a copy of the FAP and financial assistance contact information to patients with discharge materials * A copy of Shore Healths FAP along with financial assistance contact information, is provided in patient bills, and/or * Shore Health discusses with patients or their families the availability of various government benefits, such as Medicaid or state programs, and assists patients with qualification for such programs, where applicable * An abbreviated statement referencing Shore Healths financial assistance policy, including a phone number to call for more information, is run annually in the local newspaper (Star Democrat)

Identifier	ReturnReference	Explanation
Description of Community Served	Schedule H, Part VI, Line 4	Situated on Maryland's Eastern Shore, Shore Health Systems two hospitals, The Memorial Hospital at Easton and Dorchester General Hospital in Cambridge, are not for profit hospitals offering a complete range of inpatient and outpatient services to over 170,000 people throughout the Mid-Shore of Maryland Shore Health Systems service area is defined as the Maryland counties of Caroline, Dorchester, Talbot (primary service area), Queen Annes and Kent (secondary service area) Memorial Hospital at Easton is situated at the center of the mid-shore area and thus serves a large geographical area MHE is a single jurisdiction hospital located in a rural area Dorchester General Hospital, also a single jurisdiction hospital, is located approximately 18 miles from MHE MHE is located approximately 44 miles from Chester River Hospital and approximately 42 miles from Anne Arundel Medical Center The five counties of the Mid-Shore comprise 20% of the landmass of the State of Maryland and 2% of the population The population of the five counties is just over 170,000 9 62% adults have less than a 9th grade education and another 9 62% have an education at the 9th -12th grade level but do not have a high school diploma The entire region has over 4,400 employers with nearly 45,000 workers Only 50 of those employers employ 100 or more workers Almost 85% of employers in this rural region are manufacturing firms, which require workers with high-level technology skills as well as low-skilled workers The service industry is growing rapidly as the local population shifts to include more senior adults who retire to this beautiful area of the State Although the seafood industry continues to be important to the region it is fast becoming an endangered species Memorial Hospitals service area has a higher percentage of population aged 65 and older as compared to Maryland overall Talbot County has a 23 7 % rate for this age group This concentration is due mainly to influx of retirees The Mid Shore Region has 26,203 minority persons, representing 25 3% of the total population While steady progress is being made, the Mid-Shore economy still faces a myriad of challenges that include limited access to affordable high speed broadband services, a shortage of affordable housing, an inadequate supply of skilled workers, low per capita income, and more layoffs in the manufacturing sector (Source Mid Shore Comprehensive Economic Development Strategy CEDS)

Identifier	ReturnReference	Explanation
Promoting the Health of the Community	Schedule H, Part VI, Line 5	1 As required under HG19-303, provide a written description of gaps in the availability of specialist providers, including outpatient specialty care, to serve the uninsured cared for by the hospital The SHS Medical Staff by-laws require that physicians provide ten days of Emergency Department call In areas where there is only one or two sub-specialists for a particular specialty, there will be occasions when certain days are not covered If a patient presents to the Emergency Department and there is no sub-specialty coverage for that day, the patient is stabilized and then transferred to an appropriate facility for treatment As an affiliate of a large medical system which includes an academic medical center, appropriate care is always available 2 If you list Physician Subsidies in your data in category C of the CB Inventory Sheet, please indicate the category of subsidy, and explain why the services would not otherwise be available to meet patient demand The categories include Hospital-based physicians with whom the hospital has an exclusive contract, Non-Resident house staff and hospitalists, Coverage of Emergency Department Call, Physician provision of financial assistance to encourage alignment with the hospital financial assistance policies, and Physician recruitment to meet community need Stipend to Tidewater Anesthesia and Maryland Emergency Medicine paid to provide evening, weekend, and holiday call at Dorchester General Hospital in order to provide emergency Surgical Services 24/7 Consistent to prior years, the report reflects the expense for ER and Anesthesiology physicians, offset by any other revenue (the CFO refers to as rebate of expenses received)

Identifier	ReturnReference	Explanation
Affiliated Health Care System Roles	Schedule H, Part VI, Line 6	SHORE HEALTH SYSTEM, AN AFFILIATE OF THE UNIVERSITY OF MARYLAND MEDICAL SYSTEM, IS CURRENTLY LICENSED TO OPERATE 217 BEDS COMBINED THE GOVERNING BODY INCLUDES THE BOARD OF SHORE HEALTH SYSTEM WHOSE MEMBERS RESIDE IN THE PRIMARY SERVICE AREA AS PER BELOW SHORE HEALTH SYSTEM PRIMARILY DETERMINES ITS ROLE AS AN ORGANIZATION IN PROMOTING HEALTH OF ITS COMMUNITY DESCRIPTION OF THE COMMUNITY SHORE HEALTH SYSTEM SERVES THE MEMORIAL HOSPITAL AT EASTON AND DORCHESTER GENERAL HOSPITAL IN CAMBRIDGE ARE PRIVATE, NOT FOR PROFIT HOSPITALS OFFERING A COMPLETE RANGE OF INPATIENT AND OUTPATIENT SERVICES TO OVER 150,000 PEOPLE THROUGHOUT THE MID-SHORE OF MARYLAND SITUATED ON MARYLAND'S EASTERN SHORE, SHORE HEALTH SYSTEM SERVICES A FOUR COUNTY AREA, COVERING CAROLINE, DORCHESTER, QUEEN ANNE, AND TALBOT COUNTIES

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

Additional Data

Software ID:
Software Version:
EIN: 52-0610538
Name: SHORE HEALTH SYSTEM INC

Form 990 Schedule H, Part V Section C. Other Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility

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? **11** Name and address	Type of Facility (Describe)
Requard Cancer Center 509 Idlewild Avenue Easton, MD 21601	Oncology Services
Requard Cancer Center 509 Idlewild Avenue Easton, MD 21601	Oncology Services
Requard Cancer Center 509 Idlewild Avenue Easton, MD 21601	Oncology Services
Requard Cancer Center 509 Idlewild Avenue Easton, MD 21601	Oncology Services
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Requard Cancer Center 509 Idlewild Avenue Easton, MD 21601	Oncology Services
Requard Cancer Center 509 Idlewild Avenue Easton, MD 21601	Oncology Services

Schedule J (Form 990)

Department of the Treasury
Internal Revenue Service

Compensation Information

For certain Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees
▶ Complete if the organization answered "Yes" to Form 990, Part IV, question 23.
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
SHORE HEALTH SYSTEM INC

Employer identification number
52-0610538

Part I Questions Regarding Compensation

			Yes	No
1a	Check the appropiate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a Complete Part III to provide any relevant information regarding these items ☐ First-class or charter travel ☐ Housing allowance or residence for personal use ☐ Travel for companions ☐ Payments for business use of personal residence ☐ Tax idemnification and gross-up payments ☑ Health or social club dues or initiation fees ☐ Discretionary spending account ☐ Personal services (e g , maid, chauffeur, chef)			
b	If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement orprovision of all the expenses described above? If "No," complete Part III to explain	**1b**	Yes	
2	Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a?	**2**	Yes	
3	Indicate which, if any, of the following the organization uses to establish the compensation of the organization's CEO/Executive Director Check all that apply ☑ Compensation committee ☐ Written employment contract ☐ Independent compensation consultant ☑ Compensation survey or study ☐ Form 990 of other organizations ☑ Approval by the board or compensation committee			
4	During the year, did any person listed in Form 990, Part VII, Section A, line 1a with respect to the filing organization or a related organization			
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**	Yes	
8	Were any amounts reported in Form 990, Part VII, paid or accured pursuant to a contract that was subject to the initial contract exception described in Regs section 53 4958-4(a)(3)? If "Yes," describe in Part III	**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) Robert Chrencik	(i)	0	0	0	0	0	0	0
	(ii)	1,124,953	937,125	11,560	204,107	9,624	2,287,369	0
(2) Joseph Ross	(i)	184,236	0	255,520	7,434	5,005	452,195	172,826
	(ii)	0	0	0	0	0	0	0
(3) Gerard Walsh	(i)	253,134	103,902	30,328	9,800	12,546	409,710	0
	(ii)	0	0	0	0	0	0	0
(4) Walter Zajac	(i)	187,626	60,602	21,748	7,785	12,226	289,987	0
	(ii)	0	0	0	0	0	0	0
(5) John Ashworth III	(i)							
	(ii)	357,011	155,527	56,815	9,800	7,955	587,108	0
(6) Michael Tooke MD	(i)	273,414	87,080	8,973	39,153	12,611	421,231	0
	(ii)	0	0	0	0	0	0	0
(7) Christopher Parker	(i)	208,316	60,029	32,345	8,373	12,710	321,773	0
	(ii)	0	0	0	0	0	0	0
(8) Michael Zimmerman	(i)	175,144	41,123	22,833	7,235	14,408	260,743	0
	(ii)	0	0	0	0	0	0	0
(9) Michael Silgen	(i)	150,455	37,415	2,006	16,654	4,802	211,332	0
	(ii)	0	0	0	0	0	0	0
(10) John Sawyer	(i)	176,834	0	354	3,437	220	180,845	0
	(ii)	0	0	0	0	0	0	0
(11) Catherine Ferara	(i)	146,414	0	5,629	3,346	134	155,523	0
	(ii)	0	0	0	0	0	0	0
(12) Amalia Punzo	(i)	162,085	0	12,356	3,204	178	177,823	0
	(ii)	0	0	0	0	0	0	0
(13) Jonathan Cook	(i)	160,511	30,340	2,881	18,250	13,969	225,951	0
	(ii)	0	0	0	0	0	0	0
(14) Kenneth Kozel	(i)	78,609	50,000	11,522	13,486	3,230	156,847	0
	(ii)	0	0	0	0	0	0	0
(15) Patti Willis	(i)	152,865	42,625	21,717	6,328	11,936	235,471	0
	(ii)	0	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
Health or social club dues or initiation fees	Schedule J, Part I, Line 1a	UMMS executives receive a benefit package which may be used towards health club dues or other health maintenance programs such benefits are capped at $7,000 or $3,000 depending on job title as described in the program documents
Supplemental nonqualified retirement plan	Schedule J, Part I, Line 4b	During the fiscal year end June 30, 2012, the certain officers and key employees listed below participated in the University of Maryland Medical System (UMMS) supplemental nonqualified plan The individuals, listed below have not vested in the plan therefore the accrued contribution to the plan for the fiscal year is reported on Schedule J Part II Column (C), Retirement and Other Deferred Compensation Robert Crencik MICHAEL C TOOKE MD JONATHAN COOK MD Kenneth Kozel During the fiscal year end June 30, 2012, the certain officers and key employees participated in the University of Maryland Medical System (UMMS) supplemental nonqualified plan The officers and key employees listed below have vested in the plan in a prior year, therefore the contribution to the plan for the fiscal year is reported as taxable compensation and reported on Schedule J, Part II, Column (Biii), Other Reportable Compensation MICHAEL ZIMMERMAN Patti Willis JOSEPH P ROSS (Term 4/1/11) John Ashworth WALTER ZAJAC GERARD M WALSH CHRISTOPHER PARKER
Non-fixed payments	Schedule J, Part I, Line 7	Bonuses paid are based on a number of variables including but not limited to individual goal achievements as well as organization operation achievements The final determination of the bonus amount is determined and approved by the Board as part of the overall compensation review of the officers and key employees

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SCHEDULE O
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
SHORE HEALTH SYSTEM INC

Employer identification number
52-0610538

Identifier	Return Reference	Explanation
Members or Stockholders	Form 990, Part VI, Lines 6, 7a, and 7b	THE UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION IS A MEMBER OF SHORE HEALTH SYSTEM, INC UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION MAY ELECT MEMBERS AND APPROVE DECISIONS OF THE SHORE HEALTH SYSTEM BOARD

Identifier	Return Reference	Explanation
Form 990 Review Process	Form 990, Part VI, Line 11b	THE IRS FORM 990 IS PREPARED AND REVIEWED BY THE ACCOUNTING FIRM OF GRANT THORNTON ACCOUNTING PERSONNEL IN FINANCE SHARED SERVICES AT THE UNIVERSITY OF MARYLAND MEDICAL SYSTEM GATHER THE INFORMATION NEEDED TO COMPLETE THE RETURN AND INPUT THE DATA INTO THE GRANT THORNTON TAX ORGANIZER, WHICH IS A WEB-BASED SYSTEM WHEN ALL DATA HAS BEEN ENTERED, THE INFORMATION IS SUBMITTED TO GRANT THORNTON FOR IMPORTATION INTO THEIR TAX SOFTWARE AT THIS POINT, GRANT THORNTON STAFF MEMBERS REVIEW THE DATA, ASK FOR ADDITIONAL INFORMATION IF NEEDED AND PREPARE THE TAX RETURN EACH RETURN IS REVIEWED AT SEVERAL LEVELS AT GRANT THORNTON INCLUDING THE TAX PARTNER AFTER THEIR REVIEW PROCESS, A DRAFT RETURN IS SENT TO THE ACCOUNTING STAFF AT UMMS FOR AN IN-HOUSE REVIEW UPON COMPLETION OF THE IN-HOUSE REVIEW, GRANT THORNTON IS INSTRUCTED TO MAKE ANY NECESSARY CHANGES AND TO PREPARE THE FINAL TAX RETURN THE FINAL RETURN UNDERGOES ANOTHER REVIEW BY THE ACCOUNTING STAFF AT FINANCE SHARED SERVICES AND IS ALSO REVIEWED BY THE ACCOUNTING MANAGER, THE DIRECTOR OF FINANCIAL REPORTING, THE VICE PRESIDENT OF FINANCE AND THE CFO, WHO SIGNS THE RETURN PRIOR TO FILING THE IRS FORM 990, THE ORGANIZATION'S BOARD CHAIRMAN, TREASURER, AUDIT COMMITTEE CHAIRMAN, EXECUTIVE COMMITTEE CHAIRMAN OR OTHER MEMBER OF THE BOARD WITH SIMILAR AUTHORITY WILL REVIEW THE IRS FORM 990 AT THE DISCRETION OF THE REVIEWING BOARD MEMBER, SUCH MEMBER WILL BRING ANY ISSUES OR QUESTIONS RELATED TO THE COMPLETED IRS FORM 990 TO THE ATTENTION OF THE BOARD NOTWITHSTANDING THE ABOVE, A BOARD RESOLUTION IS NOT REQUIRED FOR THE FILING OF THE ORGANIZATION'S IRS FORM 990 EACH BOARD MEMBER IS PROVIDED WITH A COPY OF THE FINAL IRS FORM 990 BEFORE FILING

Identifier	Return Reference	Explanation
Conflict of Interest Policy Monitoring & Enforcement	Form 990, Part VI, Line 12c	THE ORGANIZATION'S OFFICERS, DIRECTORS, EMPLOYEES AND MEDICAL STAFF MEMBERS, AS APPLICABLE, SHALL DISCLOSE CONFLICTS OF INTEREST OR POTENTIAL CONFLICTS OF INTEREST BETWEEN THEIR PERSONAL INTERESTS AND THE INTERESTS OF THE ORGANIZATION, OR ANY ENTITY CONTROLLED BY OR OWNED IN SUBSTANTIAL PART BY THE ORGANIZATION A QUESTIONNAIRE WHICH DISCLOSES POTENTIAL CONFLICTS OF INTEREST IS DISTRIBUTED ANNUALLY TO ALL OFFICERS, DIRECTORS AND KEY EMPLOYEES THE GENERAL COUNSEL OF THE UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION (UMMSC) REVIEWS THE RESPONSES FOR UMMSC, UNIVERSITY SPECIALTY HOSPITAL AND JAMES LAWRENCE KERNAN HOSPITAL THE CEO OR CFO OF EACH OF THE OTHER ENTITIES IN THE UNIVERSITY OF MARYLAND MEDICAL SYSTEM REVIEWS THE RESPONSES FOR THOSE ENTITIES THE GENERAL COUNSEL, IN CONSULTATION WITH THE AUDIT COMMITTEE, IF NECESSARY, WOULD DETERMINE IF A CONFLICT OF INTEREST EXISTED FOR UMMSC, UNIVERSITY SPECIALTY HOSPITAL AND JAMES LAWRENCE KERNAN HOSPITAL WITH RESPECT TO THE OTHER ENTITIES IN THE UNIVERSITY OF MARYLAND MEDICAL SYSTEM, THE GENERAL COUNSEL MAY BE CALLED FOR CONSULT IF SO, THE GENERAL COUNSEL MAY CONSULT THE AUDIT COMMITTEE, IF NECESSARY WHENEVER A CONFLICT OR POTENTIAL CONFLICT OF INTEREST EXISTS, THE NATURE OF THE CONFLICT OR POTENTIAL CONFLICT OF INTEREST MUST BE DISCLOSED IN WRITING TO THE ORGANIZATION'S BOARD, BOARD COMMITTEE, AN OFFICER OF THE ORGANIZATION OR OTHER APPROPRIATE EXECUTIVE SUCH INDIVIDUAL HAVING A POTENTIAL CONFLICT OF INTEREST SHALL PLAY NO ROLE ON BEHALF OF THE ORGANIZATION, OR ANY ORGANIZATION CONTROLLED OR SUBSTANTIALLY OWNED, IN ANY TRANSACTION IN WHICH A CONFLICT EXISTS ALL INVITATIONS FOR BIDS, PROPOSALS OR SOLICITATIONS FOR OFFERS INCLUDE THE FOLLOWING PROVISION ANY VENDOR, SUPPLIER OR CONTRACTOR MUST DISCLOSE ANY ACTUAL OR POTENTIAL TRANSACTION WITH ANY ORGANIZATION OFFICER, DIRECTOR, EMPLOYEE OR MEMBER OF THE MEDICAL STAFF, INCLUDING FAMILY MEMBERS WITHIN FIVE DAYS OF THE TRANSACTION FAILURE TO COMPLY WITH THIS PROVISION IS A MATERIAL BREACH OF AGREEMENT IN ADDITION, A BOARD DISCLOSURE REPORT IS FILED WITH THE MARYLAND HEALTH SERVICES COST REVIEW COMMISSION ON AN ANNUAL BASIS SHOWING ANY BUSINESS TRANSACTIONS BETWEEN THE BOARD MEMBERS AND THE ORGANIZATION

Identifier	Return Reference	Explanation
Process for Determining Compensation	Form 990, Part VI, Lines 15a, 15b	THE ORGANIZATION DETERMINES THE EXECUTIVE COMPENSATION PAID TO ITS EXECUTIVES IN THE FOLLOWING MANNER PRESCRIBED IN THE IRS REGULATIONS EXECUTIVE COMPENSATION PACKAGES ARE DETERMINED BY A COMMITTEE OF THE BOARD THAT IS COMPOSED ENTIRELY OF BOARD MEMBERS WHO HAVE NO CONFLICT OF INTEREST THE COMMITTEE ACQUIRES CREDIBLE COMPARABILITY MARKET DATA CONCERNING THE COMPENSATION PACKAGES OF SIMILARLY SITUATED EXECUTIVES THE COMMITTEE CAREFULLY REVIEWS THAT DATA, THE EXECUTIVE'S PERFORMANCE AND THE PROPOSED COMPENSATION PACKAGES DURING THE DECISION MAKING PROCESS THE COMMITTEE MEMORIALIZES ITS DELIBERATIONS IN DETAILED MINUTES REVIEWED AND ADOPTED AT THE NEXT-FOLLOWING MEETING THE COMMITTEE SEEKS AN OPINION OF COUNSEL THAT IT HAS MET THE REQUIREMENTS OF THE IRS INTERMEDIATE SANCTIONS REGULATIONS THIS PROCESS IS USED TO DETERMINE THE COMPENSATION PACKAGES FOR ALL MANAGEMENT EMPLOYEES FROM THE VICE PRESIDENT LEVEL AND UP

Identifier	Return Reference	Explanation
How Documents are Made Available to the Public	Form 990, Part VI, Line 19	IN GENERAL, FINANCIAL AND TAX INFORMATION RELATING TO THE ORGANIZATION IS DEEMED PROPRIETARY AND NOT SUBJECT TO DISCLOSURE UPON REQUEST HOWEVER, SPECIFIC PROVISIONS OF FEDERAL AND STATE LAW REQUIRE THE ORGANIZATION TO DISCLOSE CERTAIN LIMITED FINANCIAL AND TAX DATA UPON A SPECIFIC REQUEST FOR THAT INFORMATION REQUESTS FOR FORM 990 AND FORM 1023 A REQUESTOR SEEKING TO REVIEW AND/OR OBTAIN A COPY OF THE ORGANIZATION'S IRS FORM 990 OR FORM 1023 AS FILED WITH THE INTERNAL REVENUE SERVICE, INCLUDING ALL SCHEDULES AND ATTACHMENTS, MAY APPEAR IN PERSON OR SUBMIT A WRITTEN REQUEST THE MOST RECENT THREE YEARS OF IRS FORM 990 MAY BE REQUESTED IF THE REQUESTER APPEARS IN PERSON, THE INDIVIDUAL IS DIRECTED TO THE OFFICE OF THE CHIEF FINANCIAL OFFICER FOR THE ORGANIZATION AND THE FORM 990 AND/OR FORM 1023 ARE MADE AVAILABLE FOR INSPECTION THE INDIVIDUAL IS PERMITTED TO REVIEW THE RETURN, TAKE NOTES AND REQUEST A COPY IF REQUESTED, A COPY IS PROVIDED ON THE SAME DAY A NOMINAL FEE IS CHARGED FOR MAKING THE COPIES THE ORGANIZATION MAY HAVE AN EMPLOYEE PRESENT DURING THE PUBLIC INSPECTION OF THE DOCUMENT WRITTEN REQUESTS FOR AN ENTITY'S FORM 990 OR FORM 1023 ARE DIRECTED IMMEDIATELY TO THE OFFICE OF THE CHIEF FINANCIAL OFFICER FOR THE ORGANIZATION THE REQUESTED COPIES ARE MAILED WITHIN 30 DAYS OF THE REQUEST REPRODUCTION FEES AND MAILING COSTS ARE CHARGED TO THE REQUESTOR CONFLICT OF INTEREST POLICY AND GOVERNING DOCUMENTS IF THE GOVERNING DOCUMENTS AND CONFLICT OF INTEREST POLICY OF OUR ORGANIZATION ARE SUBJECT TO THE FEDERAL PUBLIC DISCLOSURE RULES (OR STATE PUBLIC DISCLOSURE RULES), THESE DOCUMENTS WILL BE MADE PUBLICLY AVAILABLE AS APPLICABLE LAW MAY REQUIRE OTHERWISE, THE GOVERNING DOCUMENTS AND CONFLICT OF INTEREST POLICY WILL BE PROVIDED TO THE PUBLIC AT THE DISCRETION OF MANAGEMENT Hours for related organizations Form 990, Part VII, Section A, Column (B) THE UNIVERSITY OF MARYLAND MEDICAL SYSTEM (UMMS) IS A MULTI-ENTITY HEALTH CARE SYSTEM THAT INCLUDES 9 ACUTE CARE HOSPITALS, 3 ACUTE CARE HOSPITALS OWNED IN JOINT VENTURE ARRANGEMENTS AND VARIOUS SUPPORTING ENTITIES A NUMBER OF INDIVIDUALS PROVIDE SERVICES TO VARIOUS ENTITIES WITHIN THE SYSTEM IN GENERAL, THE OFFICERS AND KEY EMPLOYEES OF UMMS AVERAGE IN EXCESS OF 40 HOURS PER WEEK SERVING THE DIFFERENT ENTITIES THAT COMPRISE UMMS

Identifier	Return Reference	Explanation
changes in net assets	form 990, part XI, line 5	The following are the other changes in net assets Transfer of CNES/CENT Activities to Shore Clinical Foundation Change in beneficiary interest $325,470 Change in investment of subsidiary 450,754 Market Adjustment - SWAP (21,091) Equity Transfer - Shore Clinical Foundation (11,865,493) Change in unrealized (120,760) --------------- Total other changes in net assets ($11,231,120)

Identifier	Return Reference	Explanation
TAX EXEMPT BONDS		Pursuant to a Master Loan Agreement dated June 20, 1991 (The "Master Loan Agreement"), as Amended, The University Of Maryland Medical System Corporation (The "Corporation") and several of its subsidiaries have issued debt through the Maryland Health and Higher Education Facility Authority (the "Authority") As Security for the performance of the bond obligation under the Master Loan Agreement, The Authority maintains a security interest in the revenue of the obligors The Master Loan Agreement contains certain restrictive covenants These covenants require that rates and charges be set at certain levels, limit incurrence of additional debt, require compliance with certain operating ratios and restrict the disposition of assets The obligated group under the Master Loan Agreement includes the Corporation, University Specialty Hospital, Inc , The James Lawrence Kernan Hospital, Inc , Maryland General Hospital, Inc , Baltimore Washington Medical Center, Inc , Shore Health System, Inc , Chester River Health System, Inc and the University of Maryland Medical System Foundation, Inc Each member of the obligated Group is jointly and severally liable for the repayment of the obligations under the Master Loan Agreement of the Corporation's $974,450,000 of outstanding Authority Bonds on June 30, 2012 All of the bonds were issued in the name of the University of Maryland Medical System Corporation and are reported on Schedule K of its Form 990

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Robert Chrencik TITLE UMMS President/CEO HOURS 49

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME John Ashworth, III TITLE Board Member HOURS 49

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Gerard Walsh TITLE Interim Pres/CEO HOURS 10

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Walter Zajac TITLE SVP/CFO-Board Treasurer HOURS 10

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Kenneth Kozel TITLE President/CEO HOURS 10

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Michael Tooke, MD TITLE SVP/CMO HOURS 10

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Christopher Parker TITLE Interim COO HOURS 1

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME Jonathan Cook TITLE VP/Physican Services HOURS 10

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
SHORE HEALTH SYSTEM INC

Employer identification number
52-0610538

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
(1) NHP LLC 219 South Washington Street Easton, MD 21601 26-2178083	Real Estate	MD			SHS

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) Disproprtionate allocations? Yes	(h) No	(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner? Yes	(j) No	(k) Percentage ownership
See Additional Data Table												

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
See Additional Data Table							

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

		Yes	No
Note. Complete line 1 if any entity is listed in Parts II, III or IV			
1 During the tax year, did the orgranization 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	1a	Yes	
b Gift, grant, or capital contribution to related organization(s)	1b	Yes	
c Gift, grant, or capital contribution from related organization(s)	1c	Yes	
d Loans or loan guarantees to or for related organization(s)	1d		No
e Loans or loan guarantees by related organization(s)	1e	Yes	
f Sale of assets to related organization(s)	1f		No
g Purchase of assets from related organization(s)	1g		No
h Exchange of assets with related organization(s)	1h		No
i Lease of facilities, equipment, or other assets to related organization(s)	1i		No
j Lease of facilities, equipment, or other assets from related organization(s)	1j	Yes	
k Performance of services or membership or fundraising solicitations for related organization(s)	1k	Yes	
l Performance of services or membership or fundraising solicitations by related organization(s)	1l		No
m Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)	1m		No
n Sharing of paid employees with related organization(s)	1n	Yes	
o Reimbursement paid to related organization(s) for expenses	1o	Yes	
p Reimbursement paid by related organization(s) for expenses	1p	Yes	
q Other transfer of cash or property to related organization(s)	1q	Yes	
r Other transfer of cash or property from related organization(s)	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) See Additional Data Table			
(2)			
(3)			
(4)			
(5)			
(6)			

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

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

(a) Name, address, and EIN of entity	**(b)** Primary activity	**(c)** Legal domicile (state or foreign country)	**(d)** Predominant income(related, unrelated, excluded from tax under sections 512-514)	**(e)** Are all partners section 501(c)(3) organizations?		**(f)** Share of total income	**(g)** Share of end-of-year assets	**(h)** Disproprtionate allocations?		**(i)** Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	**(j)** General or managing partner?		**(k)** Percentage ownership
				Yes	**No**			**Yes**	**No**		**Yes**	**No**	

Part VII Supplemental Information

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

Identifier	Return Reference	Explanation

Additional Data

Return to Form

Software ID:
Software Version:
EIN: 52-0610538
Name: SHORE HEALTH SYSTEM INC

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
Baltimore Washington Emergency Phys Inc 301 Hospital Drive Glen Burnie, MD 21061 52-1756326	Healthcare	MD	501(c)(3)	11a	BWMS	No
Baltimore Washington Healthcare Services 301 Hospital Drive Glen Burnie, MD 21061 52-1830243	Healthcare	MD	501(c)(3)	11a	BWMS	No
Baltimore Washington Medical Center Inc 301 Hospital Drive Glen Burnie, MD 21061 52-0689917	Healthcare	MD	501(c)(3)	3	BWMS	No
Baltimore Washington Medical System Inc 301 Hospital Drive Glen Burnie, MD 21061 52-1830242	Healthcare	MD	501(c)(3)	11a	UMMSC	No
BW Medical Center Foundation Inc 301 Hospital Drive Glen Burnie, MD 21061 52-1813656	Fundraising	MD	501(c)(3)	11c	BWMS	No
North Arundel Development Corporation 301 Hospital Drive Glen Burnie, MD 21061 52-1318404	Real Estate	MD	501(c)(2)		BWMS	No
North County Corporation 301 Hospital Drive Glen Burnie, MD 21061 52-1591355	Real Estate	MD	501(c)(2)		BWMS	No
Chester River Health Foundation Inc 100 Brown Street Chestertown, MD 21620 52-1338861	Fundraising	MD	501(c)(3)	7	CRHS	No
Chester River Health System Inc 100 Brown Street Chestertown, MD 21620 52-2046500	Healthcare	MD	501(c)(3)	11a	UMMSC	No
Chester River Hospital Center 100 Brown Street Chestertown, MD 21620 52-0679694	Healthcare	MD	501(c)(3)	3	CRHS	No
Chester River Manor Inc 200 Morgnec Road Chestertown, MD 21620 52-6070333	Healthcare	MD	501(c)(3)	9	CRHS	No
Maryland General Clinical Practice Group 827 Linden Avenue Baltimore, MD 21201 52-1566211	Healthcare	MD	501(c)(3)	11b	MGHS	No
Maryland General Comm Health Foundation 827 Linden Avenue Baltimore, MD 21201 52-2147532	Fundraising	MD	501(c)(3)	11c	MGHS	No
Maryland General Health Systems Inc 827 Linden Avenue Baltimore, MD 21201 52-1175337	Healthcare	MD	501(c)(3)	11b	UMMSC	No
Maryland General Hospital Inc 827 Linden Avenue Baltimore, MD 21201 52-0591667	Healthcare	MD	501(c)(3)	3	MGHS	No
Care Health Services Inc 219 South Washington Street Easton, MD 21601 52-1510269	Healthcare	MD	501(c)(3)	9	SHS	No
Dorchester General Hospital Foundation 219 South Washington Street Easton, MD 21601 52-1703242	Fundraising	MD	501(c)(3)	11	SHS	No
Memorial Hospital Foundation Inc 219 South Washington Street Easton, MD 21601 52-1282080	Fundraising	MD	501(c)(3)	11a	SHS	No
Shore Clinical Foundation Inc 219 South Washington Street Easton, MD 21601 52-1874111	Healthcare	MD	501(c)(3)	3	SHS	No
James Lawrence Kernan Hosp Endow Fd 2200 Kernan Drive Baltimore, MD 21207 23-7360743	Fundraising	MD	501(c)(3)	11b	UMMSC	No

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
James Lawrence Kernan Hospital Inc 2200 Kernan Drive Baltimore, MD 21207 52-0591639	Healthcare	MD	501(c)(3)	3	UMMSC	No
Shipleys Choice Medical Park Inc 22 South Greene Street Baltimore, MD 21201 04-3643849	Real Estate	MD	501(c)(2)	11	UMMSC	No
UMMS Foundation Inc 22 South Greene Street Baltimore, MD 21201 52-2238893	Fundraising	MD	501(c)(3)	11a	UMMSC	No
University of MD Medical System Corp 22 South Greene Street Baltimore, MD 21201 52-1362793	Healthcare	MD	501(c)(3)	3	UMMSC	No
University Specialty Hospital 611 South Charles Street Baltimore, MD 21230 52-0882914	Healthcare	MD	501(c)(3)	3	UMMSC	No
Civista Health Inc PO Box 1070 La Plata, MD 20646 52-2155576	Healthcare	MD	501(c)(3)	11c	UMMSC	No
Civista Medical Center Inc PO Box 1070 La Plata, MD 20646 52-0445374	Healthcare	MD	501(c)(3)	3	CIVHS	No
Civista Health Foundation Inc PO Box 1070 La Plata, MD 20646 52-1414564	Fundraising	MD	501(c)(3)	11a	CIVHS	No
Civista Health Auxiliary Inc PO Box 1070 La Plata, MD 20646 52-1131193	Fundraising	MD	501(c)(3)	11a	CIVHS	No

Form 990, Schedule R, Part III - Identification of Related Organizations Taxable as a Partnership

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal Domicile (State or Foreign Country)	(d) Direct Controlling Entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income ($)	(g) Share of end-of-year assets ($)	(h) Disproprtionate allocations? Yes	(h) No	(i) Code V-UBI amount on Box 20 of K-1 ($)	(j) General or Managing Partner? Yes	(j) No	(k) Percentage ownership
Arundel Physicians Associates LLC 301 Hospital Drive Glen Burnie, MD 21061 52-2000762	Health Care	MD	NA		0	0						
Innovative Health LLC 29165 Canvasback Drive Suite 100 Easton, MD 21601 52-1997287	Billing	MD	SHS	Related	537,500	308,000		No			No	50 000 %
North Arundel Senior Living LLC 301 Hospital Drive Glen Burnie, MD 21061 54-1810728	Health Care	MD	NA		0	0						
NAHSunrise of Severna Park LLC 301 Hospital Drive Glen Burnie, MD 21061 54-1810729	Health Care	MD	NA		0	0						
Shipley's Imaging Center LLC 22 South Greene Street Baltimore, MD 21201 52-2040338	Health Care	MD	NA		0	0						
Universitycare LLC 22 South Greene Street Baltimore, MD 21201 52-1914892	Health Care	MD	NA		0	0						
Baltimore Washington Imaging LLC 301 hospital drive glen burnie, MD 21061 20-0806027	health care	MD	NA								No	
Central Maryland Radiology Oncology 10710 Charter Drive Columbia, MD 21044 27-0879418	Health Care	MD	NA									

Form 990, Schedule R, Part IV - Identification of Related Organizations Taxable as a Corporation or Trust

(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
Arundel Physicians Associates Inc 301 Hospital Drive Glen Burnie, MD 21061 52-1992649	Healthcare	MD	N/A	C Corp	0	0	
Baltimore Washington Health Enterprises 301 Hospital Drive Glen Burnie, MD 21061 52-1936656	Healthcare	MD	N/A	C Corp	0	0	
BW Professional Services Inc 301 Hospital Drive Glen Burnie, MD 21061 52-1655640	Healthcare	MD	N/A	C Corp	0	0	
Civista Care Partners Inc PO Box 1070 La Plata, MD 20646 52-2176314	Healthcare	MD	N/A	C Corp	0	0	
Council of Unit Owners of MD Gen Prof Ce 827 Linden Avenue Baltimore, MD 21201 52-1891126	Real Estate	MD	N/A	C Corp	0	0	
Shore Health Enterprises Inc 219 South Washington Street Easton, MD 21601 52-1363201	Real Estate	MD	SHS	C Corp	58,083	718,408	100 000 %
NA Executive Building Condo Assn Inc 301 Hospital Drive Glen Burnie, MD 21061	Real Estate	MD	N/A	C Corp	0	0	
Terrapin Insurance Company 98-0129232	Insurance		N/A	C Corp	0	0	
University Lithotripter Inc 22 South Greene Street Baltimore, MD 21201 52-1451021	Healthcare	MD	N/A	C Corp	0	0	
UMMS Self Insurance Trust 22 South Greene Street Baltimore, MD 21201 52-6315433	Insurance	MD	N/A	Trust	0	0	

Form 990, Schedule R, Part V - Transactions With Related Organizations

	(a) Name of other organization	(b) Transaction type(a-r)	(c) Amount Involved ($)	(d) Method of determining amount involved
(1)	Shore Health Enterprises	a	61,943	
(2)	Shore Clinical Foundation	a	87,812	
(3)	Dorchester General Hospital Foundation	c	150,374	
(4)	Memorial Hospital Foundation	c	751,817	
(5)	Shore Health Enterprises	j	58,044	
(6)	Care Health Services	n	482,016	
(7)	Memorial Hospital Foundation	n	181,373	
(8)	Shore Clinical Foundation	n	561,233	

KPMG

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidated Financial Statements and Schedules

June 30, 2012 and 2011

(With Independent Auditors' Report Thereon)

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

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

Independent Auditors' Report

The Board of Directors
University of Maryland Medical System Corporation

We have audited the accompanying consolidated balance sheets of the University of Maryland Medical System Corporation and Subsidiaries (the Corporation) as of June 30, 2012 and 2011, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated 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 consolidated 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 Corporation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the University of Maryland Medical System Corporation and Subsidiaries as of June 30, 2012 and 2011, and the results of their operations, changes in their net assets, and their 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 consolidated financial statements as a whole. The supplementary information included in Schedules 1 through 8 is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

KPMG LLP

October 26, 2012

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

June 30, 2012 and 2011

(In thousands)

Assets		**2012**	**2011**
Current assets:			
Cash and cash equivalents	$	279,909	217,517
Assets limited as to use, current portion		43,089	40,114
Accounts receivable:			
Patient accounts receivable, less allowance for doubtful accounts of $140,089 and $161,124 as of June 30, 2012 and 2011, respectively		289,752	262,421
Other		25,126	24,579
Inventories		35,372	32,181
Swap collateral posted		121,802	41,276
Prepaid expenses and other current assets		16,774	10,595
Total current assets		811,824	628,683
Investments		446,127	406,850
Assets limited as to use, less current portion		453,034	505,466
Property and equipment, net		1,444,090	1,298,650
Deferred financing costs, net		7,168	7,547
Investments in joint ventures		166,803	169,220
Other assets		127,051	9,925
Total assets	$	3,456,097	3,026,341
Liabilities and Net Assets			
Current liabilities:			
Trade accounts payable	$	188,815	154,995
Accrued payroll and benefits		149,694	128,420
Advances from third-party payors		119,923	96,012
Lines of credit		102,000	54,600
Other current liabilities		106,377	87,643
Long-term debt subject to short-term remarketing arrangements		52,621	166,765
Current portion of long-term debt		53,928	24,242
Total current liabilities		773,358	712,677
Long-term debt, less current portion and amount subject to short-term remarketing arrangements (including $53,824 of long term debt carried at fair value at June 30, 2012)		1,011,569	869,372
Other long-term liabilities		226,512	87,858
Interest rate swap liabilities		217,756	105,400
Total liabilities		2,229,195	1,775,307
Net assets:			
Unrestricted		1,125,068	1,142,835
Temporarily restricted		67,140	75,656
Permanently restricted		34,694	32,543
Total net assets		1,226,902	1,251,034
Total liabilities and net assets	$	3,456,097	3,026,341

See accompanying notes to consolidated financial statements.

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidated Statements of Operations

Years ended June 30, 2012 and 2011

(In thousands)

		2012	2011
Unrestricted revenues, gains and other support			
Net patient service revenue	$	2,426,977	2,270,416
Other operating revenue			
State support		3,200	3,200
Other revenue		74,519	70,588
Total unrestricted revenues, gains and other support		2,504,696	2,344,204
Operating expenses			
Salaries, wages and benefits		1,153,106	1,041,344
Expendable supplies		407,413	380,222
Purchased services		382,474	336,281
Contracted services		164,114	139,710
Depreciation and amortization		130,149	129,012
Interest expense		45,901	40,341
Provision for bad debts		133,640	177,013
Facility closure expenses		16,247	—
Total operating expenses		2,433,044	2,243,923
Operating income		71,652	100,281
Nonoperating income and expenses, net			
Contributions		8,961	6,055
Inherent contribution – Civista		37,322	—
Equity in net income of joint ventures		1,660	20,534
Investment income		17,287	39,207
Change in fair value of investments		(23,104)	36,364
Change in fair value of undesignated interest rate swaps		(107,408)	18,640
Change in fair value of debt instrument		(9,607)	—
Other nonoperating losses, net		(19,764)	(17,947)
(Deficiency) excess of revenues over expenses		(23,001)	203,134
Net assets released from restrictions used for the purchase of property and equipment		36,352	23,964
Other		(31,118)	20,788
(Decrease) increase in unrestricted net assets	$	(17,767)	247,886

See accompanying notes to consolidated financial statements

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidated Statements of Changes in Net Assets

Years ended June 30, 2012 and 2011

(In thousands)

		Unrestricted net assets	Temporarily restricted net assets	Permanently restricted net assets	Total
Balance at June 30, 2010	$	894,949	56,184	31,247	982,380
Excess of revenues over expenses		203,134	—	—	203,134
Investment gains, net		—	5,102	177	5,279
State support for capital		—	21,565	—	21,565
Contributions, net		—	17,058	1,079	18,137
Net assets released from restrictions used for operations and nonoperating activities		—	(3,639)	—	(3,639)
Net assets released from restrictions used for purchase of property and equipment		23,964	(23,964)	—	—
Change in economic and beneficial interests in the net assets of related organizations		—	3,324	40	3,364
Change in ownership interest of joint ventures		2,268	102	—	2,370
Change in fair value of designated interest rate swaps		2,298	—	—	2,298
Change in funded status of defined benefit pension plans		16,322	—	—	16,322
Other		(100)	(76)	—	(176)
Increase in net assets		247,886	19,472	1,296	268,654
Balance at June 30, 2011		1,142,835	75,656	32,543	1,251,034
Deficiency of revenues over expenses		(23,001)	—	—	(23,001)
Investment losses, net		—	(296)	—	(296)
State support for capital		—	30,558	—	30,558
Contributions, net		—	7,606	2,130	9,736
Net assets released from restrictions used for operations and nonoperating activities		—	(4,798)	—	(4,798)
Net assets released from restrictions used for purchase of property and equipment		36,352	(36,352)	—	—
Change in economic and beneficial interests in the net assets of related organizations		—	(4,254)	21	(4,233)
Change in ownership interest of joint ventures		(2,883)	(900)	—	(3,783)
Change in fair value of designated interest rate swaps		(4,948)	—	—	(4,948)
Change in funded status of defined benefit pension plans		(23,636)	—	—	(23,636)
Other		349	(80)	—	269
(Decrease) increase in net assets		(17,767)	(8,516)	2,151	(24,132)
Balance at June 30, 2012	$	1,125,068	67,140	34,694	1,226,902

See accompanying notes to consolidated financial statements.

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended June 30, 2012 and 2011

(In thousands)

		2012	2011
Cash flows from operating activities			
(Decrease) increase in net assets	$	(24,132)	268,654
Adjustments to reconcile (decrease) increase in net assets to net cash provided by operating activities			
Depreciation and amortization		130,149	129,012
Provision for bad debts		133,640	177,013
Amortization of bond premium and deferred financing costs		2,954	1,562
Net realized gains and change in fair value of investments		(16,240)	(70,293)
Change in fair value of debt instrument		9,607	—
Equity in net income of joint ventures		(1,660)	(20,534)
Loss on facility closure		13,824	—
Increase (decrease) in economic and beneficial interests in net assets of related organizations		4,233	(3,364)
Change in fair value of interest rate swaps		112,356	(23,175)
Change in funded status of defined benefit pension plans		23,636	16,322
Inherent contribution related to Civista acquisition		(37,811)	—
Restricted contributions, investment income and state support		(39,998)	(44,981)
Increase in patient accounts receivable		(151,040)	(190,307)
Increase in other receivables, prepaid expenses, other current assets and other assets		(15,365)	(6,431)
Increase in inventories		(1,657)	(1,951)
(Decrease) increase in trade accounts payable, accrued payroll and benefits, other current liabilities and other long-term liabilities		58,137	(23,940)
Increase in advances from third-party payors		20,501	8,454
Net cash provided by operating activities		221,134	216,041
Cash flows from investing activities			
Purchases and sales of investments and assets limited as to use, net		30,678	(44,076)
Addition of cash from Civista Health, Inc		33,905	—
Purchases of property and equipment		(210,703)	(169,198)
Distributions from joint ventures		6,723	4,388
Investment in joint ventures		—	(39,954)
Cash (paid to) received from swap counter party for undesignated interest rate swaps, net		(64,329)	11,438
Net cash used in investing activities		(203,726)	(237,402)

(Continued)

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended June 30, 2012 and 2011

(In thousands)

		2012	2011
Cash flows from financing activities			
Proceeds from long-term debt	$	15,631	26,750
Repayment of long-term debt and capital leases		(32,362)	(56,815)
Draws (repayments) on lines of credit, net		37,900	(8,700)
Cash (paid to) received from swap counterparty for designated interest rate swaps, net		(16,183)	3,514
Restricted contributions, investment income and state support		39,998	35,581
Net cash provided by financing activities		44,984	330
Net increase (decrease) in cash and cash equivalents		62,392	(21,031)
Cash and cash equivalents, beginning of year		217,517	238,548
Cash and cash equivalents, end of year	$	279,909	217,517
Supplemental disclosures of cash flow information			
Cash paid during the year for interest	$	43,957	41,802
Amount included in accounts payable for construction in progress		22,972	17,146
Supplemental disclosures of noncash information			
Capital leases	$	56	3,785
Contributed land		—	9,400

See accompanying notes to consolidated financial statements

(1) Organization and Summary of Significant Accounting Policies

(a) Organization

The University of Maryland Medical System Corporation (the Corporation or UMMS) is engaged in providing comprehensive healthcare services through an integrated network of hospitals and other inpatient and outpatient clinical enterprises. The Corporation operates University Hospital, University of Maryland Marlene and Stewart Greenebaum Cancer Center (Greenebaum Cancer Center), and The R Adams Cowley Shock Trauma Center (Shock Trauma Center), collectively referred to as University of Maryland Medical Center (Medical Center) and is the sole member of The James Lawrence Kernan Hospital, Inc. (Kernan), University Specialty Hospital, Inc. (University Specialty), Maryland General Health Systems, Inc. (Maryland General), Baltimore Washington Medical System, Inc. (Baltimore Washington), Shore Health System, Inc. (Shore Health), Chester River Health System, Inc. (Chester River), Civista Health, Inc. (Civista), University of Maryland Medical System Foundation, Inc. (UMMS Foundation), Shipley's Choice Medical Park, Inc. (Shipley's), and 36 South Paca Street, LLC (36 South Paca), each of which is described below. In addition, the Corporation has a majority interest in UniversityCARE, LLC (UCARE), and accordingly, it is a consolidated subsidiary of the Corporation. The Corporation also maintains equity interests in various unconsolidated joint ventures, which are described in note 4. All material intercompany balances and transactions have been eliminated in consolidation.

Acquisition of Civista Health, Inc.

On July 1, 2011, the Corporation entered into an affiliation agreement with Civista under which the Corporation became the sole member of Civista. No consideration was tendered in connection with the transaction. At the time of the affiliation, the Corporation transferred $4,000,000 of capital support to Civista to fund the purchase of the land on which Civista Medical Center is located. The Corporation also transferred $2,500,000 to Civista on July 1, 2011, to support operational and capital initiatives, and has committed an additional $10,000,000 for similar investments over the next four years.

The affiliation was accounted for under the purchase accounting method for business combinations and the financial position and results of operations for Civista were consolidated by the Corporation beginning on July 1, 2011. The Corporation recognized an inherent contribution equal to the estimated fair value of the identifiable net assets of Civista on the acquisition date of $37,811,000, of which $37,322,000 was included with nonoperating income on the consolidated statement of operations and $489,000 was included as a temporarily restricted contribution in the consolidated statement of changes in net assets.

The following table summarizes the estimated fair value of assets acquired and liabilities assumed at July 1, 2011 (the acquisition date)

Assets		
Current assets	$	49,063,000
Property and equipment		74,851,000
Other long-term assets		11,332,000
Total assets	$	135,246,000
Liabilities		
Current liabilities	$	33,162,000
Long-term liabilities		60,075,000
Accrued pension cost		4,198,000
Total liabilities		97,435,000
Net assets		
Unrestricted		37,322,000
Temporarily restricted		489,000
Total net assets		37,811,000
Total liabilities and net assets	$	135,246,000

Closure of University Specialty Hospital

During fiscal year 2012, the Corporation made the decision to close University Specialty Hospital, Inc (USH) and to cease operations at that location subsequent to year end In accordance with ASC Subtopic 205-35, the Corporation evaluated the long-lived assets of USH and determined that the assets were impaired as a result of the decision, and that those assets should be revalued based on fair market prices for similar assets Accordingly, an impairment loss of $13,824,000 was recognized in the year ended June 30, 2012 In addition, the Corporation recorded $2,423,000 of operating expenses related to the accrual of salaries and benefits payable under severance agreements

University of Maryland Medical Center

The Medical Center is comprised of three operating divisions University Hospital, Greenebaum Cancer Center and Shock Trauma Center University Hospital is a tertiary teaching hospital located in Baltimore with 612 licensed beds The Greenebaum Cancer Center is a 52-bed program which specializes in the treatment of cancer patients The Shock Trauma Center is a program with 115 licensed beds which provides both treatment to victims of trauma and training in establishing shock trauma systems

The James Lawrence Kernan Hospital, Inc.

Kernan is comprised of a medical/surgical and rehabilitation hospital in Baltimore with 137 licensed beds, including 104 rehabilitation beds, 24 chronic care beds, 9 medical/beds, and off-site physical therapy facilities

A related corporation, The James Lawrence Kernan Endowment Fund, Inc (Kernan Endowment), is governed by a separate, independent board of directors and is required to hold investments and income derived therefrom for the exclusive benefit of Kernan Accordingly, the accompanying consolidated financial statements reflect an economic interest in the net assets of the Kernan Endowment

University Specialty Hospital, Inc.

University Specialty is a 180-bed facility located in Baltimore providing chronic care

Maryland General Health Systems, Inc.

Maryland General is a West Baltimore health system comprised of Maryland General Hospital, a 164-bed acute care hospital, a wholly owned subsidiary providing primary care, and a noncontrolling 25% interest in a managed care organization providing services primarily to Medicaid patients

A related corporation, Maryland General Community Health Foundation, Inc (Maryland General Foundation), is required to hold investments and income derived therefrom for the exclusive benefit of Maryland General As of June 30, 2011, Maryland General Foundation had contributed all of its assets to Maryland General Hospital in support of future capital projects

Baltimore Washington Medical System, Inc.

Baltimore Washington is a health system comprised of Baltimore Washington Medical Center, a 308-bed acute care hospital providing a broad range of services, and several wholly owned subsidiaries providing emergency physician and other services

Baltimore Washington Medical Center Foundation, Inc (BWMC Foundation) is governed by a separate, independent board of directors and is required to hold investments and income derived therefrom for the exclusive benefit of Baltimore Washington Medical Center Accordingly, the accompanying consolidated financial statements reflect an economic interest in the net assets of the BWMC Foundation

Shore Health System, Inc.

Shore Health is a two-hospital health system located on the Eastern Shore of Maryland Shore Health owns and operates Memorial Hospital, a 136-bed acute care hospital providing inpatient and outpatient services in Easton, Maryland, Dorchester Hospital, a 52-bed acute care hospital providing inpatient and outpatient services in Cambridge, Maryland, Memorial Hospital Foundation (Memorial Foundation), a nonprofit corporation established to solicit donations for the benefit of Memorial Hospital, and several other subsidiaries providing various outpatient and home care services

(Continued)

Dorchester General Hospital Foundation, Inc (Dorchester Foundation) is governed by a separate, independent board of directors to raise funds on behalf of Dorchester Hospital Shore Health does not have control over the policies or decisions of the Dorchester Foundation, and accordingly, the accompanying consolidated financial statements reflect a beneficial interest in the net assets of the Dorchester Foundation

Chester River Health System, Inc.

Chester River owns and operates Chester River Hospital Center (CRHC), a 46-bed acute care hospital providing inpatient and outpatient services to the residents of Kent and Queen Anne's counties, Chester River Health Foundation (Chester River Foundation), a nonprofit corporation established to solicit donations for the benefit of Chester River, and two other subsidiaries providing outpatient and homecare services

Civista Health, Inc.

Civista Medical Center (CMC) is comprised of a 124-bed acute care hospital and other community healthcare resources providing inpatient and outpatient services to the residents of Charles County in Southern Maryland

University of Maryland Medical System Foundation, Inc.

The UMMS Foundation, a not-for-profit foundation, was established for the purpose of soliciting contributions on behalf of the Corporation

36 South Paca Street, LLC

36 South Paca is a single-member limited liability company that owns and operates a residential apartment building near the Corporation's Baltimore campus

UniversityCARE, LLC

UCARE, a physician hospital organization was established as a joint venture between the Corporation and University of Maryland Faculty Physicians, Inc (FPI) The purpose of UCARE is to operate an integrated healthcare services delivery system in a manner that integrates the teaching and research missions of the Corporation, FPI and their affiliates with the delivery of care in a cost efficient manner The Corporation's ownership percentage and income (loss) sharing percentage is 90% and FPI's percentage is 10% Accordingly, the assets, liabilities, unrestricted net assets and operations of UCARE are consolidated with the Corporation in the accompanying consolidated financial statements, and FPI's ownership interest is treated as a noncontrolling interest

Shipley's Choice Medical Park, Inc.

Shipley's, a wholly owned subsidiary, is a 501(c) (2) title-holding corporation, formed for the purpose of managing property investments located in Anne Arundel County The operations of Shipley's are solely comprised of the management of this property

(b) Basis of Presentation

The consolidated financial statements are prepared on the accrual basis of accounting in accordance with U S generally accepted accounting principles

(c) Cash Equivalents

Cash and cash equivalents consist of cash and interest-bearing deposits with maturities of three months or less from the date of purchase

(d) Investments and Assets Limited as to Use

The Corporation's investment portfolio is classified as trading, and is reported in the consolidated balance sheets at its fair value, based on quoted market prices, at June 30, 2012 and 2011 Unrealized holding gains and losses on trading securities with readily determinable market values are included in nonoperating income Investment income, including realized gains and losses, is included in nonoperating income in the accompanying consolidated statement of operations

Assets limited as to use include investments set aside at the discretion of the board of directors for the replacement or acquisition of property and equipment, investments held by trustees under bond indenture agreements and self-insurance trust arrangements, and assets whose use is restricted by donors Such investments are stated at fair value Amounts required to meet current liabilities have been included in current assets in the consolidated balance sheets Changes in fair values of donor-restricted investments are recorded in temporarily restricted net assets unless otherwise required by the donor or state law

Assets limited as to use also include the Corporation's economic interests in financially interrelated organizations (note 12)

Alternative investments are recorded under the equity method of accounting Underlying securities of these alternative investments may include certain debt and equity securities that are not readily marketable Because certain investments are not readily marketable, their fair value is subject to additional uncertainty, and therefore values realized upon disposition may vary significantly from current reported values

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 consolidated financial statements

(e) Inventories

Inventories, consisting primarily of drugs and medical/surgical supplies, are carried at the lower of cost or market, on a first-in, first-out basis

(f) *Economic Interests in Financially Interrelated Organizations*

The Corporation 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 Corporation Changes in the Corporation's economic interests in these financially interrelated organizations are recognized in the consolidated statements of changes in net assets

(g) *Property and Equipment*

Property and equipment are stated at cost, or estimated fair value at date of contribution, less accumulated depreciation Depreciation is provided on a straight-line basis over the estimated useful lives of the depreciable assets The estimated useful lives of the assets are as follows

Buildings	20 to 40 years
Building and leasehold improvements	5 to 20 years
Equipment	3 to 20 years

Interest costs incurred on borrowed funds less interest income earned on the unexpended bond proceeds during the period of construction are capitalized as a component of the cost of acquiring those assets

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support 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

(h) *Deferred Financing Costs*

Costs incurred related to the issuance of long-term debt are deferred and are amortized over the life of the related debt agreements or the related letter of credit agreements using the effective interest method Accumulated amortization of such costs amounted to $8,554,000 and $7,708,000 as of June 30, 2012 and 2011, respectively

(i) *Goodwill*

Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized Goodwill is reviewed for impairment at least annually A qualitative assessment of whether it is more likely than not that the fair value of the reporting unit is less than its carrying value is performed, which determines whether a quantitative goodwill impairment test is necessary The goodwill impairment test is a two-step test Under the first step, the fair value of the reporting unit is compared with its carrying value (including goodwill) If the fair value of the reporting unit is less than its carrying value, an indication of goodwill impairment exists for the reporting unit and the entity must perform step two of the impairment test (measurement) Under step two, an impairment loss is recognized for any excess of the carrying amount of the reporting unit's goodwill over the implied fair value of that goodwill The implied fair value of goodwill is determined by allocating the fair value of the reporting unit in a manner similar to a purchase price allocation and the residual fair value after this allocation is the implied fair value of the reporting unit goodwill Fair value of the reporting unit is determined using a discounted cash flow analysis If the fair value of the reporting unit exceeds its carrying value, step two does not need to be performed

No impairment loss was recorded in 2012 or 2011

(j) Impairment of Long-Lived Assets

Long-lived assets, such as property, plant, and equipment, and purchased intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable Recoverability of assets to be held and used is measured by comparing the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset Assets to be disposed of would be separately presented in the consolidated balance sheets and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated The assets and liabilities of a disposed group classified as held for sale would be presented separately in the appropriate asset and liability sections of the consolidated balance sheets

(k) Investments in Joint Ventures

When the Corporation does not have a controlling interest in an entity, but exerts a significant influence over the entity, the Corporation applies the equity method of accounting

(l) Self-Insurance

Under the Corporation's self-insurance programs (general and professional liability, workers' compensation and employee health and long term disability benefits), claims are reflected as a present value liability based upon actuarial estimates, including both reported and incurred but not reported claims taking into consideration the severity of incidents and the expected timing of claim payments

(m) Net Assets

The Corporation classifies net assets based on the existence or absence of donor-imposed restrictions Unrestricted net assets represent contributions, gifts and grants, which have no donor-imposed restrictions or which arise as a result of operations Temporarily restricted net assets are subject to donor-imposed restrictions that must or will be met either by satisfying a specific purpose and/or passage of time Permanently restricted net assets are subject to donor-imposed restrictions that must be maintained in perpetuity Generally, the donors of these assets permit the use of all or part of the income earned on related investments for specific purposes The restrictions associated with these net assets generally pertain to patient care, specific capital projects and funding of specific hospital operations and community outreach programs

(n) ***Net Patient Service Revenue and Provision for Uncollectible Accounts***

Net patient service revenue for the Medical Center, Kernan, Maryland General, Baltimore Washington, Shore Health, Chester River, University Specialty and Civista reflects actual charges to patients based on rates established by the State of Maryland Health Services Cost Review Commission (HSCRC) in effect during the period in which the services are rendered, net of contractual adjustments Contractual adjustments represent the difference between amounts billed as patient service revenue and amounts allowed by third-party payors Such adjustments include discounts on charges as permitted by the HSCRC

The Corporation records revenues and accounts receivable from patients and third-party payors at their estimated net realizable value Revenue is reduced for anticipated discounts under contractual arrangements and for charity care An estimated provision for bad debts is recorded in the period the related services are provided based upon anticipated uncompensated care, and is adjusted as additional information becomes available

The provision for bad debts is based upon management's assessment of historical and expected net collections considering historical business and economic conditions, trends in healthcare coverage, and other collection indicators Periodically throughout the year, management assesses the adequacy of the allowance for uncollectible accounts based upon historical write-off experience by payor category The results of this review are then used to make modifications to the provision for bad debts and to establish an allowance for uncollectible receivables After collection of amounts due from insurers, the Corporation follows internal guidelines for placing certain past due balances with collection agencies

(o) ***Charity Care***

The Corporation provides charity care to patients who are unable to pay Such patients are identified based on information obtained from the patient and subsequent analysis Because the Corporation does not expect collection of amounts determined to qualify as charity care, they are not reported as revenue The Corporation estimates the total direct and indirect costs to provide charity care were $100,753,000 and $82,627,000 for the years ended June 30, 2012 and 2011, respectively

(p) ***Nonoperating Income and Expenses, Net***

Other activities that are largely unrelated to the Corporation's primary mission are recorded as nonoperating income and expenses, and include investment income, equity in the net income of joint ventures, general donations and fund-raising activities, gains on acquisitions, changes in fair value of investments, changes in fair value of interest rate swaps, and loss on early extinguishment of debt

(q) ***Derivative Financial Instruments***

The Corporation records derivative and hedging activities on the consolidated balance sheet at their respective fair values

The Corporation utilizes derivative financial instruments to manage its interest rate risks associated with long-term tax-exempt debt The Corporation does not hold or issue derivative financial instruments for trading purposes

The Corporation's specific goals are to (a) manage interest rate sensitivity by modifying the repricing or maturity characteristics of some of its tax-exempt debt, and (b) lower unrealized appreciation or depreciation in the market value of the Corporation's fixed-rate tax-exempt debt when that market value is compared with the cost of the borrowed funds The effect of this unrealized appreciation or depreciation in market value, however, will generally be offset by the income or loss on the derivative instruments that are linked to the debt

The Corporation formally documents all hedge relationships between hedging instruments and hedged items, as well as its risk-management objective and strategy for undertaking various hedge transactions On the date the derivative contract is entered into, the Corporation may designate the derivative as either a hedge of the fair value of a recognized or forecasted liability (fair value hedge) or a hedge of the variability of cash flows to be received or paid related to a recognized liability (cash flow hedge), provided the derivative instrument meets certain criteria related to its effectiveness This process includes linking all derivatives that are designated as fair value or cash flow hedges to specific liabilities on the consolidated balance sheet The Corporation also formally assesses, 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

All derivative instruments are reported as other assets or other long-term liabilities in the consolidated balance sheet and measured at fair value Derivatives not designated as hedges or not meeting effectiveness criteria are carried at fair value with changes in the fair value recognized in other nonoperating income and expenses

The Corporation discontinues hedge accounting prospectively when it determines that the derivative is no longer effective in offsetting changes in the fair value or cash flows of a hedged item, when the derivative expires or is sold, terminated or exercised, or when management determines that designation of the derivative as a hedge instrument is no longer appropriate When hedge accounting is discontinued and the derivative remains outstanding, all subsequent changes in fair value of the derivative are included in the excess of revenues over expenses

Changes in the fair value of derivative instruments are included in or excluded from the excess of revenues over expenses depending on the use of the derivative and whether it qualifies for hedge accounting treatment Changes in the fair value of a derivative that is designated and qualifies as a fair value hedge, along with the changes in the fair value of the hedged item related to the risk being hedged, are included in the excess of revenues over expenses Changes in the fair value of a derivative that is designated as a cash flow hedge are excluded from the excess of revenues over expenses to the extent that the hedge is effective until the excess of revenues over expenses is affected by the variability of cash flows in the hedged transaction Changes in the fair value that relate to ineffectiveness are included in the excess of revenues over expenses as interest expense *(r)* ***(Deficiency) Excess of Revenue over Expenses***

The consolidated statement of operations includes a performance indicator, excess of revenue over expenses Changes in unrestricted net assets that are excluded from the performance indicator, consistent with industry practice, include contributions of long-lived assets (including assets acquired using contributions, which, by donor restrictions, were to be used for the purpose of acquiring such assets), pension-related changes other than net periodic pension costs, change in fair value of derivatives that qualify for hedge accounting, and other items that are required by generally accepted accounting principles to be reported separately

(s) ***Income Taxes***

The Corporation and most of its subsidiaries are not-for-profit corporations formed under the laws of the State of Maryland, organized for charitable purposes and recognized by the Internal Revenue Service as tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code pursuant to Section 501(a) of the Code The effect of the taxable status of its for-profit subsidiaries is not material to the consolidated financial statements There were no income taxes paid on unrelated business activities in the year ended June 30, 2012 or 2011 The Corporation has net operating losses of approximately $15,517,000 as of June 30, 2012, which expire at various dates through 2031 The Corporation's deferred tax assets of approximately $6,207,000 at June 30, 2012 are fully reserved as they are not expected to be utilized

The Corporation follows a threshold of more-likely than-not for recognition and derecognition of tax positions taken or expected to be taken in a tax return Management does not believe that there are any unrecognized tax benefits that should be recognized

(t) ***Donor-Restricted Gifts***

Unconditional promises to give cash and other assets to the Corporation are reported at fair value at the date the promise is received Conditional promises to give and indications of intentions to give are reported at fair value at the date the promise becomes unconditional Contributions are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets When a donor restriction is satisfied, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statements of operations as net assets released from restrictions Such amounts are classified as other revenue or transfers and additions to property and equipment

Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved An allowance for uncollectible contributions receivable is provided based upon management's judgment including such factors as prior collection history, type of contributions, and nature of fund-raising activity

The Corporation follows accounting guidance for classifying the net assets associated with donor-restricted endowment funds held by organizations that are subject to an enacted version of the Uniform Prudent Management Institutional Funds Act of 2006 (UPMIFA)

(u) Fair Value Measurements

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

Cash and cash equivalents, accounts receivable, assets limited as to use, investments, accounts payable, accrued expenses and advances from third-party payors – The carrying amounts reported in the consolidated balance sheet approximate the related fair values

Pension plan asset portfolio – The Corporation applies Accounting Standards Update (ASU) 2009-12, *Fair Value Measurements and Disclosures (Topic 820) Investments in Certain Entities That Calculate Net Asset per Share (or Its Equivalent)*, to its pension plan asset portfolio The guidance permits, as a practical expedient, fair value of investments within its scope to be estimated using the net asset value or its equivalent The alternative investments classified within Level 3 of the fair value hierarchy have been recorded using the Net Asset Value (NAV)

Long-term debt – The fair value of the long-term debt issued through the Maryland Health and Higher Educational Facilities Authority (Authority or MHHEFA), based on quoted market prices for the same or similar issues, at June 30, 2012 and 2011, was approximately $1,077,764,000 and $1,018,753,000, respectively The carrying amounts of other long-term debt reported in note 7 and on the consolidated balance sheet approximate the related fair values

The Corporation discloses it financial assets, financial liabilities and fair value measurements of nonfinancial items according to the fair value hierarchy required by GAAP that prioritizes the inputs to valuation techniques used to measure fair value The hierarchy gives the highest priority to unadjusted quoted market prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements) The three levels of the fair value hierarchy are as follows

- Level 1 inputs are quoted market prices (unadjusted) in active markets for identical assets or liabilities that the Corporation has the ability to access at the measurement date
- Level 2 inputs are inputs other than quoted market prices including within Level 1 that are observable for the asset or liability, either directly or indirectly If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability
- Level 3 inputs are unobservable inputs for the asset or liability

Assets and liabilities classified as Level 1 are valued using unadjusted quoted market prices for identical assets or liabilities in active markets The Corporation uses techniques consistent with the market approach and the income approach for measuring fair value of its Level 2 and Level 3 assets and liabilities The market approach is a valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities The income approach generally converts future amounts (cash flows or earnings) to a single present value amount (discounted)

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety

As of June 30, 2012 and 2011, the Level 2 assets and liabilities listed in the fair value hierarchy tables below utilize the following valuation techniques and inputs

(i) U.S. Government and Agency Securities

The fair value of investments in U S government, state, and municipal obligations is primarily determined using techniques consistent with the income approach Significant observable inputs to the income approach include data points for benchmark constant maturity curves and spreads

(ii) Corporate Bonds

The fair value of investments in U S and international corporate bonds, including commingled funds that invest primarily in such bonds, and foreign government bonds is primarily determined using techniques that are consistent with the market approach Significant observable inputs include benchmark yields, reported trades, observable broker/dealer quotes, issuer spreads, and security specific characteristics, such as early redemption options

(iii) Corporate Bonds

The fair value of collateralized corporate obligations is primarily determined using techniques consistent with the income approach, such as a discounted cash flow model Significant observable inputs include prepayment speeds and spreads, benchmark yield curves, volatility measures, and quotes

(iv) Derivative Liabilities

The fair value of derivative contracts is primarily determined using techniques consistent with the market approach Derivative contracts include interest rate, credit default, and total return swaps Significant observable inputs to valuation models include interest rates, Treasury yields, volatilities, credit spreads, maturity and recovery rates

(v) Fair Value Option

Under the Fair Value Option Subsections of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Subtopic 825-10, *Financial Instruments – Overall*, the Corporation has the irrevocable option to report most financial assets and liabilities at fair value on an instrument-by-instrument basis, with changes in fair value reported in earnings See note 7 to the consolidated financial statements

(w) Commitments and Contingencies

Liabilities for loss contingencies arising from claims, assessments, litigation, fines, penalties and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated Legal costs incurred in connection with loss contingencies are expensed as incurred

(x) *New Accounting Pronouncements*

In August 2010, the FASB issued ASU No 2010-23, *Health Care Entities (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 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 Corporation on July 1, 2011 The adoption did not impact the financial position or results of operations of the Corporation See note 1(o) for related disclosure information

In August 2010, the FASB issued ASU No 2010-24, *Health Care Entities (Topic 954) Presentation of Insurance Claims and Related Insurance Recoveries* The amendments in the ASU clarify that a health care 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 Corporation on July 1, 2011 The adoption of this guidance resulted in the recording of additional accruals from medical malpractice claims liability and an insurance recoveries receivable of $104,740,000 Such amounts are included in other long-term liabilities and other assets for the year ended June 30, 2012 The Corporation 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 Corporation

In September 2011, the FASB issued ASU No 2011-08, *Intangibles – Goodwill and Other (Topic 350)* The ASU simplifies the requirements for annual impairment tests for goodwill by permitting a qualitative assessment of whether it is more likely than not that the fair value of a reporting unit is less than its carrying value to determine whether a two-step impairment test is necessary This ASU is effective for fiscal years beginning after December 15, 2011, with early adoption permitted The Corporation early adopted this ASU on July 1, 2011 and incorporated its provisions in the performance of annual evaluation of goodwill for the year ended June 30, 2012 The adoption of this pronouncement did not have a material impact on the Corporation's financial position or results of operations

In July 2011, the FASB issued ASU No 2011-07, *Health Care Entities (Topic 954) Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debt, and the Allowance for Doubtful Accounts* The ASU requires health care entities that recognize significant amounts of patient service revenue to present the provision for bad debts related to patient service revenue as a deduction from patient service revenue (net of contractual allowances and discounts) on their statement of operations 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 This ASU is effective for the Corporation on July 1, 2012

The Corporation does not anticipate that the adoption of the aforementioned pronouncement that will become effective in fiscal year 2013, will have a material impact on its financial position or its results of operations

(y) *Use of Estimates*

The preparation of consolidated financial statements in conformity with U S generally accepted accounting principles 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period Actual results could differ from those estimates

(2) Investments and Assets Limited as to Use

The carrying value of assets limited as to use was as follows at June 30 (in thousands)

		2012	2011
Debt service and reserve funds	$	83,367	76,967
Construction funds – held by trustee		49,287	75,027
Board designated funds		104,624	97,307
Construction funds – held by the Corporation		72,469	105,798
Self-insurance trust funds		101,348	99,663
Funds restricted by donors		47,460	49,016
Economic and beneficial interests in the net assets of related organizations (note 12)		37,568	41,802
Total assets limited as to use		496,123	545,580
Less amounts available for current liabilities		(43,089)	(40,114)
Total assets limited as to use, less current portion	$	453,034	505,466

The carrying value of assets limited as to use were as follows at June 30, 2012 (in thousands)

		Debt service and reserve funds	Construction funds	Board designated funds	Self-insurance trust funds	Funds restricted by donors	Economic and beneficial interests	Total
Cash and cash equivalents	$	29,021	76,940	15,806	368	6,788	—	128,923
Corporate bonds		—	73	9,249	2,714	7,975	—	20,011
Collateralized corporate obligations		—	42	1,517	—	195	—	1,754
U S government and agency securities		54,346	43,857	2,449	205	314	—	101,171
Common stocks, including mutual funds		—	409	34,453	—	19,985	—	54,847
Alternative investments		—	435	41,150	—	12,203	—	53,788
Assets held by other organizations		—	—	—	98,061	—	37,568	135,629
Total assets limited as to use	$	83,367	121,756	104,624	101,348	47,460	37,568	496,123

The carrying value of assets limited as to use were as follows at June 30, 2011 (in thousands):

		Debt service and reserve funds	Construction funds	Board designated funds	Self-insurance trust funds	Funds restricted by donors	Economic and beneficial interests	Total
Cash and cash equivalents	$	33,491	73,904	9,773	477	7,317	—	124,962
Corporate bonds		—	2,928	2,862	1,117	4,349	—	11,256
Collateralized corporate obligations		—	1,684	1,627	3	287	—	3,601
U.S. government and agency securities		43,476	74,791	2,819	604	499	—	122,189
Common stocks, including mutual funds		—	13,804	39,617	1,036	23,894	—	78,351
Alternative investments		—	13,714	40,609	—	12,670	—	66,993
Assets held by other organizations		—	—	—	96,426	—	41,802	138,228
Total assets limited as to use	$	76,967	180,825	97,307	99,663	49,016	41,802	545,580

Self-insurance trust funds include amounts held by the Maryland Medicine Comprehensive Insurance Program (MMCIP) for payment of malpractice claims. These assets consist primarily of stocks, fixed-income corporate obligations, and alternative investments. MMCIP is a funding mechanism for the Corporation's malpractice insurance program. As MMCIP is not an insurance provider, transactions with MMCIP are recorded under the deposit method of accounting. Accordingly, the Corporation accounts for its participation in MMCIP by carrying limited-use assets representing the amount of funds contributed to MMCIP and recording a liability for claims, which is included in other current and other long-term liabilities in the accompanying consolidated balance sheets.

The carrying value of investments not limited as to use were as follows at June 30 (in thousands):

		2012	2011
Cash and cash equivalents	$	17,342	37,789
Corporate bonds		32,030	28,547
Collateralized corporate obligations		16,443	16,403
U.S. government and agency securities		26,427	28,421
Common stocks		170,879	147,967
Alternative investments		183,006	147,723
	$	446,127	406,850

Investments at June 30, 2012 include $150,000,000 of funds for potential future commitments in accordance with the Affiliation Agreement with Upper Chesapeake Health System as discussed in note 4.

Alternative investments include hedge fund, private equity, and commingled investment funds, which are valued using the equity method of accounting. Substantially all of these investments are subject to 30 day notice requirements for redemption.

The following table presents investments and assets limited as to use that are measured at fair value on a recurring basis at June 30, 2012 (in thousands)

	Level 1	Level 2	Level 3	Total
Assets				
Investments				
Cash and cash equivalents	$ 17,342	—	—	17,342
Corporate bonds	13,220	18,810	—	32,030
Collateralized corporate obligations	77	16,366	—	16,443
U S government and agency securities	12,800	13,627	—	26,427
Common and preferred stocks, including mutual funds	170,879	—	—	170,879
	214,318	48,803	—	263,121
Assets limited as to use				
Cash and cash equivalents	96,745	32,178	—	128,923
Corporate bonds	16,389	3,622	—	20,011
Collateralized corporate obligations	—	1,754	—	1,754
U S government and agency securities	5,865	95,306	—	101,171
Common and preferred stocks, including mutual funds	54,847	—	—	54,847
Investments held by other organizations	—	98,061	—	98,061
	173,846	230,921	—	404,767
	$ 388,164	279,724	—	667,888

The following table presents investments and assets limited as to use that are measured at fair value on a recurring basis at June 30, 2011 (in thousands)

	Level 1	Level 2	Level 3	Total
Assets				
Investments				
Cash and cash equivalents	$ 37,789	—	—	37,789
Corporate bonds	10,604	17,943	—	28,547
Collateralized corporate obligations	—	16,403	—	16,403
U S government and agency securities	10,568	17,853	—	28,421
Common and preferred stocks, including mutual funds	147,483	484	—	147,967
	206,444	52,683	—	259,127
Assets limited as to use				
Cash and cash equivalents	88,869	36,093	—	124,962
Corporate bonds	7,162	4,094	—	11,256
Collateralized corporate obligations	—	3,601	—	3,601
U S government and agency securities	2,668	119,521	—	122,189
Common and preferred stocks, including mutual funds	77,209	1,142	—	78,351
Investments held by other organizations	—	96,426	—	96,426
	175,908	260,877	—	436,785
	$ 382,352	313,560	—	695,912

Changes to Level 1 and Level 2 securities between June 30, 2012 and June 30, 2011 were the result of strategic investments and reinvestments, interest income earnings, and changes in the fair value of investments

The Corporation's total return on its investments and assets limited as to use was as follows for the years ended June 30 (in thousands)

		2012	2011
Dividends and interest, net of fees	$	10,127	10,557
Net realized gains		7,870	30,107
Change in fair value of trading securities		(24,110)	40,186
Total investment gain	$	(6,113)	80,850

Total investment gain is classified in the consolidated statements of operations as follows for the years ended June 30 (in thousands)

		2012	2011
Nonoperating investment income	$	17,287	39,207
Change in fair value of unrestricted investments		(23,104)	36,364
Investment gains on restricted net assets		(296)	5,279
Total investment return	$	(6,113)	80,850

Investment return does not include the returns on the economic interests in the net assets of related organizations, the returns on the self-insurance trust funds, returns on undesignated interest rates swaps, or the returns on certain construction funds where amounts have been capitalized

(3) Property and Equipment

The following is a summary of property and equipment at June 30 (in thousands)

		2012	2011
Land	$	86,464	82,279
Buildings		1,009,102	972,683
Building and leasehold improvements		529,589	445,868
Equipment		1,013,061	948,188
Construction in progress		217,230	141,624
		2,855,446	2,590,642
Less accumulated depreciation and amortization		(1,411,356)	(1,291,992)
	$	1,444,090	1,298,650

Interest cost capitalized was $1,368,000 and $2,942,000 (net of interest income of $103,000 and $200,000) for the years ended June 30, 2012 and 2011, respectively

Remaining commitments on construction projects were approximately $42,949,000 at June 30, 2012

Construction in progress includes building and renovation costs for assets that have not yet been placed into service These costs relate to major construction projects as well as routine renovations under way at the Corporation's facilities

Depreciation expense was $130,133,000 and $128,970,000 for the years ended June 30, 2012 and 2011, respectively

(4) Investments in Joint Ventures

The Corporation has investments of $166,803,000 and $169,220,000 at June 30, 2012 and 2011, respectively, in the following unconsolidated joint ventures

Joint venture	Business purpose	Percent ownership FY2012	Percent ownership FY2011
Shipley's Imaging Center, LLC	Freestanding imaging center	50%	50%
Maryland Care, Inc	Managed care organization	25	25
Innovative Health Services, LLC	Third-party insurance claims processor	50	50
NAH/Sunrise of Severna Park, LLC	Senior living facility	50	50
Terrapin Insurance Company (Terrapin)	Healthcare professional liability insurance company	50	50
Mt Washington Pediatric Hospital, Inc (Mt Washington)	Healthcare services	50	50
UCHS/UMMS Venture, LLC	Healthcare services	49	49
Central Maryland Radiation Oncology Center LLC	Healthcare services	50	50
Chesapeake-Potomac Healthcare Alliance	Healthcare services	33	*
Civista Ambulatory Surgery Center, Inc	Ambulatory surgical services	50	*
NRH/CPT/St Mary's/ Civista Regional Rehab, LLC	Medical rehabilatative and therapy services	15	*
Freestate Healthcare Insurance Company, LTD	Healthcare professional liability insurance company	17	*
Maryland eCare, LLC	Remote monitoring technology	14	*

* *Acquired as part of Civista Health, Inc See note 1(a)*

The Corporation recorded equity in net earnings of $1,660,000 and $20,534,000 related to these joint ventures for the years ended June 30, 2012 and 2011, respectively

In 2009, the Corporation entered into a Membership Interest Purchase Agreement and an Affiliation Agreement with Upper Chesapeake Health System, Inc (UCHS), a healthcare system located in Harford County, Maryland, whereby the Corporation has purchased a 49% interest in the Upper Chesapeake Health System/University of Maryland Medical System Venture, LLC (UCHS/UMMS Venture, LLC) In accordance with the Affiliation Agreement, the Corporation has designated $150,000,000 for future capital improvements of UCHS/UMMS Venture, LLC The Corporation has committed no less than $176,000,000 to UCHS/UMMS Venture, LLC for future capital improvements over the next several years, which will culminate in the Corporation's membership interest in the UCHS/UMMS Venture, LLC increasing to 100%

The following is a summary of the Corporation's joint ventures' combined unaudited condensed financial information as of and for the years ended June 30 (in thousands)

		2012				
		Mt. Washington	Terrapin	UCHS/UMMS Venture, LLC	Others	Total
Current assets	$	26,499	12,427	89,578	191,821	320,325
Noncurrent assets		52,834	137,883	307,249	80,858	578,824
Total assets	$	79,333	150,310	396,827	272,679	899,149
Current liabilities	$	13,119	8,105	55,885	173,008	250,117
Noncurrent liabilities		9,407	140,255	218,122	4,288	372,072
Net assets		56,807	1,950	122,820	95,383	276,960
Total liabilities and net assets	$	79,333	150,310	396,827	272,679	899,149

		2012				
		Mt. Washington	Terrapin	UCHS/UMMS Venture, LLC	Others	Total
Total operating revenue	$	48,537	28,067	380,087	731,354	1,188,045
Total operating expenses		(46,690)	(29,181)	(370,037)	(697,371)	(1,143,279)
Total nonoperating gains (losses), net		200	1,114	(13,600)	(12,541)	(24,827)
Distributions to owners		—	—	—	(16,000)	(16,000)
Other changes in net assets, net		694	—	(286)	(1,007)	(599)
Increase in net assets	$	2,741	—	(3,836)	4,435	3,340

		2011				
		Mt. Washington	Terrapin	UCHS/UMMS Venture, LLC	Others	Total
Current assets	$	24,051	12,398	97,163	106,151	239,763
Noncurrent assets		47,759	117,524	280,831	70,833	516,947
Total assets	$	71,810	129,922	377,994	176,984	756,710
Current liabilities	$	9,555	3,092	51,643	94,637	158,927
Noncurrent liabilities		8,189	124,880	199,695	2,636	335,400
Net assets		54,066	1,950	126,656	79,711	262,383
Total liabilities and net assets	$	71,810	129,922	377,994	176,984	756,710
Total operating revenue	$	50,383	25,361	348,101	668,703	1,092,548
Total operating expenses		(46,455)	(34,826)	(340,285)	(644,939)	(1,066,505)
Total nonoperating gains (losses), net		5,168	9,465	19,327	(9,139)	24,821
Other changes in net assets, net		654	—	30,920	(3,817)	27,757
Increase in net assets	$	9,750	—	58,063	10,808	78,621

(5) Leases

The Corporation rents various equipment and facility space. Rent expense under these operating leases for the years ended June 30, 2012 and 2011 was approximately $17,023,000 and $16,150,000, respectively.

Future noncancelable minimum lease payments under operating leases are as follows for the years ending June 30 (in thousands):

2013	$	9,238
2014		5,974
2015		4,737
2016		4,051
2017		3,927
Thereafter		15,998
	$	43,925

The Corporation rents property used for administration under a 99-year lease. The lease was recorded as a capital lease, and the Corporation recorded assets at their respective fair values of $3,770,000 and $29,230,000 for land and buildings, respectively. The lease includes an option for the Corporation to purchase the property during the period from April 20, 2017 to February 28, 2021 for a purchase price of not less than $37,000,000 but not more than $45,000,000 as determined by appraisals. In addition, the lease agreement includes a put option exercisable through February 28, 2013, whereby the lessor may require the

Corporation to purchase the building for $37,000,000 As of June 30, 2012 and 2011, amounts of $35,244,000 and $34,949,000, respectively, representing obligations under the lease have been recorded in other current liabilities

As of June 30, 2012, amounts of $8,200,000 and $1,998,000 representing obligations under all other capital leases are included in other current liabilities and other long-term liabilities, respectively

The following is a summary of all property and equipment under capital leases at June 30 (in thousands)

		2012	2011
Land	$	3,770	3,770
Buildings		29,230	29,230
Equipment		18,611	18,555
		51,611	51,555
Less accumulated amortization		(13,926)	(9,813)
	$	37,685	41,742

Future minimum lease payments under capital leases, together with the present value of the net minimum lease payments, are as follows as of June 30, 2012 (in thousands)

2013	$	11,493
2014		4,311
2015		3,800
2016		3,537
2017		2,723
Thereafter		40,000
Total minimum lease payments		65,864
Less amounts representing interest		(20,325)
Present value of net minimum lease payments	$	45,539

(6) Lines of Credit

Lines of credit outstanding are as follows as of the years ended June 30 (in thousands):

2012					
Line Number	Interest rate calculation	Interest rate as of June 30, 2012	Date of expiration	Total available	Outstanding amount
1	1-mo LIBOR + 0.80%	1.05%	12/31/2012	$ 25,000	25,000
2	1-mo LIBOR +2.20%	2.45	Annually renewing	20,000	20,000
3	1, 2 or 3 month LIBOR + 0.75%	1.00	7/1/2013	20,000	20,000
4	1-mo LIBOR +0.80%	1.05	12/31/2012	10,000	10,000
5	1-mo LIBOR +2.20%	2.45	Annually renewing	5,000	5,000
6	of Prime + 0.25%, or 5.0%	5.00	12/1/2012	12,000	12,000
7	Prime, LIBOR (1,2,3 or 6 month) or LIBOR w/ daily reset	3.25	1/16/2013	10,000	10,000
Total lines of credit				$ 102,000	102,000

2011					
Line Number	Interest rate calculation	Interest rate as of June 30, 2011	Date of expiration	Total available	Outstanding amount
1	1-mo LIBOR +0.80%	0.99%	11/30/2011	$ 25,000	25,000
2	1-mo LIBOR +2.20%	2.39	Annually renewing	20,000	9,600
3	of Prime, or 1-mo LIBOR + 1.35%	1.54	6/29/2012	20,000	20,000
4	1-mo LIBOR +0.80%	0.99	12/31/2011	10,000	—
5	1-mo LIBOR +2.20%	2.39	Annually renewing	5,000	—
Total lines of credit				$ 80,000	54,600

(7) Long-Term Debt and Other Borrowings

Long-term debt consists of the following at June 30 (in thousands)

	Interest rate	Payable in fiscal year(s)	2012	2011
MHHEFA project revenue bonds				
Corporation issue, payments due annually on July 1				
Series 2010 Bonds	2 00% – 5 25%	2011 – 2040	$ 231,925	237,210
Series 2008A-E Bonds	Variable rate	2025 – 2042	280,000	280,000
Series 2008F Bonds	4 00% – 5 25%	2009 – 2024	69,980	75,785
Series 2007A/B Bonds	Variable rate	2008 – 2035	137,220	137,320
Series 2006A Bonds	4 50% – 5 00%	2026 – 2042	45,000	45,000
Series 2005 Bonds	4 00% – 5 50%	2006 – 2032	135,690	138,590
Series 2004B Bonds	3 20% – 5 00%	2005 – 2025	26,690	28,165
Series 2002 Bonds	5 00%	2004 – 2013	1,430	2,785
Series 2001 Bonds	4 25% – 5 00%	2006 – 2012	—	1,275
Series 1991B Bonds	7 00%	1992 – 2023	27,315	27,315
Shore Health issue, payments due annually on July 1				
Series 1998 Bonds	4 15% – 5 25%	2000 – 2020	19,200	21,115
MHHEFA pooled loan program				
Chester River issue, payments due semi-annually on July and January 1 Commercial paper series	Variable rate	1990 – 2013	385	630

	Interest rate	Payable in fiscal year(s)	2012	2011
MHHEFA variable rate demand bonds				
Chester River issue, payments due semi-annually on July and January 1 MHHEFA D	Variable rate	2004 – 2024	$ 1,965	2,080
MHHEFA master lease and sublease	4.40%	2006 – 2013	545	1,170
MHHEFA project revenue bonds				
Civista Medical System issue, interest payable semi-annually, principal payable annually on July 1				
Series 2005 Bonds	3.00% – 5.00%	2012 – 2037	56,740	*
Other long-term debt				
North Arundel Senior Living, LLC Mortgage	Variable rate	Monthly, 2014	10,635	10,909
Charles County Government loan payable	3.05%	Monthly, 2012 – 2021	9,568	*
Grandbridge Real Estate Capital mortgaged promissory note payable	5.70%	Monthly, 2012 – 2014	4,459	*
Term loans	Variable rate	2009 – 2022	52,516	43,008
Other loans and notes payable	3.25% – 7.00%	Monthly, 1991 – 2025	6,111	4,462
			1,117,374	1,056,819
Less current portion of long-term debt			53,928	24,242
Less long-term debt subject to short-term remarketing agreements			52,621	166,765
			1,010,825	865,812
Plus unamortized premiums and discounts, net			3,660	3,560
Less fair market value adjustment			(2,916)	—
			$ 1,011,569	869,372

* *Acquired as part of Civista Health, Inc. See note 1(a).*

Pursuant to a Master Loan Agreement dated June 20, 1991 (UMMS Master Loan Agreement), as amended, the Corporation and several of its subsidiaries have issued debt through MHHEFA. As security for the performance of the bond obligation under the Master Loan Agreement, the Authority maintains a security interest in the revenue of the obligors. The UMMS Master Loan Agreement contains certain restrictive covenants. These covenants require that rates and charges be set at certain levels, limit incurrence of additional debt, require compliance with certain operating ratios and restrict the disposition of assets.

The Obligated Group under the UMMS Master Loan Agreement includes the Medical Center, University Specialty, Kernan Hospital, Maryland General Hospital, Baltimore Washington Medical Center, Shore Health, Chester River Health System, and the UMMS Foundation Each member of the Obligated Group is jointly and severally liable for the repayment of the obligations under the UMMS Master Loan Agreement

Under the terms of the UMMS Master Loan Agreement and other loan agreements, certain funds are required to be maintained on deposit with the Master Trustee to provide for repayment of the obligations of the Obligated Group (note 2)

The payment of principal and interest on the Corporation's issue Series 2005 Bonds and the Series 2004B Bonds is insured under a financial guaranty insurance policy This policy insures the payment of principal, sinking fund installments and interest on the corresponding bonds The insurance policy requires the Obligated Group to adhere to the same covenants as those in the UMMS Master Loan Agreement

The Civista issue Series 2005 Bond proceeds were loaned to Civista Medical Center, pursuant to Civista's Master Loan Agreement with MHHEFA, to fund costs of a construction and renovation project at Civista Medical Center, which was completed in 2007, pay the issuance costs related to the Civista issue Series 2005 Bonds, pay interest costs during the construction period, and fund a trustee-held debt service reserve fund The payment of principal and interest on the Civista Series 2005 Bonds is insured by Radian Asset Assurance Inc (Radian) Civista Medical Center is solely obligated under its Master Loan Agreement As security for repayment of its obligations under Civista's Master Loan Agreement, Civista Medical Center granted MHHEFA a security interest in substantially all of its receipts In addition, the Civista issue Series 2005 Bonds are secured by a deed of trust in certain assets of Civista Medical Center, including land, leasehold interest, and tangible personal property

As a result of the business combination with Civista as discussed in note 1(a), the Corporation recorded a fair value decrease to the Civista Series 2005 Bonds of $12,523,000 on July 1, 2011, the date of purchase, which is a component of inherent contribution on the consolidated statement of operations As permitted by ASC Subtopic 825-10, the Corporation has elected to record this debt instrument at its fair value for subsequent reporting periods Accordingly, the consolidated statement of operations for the year ended June 30, 2012 includes a nonoperating loss related to the subsequent fair value increase in the Civista Series 2005 Bonds of $9,607,000 The Civista Series 2005 Bonds are included in the consolidated balance sheet at their fair value of $53,824,000 as of June 30, 2012, an amount that is based on quoted market prices in active markets for identical liabilities (Level 1 in the fair value hierarchy)

In 2004, Civista Medical Center borrowed $15,000,000 from the County Commissioners of Charles County The loan is secured by a deed of trust on certain real property of Civista Medical Center Repayment of this loan is subordinate to repayment of debt under Civista's Master Loan Agreement and the note payable

The aggregate annual future maturities of long-term debt according to the original terms of the Master Loan Agreement and all other loan agreements are as follows for the years ending June 30 (in thousands)

2013	$	53,928
2014		46,104
2015		30,403
2016		27,583
2017		28,645
Thereafter		930,711
	$	1,117,374

The Corporation's Series 2007A/B and 2008A-E, and Chester River's MHHEFA Series D and Pooled Loan issuances, are variable rate demand bonds requiring remarketing agents to purchase and remarket any bonds tendered before the stated maturity date The reimbursement obligations with respect to the letters of credit are evidenced and secured by the respective bonds To provide liquidity support for the timely payment of any bonds that are not successfully remarketed, the Corporation has entered into letter of credit agreements with six banking institutions These agreements have terms that expire in 2013 through 2017 If the bonds are not successfully remarketed, the Corporation is required to pay an interest rate specified in the letter of credit agreement, and the principal repayment of bonds may be accelerated to require repayment in periods ranging from 20 to 60 months from the date of the failed remarketing The Corporation has reflected the amount of its long-term debt that is subject to these short-term remarketing arrangements as a separate component of current liabilities in its consolidated balance sheets In the event that bonds are not remarketed, the Corporation maintains available letters of credit and has the ability to access other sources to obtain the necessary liquidity to comply with accelerated repayment terms All variable rate demand bonds were successfully remarketed as of June 30, 2012

The following table reflects the required repayment terms for the years ended June 30 (in thousands) of the Corporation's debt obligations in the event that the put options associated with variable rate demand bonds subject to short-term remarketing agreements were exercised, but not successfully remarketed

2013	$	106,549
2014		105,216
2015		91,982
2016		39,162
2017		46,013
Thereafter		728,452
	$	1,117,374

The approximate interest rates on MHHEFA project revenue bonds bearing interest at variable rates were as follows at June 30

	2012	2011
Series 2008A Bonds	0 28%	0 20%
Series 2008B Bonds	0 25	0 07
Series 2008C Bonds	0 15	0 09
Series 2008D Bonds	0 15	0 04
Series 2008E Bonds	0 17	0 08
Series 2007A Bonds	0 15	0 07
Series 2007B Bonds	0 28	0 07
Pooled Loan Program Series A and D, Chester River Issue	0 40	0 08

Chester River's MHHEFA Series D and Pooled Loan notes are secured by CRHS' buildings and equipment, as well as an irrevocable letter of credit, which expires in November 2012 Under the terms of the related loan and letter of credit agreements, Chester River is required to comply with certain restrictive covenants including maintenance of debt to equity and other financial tests

In May 2006, CRHC entered into a Master Lease and Sublease Agreement (the CRHC Agreement) with MHHEFA and a financial institution to provide financing for CRHC to lease certain equipment essential or convenient for the operation of CRHC The CRHC Agreement expires in May 2013 During the term of the CRHC Agreement, MHHEFA has legal title to the equipment, including any software license components At the end of the CRHC Agreement, CRHC has the option to purchase the equipment for a notional amount of $1

Term loans outstanding are as follows at June 30 (in thousands)

	Interest rate	Interest rate	Payable in fiscal year(s)		2012	2011
Term loan 1 payable monthly beginning February 2012	1-mo LIBOR + 2.75%	3.00%	2012 – 2013	$	23,591	26,750
Term loan 2 payable monthly beginning January 2009	1-mo LIBOR + 0.85%	1.10	2009 – 2014		10,800	11,600
Term loan 3 payable monthly beginning March 2012	Fixed rate	1.95	2012 – 2022		11,600	—
Term loan 4 payable monthly beginning January 2012	Fixed rate	1.66	2012 – 2017		1,305	—
Term loan 5 payable monthly beginning April 2012	Fixed rate	1.62	2012 – 2017		1,264	—
Term loan 6 payable monthly beginning February 2010	1-mo LIBOR + 1.75%	1.99	2010 – 2013		3,956	4,180
Term loan 7 payable monthly ending August 2011	1-mo LIBOR + 3.25%	3.44	2012		—	478
Total term loans				$	52,516	43,008

(8) Interest Rate Risk Management

The Corporation uses a combination of fixed and variable rate debt to finance capital needs. The Corporation maintains an interest rate risk-management strategy that uses interest rate swaps to minimize significant, unanticipated earnings fluctuations that may arise from volatility in interest rates.

At June 30, 2012 and 2011, the Corporation's notional values of outstanding interest rate swaps were $608,949,000 and $609,669,000, respectively, the details of which were as follows

	Notional amount	Pay rate	Maturity date	Mark to market	Qualifies for hedge accounting treatment?
As of June 30, 2012					
Swap #1	$ 92,349	3 59%	7 1 2031	$ (22,691)	No
Swap #2	84,000	3 93%	7 1 2041	(36,788)	No
Swap #3	21,000	4 24%	7 1 2041	(10,477)	No
Swap #4	39,650	3 99%	7 1 2034	(12,190)	Yes *
Swap #5	29,380	3 54%	7 1 2031	(6,883)	No
Swap #6	196,000	3 93%	7 1 2041	(85,850)	No
Swap #7	49,000	4 24%	7 1 2041	(24,450)	No
Swap #8	92,525	4 00%	7 1 2034	(28,539)	Yes
Swap #9	5,045	3 63%	7 1 2032	(936)	Yes *
				(228,804)	
			Valuation adjustments	11,048	
Total	$ 608,949			$ (217,756)	
As of June 30, 2011					
Swap #1	$ 92,349	3 59%	7 1 2031	$ (8,208)	No
Swap #2	84,000	3 93%	7 1 2041	(17,548)	No
Swap #3	21,000	4 24%	7 1 2041	(5,480)	No
Swap #4	39,675	3 99%	7 1 2034	(7,124)	Yes
Swap #5	30,000	3 54%	7 1 2031	(3,366)	No
Swap #6	196,000	3 93%	7 1 2041	(40,949)	No
Swap #7	49,000	4 24%	7 1 2041	(12,787)	No
Swap #8	92,575	4 00%	7 1 2034	(16,716)	Yes
Swap #9	5,070	3 63%	7 1 2032	(616)	Yes
				(112,794)	
			Valuation adjustments	7,394	
Total	$ 609,669			$ (105,400)	

* De-designated as non-qualifying on June 30, 2012

The mark-to-market values of the Corporation's interest rate swaps include a valuation adjustment representing the creditworthiness of the counterparties to the swaps

Swaps #4, #8, and #9, representing a total notional amount of $137,220,000 and $137,320,000 as of June 30, 2012 and 2011 respectively, qualify as, and are designated as, cash flow hedges Unrealized gains (losses) on these swaps of $(17,034,000) and $2,298,000 are recorded in other changes in unrestricted net assets for the years ended June 30, 2012 and 2011, respectively These amounts subsequently are reclassified into interest expense as a yield adjustment of the hedged debt obligation in the same period in which the related interest affects the excess of revenues over expenses, representing a hedge ineffectiveness adjustment There was no net gain or loss recognized in interest expense for the year ended June 30, 2012 as a result of hedge ineffectiveness on the designated swaps, for the year ended June 30, 2011, the Corporation recognized a net gain of $2,237,000, representing hedge ineffectiveness on the designated swaps, which is included in interest expense The accumulated loss on changes in the fair value of designated swaps that is included in unrestricted net assets was $40,216,000 and $23,181,000 at June 30, 2012 and 2011, respectively

As discussed in Note 20, the Corporation refunded $40,755,000 of the Series 2007 bonds and $175,000,000 of the Series 2008 bonds in August 2012 In connection with this refunding, the Corporation reviewed the designation of Swaps #4 and #9, which are associated with the refunded bonds, and de-designated the swaps as non-qualifying As a result, the Corporation reclassified $12,086,000 from other changes in net assets into change in fair value of undesignated interest rate swaps, which is included in the performance indicator on the consolidated statement of operations

Swaps #1, #2, #3, #5, #6 and #7, representing a total notional amount of $379,380,000 and $380,000,000 as of June 30, 2012 and 2011, respectively, do not qualify for hedge accounting treatment The Corporation recorded a net nonoperating gain (loss) on these interest rate swaps of $(95,322,000) and $18,640,000 for the years ended June 30, 2012 and 2011, respectively

The swap agreements are included in the consolidated balance sheet at their fair value of $217,756,000 and $105,400,000 as of June 30, 2012 and 2011, respectively, an amount that is based on observable inputs other than quoted market prices in active markets for identical liabilities (Level 2 in the fair value hierarchy)

The Corporation has a forward-starting swap agreement representing a total notional amount of $92,348,500 that takes effect on July 1, 2012 The forward-starting swap agreement provides the Corporation with a synthetically fixed interest rate of 3 59% At June 30, 2012, the liability representing the fair value of the Corporation's forward-starting swap, amounts to $21,033,000

The Corporation is subject to a collateral posting requirement with one of its swap counterparties Collateral posting requirements are based on the Corporation's long-term debt credit ratings, as well as the net liability position of total interest rate swap agreements outstanding with that counterparty The amount of such posted collateral was $121,802,000 and $41,276,000 at June 30, 2012 and 2011, respectively

(9) Other Liabilities

Other liabilities consist of the following at June 30 (in thousands)

		2012	2011
Professional and general malpractice liabilities	$	165,742	51,104
Capital lease obligations		45,539	47,948
Accrued pension obligations		47,630	26,267
Accrued interest payable		15,543	14,580
Other miscellaneous		58,435	35,602
Total other liabilities		332,889	175,501
Less current portion		(106,377)	(87,643)
Other long-term liabilities	$	226,512	87,858

Other miscellaneous liabilities primarily consist of unearned revenue and patient credit balance liabilities

(10) Retirement Plans

Employees of the Corporation are included in various retirement plans established by the Corporation, the Medical Center, Kernan, University Specialty, Maryland General, Baltimore Washington, Shore Health, Chester River and Civista Participation by employees in their specific plan(s) has evolved based upon the organization by which they were first employed and the elections that they made at the times when their original employers became part of the Corporation Following is a brief description of each of the retirement plans in which employees of the Corporation participate

(a) *Defined Benefit Plans*

Maryland General Retirement Plan for Non – Union Employees – A noncontributory defined benefit plan covering substantially all nonunion employees The benefits are based on years of service and compensation Contributions to this plan are made to satisfy the minimum funding requirements of ERISA In 2006, Maryland General froze the defined benefit pension plan

Baltimore Washington Medical Center Pension Plan – A noncontributory defined benefit pension plan covering full-time employees who have been employed for at least one year and have reached 21 years of age

Baltimore Washington Medical Center Supplemental Executive Retirement Plan – A noncontributory defined benefit pension plan for senior management level employees

Chester River Health System, Inc Pension Plan and Trust – A noncontributory defined benefit pension plan covering substantially all CRHC employees as well as employees of a subsidiary The benefits are paid to retirees based upon age at retirement, years of service and average compensation Chester River's funding policy is to satisfy the minimum funding requirements of ERISA Effective June 30, 2008, Chester River froze the defined benefit pension plan

Civista Health, Inc Retirement Plan and Trust – A noncontributory defined benefit pension plan covering employees that have worked at least one thousand hours per year during three or more plan years Plan benefits are accumulated based upon a combination of years of service and percent of annual compensation Civista makes annual contributions to the plan based upon amounts required to be funded under provisions of ERISA Disclosures related the Civista Health plan are included for 2012 only

The Corporation recognizes the funded status (i e , difference between the fair value of plan assets and projected benefit obligations) of its defined benefit pension plans as an asset or liability in its consolidated balance sheet The Corporation recognizes changes in the funded status in the year in which the changes occur as changes in unrestricted net assets All defined benefit pension plans use a June 30 measurement date

The following table sets forth the combined benefit obligations and assets of the defined benefit plans at June 30 (in thousands)

		2012	2011
Change in projected benefit obligations			
Benefit obligations at beginning of year	$	125,335	125,518
Addition of Civista obligation		23,259	—
Plan amendment		1,163	—
Settlements		(1,156)	(1,373)
Service cost		3,250	2,649
Interest cost		7,810	6,213
Actuarial loss		17,426	(2,851)
Benefit payments		(5,455)	(4,821)
Projected benefit obligations at end of year	$	171,632	125,335
Change in plan assets			
Fair value of plan assets at beginning of year	$	99,068	82,456
Addition of Civista assets		19,061	—
Actual return on plan assets		(6)	14,169
Settlements		(1,156)	(1,373)
Employer contributions		12,490	8,637
Benefit payments		(5,455)	(4,821)
Fair value of plan assets at end of year	$	124,002	99,068
Accumulated benefit obligation at end of year	$	165,109	120,226

(Continued)

The funded status of the plans and amounts recognized as other long-term liabilities in the consolidated balance sheets at June 30 are as follows (in thousands)

		2012	2011
Funded status, end of period			
Fair value of plan assets	$	124,002	99,068
Projected benefit obligations		171,632	125,335
	$	(47,630)	(26,267)
Amounts recognized in unrestricted net assets at June 30			
Net actuarial loss	$	(72,874)	(45,595)
Prior service cost		(1,420)	(534)
	$	(74,294)	(46,129)

The estimated amounts that will be amortized from unrestricted net assets into net periodic pension cost in fiscal 2013 are as follows

Net actuarial loss	$	6,382
Prior service cost		157
	$	6,539

The components of net periodic pension cost for the years ended June 30 are as follows (in thousands)

		2012	2011
Service cost	$	3,250	2,649
Interest cost		7,810	6,213
Expected return on plan assets		(9,389)	(6,661)
Prior service cost recognized		183	85
Recognized gains or losses		4,164	5,878
Net periodic pension cost	$	6,018	8,164

The following table presents the weighted average assumptions used to determine benefit obligations for the plans at June 30

	2012	2011
Discount rate	4 32% – 4 67%	5 25%
Rate of compensation increase (for nonfrozen plan)	2 50% – 4 50%	5 00

(Continued)

The following table presents the weighted average assumptions used to determine net periodic benefit cost for the plans for the years ended June 30

	2012	2011
Discount rate	5 25% – 5 60%	5 00%
Expected long-term return on plan assets	7 00% – 7 75%	7 75
Rate of compensation increase (for nonfrozen plan)	3 00% – 4 50%	5 00

The investment policies of the Corporation's pension plans incorporate asset allocation and investment strategies designed to earn superior returns on plan assets consistent with reasonable and prudent levels of risk Investments are diversified across classes, sectors, and manager style to minimize the risk of loss The Corporation uses investment managers specializing in each asset category, and regularly monitors performance and compliance with investment guidelines In developing the expected long-term rate of return on assets assumption, the Corporation considered the current level of expected returns on risk-free investments, the historical level of the risk premium associated with the other asset classes in which the portfolio is invested, and the expectations for future returns of each asset class The expected return for each asset class was then weighted based on the target allocation to develop the expected long-term rate of return on assets assumption for the portfolio

The Corporation's pension plans' target allocation and weighted average asset allocations at the measurement date of June 30, 2012 and 2011, by asset category, are as follows

Asset category	Target allocation	Percentage of plan assets as of June 30 2012	2011
Cash and cash equivalents	—	4%	7%
Fixed income securities	35	30	27
Equity securities	40	40	39
Global asset allocation	15	16	17
Hedge funds	10	10	10
		100%	100%

Equity and fixed income securities include investments in hedge fund of funds that are categorized in accordance with each fund's respective investment holdings At both June 30, 2012 and 2011, the Corporation was in the process of implementing changes to its investment classification, which required the liquidation of certain assets, resulting in more cash on hand than targeted This cash was used to purchase additional securities in subsequent periods in order to restore compliance with the target allocation

The table below presents the Corporation's combined investable assets of the defined benefit pension plans as of June 30, 2012 aggregated by the three level valuation hierarchy as described in note 1(u)

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 112	4,834	—	4,946
Fixed income mutual funds	33,899	—	—	33,899
Common and preferred stocks	7,306	—	—	7,306
Equity mutual funds	38,676	—	—	38,676
Other mutual funds	10,122	—	—	10,122
Alternative investments	—	18,901	10,152	29,053
	$ 90,115	23,735	10,152	124,002

The table below presents the Corporation's combined investable assets of the defined benefit pension plans as of June 30, 2011, aggregated by the three level valuation hierarchy as described in note 1(u)

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 7,138	—	—	7,138
Fixed income mutual funds	22,536	—	—	22,536
Common and preferred stocks	6,549	—	—	6,549
Equity mutual funds	26,501	—	—	26,501
Other mutual funds	9,858	—	—	9,858
Alternative investments	—	16,594	9,892	26,486
	$ 72,582	16,594	9,892	99,068

Changes to Level 1 and Level 2 inputs between June 30, 2012 and June 30, 2011 were the result of strategic investments and reinvestments, interest income earnings, and changes in the fair value of investments

Changes to the fair values based on the Level 3 inputs are summarized as follows

	Equity mutual funds	Hedge funds	Total
Balance as of June 30, 2010	$ 1,138	14,340	15,478
Additions/purchases	—	8,160	8,160
Withdrawals/sales	(1,372)	(11,691)	(13,063)
Net change in value	234	(917)	(683)
Balance as of June 30, 2011	—	9,892	9,892
Additions/purchases	—	1,923	1,923
Withdrawals/sales	—	(745)	(745)
Net change in value	—	(918)	(918)
Balance as of June 30, 2012	$ —	10,152	10,152

The following summarizes the redemption terms for the hedge fund-of-funds vehicles alternative investments held as of June 30, 2012

	Fund 1	Fund 2
Redemption timing		
Redemption frequency	Monthly	Quarterly
Required notice	20 days	70 days
Audit reserve		
Percentage held back for audit reserve	—	—
Gates		
Potential gate holdback	None	None
Potential gate release timeframe	N/A	N/A

The Corporation expects to contribute $7,294,000 to its defined benefit pension plans for the fiscal year ending June 30, 2013

The following benefit payments, which reflect expected future employee service, as appropriate, are expected to be paid from plan assets in the following years ending June 30 (in thousands)

2013	$ 6,888
2014	7,210
2015	8,035
2016	8,076
2017	9,471
2018 – 2020	53,549

The expected benefits to be paid are based on the same assumptions used to measure the Corporation's benefit obligation at June 30, 2012

(b) *Defined Contribution Plans*

Corporation Pension Plan – A noncontributory defined contribution plan for all eligible Corporation employees not participating in the Kernan Plan, the University Specialty Retirement Plan or the Maryland General Plan described below Contributions to this plan by the Corporation are determined as a fixed percentage of total employees' base compensation

Corporation Salary Reduction 403(b) Plan – A contributory benefit plan covering substantially all employees not participating in the Kernan Plan, the University Specialty Retirement Plan or the Maryland General Plan described below Employees are immediately eligible for elective deferrals of compensation as contributions to the plan

Kernan Tax Sheltered Annuity Plan – A contributory benefit plan administered by an insurance company for Kernan employees hired prior to a certain date in 1996 Employee contributions to this plan are eligible for a matching contribution by Kernan after participating employees have completed two years of credited service

University Specialty Retirement Plan – A defined contribution plan for substantially all full-time employees of University Specialty Employer contributions are made at the discretion of University Specialty's board of directors Employees may also make optional contributions within limits specified by the plan agreement

Maryland General Hospital, Inc 401(k) Profit Sharing Plan for Union Employees – Defined contribution plan for substantially all union employees of Maryland General Employer contributions to this plan are determined based on years of service and hours worked Employees are immediately eligible for elective deferrals of compensation as contributions to the plan

Baltimore Washington Retirement Plans – Defined contribution plans covering all employees of Baltimore Washington Medical Center, and certain related entities Employees are eligible for matching contributions after two years of service as defined in the plans

Shore Health System Retirement Plan – A contributory benefit plan covering substantially all employees of Shore Health Employees are eligible for matching contributions after one year of service

Chester River Retirement Plan – A contributory benefit plan covering substantially all employees of Chester River who have met the eligibility requirements

Civista Health, Inc Retirement Savings Plan – A contributory benefit plan covering substantially all full-time employees of Civista Health Employees are eligible for matching contributions after three years of service as defined in the plan

Total annual retirement costs incurred by the Corporation for the previously discussed defined contribution plans were $25,839,000 and $22,794,000 for the years ended June 30, 2012 and 2011, respectively. Such amounts are included in salaries, wages and benefits in the accompanying consolidated statements of operations.

(11) Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are restricted primarily for the following purposes at June 30 (in thousands):

		2012	2011
Facility construction and renovations, research, education, and other	$	29,571	33,854
Economic and beneficial interests in the net assets of related organizations		37,569	41,802
	$	67,140	75,656

Net assets were released from donor restrictions during the years ended June 30, 2012 and 2011 by expending funds satisfying the restricted purposes or by occurrence of other events specified by donors as follows (in thousands):

		2012	2011
Purchases of equipment and construction costs	$	36,352	23,964
Research, education, uncompensated care, and other		4,798	3,639
	$	41,150	27,603

Included in net assets released from donor restrictions for research, professional education, faculty support, uncompensated care and other is $3,983,000 and $3,416,000 for the years ended June 30, 2012 and 2011, respectively, related to nonoperating activities of the UMMS Foundation.

Permanently restricted net assets consist primarily of gifts to be held in perpetuity, the income from which may be used to fund the operations of the Corporation.

The Corporation's endowments consist of donor-restricted funds established for a variety of purposes. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

(a) Interpretation of Relevant Law

The Corporation has interpreted the Maryland Uniform Prudent Management of Institutional Funds Act (MUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Corporation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by MUPMIFA In accordance with MUPMIFA, the Corporation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds

(1) The duration and preservation of the fund

(2) The purposes of the Corporation and the donor-restricted endowment fund

(3) General economic conditions

(4) The possible effect of inflation and deflation

(5) The expected total return from income and the appreciation of investments

(6) Other resources of the Corporation

(7) The investment policies of the Corporation

Endowment net assets are as follows (in thousands)

	June 30, 2012			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	$ —	7,708	34,694	42,402

	June 30, 2011			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	$ —	7,596	32,543	40,139

(b) *Funds with Deficiencies*

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or MUPMIFA requires the Corporation to retain as a fund of perpetual duration The Corporation does not have any donor-restricted endowment funds that are below the level that the donor or MUPMIFA requires

(c) *Investment Strategies*

The Corporation has adopted policies for corporate investments, including endowment assets, that seek to maximize risk-adjusted returns with preservation of principal Endowment assets include those assets of donor-restricted funds that the Corporation must hold in perpetuity or for a donor-specified period(s) The endowment assets are invested in a manner that is intended to hold a mix of investment assets designed to meet the objectives of the account The Corporation expects its endowment funds, over time, to provide an average rate of return that generates earnings to achieve the endowment purpose

To satisfy its long-term rate-of-return objectives, the Corporation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends) The Corporation employs a diversified asset allocation structure to achieve its long-term return objectives within prudent risk constraints

The Corporation monitors the endowment funds returns and appropriates average returns for use In establishing this practice, the Corporation considered the long-term expected return on its endowment This is consistent with the Corporation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return

(12) Economic and Beneficial Interests in the Net Assets of Related Organizations

The Corporation is supported by several related organizations that were formed to raise funds on behalf of the Corporation and certain of its subsidiaries These interests are accounted for as either economic or beneficial interests in the net assets of such organizations

The following is a summary of economic and beneficial interests in the net assets of financially interrelated organizations as of June 30 (in thousands)

		2012	2011
Economic interests in			
The James Lawrence Kernan Hospital Endowment Fund, Incorporated	$	29,002	33,354
Baltimore Washington Medical Center Foundation, Inc		5,966	5,896
Total economic interests		34,968	39,250
Beneficial interest in the net assets of Dorchester General Hospital Foundation, Inc		2,601	2,552
	$	37,569	41,802

At the discretion of its board of trustees, the Kernan Endowment Fund may pledge securities to satisfy various collateral requirements on behalf of Kernan and may provide funding to Kernan to support various clinical programs or capital needs

BWMC Foundation was formed in July 2000 and supports the activities of Baltimore Washington Medical Center by soliciting charitable contributions on its behalf

The Maryland General Foundation contributed the remainder of its assets, approximately $2,590,000 of funds during the year ended June 30, 2011, to support future Emergency Department capital projects at Maryland General, which is included in contributions and change in economic and beneficial interest in net assets of related organizations in the accompanying consolidated statement of changes in net assets The contribution made during the year ended June 30, 2011 constituted all of Maryland General Foundation's remaining assets

Shore Health maintains a beneficial interest in the net assets of Dorchester Foundation, a nonprofit corporation organized to raise funds on behalf of Dorchester Hospital Shore Health does not have control over the policies or decisions of the Dorchester Foundation

A summary of the combined unaudited condensed financial information of the financially interrelated organizations in which the Corporation holds an economic or beneficial interest as of June 30 is as follows (in thousands)

		2012	2011
Current assets	$	1,905	3,753
Noncurrent assets		36,408	39,061
Total assets	$	38,313	42,814
Current liabilities	$	101	374
Noncurrent liabilities		643	638
Net assets		37,569	41,802
Total liabilities and net assets	$	38,313	42,814
Total operating revenue	$	622	7,125
Total operating expense		(4,922)	(3,066)
Other changes in net assets		67	(695)
Total increase (decrease) in net assets	$	(4,233)	3,364

(13) State Support

The Corporation received $3,200,000 in support for the Shock Trauma Center operations from the State of Maryland in each of the years ended June 30, 2012 and 2011

The State of Maryland appropriates funds for specific construction costs incurred and equipment purchases made The Corporation recognizes this support as the funds are expended for the intended projects The Corporation expended and recorded $29,808,000 and $20,815,000 during the years ended June 30, 2012 and 2011, respectively

In each of the years ended June 30, 2012 and 2011, the Corporation received $750,000 of capital support from the State of Maryland for Kernan

(14) Functional Expenses

The Corporation provides general healthcare services to residents within its geographic location Expenses related to providing these services, based on management's estimates of expense allocations, are as follows for the years ended June 30 (in thousands)

		2012	2011
Healthcare services	$	2,042,882	1,915,587
General and administrative		390,162	328,336
	$	2,433,044	2,243,923

(15) Insurance

The Corporation maintains self-insurance programs for professional and general liability risks, employee health, employee long-term disability, and workers' compensation Estimated liabilities have been recorded based on actuarial estimation of reported and incurred but not reported claims The accrued liabilities for these programs as of June 30, 2012 and 2011 were as follows (in thousands)

		2012	2011
Professional and general malpractice liabilities (including $104,740 of additional liability in 2012, as discussed in note 1(x))	$	165,742	51,104
Employee health		14,589	12,941
Employee long-term disability		8,143	5,521
Workers' compensation		11,473	11,496
Total self-insured liabilities		199,947	81,062
Less current portion		(39,909)	(34,789)
	$	160,038	46,273

The Corporation provides for and funds the present value of the costs for professional and general liability claims and insurance coverage related to the projected liability from asserted and unasserted incidents, which the Corporation believes may ultimately result in a loss These accrued malpractice losses are discounted using a discount rate of 2 5% In management's opinion, these accruals provide an adequate and appropriate loss reserve

The Corporation and its affiliates are self-insured for professional and general liability claims up to the limits of $1 0 million on individual claims and $3 0 million in the aggregate on an annual basis For amounts in excess of these limits, the risk of loss has been transferred to the Terrapin Insurance Company (Terrapin), an unconsolidated joint venture Terrapin provides insurance for claims in excess of $1 million

(Continued)

individually and $3 million in the aggregate up to $80 million individually and $80 million in the aggregate under claims made policies between the Corporation and Terrapin For claims in excess of Terrapin's coverage limits, if any, the Corporation retains the risk of loss

As discussed in note 4, Terrapin is a joint venture corporation in which a 50% equity interest is owned by the Corporation and a 50% equity interest is owned by FPI

Total malpractice insurance expense for the Corporation during the years ended June 30, 2012 and 2011 was approximately $39,290,000 and $32,581,000, respectively

(16) Business and Credit Concentrations

The Corporation provides healthcare services through its inpatient and outpatient care facilities located in the State of Maryland The Corporation generally does not require collateral or other security in extending credit, however, it routinely obtains assignment of (or is otherwise entitled to receive) patients' benefits receivable under their health insurance programs, plans or policies (e g , Medicare, Medicaid, Blue Cross, workers' compensation, health maintenance organizations (HMOs) and commercial insurance policies)

The Corporation had gross receivables from patients and third-party payors as follows at June 30

	2012	2011
Medicare	22%	20%
Medicaid	35	33
Commercial insurance and HMOs	16	16
Blue Cross	11	12
Self-pay and others	16	19
	100%	100%

The Corporation recorded gross revenues from patients and third-party payors for the years ended June 30 as follows

	2012	2011
Medicare	31%	33%
Medicaid	27	26
Commercial insurance and HMOs	18	16
Blue Cross	15	14
Self-pay and others	9	11
	100%	100%

(17) Certain Significant Risks and Uncertainties

The Corporation provides general acute healthcare services in the State of Maryland The Corporation 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 State of Maryland Health Services Cost Review Commission,
- Government regulation, government budgetary constraints and proposed legislative and regulatory changes, and
- Lawsuits alleging malpractice and related claims

Such inherent risks require the use of certain management estimates in the preparation of the Corporation's consolidated 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 Corporation's revenues, and the Corporation's 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 Corporation

Changes in federal and state reimbursement funding mechanisms and related government budgetary constraints could have a significant adverse effect on the Corporation

The healthcare industry is subject to numerous laws and regulations from federal, state and local governments The Corporation's compliance with these laws and regulations can be subject to periodic governmental review and interpretation, which can result in regulatory action unknown or unasserted at this time Management is aware of certain asserted and unasserted legal claims and regulatory matters arising in the ordinary course of business, none of which, in the opinion of management, are expected to result in losses in excess of insurance limits or have a materially adverse effect on the Corporation's financial position

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 The Corporation has implemented a compliance program to monitor conformance with applicable laws and regulations, but the possibility of future government review and enforcement action exists

As a result of recently enacted and pending federal healthcare reform legislation, substantial changes are anticipated in the U S 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 does not affect the consolidated financial statements for the year ended June 30, 2012

(18) Maryland Health Services Cost Review Commission (HSCRC)

Patient service revenue for hospital services is regulated by the HSCRC and recorded at rates established by the HSCRC which are adjusted annually to account for compliance with approved rates, annual inflation and changes in cost and volume The Medical Center, Kernan, Maryland General, Baltimore Washington and Civista have Charge Per Episode (CPE) agreements with the HSCRC The CPE agreements establish a prospectively approved average charge per inpatient episode based upon an estimated case mix index The agreement allows the hospitals to adjust approved unit rates, within certain limits, to achieve the average CPE target The HSCRC allows for certain corridors related to the approved rates such that variances within those corridors do not adversely impact the hospitals Outpatient services are charged using the established HSCRC unit rates The Corporation's policy is to defer revenue above the approved amounts and beyond the approved corridors

Effective July 1, 2010, Shore Health and Chester River entered into Total Patient Revenue (TPR) agreements with the HSCRC The TPR agreements establish an approved aggregate inpatient and outpatient revenue for regulated services to provide care for the patient population in the geographic region without regard for patient acuity or volumes

The HSCRC utilizes a bad debt pool into which each of the regulated hospitals in Maryland participates The funds in the bad debt pool are distributed to the hospitals that exceed the state average based upon the amount of uncompensated care delivered to patients during the year For the years ended June 30, 2012 and 2011, the Corporation recognized a net distribution from the pool of $53,350,000 and $47,558,000, respectively, which is recorded as net patient service revenue

(19) Related Party Agreements

The Corporation has certain agreements with various departments of the University of Maryland School of Medicine concerning the provision of professional and administrative services to the Corporation and its patients Total expense under these agreements in the years ended June 30, 2012 and 2011 was approximately $115,956,000 and $97,160,000, respectively

(20) Subsequent Events

The corporation evaluated all events and transactions that occurred after June 30, 2012 and through October 26, 2012 Other than described below, the Corporation did not have any material recognizable subsequent events during the period

In August 2012, the Corporation refunded $40,755,000 of the Series 2007 Bonds and $175,000,000 of the Series 2008 bonds The refunding was completed using the proceeds of a new $216,504,000 MHHEFA bond issue (the Series 2012 Bonds) The refunding resulted in the de-designation for hedge accounting purposes of certain interest rate swaps, as is more fully discussed in footnote 8

On April 24, 2012, the Corporation entered into a non-binding letter of intent to negotiate for the purchase of the assets of St Joseph Medical Center, Inc and its subsidiaries, located in Towson, Maryland, from Catholic Health Initiatives, Inc An asset purchase agreement has not yet been executed and the Corporation can not yet determine when this transaction will be completed

Schedule 1

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidating Balance Sheet Information by Division

June 30, 2012

(In thousands)

Assets	University of Maryland Medical Center	University CARE	Kernan	University Specialty	Maryland General	Baltimore Washington	Shore Health	Chester River	Civista Health	UMMS Foundation	Shipley's	36 South Paca	Eliminations	Consolidated total
Current assets:														
Cash and cash equivalents	$ 146 758	343	5 008	221	24 482	36 908	18 462	7 183	38 784	—	658	1 102	—	279 909
Assets limited as to use, current portion	37 912	—	—	—	955	1 051	714	521	1 936	—	—		—	43 089
Accounts receivable:														
Patient accounts receivable, less allowance for doubtful accounts of $140 089	155 572	162	16 172	7 187	13 131	42 825	33 211	9 998	11 494	—	—		—	289 752
Other	48 208	125	3 758	122	1 156	142	2 717	4	535	(1 967)	3 454	129	(33 257)	25 126
Inventories	19 188	39	998	594	2 228	7 006	3 367	461	1 491	—	—	—	—	35 372
Prepaid expenses and other current assets	123 530	32	16	—	393	9 979	954	1 203	983	1 500	—	(14)	—	138 576
Total current assets	531 168	701	25 952	8 124	42 345	97 911	59 425	19 370	55 223	(467)	4 112	1 217	(33 257)	811 824
Investments	349 906	—	13 011	191	—	47 935	29 179	4 515	1 390	—	—	—	—	446 127
Assets limited as to use, less current portion:														
Debt service funds	41 438	—	—	—	—	—	—	—	4 544	—	—	—	—	45 982
Construction funds	89 458	—	8 057	—	—	18 390	5 851	—	—	—	—	—	—	121 756
Board designated and escrow funds	—	—	—	—	4 000	—	59 667	5 000	2 545	33 418	—	—	—	104 630
Self-insurance trust funds	41 045	—	—	—	21 088	18 072	13 013	2 426	—	—	—	—	—	95 644
Funds restricted by donor	—	—	—	—	3 201	—	23 007	1 655	—	19 591	—	—	—	47 454
Economic and beneficial interests in the net assets of related organizations	58 001	—	30 788	522	293	5 966	2 600	—	—	—	—	—	(60 602)	37 568
	229 942	—	38 845	522	28 582	42 428	104 138	9 081	7 089	53 009	—	—	(60 602)	453 034
Property and equipment, net	779 987	—	42 111	5 194	94 089	265 093	133 975	24 014	82 055	1 815	6 194	9 563	—	1 444 090
Deferred financing costs, net	6 842	—	—	—	—	—	—	—	326	—	—	—	—	7 168
Investments in joint ventures and other assets	291 019	—	—	—	24 644	21 423	7 523	3 362	15 206	6 313	—	3 277	(78 913)	293 854
Total assets	$ 2 188 864	701	119 919	14 031	189 660	474 790	334 240	60 342	161 289	60 670	10 306	14 057	(172 772)	3 456 097

Schedule 1

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidating Balance Sheet Information by Division

June 30, 2012

(In thousands)

Liabilities and Net Assets	University of Maryland Medical Center	University CARE	Kernan	University Specialty	Maryland General	Baltimore Washington	Shore Health	Chester River	Civista Health	UMMS Foundation	Shipley's	36 South Paca	Eliminations	Consolidated total
Current liabilities:														
Trade accounts payable	$ 126 306	534	5 783	3 486	13 842	18 433	8 139	3 104	8 839	68	60	221	—	188 815
Accrued payroll and benefits	79 906	101	4 802	5 445	12 496	22 919	15 360	3 844	4 821	—	—	—	—	149 694
Advances from third-party payors	82 861	—	3 937	4 584	6 541	10 044	6 704	1 308	3 944	—	—	—	—	119 923
Lines of credit	85 000	—	—	—	5 000	—	—	—	12 000	—	—	—	—	102 000
Other current liabilities	98 528	360	725	13 547	4 094	5 536	4 313	5 747	3 964	—	—	2 820	(33 257)	106 377
Long-term debt subject to short-term remarketing arrangements	50 427	—	—	—	—	—	—	2 194	—	—	—	—	—	52 621
Current portion of long-term debt	37 530	—	270	300	840	8 510	3 294	1 221	1 963	—	—	—	—	53 928
Total current liabilities	560 558	995	15 517	27 362	42 813	65 442	37 810	17 418	35 531	68	60	3 041	(33 257)	773 358
Long-term debt, less current portion	596 491	—	12 049	6 656	35 261	193 601	96 594	2 373	68 544	—	—	—	—	1 011 569
Other long-term liabilities	102 124	—	441	8	36 847	41 632	13 630	10 336	21 494	—	—	—	—	226 512
Interest rate swap liabilities	217 756	—	—	—	—	—	—	—	—	—	—	—	—	217 756
Total liabilities	1 476 929	995	28 007	34 026	114 921	300 675	148 034	30 127	125 569	68	60	3 041	(33 257)	2 229 195
Net assets:														
Unrestricted	639 846	(294)	60 991	(20 517)	71 245	168 149	160 571	28 559	35 703	37 977	10 246	11 016	(78 424)	1 125 068
Temporarily restricted	71 676	—	30 921	522	3 494	5 966	11 798	268	17	3 569	—	—	(61 091)	67 140
Permanently restricted	413	—	—	—	—	—	13 837	1 388	—	19 056	—	—	—	34 694
Total net assets	711 935	(294)	91 912	(19 995)	74 739	174 115	186 206	30 215	35 720	60 602	10 246	11 016	(139 515)	1 226 902
Total liabilities and net assets	$ 2 188 864	701	119 919	14 031	189 660	474 790	334 240	60 342	161 289	60 670	10 306	14 057	(172 772)	3 456 097

See accompanying independent auditors' report.

Schedule 1-a

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidating Balance Sheet Information by Division – Maryland General Health Systems (MGHS)

June 30, 2012

(In thousands)

Assets		Maryland General Health Systems, Inc.	Maryland General Hospital	Maryland General Clin. Prac. Group	Eliminations	MGHS consolidated total
Current assets						
Cash and cash equivalents	$	123	24,351	8	—	24,482
Assets limited as to use, current portion		—	955	—	—	955
Accounts receivable						
Patient accounts receivable, less allowance for doubtful accounts of $10,740		—	12,247	884	—	13,131
Other		(215)	2,256	(885)	—	1,156
Inventories		—	2,228	—	—	2,228
Prepaid expenses and other current assets		—	393	—	—	393
Total current assets		(92)	42,430	7	—	42,345
Investments		—	—	—	—	—
Assets limited as to use, less current portion						
Debt service funds		—	—	—	—	—
Construction funds		—	—	—	—	—
Board designated and escrow funds		—	4,000	—	—	4,000
Self-insurance trust funds		—	21,088	—	—	21,088
Funds restricted by donor		—	3,201	—	—	3,201
Economic interests in the net assets of related organizations		—	293	—	—	293
		—	28,582	—	—	28,582
Property and equipment, net		2,137	91,952	—	—	94,089
Deferred financing costs, net		—	—	—	—	—
Investments in joint ventures and other assets		16,489	8,155	—	—	24,644
Total assets	$	18,534	171,119	7	—	189,660

(Continued)

Schedule 1-a

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidating Balance Sheet Information by Division – Maryland General Health Systems (MGHS)

June 30, 2012

(In thousands)

Liabilities and Net Assets		Maryland General Health Systems, Inc.	Maryland General Hospital	Maryland General Clin. Prac. Group	Eliminations	MGHS consolidated total
Current liabilities						
Trade accounts payable	$	8	13,834	—	—	13,842
Accrued payroll and benefits		—	12,496	—	—	12,496
Advances from third-party payors		—	6,541	—	—	6,541
Lines of credit		—	5,000	—	—	5,000
Other current liabilities		—	4,094	—	—	4,094
Current portion of long-term debt		163	677	—	—	840
Total current liabilities		171	42,642	—	—	42,813
Long-term debt, less current portion		1,141	34,120	—	—	35,261
Other long-term liabilities		1	36,846	—	—	36,847
Total liabilities		1,313	113,608	—	—	114,921
Net assets						
Unrestricted		17,221	54,017	7	—	71,245
Temporarily restricted		—	3,494	—	—	3,494
Permanently restricted		—	—	—	—	—
Total net assets		17,221	57,511	7	—	74,739
Total liabilities and net assets	$	18,534	171,119	7	—	189,660

See accompanying independent auditors' report

Schedule 1-b

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidating Balance Sheet Information by Division – Baltimore Washington Medical System (BWMS)

June 30, 2012

(In thousands)

Assets	Baltimore Washington Medical System, Inc.	Baltimore Washington Medical Center	Baltimore Washington Healthcare Services	Baltimore Washington Health Enterprises	North County Corporation	Eliminations	BWMS consolidated total
Current assets							
Cash and cash equivalents	$ —	36,053	736	49	70	—	36,908
Assets limited as to use, current portion	—	1,051	—	—	—	—	1,051
Accounts receivable							
Patient accounts receivable, less allowance for doubtful accounts of $15,337	—	39,517	1,408	1,900	—	—	42,825
Other	33,122	142	5,719	—	(1,599)	(37,242)	142
Inventories	—	7,006	—	—	—	—	7,006
Prepaid expenses and other current assets	—	9,316	—	607	56	—	9,979
Total current assets	33,122	93,085	7,863	2,556	(1,473)	(37,242)	97,911
Investments	—	47,935	—	—	—	—	47,935
Assets limited as to use, less current portion							
Debt service funds	—	—	—	—	—	—	—
Construction funds	—	18,390	—	—	—	—	18,390
Board designated and escrow funds	—	—	—	—	—	—	—
Self-insurance trust funds	—	18,072	—	—	—	—	18,072
Funds restricted by donor	—	—	—	—	—	—	—
Economic interests in the net assets of related organizations	—	5,966	—	—	—	—	5,966
	—	42,428	—	—	—	—	42,428
Property and equipment, net	—	240,920	—	10,504	13,669	—	265,093
Deferred financing costs, net	—	—	—	—	—	—	—
Investments in joint ventures and other assets	142,262	14,128	—	2,160	—	(137,127)	21,423
Total assets	$ 175,384	438,496	7,863	15,220	12,196	(174,369)	474,790

(Continued)

Schedule 1-b

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidating Balance Sheet Information by Division – Baltimore Washington Medical System (BWMS)

June 30, 2012

(In thousands)

Liabilities and Net Assets		Baltimore Washington Medical System, Inc.	Baltimore Washington Medical Center	Baltimore Washington Healthcare Services	Baltimore Washington Health Enterprises	North County Corporation	Eliminations	BWMS consolidated total
Current liabilities								
Trade accounts payable	$	14	15,516	1,818	1,023	61	1	18,433
Accrued payroll and benefits		1,255	20,920	216	497	31	—	22,919
Advances from third-party payors		—	10,044	—	—	—	—	10,044
Lines of credit		—	—	—	—	—	—	—
Other current liabilities		—	42,241	—	537	—	(37,242)	5,536
Current portion of long-term debt		—	4,262	—	292	3,956	—	8,510
Total current liabilities		1,269	92,983	2,034	2,349	4,048	(37,241)	65,442
Long-term debt, less current portion		—	183,259	—	10,342	—	—	193,601
Other long-term liabilities		—	40,765	—	867	—	—	41,632
Total liabilities		1,269	317,007	2,034	13,558	4,048	(37,241)	300,675
Net assets								
Unrestricted		174,115	115,523	5,829	1,662	8,148	(137,128)	168,149
Temporarily restricted		—	5,966	—	—	—	—	5,966
Permanently restricted		—	—	—	—	—	—	—
Total net assets		174,115	121,489	5,829	1,662	8,148	(137,128)	174,115
Total liabilities and net assets	$	175,384	438,496	7,863	15,220	12,196	(174,369)	474,790

See accompanying independent auditors' report

Schedule 1-c

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidating Balance Sheet Information by Division – Shore Health System (SHS)

June 30, 2012

(In thousands)

Assets	Shore Health System, Inc.	Memorial Hospital Foundation, Inc. and Subsidiary	Care Health Services, Inc.	Shore Health Enterprises, Inc. and Subsidiary	Shore Clinical Foundation, Inc.	Eliminations	SHS consolidated total
Current assets							
Cash and cash equivalents	$ 17.316	—	535	16	595	—	18.462
Assets limited as to use, current portion	714	—	—	—	—		714
Accounts receivable							
Patient accounts receivable, less allowance for doubtful accounts of $2.855	28.938	—	836	—	3.437	—	33.211
Other	840	(28)	2.703	(1.459)	661		2.717
Inventories	3.367	—	—	—	—	—	3.367
Prepaid expenses and other current assets	808	17	10	—	119	—	954
Total current assets	51.983	(11)	4.084	(1.443)	4.812	—	59.425
Investments	29.179	—	—	—	—	—	29.179
Assets limited as to use, less current portion							
Debt service funds	—	—	—	—	—	—	—
Construction funds	5.851	—	—	—	—	—	5.851
Board designated and escrow funds	25.000	34.667	—	—	—		59.667
Self-insurance trust funds	13.013		—	—	—		13.013
Funds restricted by donor	3.781	19.226	—	—	—		23.007
Economic and beneficial interests in the net assets of related organizations	59.598	—	—	—	—	(56.998)	2.600
	107.243	53.893	—	—	—	(56.998)	104.138
Property and equipment, net	127.388	3.680	594	702	1.611	—	133.975
Deferred financing costs, net	—	—	—	—	—	—	—
Investments in joint ventures and other assets	15.581	23	—	—	—	(8.081)	7.523
Total assets	$ 331.374	57.585	4.678	(741)	6.423	(65.079)	334.240

(Continued)

Schedule 1-c

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidating Balance Sheet Information by Division – Shore Health System (SHS)

June 30, 2012

(In thousands)

Liabilities and Net Assets		Shore Health System, Inc.	Memorial Hospital Foundation, Inc. and Subsidiary	Care Health Services, Inc.	Shore Health Enterprises, Inc. and Subsidiary	Shore Clinical Foundation, Inc.	Eliminations	SHS consolidated total
Current liabilities								
Trade accounts payable	$	7,671	24	61	—	384	(1)	8,139
Accrued payroll and benefits		13,703	13	263	—	1,381	—	15,360
Advances from third-party payors		6,704	—	—	—	—	—	6,704
Lines of credit		—	—	—	—	—	—	—
Other current liabilities		3,578	544	77	—	114	—	4,313
Current portion of long-term debt		3,294	—	—	—	—	—	3,294
Total current liabilities		34,950	581	401	—	1,879	(1)	37,810
Long-term debt, less current portion		96,594	—	—	—	—	—	96,594
Other long-term liabilities		13,624	6	—	—	—	—	13,630
Total liabilities		145,168	587	401	—	1,879	(1)	148,034
Net assets								
Unrestricted		160,571	37,881	4,277	(741)	4,544	(45,961)	160,571
Temporarily restricted		11,798	8,220	—	—	—	(8,220)	11,798
Permanently restricted		13,837	10,897	—	—	—	(10,897)	13,837
Total net assets		186,206	56,998	4,277	(741)	4,544	(65,078)	186,206
Total liabilities and net assets	$	331,374	57,585	4,678	(741)	6,423	(65,079)	334,240

See accompanying independent auditors' report

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidating Balance Sheet Information by Division – Chester River Health System, Inc. (CRHS)

June 30, 2012

(In thousands)

Assets		Chester River Hospital Center	Chester River Manor	Chester River Home Care and Hospice	Chester River Health Foundation	Eliminations	CRHS consolidated total
Current assets							
Cash and cash equivalents	$	4,424	1,002	295	1,462	—	7,183
Assets limited as to use, current portion		521	—	—	—	—	521
Accounts receivable							
Patient accounts receivable, less allowance for doubtful accounts of $4,813		8,901	588	509	—	—	9,998
Other		—	4	—	—	—	4
Inventories		456	5	—	—	—	461
Prepaid expenses and other current assets		1,160	43	—	—	—	1,203
Total current assets		15,462	1,642	804	1,462	—	19,370
Investments		3,177	—	1,119	219	—	4,515
Assets limited as to use, less current portion							
Debt service funds		—	—	—	—	—	—
Construction funds		—	—	—	—	—	—
Board designated and escrow funds		5,000	—	—	—	—	5,000
Self-insurance trust funds		2,342	84	—	—	—	2,426
Funds restricted by donor		26	—	73	1,556	—	1,655
Economic interests in the net assets of related organizations		5,244	23	410	—	(5,677)	—
		12,612	107	483	1,556	(5,677)	9,081
Property and equipment, net		21,678	2,051	285	—	—	24,014
Deferred financing costs, net		—	—	—	—	—	—
Investments in joint ventures and other assets		879	—	—	2,483	—	3,362
Total assets	$	53,808	3,800	2,691	5,720	(5,677)	60,342

(Continued)

Schedule 1-d

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidating Balance Sheet Information by Division – Chester River Health System, Inc. (CRHS)

June 30, 2012

(In thousands)

Liabilities and Net Assets		Chester River Hospital Center	Chester River Manor	Chester River Home Care and Hospice	Chester River Health Foundation	Eliminations	CRHS consolidated total
Current liabilities							
Trade accounts payable	$	2,481	588	34	1	—	3,104
Accrued payroll and benefits		3,186	491	167	—	—	3,844
Advances from third-party payors		1,304	4	—	—	—	1,308
Lines of credit		—	—	—	—	—	—
Other current liabilities		5,658	(18)	80	27	—	5,747
Long-term debt subject to short-term remarketing arrangements		2,194	—	—	—	—	2,194
Current portion of long-term debt		1,191	30	—	—	—	1,221
Total current liabilities		16,014	1,095	281	28	—	17,418
Long-term debt, less current portion		2,078	295	—	—	—	2,373
Other long-term liabilities		10,173	138	—	25	—	10,336
Total liabilities		28,265	1,528	281	53	—	30,127
Net assets							
Unrestricted		23,959	2,272	2,338	4,110	(4,120)	28,559
Temporarily restricted		213	—	55	186	(186)	268
Permanently restricted		1,371	—	17	1,371	(1,371)	1,388
Total net assets		25,543	2,272	2,410	5,667	(5,677)	30,215
Total liabilities and net assets	$	53,808	3,800	2,691	5,720	(5,677)	60,342

See accompanying independent auditors' report.

Schedule 1-e

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidating Balance Sheet Information by Division – Civista Health Inc and Subsidiaries (Civista)

June 30, 2012

(In thousands)

Assets		Civista Health, Inc.	Civista Medical Center, Inc.	Civista Care Partners, Inc. and Subsidiary	Civista Health Foundation, Inc.	Eliminations	Civista consolidated total
Current assets							
Cash and cash equivalents	$	7	37,974	238	565	—	38,784
Assets limited as to use, current portion		—	1,936	—	—	—	1,936
Accounts receivable							
Patient accounts receivable, less allowance for doubtful accounts of $5,809		—	11,344	150	—	—	11,494
Other		989	2,702	(3,139)	(17)	—	535
Inventories		—	1,491	—	—	—	1,491
Prepaid expenses and other current assets		—	931	52	—	—	983
Total current assets		996	56,378	(2,699)	548	—	55,223
Investments		—	—	—	1,390	—	1,390
Assets limited as to use, less current portion							
Debt service funds		—	4,544	—	—	—	4,544
Construction funds		—	—	—	—	—	—
Board designated and escrow funds		2,538	—	—	7	—	2,545
Self-insurance trust funds		—	—	—	—	—	—
Funds restricted by donor		—	—	—	—	—	—
Economic interests in the net assets of related organizations		—	4,071	(173)	—	(3,898)	—
		2,538	8,615	(173)	7	(3,898)	7,089
Property and equipment, net		3,262	66,995	8,898	2,900	—	82,055
Deferred financing costs, net		—	326	—	—	—	326
Investments in joint ventures and other assets		—	14,709	497	—	—	15,206
Total assets	$	6,796	147,023	6,523	4,845	(3,898)	161,289

(Continued)

Schedule 1-e

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidating Balance Sheet Information by Division – Civista Health Inc. and Subsidiaries (Civista)

June 30, 2012

(In thousands)

Liabilities and Net Assets		Civista Health, Inc.	Civista Medical Center, Inc.	Civista Care Partners, Inc. and Subsidiary	Civista Health Foundation, Inc.	Eliminations	Civista consolidated total
Current liabilities:							
Trade accounts payable	$	—	8,414	378	47	—	8,839
Accrued payroll and benefits		—	4,702	119	—	—	4,821
Advances from third-party payors		—	3,944	—	—	—	3,944
Lines of credit		—	12,000	—	—	—	12,000
Other current liabilities		2,200	1,764	—	—	—	3,964
Long-term debt subject to short-term remarketing arrangements		—	—	—	—	—	—
Current portion of long-term debt		124	1,579	244	16	—	1,963
Total current liabilities		2,324	32,403	741	63	—	35,531
Long-term debt, less current portion		1,107	62,338	4,215	884	—	68,544
Other long-term liabilities		—	21,494	—	—	—	21,494
Total liabilities		3,431	116,235	4,956	947	—	125,569
Net assets:							
Unrestricted		3,365	30,771	1,567	3,881	(3,881)	35,703
Temporarily restricted		—	17	—	17	(17)	17
Permanently restricted		—	—	—	—	—	—
Total net assets		3,365	30,788	1,567	3,898	(3,898)	35,720
Total liabilities and net assets	$	6,796	147,023	6,523	4,845	(3,898)	161,289

See accompanying independent auditors' report.

Schedule 2

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidating Balance Sheet Information by Division

June 30, 2011

(In thousands)

Assets		University of Maryland Medical Center	University Care	Kernan	University Specialty	Maryland General	Baltimore Washington	Shore Health	Chester River	UMMS Foundation	Shipley's	36 South Paca	Eliminations	Consolidated total
Current assets:														
Cash and cash equivalents	$	140,420	157	14,416	2,947	14,664	25,382	14,466	4,356	—	144	565	—	217,517
Assets limited as to use, current portion		37,469	—	—	—	986	833	471	355	—	—	—	—	40,114
Accounts receivable:														
Patient accounts receivable, less allowance for doubtful accounts of $161,124		152,030	163	12,026	5,606	13,523	39,571	30,081	9,421	—	—	—	—	262,421
Other		36,716	132	951	323	677	1,234	3,469	22	(2,672)	3,469	85	(19,827)	24,579
Inventories		18,119	39	990	616	2,043	6,014	3,774	586	—	—	—	—	32,181
Prepaid expenses and other current assets		39,391	11	105	24	300	8,954	1,150	682	1,500	—	—	(246)	51,871
Total current assets		424,145	502	28,488	9,516	32,193	81,988	53,411	15,422	(1,172)	3,613	650	(20,073)	628,683
Investments		304,671	—	13,154	5,303	—	48,420	30,162	5,140	—	—	—	—	406,850
Assets limited as to use, less current portion:														
Debt service funds		41,770	—	—	—	—	—	—	—	—	—	—	—	41,770
Construction funds		146,001	—	1,997	—	9,867	19,874	3,086	—	—	—	—	—	180,825
Board designated and escrow funds		—	—	—	—	—	—	60,096	5,000	32,211	—	—	—	97,307
Self-insurance trust funds		39,485	—	—	—	25,326	16,495	11,916	1,524	—	—	—	—	94,746
Funds restricted by donor		—	—	—	—	3,545	—	22,231	1,704	21,536	—	—	—	49,016
Economic and beneficial interests in the net assets of related organizations		56,843	—	34,982	407	735	5,896	2,552	—	—	—	—	(59,613)	41,802
		284,099	—	36,979	407	39,473	42,265	99,881	8,228	53,747	—	—	(59,613)	505,466
Property and equipment, net		717,512	—	36,592	20,025	93,667	269,170	119,120	24,493	1,807	6,336	9,928	—	1,298,650
Deferred financing costs, net		7,547	—	—	—	—	—	—	—	—	—	—	—	7,547
Investments in joint ventures and other assets		201,466	—	—	—	15,720	7,895	1,193	2,501	5,315	—	3,277	(58,222)	179,145
Total assets	$	1,939,440	502	115,213	35,251	181,053	449,738	303,767	55,784	59,697	9,949	13,855	(137,908)	3,026,341

(Continued)

Schedule 2

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES

Consolidating Balance Sheet Information by Division

June 30, 2011

(In thousands)

Liabilities and Net Assets	University of Maryland Medical Center	University Care	Kernan	University Specialty	Maryland General	Baltimore Washington	Shore Health	Chester River	UMMS Foundation	Shipley's	36 South Paca	Eliminations	Consolidated total
Current liabilities													
Trade accounts payable	$ 103 712	806	5 763	3 347	9 732	23 073	5 772	2 339	84	57	310	—	154 995
Accrued payroll and benefits	71 642	77	4 243	2 909	12 252	20 497	14 142	2 886	—	—	—	(228)	128 420
Advances from third-party payors	66 844	—	3 596	4 697	6 468	8 112	5 287	1 008	—	—	—	—	96 012
Lines of credit	54 600	—	—	—	—	—	—	—	—	—	—	—	54 600
Other current liabilities	79 192	148	1 600	11 653	4 670	2 297	3 971	1 616	—	—	2 207	(19 711)	87 643
Long-term debt subject to short-term remarketing arrangements	164 055	—	—	—	—	—	—	2 710	—	—	—	—	166 765
Current portion of long-term debt	15 051	—	270	300	1 036	4 619	1 883	1 216	—	—	—	(133)	24 242
Total current liabilities	555 096	1 031	15 472	22 906	34 158	58 598	31 055	11 775	84	57	2 517	(20 072)	712 677
Long-term debt, less current portion	517 591	—	12 319	6 956	41 524	202 112	85 845	3 025	—	—	—	—	869 372
Other long-term liabilities	32 272	—	441	186	24 594	15 370	6 980	8 015	—	—	—	—	87 858
Interest rate swap liabilities	105 400	—	—	—	—	—	—	—	—	—	—	—	105 400
Total liabilities	1 210 359	1 031	28 232	30 048	100 276	276 080	123 880	22 815	84	57	2 517	(20 072)	1 775 307
Net assets													
Unrestricted	657 739	(529)	51 866	4 796	76 497	167 762	155 506	31 266	34 925	9 892	11 338	(58 223)	1 142 835
Temporarily restricted	70 929	—	35 115	407	4 280	5 896	12 197	323	6 122	—	—	(59 613)	75 656
Permanently restricted	413	—	—	—	—	—	12 184	1 380	18 566	—	—	—	32 543
Total net assets	729 081	(529)	86 981	5 203	80 777	173 658	179 887	32 969	59 613	9 892	11 338	(117 836)	1 251 034
Total liabilities and net assets	$ 1 939 440	502	115 213	35 251	181 053	449 738	303 767	55 784	59 697	9 949	13 855	(137 908)	3 026 341

See accompanying independent auditors' report.

Schedule 2-a

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidating Balance Sheet Information by Division – Maryland General Health Systems (MGHS)

June 30, 2011

(In thousands)

Assets		Maryland General Health Systems, Inc.	Maryland General Hospital	Maryland General Clin. Prac. Group	Eliminations	MGHS consolidated total
Current assets						
Cash and cash equivalents	$	51	14,551	62	—	14,664
Assets limited as to use, current portion		—	986	—	—	986
Accounts receivable						
Patient accounts receivable, less allowance for doubtful accounts of $12,908		—	12,804	719	—	13,523
Other		48	1,403	(774)	—	677
Inventories		—	2,043	—	—	2,043
Prepaid expenses and other current assets		—	300	—	—	300
Total current assets		99	32,087	7	—	32,193
Investments		—	—	—	—	—
Assets limited as to use, less current portion						
Debt service funds		—	—	—	—	—
Construction funds		—	9,867	—	—	9,867
Board designated and escrow funds		—	—	—	—	—
Self-insurance trust funds		—	25,326	—	—	25,326
Funds restricted by donor		—	3,545	—	—	3,545
Economic interests in the net assets of related organizations		—	735	—	—	735
		—	39,473	—	—	39,473
Property and equipment, net		2,175	91,492	—	—	93,667
Deferred financing costs, net		—	—	—	—	—
Investments in joint ventures and other assets		15,571	149	—	—	15,720
Total assets	$	17,845	163,201	7	—	181,053

(Continued)

Schedule 2-a

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES

Consolidating Balance Sheet Information by Division – Maryland General Health Systems (MGHS)

June 30, 2011

(In thousands)

Liabilities and Net Assets	Maryland General Health Systems, Inc.	Maryland General Hospital	Maryland General Clin. Prac. Group	Eliminations	MGHS consolidated total
Current liabilities					
Trade accounts payable	$ 12	9,720	—	—	9,732
Accrued payroll and benefits	—	12,252	—	—	12,252
Advances from third-party payors	—	6,468	—	—	6,468
Lines of credit	—	—	—	—	—
Other current liabilities	—	4,670	—	—	4,670
Current portion of long-term debt	152	884	—	—	1,036
Total current liabilities	164	33,994	—	—	34,158
Long-term debt, less current portion	1,304	40,220	—	—	41,524
Other long-term liabilities	1	24,593	—	—	24,594
Total liabilities	1,469	98,807	—	—	100,276
Net assets					
Unrestricted	16,376	60,114	7	—	76,497
Temporarily restricted	—	4,280	—	—	4,280
Permanently restricted	—	—	—	—	—
Total net assets	16,376	64,394	7	—	80,777
Total liabilities and net assets	$ 17,845	163,201	7	—	181,053

See accompanying independent auditors' report

Schedule 2-b

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES

Consolidating Balance Sheet Information by Division – Baltimore Washington Medical System (BWMS)

June 30, 2011

(In thousands)

Assets		Baltimore Washington Medical System, Inc.	Baltimore Washington Medical Center	Baltimore Washington Healthcare Services	Baltimore Washington Health Enterprises	North County Corporation	Eliminations	BWMS consolidated total
Current assets								
Cash and cash equivalents	$	—	24,561	710	111	—	—	25,382
Assets limited as to use, current portion		—	833	—	—	—	—	833
Accounts receivable								
Patient accounts receivable, less allowance for doubtful accounts of $15,415		—	35,324	2,001	2,246	—	—	39,571
Other		30,476	1,234	3,939	—	(1,789)	(32,626)	1,234
Inventories		—	6,014	—	—	—	—	6,014
Prepaid expenses and other current assets		—	8,759	—	115	80	—	8,954
Total current assets		30,476	76,725	6,650	2,472	(1,709)	(32,626)	81,988
Investments		—	48,420	—	—	—	—	48,420
Assets limited as to use, less current portion								
Debt service funds		—	—	—	—	—	—	—
Construction funds		—	19,874	—	—	—	—	19,874
Board designated and escrow funds		—	—	—	—	—	—	—
Self-insurance trust funds		—	16,495	—	—	—	—	16,495
Funds restricted by donor		—	—	—	—	—	—	—
Economic interests in the net assets of related organizations		—	5,896	—	—	—	—	5,896
		—	42,265	—	—	—	—	42,265
Property and equipment, net		—	243,873	—	11,270	14,027	—	269,170
Deferred financing costs, net		—	—	—	—	—	—	—
Investments in joint ventures and other assets		144,541	630	—	2,296	—	(139,572)	7,895
Total assets	$	175,017	411,913	6,650	16,038	12,318	(172,198)	449,738

(Continued)

Schedule 2-b

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidating Balance Sheet Information by Division – Baltimore Washington Medical System (BWMS)

June 30, 2011

(In thousands)

Liabilities and Net Assets	Baltimore Washington Medical System, Inc.	Baltimore Washington Medical Center	Baltimore Washington Healthcare Services	Baltimore Washington Health Enterprises	North County Corporation	Eliminations	BWMS consolidated total
Current liabilities							
Trade accounts payable	$ 2	20,766	1,134	1,050	90	31	23,073
Accrued payroll and benefits	1,357	17,924	136	1,049	31	—	20,497
Advances from third-party payors	—	8,112	—	—	—	—	8,112
Lines of credit	—	—	—	—	—	—	—
Other current liabilities	—	24,434	—	10,520	—	(32,657)	2,297
Current portion of long-term debt	—	4,120	—	274	225	—	4,619
Total current liabilities	1,359	75,356	1,270	12,893	346	(32,626)	58,598
Long-term debt, less current portion	—	187,521	—	10,635	3,956	—	202,112
Other long-term liabilities	—	14,987	—	383	—	—	15,370
Total liabilities	1,359	277,864	1,270	23,911	4,302	(32,626)	276,080
Net assets							
Unrestricted	173,658	128,153	5,380	(7,873)	8,016	(139,572)	167,762
Temporarily restricted	—	5,896	—	—	—	—	5,896
Permanently restricted	—	—	—	—	—	—	—
Total net assets	173,658	134,049	5,380	(7,873)	8,016	(139,572)	173,658
Total liabilities and net assets	$ 175,017	411,913	6,650	16,038	12,318	(172,198)	449,738

See accompanying independent auditors' report

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidating Balance Sheet Information by Division – Shore Health System (SHS)

June 30, 2011

(In thousands)

Assets		Shore Health System, Inc	Memorial Hospital Foundation, Inc and Subsidiary	Care Health Services, Inc	Shore Health Enterprises, Inc and Subsidiary	Shore Clinical Foundation, Inc	Chesapeake Ear, Nose, Throat, Sinus, and Hearing Center, LLC	Chesapeake Neurological Surgery, LLC	Eliminations	SHS consolidated total
Current assets										
Cash and cash equivalents	$	13 585	—	289	36	556	—	—	—	14 466
Assets limited as to use current portion		471	—	—	—	—	—	—	—	471
Accounts receivable										
Patient accounts receivable less allowance for doubtful accounts of $9 403		26 390	—	876	—	2 815	—	—	—	30 081
Other		4 276	201	2 882	—	529	—	—	(4 419)	3 469
Inventories		3 774	—	—	—	—	—	—	—	3 774
Prepaid expenses and other current assets		941	27	13	—	169	—	—	—	1 150
Total current assets		49 437	228	4 060	36	4 069	—	—	(4 419)	53 411
Investments		30 162	—	—	—	—	—	—	—	30 162
Assets limited as to use less current portion										
Debt service funds		—	—	—	—	—	—	—	—	—
Construction funds		3 086	—	—	—	—	—	—	—	3 086
Board designated and escrow funds		25 000	35 096	—	—	—	—	—	—	60 096
Self-insurance trust funds		11 916	—	—	—	—	—	—	—	11 916
Funds restricted by donor		3 852	18 379	—	—	—	—	—	—	22 231
Economic and beneficial interests in the net assets of related organizations		59 272	—	—	—	—	—	—	(56 720)	2 552
		103 126	53 475	—	—	—	—	—	(56 720)	99 881
Property and equipment net		112 836	3 778	438	714	1 354	—	—	—	119 120
Deferred financing costs net		—	—	—	—	—	—	—	—	—
Investments in joint ventures and other assets		8 799	24	—	—	—	—	—	(7 630)	1 193
Total assets	$	304 360	57 505	4 498	750	5 423	—	—	(68 769)	303 767

(Continued)

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES

Consolidating Balance Sheet Information by Division – Shore Health System (SHS)

June 30, 2011

(In thousands)

Liabilities and Net Assets		Shore Health System, Inc	Memorial Hospital Foundation, Inc and Subsidiary	Care Health Services, Inc	Shore Health Enterprises, Inc and Subsidiary	Shore Clinical Foundation, Inc	Chesapeake Ear, Nose, Throat, Sinus, and Hearing Center, LLC	Chesapeake Neurological Surgery, LLC	Eliminations	SHS consolidated total
Current liabilities										
Trade accounts payable	$	5 406	4	105	—	257	—	—	—	5 772
Accrued payroll and benefits		13 019	11	237	—	875	—	—	—	14 142
Advances from third-party payors		5 287	—	—	—	—	—	—	—	5 287
Lines of credit		—	—	—	—	—	—	—	—	—
Other current liabilities		6 197	741	2	1 450	—	—	—	(4 419)	3 971
Current portion of long-term debt		1 883	—	—	—	—	—	—	—	1 883
Total current liabilities		31 792	756	344	1 450	1 132	—	—	(4 419)	31 055
Long-term debt less current portion		85 845	—	—	—	—	—	—	—	85 845
Other long-term liabilities		6 837	29	—	—	114	—	—	—	6 980
Total liabilities		124 474	785	344	1 450	1 246	—	—	(4 419)	123 880
Net assets										
Unrestricted		155 505	38 782	4 154	(700)	4 177	—	—	(46 412)	155 506
Temporarily restricted		12 197	8 674	—	—	—	—	—	(8 674)	12 197
Permanently restricted		12 184	9 264	—	—	—	—	—	(9 264)	12 184
Total net assets		179 886	56 720	4 154	(700)	4 177	—	—	(64 350)	179 887
Total liabilities and net assets	$	304 360	57 505	4 498	750	5 423	—	—	(68 769)	303 767

See accompanying independent auditors' report

Schedule 2-d

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidating Balance Sheet Information by Division – Chester River Health System, Inc. (CRHS)

June 30, 2011

(In thousands)

Assets	Chester River Hospital Center	Chester River Manor	Chester River Home Care and Hospice	Chester River Health Foundation	Eliminations	CRHS consolidated total
Current assets						
Cash and cash equivalents	$ 2,050	748	376	1,182	—	4,356
Assets limited as to use, current portion	355	—	—	—	—	355
Accounts receivable						
Patient accounts receivable, less allowance for doubtful accounts of $6,598	8,570	581	270	—	—	9,421
Other	196	16	5	—	(195)	22
Inventories	582	4	—	—	—	586
Prepaid expenses and other current assets	624	58	—	—	—	682
Total current assets	12,377	1,407	651	1,182	(195)	15,422
Investments	3,664	—	1,246	230	—	5,140
Assets limited as to use, less current portion						
Debt service funds	—	—		—	—	—
Construction funds	—	—		—	—	—
Board designated and escrow funds	5,000	—		—	—	5,000
Self-insurance trust funds	1,524	—		—	—	1,524
Funds restricted by donor	22	—	73	1,609	—	1,704
Economic interests in the net assets of related organizations	4,962	16	417	—	(5,395)	—
	11,508	16	490	1,609	(5,395)	8,228
Property and equipment, net	22,007	2,155	331	—	—	24,493
Deferred financing costs, net	—	—	—	—	—	—
Investments in joint ventures and other assets	—	—	—	2,501	—	2,501
Total assets	$ 49,556	3,578	2,718	5,522	(5,590)	55,784

(Continued)

Schedule 2-d

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidating Balance Sheet Information by Division – Chester River Health System, Inc (CRHS)

June 30, 2011

(In thousands)

Liabilities and Net Assets		Chester River Hospital Center	Chester River Manor	Chester River Home Care and Hospice	Chester River Health Foundation	Eliminations	CRHS consolidated total
Current liabilities							
Trade accounts payable	$	1.930	382	24	3	—	2.339
Accrued payroll and benefits		2.526	219	141	—	—	2.886
Advances from third-party payors		1.004	4	—	—	—	1.008
Lines of credit		—	—	—	—	—	—
Other current liabilities		1.595	122	78	16	(195)	1.616
Long-term debt subject to short-term remarketing arrangements		2.710	—	—	—	—	2.710
Current portion of long-term debt		1.186	30	—	—	—	1.216
Total current liabilities		10.951	757	243	19	(195)	11.775
Long-term debt, less current portion		2.700	325	—	—	—	3.025
Other long-term liabilities		7.912	60	—	43	—	8.015
Total liabilities		21.563	1.142	243	62	(195)	22.815
Net assets							
Unrestricted		26.362	2.436	2.403	3.851	(3.786)	31.266
Temporarily restricted		268	—	55	246	(246)	323
Permanently restricted		1.363	—	17	1.363	(1.363)	1.380
Total net assets		27.993	2.436	2.475	5.460	(5.395)	32.969
Total liabilities and net assets	$	49.556	3.578	2.718	5.522	(5.590)	55.784

See accompanying independent auditors' report

Schedule 3

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidating Operations Information by Division

Year ended June 30, 2012

(In thousands)

	University of Maryland Medical Center	University CARE	Kernan	University Specialty	Maryland General	Baltimore Washington	Shore Health	Chester River	Civista Health	UMMS Foundation	Shipley's	36 South Paca	Eliminations	Consolidated total
Unrestricted revenues, gains and other support:														
Net patient service revenue	$ 1,311,227	3,002	106,262	39,929	176,155	376,524	237,996	63,103	113,930	—	—	—	(1,151)	2,426,977
Other operating revenue:														
State support	3,200	—	—	—	—	—	—	—	—	—	—	—	—	3,200
Other revenue	51,565	2,385	2,828	280	2,335	7,163	6,128	516	1,955	—	980	1,137	(2,753)	74,519
Total unrestricted revenue, gains and other support	1,365,992	5,387	109,090	40,209	178,490	383,687	244,124	63,619	115,885	—	980	1,137	(3,904)	2,504,696
Operating expenses:														
Salaries, wages and benefits	593,530	3,279	50,604	24,732	83,952	180,575	126,156	35,961	54,142	—	—	175	—	1,153,106
Expendable supplies	251,444	211	16,232	4,329	18,049	57,758	34,534	7,895	16,932	—	—	29	—	407,413
Purchased services	169,092	5,080	20,306	15,399	30,130	65,996	44,664	13,994	21,322	—	433	716	(4,658)	382,474
Contracted services	107,962	—	7,994	—	24,699	9,736	8,430	2,448	2,845	—	—	—	—	164,114
Depreciation and amortization	68,625	—	3,202	2,604	11,037	22,687	14,217	4,200	2,992	—	193	392	—	130,149
Interest expense	27,754	—	485	850	1,622	7,947	3,567	259	3,293	—	—	124	—	45,901
Provision for bad debts	75,626	309	5,575	971	13,522	25,961	2,454	1,261	7,960	—	—	1	—	133,640
Facility closure expenses	—	—	—	16,247	—	—	—	—	—	—	—	—	—	16,247
Total operating expenses	1,294,033	8,879	104,398	65,132	183,011	370,660	234,022	66,018	109,486	—	626	1,437	(4,658)	2,433,044
Operating income (loss)	71,959	(3,492)	4,692	(24,923)	(4,521)	13,027	10,102	(2,399)	6,399	—	354	(300)	754	71,652
Nonoperating income and expenses, net:														
Loss on early extinguishment of debt	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Change in fair value of undesignated interest rate swaps	(107,408)	—	—	—	—	—	—	—	—	—	—	—	—	(107,408)
Other nonoperating gains and losses:														
Contributions	—	—	—		—	—	1,410	552	438	6,561	—	—	—	8,961
Inherent contribution – Civista	37,322													37,322
Equity in net income of joint ventures	(30,748)	—	—		4,933	177	—	—	(349)	—	—	—	27,647	1,660
Investment income	15,129	—	426	(27)	100	1,578	(2,789)	706	151	2,013	—	—	—	17,287
Change in fair value of investments	(17,067)	—	(557)	(362)	(208)	(2,033)	98	(495)	(108)	(2,372)	—	—	—	(23,104)
Change in fair value of financial instrument	—	—	—	—	—	—	—	—	(9,607)	—	—	—	—	(9,607)
Other nonoperating gains and losses	(9,531)	—	(186)	—	(570)	(3,363)	(1,953)	(560)	41	(3,065)	—	—	(577)	(19,764)
Total other nonoperating gains and losses	(4,895)	—	(317)	(389)	4,255	(3,641)	(3,234)	203	(9,434)	3,137	—	—	27,070	12,755
Excess (deficiency) of revenues over expenses	(40,344)	(3,492)	4,375	(25,312)	(266)	9,386	6,868	(2,196)	(3,035)	3,137	354	(300)	27,824	(23,001)
Net assets released from restrictions used for purchase of property and equipment	29,893	—	4,750	—	995	—	691	—	108	(85)	—	—	—	36,352
Change in unrealized gains on investments	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Change in economic and beneficial interests in the net assets of related organizations	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Change in ownership interest of joint ventures	(2,883)	—	—	—	—	—	—	—	—	—	—	—	—	(2,883)
Capital transfers (to) from affiliate	335	3,728	—	—	2,135	—	(2,471)	—	6,500	—	—	—	(10,227)	—
Change in fair value of designated interest rate swaps	(4,948)	—	—	—	—	—	—	—	—	—	—	—	—	(4,948)
Change in funded status of defined benefit pension plans	—	—	—	—	(8,117)	(8,998)	—	(1,303)	(5,218)	—	—	—	—	(23,636)
Other	54	(1)	—	(1)	1	(1)	(23)	792	13,475	—	—	(22)	(13,925)	349
Increase (decrease) in unrestricted net assets	$ (17,893)	235	9,125	(25,313)	(5,252)	387	5,065	(2,707)	11,830	3,052	354	(322)	3,672	(17,767)

See accompanying independent auditors' report.

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidating Operations Information by Division for Maryland General Health Systems (MGHS)

Year ended June 30, 2012

(In thousands)

	Maryland General Health Systems, Inc.	Maryland General Hospital	Maryland General Clin. Prac. Group	Eliminations	MGHS consolidated total
Unrestricted revenues, gains and other support					
Net patient service revenue	$ —	174,332	9,050	(7,227)	176,155
Other operating revenue					
State support	—	—	—	—	—
Other revenue	892	1,429	14	—	2,335
Total unrestricted revenue, gains and other support	892	175,761	9,064	(7,227)	178,490
Operating expenses					
Salaries, wages and benefits	—	83,952	—	—	83,952
Expendable supplies	—	18,049	—	—	18,049
Purchased services	731	29,396	3	—	30,130
Contracted services	—	24,699	7,227	(7,227)	24,699
Depreciation and amortization	454	10,583	—	—	11,037
Interest expense	93	1,529	—	—	1,622
Provision for bad debts	—	11,688	1,834	—	13,522
Total operating expenses	1,278	179,896	9,064	(7,227)	183,011
Operating income (loss)	(386)	(4,135)	—	—	(4,521)

(Continued)

Schedule 3-a

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidating Operations Information by Division for Maryland General Health Systems (MGHS)

Year ended June 30, 2012

(In thousands)

	Maryland General Health Systems, Inc.	Maryland General Hospital	Maryland General Clin. Prac. Group	Eliminations	MGHS consolidated total
Nonoperating income and expenses, net					
Loss on early extinguishment of debt	$ —	—	—	—	—
Change in fair value of undesignated interest rate swaps	—	—	—	—	—
Other nonoperating gains and losses					
Contributions	—	—	—	—	—
Equity in net income of joint ventures	4,933	—	—	—	4,933
Investment income	—	100	—	—	100
Change in fair value of investments	—	(208)	—	—	(208)
Other nonoperating gains and losses	—	(570)	—	—	(570)
Total other nonoperating gains and losses	4,933	(678)	—	—	4,255
Excess of revenues over expenses	4,547	(4,813)	—	—	(266)
Net assets released from restrictions used for purchase of property and equipment	—	995	—	—	995
Change in unrealized gains on investments	—	—	—	—	—
Change in economic and beneficial interests in the net assets of related organizations	—	—	—	—	—
Change in ownership interest of joint ventures	—	—	—	—	—
Capital transfers (to) from affiliate	(3,702)	5,837	—	—	2,135
Change in fair value of designated interest rate swaps	—	—	—	—	—
Change in funded status of defined benefit pension plans	—	(8,117)	—	—	(8,117)
Other	—	1	—	—	1
Increase in unrestricted net assets	$ 845	(6,097)	—	—	(5,252)

See accompanying independent auditors' report

Schedule 3-b

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidating Operations Information by Division for Baltimore Washington Medical System (BWMS)

Year ended June 30, 2012

(In thousands)

	Baltimore Washington Medical System, Inc.	Baltimore Washington Medical Center	Baltimore Washington Healthcare Services	Baltimore Washington Health Enterprises	North County Corporation	Eliminations	BWMS consolidated total
Unrestricted revenues, gains and other support							
Net patient service revenue	$ —	336,093	31,238	11,700	—	(2,507)	376,524
Other operating revenue							
State support	—	—	—	—	—	—	—
Other revenue	3,943	3,482	—	3,087	2,062	(5,411)	7,163
Total unrestricted revenue, gains and other support	3,943	339,575	31,238	14,787	2,062	(7,918)	383,687
Operating expenses							
Salaries, wages and benefits	3,943	156,728	10,875	9,029	—	—	180,575
Expendable supplies	—	56,948	—	810	—	—	57,758
Purchased services	—	63,804	5,498	3,332	1,280	(7,918)	65,996
Contracted services	—	7,728	—	2,008	—	—	9,736
Depreciation and amortization	—	21,142	—	993	552	—	22,687
Interest expense	—	7,141	—	708	98	—	7,947
Provision for bad debts	—	11,544	14,417	—	—	—	25,961
Total operating expenses	3,943	325,035	30,790	16,880	1,930	(7,918)	370,660
Operating income (loss)	—	14,540	448	(2,093)	132	—	13,027

(Continued)

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidating Operations Information by Division for Baltimore Washington Medical System (BWMS)

Year ended June 30, 2012

(In thousands)

	Baltimore Washington Medical System, Inc.	Baltimore Washington Medical Center	Baltimore Washington Healthcare Services	Baltimore Washington Health Enterprises	North County Corporation	Eliminations	BWMS consolidated total
Nonoperating income and expenses, net							
Loss on early extinguishment of debt	$ —	—	—	—	—	—	—
Change in fair value of undesignated interest rate swaps	—	—	—	—	—	—	—
Other nonoperating gains and losses							
Contributions	—	—	—	—	—	—	—
Equity in net income of joint ventures	9,384	—	—	—	—	(9,207)	177
Investment income	—	1,577	—	1	—	—	1,578
Change in fair value of investments	—	(2,033)	—	—	—	—	(2,033)
Other nonoperating gains and losses	—	(2,832)	—	(531)	—	—	(3,363)
Total other nonoperating gains and losses	9,384	(3,288)	—	(530)	—	(9,207)	(3,641)
Excess (deficiency) of revenues over expenses	9,384	11,252	448	(2,623)	132	(9,207)	9,386
Net assets released from restrictions used for purchase of property and equipment	—	—	—	—	—	—	—
Change in unrealized gains on investments	—	—	—	—	—	—	—
Change in economic and beneficial interests in the net assets of related organizations	70	—	—	—	—	(70)	—
Change in ownership interest of joint ventures	—	—	—	—	—	—	—
Capital transfers (to) from affiliate		(14,880)	—	12,157	—	2,723	—
Change in fair value of designated interest rate swaps	—	—	—	—	—	—	—
Change in funded status of defined benefit pension plans	(8,998)	(8,998)	—	—	—	8,998	(8,998)
Other	1	(4)	1	1	—	—	(1)
Increase (decrease) in unrestricted net assets	$ 457	(12,630)	449	9,535	132	2,444	387

See accompanying independent auditors' report

Schedule 3-c

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidating Operations Information by Division for Shore Health System (SHS)

Year ended June 30, 2012

(In thousands)

		Shore Health System, Inc.	Memorial Hospital Foundation, Inc. and Subsidiary	Care Health Services, Inc.	Shore Health Enterprises, Inc. and Subsidiary	Shore Clinical Foundation, Inc.	Eliminations	SHS consolidated total
Unrestricted revenues, gains and other support								
Net patient service revenue	$	221,080	—	5,950	—	10,966	—	237,996
Other operating revenue								
State support		—	—	—	—	—	—	—
Other revenue		5,072	—	55	58	1,080	(137)	6,128
Total unrestricted revenue, gains and other support		226,152	—	6,005	58	12,046	(137)	244,124
Operating expenses								
Salaries, wages and benefits		106,479	—	4,831	—	14,846	—	126,156
Expendable supplies		33,503	—	243	—	788	—	34,534
Purchased services		40,860	—	819	25	3,239	(279)	44,664
Contracted services		6,585	—	—	—	1,845	—	8,430
Depreciation and amortization		13,817	—	34	12	354	—	14,217
Interest expense		3,567	—	—	62	—	(62)	3,567
Provision for bad debts		2,372	—	82	—	—	—	2,454
Total operating expenses		207,183	—	6,009	99	21,072	(341)	234,022
Operating income (loss)		18,969	—	(4)	(41)	(9,026)	204	10,102

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidating Operations Information by Division for Shore Health System (SHS)

Year ended June 30, 2012

(In thousands)

	Shore Health System, Inc.	Memorial Hospital Foundation, Inc. and Subsidiary	Care Health Services, Inc.	Shore Health Enterprises, Inc. and Subsidiary	Shore Clinical Foundation, Inc.	Eliminations	SHS consolidated total
Nonoperating income and expenses, net							
Loss on early extinguishment of debt	—	—	—	—	—	—	—
Change in fair value of undesignated interest rate swaps	—	—	—	—	—	—	—
Other nonoperating gains and losses							
Contributions	47	1,237	126	—	—	—	1,410
Equity in net income of joint ventures	—	—	—	—	—	—	—
Investment income (loss)	(3,052)	324	1	—	—	(62)	(2,789)
Change in fair value of investments	2,043	(1,945)	—	—	—	—	98
Other nonoperating gains and losses	(1,294)	(517)	—	—	—	(142)	(1,953)
Total other nonoperating gains and losses	(2,256)	(901)	127	—	—	(204)	(3,234)
Excess (deficiency) of revenues over expenses	16,713	(901)	123	(41)	(9,026)	—	6,868
Net assets released from restrictions used for purchase of property and equipment	691	—	—	—	—	—	691
Change in unrealized gains on investments	—	—	—	—	—	—	—
Change in economic and beneficial interests in the net assets of related organizations	(901)	—	—	—	—	901	—
Change in ownership interest of joint ventures	451	—	—	—	—	(451)	—
Capital transfers (to) from affiliate	(11,865)	—	—	—	9,394	—	(2,471)
Change in fair value of designated interest rate swaps	—	—	—	—	—	—	—
Change in funded status of defined benefit pension plans	—	—	—	—	—	—	—
Net losses from nonconsolidated subsidiaries	—	—	—	—	—	—	—
Other	(23)	—	—	—	(1)	1	(23)
Increase (decrease) in unrestricted net assets	$ 5,066	(901)	123	(41)	367	451	5,065

See accompanying independent auditors' report

Schedule 3-d

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidating Operations Information by Division for Chester River Health System, Inc. (CRHS)

Year ended June 30, 2012

(In thousands)

	Chester River Hospital Center	Chester River Manor	Chester River Home Care and Hospice	Chester River Health Foundation	Eliminations	CRHS consolidated total
Unrestricted revenues, gains and other support						
Net patient service revenue	$ 52,642	7,877	2,584	—	—	63,103
Other operating revenue						
State support	—	—	—	—	—	—
Other revenue	457	4	55	—	—	516
Total unrestricted revenue, gains and other support	53,099	7,881	2,639	—	—	63,619
Operating expenses						
Salaries, wages and benefits	29,599	4,295	2,067	—	—	35,961
Expendable supplies	7,068	765	62	—	—	7,895
Purchased services	11,037	2,506	451	—	—	13,994
Contracted services	2,448	—	—	—	—	2,448
Depreciation and amortization	3,891	250	59	—	—	4,200
Interest expense	250	9	—	—	—	259
Provision for bad debts	957	244	60	—	—	1,261
Total operating expenses	55,250	8,069	2,699	—	—	66,018
Operating income	(2,151)	(188)	(60)	—	—	(2,399)

(Continued)

Schedule 3-d

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidating Operations Information by Division for Chester River Health System, Inc (CRHS)

Year ended June 30, 2012

(In thousands)

		Chester River Hospital Center	Chester River Manor	Chester River Home Care and Hospice	Chester River Health Foundation	Eliminations	CRHS consolidated total
Nonoperating income and expenses, net							
Loss on early extinguishment of debt	$	—	—	—	—	—	—
Other nonoperating gains and losses							
Contributions		—	—	—	552	—	552
Equity in net income of joint ventures		—	—	—	—	—	—
Investment income		698	7	1	—	—	706
Change in fair value of investments		(495)	—	—	—	—	(495)
Other nonoperating gains and losses		—	—	(7)	(271)	(282)	(560)
Total other nonoperating gains and losses		203	7	(6)	281	(282)	203
Excess of revenues over expenses		(1,948)	(181)	(66)	281	(282)	(2,196)
Net assets released from restrictions used for purchase of property and equipment		—	—	—	—	—	—
Change in unrealized gains on investments		—	—	—	—	—	—
Change in economic and beneficial interests in the net assets of related organizations		—	—	—	—	—	—
Change in ownership interest of joint ventures		—	—	—	—	—	—
Capital transfers (to) from affiliate		—	—	—	—	—	—
Change in fair value of designated interest rate swaps		—	—	—	—	—	—
Change in funded status of defined benefit pension plans		(1,303)	—	—	—	—	(1,303)
Other		848	17	1	(22)	(52)	792
Increase in unrestricted net assets	$	(2,403)	(164)	(65)	259	(334)	(2,707)

See accompanying independent auditors' report

Schedule 3-e

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidating Operations Information by Division for Civista Health Inc and Subsidiaries (Civista)

Year ended June 30, 2012

(In thousands)

		Civista Health, Inc.	Civista Medical Center, Inc.	Civista Care Partners, Inc. and Subsidiary	Civista Health Foundation, Inc.	Eliminations	Civista consolidated total
Unrestricted revenues, gains and other support							
Net patient service revenue	$	—	111,209	2,721	—	—	113,930
Other operating revenue							
State support		—	—	—	—	—	—
Other revenue		1,405	707	1,019	514	(1,690)	1,955
Total unrestricted revenue, gains and other support		1,405	111,916	3,740	514	(1,690)	115,885
Operating expenses							
Salaries, wages and benefits		—	51,770	2,153	219	—	54,142
Expendable supplies		—	16,708	210	14	—	16,932
Purchased services		2,472	18,830	1,019	406	(1,405)	21,322
Contracted services		—	3,130	—	—	(285)	2,845
Depreciation and amortization		12	2,630	312	38	—	2,992
Interest expense		75	2,941	266	11	—	3,293
Provision for bad debts		—	7,679	281	—	—	7,960
Total operating expenses		2,559	103,688	4,241	688	(1,690)	109,486
Operating income		(1,154)	8,228	(501)	(174)	—	6,399

Schedule 3-e

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidating Operations Information by Division for Civista Health Inc and Subsidiaries (Civista)

Year ended June 30, 2012

(In thousands)

	Civista Health, Inc.	Civista Medical Center, Inc.	Civista Care Partners, Inc. and Subsidiary	Civista Health Foundation, Inc.	Eliminations	Civista consolidated total
Nonoperating income and expenses, net						
Loss on early extinguishment of debt	$ —	—	—	—	—	—
Other nonoperating gains and losses						
Contributions	—	14	—	424	—	438
Equity in net income of joint ventures	—	306	(655)	—	—	(349)
Investment income	33	91	—	27	—	151
Change in fair value of investments	—	(5)	—	(103)	—	(108)
Change in fair value of financial instrument	—	(9,607)	—	—	—	(9,607)
Other nonoperating gains and losses	—	317	(103)	200	(373)	41
Total other nonoperating gains and losses	33	(8,884)	(758)	548	(373)	(9,434)
Excess of revenues over expenses	(1,121)	(656)	(1,259)	374	(373)	(3,035)
Net assets released from restrictions used for purchase of property and equipment	—	108	—	108	(108)	108
Change in unrealized gains on investments	—	—	—	—	—	—
Change in economic and beneficial interests in the net assets of related organizations	—	—	—	—	—	—
Change in ownership interest of joint ventures	—	—	—	—	—	—
Capital transfers (to) from affiliate	6,500	—	—	—	—	6,500
Change in fair value of designated interest rate swaps	—	—	—	—	—	—
Change in funded status of defined benefit pension plans	—	(5,218)	—	—	—	(5,218)
Other	(2,103)	12,716	2,837	25	—	13,475
Increase in unrestricted net assets	$ 3,276	6,950	1,578	507	(481)	11,830

See accompanying independent auditors' report

Schedule 4

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidating Operations Information by Division

Year ended June 30, 2011

(In thousands)

	University of Maryland Medical Center	University CARE	Kernan	University Specialty	Maryland General	Baltimore Washington	Shore Health	Chester River	UMMS Foundation	Shipley's	36 South Paca	Eliminations	Consolidated total
Unrestricted revenues, gains and other support													
Net patient service revenue	$ 1 276 194	2 755	95 419	52 512	183 146	363 481	231 862	66 133	—	—	—	(1 086)	2 270 416
Other operating revenue													
State support	3 200	—	—	—	—	—	—	—	—	—	—	—	3 200
Other revenue	50 776	2 105	2 612	326	2 241	6 867	5 602	588	—	1 002	1 221	(2 752)	70 588
Total unrestricted revenue, gains and other support	1 330 170	4 860	98 031	52 838	185 387	370 348	237 464	66 721	—	1 002	1 221	(3 838)	2 344 204
Operating expenses													
Salaries, wages and benefits	552 426	3 405	45 543	27 606	85 855	169 139	121 828	35 360	—	—	182	—	1 041 344
Expendable supplies	238 973	284	15 138	6 161	16 304	61 228	33 060	9 018	—	—	56	—	380 222
Purchased services	170 524	4 714	18 555	16 591	24 063	51 520	40 448	13 290	—	426	775	(4 625)	336 281
Contracted services	89 516	—	7 644	—	22 770	9 725	8 558	1 497	—	—	—	—	139 710
Depreciation and amortization	69 601	—	3 238	2 347	11 149	23 506	14 785	3 855	—	172	359	—	129 012
Interest expense	26 881	—	476	861	1 698	6 663	3 260	395	—	—	107	—	40 341
Provision for bad debts	101 153	278	6 107	4 467	19 697	34 520	8 595	2 196	—	—	—	—	177 013
Total operating expenses	1 249 074	8 681	96 701	58 033	181 536	356 301	230 534	65 611	—	598	1 479	(4 625)	2 243 923
Operating income (loss)	81 096	(3 821)	1 330	(5 195)	3 851	14 047	6 930	1 110	—	404	(258)	787	100 281
Nonoperating income and expenses, net													
Loss on early extinguishment of debt	—	—	—	—	—	—	—	—	—	—	—	—	—
Change in fair value of undesignated interest rate swaps	18 640	—	—	—	—	—	—	—	—	—	—	—	18 640
Other nonoperating gains and losses													
Contributions	—	—	—	—	—	—	206	591	5 258	—	—	—	6 055
Equity in net income of joint ventures	10 366	—	—	—	4 400	(182)	—	—	—	—	—	5 950	20 534
Investment income	25 543	—	1 151	1 275	290	4 241	1 707	638	4 362	—	—	—	39 207
Change in fair value of investments	16 500	—	766	700	152	2 836	12 915	752	1 743	—	—	—	36 364
Other nonoperating gains and losses	(9 420)	—	15	—	(550)	(2 821)	(1 814)	(404)	(2 954)	—	—	1	(17 947)
Total other nonoperating gains and losses	42 989	—	1 932	1 975	4 292	4 074	13 014	1 577	8 409	—	—	5 951	84 213
Excess (deficiency) of revenues over expenses	142 725	(3 821)	3 262	(3 220)	8 143	18 121	19 944	2 687	8 409	404	(258)	6 738	203 134
Net assets released from restrictions used for purchase of property and equipment	20 815	—	750	—	885	750	764	—	—	—	—	—	23 964
Change in unrealized gains on investments	—	—	—	—	—	—	—	—	—	—	—	—	—
Change in economic and beneficial interests in the net assets of related organizations	—	—	—	—	—	—	—	—	—	—	—	—	—
Change in ownership interest of joint ventures	2 268	—	—	—	—	—	—	—	—	—	—	—	2 268
Capital transfers (to) from affiliate	3 801	4 068	1 035	—	47	—	—	—	(4 883)	—	—	(4 068)	—
Change in fair value of designated interest rate swaps	2 298	—	—	—	—	—	—	—	—	—	—	—	2 298
Change in funded status of defined benefit pension plans	—	—	—	—	9 752	4 736	—	1 834	—	—	—	—	16 322
Other	(348)	—	—	1	—	1	(16)	349	75	—	—	(162)	(100)
Increase (decrease) in unrestricted net assets	$ 171 559	247	5 047	(3 219)	18 827	23 608	20 692	4 870	3 601	404	(258)	2 508	247 886

See accompanying independent auditors' report.

Schedule 4-a

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidating Operations Information by Division for Maryland General Health Systems (MGHS)

Year ended June 30, 2011

(In thousands)

		Maryland General Health Systems, Inc.	Maryland General Hospital	Maryland General Clin. Prac. Group	Eliminations	MGHS consolidated total
Unrestricted revenues, gains and other support						
Net patient service revenue	$	—	180,958	9,445	(7,257)	183,146
Other operating revenue						
State support		—	—	—	—	—
Other revenue		889	1,347	5	—	2,241
Total unrestricted revenue, gains and other support		889	182,305	9,450	(7,257)	185,387
Operating expenses						
Salaries, wages and benefits		—	85,855	—	—	85,855
Expendable supplies		—	16,304	—	—	16,304
Purchased services		747	23,307	9	—	24,063
Contracted services		—	22,770	7,257	(7,257)	22,770
Depreciation and amortization		455	10,694	—	—	11,149
Interest expense		103	1,595	—	—	1,698
Provision for bad debts		—	17,513	2,184	—	19,697
Total operating expenses		1,305	178,038	9,450	(7,257)	181,536
Operating income (loss)		(416)	4,267	—	—	3,851

(Continued)

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES

Consolidating Operations Information by Division for Maryland General Health Systems (MGHS)

Year ended June 30, 2011

(In thousands)

		Maryland General Health Systems, Inc.	Maryland General Hospital	Maryland General Clin. Prac. Group	Eliminations	MGHS consolidated total
Nonoperating income and expenses, net						
Loss on early extinguishment of debt	$	—	—	—	—	—
Change in fair value of undesignated interest rate swaps		—	—	—	—	—
Other nonoperating gains and losses						
Contributions		—	—	—	—	—
Equity in net income of joint ventures		4,400	—	—	—	4,400
Investment income		—	290	—	—	290
Change in fair value of investments		—	152	—	—	152
Other nonoperating gains and losses		—	(550)	—	—	(550)
Total other nonoperating gains and losses		4,400	(108)	—	—	4,292
Excess of revenues over expenses		3,984	4,159	—	—	8,143
Net assets released from restrictions used for purchase of property and equipment		—	885	—	—	885
Change in unrealized gains on investments		—	—	—	—	—
Change in economic and beneficial interests in the net assets of related organizations		—	—	—	—	—
Change in ownership interest of joint ventures		—	—	—	—	—
Capital transfers (to) from affiliate		(1,600)	1,647	—	—	47
Change in fair value of designated interest rate swaps		—	—	—	—	—
Change in funded status of defined benefit pension plans		—	9,752	—	—	9,752
Other		(16)	16	—	—	—
Increase in unrestricted net assets	$	2,368	16,459	—	—	18,827

See accompanying independent auditors' report

Schedule 4-b

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidating Operations Information by Division for Baltimore Washington Medical System (BWMS)

Year ended June 30, 2011

(In thousands)

		Baltimore Washington Medical System, Inc.	Baltimore Washington Medical Center	Baltimore Washington Healthcare Services	Baltimore Washington Health Enterprises	North County Corporation	Eliminations	BWMS consolidated total
Unrestricted revenues, gains and other support								
Net patient service revenue	$	—	326,216	28,730	10,958	—	(2,423)	363,481
Other operating revenue								
State support		—		—	—	—	—	—
Other revenue		3,406	3,292	—	2,891	2,101	(4,823)	6,867
Total unrestricted revenue, gains and other support		3,406	329,508	28,730	13,849	2,101	(7,246)	370,348
Operating expenses								
Salaries, wages and benefits		3,406	147,837	10,577	7,319	—	—	169,139
Expendable supplies		—	60,399	—	829	—	—	61,228
Purchased services		—	49,277	4,448	3,738	1,303	(7,246)	51,520
Contracted services		—	7,830	—	1,895	—	—	9,725
Depreciation and amortization		—	22,001	—	959	546	—	23,506
Interest expense		—	5,813	—	736	114	—	6,663
Provision for bad debts		—	21,447	13,073	—	—	—	34,520
Total operating expenses		3,406	314,604	28,098	15,476	1,963	(7,246)	356,301
Operating income (loss)		—	14,904	632	(1,627)	138	—	14,047

(Continued)

Schedule 4-b

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidating Operations Information by Division for Baltimore Washington Medical System (BWMS)

Year ended June 30, 2011

(In thousands)

	Baltimore Washington Medical System, Inc.	Baltimore Washington Medical Center	Baltimore Washington Healthcare Services	Baltimore Washington Health Enterprises	North County Corporation	Eliminations	BWMS consolidated total
Nonoperating income and expenses, net							
Loss on early extinguishment of debt	$ —	—	—	—	—	—	—
Change in fair value of undesignated interest rate swaps	—	—	—	—	—	—	—
Other nonoperating gains and losses							
Contributions	—	—	—	—	—	—	—
Equity in net income of joint ventures	202	—	—	(384)	—	—	(182)
Investment income	17,920	4,232	—	6	—	(17,917)	4,241
Change in fair value of investments	—	2,836	—	—	—	—	2,836
Other nonoperating gains and losses	—	(2,821)	—	—	—	—	(2,821)
Total other nonoperating gains and losses	18,122	4,247	—	(378)	—	(17,917)	4,074
Excess (deficiency) of revenues over expenses	18,122	19,151	632	(2,005)	138	(17,917)	18,121
Net assets released from restrictions used for purchase of property and equipment	750	750	—	—	—	(750)	750
Change in unrealized gains on investments	—	—	—	—	—	—	—
Change in economic and beneficial interests in the net assets of related organizations	—	—	—	—	—	—	—
Change in ownership interest of joint ventures	—	—	—	—	—	—	—
Capital transfers (to) from affiliate	—	—	—	(1,831)	—	1,831	—
Change in fair value of designated interest rate swaps	—	—	—	—	—	—	—
Change in funded status of defined benefit pension plans	4,736	4,736	—	—	—	(4,736)	4,736
Other	1	3	—	—	—	(3)	1
Increase (decrease) in unrestricted net assets	$ 23,609	24,640	632	(3,836)	138	(21,575)	23,608

See accompanying independent auditors' report

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidating Operations Information by Division for Shore Health System (SHS)

Year ended June 30, 2011

(In thousands)

	Shore Health System, Inc	Memorial Hospital Foundation, Inc and Subsidiary	Care Health Services, Inc	Shore Health Enterprises, Inc and Subsidiary	Shore Clinical Foundation, Inc	Chesapeake Ear, Nose, Throat, Sinus, and Hearing Center, LLC	Chesapeake Neurological Surgery, LLC	Eliminations	SHS consolidated total
Unrestricted revenues, gains and other support									
Net patient service revenue	$ 217,704	—	5,511	—	7,756	766	729	(604)	231,862
Other operating revenue									
State support	—	—	—	—	—	—	—	—	—
Other revenue	6,301	—	87	57	627	1	—	(1,471)	5,602
Total unrestricted revenue, gains and other support	224,005	—	5,598	57	8,383	767	729	(2,075)	237,464
Operating expenses									
Salaries, wages and benefits	106,570	—	4,005	—	9,925	1,021	887	(580)	121,828
Expendable supplies	32,302	—	269	—	455	25	9	—	33,060
Purchased services	37,317	—	1,311	21	3,091	191	155	(1,638)	40,448
Contracted services	6,990	—	18	—	1,010	—	540	—	8,558
Depreciation and amortization	14,484	—	35	12	211	24	19	—	14,785
Interest expense	3,260	—	—	61	—	—	—	(61)	3,260
Provision for bad debts	8,435	—	86	—	67	4	3	—	8,595
Total operating expenses	209,358	—	5,724	94	14,759	1,265	1,613	(2,279)	230,534
Operating income (loss)	14,647	—	(126)	(37)	(6,376)	(498)	(884)	204	6,930
Nonoperating income and expenses, net									
Loss on early extinguishment of debt	—	—		—	—	—	—	—	—
Change in fair value of undesignated interest rate swaps	—			—	—	—	—	—	—
Other nonoperating gains and losses									
Contributions	83	121	2	—	—	—	—	—	206
Equity in net income of joint ventures			—	—	—	—	—	—	—
Investment income (loss)	1,421	346	1	—	—	—	—	(61)	1,707
Change in fair value of investments	7,321	5,594	—	—	—	—	—	—	12,915
Other nonoperating gains and losses	(1,289)	(382)	—	—	—	—	—	(143)	(1,814)
Total other nonoperating gains and losses	7,536	5,679	3	—	—	—	—	(204)	13,014
Excess (deficiency) of revenues over expenses	22,183	5,679	(123)	(37)	(6,376)	(498)	(884)	—	19,944
Net assets released from restrictions used for purchase of property and equipment	764	—	—	—	—	—	—	—	764
Change in unrealized gains on investments	—	—	—	—	—	—	—	—	—
Change in economic and beneficial interests in the net assets of related organizations	5,680	—	—	—	—	—	—	(5,680)	—
Change in ownership interest of joint ventures	6,431	—	—	—	—	—	—	(6,431)	—
Capital transfers (to) from affiliate	(14,350)	—	—	—	8,657	2,002	3,691	—	—
Change in fair value of designated interest rate swaps	—	—	—	—	—	—	—	—	—
Change in funded status of defined benefit pension plans	—	—	—	—	—	—	—	—	—
Net losses from nonconsolidated subsidiaries	—	—	—	—	—	—	—	—	—
Other	(17)	—	—	—	—	1	—	—	(16)
Increase (decrease) in unrestricted net assets	$ 20,691	5,679	(123)	(37)	2,281	1,505	2,807	(12,111)	20,692

See accompanying independent auditors' report

Schedule 4-d

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES

Consolidating Operations Information by Division for Chester River Health System, Inc. (CRHS)

Year ended June 30, 2011

(In thousands)

	Chester River Hospital Center	Chester River Manor	Chester River Home Care and Hospice	Chester River Health Foundation	Eliminations	CRHS consolidated total
Unrestricted revenues, gains and other support						
Net patient service revenue	$ 55,065	8,494	2,574	—	—	66,133
Other operating revenue						
State support	—	—	—	—	—	—
Other revenue	498	26	64	—	—	588
Total unrestricted revenue, gains and other support	55,563	8,520	2,638	—	—	66,721
Operating expenses						
Salaries, wages and benefits	29,568	3,949	1,843	—	—	35,360
Expendable supplies	8,109	843	66	—	—	9,018
Purchased services	9,859	2,939	492	—	—	13,290
Contracted services	1,497	—	—	—	—	1,497
Depreciation and amortization	3,594	219	42	—	—	3,855
Interest expense	385	10	—	—	—	395
Provision for bad debts	2,020	103	73	—	—	2,196
Total operating expenses	55,032	8,063	2,516	—	—	65,611
Operating income	531	457	122	—	—	1,110

(Continued)

Schedule 4-d

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidating Operations Information by Division for Chester River Health System, Inc. (CRHS)

Year ended June 30, 2011

(In thousands)

		Chester River Hospital Center	Chester River Manor	Chester River Home Care and Hospice	Chester River Health Foundation	Eliminations	CRHS consolidated total
Nonoperating income and expenses, net							
Loss on early extinguishment of debt	$	—	—	—	—	—	—
Other nonoperating gains and losses							
Contributions		—	—	—	591	—	591
Equity in net income of joint ventures		—	—	—	—	—	—
Investment income		592	—	14	32	—	638
Change in fair value of investments		752	—	—	—	—	752
Other nonoperating gains and losses		219	5	(5)	(406)	(217)	(404)
Total other nonoperating gains and losses		1,563	5	9	217	(217)	1,577
Excess of revenues over expenses		2,094	462	131	217	(217)	2,687
Net assets released from restrictions used for purchase of property and equipment		—	—	—	—	—	—
Change in unrealized gains on investments		—	—	—	—	—	—
Change in economic and beneficial interests in the net assets of related organizations		—	—	—	—	—	—
Change in ownership interest of joint ventures		—	—	—	—	—	—
Capital transfers (to) from affiliate		—	—	—	—	—	—
Change in fair value of designated interest rate swaps		—	—	—	—	—	—
Change in funded status of defined benefit pension plans		1,834	—	—	—	—	1,834
Other		160	50	—	(125)	264	349
Increase in unrestricted net assets	$	4,088	512	131	92	47	4,870

See accompanying independent auditors' report.

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Combining Balance Sheet Information – Obligated Group

June 30 2012

(In thousands)

Assets		University of Maryland Medical Center	Kernan Hospital, Inc	University Specialty Hospital, Inc	Maryland General Hospital, Inc	Baltimore Washington Medical Center, Inc	Shore Health System, Inc	Chester River Health System, Inc	UMMS Foundation	Eliminations	Obligated group total
Current assets											
Cash and cash equivalents	$	146 758	5 008	221	24 351	36 053	17 316	—	—	—	229 707
Assets limited as to use current portion		37 912	—	—	955	1 051	714	—	—	—	40 632
Accounts receivable											
Patient accounts receivable less allowance for doubtful accounts of $128 947		155 572	16 167	7 187	12 247	39 517	28 938	—	—	—	259 628
Other		48 208	9 085	122	2 256	142	840	—	(1 967)	(10 829)	47 857
Inventories		19 188	998	594	2 228	7 006	3 367	—	—	—	33 381
Prepaid expenses and other current assets		123 530	16	—	393	9 316	808	—	1 500	—	135 563
Total current assets		531 168	31 274	8 124	42 430	93 085	51 983	—	(467)	(10 829)	746 768
Investments		349 906	13 011	191	—	47 935	29 179	—	—	—	440 222
Assets limited as to use less current portion											
Debt service funds		41 438	—	—	—	—	—	—	—	—	41 438
Construction funds		89 458	8 057	—	—	18 390	5 851	—	—	—	121 756
Board designated and escrow funds		—	—	—	4 000	—	25 000	—	33 418	—	62 418
Self-insurance trust funds		41 045	—	—	21 088	18 072	13 013	—	—	—	93 218
Funds restricted by donor		—	—	—	3 201	—	3 781	—	19 591	—	26 573
Economic interests in the net assets of related organizations		58 001	30 788	522	293	5 966	59 598	—	—	(60 602)	94 566
		229 942	38 845	522	28 582	42 428	107 243	—	53 009	(60 602)	439 969
Property and equipment, net		779 987	42 104	5 194	91 952	240 920	127 388	—	1 815	—	1 289 360
Deferred financing costs net		6 842	—	—	—	—	—	—	—	—	6 842
Investments in joint ventures and other assets		291 019	—	—	8 155	14 128	15 581	30 215	6 313	(10 275)	355 136
Total assets	$	2 188 864	125 234	14 031	171 119	438 496	331 374	30 215	60 670	(81 706)	3 278 297

(Continued)

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Combining Balance Sheet Information – Obligated Group

June 30, 2012

(In thousands)

Liabilities and Net Assets		University of Maryland Medical Center	Kernan Hospital, Inc	University Specialty Hospital, Inc	Maryland General Hospital, Inc	Baltimore Washington Medical Center, Inc	Shore Health System, Inc	Chester River Health System, Inc	UMMS Foundation	Eliminations	Obligated group total
Current liabilities											
Trade accounts payable	$	126,306	5,686	3,486	13,834	15,516	7,671	—	68	—	172,567
Accrued payroll and benefits		79,906	4,697	5,445	12,496	20,920	13,703	—	—	—	137,167
Advances from third-party payors		82,861	3,937	4,584	6,541	10,044	6,704	—	—	—	114,671
Lines of credit		85,000	—	—	5,000	—	—	—	—	—	90,000
Other current liabilities		98,528	725	13,547	4,094	42,241	3,578	—	—	(10,829)	151,884
Long-term debt subject to short-term remarketing arrangements		50,427	—	—	—	—	—	—	—	—	50,427
Current portion of long-term debt		37,530	270	300	677	4,262	3,294	—	—	—	46,333
Total current liabilities		560,558	15,315	27,362	42,642	92,983	34,950	—	68	(10,829)	763,049
Long-term debt, less current portion		596,491	12,049	6,656	34,120	183,259	96,594	—	—	—	929,169
Other long-term liabilities		102,124	441	8	36,846	40,765	13,624	—	—	—	193,808
Interest rate swap liabilities		217,756	—	—	—	—	—	—	—	—	217,756
Total liabilities		1,476,929	27,805	34,026	113,608	317,007	145,168	—	68	(10,829)	2,103,782
Net assets											
Unrestricted		639,846	66,641	(20,517)	54,017	115,523	160,571	28,559	37,977	(10,275)	1,072,342
Temporarily restricted		71,676	30,788	522	3,494	5,966	11,798	268	3,569	(60,602)	67,479
Permanently restricted		413	—	—	—	—	13,837	1,388	19,056	—	34,694
Total net assets		711,935	97,429	(19,995)	57,511	121,489	186,206	30,215	60,602	(70,877)	1,174,515
Total liabilities and net assets	$	2,188,864	125,234	14,031	171,119	438,496	331,374	30,215	60,670	(81,706)	3,278,297

See accompanying independent auditors' report.

Schedule 6

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Combining Balance Sheet Information – Obligated Group

June 30, 2011

(In thousands)

Assets		University of Maryland Medical Center	Kernan Hospital, Inc	University Specialty Hospital, Inc	Maryland General Hospital, Inc	Baltimore Washington Medical Center, Inc	Shore Health System, Inc	Chester River Health System, Inc	UMMS Foundation	Eliminations	Obligated group total
Current assets											
Cash and cash equivalents	$	140 420	14 416	2 947	14 551	24 561	13 585	—	—	—	210 480
Assets limited as to use, current portion		37 469	—	—	986	833	471	—	—	—	39 759
Accounts receivable											
Patient accounts receivable, less allowance for doubtful accounts of $151 402		152 030	12 026	5 606	12 804	35 324	26 390	—	—	—	244 180
Other		36 716	6 314	323	1 403	1 234	4 276	—	(2 672)	(9 428)	38 166
Inventories		18 119	990	616	2 043	6 014	3 774	—	—	—	31 556
Prepaid expenses and other current assets		39 391	105	24	300	8 759	941	—	1 500	—	51 020
Total current assets		424 145	33 851	9 516	32 087	76 725	49 437	—	(1 172)	(9 428)	615 161
Investments		304 671	13 154	5 303	—	48 420	30 162	—	—	—	401 710
Assets limited as to use, less current portion											
Debt service funds		41 770	—	—	—	—	—	—	—	—	41 770
Construction funds		146 001	1 997	—	9 867	19 874	3 086	—	—	—	180 825
Board designated and escrow funds		—	—	—	—	—	25 000	—	32 211	—	57 211
Self-insurance trust funds		39 485	—	—	25 326	16 495	11 916	—	—	—	93 222
Funds restricted by donor		—	—	—	3 545	—	3 852	—	21 536	—	28 933
Economic interests in the net assets of related organizations		56 843	34 982	407	735	5 896	59 272	—	—	(59 613)	98 522
		284 099	36 979	407	39 473	42 265	103 126	—	53 747	(59 613)	500 483
Property and equipment, net		717 512	36 569	20 025	91 492	243 873	112 836	—	1 807	—	1 224 114
Deferred financing costs, net		7 547	—	—	—	—	—	—	—	—	7 547
Investments in joint ventures and other assets		201 466	—	—	149	630	8 799	32 969	5 315	(34 733)	214 595
Total assets	$	1 939 440	120 553	35 251	163 201	411 913	304 360	32 969	59 697	(103 774)	2 963 610

(Continued)

Schedule 6

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Combining Balance Sheet Information – Obligated Group

June 30, 2011

(In thousands)

Liabilities and Net Assets	University of Maryland Medical Center	Kernan Hospital, Inc	University Specialty Hospital, Inc	Maryland General Hospital, Inc	Baltimore Washington Medical Center, Inc	Shore Health System, Inc	Chester River Health System, Inc	UMMS Foundation	Eliminations	Obligated group total
Current liabilities										
Trade accounts payable	$ 103 712	5 763	3 347	9 720	20 766	5 406	—	84	—	148 798
Accrued payroll and benefits	71 642	4 138	2 909	12 252	17 924	13 019	—	—	(228)	121 656
Advances from third-party payors	66 844	3 596	4 697	6 468	8 112	5 287	—	—	—	95 004
Lines of credit	54 600	—	—	—	—	—	—	—	—	54 600
Other current liabilities	79 192	1 600	11 653	4 670	24 434	6 197	—	—	(9 005)	118 741
Long-term debt subject to short-term remarketing arrangements	164 055	—	—	—	—	—	—	—	—	164 055
Current portion of long-term debt	15 051	270	300	884	4 120	1 883	—	—	(133)	22 375
Total current liabilities	555 096	15 367	22 906	33 994	75 356	31 792	—	84	(9 366)	725 229
Long-term debt, less current portion	517 591	12 319	6 956	40 220	187 521	85 845	—	—	—	850 452
Other long-term liabilities	32 272	441	186	24 593	14 987	6 837	—	—	—	79 316
Interest rate swap liabilities	105 400	—	—	—	—	—	—	—	—	105 400
Total liabilities	1 210 359	28 127	30 048	98 807	277 864	124 474	—	84	(9 366)	1 760 397
Net assets										
Unrestricted	657 739	57 444	4 796	60 114	128 153	155 505	31 266	34 925	(34 795)	1 095 147
Temporarily restricted	70 929	34 982	407	4 280	5 896	12 197	323	6 122	(59 613)	75 523
Permanently restricted	413	—	—	—	—	12 184	1 380	18 566	—	32 543
Total net assets	729 081	92 426	5 203	64 394	134 049	179 886	32 969	59 613	(94 408)	1 203 213
Total liabilities and net assets	$ 1 939 440	120 553	35 251	163 201	411 913	304 360	32 969	59 697	(103 774)	2 963 610

See accompanying independent auditors' report

Schedule 7

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES

Combining Operations Information – Obligated Group

Year ended June 30 2012

(In thousands)

	University of Maryland Medical Center: University Hospital	University of Maryland Medical Center: Shock Trauma Center	University of Maryland Medical Center: Cancer Center	University of Maryland Medical Center: Subtotal	Kernan Hospital	University Specialty	Maryland General Hospital	Baltimore Washington Medical Center	Shore Health System: Memorial Hospital	Shore Health System: Dorchester General	Shore Health System: QAEC	Shore Health System: Subtotal	Chester River Health System Inc	UMMS Foundation	Eliminations	Obligated group total
Unrestricted revenues gains and other support																
Net patient service revenue	$ 1 066 379	190 121	54 727	1,311 227	105 273	39 929	174 332	336 093	168 172	48 527	4 381	221 080	—	—	(321)	2 187 613
Other operating revenue																
State support	—	3 200	—	3 200	—	—	—	—	—	—	—	—	—	—	—	3 200
Other revenue	51 408	63	94	51 565	2 828	280	1 429	3 482	4 587	485	—	5 072	—	—	(630)	64 026
Total unrestricted revenue gains and other support	1 117 787	193 384	54 821	1,365 992	108 101	40 209	175 761	339 575	172 759	49 012	4 381	226 152	—	—	(951)	2,254 839
Operating expenses																
Salaries wages and benefits	517 800	55 815	19 915	593 530	49 902	24 732	83 952	156 728	79 620	24 331	2 528	106 479	—	—	—	1 015 323
Expendable supplies	204 354	26 897	20 193	251 444	16 224	4 329	18 049	56 948	27 979	5 067	457	33 503	—	—	—	380 497
Purchased services	112 177	44 118	12 797	169 092	20 063	15 399	29 396	63 804	30 883	9 684	293	40 860	—	—	(951)	337 663
Contracted services	93 563	10 731	3 668	107 962	7 994	—	24 699	7 728	3 590	1 784	1 211	6 585	—	—	—	154 968
Depreciation and amortization	63 891	2 603	2 131	68 625	3 186	2 604	10 583	21 142	10 860	1 930	1 027	13 817	—	—	—	119 957
Interest expense	27 754	—	—	27 754	621	850	1 529	7 141	3 616	351	550	4 517	—	—	—	42 412
Provision for bad debts	39 667	32 984	2 975	75 626	5 483	971	11 688	11 544	1 953	179	240	2 372	—	—	—	107 684
Facility closure expenses	—	—	—	—	—	16 247	—	—	—	—	—	—	—	—	—	16 247
Total operating expenses	1 059 206	173 148	61 679	1,294 033	103 473	65 132	179 896	325 035	158 501	43 326	6 306	208 133	—	—	(951)	2 174 751
Operating income (loss)	58 581	20 236	(6 858)	71 959	4 628	(24,923)	(4 135)	14 540	14 258	5 686	(1,925)	18 019	—	—	—	80 088
Nonoperating income and expenses net																
Loss on early extinguishment of debt	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Change in fair value of undesignated interest rate swaps	(107 408)	—	—	(107 408)	—	—	—	—	—	—	—	—	—	—	—	(107 408)
Other nonoperating gains and losses																
Contributions	—	—	—	—	—	—	—	—	47	—	—	47	—	6 561	—	6 608
Inherent contribution – Civista	37 322	—	—	37 322	—	—	—	—	—	—	—	—		—	—	37 322
Equity in net income of joint ventures	(30 748)	—	—	(30 748)	—	—	—	—	—	—	—	—	—	—	25 313	(5 435)
Investment income	13 294	1 500	335	15 129	266	(27)	100	1 577	(3 029)	(23)	—	(3 052)	—	2 013	—	16 006
Change in fair value of investments	(17 067)	—	—	(17 067)	(397)	(362)	(208)	(2 033)	2 043	—	—	2 043	—	(2,372)	—	(20,396)
Other nonoperating gains and losses	(9 531)	—	—	(9 531)	(50)	—	(570)	(2 832)	(255)	(89)	—	(344)	—	(3 065)	—	(16,392)
Total other nonoperating gains and losses	(6 730)	1 500	335	(4 895)	(181)	(389)	(678)	(3,288)	(1 194)	(112)	—	(1,306)	—	3 137	25 313	17 713
Excess (deficiency) of revenues over expenses	(55 557)	21 736	(6 523)	(40,344)	4 447	(25,312)	(4 813)	11 252	13 064	5 574	(1,925)	16 713	—	3 137	25 313	(9 607)
Net assets released from restrictions used for purchase of property and equipment	29 893	—	—	29 893	4 750	—	995	—	691	—	—	691	—	(85)	—	36 244
Change in unrealized gains on investments	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Change in economic and beneficial interests in the net assets of related organizations	—	—	—	—	—	—	—	—	(901)	—	—	(901)	—	—	—	(901)
Change in ownership interest of joint ventures	(2 883)	—	—	(2 883)	—	—	—	—	451	—	—	451	—	—	—	(2 432)
Capital transfers (to) from affiliate	335	—	—	335	—	—	5 837	(14 880)	(11 865)	—	—	(11 865)	—	—	—	(20 573)
Change in fair value of designated interest rate swaps	(4,948)	—	—	(4,948)	—	—	—	—	—	—	—	—	—	—	—	(4,948)
Change in funded status of defined benefit pension plans	—	—	—	—	—	—	(8 117)	(8,998)	—	—	—	—	—	—	—	(17 115)
Net gains from nonconsolidated subsidiaries	—	—	—	—	—	—	—	—	—	—	—	—	(2 707)	—	(793)	(3 500)
Other	54	—	—	54	—	(1)	1	(4)	(23)	—	—	(23)	—	—	—	27
Increase (decrease) in unrestricted net assets	$ (33 106)	21 736	(6 523)	(17 893)	9 197	(25,313)	(6 097)	(12 630)	1 417	5 574	(1,925)	5 066	(2 707)	3 052	24 520	(22 805)

See accompanying independent auditors report

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Combining Operations Information – Obligated Group

Year ended June 30, 2011

(In thousands)

	University of Maryland Medical Center								Shore Health System							
	University Hospital	Shock Trauma Center	Cancer Center	Subtotal	Kernan Hospital	University Specialty	Maryland General Hospital	Baltimore Washington Medical Center	Memorial Hospital	Dorchester General	QAEC	Subtotal	Chester River Health System, Inc.	UMMS Foundation	Eliminations	Obligated group total
Unrestricted revenues, gains and other support																
Net patient service revenue	$ 1,035,336	193,030	47,828	1,276,194	94,263	52,512	180,958	326,216	164,741	50,010	2,953	217,704	—	—	(447)	2,147,400
Other operating revenue																
State support	—	3,200	—	3,200	—	—	—	—	—	—	—	—	—	—	—	3,200
Other revenue	50,670	1	105	50,776	2,575	326	1,347	3,292	5,598	703	—	6,301	—	—	(575)	64,042
Total unrestricted revenue, gains and other support	1,086,006	196,231	47,933	1,330,170	96,838	52,838	182,305	329,508	170,339	50,713	2,953	224,005	—	—	(1,022)	2,214,642
Operating expenses																
Salaries, wages, and benefits	481,050	52,905	18,471	552,426	44,786	27,606	85,855	147,837	79,647	24,848	2,075	106,570	—	—	—	965,080
Expendable supplies	194,436	24,629	19,908	238,973	15,127	6,161	16,304	60,399	26,492	5,385	425	32,302	—	—	—	369,266
Purchased services	105,486	52,793	12,245	170,524	18,284	16,591	23,307	49,277	28,805	8,297	215	37,317	—	—	(1,022)	314,278
Contracted services	76,243	10,046	3,227	89,516	7,644	—	22,770	7,830	3,527	2,027	1,436	6,990	—	—	—	134,750
Depreciation and amortization	62,857	4,455	2,289	69,601	3,206	2,347	10,694	22,001	11,413	2,560	511	14,484	—	—	—	122,333
Interest expense	26,881	—	—	26,881	476	861	1,595	5,813	2,779	91	390	3,260	—	—	—	38,886
Provision for bad debts	60,942	36,316	3,895	101,153	6,094	4,467	17,513	21,447	6,396	1,950	89	8,435	—	—	—	159,109
Total operating expenses	1,007,895	181,144	60,035	1,249,074	95,617	58,033	178,038	314,604	159,059	45,158	5,141	209,358	—	—	(1,022)	2,103,702
Operating income (loss)	78,111	15,087	(12,102)	81,096	1,221	(5,195)	4,267	14,904	11,280	5,555	(2,188)	14,647	—	—	—	110,940
Nonoperating income and expenses, net																
Loss on early extinguishment of debt	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Change in fair value of undesignated interest rate swaps	18,640	—	—	18,640	—	—	—	—	—	—	—	—	—	—	—	18,640
Other nonoperating gains and losses																
Contributions	—	—	—	—	—	—	—	—	83	—	—	83	—	5,258	—	5,341
Equity in net income of joint ventures	10,366	—	—	10,366	—	—	—	—	—	—	—	—	—	—	3,220	13,586
Investment income	22,771	1,966	806	25,543	280	1,275	290	4,232	692	15	—	707	—	4,362	—	36,689
Change in fair value of investments	16,500	—	—	16,500	1,637	700	152	2,836	8,035	—	—	8,035	—	1,743	—	31,603
Other nonoperating gains and losses	(9,420)	—	—	(9,420)	(185)	—	(550)	(2,821)	(1,071)	(218)	—	(1,289)	—	(2,954)	—	(17,219)
Total other nonoperating gains and losses	40,217	1,966	806	42,989	1,732	1,975	(108)	4,247	7,739	(203)	—	7,536	—	8,409	3,220	70,000
Excess (deficiency) of revenues over expenses	136,968	17,053	(11,296)	142,725	2,953	(3,220)	4,159	19,151	19,019	5,352	(2,188)	22,183	—	8,409	3,220	199,580
Net assets released from restrictions used for purchase of property and equipment	20,815	—	—	20,815	750	—	885	750	764	—	—	764	—	—	—	23,964
Change in unrealized gains on investments	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Change in economic and beneficial interests in the net																—
assets of related organizations	—	—	—	—	—	—	—	—	5,680	—	—	5,680	—	—	—	5,680
Change in ownership interest of joint ventures	2,268	—	—	2,268	—	—	—	—	6,431	—	—	6,431	—	—	—	8,699
Capital transfers (to) from affiliate	3,801	—	—	3,801	1,035	—	1,647	—	(14,350)	—	—	(14,350)	—	(4,883)	—	(12,750)
Change in fair value of designated interest rate swaps	2,298	—	—	2,298	—	—	—	—	—	—	—	—	—	—	—	2,298
Change in funded status of defined benefit pension plans	—	—	—	—	—	—	9,752	4,736	—	—	—	—	—	—	—	14,488
Net gains from nonconsolidated subsidiaries	—	—	—	—	—	—	—	—	—	—	—	—	4,870	—	—	4,870
Other	(348)	—	—	(348)	1	1	16	3	(17)	—	—	(17)	—	75	—	(269)
Increase (decrease) in unrestricted net assets	$ 165,802	17,053	(11,296)	171,559	4,739	(3,219)	16,459	24,640	17,527	5,352	(2,188)	20,691	4,870	3,601	3,220	246,560

See accompanying independent auditors' report.

Additional Data

Software ID:
Software Version:
EIN: 52-0610538
Name: SHORE HEALTH SYSTEM INC

Form 990, Part VII - Compensation of Officers, Directors,Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors

(A) Name and Title	(B) Average hours per week	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
Robert Chrencik UMMS President/CEO	1 0	X						0	2,073,638	213,731
John Dillon Board Chairman	1 0	X		X				0	0	0
Richard Loeffler Board Vice Chairman	1 0	X		X				0	0	0
Charles Lea Board Vice Chairman	1 0	X		X				0	0	0
Martha Russell Board Treasurer	1 0	X		X				0	0	0
Stuart Bounds Board Secretary	1 0	X		X				0	0	0
Robert Carmean Board Member	1 0	X						0	0	0
Ludwig Eglseder III MD Board Member	1 0	X						48,000	0	0
Marlene Feldman Board Member	1 0	X						0	0	0
Michael Joyce MD Board Member	1 0	X						0	0	0
Keith McMahan Board Member	1 0	X						0	0	0
David Milligan Board Member	1 0	X						0	0	0
Michael Moran Board Member	1 0	X						0	0	0
John Ashworth III Board Member	1 0	X							569,353	17,755
Neil Mufson Board Member	1 0	X						0	0	0
James Peterson Board Member	1 0	X						0	0	0
Jack Stolz Board Member	1 0	X						0	0	0
Gerard Walsh Interim Pres/CEO	40 0			X				387,364	0	22,346
Walter Zajac SVP/CFO-Board Treasurer	40 0			X				269,976	0	20,011
Phyllis Matthai Board Assistant Secretary	40 0			X				69,286	0	15,282
Kenneth Kozel President/CEO	40 0			X				140,131	0	16,716
Michael Tooke MD SVP/CMO	40 0				X			369,467	0	51,764
Christopher Parker Interim COO	49 0				X			300,690	0	21,083
Michael Zimmerman VP/HR	50 0				X			239,100	0	21,643
Jonathan Cook VP/Physican Services	40 0				X			193,732	0	32,219

Form 990, Part VII - Compensation of Officers, Directors,Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors

(A) Name and Title	(B) Average hours per week	(C) Position (check all that apply): Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former	(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
Michael Silgen VP/Marketing	50 0					X		189,876	0	21,456
John Sawyer Lead Medical Physicist	40 0					X		177,188	0	3,657
Catherine Ferara Clinical Pharmist	40 0					X		152,043	0	3,480
Amalia Punzo Medical Dir/QI	40 0					X		174,441	0	3,382
Patti Willis SVP External Relations/Commun	40 0					X		217,207	0	18,264
Joseph Ross Former President/CEO	0 0						X	439,756	0	12,439