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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
ANNE ARUNDEL MEDICAL CENTER INC

Doing Business As

Number and street (or P O box if mail is not delivered to street address) | Room/suite
2001 MEDICAL PARKWAY

City or town, state or country, and ZIP + 4
ANNAPOLIS, MD 21401

D Employer identification number
52-1169362

E Telephone number
(443) 481-6554

G Gross receipts $ 496,913,144

F Name and address of principal officer
ROBERT REILLY
2001 MEDICAL PARKWAY
ANNAPOLIS, MD 21401

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 AAHS ORG

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

L Year of formation 1902

M State of legal domicile MD

Part I Summary

1 Briefly describe the organization's mission or most significant activities
TO ENHANCE THE COMPREHENSIVE HEALTH CARE WE PROVIDE TO THE LOCAL AND REGIONAL COMMUNITY WE SERVE

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**	18
4	Number of independent voting members of the governing body (Part VI, line 1b)	**4**	16
5	Total number of individuals employed in calendar year 2011 (Part V, line 2a)	**5**	3,409
6	Total number of volunteers (estimate if necessary)	**6**	590
7a	Total unrelated business revenue from Part VIII, column (C), line 12	**7a**	9,446,750
b	Net unrelated business taxable income from Form 990-T, line 34	**7b**	-442,078

		Prior Year	Current Year
Revenue	**8** Contributions and grants (Part VIII, line 1h)	1,287,801	1,485,641
	9 Program service revenue (Part VIII, line 2g)	423,643,976	467,862,598
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	4,688,407	6,489,424
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	15,710,602	20,700,304
	12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	445,330,786	496,537,967
Expenses	**13** Grants and similar amounts paid (Part IX, column (A), lines 1–3)	6,956,891	10,841,391
	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)	195,446,677	215,017,132
	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)	218,787,422	255,777,172
	18 Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	421,190,990	481,635,695
	19 Revenue less expenses Subtract line 18 from line 12	24,139,796	14,902,272

		Beginning of Current Year	End of Year
Net Assets or Fund Balances	**20** Total assets (Part X, line 16)	902,345,989	937,689,806
	21 Total liabilities (Part X, line 26)	489,007,804	571,902,835
	22 Net assets or fund balances Subtract line 21 from line 20	413,338,185	365,786,971

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

****** | 2013-05-14
Signature of officer | Date

ROBERT REILLY CFO
Type or print name and title

Paid Preparer's Use Only

Preparer's signature ▶ LORI S BURGHAUSER	Date 2013-05-14	Check if self-employed ▶ ☐	Preparer's taxpayer identification number (see instructions) P00370694
Firm's name (or yours if self-employed), address, and ZIP + 4 ▶ SC&H TAX & ADVISORY SERVICES LLC 910 RIDGEBROOK ROAD SPARKS, MD 21152			EIN ▶ 20-5991824 Phone no ▶ (410) 403-1500

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

AS A CHARITABLE ORGANIZATION, ANNE ARUNDEL MEDICAL CENTER'S ("AAMC") MISSION IS TO ENHANCE THE HEALTH OF THE PEOPLE IT SERVES AND AAMC'S VISION IS "LIVING HEALTHIER TOGETHER" WITH THE COMMUNITY IN ADDITION TO TRADITIONAL PATIENT SERVICES LIKE DIAGNOSIS, TREATMENT AND REHABILITATION, THIS VISION IS ACCOMPLISHED BY EXPANDING HEALTH CARE OUTSIDE OF THE HOSPITAL WALLS, STRENGHTHENING COMMUNITY HEALTH THROUGH COMPREHENSIVE HEALTH MAINTENANCE AND EDUCATION OUTREACH

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 $ 426,738,803 including grants of $ 10,841,391) (Revenue $ 474,839,019)

INPATIENTTHE AAMC WOMEN'S AND CHILDREN'S CENTER OFFERS MULTIGENERATIONAL PROGRAMS TO SUPPORT A WOMAN FROM THE TIME SHE BEGINS GYNECOLOGICAL CARE THROUGH THE CHILDBEARING YEARS AND BEYOND WE OFFER THE MOST COMPREHENSIVE WOMEN'S SERVICES, ALL-INCLUSIVE MATERNITY, NEWBORN AND PEDIATRIC CARE, ADVANCED TREATMENTS FOR ANY HEALTH CHALLENGES WOMEN AND THEIR FAMILIES MAY ENCOUNTER, AND EXTENSIVE SCREENING, PREVENTION AND WELLNESS PROGRAMS TO HELP THEM LEAD LONGER, HEALTHIER AND MORE FULFILLING LIVES AAMC IS KNOWN FOR EXCELLENCE IN OBSTETRICAL SERVICES, AND WE OFFER MOMS MANY OPTIONS AS THEY MAKE INFORMED CHOICES DURING LABOR AND DELIVERY OUR GOAL IS FOR EACH MOTHER AND HER FAMILY TO FEEL RESPECTED AND TO EXPERIENCE THE BIRTHING PROCESS AND POSTPARTUM EXPERIENCE THEY DESIRE ANNE ARUNDEL MEDICAL CENTER DELIVERS MORE THAN 5,000 BABIES EACH YEAR, THE SECOND HIGHEST NUMBER OF DELIVERIES IN THE STATE OF MARYLAND ANNE ARUNDEL MEDICAL CENTER'S NEONATAL INTENSIVE CARE UNIT (NICU) IS DESIGNATED AS A LEVEL IIIB NICU, AND IS ABLE TO CARE FOR THE MOST CRITICALLY ILL NEWBORNS, ALLOWING BABIES BORN EARLY OR WITH COMPLICATIONS TO STAY WITH THEIR MOTHERS AT AAMC HOSPITALS THAT DO NOT HAVE THIS LEVEL OF NICU CARE OFTEN MUST TRANSFER BABIES TO OTHER HEALTH CARE FACILITIES, MEANING THAT MOTHERS AND BABIES CANNOT REMAIN TOGETHER THE AAMC NICU, ALSO KNOWN AS "TEDDY'S PLACE", IS A STATE-OF-THE-ART 26-BED UNIT, EQUIPPED WITH LIFE-SAVING TECHNOLOGY AND STAFFED BY FULL- AND PART-TIME NEONATOLOGISTS, NEONATAL NURSE PRACTITIONERS, AND NURSES WITH SPECIALIZED NICU TRAINING ON AVERAGE, MORE THAN 20 BABIES A DAY ARE CARED FOR IN OUR NICU, AND APPROXIMATELY 12-15 PERCENT OF ALL BABIES DELIVERED AT AAMC WILL SPEND SOME TIME IN THE NICU AT AAMC, THE CENTER FOR MATERNAL-FETAL MEDICINE OFFERS WOMEN THE HIGHEST LEVEL OF OBSTETRIC CARE, WITH THREE HIGHLY TRAINED PHYSICIANS ABLE TO PERFORM AND OVERSEE A WIDE RANGE OF COMPLICATIONS THE AAMC CENTER FOR MATERNAL-FETAL MEDICINE OFFERS CARE TO WOMEN WHO COME FROM AS FAR AWAY AS MARYLAND'S CHARLES AND ST MARY'S COUNTIES, AS WELL AS DELAWARE TYPICAL PATIENTS INCLUDE WOMEN WHO ARE CARRYING TWINS OR TRIPLETS, WOMEN REQUIRING DIABETES EDUCATION OR SPECIALIZED TESTING, SUCH AS AMNIOCENTESIS, OR WOMEN WHO WILL BE 35 OR OLDER AT THE TIME OF DELIVERY THE AAMC WOMEN'S CENTER FOR PELVIC HEALTH PROVIDES COMPREHENSIVE AND INNOVATIVE PELVIC HEALTH CARE FOR WOMEN OF ALL AGES SUFFERING FROM PROBLEMS AND DISORDERS OF THE PELVIC REGION OUR EXPERIENCED SPECIALISTS EMPLOY A COMPASSIONATE AND PROFESSIONAL APPROACH TO DIAGNOSE AND TREAT ALL COMPONENTS OF PELVIC PROBLEMS, WITH THE GOAL OF ENSURING WELLNESS AND MAINTAINING DIGNITY THE AAMC WOMEN'S CENTER FOR PELVIC HEALTH ADDRESSES ISSUES INCLUDING URINARY INCONTINENCE, PELVIC SUPPORT PROBLEMS, FECAL INCONTINENCE, CHILDBIRTH AND PREGNANCY RELATED PELVIC FLOOR DISORDERS, INCONTINENCE CLEARLY LINKED TO PROLAPSE OR PELVIC FLOOR DYSFUNCTION, AND PELVIC ORGAN PROLAPSE (CYSTOCELE, RECTOCELE, UTERINE, VAGINAL VAULT, PERINEAL) STROKEANNE ARUNDEL MEDICAL CENTER HAS EARNED CERTIFICATION AS A PRIMARY STROKE CENTER FROM THE JOINT COMMISSION, AND WAS THE FIRST HOSPITAL IN THE REGION (AND ONE OF THE FIRST EIGHT IN THE STATE) TO HAVE EARNED THIS HIGHLY SPECIALIZED DESIGNATION BECAUSE SUCCESSFUL TREATMENT OF STROKE PATIENTS IS SO TIME-CRITICAL, THE PRESENCE OF A CERTIFIED STROKE CENTER IN ANNE ARUNDEL COUNTY IS SIGNIFICANT FOR THE RESIDENTS OF THE REGION BECAUSE THEY NO LONGER HAVE TO WASTE PRECIOUS TIME AND TRAVEL 30 OR MORE MILES TO GET LIFE-SAVING TREATMENT THE JOINT COMMISSION CERTIFICATION MEANS AAMC HAS DEMONSTRATED THAT ITS STROKE PROGRAM FOLLOWS NATIONAL STANDARDS AND GUIDELINES THAT CAN SIGNIFICANTLY IMPROVE OUTCOMES FOR STROKE PATIENTS IN MARYLAND, SOMEONE IS HOSPITALIZED FOR A STROKE EVERY 30 MINUTES AND SOMEONE DIES EVERY THREE HOURS, ACCORDING TO THE MARYLAND INSTITUTE FOR EMERGENCY MEDICAL SERVICES SYSTEMS (MIEMSS) AAMC OFFERS TREATMENT WITH TPA - TISSUE PLASMINOGEN ACTIVATOR, A CLOT-BUSTING MEDICATION APPROVED FOR USE IN CERTAIN PATIENTS HAVING A STROKE TPA MUST BE GIVEN WITHIN A FEW HOURS AFTER SYMPTOMS BEGIN THE PROCEDURE IS DONE THROUGH AN INTRAVENOUS (IV) LINE BY SPECIALLY TRAINED HOSPITAL PERSONNEL AAMC TREATS OVER 500 STROKE PATIENTS A YEAR HEART AND VASCULAR INSTITUTETHE AAMC HEART AND VASCULAR INSTITUTE IS A COMPREHENSIVE PROGRAM OFFERING EXCEPTIONAL EMERGENCY, INTERVENTIONAL AND SURGICAL CARE TO OUR COMMUNITY THE HEART AND VASCULAR INSTITUTE FEATURES A DEDICATED HEART AND VASCULAR UNIT, VASCULAR SCREENING, SURGERY AND TREATMENT, CARDIAC-CATHERIZATION, INTERVENTIONAL MEDICINE, EMERGENCY ANGIOPLASTY, CARDIOPULMONARY REHABILITATION AND INTERVENTIONAL RADIOLOGY A REGIONAL RESOURCE TO OUR COMMUNITY, THE AAMC HEART AND VASCULAR INSTITUTE IS NATIONALLY RECOGNIZED AS A STANDARD FOR CARE AND TREATMENT OF HEART ATTACK PATIENTS AND RECIPIENT OF THE 2011 GOLD PERFORMANCE ACHIEVEMENT AWARD FROM THE AMERICAN COLLEGE OF CARDIOLOGY AAMC IS ALSO A PARTICIPANT IN THE C-PORT E PROGRAM, OFFERING ELECTIVE ANGIOPLASTY SERVICES TO OUR COMMUNITY SURGICAL SERVICESAAMC SURGEONS PERFORM A VARIETY OF INPATIENT AND OUTPATIENT SURGICAL PROCEDURES FROM THE ROUTINE TO THE TECHNOLOGICALLY ADVANCED, SUCH AS ROBOTICS IN ADDITION TO GENERAL SURGERIES, THEY SPECIALIZE IN BREAST, COLON AND RECTAL, ORTHOPEDIC, PEDIATRIC, RETINAL, THORACIC, VASCULAR, UROLOGY, GYNECOLOGY, UROGYNECOLOGY, OPHTHALMOLOGY, AND EAR, NOSE AND THROAT SURGERY, AS WELL AS NEUROSURGERY AND PLASTIC RECONSTRUCTIVE SURGERY BOARD-CERTIFIED ANESTHESIOLOGISTS PLAN AND SUPERVISE ANESTHESIA CARE FOR ALL PATIENTS IN ADDITION, 24-HOUR PHYSICIAN CARE THROUGH THE HOSPITALIST AND INTENSIVIST PROGRAMS MEANS A DOCTOR IS ALWAYS NEARBY TO MAKE SURE RECOVERY FOR INPATIENTS IS PROGRESSING SMOOTHLY AT THE AAMC JOINT CENTER, OUR SURGEONS HOLD SUPERIOR CREDENTIALS AND MANY OF OUR SURGEONS SPECIALIZE IN KNEE AND HIP REPLACEMENT OUR VOLUME OF SURGERY ALSO CONTRIBUTES TO OUR MEDICAL EXPERTISE AAMC PERFORMS NUMEROUS JOINT REPLACEMENTS PER YEAR (1,555 FOR FYE 2011 AND 1,667 FOR FYE 2012), WHICH MAKES US CONSISTENTLY ONE OF THE HIGHEST VOLUME JOINT REPLACEMENT CENTERS IN THE STATE OVER THE PAST THREE YEARS, AAMC PERFORMED MORE JOINT REPLACEMENTS THAN ANY OTHER HOSPITAL IN THE STATE JOINT CAMPANOTHER UNIQUE PART OF THE AAMC JOINT CENTER IS OUR "JOINT CAMP" AN IMPORTANT PART OF THE PROGRAM, THE JOINT CAMP GETS ITS NAME IN PART FROM THE SENSE OF SHARED EXPERIENCES, CAMARADERIE AND COMPANIONSHIP MANY PATIENTS FEEL TOWARD ONE ANOTHER THE PHILOSOPHY OF JOINT CAMP IS THAT YOU AND YOUR FAMILY ARE NOT BYSTANDERS, BUT RATHER ACTIVE PARTICIPANTS WITH A COMMON GOAL A TRAINED COORDINATOR HELPS GUIDE AND ASSIST YOU EVERY STEP OF THE WAY OUTPATIENTTHE AAMC GEATON AND JOANN DECESARIS CANCER INSTITUTE AT ANNE ARUNDEL MEDICAL CENTER ENCOMPASSES A LARGE ARRAY OF SERVICES RANGING FROM PREVENTION, SCREENING, DIAGNOSIS AND TREATMENT THROUGH SURVIVORSHIP MANY DIFFERENT TYPES OF PROFESSIONALS CONTRIBUTE TO THE CARE OF PATIENTS IN OUR PROGRAMS IT IS OUR GOAL TO PROVIDE THE BEST EXPERIENCE POSSIBLE, NO MATTER WHERE OR HOW A PERSON ENCOUNTERS OUR CANCER CENTER SERVICES THE DECESARIS CANCER INSTITUTE WAS AWARDED THE COMMISSION ON CANCER (COC) OUTSTANDING ACHIEVEMENT AWARD FOR 2008 FOLLOWING AN INTENSIVE ON-SITE SURVEY COMPLETED IN NOVEMBER 2008 IN 2011, THE COC GRANTED A THREE-YEAR ACCREDITATION WITH COMMENDATION TO THE DECESARIS CANCER INSTITUTE, RECOGNIZING ITS CANCER COMMITTEE LEADERSHIP, CANCER DATA MANAGEMENT, CLINICAL SERVICES, RESEARCH, COMMUNITY OUTREACH, AND QUALITY IMPROVEMENT IT IS ONE OF ONLY FOUR CANCER PROGRAMS IN MARYLAND (AND ONE OF ONLY 95 PROGRAMS NATIONWIDE) TO RECEIVE THE PRESTIGIOUS AWARD FROM THE COC, AN ORGANIZATION ESTABLISHED BY THE AMERICAN COLLEGE OF SURGEONS THE AWARD WAS ESTABLISHED IN 1994 TO RECOGNIZE CANCER PROGRAMS DEMONSTRATING EXCELLENCE IN PROVIDING QUALITY CARE TO CANCER PATIENTS A FACILITY RECEIVES THE AWARD ONLY IF DEMONSTRATING A "COMMENDATION" LEVEL OF COMPLIANCE WITH SEVEN COC-ESTABLISHED STANDARDS OF CARE AAMC DEMONSTRATED COMMENDATION-LEVEL COMPLIANCE IN SIX AREAS, CANCER COMMITTEE LEADERSHIP, CANCER DATA MANAGEMENT, CLINICAL SERVICES, RESEARCH, COMMUNITY OUTREACH, AND QUALITY IMPROVEMENT THE AAMC BREAST CENTER IS NATIONALLY RECOGNIZED FOR ITS OUTSTANDING CARE, RESEARCH AND COMPREHENSIVE PROGRAMS IT OFFERS KIND, SENSITIVE, AND TAILORED BREAST DISEASE TREATMENT AND CARE FOR WOMEN WITH OUR HIGHLY EXPERIENCED BREAST SPECIALISTS AND SPECIALTY TRAINED STAFF PLUS STATE-OF-THE-ART FACILITIES, WE ARE A BREAST CENTER DEDICATED TO GIVING YOU NEW HOPE AND GOOD HEALTH IN THE SUMMER OF 2009, AAMC MADE A COMMITMENT TO FURTHER SERVE BREAST PATIENTS IN THE REGION BY OPENING A NEW, EXPANDED BREAST CENTER UNDER THE UMBRELLA OF THE DECESARIS CANCER INSTITUTE, AND ADDING A THIRD FELLOWSHIP-TRAINED BREAST SURGEON TO THE CARE TEAM (CONT PAGE 73)

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** ▶ $ 426,738,803

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		No
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		No
11	If the organization's answer to any of the following questions is 'Yes,' then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable			
a	Did the organization report an amount for land, buildings, and equipment in Part X, 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	Yes	
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	Yes	
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)*

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**	Yes	
22	Did the organization report more than $5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? *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**	Yes	
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	**24b**		No
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	**24c**		No
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	**24d**		No
25a	**Section 501(c)(3) and 501(c)(4) organizations.** Did the organization engage in an excess benefit transaction with a disqualified person during the year? *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**	Yes	
29	Did the organization receive more than $25,000 in non-cash contributions? *If "Yes," complete Schedule M*	**29**		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? *If "Yes," complete Schedule M*	**30**		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? *If "Yes," complete Schedule N, Part I*	**31**		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**		No
34	Was the organization related to any tax-exempt or taxable entity? *If "Yes," complete Schedule R, Parts II, III, IV, and V, line 1*	**34**	Yes	
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**	266		
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**		
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**	3,409		
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**	Yes	
b	If "Yes," enter the name of the foreign country ▶ CJ See instructions for filing requirements for Form TD F 90-22 1, Report of Foreign Bank and Financial Accounts					
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year? . .			**5a**		No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?			**5b**		No
c	If "Yes" to line 5a or 5b, did the organization file Form 8886-T?			**5c**		
6a	Does the organization have annual gross receipts that are normally greater than $100,000, and did the organization solicit any contributions that were not tax deductible?			**6a**		No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?			**6b**		
7	**Organizations that may receive deductible contributions under section 170(c).**					
a	Did the organization receive a payment in excess of $75 made partly as a contribution and partly for goods and services provided to the payor?			**7a**		No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?			**7b**		
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?			**7c**		No
d	If "Yes," indicate the number of Forms 8282 filed during the year	**7d**				
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?			**7e**		No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? . .			**7f**		No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?			**7g**		
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?			**7h**		
8	**Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.** Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?			**8**		
9	**Sponsoring organizations maintaining donor advised funds.**					
a	Did the organization make any taxable distributions under section 4966?			**9a**		
b	Did the organization make a distribution to a donor, donor advisor, or related person?			**9b**		
10	**Section 501(c)(7) organizations.** Enter					
a	Initiation fees and capital contributions included on Part VIII, line 12 . . .	**10a**				
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities	**10b**				
11	**Section 501(c)(12) organizations.** Enter					
a	Gross income from members or shareholders	**11a**				
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them)	**11b**				
12a	**Section 4947(a)(1) non-exempt charitable trusts.** Is the organization filing Form 990 in lieu of Form 1041?			**12a**		
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year	**12b**				
13	**Section 501(c)(29) qualified nonprofit health insurance issuers.**					
a	Is the organization licensed to issue qualified health plans in more than one state? **Note.** All 501(c)(29) organizations must list in Schedule O each state in which they are licensed to issue qualified health plans, the amount of reserves required by each state, and the amount of reserves the organization allocated to each state			**13a**		
b	Enter the aggregate amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans	**13b**				
c	Enter the aggregate amount of reserves on hand	**13c**				
14a	Did the organization receive any payments for indoor tanning services during the tax year?			**14a**		No
b	If "Yes," has it filed a Form 720 to report these payments? *If "No," provide an explanation in Schedule O* . .			**14b**		

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

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

Section A. Governing Body and Management

				Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year	1a	18		
b	Enter the number of voting members included in line 1a, above, who are independent	1b	16		
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		No
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		

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 ▶

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

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

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

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

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

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

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

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(1) GEORGE T MORAN CHAIRMAN	1 00	X		X				0	0	0
(2) BIANA J ARENTZ VICE CHAIRMAN	1 00	X		X				0	0	0
(3) KENT MCNEW SECRETARY	1 00	X		X				0	0	0
(4) CHARLES R LARSON TREASURER	1 00	X		X				0	0	0
(5) JASON GROVES ASSISTANT SECRETARY	1 00	X		X				0	0	0
(6) BARRY JACKSON ASSISTANT TREASURER	1 00	X		X				0	0	0
(7) VICTORIA BAYLESS PRESIDENT	40 00	X		X				774,544	0	106,244
(8) JOHN BELCHER BOARD MEMBER	1 00	X						0	0	0
(9) JUNE CAUDILL BOARD MEMBER	1 00	X						0	0	0
(10) PAUL ELDER MD BOARD MEMBER	1 00	X						0	0	0
(11) JAMES ELLERSON BOARD MEMBER	1 00	X						0	0	0
(12) CARLESA FINNEY BOARD MEMBER	1 00	X						0	0	0
(13) ED GOSSELIN BOARD MEMBER	1 00	X						0	0	0
(14) KEN GUMMERSON MD BOARD MEMBER	1 00	X						0	0	0
(15) GARY JOBSON BOARD MEMBER	1 00	X						0	0	0
(16) MAULIK JOSHI BOARD MEMBER	1 00	X						0	0	0
(17) DOUG MITCHELL MD BOARD MEMBER	1 00	X						0	0	0

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

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(18) RICHARD J MORGAN BOARD MEMBER	1 00	X						0	0	0
(19) CHRIS O'MEARA BOARD MEMBER	1 00	X						0	0	0
(20) PATRICIA ROCHE BOARD MEMBER	1 00	X						0	0	0
(21) LEISA C RUSSELL BOARD MEMBER	1 00	X						0	0	0
(22) ROBERT REILLY CFO	40 00			X				438,415	0	21,959
(23) MARTIN L DOORDAN CEO DURING CALENDAR YEAR	40 00				X			936,615	0	44,121
(24) SHERRY PERKINS CHIEF NURSING OFFICER	40 00				X			444,406	0	7,604
(25) MITCHELL SCHWARTZ MD CHIEF MEDICAL OFFICER	40 00				X			563,216	0	35,627
(26) STEPHEN CLARKE VP OF PHYSICIAN SERVICES	20 00					X		309,636	0	11,852
(27) CAROLYN CORE SENIOR VP OF CORPORATE SERVICES	40 00					X		413,281	0	18,627
(28) VANESSA DIFLUMERI VP OF STRATEGIC PLANNING & BUSINESS DEVELOPMENT	40 00					X		331,189	0	12,487
(29) NANCY LUTTRELL VP OF HUMAN RESOURCES	40 00					X		286,684	0	13,464
(30) JOSEPH D MOSER MD SENIOR VP OF MEDICAL AFFAIRS	40 00					X		446,082	0	24,371
1b Sub-Total . . . . . ▶										
c Total from continuation sheets to Part VII, Section A . . . . ▶										
d Total (add lines 1b and 1c) . . . . . ▶								4,944,068	0	296,356

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 ▶ 222

			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**		No
4	For any individual listed on line 1a, is the sum of reportable compensation and other compensation from the organization and related organizations greater than $150,000? *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
ANNAPOLIS ASTHMA PULMONARY SLEEP SPECIAL 2000 MEDICAL PARKWAY SUITE 607 ANNAPOLIS, MD 21401	SLEEP STUDIES	5,161,938
INFORMED LLC 1596 WHITEHALL ROAD ANNAPOLIS, MD 21409	MEDICAL PLAN SVCS	1,115,439
CR GOODMAN ASSOC LLC 912 COMMERCE ROAD ANNAPOLIS, MD 21401	CONSTRUCTION DESIGN	935,675
FACILITIES SERVICES 518 FOREST HILLS DRIVE ANNAPOLIS, MD 21401	OFFICE FURNITURE SERVICES	844,333
QUEST DIAGNOSTICS INC (MD) 1901 SULPHUR SPRING ROAD BALTIMORE, MD 21227	LABORATORY TESTING SERVICES	828,129

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 ▶ 37

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				
	d	Related organizations	1d	1,485,641			
	e	Government grants (contributions)	1e				
	f	All other contributions, gifts, grants, and similar amounts not included above	1f				
	g	Noncash contributions included in lines 1a-1f $					
	h	**Total.** Add lines 1a-1f		1,485,641			
Program Service Revenue			Business Code				
	2a	ANCILLIARY SERVICES	621500	361,271,235	354,136,133	7,135,102	
	b	ADMISSION/ROOM CHARGES	621990	75,622,703	75,622,703		
	c	EMERGENCY ROOM CHARGES	621990	26,661,584	26,661,584		
	d	CAFETERIA	722210	3,606,376			3,606,376
	e	PATIENT EDUCATION/MISC	624100	700,700	700,700		
	f	All other program service revenue					
	g	**Total.** Add lines 2a–2f		467,862,598			
	3	Investment income (including dividends, interest and other similar amounts)		6,489,411			6,489,411
	4	Income from investment of tax-exempt bond proceeds					
	5	Royalties					
			(i) Real / (ii) Personal				
	6a	Gross rents	1,238,568 /				
	b	Less rental expenses	179,552 /				
	c	Rental income or (loss)	1,059,016 /				
	d	Net rental income or (loss)		1,059,016		429,750	629,266
			(i) Securities / (ii) Other				
	7a	Gross amount from sales of assets other than inventory	/ 13				
	b	Less cost or other basis and sales expenses	/ 0				
	c	Gain or (loss)	/ 13				
	d	Net gain or (loss)		13			13
	8a	Gross income from fundraising events (not including $ _____ of contributions reported on line 1c) See Part IV, line 18	a 212,244				
	b	Less direct expenses	b 195,625				
	c	Net income or (loss) from fundraising events		16,619			16,619
	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					
	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					
Other Revenue		Miscellaneous Revenue	Business Code				
	11a	MANAGEMENT SERVICES	812900	13,634,475	11,967,034	1,667,441	
	b	PREMIER PURCHASING PAR	525990	1,220,321	1,204,051	16,270	
	c	ANSWERING/PAGING SERVI	812900	198,187		198,187	
	d	All other revenue		4,571,686	4,546,814		24,872
	e	**Total.** Add lines 11a–11d		19,624,669			
	12	**Total revenue.** See Instructions		496,537,967	474,839,019	9,446,750	10,766,557

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	10,841,391	10,841,391		
2	Grants and other assistance to individuals in the United States See Part IV, line 22				
3	Grants and other assistance to governments, organizations, and individuals outside the United States See Part IV, lines 15 and 16				
4	Benefits paid to or for members				
5	Compensation of current officers, directors, trustees, and key employees	3,372,751	3,035,476	337,275	
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)				
7	Other salaries and wages	173,964,138	152,302,568	21,661,570	
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	2,074,637	1,889,703	184,934	
9	Other employee benefits	22,556,187	19,679,727	2,876,460	
10	Payroll taxes	13,049,419	11,458,541	1,590,878	
11	Fees for services (non-employees)				
a	Management				
b	Legal	905,750		905,750	
c	Accounting	151,784		151,784	
d	Lobbying				
e	Professional fundraising *See Part IV, line 17* . .				
f	Investment management fees	151,394		151,394	
g	Other	44,629,255	29,568,254	15,061,001	
12	Advertising and promotion	1,472,157	1,472,157		
13	Office expenses	16,723,382	12,867,951	3,855,431	
14	Information technology	4,509,352	1,261	4,508,091	
15	Royalties . .				
16	Occupancy	10,117,765	8,188,431	1,929,334	
17	Travel	1,082,716	541,276	541,440	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials				
19	Conferences, conventions, and meetings	833,480	523,567	309,913	
20	Interest	16,893,581	16,893,581		
21	Payments to affiliates				
22	Depreciation, depletion, and amortization	27,758,906	27,758,906		
23	Insurance	3,625,014	3,262,513	362,501	
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	MEDICAL SUPPLIES	102,570,601	102,570,601		
b	BAD DEBT EXPENSE	18,501,664	18,501,664		
c	TEMPORARY AGENCY	5,850,371	5,381,235	469,136	
d					
e					
f	All other expenses				
25	**Total functional expenses.** Add lines 1 through 24f	481,635,695	426,738,803	54,896,892	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		1	
	2	Savings and temporary cash investments	4,743,721	2	4,506,831
	3	Pledges and grants receivable, net		3	
	4	Accounts receivable, net	54,676,419	4	53,069,704
	5	Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L		5	
	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		6	
	7	Notes and loans receivable, net		7	
	8	Inventories for sale or use	7,943,886	8	8,420,682
	9	Prepaid expenses and deferred charges	8,925,031	9	6,877,978
	10a	Land, buildings, and equipment cost or other basis *Complete Part VI of Schedule D* — 10a: 595,872,741			
	b	Less accumulated depreciation — 10b: 196,883,352	405,819,363	10c	398,989,389
	11	Investments—publicly traded securities	202,515,720	11	203,796,653
	12	Investments—other securities See Part IV, line 11	41,825,599	12	47,888,651
	13	Investments—program-related See Part IV, line 11		13	
	14	Intangible assets		14	
	15	Other assets See Part IV, line 11	175,896,250	15	214,139,918
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)	902,345,989	16	937,689,806
Liabilities	17	Accounts payable and accrued expenses	81,805,706	17	97,892,267
	18	Grants payable		18	
	19	Deferred revenue		19	
	20	Tax-exempt bond liabilities	341,967,347	20	337,637,709
	21	Escrow or custodial account liability *Complete Part IV of Schedule D*		21	
	22	Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons *Complete Part II of Schedule L*		22	
	23	Secured mortgages and notes payable to unrelated third parties	3,457,980	23	1,822,495
	24	Unsecured notes and loans payable to unrelated third parties		24	
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24) Complete Part X of Schedule D	61,776,771	25	134,550,364
	26	**Total liabilities.** Add lines 17 through 25	489,007,804	26	571,902,835
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	381,544,842	27	335,332,090
	28	Temporarily restricted net assets	20,084,343	28	18,892,847
	29	Permanently restricted net assets	11,709,000	29	11,562,034
		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	413,338,185	33	365,786,971
	34	Total liabilities and net assets/fund balances	902,345,989	34	937,689,806

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	496,537,967
2	Total expenses (must equal Part IX, column (A), line 25)	2	481,635,695
3	Revenue less expenses Subtract line 2 from line 1	3	14,902,272
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	413,338,185
5	Other changes in net assets or fund balances (explain in Schedule O)	5	-62,453,486
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	365,786,971

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		No
b	If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits	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
ANNE ARUNDEL MEDICAL CENTER INC

Employer identification number
52-1169362

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? Yes	(iv) No	(v) Did you notify the organization in col (i) of your support? Yes	(v) No	(vi) Is the organization in col (i) organized in the U S ? Yes	(vi) No	(vii) Amount of support?
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

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SCHEDULE D (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

▶ Complete if the organization answered "Yes," to Form 990, Part IV, line 6, 7, 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
ANNE ARUNDEL MEDICAL CENTER INC

Employer identification number
52-1169362

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)
☐ Preservation of an historically importantly land area
☐ Protection of natural habitat
☐ Preservation of a certified historic structure
☐ Preservation of open space

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

		Held at the End of the Year
a	Total number of conservation easements	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					
b Contributions					
c Investment earnings or losses					
d Grants or scholarships					
e Other expenditures for facilities and programs					
f Administrative expenses					
g End of year balance					

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

- a Board designated or quasi-endowment ▶
- b Permanent endowment ▶
- c Term endowment ▶

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

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

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

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

Description of property	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land		26,895,207		26,895,207
b Buildings		350,566,206	59,391,628	291,174,578
c Leasehold improvements		9,456,452	4,333,762	5,122,690
d Equipment		202,220,425	130,135,125	72,085,300
e Other		6,734,451	3,022,837	3,711,614
Total. Add lines 1a-1e *(Column (d) should equal Form 990, Part X, column (B), line 10(c).)* ▶				398,989,389

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) INVESTMENT IN ANNE ARUNDEL HEALTH CARE SERVICES, INC	43,854,147	F
(B) INVESTMENT IN PREMIER PURCHASING PARTNERS, LLP	181,083	F
(C) INVESTMENT IN ANNE ARUNDEL GENERAL TREATMENT SERVICES, INC	3,352,613	F
(D) CSV OFFICERS LIFE INSURANCE	500,808	F
Total. *(Column (b) should equal Form 990, Part X, col (B) line 12)* ▶	47,888,651	

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) LIMITED USE ASSETS	119,613,565
(2) DEFERRED DEBT ISSUE COSTS	7,060,797
(3) DUE FROM AFFILIATES	50,016,540
(4) NOTES RECEIVABLE FROM AFFILIATES	5,718,093
(5) BENEFICIAL INTEREST IN AAMC FOUNDATION	30,811,272
(6) FAIR VALUE OF INTEREST RATE SWAP DERIVATIVE CONTRACTS	919,651
Total. *(Column (b) should equal Form 990, Part X, col.(B) line 15.)* . . . . . ▶	214,139,918

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

1 (a) Description of Liability	(b) Amount
Federal Income Taxes	
THIRD PARTY ADVANCE LIABILITIES	26,357,054
FAIR VALUE OF INTEREST RATE SWAP DERIVATIVE CONTRACTS	82,797,184
DUE TO AFFILIATES	25,396,126
Total. *(Column (b) should equal Form 990, Part X, col (B) line 25)* ▶	134,550,364

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
DESCRIPTION OF UNCERTAIN TAX POSITIONS UNDER FIN 48	PART X	UNDER THE REQUIREMENTS OF ASC 740, INCOME TAXES, TAX-EXEMPT ORGANIZATIONS COULD BE REQUIRED TO RECORD AN OBLIGATION AS THE RESULT OF A TAX POSITION THEY HAVE HISTORICALLY TAKEN ON VARIOUS TAX EXPOSURE ITEMS ANNE ARUNDEL HEALTH SYSTEM, INC AND SUBSIDIARIES (THE "GROUP") HAS DETERMINED THAT IT DOES NOT HAVE ANY UNCERTAIN TAX POSITIONS THROUGH JUNE 30, 2012

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SCHEDULE F (Form 990)

Department of the Treasury
Internal Revenue Service

Statement of Activities Outside the United States

▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 14b, 15, or 16.
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
ANNE ARUNDEL MEDICAL CENTER INC

Employer identification number
52-1169362

Part I General Information on Activities Outside the United States. Complete if the organization answered "Yes" to Form 990, Part IV, line 14b.

1 **For grantmakers.** Does the organization maintain records to substantiate the amount of the grants or assistance, the grantees' eligibility for the grants or assistance, and the selection criteria used to award the grants or assistance? . . . . . ☐ Yes ☐ No

2 **For grantmakers.** Describe in Part V the organization's procedures for monitoring the use of grant funds outside the United States

3 Activites per Region (Use Part V if additional space is needed)

(a) Region	(b) Number of offices in the region	(c) Number of employees or agents in region or independent contractors	(d) Activities conducted in region (by type) (e g , fundraising, program services, investments, grants to recipients located in the region)	(e) If activity listed in (d) is a program service, describe specific type of service(s) in region	(f) Total expenditures for region/investments in region
CENTRAL AMERICA AND THE CARIBBEAN	0	1	REINSURANCE EXPENSES		4,012,000
3a Sub-total	0	1			4,012,000
b Total from continuation sheets to Part I	0	0			0
c **Totals** (add lines 3a and 3b)	0	1			4,012,000

Part II **Grants and Other Assistance to Organizations or Entities Outside the United States.** Complete if the organization answered "Yes" to Form 990, Part IV, line 15, for any recipient who received more than $5,000. Check this box if no one recipient received more than $5,000 . . . . . ▶ ☐
Use Part V if additional space is needed.

1 (a) Name of organization	(b) IRS code section and EIN (if applicable)	(c) Region	(d) Purpose of grant	(e) Amount of cash grant	(f) Manner of cash disbursement	(g) Amount of of non-cash assistance	(h) Description of non-cash assistance	(i) Method of valuation (book, FMV, appraisal, other)

2 Enter total number of recipient organizations listed above that are recognized as charities by the foreign country, recognized as tax-exempt by the IRS, or for which the grantee or counsel has provided a section 501(c)(3) equivalency letter . . . . . ▶ _____

3 Enter total number of other organizations or entities . . . . . ▶

Part III **Grants and Other Assistance to Individuals Outside the United States.** Complete if the organization answered "Yes" to Form 990, Part IV, line 16. Use Part V if additional space is needed.

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

Part IV Foreign Forms

1	Was the organization a U S transferor of property to a foreign corporation during the tax year? *If "Yes," the organization may be required to file Form 926 (see instructions for Form 926)*	☑ Yes	☐ No
2	Did the organization have an interest in a foreign trust during the tax year? *If " Yes," the organization may be required to file Form 3520 and/or Form 3520-A. (see instructions for Forms 3520 and 3520-A)*	☐ Yes	☑ No
3	Did the organization have an ownership interest in a foreign corporation during the tax year? *If "Yes," the organization may be required to file Form 5471, Information Return of U.S. Persons with respect to Certain Foreign Corporations. (see instructions for Form 5471)*	☑ Yes	☐ No
4	Was the organization a direct or indirect shareholder of a passive foreign investment company or a qualified electing fund during the tax year? *If "Yes," the organization may be required to file Form 8621, Return by a Shareholder of a Passive Foreign Investment Company or Qualified Electing Fund. (see instructions for Form 8621)*	☐ Yes	☑ No
5	Did the organization have an ownership interest in a foreign partnership during the tax year? *If "Yes," the organization may be required to file Form 8865, Return of U.S. Persons with respect to Certain Foreign Partnerships. (see instructions for Form 8865)*	☐ Yes	☑ No
6	Did the organization have any operations in or related to any boycotting countries during the tax year? *If "Yes," the organization may be required to file Form 5713, International Boycott Report (see instructions for Form 5713).*	☐ Yes	☑ No

Additional Data

Software ID:
Software Version:
EIN: 52-1169362
Name: ANNE ARUNDEL MEDICAL CENTER INC

Part V **Supplemental Information**

Complete this part to provide the information (see instructions) required in Part I, line 2, and any additional information.

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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
ANNE ARUNDEL MEDICAL CENTER INC

Employer identification number
52-1169362

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?		**(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
		Yes	**No**			
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 LIGHTS ON THE BAY (event type)	(b) Event #2 (event type)	(c) Other Events (total number)	(d) Total Events (Add col (a) through col (c))
Revenue	1 Gross receipts	212,244			212,244
	2 Less Charitable contributions				
	3 Gross income (line 1 minus line 2)	212,244			212,244
Direct Expenses	4 Cash prizes				
	5 Non-cash prizes				
	6 Rent/facility costs				
	7 Food and beverages				
	8 Entertainment				
	9 Other direct expenses	195,625			195,625
	10 Direct expense summary Add lines 4 through 9 in column (d) ▶				(195,625)
	11 Net income summary Combine lines 3 and 10 in column (d) ▶				16,619

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 question on Schedule G (see instructions.)

Identifier	ReturnReference	Explanation

efile GRAPHIC print - DO NOT PROCESS | As Filed Data - | DLN: 93493134046593

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
ANNE ARUNDEL MEDICAL CENTER INC

Employer identification number
52-1169362

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 ☐ 100% ☐ 150% ☑ 200% ☐ Other ____ %	3a	Yes	
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 ☐ 200% ☐ 250% ☐ 300% ☐ 350% ☐ 400% ☑ Other 330.000000000000 %	3b	Yes	
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)			6,994,178		6,994,178	1 510 %
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			6,994,178		6,994,178	1 510 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			3,423,258	64,567	3,358,691	0 730 %
f Health professions education (from Worksheet 5)			1,577,864		1,577,864	0 340 %
g Subsidized health services (from Worksheet 6)			12,043,182		12,043,182	2 600 %
h Research (from Worksheet 7)			647,002		647,002	0 140 %
i Cash and in-kind contributions for community benefit (from Worksheet 8)			859,947		859,947	0 190 %
j **Total** Other Benefits			18,551,253	64,567	18,486,686	4 000 %
k **Total.** Add lines 7d and 7j			25,545,431	64,567	25,480,864	5 510 %

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			19,707		19,707	0 %
3	Community support			44,869		44,869	0 010 %
4	Environmental improvements			30,605		30,605	0 010 %
5	Leadership development and training for community members						
6	Coalition building			96,849		96,849	0 020 %
7	Community health improvement advocacy						
8	Workforce development			8,063		8,063	0 %
9	Other			111,617		111,617	0 020 %
10	**Total**			311,710		311,710	0 060 %

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	14,855,560		
3	Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's charity care policy	3	2,252,344		
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	163,705,177		
6	Enter Medicare allowable costs of care relating to payments on line 5	6	152,265,851		
7	Subtract line 6 from line 5 This is the surplus or (shortfall)	7	11,439,326		
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

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? 1

	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	ANNE ARUNDEL MEDICAL CENTER INC 2001 MEDICAL PARKWAY ANNAPOLIS,MD 21401	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)

ANNE ARUNDEL MEDICAL CENTER

Name of Hospital Facility:

Line Number of Hospital Facility (from Schedule H, Part V, Section A): 1

		Yes	No
Community Health Needs Assessment (Lines 1 through 7 are optional for 2011)			
1 During the tax year or any prior tax year, did the hospital facility conduct a community health needs assessment ("Needs Assessment")? If "No," skip to question 8	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 000000000000%			
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 330 000000000000%			
	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)			
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**		No
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? 3

	Name and address	Type of Facility (Describe)
1	BLOOD DRAW SITE- SAJAK PAVILION 2002 MEDICAL PARKWAY ANNAPOLIS,MD 21401	BLOOD DRAW LABORATORY
2	BLOOD DRAW SITE- KENT ISLAND 1630 MAIN STREET CHESTER,MD 21619	BLOOD DRAW LABORATORY
3	BLOOD DRAW SITE- BOWIE MITCHELLVILLE ROAD BOWIE,MD 20716	BLOOD DRAW LABORATORY
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
		PART I, LINE 7 CHARITY CARE REPORTED IN LINE 7A WAS CALCULATED USING A COST TO CHARGE RATIO DERIVED USING THE RATIO OF PATIENT CARE COST TO CHARGES AND THE HOSPITAL'S AUDITED FINANCIAL STATEMENTS OTHER COST AMOUNTS INCLUDED IN LINE 7 RELATING TO COMMUNITY BENEFITS AND COMMUNITY BUILDING ACTIVITIES WERE OBTAINED FROM THE ORGANIZATION'S COMMUNITY BENEFIT REPORT FILING WITH THE HSCRC IN THE STATE OF MARYLAND THESE COSTS WERE DETERMINED USING A VARIETY OF SOURCES, INCLUDING PAYROLL INFORMATION (FOR DIRECT LABOR COSTS) AND THE ORGANIZATION'S GENERAL LEDGER SYSTEM DETAIL (FOR OTHER DIRECT COSTS E G SUPPLIES) INDIRECT COSTS IN THESE AREAS OF BENEFIT WERE DETERMINED BY APPLYING AN INDIRECT COST RATIO TO THE DIRECT COST AMOUNTS OBTAINED THIS RATIO IS CALCULATED USING SCHEDULE M OF THE HOSPITAL'S ANNUAL COST REPORT FILING WITH THE HSCRC IN THE STATE OF MARYLAND PART I, LINE 7A, COLUMN (D) AND LINE 7F, COLUMNS (C) AND (D) MARYLAND'S REGULATORY SYSTEM CREATES A UNIQUE PROCESS FOR HOSPITAL PAYMENT THAT DIFFERS FROM THE REST OF THE NATION THE HEALTH SERVICES COST REVIEW COMMISSION, (HSCRC) DETERMINES PAYMENT THROUGH A RATE SETTING PROCESS AND ALL PAYORS, INCLUDING GOVERNMENTAL PAYORS, PAY THE SAME AMOUNT FOR THE SAME SERVICES DELIVERED AT THE SAME HOSPITAL MARYLAND'S UNIQUE ALL PAYOR SYSTEM INCLUDES A METHOD FOR REFERENCING UNCOMPENSATED CARE IN EACH PAYORS' RATES, WHICH DOES NOT ENABLE MARYLAND HOSPITALS TO BREAKOUT ANY OFFSETTING REVENUE RELATED TO UNCOMPENSATED CARE PART I, LINE 7B, COLUMN (C) THROUGH (F) MARYLAND'S REGULATORY SYSTEM CREATES A UNIQUE PROCESS FOR HOSPITAL PAYMENT THAT DIFFERS FROM THE REST OF THE NATION THE HEALTH SERVICES COST REVIEW COMMISSION, (HSCRC) DETERMINES PAYMENT THROUGH A RATE SETTING PROCESS AND ALL PAYORS, INCLUDING GOVERNMENTAL PAYORS, PAY THE SAME AMOUNT FOR THE SAME SERVICES DELIVERED AT THE SAME HOSPITAL MARYLAND'S UNIQUE ALL PAYOR SYSTEM INCLUDES A METHOD FOR REFERENCING UNCOMPENSATED CARE IN EACH PAYORS' RATES, WHICH DOES NOT ENABLE MARYLAND HOSPITALS TO BREAKOUT ANY DIRECTED OFFSETTING REVENUE RELATED TO UNCOMPENSATED CARE COMMUNITY BENEFIT EXPENSES ARE EQUAL TO MEDICAID REVENUES IN MARYLAND, AS SUCH, THE NET EFFECT IS ZERO THE EXCEPTION TO THIS IS THE IMPACT ON THE HOSPITAL OF ITS SHARE OF THE MEDICAID ASSESSMENT IN RECENT YEARS, THE STATE OF MARYLAND HAS CLOSED FISCAL GAPS IN THE STATE MEDICAID BUDGET BY ASSESSING HOSPITALS THROUGH THE RATE SETTING SYSTEM

Identifier	ReturnReference	Explanation
		PART I, LINE 7G ANNAPOLIS OUTREACH CLINIC - THE ANNE ARUNDEL MEDICAL CENTER SPONSORS A FREE MEDICAL AND DENTAL CLINIC AT THE STANTON COMMUNITY CENTER, WHICH IS SUPPORTED BY A NETWORK OF DEDICATED PHYSICIAN VOLUNTEERS, NURSES, AND OTHER PROFESSIONALS IN THE COMMUNITY THE ANNAPOLIS OUTREACH CENTER OFFERS A "SAFETY-NET OF CARE" TO THOSE WHO DO NOT HAVE HEALTH INSURANCE, HAVE LIMITED HEALTH COVERAGE, OR DO NOT HAVE ACCESS TO HEALTH SERVICES FOR A VARIETY OF OTHERS REASONS THE CENTER'S HEALTH CARE TEAM CONSISTS OF A NURSE COORDINATOR, CASE MANAGER, NUTRITION COUNSELOR, AND SPANISH SPEAKING PATIENT ADVOCATE THEY SUPPORT THE DOCTORS WHO VOLUNTEER THEIR TIME AND TALENTS TO OFFER WEEKLY HEALTH CLINICS, CHILDREN'S HEALTH CLINICS, AND OTHER SPECIALTY CLINICS THROUGHOUT THE MONTH THE CENTER'S CARE TEAM WORKS WITH CLIENTS TO IMPROVE LIFESTYLES AND PREVENT ILLNESS, THERE ARE SPECIAL PROGRAMS FOR PEOPLE WITH DIABETES AND/OR HYPERTENSION ALL SERVICES PROVIDED BY THE DOCTORS, NURSES AND COUNSELORS AT THE CENTER ARE FREE OF CHARGE COST (INCLUDED IN I LINE 7G - $260,841)PHYSICIAN SHORTAGES IDENTIFIED ACCORDING TO AAMC'S COMMUNITY HEALTH NEEDS ANALYSIS, THERE ARE GAPS IN THE AVAILABILITY PHYSICIANS, INCLUDING OUTPATIENT SPECIALTY CARE, TO SERVE THE UNINSURED IN OUR COMMUNITY UPON REVIEW OF OUR OWN MEDICAL STAFF, GAPS WERE ALSO IDENTIFIED IN PRIMARY AND SPECIALTY CARE WITH PATIENT ACCESS TO CARE LIMITED BY LONG WAIT TIMES FOR APPOINTMENTS TO SEE PHYSICIANS PRIMARY CARE PHYSICIANS THERE IS A SIGNIFICANT SHORTAGE OF PRIMARY CARE PHYSICIANS (PCPS) IN THE REGION ESPECIALLY IN ANNE ARUNDEL COUNTY AND PRINCE GEORGE'S COUNTY PER THE 2009 RAND CORPORATION REPORT THIS SHORTAGE RESULTS IN SERIOUSLY LIMITED ACCESS TO PRIMARY CARE IN PARTS OF OUR COMMUNITY SERVICE AREA BUILDING PRIMARY CARE ACCESS IS ESSENTIAL, PROVIDING ACCESSIBILITY AND MAKING CARE LESS FRAGMENTED WILL HELP TO INCREASE THE FOCUS ON PREVENTION AND IMPROVING QUALITY OF LIFE FOR OUR PATIENTS/CONSTITUENTS SPECIALTY CARE PHYSICIANS BASED ON THE PHYSICIAN WORKFORCE STUDY MOST RECENTLY PERFORMED IN MARYLAND (MHCC/MHA/MEDCHI 2007), MANY OF THE MEDICAL AND SURGICAL SPECIALTIES HAD IDENTIFIED SHORTAGES ACROSS THE REGION THESE SHORTAGES ARE PROJECTED THROUGH THE YEAR 2015 THERE ARE ALSO PROJECTED SHORTAGES FOR ALL PEDIATRIC SPECIALTIES PSYCHIATRIST SHORTAGES ARE OCCURRING IN FOUR OUT OF FIVE REGIONS THERE IS ALSO CONCERN FOR THE AGING OF PHYSICIANS WITH 25% OF SURGEONS AGED 60 YEARS OR OLDER

Identifier	ReturnReference	Explanation
		PART I, L7 COL(F) THE PORTION OF BAD DEBT EXPENSE INCLUDED ON FORM 990, PART IX, LINE 25 AND REMOVED FROM LINE 7 COLUMN F IS $18,501,664

Identifier	ReturnReference	Explanation
		PART II SUPPORT SYSTEMS ENHANCEMENT INCLUDES EMERGENCY MANAGEMENT ACTIVITIES, ALTERNATE CARE SITE NAVAL SUPPORT ACTIVITY, OTHER DRILLS AND REAL TIME ACTIVITIES THE HOSPITAL HAS A DISASTER PREPAREDNESS COORDINATOR THAT IS RESPONSIBLE FOR STAFF TRAINING, COORDINATING DISASTER DRILLS AND KEEPING THE HOSPITAL'S DISASTER PREPAREDNESS INVENTORY UP TO DATE COALITION BUILDING INCLUDES HOSPITAL REPRESENTATION TO COMMUNITY COALITIONS, COLLABORATIVE PARTNERSHIPS WITH COMMUNITY GROUPS TO IMPROVE COMMUNITY HEALTH, COMMUNITY MEETING COSTS, VISIONING SESSIONS AND COSTS FOR TASK FORCE SPECIFIC PROJECTS AND INITIATIVES THE HOSPITALS ONGOING WORK WITH COMMUNITY GROUPS AND PARTICIPATION IN ADVISORY COMMITTEES AND COUNCELS CREATE A CONTINUOUS COMMUNICATIONS PROCESS, BRINGING NEW IDEAS FROM ANNE ARUNDEL COUNTY RESIDENTS AND ORGANIZATIONS INTO THE HOSPITAL'S COMMUNITY BENEFIT PLANNING PROCESS MYCHART ELECTRONIC HEALTH RECORD IS A SECURE ON-LINE ACCESS TO PORTIONS OF MEDICAL RECORDS PATIENTS CAN REQUEST MEDICAL APPOINTMENTS, VIEW THEIR HEALTH SUMMARY FROM THE MYCHART ELECTRONIC HEALTH RECORD, VIEW TEST RESULTS, REQUEST PRESCRIPTION RENEWAL, ACCESS TRUSTED HEALTH INFORMATION RESOURCES AND COMMUNICATE ELECTRONICALLY AND SECURELY WITH THEIR MEDICAL TEAM CURRENTLY THERE ARE 19,266 ACTIVE USERS

Identifier	ReturnReference	Explanation
		PART III, LINE 4 THE HOSPITAL HAS ADOPTED HEALTHCARE FINANCIAL MANAGEMENT ASSOCIATION STATEMENT #15 THE HOSPITAL'S POLICY IS TO WRITE OFF ALL PATIENT ACCOUNTS THAT HAVE BEEN IDENTIFIED AS UNCOLLECTIBLE AN ALLOWANCE FOR DOUBTFUL ACCOUNTS IS RECORDED FOR ACCOUNTS NOT YET WRITTEN OFF THAT ARE ANTICIPATED TO BECOME UNCOLLECTIBLE IN FUTURE PERIODS INSURANCE COVERAGE AND CREDIT INFORMATION ARE OBTAINED FROM PATIENTS WHEN AVAILABLE NO COLLATERAL IS OBTAINED FOR ACCOUNTS RECEIVABLE BAD DEBT EXPENSE AT COST WAS DETERMINED BY USING A COST TO CHARGE RATIO THE BAD DEBT EXPENSE ATTRIBUTABLE TO PATIENTS ELIGIBLE UNDER THE ORGANIZATION'S CHARITY CARE POLICY WAS DETERMINED BY SPECIFIC IDENTIFICATION REVIEWING BAD DEBT RECORDS AND DETERMINING WHO WOULD HAVE BECOME ELIGIBLE FOR CHARITY CARE IF ALL INFORMATION HAD BEEN OBTAINED FROM THE PATIENTS

Identifier	ReturnReference	Explanation
		PART III, LINE 8 COMMUNITY BENEFIT QUESTION IS NOT APPLICABLE IN MARYLAND AS MARYLAND HOSPITALS ARE REIMBURSED UNDER THE HSCRC WAIVER PROGRAM WHEREIN NET REVENUE (REIMBURSEMENT) IS BASED ON A PERCENTAGE OF REGULATED CHARGES COSTING METHODOLOGY BASED ON TRIAL BALANCE EXPENSES ADJUSTED TO ALLOWABLE EXPENSE IN ACCORDANCE WITH MEDICARE COST REPORTING RULES AND REGULATIONS COST NUMBERS REPORTED ARE CONSISTENT WITH AAMC'S MEDICARE COST REPORT FILING

Identifier	ReturnReference	Explanation
		PART III, LINE 9B EACH AAMS PATIENT BILL INCLUDES CONTACT INFORMATION FOR FINANCIAL ASSISTANCE AND STATES WHERE TO CALL TO REQUEST A PAYMENT PLAN SHORT AND LONG TERM INTEREST FREE PAYMENTS PLANS ARE AVAILABLE THE HOSPITAL TAKES INTO ACCOUNT THE BALANCE OF THE BILL AND THE PATIENT'S FINANCIAL CIRCUMSTANCES IN DETERMINING THE APPROPRIATE AGREEMENT SHOULD THE PATIENT CONTACT PATIENT FINANCIAL SERVICES CUSTOMER SERVICE UNIT REGARDING INABILITY TO PAY, FINANCIAL ASSISTANCE IS OFFERED, THE AMOUNT OF WHICH IS BASED ON THE FINANCIAL ASSISTANCE SCREENING PROCESS IF THERE IS NO INDICATION FROM THE PATIENT OR A REPRESENTATIVE THAT THEY CANNOT PAY AND NO ATTEMPT AT PAYMENT OR REASONABLE PAYMENT ARRANGEMENTS ARE MADE, THE ACCOUNT IS REFERRED TO A COLLECTION AGENCY THE COLLECTION AGENCY IS EDUCATED ON HOW TO MAKE REFERRALS TO AAMC'S FINANCIAL COUNSELING DEPARTMENT FOR INDIVIDUALS INDICATING THEY HAVE AN INABILITY TO PAY THE HOSPITAL COLLECTION POLICY ALLOWS THE HOSPITAL TO TAKE INTO ACCOUNT PATIENT CIRCUMSTANCES SUCH AS THE AMOUNT OF THE BILL AND AMOUNTS OWED TO OTHER PROVIDERS IN DETERMINATION OF ULTIMATE AMOUNT TO BE PAID

Identifier	ReturnReference	Explanation
ANNE ARUNDEL MEDICAL CENTER		PART V, SECTION B, LINE 19D THE HOSPITAL FACILITY USED THE RATES SET BY THE HEALTH SERVICES COST REVIEW COMMISSION ("HSCRC") PLEASE REFER TO THE NARRATIVES FOR PART I, LINES 7A AND 7B FOR MORE DETAILED INFORMATION ON THIS PROCESS

Identifier	ReturnReference	Explanation
		PART VI, LINE 2 THE PROCESS USED TO IDENTIFY THE HEALTH NEEDS OF OUR COMMUNITY INCLUDES ANALYZING DATA AND CONDUCTING PRIMARY AND SECONDARY MARKET RESEARCH THE DATA ANALYSIS INCLUDES REPORTS ON THE NATIONAL, STATE, AND COUNTY LEVEL HOSPITAL-LEVEL DATA AND NEILSEN CLARITAS DEMOGRAPHIC DATA IS ALSO ANALYZED THE RESEARCH INCLUDES FEEDBACK FROM OUR CONSUMER SURVEYS, PATIENT SATISFACTION SURVEYS, PATIENT ADVISORY GROUPS, CUSTOMER CALL CENTER INQUIRIES AND FEEDBACK FROM OUR COMMUNITY OUTREACH AND EDUCATIONAL SESSIONS THE HOSPITAL'S ONGOING WORK WITH COMMUNITY GROUPS AND PARTICIPATION IN ADVISORY BOARDS, COMMITTEES AND COUNCILS CREATES A CONTINUOUS COMMUNICATION PROCESS, BRINGING NEW IDEAS AND IDENTIFYING SPECIFIC NEEDS FROM ANNE ARUNDEL COUNTY RESIDENTS AND ORGANIZATIONS INTO THE HOSPITAL'S COMMUNITY NEEDS PLANNING PROCESS THE HOSPITAL WAS ALSO ENGAGED IN THE STATEWIDE HEALTH IMPROVEMENT PROCESS (SHIP) THROUGH THE ANNE ARUNDEL COUNTY DEPARTMENT OF HEALTH AND ITS LOCAL HEALTH IMPROVEMENT COALITION (HEALTHY ANNE ARUNDEL) THE COALITION WAS FORMED IN DECEMBER 2011 AND INCLUDED MEMBERS FROM COUNTY GOVERNMENT, SCHOOLS, SENIOR SERVICES AGENCIES, CORRECTIONAL FACILITIES, RECREATION AND PARKS FACILITIES, HOUSING AUTHORITY, HOSPITALS, THE FAITH COMMUNITY, AND OTHER PUBLIC HEALTH SERVICES THE COALITION REVIEWED AND PRIORITIZED OBJECTIVES OUTLINED IN SHIP AND DEVELOPED A PLAN TO IMPROVE THE HEALTH OF COUNTY RESIDENTS AAMC MET WITH REPRESENTATIVES FROM THE ABOVE MENTIONED GROUPS IN ORDER TO DETERMINE THE HEALTH PRIORITIES OF THE COMMUNITY THE HOSPITAL'S COMMUNITY BENEFIT INITIATIVES REFLECT THE NEEDS OF OUR COMMUNITY THE FOLLOWING ARE RESOURCES UTILIZED IN COLLECTING AND ANALYZING DATA FOR FY12 ANNE ARUNDEL COUNTY HEALTH DEPARTMENT'S LOCAL HEALTH PLAN 2011, ANNE ARUNDEL COUNTY HEALTH DEPARTMENT'S 14TH ANNUAL (2011) REPORT CARD OF COMMUNITY HEALTH INDICATORS, "MEASURING SUCCESS", AND THE COUNTY'S REPORT CALLED "POVERTY AMIDST PLENTY A GUIDE TO ACTION"(2010) WE ALSO CONSULTED WITH THE FOLLOWING ORGANIZATIONS AND INDIVIDUALS ANNE ARUNDEL COUNTY - DEPARTMENT OF HEALTH - PRE-NATAL CARE PROGRAM, COMENZANDO BIEN, AND WIC PROGRAM - DEPARTMENT OF AGING AND DISABILITIES - LIVING WELL WITH CHRONIC CONDITIONS AND THE FUTURE IS NOW WORKSHOP SERIES - FIRE DEPARTMENT - DISASTER PREPAREDNESS DRILL, PYXIS STATION - MEDICATION FOR PATIENTS VIA EMS - A A CO PUBLIC SCBOOLS - COMMUNITY HEALTH CENTER ADVISORY COMMITTEE - A A CO DEPT OF SOCIAL SERVICES - COMMUNITY HEALTH CENTER ADVISORY COMMITTEEANNE ARUNDEL MEDICAL CENTER - A A CO EMERGENCY MEDICAL SERVICES (EMS) - EMERG STEMI PROGRAM, DISASTER PREPAREDNESS DRILL - A A CO FIMR (FETAL INFANT MORTALITY REVIEW) COMMITTEE - TO DECREASE INFANT MORTALITYCITY OF ANNAPOLIS - RECREATION AND PARKS DEPARTMENT - ANNAPOLIS COMMUNITY HEALTH INITIATIVE - CITY EMERGENCY MEDICAL SERVICES (EMS) - DISASTER PREPAREDNESS DRILL - CITY POLICE DEPARTMENT - DISASTER PREPAREDNESS DRILL - CITY HOUSING AUTHORITY - COMMUNITY HEALTH CENTER ADVISORY COMMITTEE - PEDIATRIC PHYSICIAN GROUPS - PEDIATRIC EMERGENCY DEPARTMENT DEVELOPMENT - LIGHTHOUSE SHELTER - VOLUNTEER HEALTH SERVICES FOR THE HOMELESS, RIDE FOR SHELTER, HOMELESS RESOURCE DAY,THANKSGIVING DAY FOOD BASKET DRIVE, CULTURAL DIVERSITY INITIATIVE - PRIVATE INDIVIDUALS FROM THE LOCAL COMMUNITY - PATIENT AND FAMILY ADVISORY GROUP - U S NAVAL ACADEMY - DISASTER PREPAREDNESS DRILL - JOHNS HOPKINS HOME HEALTH GROUP - CONGESTIVE HEART FAILURE (CHF) READMISSION PREVENTION PROG - ANNE ARUNDEL COMMUNITY ACTION PARTNERSHIP - COMMUNITY HEALTH CENTER ADVISORY COMMITTEE - ANNAPOLIS YOUTH SERVICES BUREAU - COMMUNITY HEALTH CENTER ADVISORY COMMITTEE - CENTER OF HELP (ANNAPOLIS) - COMMUNITY HEALTH CENTER ADVISORY COMMITTEE - FAMILY & CHILDREN'S SERVICES OF CENTRAL MARYLAND - COMMUNITY HEALTH CENTER ADVISORY COMMITTEE - MD COMMUNITY HEALTH RESOURCES COMMISSION - COMMUNITY HEALTH CENTER ADVISORY COMMITTEE - ANNE ARUNDEL COMMUNITY ACTION PARTNERSHIP - COMMUNITY HEALTH CENTER ADVISORY COMMITTEE - MD PATIENT SAFETY CENTER NEONATAL COLLABORATIVE - TO DECREASE INFANT MORTALITY, REDUCE INFECTIONS, ETC - MD PERINATAL LEARNING NETWORK - TO IMPROVE PRENATAL CARE - MD DHMHIMED CHI MATERNAL MORTALITY REVIEW COMMITTEE- TO DECREASE MATERNAL MORTALITY

Identifier	ReturnReference	Explanation
		PART VI, LINE 3 PUBLIC NOTICE AND INFORMATION REGARDING THE ANNE ARUNDEL MEDICAL CENTER'S CHARITY CARE POLICY INCLUDES THE FOLLOWING A) ANNUAL NOTICE THAT CHARITY CARE IS PROVIDED AND THE CRITERIA IS PROVIDED AND PUBLISHED IN THE LOCAL NEWSPAPER, THE CAPITAL B) THE NOTICE PROVIDED BY THE UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES REGARDING MEDICAL CARE FOR THOSE WHO CANNOT AFFORD TO PAY IS POSTED AT THE POINT OF ADMISSION, THE BUSINESS OFFICE, CASHIER, AND EMERGENCY ROOM C) INDIVIDUAL NOTICE IS PROVIDED TO EACH PERSON SEEKING SERVICE AT THE TIME OF ADMISSION OR PRE-ADMISSION TESTING

Identifier	ReturnReference	Explanation
		PART VI, LINE 4 THE ANNE ARUNDEL MEDICAL CENTER CBSA PRIMARILY CONSISTS OF ANNE ARUNDEL COUNTY ANNE ARUNDEL COUNTY IS A DIVERSE COMMUNITY WITH A CONTINUOUSLY EVOLVING BLEND OF AGE GROUPS, ETHNIC GROUPS, OCCUPATIONS, AND SOCIAL AND ECONOMIC CONDITIONS RESIDENTS LIVE IN SETTINGS THAT RANGE FROM URBAN TO AGRICULTURAL RACE/ETHNICITY BREAKS DOWN AS FOLLOWS CAUCASIAN 72 4%, AFRICAN-AMERICAN 15 2%, HISPANIC 6 1%, ASIAN 3 4%, AMERICAN INDIAN 0 3% AND OTHER 2 6% THE NON-ENGLISH SPEAKING POPULATION IN THE COUNTY IS EXPECTED TO EXPERIENCE SIGNIFICANT GROWTH OVER THE NEXT DECADE, HOWEVER, THE GREATEST EXPECTED GROWTH OVER THE NEXT DECADE IS AMONG THOSE AGE 65 AND OVER OVER THE NEXT FIVE YEARS, IT IS EXPECTED THAT THIS POPULATION WILL GROW 20 4% CLEARLY, COMMUNITY HEALTH INITIATIVES FOR THE NEXT DECADE WILL NEED TO FOCUS ON PREVENTION AND MANAGEMENT OF CHRONIC DISEASES AMONG THE AGED AS WELL AS THOSE THAT DISPROPORTIONATELY AFFECT THE GROWING MINORITY POPULATIONS (ANNE ARUNDEL COUNTY DEPARTMENT OF HEALTH/LOCAL HEALTH PLAN/FY11) THE MEDIAN HOUSEHOLD INCOME IS $78,755 WITH 3 3% OF FAMILIES AND 5 3% OF INDIVIDUALS LIVING BELOW THE POVERTY LEVEL THE UNEMPLOYMENT RATE AS OF JUNE 2012 IS 6 2% (MD DEPT OF LABOR, LICENSING, & REGULATION) THE NUMBER OF UNINSURED RESIDENTS IN ANNE ARUNDEL COUNTY IS GROWING AS THE ECONOMY CONTINUES TO STRUGGLE PER THE 2012 COUNTY REPORT CARD, THE UNINSURED RATE FOR 18-64 YEAR OLDS IS 10 3% THE GEOGRAPHY OF ANNE ARUNDEL COUNTY CREATES A CHALLENGE IN ACCESSING HEALTHCARE PARTS OF THE COUNTY CONSIST OF A SERIES OF PENINSULAS MAKING A COMPREHENSIVE PUBLIC TRANSPORTATION SYSTEM TOO EXPENSIVE TO MAINTAIN ACCORDING TO THE REPORT, "POVERTY AMIDST PLENTY", ONLY 3 3 PERCENT OF ANNE ARUNDEL COUNTY RESIDENTS UTILIZED PUBLIC TRANSPORTATION TO GET TO WORK INADEQUATE TRANSPORTATION IS NOT ONLY A BARRIER FOR EMPLOYMENT, IT IS ALSO A BARRIER TO ACCESS OTHER NEEDED SERVICES SUCH HEALTHCARE LASTLY, THE COUNTY IS CONSIDERED A HIGH RISK AREA FOR BIOTERRORISM AS ITS GEOGRAPHY CONTAINS THE NATIONAL SECURITY AGENCY, THE U S NAVAL ACADEMY, THE BALTIMORE-WASHINGTON THURGOOD MARSHALL INTERNATIONAL AIRPORT, AND FORT MEADE BECAUSE OF BRAC (BASE REALIGNMENT AND CLOSURE), FORT MEADE HAS GROWN TO OVER 56,000 MILITARY, GOVERNMENT SERVICE CIVILIAN, AND CONTRACTOR EMPLOYEES THIS HAS INCREASED THE DEMAND FOR HEALTH CARE SERVICES IN WEST COUNTY IN RESPONSE TO THIS INCREASED DEMAND, THE INTEGRATED HEALTH SYSTEM IS DEVELOPING A MEDICAL OFFICE BUILDING IN ODENTON IN PARTNERSHIP WITH JOHNS HOPKINS THE MEDICAL OFFICE BUILDING OPENED IN MID-DECEMBER OF 2012

Identifier	ReturnReference	Explanation
		PART VI, LINE 5 THE FOLLOWING ARE SEVERAL EXAMPLES OF HOSPITAL ACTIVITIES AND INITIATIVES THE HOSPITAL HAS RUN A FREE MEDICAL CLINIC FOR OUR UNDERSERVED AND UNINSURED COMMUNITY FOR THE PAST 17 YEARS THE ANNAPOLIS OUTREACH CENTER, LOCATED IN THE HISTORIC STANTON CENTER IN ANNAPOLIS' CLAY STREET COMMUNITY, IS A FREE CLINIC ESTABLISHED TO PROVIDE MEDICAL CARE FOR THOSE THAT ARE UNINSURED AND OTHERWISE MAY NOT BE ABLE TO OBTAIN PROPER MEDICAL CARE THOUSANDS OF INDIVIDUALS ARE SEEN EACH YEAR IN ITS MEDICAL AND SPECIALTY CLINICS 75% OF THE CARE RENDERED AT THE OUTREACH CENTER IS BY VOLUNTEER PROVIDERS THERE ARE OVER 300 VOLUNTEERS (INCLUDING PHYSICIANS, DENTIST, RADIOLOGIST, ANESTHESIOLOGIST, NURSES, TRANSLATORS, AND CLINICAL STAFF) WITH COMBINED VOLUNTEER HOURS OF OVER 5,000 PER YEAR TO ASSIST IN KEEPING THE CLINIC OPEN AND OPERATIONAL IN FISCAL 2012, THERE WERE 5,935 MEDICAL VISITS AND 907 DENTAL VISITS AT THE OUTREACH CENTER THE HOSPITAL HAS DOCTOR ON-CALL ROTATIONS IN EVERY SPECIALTY FOR WHICH THERE MAY BE AN EMERGENCY OR INPATIENT NEED ON-CALL COVERAGE IS PROVIDED TO ALL PATIENTS REGARDLESS OF INSURANCE STATUS THERE ARE NO GAPS IN AVAILABILITY OF ANY SPECIALTY FOR UNINSURED OR UNDERSERVED PATIENTS IN ADDITION, THE HOSPITAL HAS HOSPITALIST PROGRAMS IN MEDICINE, PEDIATRICS, GENERAL SURGERY, OBSTETRICS AND AN INTENSIVIST PROGRAM THESE PHYSICIANS PROVIDE 24-HOUR IN-HOUSE COVERAGE FOR EACH OF THESE AREAS FOR ALL PATIENTS REGARDLESS OF INSURANCE STATUS THE HOSPITAL ALSO PROVIDES SPECIALTY PROGRAMS FOR THORACIC SURGERY, NEONATAL OPHTHALMOLOGY, GYN ONCOLOGY, PALLIATIVE CARE, NEUROLOGY/STROKE, WOMEN'S PELVIC HEALTH, SURGICAL ONCOLOGY, AND THE BREAST CENTER THE HOSPITAL AND MANY OF ITS PHYSICIANS SUPPORT THE ANNE ARUNDEL COUNTY HEALTH DEPARTMENT'S REACH PROGRAM (RESIDENTS ACCESS TO A COALITION OF HEALTH), WHICH OFFERS ACCESS TO AFFORDABLE HEALTH SERVICES FOR LOW-INCOME UNINSURED INDIVIDUALS IN ANNE ARUNDEL COUNTY THE HOSPITAL HAS ALSO IMPLEMENTED A "GREEN INITIATIVE/PROGRAM" IN ORDER TO IMPROVE AND PROTECT THE HEALTH OF STAFF AND THE COMMUNITY BY IMPLEMENTING ENVIRONMENTALLY FRIENDLY INITIATIVES THE NEWLY CONSTRUCTED HOSPITAL PAVILION SOUTH TOWER IS THE FIRST 24/7 HOSPITAL TO BE LEED GOLD CERTIFIED VARIOUS PROGRAMS UNDER THIS INITIATIVE INCLUDE BATTERY RECYCLING, REUSABLE SHARPS CONTAINERS, REPROCESSING TO REDUCE MEDICAL WASTE, AND USE OF GREEN SEAL CERTIFIED CLEANERS THE HOSPITAL EMPLOYS A SUSTAINABILITY MANAGER AS PART OF THIS PROGRAM THE HOSPITAL ALSO HAS A DISASTER PREPAREDNESS COORDINATOR THAT IS RESPONSIBLE TO PROVIDE STAFF TRAINING, COORDINATE DISASTER DRILLS, AND KEEP THE HOSPITAL'S DISASTER PREPAREDNESS SUPPLY INVENTORY UP TO DATE HOSPITAL EMPLOYEES HAVE COMPLETED FEMA EMERGENCY PREPARATION COURSES TO BETTER COLLABORATE WITH OTHER COUNTY SERVICE PROVIDERS TO BETTER SERVE THE COMMUNITY THESE STAFF MEMBERS PARTICIPATED IN A NUMBER OF COLLABORATIVE PLANNING MEETINGS AND DRILLS WITH DESIGNATED COUNTY SERVICES AND FIRST RESPONDERS COMMUNITY ACCESS IS ALWAYS AVAILABLE THROUGH THE HOSPITAL'S ASK-A-NURSE PROGRAM CALLED ASKAAMC THE ASK-A-NURSE PROGRAM PROVIDES THE COMMUNITY AROUND THE CLOCK TELEPHONE ACCESS TO REGISTERED NURSES THE HEALTH SYSTEM'S COMMUNITY HEALTH AND WELLNESS DEPARTMENT PARTNERS WITH THE ANNAPOLIS AND ANNE ARUNDEL COUNTY COALITION TO END HOMELESSNESS TO ORGANIZE THE COUNTY'S HOMELESS RESOURCE DAY THE ANNUAL MARCH EVENT, NOW IN ITS SIXTH YEAR, ASSISTED APPROXIMATELY 600 OF THE AREAS HOMELESS RESIDENTS TO GAIN ACCESS TO NEEDED HEALTH AND HUMAN SERVICES THIS PAST YEAR HEALTHCARE PROVIDERS FROM THE PUBLIC AND PRIVATE SECTORS, INCLUDING OTHER COUNTY HOSPITALS, CLINICS, UNIVERSITIES, AND COLLEGES, ASSIST TO PROVIDE HEALTHCARE SERVICES AT THE ANNUAL EVENT

Identifier	ReturnReference	Explanation
		PART VI, LINE 6 THE HEALTH SYSTEM'S PHYSICIAN ENTERPRISE, LLC ENTITY OPENED THE COMMUNITY HEALTH CENTER (CHC) IN JANUARY 2011 THE CHC IS DESIGNED TO BE A "PATIENT-CENTERED MEDICAL HOME" WHERE A TEAM OF HEALTH PROFESSIONALS PROVIDES CONTINUOUS, COMPREHENSIVE, AND COORDINATED CARE THROUGHOUT THE PATIENT'S LIFETIME OUR TEAM MEETS THE NEEDS OF THE UNINSURED AND UNDERINSURED BY PROVIDING ACCESS TO AFFORDABLE PRIMARY HEALTH CARE SERVICES THE CENTER IS CONVENIENTLY LOCATED ON LOCAL BUS ROUTES, AND REDUCES EMERGENCY ROOM VISITS BY PROVIDING MEDICAL SERVICES WITH AN EMPHASIS ON EARLY INTERVENTION AND DISEASE PREVENTION THE CHC EMPLOYS 8 STAFF, 75% OF WHICH ARE BILINGUAL THE CHC HAS HANDLED OVER 8,200 VISITS THE LAST YEAR, 43 2% OF WHICH WAS TO SPANISH SPEAKING PATIENTS AT A COST TO THE HEALTH SYSTEM OF $430,371 ADDITIONAL COMMUNITY BENEFIT EXPENSES INCURRED BY AFFILIATED ENTITIES WITHIN THE HEALTH SYSTEM INCLUDE RESEARCH EXPENSE - $1,276,636 INCURRED BY ANNE ARUNDEL HEALTH SYSTEM RESEARCH INSTITUTE, INC SUBSIDIZED HEALTH SERVICES - $1,127,362 INCURRED BY ANNE ARUNDEL HEALTH CARE SERVICES, INC CHARITY CARE AND EDUCATION - $157,277 INCURRED BY ANNE ARUNDEL GENERAL TREATMENT SERVICES, INC PHYSICIAN SUBSIDIES - $50,000 INCURRED BY ANNE ARUNDEL HEALTHCARE ENTERPRISES, INC WHEN CONSIDERING THE ADDITIONAL EXPENSE OF COMMUNITY BENEFIT ACTIVITIES PROVIDED BY AFFILIATED ENTITIES IN COMBINATION WITH THE COST REPORTED AT PART I, LINE 7, TOTAL COMMUNITY BENEFIT EXPENSE AS A PERCENTAGE OF AAMC EXPENSES WOULD INCREASE TO 6 16%

Identifier	ReturnReference	Explanation
REPORTS FILED WITH STATES	PART VI, LINE 7	MD

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Schedule I (Form 990)

Department of the Treasury
Internal Revenue Service

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

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
ANNE ARUNDEL MEDICAL CENTER INC

Employer identification number
52-1169362

Part I General Information on Grants and Assistance

1 Does the organization maintain records to substantiate the amount of the grants or assistance, the grantees' eligibility for the grants or assistance, and the selection criteria used to award the grants or assistance? . . . ☑ Yes ☐ No

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

Part II Grants and Other Assistance to Governments and Organizations in the United States.

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

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
(1) PHYSICIAN ENTERPRISE LLC2001 MEDICAL PARKWAY ANNAPOLIS,MD 21401	27-0263214	501(C)(3)	10,841,391				TO SUPPORT THE OPERATIONS OF PHYSICIAN ENTERPRISE, LLC

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

3 Enter total number of other organizations listed in the line 1 table . . . ▶ 0

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

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

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

Identifier	Return Reference	Explanation

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Schedule J (Form 990)

Department of the Treasury
Internal Revenue Service

Compensation Information

For certain Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees
▶ Complete if the organization answered "Yes" 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
ANNE ARUNDEL MEDICAL CENTER INC

Employer identification number
52-1169362

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**		No
8	Were any amounts reported in Form 990, Part VII, paid or accured pursuant to a contract that was subject to the initial contract exception described in Regs section 53 4958-4(a)(3)? If "Yes," describe in Part III	**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) VICTORIA BAYLESS	(i)	497,530	207,000	70,014	99,569	6,675	880,788	0
	(ii)	0	0	0	0	0	0	0
(2) ROBERT REILLY	(i)	287,552	116,854	34,009	11,506	10,453	460,374	11,554
	(ii)	0	0	0	0	0	0	0
(3) MARTIN L DOORDAN	(i)	365,254	429,559	141,802	41,223	2,898	980,736	40,946
	(ii)	0	0	0	0	0	0	0
(4) SHERRY PERKINS	(i)	288,598	115,315	40,493	6,342	1,262	452,010	0
	(ii)	0	0	0	0	0	0	0
(5) MITCHELL SCHWARTZ MD	(i)	369,198	152,006	42,012	19,694	15,933	598,843	0
	(ii)	0	0	0	0	0	0	0
(6) STEPHEN CLARKE	(i)	205,302	73,936	30,398	4,836	7,016	321,488	0
	(ii)	0	0	0	0	0	0	0
(7) CAROLYN CORE	(i)	261,739	111,914	39,628	10,765	7,862	431,908	13,517
	(ii)	0	0	0	0	0	0	0
(8) VANESSA DIFLUMERI	(i)	236,199	72,003	22,987	5,735	6,752	343,676	0
	(ii)	0	0	0	0	0	0	0
(9) NANCY LUTTRELL	(i)	178,688	55,168	52,828	6,001	7,463	300,148	14,677
	(ii)	0	0	0	0	0	0	0
(10) JOSEPH D MOSER MD	(i)	306,689	73,009	66,384	8,138	16,233	470,453	1,549
	(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
	PART I, LINE 1A	VICTORIA BAYLESS' EMPLOYMENT CONTRACT PROVIDES FOR SOCIAL CLUB DUES THE DUES ARE INCLUDED AS PART OF HER COMPENSATION PACKAGE AND ARE INCLUDED IN HER 2011 FORM W-2
	PART I, LINE 4B	PART I, LINE 4B THE FOLLOWING PARTICIPATED IN THE ORGANIZATION'S 457(F) PLAN VICTORIA BAYLESS $94,669 CAROLYN CORE $3,415 STEPHEN CLARKE $594 VANESSA DIFLUMERI $2,596 MARTIN DOORDAN $34,323 NANCY LUTRELL $143 JOSEPH MOSER $788 SHIRLEY PERKINS $6,342 ROBERT REILLY $6,606 MITCHELL SCHWARTZ, M D $14,794

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Schedule K (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Information on Tax Exempt Bonds

▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 24a. Provide descriptions, explanations, and any additional information in Schedule O (Form 990).
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
ANNE ARUNDEL MEDICAL CENTER INC

Employer identification number
52-1169362

Part I Bond Issues

	(a) Issuer Name	(b) Issuer EIN	(c) CUSIP #	(d) Date Issued	(e) Issue Price	(f) Description of Purpose	(g) Defeased		(h) On Behalf of Issuer		(i) Pool financing	
							Yes	No	Yes	No	Yes	No
A	MARYLAND HEALTH AND HIGHER EDUCATION FACILITIES AUTHORITY	52-0936091	574217NZ4	02-19-2004	25,729,005	FINANCE ACQUISITION/CONSTRUCTION/EQUIPMENT, REFUND 93 BONDS, FUND DEBT SVC		X		X		X
B	MARYLAND HEALTH AND HIGHER EDUCATION FACILITIES AUTHORITY	52-0936091	5742173U7	01-29-2009	115,182,636	FINANCE ACQUISITION/CONSTRUCT /RENOVATION/EQUIP OF NEW & EXISTING FACILITIES		X		X		X
C	MARYLAND HEALTH AND HIGHER EDUCATION FACILITIES AUTHORITY	52-0936091	5742173V5	02-19-2009	60,000,000	FINANCE ACQUISITION/CONSTRUCT /RENOVATION/EQUIP OF NEW & EXISTING FACILITIES		X		X		X
D	MARYLAND HEALTH AND HIGHER EDUCATION FACILITIES AUTHORITY	52-0936091	5742176G5	02-03-2010	83,903,060	FINANCE ACQUISITION/CONSTRUCT OF NEW TOWER GARAGE EXPANSION		X		X		X

Part II Proceeds

		A	B	C	D
1	Amount of bonds retired				
2	Amount of bonds defeased				
3	Total proceeds of issue	25,729,005	115,182,636	60,000,000	83,903,060
4	Gross proceeds in reserve funds		15,734,149	3,741,749	1,870,961
5	Capitalized interest from proceeds				
6	Proceeds in refunding escrow				73,583,333
7	Issuance costs from proceeds	1,061,301	8,709,196	1,430,642	1,448,766
8	Credit enhancement from proceeds				
9	Working capital expenditures from proceeds				
10	Capital expenditures from proceeds	24,667,704	90,739,290	52,313,576	6,074,904
11	Other spent proceeds				
12	Other unspent proceeds			2,514,033	925,096
13	Year of substantial completion	2005	2010	2011	2011

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
14	Were the bonds issued as part of a current refunding issue?		X		X		X	X	
15	Were the bonds issued as part of an advance refunding issue?		X		X		X		X
16	Has the final allocation of proceeds been made?	X		X			X		X
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	X		X		X		X	

Part III Private Business Use

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

Part III Private Business Use *(Continued)*

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
3a	Are there any management or service contracts that may result in private business use?		X		X		X		X
b	If 'Yes' to line 3a, does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts relating to the financed property?								
c	Are there any research agreements that may result in private business use of bond-financed property?		X		X		X		X
d	If 'Yes' to line 3c, does the organization routinely engage bond counsel or other outside counsel to review any research agreements relating to the financed property?								
4	Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government ▶	0 %		0 %		0 %		0 %	
5	Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government ▶	0 %		0 %		0 %		0 %	
6	Total of lines 4 and 5	0 %		0 %		0 %		0 %	
7	Has the organization adopted management practices and procedures to ensure the post-issuance compliance of its tax-exempt bond liabilities?	X		X		X		X	

Part IV Arbitrage

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Has a Form 8038-T, Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate, been filed with respect to the bond issue?		X		X		X		X
2	Is the bond issue a variable rate issue?		X		X	X			X
3a	Has the organization or the governmental issuer entered into a hedge with respect to the bond issue?		X		X		X		X
b	Name of provider								
c	Term of hedge								
d	Was the hedge superintegrated?								
e	Was a hedge terminated?								
4a	Were gross proceeds invested in a GIC?		X		X		X		X
b	Name of provider								
c	Term of GIC								
d	Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?								
5	Were any gross proceeds invested beyond an available temporary period?		X		X		X		X
6	Did the bond issue qualify for an exception to rebate?		X		X		X		X

Part V Procedures To Undertake Corrective Action

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

Part VI Supplemental Information

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

Identifier	Return Reference	Explanation

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Schedule L (Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Transactions with Interested Persons

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
ANNE ARUNDEL MEDICAL CENTER INC

Employer identification number
52-1169362

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

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

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

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

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

Part II Loans to and/or From Interested Persons.

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

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

Part III Grants or Assistance Benefitting Interested Persons.

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

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

Part IV **Business Transactions Involving Interested Persons.**

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

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
(1) MARYLAND INPATIENT CARE SPECIALISTS INC	BUSINESS	226,875	INPATIENT MEDICAL CARE FOR ORTHOPEDIC SURGERY PATIENTS - DR MITCHELL IS A BOARD MEMBER OF THE ANNE ARUNDEL MEDICAL CENTER (AAMC) HE HAS AN OWNERSHIP INTEREST IN MARYLAND INPATIENT CARE SPECIALISTS, INC		No

Part V **Supplemental Information**

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

Identifier	Return Reference	Explanation

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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
ANNE ARUNDEL MEDICAL CENTER INC

Employer identification number
52-1169362

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION A, LINE 6	THE SOLE STOCKHOLDER OF THE ORGANIZATION IS THE ANNE ARUNDEL HEALTH SYSTEM, INC ("AAHS"), A SECTION 501(C)(3) ENTITY THAT SERVES AS THE PARENT CORPORATION OF THE INTEGRATED HEALTH SYSTEM
	FORM 990, PART VI, SECTION A, LINE 7A	THE SOLE STOCKHOLDER OF THE ORGANIZATION IS THE ANNE ARUNDEL HEALTH SYSTEM, INC ("AAHS"), A SECTION 501(C)(3) ENTITY THAT SERVES AS THE PARENT CORPORATION OF THE INTEGRATED HEALTH SYSTEM AAHS HAS THE EXPRESS POWER AND RESPONSIBILITY TO ELECT AND REMOVE THE BOARD OF DIRECTORS AND OFFICERS OF THE CORPORATION
	FORM 990, PART VI, SECTION A, LINE 7B	THE SOLE STOCKHOLDER OF THE ORGANIZATION IS THE ANNE ARUNDEL HEALTH SYSTEM, INC ("AAHS"), A SECTION 501(C)(3) ENTITY THAT SERVES AS THE PARENT CORPORATION OF THE INTEGRATED HEALTH SYSTEM AAHS HAS THE EXPRESS POWER AND RESPONSIBILITY TO APPROVE DECISIONS OF THE BOARD OF DIRECTORS
	FORM 990, PART VI, SECTION B, LINE 11	THE BOARD HAS ASSIGNED RESPONSIBILITY FOR THE DETAILED REVIEW OF THE FORM 990 TO THE FINANCE AND AUDIT COMMITTEE OF ANNE ARUNDEL HEALTH SYSTEM, INC (PARENT) THE FINANCE AND AUDIT COMMITTEE REVIEWS THE FORM 990 AND PROVIDES SUMMARY INFORMATION TO THE FULL BOARD THE FORM 990 IS MADE AVAILABLE TO THE FULL BOARD FOR REVIEW PRIOR TO ITS FILING
	FORM 990, PART VI, SECTION B, LINE 12C	THE ORGANIZATION REQUIRES THAT EACH MEMBER OF THE BOARD REVIEW THE ORGANIZATION'S CONFLICT OF INTEREST POLICY ON AN ANNUAL BASIS AND RETURN AN ACKNOWLEDGEMENT OF RECEIPT AND DISCLOSURE OF ANY POTENTIAL CONFLICTS OF INTEREST THE BOARD, MANAGEMENT AND THE ACCOUNTS PAYABLE FUNCTION MONITOR TRANSACTIONS FOR POTENTIAL EXCESS BENEFIT TRANSACTIONS/PRIVATE INUREMENT
	FORM 990, PART VI, SECTION B, LINE 15	ANNE ARUNDEL MEDICAL CENTER'S EXECUTIVE COMPENSATION COMMITTEE DETERMINES THE PRESIDENT AND CHIEF EXECUTIVE OFFICER'S COMPENSATION FOLLOWING THE IRC SECTION 4958 REBUTTABLE PRESUMPTION TEST ALL OTHER COMPENSATION IS DETERMINED THROUGH CONSULTATION WITH AN INDEPENDENT OUTSIDE COMPENSATION CONSULTING FIRM
	FORM 990, PART VI, SECTION C, LINE 19	THE ORGANIZATION'S GOVERNING DOCUMENTS, CONFLICT OF INTEREST POLICY AND FINANCIAL STATEMENTS ARE RETAINED IN THE FINANCE OFFICE AND ARE AVAILABLE FOR PUBLIC INSPECTION UPON REQUEST FORM 990 IS AVAILABLE BY REQUEST TO THE FINANCIAL SERVICES OFFICE OR CAN BE OBTAINED ONLINE AT WWW GUIDESTAR ORG
	FORM 990, PAGE 7, PART VII, SECTION A	THE FOLLOWING INDIVIDUALS LISTED BELOW ARE OFFICERS AND/OR EMPLOYEES OF RELATED ANNE ARUNDEL HEALTH SYSTEM ENTITIES WHO WORK A COMBINED TOTAL OF FORTY PLUS HOURS FOR THE ANNE ARUNDEL HEALTH SYSTEM MARTIN DOORDAN (DURING CALENDAR YEAR 2011) VICTORIA BAYLESS ROBERT REILLY CAROLYN CORE MITCHELL SCHWARTZ, M D STEPHEN CLARKE SHERRY PERKINS
CHANGES IN NET ASSETS OR FUND BALANCES	FORM 990, PART XI, LINE 5	NET UNREALIZED LOSSES ON INVESTMENTS -3,470,251 CHANGE IN BENEFICIAL INTEREST IN AAMC FOUNDATION, INC -1,520,492 ADDITIONAL PAID IN CAPITAL - COTTAGE INSURANCE COMPANY, LTD 5,000,000 TRANSFER FROM AAMC FOUNDATION, INC TO AAMC, INC 4,014,734 CHANGE IN ACCRUED PENSION LIABILITY -21,543,382 REALIZED AND UNREALIZED LOSS FOR CONTRACTS UNDER SFAS 133 - 50,653,857 CHANGE IN INVESTMENT IN SUBSIDIARIES ON THE EQUITY METHOD 5,977,666 UNREALIZED LOSS FROM INVESTMENT IN PREMIER PURCHASING LP -257,904 TOTAL TO FORM 990, PART XI, LINE 5 -62,453,486
	FORM 990, PAGE 12, PART XII, LINE 2C	THIS PROCESS HAS NOT CHANGED FROM THE PRIOR YEAR
	FORM 990, PAGE 2, PART III, LINE 4A - CONTINUED	THE CANCER INSTITUTE OFFERS A WIDE RANGE OF SUPPORT GROUPS TO PATIENTS AS A SOURCE OF COMFORT, ENCOURAGEMENT AND INFORMATION, AND AS A WAY TO CONNECT WITH OTHERS WHO KNOW WHAT THE PATIENTS ARE GOING THROUGH AS A PATIENT, FAMILY MEMBER OR CAREGIVER SOME OF OUR SUPPORT GROUPS INCLUDE GENERAL CANCER SUPPORT GROUP; MONTHLY LUNG CANCER SUPPORT GROUP; MOVING FORWARD, A MONTHLY MEETING FOR WOMEN DIAGNOSED WITH BREAST CANCER WITHIN THE LAST TWO YEARS, SISTER TO SISTER, PROVIDING SPECIALIZED SUPPORT FOR AFRICAN-AMERICAN WOMEN, AND SURVIVORS OFFERING SUPPORT, WHERE BREAST CANCER SURVIVORS ARE TRAINED TO PROVIDE ONE ON ONE MENTORING TO NEWLY DIAGNOSED PATIENTS THROUGH THEIR FIRST YEAR OF TREATMENT EMERGENCY SERVICES THE AAMC EMERGENCY ROOM IS ONE OF THE BUSIEST IN THE AREA, SERVING MORE THAN 91,000 PATIENTS EACH YEAR AAMC'S EMERGENCY DEPARTMENT EMPLOYS TRAINED PHYSICIANS, PHYSICIAN ASSISTANTS, AND NURSE PRACTITIONERS WHO ARE ON DUTY 24 HOURS A DAY, SEVEN DAYS A WEEK, AND SPECIALISTS ARE ON CALL FOR CONSULTATION AAMC'S EMERGENCY DEPARTMENT INCLUDES - EMERGENCY TRAINED NURSES AND MEDICAL TECHNICIANS WHO PROVIDE CARE AND MONITOR PATIENT CONDITIONS THROUGHOUT THE EPISODE OF CARE ALL PATIENTS ARE TRIAGED AND ASSIGNED A PRIORITY BASED ON THE ASSESSED MEDICAL NEED THOSE PATIENTS WITH MORE SERIOUS CONDITIONS ARE GENERALLY TREATED IN THE MAIN ED AREA WHILE PATIENTS WITH LESS SEVERE OR MINOR CONDITIONS ARE TREATED IN THE RAPID CLINICAL EVALUATION AND INTERMEDIATE CARE AREAS THE DEPARTMENT HAS THIRTY-THREE MAIN SIDE BEDS AND TEN INTERMEDIATE CARE BEDS ADDITIONALLY, THERE IS A TEN BED AREA FOR HOLDING PATIENTS WAITING FOR ADMISSION A PRIVATE SIX BED AREA IS AVAILABLE FOR PATIENTS WITH MENTAL HEALTH PROBLEMS - SUTURING AND SPLINTING AND CASTING SERVICES AVAILABLE FOR MINOR TRAUMA HIGH-LEVEL TRAUMA PATIENTS ARE STABILIZED AND TRANSFERRED TO NEARBY TRAUMA CENTERS THE HOSPITAL IS CHEST PAIN CERTIFIED AND HAS A VERY ROBUST CARDIAC PROGRAM INCLUDING RAPID STABILIZATION AND TRANSFER TO THE CATH LAB WHEN INDICATED ALSO STROKE CERTIFIED AND EQUIPPED TO MANAGE PATIENTS ARRIVING WITH ACUTE STROKE SYMPTOMS - X-RAY SERVICES AVAILABLE WITHIN THE ED TO EXPEDITE DIAGNOSIS AND TREATMENT INCLUDE TWO RADIOLOGY ROOMS AND A STATE OF THE ART CT SCANNER NEW TECHNOLOGY ALLOWS X-RAYS BE TRANSMITTED ELECTRONICALLY ENABLING THE ED DOCTORS, SPECIALISTS, AND PRIMARY CARE PHYSICIANS TO VIEW X-RAYS AND OTHER DIAGNOSTIC TESTS ON A COMPUTER WITHIN MINUTES OF BEING TAKEN - HOSPITALISTS AND INTENSIVISTS (DOCTORS SPECIALLY TRAINED IN CRITICAL CARE AND INPATIENT CARE) ADMIT PATIENTS TO THE ACUTE CARE PAVILION ONCE THE DETERMINATION IS MADE THAT FURTHER MEDICAL AND NURSING ARE NEEDED - MENTAL HEALTH ASSESSMENT AND PLACEMENT SERVICES ARE PROVIDED BY LICENSED MENTAL HEALTH CLINICIANS - DOMESTIC VIOLENCE ASSESSMENT AND SUPPORT SERVICES ARE PROVIDED BY TRAINED COUNSELORS PATIENT ADVOCATES AND VOLUNTEERS ARE AVAILABLE TO ASSIST FAMILIES WITH PERSONAL NEEDS AND COMFORT CARE COMMUNITY HEALTH EDUCATION AND SUPPORT COMMUNITY HEALTH EDUCATION SERVICES ENCOURAGE HEALTHY LIFESTYLES AND DISEASE PREVENTION IN MOST CASES, AAMC PROVIDED THESE SERVICES AT MINIMAL OR NO COST THE FOLLOWING SERVICES WERE OFFERED IN FY12 INDIVIDUAL NUTRITION COUNSELING WITH REGISTERED DIETITIANS WAS PROVIDED AT A NOMINAL COST IN FY12, AAMC DIETICIANS SPENT MORE THAN 567 HOURS IN INDIVIDUAL DIETARY CONSULTATIONS APPROXIMATELY 500 ADDITIONAL HOURS BY THE NUTRITIONAL STAFF WERE SPENT PROVIDING EDUCATIONAL SEMINARS AND/OR TALKS TO THE COMMUNITY VIA HEALTH FAIRS AND/OR SPECIAL REQUESTS BY SENIOR/CORPORATE ORGANIZATIONS AAMC PHYSICIANS, PHARMACISTS, REGISTERED NURSES, DIETITIANS AND OTHER PROFESSIONALS VOLUNTEER THEIR TIME AND EXPERTISE TO PROVIDE UP-TO-DATE INFORMATION ON DISEASE PREVENTION AND OTHER HEALTH-RELATED ISSUES THROUGH FREE SEMINARS AND PROGRAMS THESE PROGRAMS, DESIGNED TO MEET THE HEALTH NEEDS OF THE COMMUNITY AND COORDINATED BY THE DEPARTMENTS OF PUBLIC RELATIONS AND COMMUNITY HEALTH AND WELLNESS, ARE OFFERED TO LOCAL CLUBS, SCHOOLS, CORPORATIONS, CIVIC ORGANIZATIONS AND THE GENERAL PUBLIC CLASS TOPICS ARE BASED ON COMMUNITY HEALTH ASSESSMENTS, RESULTS OF CUSTOMER INTEREST SURVEYS, FOCUS GROUPS, AND FEEDBACK PROVIDED ON PROGRAM EVALUATIONS TOPICS INCLUDE PROSTATE CANCER, CARDIAC RISK, VASCULAR DISEASE, BACK CARE, BREAST CANCER, ARTHRITIS, PAIN MANAGEMENT, REFLUX DISEASE, DIABETES AND MENOPAUSE MORE THAN 30,000 PEOPLE PARTICIPATE IN AAMC CLASSES AND SPECIAL EDUCATION EVENTS EACH YEAR MOST CLASSES WERE OFFERED AT A BREAK-EVEN COST OR A LOSS TO THE MEDICAL CENTER
	FORM 990, PAGE 3, PART IV, LINE 10	FUNDS ARE HELD IN AN ENDOWMENT AND ARE REPORTED ON THE FORM 990 FOR THE ANNE ARUNDEL MEDICAL CENTER FOUNDATION THE FOUNDATION PROVIDES THESE FUNDS TO THE AFFILIATED ANNE ARUNDEL ENTITIES, INCLUDING ANNE ARUNDEL MEDICAL CENTER, IN ORDER TO FURTHER THE EXEMPT PURPOSE OF THE HEALTH SYSTEM
	FORM 990, PAGE 9, PART VIII, LINE 11	PAYROLL AND BENEFITS FOR ALL OFFICERS, DIRECTORS AND EMPLOYEES OF THE CONSOLIDATED GROUP KNOWN AS ANNE ARUNDEL HEALTH SYSTEM, INC IS ADMINISTERED THROUGH ANNE ARUNDEL MEDICAL CENTER, INC (AAMC) AAMC SUBSEQUENTLY BILLS EACH ENTITY FOR THE AMOUNT OF WAGE AND BENEFIT EXPENSE INCURRED BY THEM THIS IS REPORTED ON THE FORM 990 AS "MANAGEMENT SERVICES" ON PAGE 9

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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
ANNE ARUNDEL MEDICAL CENTER INC

Employer identification number
52-1169362

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

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

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled organization	
						Yes	No
(1) ANNE ARUNDEL GENERAL TREATMENT SERVICES INC 2001 MEDICAL PARKWAY ANNAPOLIS, MD 21401 52-1722088	ALCOHOL & DRUG ABUSE TREATMENT SERVICES	MD	501(C)(3)	3	ANNE ARUNDEL MEDICAL CENTER INC		No
(2) ANNE ARUNDEL HEALTH CARE SERVICES INC 2001 MEDICAL PARKWAY ANNAPOLIS, MD 21401 52-1467734	OUTPATIENT DIAGNOSTICS AND IMAGING SERVICES	MD	501(C)(3)	3	ANNE ARUNDEL MEDICAL CENTER INC		No
(3) ANNE ARUNDEL HEALTH SYSTEMS INC 2001 MEDICAL PARKWAY ANNAPOLIS, MD 21401 52-1622253	SUPPORT HEALTH CARE RELATED ENTITIES	MD	501(C)(3)	9	N/A		No
(4) ANNE ARUNDEL MEDICAL CENTER FOUNDATION INC 2001 MEDICAL PARKWAY ANNAPOLIS, MD 21401 52-1331298	SUPPORTING ORGANIZATION OF AAHS, INC AND SUBSIDIARIES	MD	501(C)(3)	11, TYPE II	ANNE ARUNDEL HEALTH SYSTEM INC		No
(5) ANNE ARUNDEL REAL ESTATE HOLDING COMPANY INC 2001 MEDICAL PARKWAY ANNAPOLIS, MD 21401 52-1622251	REAL ESTATE HOLDING COMPANY	MD	501(C)(2)		ANNE ARUNDEL HEALTH SYSTEM INC		No
(6) ANNE ARUNDEL HEALTH SYSTEM RESEARCH INSTITUTE INC 2001 MEDICAL PARKWAY ANNAPOLIS, MD 21401 26-3038406	MEDICAL RESEARCH	MD	501(C)(3)	4	ANNE ARUNDEL HEALTH SYSTEM INC		No
(7) PHYSICIAN ENTERPRISE LLC 2001 MEDICAL PARKWAY ANNAPOLIS, MD 21401 27-0263214	EMPLOYS PHYSICIANS	MD	501(C)(3)	3	ANNE ARUNDEL HEALTH SYSTEM INC		No

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproportionate 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
(1) MEDICAL OFFICE LLC 2001 MEDICAL PARKWAY ANNAPOLIS, MD 21401 20-2290229	MEDICAL REAL ESTATE LEASING	MD	N/A									
(2) ANNAPOLIS EXCHANGE LOT IV LLC 2001 MEDICAL PARKWAY ANNAPOLIS, MD 21401 52-2020156	COMMERCIAL REAL ESTATE LEASING	MD	N/A									
(3) ANNAPOLIS EXCHANGE LOT V LLC 2001 MEDICAL PARKWAY ANNAPOLIS, MD 21401 52-2020157	MEDICAL REAL ESTATE LEASING	MD	N/A									
(4) KENT ISLAND MEDICAL ARTS LLC 2001 MEDICAL PARKWAY ANNAPOLIS, MD 21401 26-0623450	MEDICAL REAL ESTATE LEASING	MD	N/A									
(5) BLUE BUILDING LLC 2001 MEDICAL PARKWAY ANNAPOLIS, MD 21401 26-3525250	MEDICAL REAL ESTATE LEASING	MD	N/A									

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership
(1) ANNE ARUNDEL HEALTH CARE ENTERPRISES INC 2001 MEDICAL PARKWAY ANNAPOLIS, MD 21401 52-1646304	MEDICAL SERVICES	MD	N/A	C			
(2) PAVILION PARK INC 2001 MEDICAL PARKWAY ANNAPOLIS, MD 21401 52-1890034	REAL ESTATE LEASING	MD	N/A	C			
(3) COTTAGE INSURANCE COMPANY LTD PO BOX 1109 GRAND CAYMAN CJ KY1-110 CJ 98-0461499	CAPTIVE INSURER - PROFESSIONAL LIABILITY INSURANCE	CJ		C	2,360,001	35,909,524	100 000 %

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

		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		No
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	Yes	
e Loans or loan guarantees by related organization(s)	1e		No
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	Yes	
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		No
l Performance of services or membership or fundraising solicitations by related organization(s)	1l	Yes	
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		No
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	

Schedule R (Form 990) 2011

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: 52-1169362
Name: ANNE ARUNDEL MEDICAL CENTER 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	
ANNE ARUNDEL GENERAL TREATMENT SERVICES INC 2001 MEDICAL PARKWAY ANNAPOLIS, MD 21401 52-1722088	ALCOHOL & DRUG ABUSE TREATMENT SERVICES	MD	501(C)(3)	3	ANNE ARUNDEL MEDICAL CENTER INC		No
ANNE ARUNDEL HEALTH CARE SERVICES INC 2001 MEDICAL PARKWAY ANNAPOLIS, MD 21401 52-1467734	OUTPATIENT DIAGNOSTICS AND IMAGING SERVICES	MD	501(C)(3)	3	ANNE ARUNDEL MEDICAL CENTER INC		No
ANNE ARUNDEL HEALTH SYSTEMS INC 2001 MEDICAL PARKWAY ANNAPOLIS, MD 21401 52-1622253	SUPPORT HEALTH CARE RELATED ENTITIES	MD	501(C)(3)	9	N/A		No
ANNE ARUNDEL MEDICAL CENTER FOUNDATION INC 2001 MEDICAL PARKWAY ANNAPOLIS, MD 21401 52-1331298	SUPPORTING ORGANIZATION OF AAHS, INC AND SUBSIDIARIES	MD	501(C)(3)	11, TYPE II	ANNE ARUNDEL HEALTH SYSTEM INC		No
ANNE ARUNDEL REAL ESTATE HOLDING COMPANY INC 2001 MEDICAL PARKWAY ANNAPOLIS, MD 21401 52-1622251	REAL ESTATE HOLDING COMPANY	MD	501(C)(2)		ANNE ARUNDEL HEALTH SYSTEM INC		No
ANNE ARUNDEL HEALTH SYSTEM RESEARCH INSTITUTE INC 2001 MEDICAL PARKWAY ANNAPOLIS, MD 21401 26-3038406	MEDICAL RESEARCH	MD	501(C)(3)	4	ANNE ARUNDEL HEALTH SYSTEM INC		No
PHYSICIAN ENTERPRISE LLC 2001 MEDICAL PARKWAY ANNAPOLIS, MD 21401 27-0263214	EMPLOYS PHYSICIANS	MD	501(C)(3)	3	ANNE ARUNDEL HEALTH SYSTEM INC		No

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)	ANNE ARUNDEL HEALTH CARE ENTERPRISES INC	I	89,024	FMV
(2)	MEDICAL OFFICE LLC	I	165,162	FMV
(3)	BLUE BUILDING LLC	I	859,500	FMV
(4)	KENT ISLAND MEDICAL ARTS LLC	J	151,230	FMV
(5)	MEDICAL OFFICE LLC	J	952,204	FMV
(6)	BLUE BUILDING LLC	J	2,873,118	FMV
(7)	ANNE ARUNDEL HEALTH CARE ENTERPRISES INC	O	123,069	FMV
(8)	ANNE ARUNDEL HEALTH CARE ENTERPRISES INC	P	222,252	FMV
(9)	ANNE ARUNDEL HEALTH CARE SERVICES INC	P	6,357,111	FMV
(10)	ANNE ARUNDEL GENERAL TREATMENT SERVICES INC	P	3,637,710	FMV
(11)	MEDICAL OFFICE LLC	P	278,223	FMV
(12)	COTTAGE INSURANCE COMPANY LTD	Q	4,012,000	FMV
(13)	PHYSICIAN ENTERPRISE LLC	B	10,841,391	FMV
(14)	ANNE ARUNDEL MEDICAL CENTER FOUNDATION INC	C	1,485,641	FMV
(15)	ANNE ARUNDEL HEALTH SYSTEM RESEARCH INSTITUTE INC	I	90,528	FMV
(16)	PHYSICIAN ENTERPRISE LLC	O	216,000	FMV
(17)	ANNE ARUNDEL MEDICAL CENTER FOUNDATION INC	P	974,873	FMV
(18)	ANNE ARUNDEL HEALTH SYSTEM RESEARCH INSTITUTE INC	P	1,300,237	FMV
(19)	ANNE ARUNDEL HEALTH CARE ENTERPRISES INC	J	35,599	FMV
(20)	ANNE ARUNDEL REAL ESTATE HOLDING COMPANY INC	P	19,176	FMV

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
(21)	BLUE BUILDING LLC	P	7,200	FMV
(22)	KENT ISLAND MEDICAL ARTS LLC	R	56,200	FMV
(23)	KENT ISLAND MEDICAL ARTS LLC	P	7,200	FMV

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TY 2011 Earnings and Profits Other Adjustments Statement

Name: ANNE ARUNDEL MEDICAL CENTER INC

EIN: 52-1169362

Description	Amount
RELATED PARTY PREMIUMS	-4,012,000
RELATED PARTY CLAIMS PAID	1,473,168
MOVEMENT IN PREPAID EXPENSES	-3

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TY 2011 Itemized Other Current Assets Schedule

Name: ANNE ARUNDEL MEDICAL CENTER INC

EIN: 52-1169362

Corporation Name	Corporation EIN	Other Current Assets Description	Beginning Amount	Ending Amount
COTTAGE INSURANCE COMPANY LTD	98-0461499	INTEREST RECEIVABLE	34,884	30,430
		OUTSTANDING CLAIMS RESERVES RECOVERABLE	8,576,000	8,730,000
		PREPAID EXPENSES	5,728	5,731
		ESCROW ACCOUNT	36,714	76,370

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TY 2011 Other Deductions Schedule

Name: ANNE ARUNDEL MEDICAL CENTER INC

EIN: 52-1169362

Description	Foreign Amount (should only be used when attached to 5471 Schedule C Line 16)	Amount
UNDERWRITING EXPENSES		2,168,542
PROFESSIONAL FEES		103,646
MANAGEMENT FEES		42,500
TRAVEL AND MEETING EXPENSES		36,480
INVESTMENT MANAGEMENT FEES		12,915
GOVERNMENT FEES		12,581
MISCELLANEOUS EXPENSES		1,414
RISK MANAGEMENT GRANT		123,000

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TY 2011 Itemized Other Investments Schedule

Name: ANNE ARUNDEL MEDICAL CENTER INC

EIN: 52-1169362

Corporation Name	Corporation EIN	Other Investments Description	Beginning Amount	Ending Amount
COTTAGE INSURANCE COMPANY LTD	98-0461499	EQUITY MUTUAL FUNDS	7,815,379	6,579,952
		FIXED INCOME MUTUAL FUNDS	15,580,357	13,551,037
		EXCHANGE TRADED FUNDS	4,436,864	4,264,356

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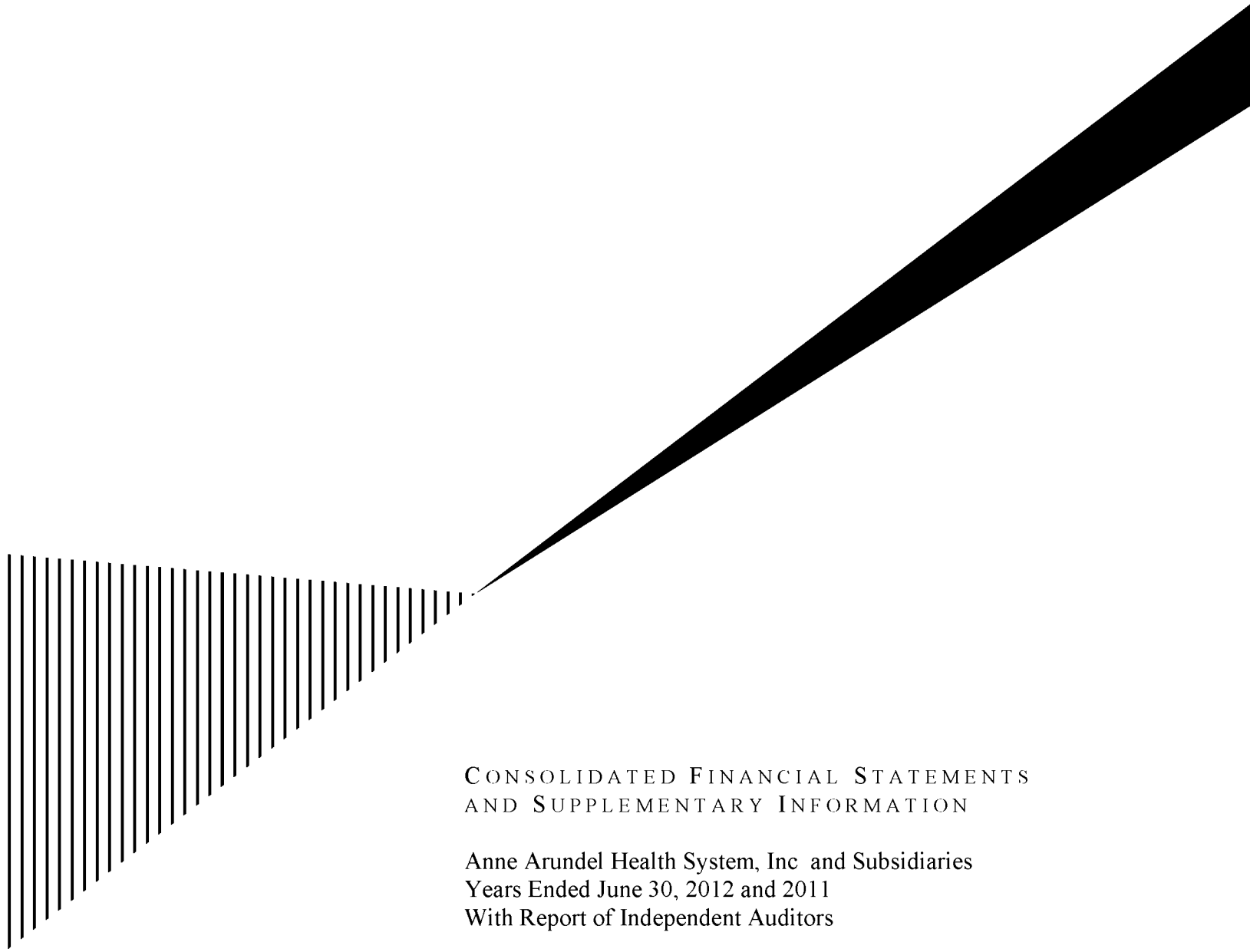
TY 2011 Itemized Other Liabilities Schedule

Name: ANNE ARUNDEL MEDICAL CENTER INC

EIN: 52-1169362

TY 2011 Itemized Other Liabilities Schedule

Corporation Name	Corporation EIN	Other Liabilities Description	Beginning Amount	Ending Amount
COTTAGE INSURANCE COMPANY LTD	98-0461499	PROVISION FOR ADVERSE CLAIMS DEVELOPMENT	18,621,742	18,216,438
		PROVISION FOR REPORTED CLAIMS	2,749,969	2,215,079
		DIVIDENDS PAYABLE	5,000,000	5,000,000
		AMOUNT DUE TO PARENT		320,000



CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

Anne Arundel Health System, Inc and Subsidiaries
Years Ended June 30, 2012 and 2011
With Report of Independent Auditors

Ernst & Young LLP

ERNST & YOUNG

Anne Arundel Health System, Inc. and Subsidiaries

Consolidated Financial Statements and Supplementary Information

Years Ended June 30, 2012 and 2011

Contents

Ernst & Young LLP
621 East Pratt Street
Baltimore, MD 21202
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Fax + 1 410 783 3832
www ey com

Report of Independent Auditors

Board of Trustees of
Anne Arundel Health System, Inc

We have audited the accompanying consolidated balance sheets of Anne Arundel Health System, Inc (a Maryland not-for-profit corporation) and subsidiaries as of June 30, 2012 and 2011, and the related consolidated statements of operations and changes in net assets, and cash flows for the years then ended These financial statements are the responsibility of Anne Arundel Health System, Inc and subsidiaries' (the Group's) management Our responsibility is to express an opinion on these financial statements based on our audits We did not audit the financial statements of Cottage Insurance Company, Ltd , a wholly-owned subsidiary, which statements reflect total assets of $35,909,000 and $39,156,000 as of June 30, 2012 and 2011, respectively, and net (loss) income after elimination of intercompany revenues of $(1,652,000) and $10,000, respectively, for the years then ended Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Cottage Insurance Company, Ltd , is based solely on the report of the other auditors

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

In our opinion, based on our audits and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Anne Arundel Health System, Inc and subsidiaries as of June 30, 2012 and 2011, and the consolidated results of their operations, changes in net assets, and cash flows for the years then ended, in conformity with U S generally accepted accounting principles

Ernst + Young LLP

September 25, 2012

Anne Arundel Health System, Inc. and Subsidiaries

Consolidated Balance Sheets

	June 30 2012	2011
Assets		
Current assets		
Cash and cash equivalents	**$ 21,890,000**	$ 33,378,000
Short-term investments	**2,845,000**	5,834,000
Current portion of assets whose use is limited	**9,621,000**	9,329,000
Patient receivables, less allowance for uncollectible accounts of $15,264,000 and $13,482,000, respectively	**60,781,000**	61,449,000
Current portion of pledges receivable, net	**4,706,000**	5,145,000
Inventories, at lower of cost or market	**8,506,000**	8,038,000
Prepaid expenses and other current assets	**10,388,000**	12,077,000
Total current assets	**118,737,000**	135,250,000
Property and equipment	**769,409,000**	748,146,000
Less accumulated depreciation and amortization	**(260,041,000)**	(225,831,000)
Net property and equipment	**509,368,000**	522,315,000
Other assets		
Investments	**203,618,000**	204,236,000
Investments in joint ventures	**5,418,000**	3,286,000
Pledges receivable, net of current portion and net of allowance for uncollectible pledges of $745,000 and $852,000, respectively	**9,936,000**	11,279,000
Assets whose use is limited	**71,850,000**	84,030,000
Deferred debt issue costs, net of accumulated amortization of $2,348,000 and $1,967,000, respectively	**7,435,000**	7,857,000
Restricted collateral for interest rate swap contracts	**78,505,000**	32,090,000
Other assets	**11,883,000**	12,574,000
Total assets	**$ 1,016,750,000**	$ 1,012,917,000

Anne Arundel Health System, Inc. and Subsidiaries

Consolidated Balance Sheets (continued)

	June 30 2012	2011
Liabilities and net assets		
Current liabilities		
Accounts payable	**$ 24,814,000**	$ 26,047,000
Accrued salaries, wages, and benefits	**29,584,000**	26,025,000
Other accrued expenses	**21,933,000**	19,362,000
Line of credit	**–**	1,528,000
Current portion of long-term debt and capital lease obligations	**9,192,000**	9,073,000
Advances from third-party payors	**26,357,000**	22,053,000
Total current liabilities	**111,880,000**	104,088,000
Long-term debt and capital lease obligations, less current portion and unamortized original issue discount	**418,574,000**	427,818,000
Interest rate swap contracts	**82,797,000**	38,196,000
Accrued pension liability	**35,459,000**	19,616,000
Other long-term liabilities	**19,172,000**	22,065,000
Total liabilities	**667,882,000**	611,783,000
Net assets		
Unrestricted	**318,413,000**	369,342,000
Temporarily restricted	**18,893,000**	20,083,000
Permanently restricted	**11,562,000**	11,709,000
Total net assets	**348,868,000**	401,134,000
Total liabilities and net assets	**$ 1,016,750,000**	$ 1,012,917,000

See accompanying notes.

Anne Arundel Health System, Inc. and Subsidiaries

Consolidated Statements of Operations and Changes in Net Assets

	Year Ended June 30	
	2012	**2011**
Operating revenue		
Net patient service revenue	**$ 550,889,000**	$ 497,685,000
Other operating revenue	**27,683,000**	21,381,000
Total operating revenue	**578,572,000**	519,066,000
Operating expenses		
Salaries and wages	**225,497,000**	205,484,000
Employee benefits	**43,823,000**	36,702,000
Medical supplies and drugs	**116,079,000**	107,010,000
Purchased services	**89,249,000**	81,704,000
Professional fees	**15,766,000**	13,047,000
Depreciation and amortization	**35,636,000**	30,135,000
Interest	**18,226,000**	10,899,000
Provision for bad debts	**23,554,000**	19,703,000
Total operating expenses	**567,830,000**	504,684,000
Operating income	**10,742,000**	14,382,000
Other income (loss)		
Investment income, net	**7,845,000**	6,457,000
Income from joint ventures and other, net	**1,333,000**	1,083,000
Change in unrealized (losses) gains on trading securities, net	**(4,345,000)**	29,333,000
Realized and unrealized (losses) gains on interest rate swap contracts, net	**(50,654,000)**	3,656,000
Total other (loss) income, net	**(45,821,000)**	40,529,000
Revenues and gains (less than) in excess of expenses	**$ (35,079,000)**	$ 54,911,000

Anne Arundel Health System, Inc. and Subsidiaries

Consolidated Statements of Operations and Changes in Net Assets (continued)

	Year Ended June 30	
	2012	**2011**
Unrestricted net assets		
Revenues and gains (less than) in excess of expenses	**$ (35,079,000)**	$ 54,911,000
Pension liability adjustment	**(21,608,000)**	8,532,000
Net assets released from restrictions used for purchase of property and equipment	**4,018,000**	5,081,000
Transfers and other, net	**1,740,000**	2,434,000
(Decrease) increase in unrestricted net assets	**(50,929,000)**	70,958,000
Temporarily restricted net assets		
Contributions and pledges	**6,752,000**	8,629,000
Change in net unrealized gains and losses on investments	**(1,291,000)**	1,405,000
Temporarily restricted investment income	**375,000**	345,000
Net assets released from restrictions	**(7,552,000)**	(8,029,000)
Transfers and other, net	**526,000**	1,043,000
(Decrease) increase in temporarily restricted net assets	**(1,190,000)**	3,393,000
Permanently restricted net assets		
Contributions for endowment funds	**44,000**	142,000
Transfers of interest income and other, net	**(191,000)**	(181,000)
Decrease in permanently restricted net assets	**(147,000)**	(39,000)
(Decrease) increase in net assets	**(52,266,000)**	74,312,000
Net assets at beginning of year	**401,134,000**	326,822,000
Net assets at end of year	**$ 348,868,000**	$ 401,134,000

See accompanying notes.

Anne Arundel Health System, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

	Year Ended June 30	
	2012	**2011**
Operating activities		
(Decrease) increase in net assets	**$ (52,266,000)**	$ 74,312,000
Adjustments to reconcile (decrease) increase in net assets to net cash from operating activities		
Change in net unrealized gains and losses on investments	**5,636,000**	(30,738,000)
Realized and unrealized losses (gains) on interest rate swap contracts, net	**50,654,000**	(3,656,000)
Pension liability adjustment	**21,543,000**	(8,532,000)
Equity in earnings of joint ventures and other	**(369,000)**	95,000
Distributions received from joint ventures	**157,000**	499,000
Restricted contributions and pledges, net	**(6,796,000)**	(8,771,000)
Depreciation and amortization	**35,636,000**	30,135,000
Restricted investment income	**(375,000)**	(345,000)
Increase in investments – trading	**(2,030,000)**	(1,291,000)
Decrease (increase) in assets whose use is limited, net – trading	**4,273,000**	(11,927,000)
Net change in operating assets and liabilities	**(6,947,000)**	4,143,000
Net cash from operating activities	**49,116,000**	43,924,000
Investing activities		
Purchases of property and equipment	**(23,085,000)**	(86,214,000)
Decrease in assets whose use is limited-other-than-trading	**7,615,000**	41,502,000
Investment in West County, LLC	**(1,919,000)**	(2,216,000)
Change in collateralization and payments on interest rate swaps	**(41,701,000)**	(5,290,000)
Net cash from investing activities	**(59,090,000)**	(52,218,000)
Financing and fundraising activities		
Draws on construction loans	**–**	390,000
Draws on line of credit	**25,948,000**	6,265,000
Repayments of long-term debt	**(8,922,000)**	(5,410,000)
Repayment of line of credit	**(27,476,000)**	(4,737,000)
Payments for deferred financing costs	**(17,000)**	(204,000)
Restricted contributions received and other	**8,578,000**	7,657,000
Restricted income received	**375,000**	345,000
Net cash from financing and fundraising activities	**(1,514,000)**	4,306,000
Net decrease in cash and cash equivalents	**(11,488,000)**	(3,988,000)
Cash and cash equivalents at beginning of year	**33,378,000**	37,366,000
Cash and cash equivalents at end of year	**$ 21,890,000**	$ 33,378,000

Anne Arundel Health System, Inc. and Subsidiaries

Consolidated Statements of Cash Flows (continued)

	Year Ended June 30	
	2012	**2011**
Changes in operating assets and liabilities		
(Increase) decrease in operating assets		
Patient receivables, net	**$ 668,000**	$ (5,562,000)
Inventories	**(468,000)**	(144,000)
Prepaid expenses and other	**(2,643,000)**	(1,097,000)
Other assets	**(5,112,000)**	(987,000)
	(7,555,000)	(7,790,000)
Increase (decrease) in operating liabilities		
Accounts payable	**(1,233,000)**	1,669,000
Accrued salaries, wages, and benefits	**3,559,000**	3,526,000
Other accrued expenses	**2,571,000**	1,242,000
Advances from third-party payors	**4,304,000**	7,240,000
Other long-term liabilities	**(8,593,000)**	(1,744,000)
	608,000	11,933,000
Net change in operating assets and liabilities	**$ (6,947,000)**	$ 4,143,000
Supplemental disclosures		
Cash paid for interest	**$ 17,884,000**	$ 18,256,000

See accompanying notes

Anne Arundel Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2012

1. Organization and Basis of Presentation

Anne Arundel Health System, Inc (the Parent or the System) is a Maryland not-for-profit corporation The Parent has the following wholly owned subsidiaries Anne Arundel Medical Center, Inc (the Hospital) and its subsidiaries, Anne Arundel Health Care Services, Inc (HCS), and Anne Arundel General Treatment Services, Inc (GTS), Anne Arundel Medical Center Foundation, Inc (the Foundation), Anne Arundel Health Care Enterprises, Inc (HCE), Physician Enterprise, LLC (PE) and its subsidiaries, Anne Arundel Physician Group, LLC (AAPG) and Orthopedic Physicians of Annapolis (OPA), Anne Arundel Real Estate Holding Company, Inc (the Real Estate Company) and its subsidiaries, Pavilion Park, Inc (PPI), Annapolis Exchange, LLC, & Blue Building, LLC, Anne Arundel Health System Research Institute, Inc (RI), and Cottage Insurance Company, Ltd (Cottage) PE was organized in April 2009, and operates as a not-for-profit provider of physician, diagnostic, therapeutic, and other health care services, while also providing support to AAPG and OPA, which also provide such services The accompanying consolidated financial statements include the accounts of the Parent and its wholly owned subsidiaries (collectively, the Group) All significant intercompany accounts and transactions have been eliminated in consolidation

The Real Estate Company and PPI own a 42 84% interest in Kent Island Medical Arts, LLC (KIMA), a limited liability company that owns and operates a medical office building PPI is the managing member of KIMA and has substantive participation rights in KIMA The financial statements of KIMA are consolidated in the accompanying consolidated financial statements The non-controlling interest in KIMA was 57 16% as of June 30, 2012 and 2011 This interest was $1,072,000 and $1,164,000 at June 30, 2012 and 2011, respectively, and is included within unrestricted net assets in the accompanying consolidated balance sheets

2. Summary of Significant Accounting Policies

Cash and Cash Equivalents

Cash and cash equivalents include cash held in checking and savings accounts, money market accounts, and short-term certificates of deposit with original maturities of 90 days or less Cash balances, and collateral held by a counterparty, are principally uninsured and are subject to normal credit risks At June 30, 2012 and 2011, and at various times during the year, the System maintained cash-in-bank balances in excess of the $250,000 federally insured limits

2. Summary of Significant Accounting Policies (continued)

Derivative Instruments

On April 25, 2003, the Hospital entered into two interest rate swap derivative contracts to reduce the risk of changing interest rates On May 10, 2006, the Hospital entered into a forward variable to fixed interest rate swap agreement with an effective date of November 1, 2008 This contract was also entered into in an effort to reduce the risk of variable interest rate debt and has a term through July 1, 2048 Under Accounting Standards Codification (ASC) 815, *Derivatives and Hedging*, the Hospital has recognized its derivative instruments as either assets or liabilities in the accompanying consolidated balance sheets at fair value As these derivative instruments are not designated as hedges, the unrealized gain or loss on these contracts has been recognized in the accompanying consolidated statements of operations and changes in net assets as realized and unrealized (losses) gains on interest rate swap contracts, net The fair market values of the derivative instruments include a credit valuation adjustment (CVA) as required by ASC 820, *Fair Value Measurements and Disclosures* (ASC 820) When applying the CVA, the valuation of the variable-to-fixed interest rate swap contract was decreased by $703,000 and $385,000 as of June 30, 2012 and June 30, 2011

A summary of the Hospital's derivative instruments and related activity at June 30, 2012 and 2011, and for the years then ended is as follows

	2012	
Description of Derivative Instrument	**Fair Value Asset (Liability)**	**Change in Unrealized Gain (Loss)**
Variable-to-variable interest rate swap contract	**$ (18,000)**	**$ 64,000**
Fixed-to-variable interest rate swap contract	**920,000**	**(923,000)**
Variable-to-fixed interest rate swap contract	**(82,779,000)**	**(44,665,000)**
	$ (81,877,000)	**$ (45,524,000)**

2. Summary of Significant Accounting Policies (continued)

Description of Derivative Instrument	2011 Fair Value Asset (Liability)	2011 Change in Unrealized Gain(Loss)
Variable-to-variable interest rate swap contract	$ (82,000)	$ 273,000
Fixed-to-variable interest rate swap contract	1,843,000	(389,000)
Variable-to-fixed interest rate swap contract	(38,114,000)	9,041,000
	$ (36,353,000)	$ 8,925,000

At June 30, 2012 and 2011, the net termination value (i e , mark-to-market value) of the derivative instruments totaled $83,505,000 and $36,738,000, respectively The interest rate swap asset amount is included in the other assets line item in the accompanying consolidated balance sheets

The Hospital may be exposed to credit loss in the event of nonperformance by the other party to the interest rate swap agreements, the risk of which is reflected in the fair value of the instruments under ASC 820 However, the Hospital does not anticipate nonperformance by the counterparty

During fiscal 2012, the Hospital paid net payments under its interest rate swap program of $5,130,000 In fiscal 2011, the Hospital paid net payments under its interest rate swap program of $5,269,000 These amounts are included within realized and unrealized (losses) gains on interest rate swap contracts, net in the accompanying consolidated statements of operations and changes in net assets and investing activities in the accompanying consolidated statement of cash flows

Under the derivative contracts, the Hospital must transfer collateral for the benefit of the counterparty to the extent that the termination values exceed certain limits The Hospital's collateral requirement for the benefit of the counterparty was approximately $78,505,000 and $32,090,000 at June 30, 2012 and 2011, respectively, for the derivatives The ongoing mark-to-market values and resulting collateral requirements of the Hospital's interest rate swap contracts are subject to variability based on market factors (primarily changes in interest rates) Collateral requirements under these interest rate swap contracts are excluded from unrestricted cash and investments for purposes of determining the System's compliance with its liquidity covenants under its Maryland Health and Higher Educational Facilities Authority (MHHEFA) revenue

2. Summary of Significant Accounting Policies (continued)

bond agreements and its derivative agreements Collateral amounts are included in noncurrent assets in the accompanying consolidated balance sheets Due to the timing of settlement with the financial institution, $424,000 and $5,138,000 of collateral was owed back to the Group at June 30, 2012 and 2011, respectively This amount is included in prepaid expenses and other current assets in the accompanying consolidated balance sheets and is reflected within investing activities in the accompanying consolidated statements of cash flows The collateral requirement as of September 24, 2012, was $72,680,000

Assets Whose Use is Limited and Investments

Assets whose use is limited are principally comprised of certain funds established to be held and invested by a trustee These funds are related to the issuance of the Hospital's Revenue Bonds, investments held at Cottage, and certain permanently restricted endowment assets

The fair values of individual investments are based on quoted market prices of individual securities or investments or estimated amounts using quoted market prices of similar investments Investment income or loss from all unrestricted investments is included in the accompanying consolidated statements of operations and changes in net assets as part of other income

Investment income or loss on investments of temporarily and permanently restricted assets is added to or deducted from the appropriate restricted fund balance if the income is restricted The cost of securities sold is based on the specific-identification method

All investment balances are principally uninsured and subject to normal credit risk Investments are classified as either current or noncurrent based on maturity dates and availability for current operations Investments included in noncurrent other assets consist of board-designated investment funds of $202,035,000 and $202,516,000 as of June 30, 2012 and 2011, respectively Based on the System's investment policy, such amounts could be liquidated, at the discretion of the Board, to satisfy short-term requirements

Substantially all investments, other than borrowed funds required to be expended on capital projects, are classified as trading securities, with unrealized gains and losses included in revenues and gains (less than) in excess of expenses

Borrowed funds required to be expended on capital projects are classified as other-than-trading and are included in assets whose use is limited

2. Summary of Significant Accounting Policies (continued)

Patient Receivables and Allowances

The Group's policy is to write off all patient accounts that have been identified as uncollectible An allowance for doubtful accounts is recorded for accounts not yet written off that are anticipated to become uncollectible in future periods

Insurance coverage and credit information are obtained from patients when available No collateral is obtained for accounts receivable

Accounts receivable from third-party payors have been adjusted to reflect the difference between charges and the estimated reimbursable amounts

Inventories

Inventories, which primarily consist of medical supplies and drugs, are carried at the lower of cost or market Cost is determined using the first-in, first-out method

Property and Equipment

Property and equipment are stated at cost Depreciation and amortization, including amortization of assets recorded under capital leases, are recorded on the straight-line method over the estimated useful lives of the assets

The following is a summary of property and equipment, stated at cost

	Estimated Useful Lives	June 30 2012	2011
Land	–	**$ 13,151,000**	$ 13,151,000
Land improvements	20 years	**22,003,000**	22,002,000
Buildings and improvements	20-40 years	**457,268,000**	447,323,000
Fixed equipment	5-20 years	**8,629,000**	7,752,000
Leasehold improvements	5-10 years	**43,280,000**	43,473,000
Movable equipment	7-10 years	**168,716,000**	163,296,000
Computers and software	3-5 years	**50,436,000**	46,205,000
Construction-in-progress	–	**5,926,000**	4,944,000
		$ 769,409,000	$ 748,146,000

2. Summary of Significant Accounting Policies (continued)

Construction-in-progress consists of direct costs associated with hospital department renovations, certain leasehold improvements, and smaller capital projects As these projects are completed, the related assets are transferred out of construction-in-progress and into the appropriate asset category and are depreciated over the applicable useful lives Interest on debt is capitalized in accordance with ASC 835, *Interest*, throughout the year as part of the costs for the constructed assets The amount of net capitalized interest recorded by the Group during fiscal 2012 and 2011 was $92,000 and $7,861,000, respectively

Investments in Joint Ventures

HCE maintains 25% equity interests in Shipley's Imaging, LLC, an imaging center, and Fresenius Anne Arundel Dialysis Services, LLC, an outpatient dialysis center During 2011, the Real Estate Company and another party formed West County, LLC, a joint venture that is constructing a medical office building The Real Estate Company has a 50% interest in this joint venture, with each owner contributing $4,135,000 and $2,216,000 as of June 30, 2012 and 2011, respectively These investments are accounted for using the equity method of accounting

Deferred Debt Issuance Costs

Administrative, legal, financing, underwriting discount and other miscellaneous expenses that were incurred in connection with debt financings were deferred and are being amortized over the lives of the bond issues using the effective interest method The amortization expense of deferred debt issue costs was $433,000 and $451,000 for the years ended June 30, 2012 and 2011, respectively

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the Group has been limited by donors to a specific time period or purpose Substantially all temporarily restricted net assets in the accompanying consolidated financial statements are restricted to fund certain Hospital capital additions and operating programs Permanently restricted net assets have been restricted by donors to be maintained in perpetuity The income from these funds is expendable to support health care services

2. Summary of Significant Accounting Policies (continued)

Net Patient Service Revenue

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered This includes regulatory discounts allowed to Blue Cross, Medicare, Medicaid, and other third-party payors and charity care

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

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

The Group employs physicians in several hospital-based specialties (including, but not limited to, obstetrics, intensive care, and hospitalists) Net physician revenue is recognized when the services are provided and recorded at the estimated net realizable amount based on the contractual arrangements with third-party payors and the expected payments from the third-party payors and the patients The difference between the billed charges and the estimated net realizable amounts are recorded as a reduction in physician revenue when the services are provided At June 30, 2012 and 2011, approximately $4,806,000 and $4,114,000, respectively, of net physician accounts receivable are included in patient receivables in the accompanying consolidated balance sheets

Charity Care

The Group provides charity care to patients who meet certain criteria established under its charity care guidelines Because members of the Group do not pursue the collection of amounts determined to qualify as charity care, they are not reported as revenue in the accompanying consolidated statements of operations and changes in net assets The direct and indirect costs

2. Summary of Significant Accounting Policies (continued)

associated with providing this care are $5,633,000 and $4,969,000 for the years ending June 30, 2012 and 2011, respectively These costs are calculated by applying a ratio of operating expenses less bad debt expense over gross patient charges to the charity care provided at established rates The state of Maryland rate system includes components within the rates to partially compensate hospitals for uncompensated care

Other Operating Revenue

Other revenue is comprised of grant revenue, incentive payments related to the implementation and meaningful use of certified electronic health records, cafeteria revenue, net assets released from restrictions for operating purposes, and other miscellaneous items

The American Recovery and Reinvestment Act of 2009 provides for Medicare and Medicaid incentive payments beginning in 2011 for eligible hospitals and professionals that implement and achieve meaningful use of certified electronic health record (EHR) technology that demonstrate improved quality and effectiveness of care Eligibility for annual Medicare incentive payments is dependent on providers demonstrating meaningful use of EHR technology in each period over a four-year period An additional Medicaid incentive payment is available to providers that adopt, implement or upgrade certified EHR technology However, in order to receive additional Medicaid incentive payments in subsequent years, providers must demonstrate continued meaningful use of EHR technology

For Medicare and Medicaid EHR incentive payments the Hospital utilizes a grant accounting model to recognize these revenues Under this accounting policy, EHR incentive payments were recognized as revenues when attestation that the EHR meaningful use criteria for the required period of time was demonstrated Accordingly, the System recognized approximately $4,911,000 of EHR revenues for the year ended June 30, 2012, comprised of $3,919,000 million of Medicare revenues and $992,000 of Medicaid revenues These amounts are included in other operating revenue in the accompanying consolidated statements of operations and changes in net assets

The System's attestation of compliance with the meaningful use criteria is subject to audit by the federal government or its designee The recognition of the grant income is based on management's best estimate and the amounts recognized are subject to change Any subsequent changes in the recognition of the grant income will impact the results of operations in the period in which they occur

2. Summary of Significant Accounting Policies (continued)

Donations and Bequests

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received The gifts are reported as either temporarily or permanently restricted if they are received with donor stipulations that limit the use of the donated assets When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets in the accompanying consolidated statements of operations and changes in net assets Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying consolidated financial statements Contributions that are unrestricted are reflected as other income in the accompanying consolidated statements of operations and changes in net assets

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

2013	$ 4,967,000
2014 – 2017	8,103,000
2018 and thereafter	2,591,000
	15,661,000
Less	
Impact of discounting pledges receivable to net present value	(274,000)
Allowance for uncollectible pledges	(745,000)
Net pledges receivable	$ 14,642,000

Pledges receivable are discounted using rates between 0 2% and 2 3%

Revenues and Gains (Less than) in Excess of Expenses

The accompanying consolidated statements of operations and changes in net assets include revenues and gains (less than) in excess of expenses Changes in unrestricted net assets that are excluded from revenues and gains (less than) in excess of expenses, consistent with industry practice, include contributions received and used for additions of long-lived assets and certain changes in pension liabilities

2. Summary of Significant Accounting Policies (continued)

Income Tax Status

The Parent, the Hospital, the Foundation, HCS, GTS, PE, and RI have received determination letters from the Internal Revenue Service (IRS) stating that they are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code The Real Estate Company has received a determination letter from the IRS stating that it is exempt from federal income taxes under Section 501(c)(2) of the Internal Revenue Code

HCE and PPI are subject to federal and state income taxes No provision for income taxes has been recorded for fiscal 2012 and 2011, as these companies and PE do not have taxable income or current tax liabilities Deferred tax assets (consisting principally of net operating loss carryforwards) are not significant and are not considered to be realizable, given the operations of these entities

Certain limited liability companies within the consolidated group are not subject to income taxes Taxable income or loss is passed through to and reportable by the members individually

Under the Cayman Islands Tax Concessions Law (Revised), the Governor-in-Cabinet issued an undertaking to Cottage on November 29, 2005, exempting it from all local income, profit or capital gains taxes The undertaking has been issued for a period of 20 years and, at the present time, no such taxes are levied in the Cayman Islands Accordingly, no provision for taxes is made in these consolidated financial statements

Under the requirements of ASC 740, *Income Taxes*, tax-exempt organizations could be required to record an obligation as the result of a tax position they have historically taken on various tax exposure items The Group has determined that it does not have any uncertain tax positions through June 30, 2012

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period Actual results could differ from those estimates

2. Summary of Significant Accounting Policies (continued)

Recent Accounting Pronouncements

In August 2010, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update, (ASU), No 2010-24, *Health Care Entities—Presentation of Insurance Claims and Related Insurance Recoveries* (ASU 2010-24) ASU 2010-24 clarifies that a health care entity should not net insurance recoveries against a related claim liability Additionally, the amount of the claim liability should be determined without consideration of insurance recoveries This guidance is effective for fiscal years beginning after December 15, 2010 Accordingly, the Company prospectively adopted ASU 2010-24 on July 1, 2011 The adoption of this guidance did not have an impact on the Group's financial statements

In August 2010, the FASB issued ASU 2010-23 *Health Care Entities: Measuring Charity Care for Disclosure – a consensus of the FASB Emerging Issues Task Force*, which provides guidance regarding the calculation and disclosure of charity care The guidance is intended to reduce the diversity in how charity care is calculated and disclosed across health care entities that provide it Charity care is required to be measured at cost, defined as the direct and indirect costs of providing the charity care This new guidance is effective for fiscal years beginning after December 15, 2010, and must be applied retrospectively to all periods presented This new guidance was adopted by the Group on July 1, 2011 The adoption of this guidance did not have an effect on the amounts recorded in the Group's financial statements, however, it did change the charity care disclosure

In July 2011, the FASB issued ASU 2011-07, *Health Care Entities: Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities (a consensus of the FASB Emerging Issues Task Force)*, which provides guidance on the presentation and disclosure of patient service revenue, provisions for bad debts, and the allowance for doubtful accounts for certain health care entities This guidance changes the presentation of the statement of operations by reclassifying the provision for bad debts associated with patient service revenue from an operating expense to a deduction from patient service revenue (net of contractual allowances and discounts) Additionally, the guidance requires enhanced disclosures about the policies for recognizing revenue and assessing bad debts, as well as qualitative and quantitative information about changes in the allowance for doubtful accounts This guidance is effective for the Group for the fiscal year ending June 30, 2013 The Group is currently evaluating the impact of this guidance on its consolidated financial statements

3. Regulatory Environment

Medicare and Medicaid

The Medicare and Medicaid reimbursement programs represent a substantial portion of the Group's revenues The Group's operations are subject to numerous laws and regulations of federal, state and local governments These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services and Medicare and Medicaid fraud and abuse Over the past several years, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers Violations of these laws and regulations could result in expulsion from government health care programs, together with the imposition of fines and penalties, as well as repayments for patient services previously billed Compliance with fraud and abuse standards and other government regulations can be subject to future government review and interpretation Also, future changes in federal and state reimbursement funding mechanisms and related government budgeting constraints could have an adverse effect on the Group

In 1983, Congress approved a Medicare prospective payment plan for most inpatient services as part of the Social Security Amendment Act of 1983 Hospitals in Maryland are currently exempt from these federal reimbursement regulations under a special waiver The waiver currently in effect is subject to renewal based upon criteria defined in the federal law Under these payment arrangements with Medicare, a retroactive adjustment could occur if certain performance standards are not attained by all hospitals on a statewide basis The impact, if any, of any retroactive adjustment of the Medicare prospective payment system, should hospitals in Maryland become subject to such system, on future operations of the Group, has not been determined

HSCRC

The Hospital's rate structure for all hospital-based services is subject to review and approval by the Maryland Health Services Cost Review Commission (HSCRC) Under the HSCRC rate-setting system, the Hospital's inpatient charges are subject to an inpatient charge per case target (the Charge Per Case Target) Under the charge per case target methodology, the Hospital monitors its average charge per case compared to HSCRC case mix adjusted targets on a monthly basis The Charge Per Case (CPC) Target is adjusted annually for inflation, case mix changes, and other factors

3. Regulatory Environment (continued)

Beginning in fiscal year 2011, the HSCRC adjusted its Charge Per Case policy and removed one-day stay (ODS) cases from the Hospital's case mix and charge per case revenue ODS cases are now reimbursed on approved HSCRC charges rather than under the case mix adjusted CPC target

Beginning in fiscal year 2012, the Hospital entered into a three-year agreement with the HSCRC to participate in the Admission Readmission Revenue (ARR) program The ARR arrangement is a voluntary revenue constraint program to incentivize hospitals to coordinate care and reduce unnecessary readmissions The ARR agreement imposes a case mix adjusted Charge per Episode (CPE) target to inpatient admissions and any subsequent readmission within 30 days of the discharge of the initial admission of the same patient The CPE target is adjusted annually for inflation, case mix charges, and other factors

Also beginning in fiscal year 2011, the Commission implemented the Charge Per Visit (CPV) methodology for certain outpatient services Using fiscal year 2010 as the base period, the actual average 2011 CPV is compared with the base period target Similar to the CPC target, the CPV target is adjusted annually for inflation, case mix changes, and other factors The outpatient services that are excluded from the CPV methodology are reimbursed on approved HSCRC charges In March 2012, the HSCRC suspended the outpatient CPV methodology retroactive to July 1, 2011 Until further notice, all outpatient services are reimbursed on approved HSCRC unit rate charge

The Hospital's policy is to recognize revenue based on actual charges for services to patients in the year in which the services are performed The Hospital's revenues may be subject to adjustment as a result of examination by government agencies or contractors, and as a result of differing interpretation of government regulations, medical diagnosis, charge coding, medical necessity, or other contract terms The resolution of these matters, if any, often is not finalized until subsequent to the period during which the services were rendered

4. Investments

Investments, consisting of assets whose use is limited and other, are stated at fair value Borrowed funds that are required to be expended on specified capital projects under MHHEFA revenue bond agreements are classified as "other-than-trading " All other investments and assets whose use is limited are classified as trading securities

	June 30	
	2012	**2011**
Assets whose use is limited		
Endowment assets		
Cash and cash equivalents	**$ 802,000**	$ 1,086,000
Equity mutual funds	**9,064,000**	10,003,000
Fixed income mutual funds	**4,027,000**	3,972,000
	13,893,000	15,061,000
Amounts held by trustee		
Cash and cash equivalents	**19,090,000**	19,971,000
U S Government obligations	**21,345,000**	27,787,000
	40,435,000	47,758,000
Amounts held by Cottage Insurance Company, Ltd , a captive insurance subsidiary		
Cash and cash equivalents	**2,748,000**	2,707,000
Equity mutual funds	**7,933,000**	9,344,000
Fixed income mutual funds	**16,462,000**	18,489,000
	27,143,000	30,540,000
Total assets whose use is limited	**81,471,000**	93,359,000
Less current portion	**9,621,000**	9,329,000
	$ 71,850,000	$ 84,030,000

4. Investments (continued)

	June 30 2012	2011
Amounts held by counterparty as collateral for interest rate swap		
Cash and cash equivalents	**$ 78,505,000**	$ 32,090,000
	$ 78,505,000	$ 32,090,000
Amounts held by trustee are broken down as follows		
Bond indenture	**$ 40,435,000**	$ 47,758,000
Other investments		
Cash and cash equivalents	**$ 2,854,000**	$ 5,869,000
Equity mutual funds	**99,702,000**	104,360,000
Fixed income mutual funds	**103,907,000**	99,841,000
	206,463,000	210,070,000
Less short-term investments	**2,845,000**	5,834,000
Investments	**$ 203,618,000**	$ 204,236,000

Investment income, net of investment fees, and gains (losses) for assets whose use is limited and other investments are comprised of the following

	June 30 2012	2011
Income		
Interest income, net	**$ 6,115,000**	$ 6,500,000
Realized (losses) gains, net	**1,730,000**	(43,000)
	$ 7,845,000	$ 6,457,000
Change in unrealized gains on trading securities, net	**$ (4,345,000)**	$ 29,333,000

5. Fair Value Measurements

ASC 820, *Fair Value Measurements and Disclosures*, defines fair value, establishes a framework for measuring fair value in accordance with U S generally accepted accounting principles, and expands disclosures about fair value measurements The Group adopted the provisions of ASC 820 for its financial assets and liabilities on July 1, 2008, and for its nonfinancial assets and liabilities on July 1, 2009 (see Note 13)

ASC 820 requires that the fair value of derivative contracts include adjustments related to the credit risks of both parties associated with the derivative transactions The fair value of the Group's derivative contracts reflected in the accompanying consolidated financial statements include adjustments related to the credit risks of the parties to the transactions

ASC 820 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value These tiers include *Level 1* – defined as observable inputs, such as quoted prices in active markets, *Level 2* – defined as inputs other than quoted prices in active markets that are either directly or indirectly observable, and *Level 3* – defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions

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

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

5. Fair Value Measurements (continued)

The following tables present the fair value hierarchy for the Group's financial assets and liabilities measured at fair value on a recurring basis at June 30, 2012 and 2011

June 30, 2012	Total	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Assets				
Cash and cash equivalents	$ 21,890,000	$ 10,131,000	$ 11,759,000	$ –
Trading securities and other assets whose use is limited				
Cash and cash equivalents	25,494,000	19,090,000	6,404,000	–
Equity funds	116,699,000	108,766,000	7,933,000	–
Fixed income funds	124,397,000	107,935,000	16,462,000	–
U S obligation funds	21,344,000	–	21,344,000	–
Total	287,934,000	235,791,000	52,143,000	–
Collateral for interest rate swap				
Cash and cash equivalents	78,505,000	78,505,000	–	–
Derivative instruments	920,000	–	920,000	–
Total assets	$ 389,249,000	$ 324,427,000	$ 64,822,000	$ –
Liabilities				
Derivative instruments	$ (82,797,000)	$ –	$ (82,797,000)	$ –
Total liabilities	$ (82,797,000)	$ –	$ (82,797,000)	$ –

5. Fair Value Measurements (continued)

June 30, 2011	Total	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Assets				
Cash and cash equivalents	$ 33,378,000	$ 27,358,000	$ 6,020,000	$ –
Trading securities and other assets whose use is limited				
Cash and cash equivalents	29,633,000	19,971,000	9,662,000	–
Equity funds	123,708,000	114,364,000	9,344,000	–
Fixed income funds	122,302,000	103,813,000	18,489,000	–
U S obligation funds	27,786,000	–	27,786,000	–
Total	303,429,000	238,148,000	65,281,000	–
Collateral for interest rate swap				
Cash and cash equivalents	32,090,000	32,090,000	–	–
Derivative instruments	1,843,000	–	1,843,000	–
Total assets	$ 370,740,000	$ 297,596,000	$ 73,144,000	$ –
Liabilities				
Derivative instruments	$ (38,196,000)	$ –	$ (38,196,000)	$ –
Total liabilities	$ (38,196,000)	$ –	$ (38,196,000)	$ –

The Group's Level 1 securities primarily consist of U S Treasury securities, exchange-traded mutual funds, and cash The Group determines the estimated fair value for its Level 1 securities using quoted (unadjusted) prices for identical assets or liabilities in active markets

The Group's Level 2 securities primarily consist of U S government sponsored entities bonds and money market funds The Group determines the estimated fair value for these Level 2 securities using the following methods quoted prices for similar assets/liabilities in active markets, quoted prices for identical or similar assets in non-active markets (few transactions, limited information, non-current prices, high variability over time), inputs other than quoted prices that are observable for the asset/liability (e g , interest rates, yield curves volatilities, default rates, etc), and inputs that are derived principally from or corroborated by other observable market data

5. Fair Value Measurements (continued)

The Group's Level 2 securities also consist of derivative instruments, which are reported using valuation models commonly used for derivatives Valuation models require a variety of inputs, including contractual terms, market fixed prices, inputs from forward price yield curves, notional quantities, measures of volatility, and correlations of such inputs

The Group also has pledges receivable, which are measured at fair value on a non-recurring basis and are discounted to net present value upon receipt using an appropriate risk-free discount rate based on the term of the receivable Since these inputs are not observable, pledges receivable would be considered Level 3 fair value measurements upon their initial recording Pledges receivable are recorded net of an allowance for uncollectible pledges The following table provides a reconciliation of the beginning and ending balances of pledges receivable that used significant unobservable inputs

	Year Ended June 30	
	2012	**2011**
Pledges receivable		
Balance at July 1	**$ 16,424,000**	$ 15,309,000
New pledges	**4,182,000**	7,495,000
Collections on pledges	**(5,968,000)**	(6,082,000)
Write-off of pledges	**(103,000)**	(252,000)
Changes in reserves	**107,000**	(46,000)
Balance at June 30	**$ 14,642,000**	$ 16,424,000

6. Long-Term Debt and Lines of Credit

Long-term debt consists of the following

	Interest Rate	Maturity Dates	June 30 2012	2011
Maryland Health and Higher Educational Facilities Authority Revenue Bonds – Series 2010	3.0 – 5.0%	2011 – 2040	**$ 82,830,000**	$ 85,410,000
Maryland Health and Higher Educational Facilities Authority Revenue Bonds – Series 2009A	4.0 – 6.75%	2013 – 2040	**120,000,000**	120,000,000
Maryland Health and Higher Educational Facilities Authority Revenue Bonds – Series 2009B	Variable	2041 – 2044	**60,000,000**	60,000,000
Maryland Health and Higher Educational Facilities Authority Revenue Bonds – Series 2004A	2.0 – 5.0%	2006 – 2035	**21,880,000**	22,445,000
Maryland Health and Higher Educational Facilities Authority Revenue Bonds – Series 1998	4.2 – 5.25%	2003 – 2033	**58,980,000**	60,415,000
2008 term loan from a bank	Variable	2018	**52,556,000**	54,280,000
Kent Island term loan from a bank	Variable	2015	**8,173,000**	8,508,000
Bank line of credit	Variable	2012	**–**	1,528,000
2008 construction loan from a bank	Variable	2018	**27,576,000**	28,679,000
			431,995,000	441,265,000
Less current portion of long-term debt			**8,122,000**	7,770,000
Less line of credit balance (current)			**–**	1,528,000
Less unamortized original issue discount			**6,052,000**	6,303,000
Long-term debt			**$ 417,821,000**	$ 425,664,000

These debt instruments are secured by the receipts of the Hospital and substantially all of the property and equipment of the consolidated group

6. Long-Term Debt and Lines of Credit (continued)

Principal payments due under all debt instruments as of June 30, 2012, are as follows

2013	$ 8,122,000
2014	8,079,000
2015	8,462,000
2016	8,730,000
2017	15,427,000
Thereafter	383,175,000
	$ 431,995,000

Series 2010 Revenue Bonds

In February 2010, the Hospital entered into a loan agreement with MHHEFA for the issuance of $85,410,000 of Series 2010 Revenue Bonds (referred to as the 2010 Bonds) The proceeds of the 2010 Bonds were used to repay the Series 2004B Bonds and Dedicated Financing previously provided by the Authority and are being used to finance the expansion of the parking garage for the Hospital's acute care pavilion The 2010 Bonds provide for annual principal payments each July 1, from 2011 through 2040 Interest is payable semi-annually on each July 1 and January 1, beginning July 1, 2010 The 2010 Bonds bear stated interest at rates of 3 00% to 5 00%, and were issued at an original issue discount of $1,507,000 The effective annual interest rates for the 2010 Bonds for the years ended June 30, 2012 and 2011, were 4 86% and 4 80%, respectively

The provisions of the 2010 Bonds, together with the 2009 Bonds, 2004 Bonds, and the 1998 Bonds, require the Parent and subsidiaries to comply with certain covenants on an annual basis, including a debt service coverage requirement, a debt to capitalization requirement, and a liquidity requirement

Series 2009 Revenue Bonds

In January 2009, the Hospital entered into a loan agreement with MHHEFA for the issuance of $120,000,000 Series 2009A Revenue Bonds (the 2009A Bonds) and in February 2009, $60,000,000 Series 2009B Revenue Bonds (the 2009B Bonds) (collectively referred to as the 2009 Bonds) The proceeds of the 2009 Bonds are being used to finance a portion of the costs of construction of an eight-story patient care building, two new parking garages, and certain costs relating to the issuance The 2009A Bonds provide for annual principal payments each July 1,

6. Long-Term Debt and Lines of Credit (continued)

from 2012 through 2039 Interest is payable semi-annually on each July 1 and January 1, beginning July 1, 2009 The 2009B Bonds provide for annual principal payments each July 1, from 2040 through 2043 Interest is payable semi-annually on each July 1 and January 1, beginning July 1, 2009 The 2009A Bonds bear stated interest at rates of 4 00% to 6 75% The 2009A Bonds were issued at an original issue discount of $4,817,000 The effective annual interest rates for the 2009A Bonds for the years ended June 30, 2012 and 2011, were 6 64% and 6 71%, respectively The 2009B Bonds bear interest at variable rates, as set forth in the loan agreement The maximum interest rate is 12% for the 2009B Bonds The effective annual interest rates for the 2009B Bonds for the years ended June 30, 2012 and 2011, were 0 17% and 0 16%, respectively The principal and interest payments on the Series 2009B Bonds are secured by a letter of credit equal to the original principal of the bonds plus an amount equal to 40 days' interest thereon, calculated at the maximum rate The current letter of credit expires in May 2016 Under certain circumstances, the Hospital would need to fully redeem the 2009B Bonds upon expiration of the letter of credit, unless a conforming replacement letter of credit was secured prior to such expiration The Hospital, the Parent, and HCS are members of the obligated group for the 2009 Bonds

Series 2004 Revenue Bonds

In February 2004, the Hospital entered into a loan agreement with MHHEFA for the issuance of $25,570,000 Series 2004A Revenue Bonds (the 2004A Bonds), and $64,250,000 Series 2004B Revenue Bonds (the 2004B Bonds) (collectively referred to as the 2004 Bonds) The proceeds of the 2004A and 2004B Bonds were used to finance and refinance the costs of acquisition, construction, renovation, and equipping of the 2004 Project, to repay certain debt, to fund debt service reserve requirements, and to pay certain other costs relating to the issuance The 2004 Project included renovations to the Hospital's Cancer Center together with new furnishings and equipment, acquisition of 21 acres of land and acquisition and installation of capital equipment and furnishings Concurrent with the issuance of the 2004 Bonds, the Parent and HCS became members of the obligated group for the 2004 Bonds and the 1998 Bonds In February 2010, the 2004B Bonds were extinguished through an advance refunding financed by proceeds from the 2010 Bonds

The 2004A Bonds provide for annual principal payments each July 1, from 2005 through 2034 Interest is payable semiannually on each July 1 and January 1 The effective annual interest rates for the 2004A Bonds for the years ended June 30, 2012 and 2011, were 4 40% and 4 38%, respectively

6. Long-Term Debt and Lines of Credit (continued)

Series 1998 Revenue Bonds

In August 1998, the Hospital and its subsidiaries entered into a loan agreement with MHHEFA for the issuance of $69,840,000 of Series 1998 Revenue Bonds (the 1998 Bonds) The proceeds were used to finance the acquisition, construction, and equipping of a new replacement hospital, the renovation and equipping of certain existing facilities, the purchase of capital equipment, and the payment of certain other costs relating to the issuance

The 1998 Bonds provide for annual principal payments each July 1, from 2002 through 2032 Interest is payable semiannually on each July 1 and January 1 The effective annual interest rates were 5 10% and 5 15% for fiscal 2012 and 2011, respectively

In connection with the issuance of the 2010 Bonds, 2009 Bonds, the 2004 Bonds, and the 1998 Bonds (collectively, the Bonds), certain funds were established to be held and invested by a trustee

- Amounts deposited in the Debt Service Funds are to be used to satisfy the Bonds' semiannual interest and annual principal payment requirements Interest earnings on these funds are accumulated therein to reduce future payments by the Group

- Prescribed amounts deposited in the Debt Service Reserve Funds are to be used to fund debt payments in the later years of the Bonds

- Amounts deposited in the Construction Fund are to be used to pay approved costs of the capital projects financed by the 2009 and 2010 Bonds

- Amounts deposited in the Capitalized Interest Fund represent borrowings able to be used to fund certain interest costs during the construction period relating to the capital projects financed by the 2009 and 2010 Bonds

6. Long-Term Debt and Lines of Credit (continued)

The related balances are included in assets whose use is limited and consist of the following

	June 30 2012	2011
Debt service funds	**$ 16,131,000**	$ 15,988,000
Debt service reserve funds	**20,864,000**	20,827,000
Construction fund and capitalized interest fund	**3,440,000**	10,943,000
	$ 40,435,000	$ 47,758,000

Bank Line of Credit and Term Loan

The Hospital maintains a line of credit with a bank and increased the amount of available credit to $30,000,000 during 2011, from $15,000,000 as of June 30, 2010 The agreement with the bank is reviewed for renewal on February 28 of each year Interest on any borrowings accrues at the One Month London Interbank Offered Rate (LIBOR) plus 1 5% At June 30, 2012, the Group has no balance on the line of credit At June 30, 2011, the Group had borrowed $1,528,000 on the line of credit

On October 23, 2008, the Real Estate Company secured a term loan in the amount of $55,000,000 with a bank The proceeds from the term loan were used to refinance line of credit proceeds and fund certain construction costs related to a medical office building The loan bears interest at a variable rate, based on the LIBOR Market Index Rate plus 1 25% The term loan has a final maturity of November 5, 2018 The effective annual interest rates for the years ended June 30, 2012 and 2011, were 1 52% and 1 66%, respectively

2008 Construction Loan

On October 23, 2008, the Real Estate Company entered into a construction loan in the amount of $30,000,000 with a bank to fund the construction of a medical office building The loan was issued under the same loan agreement as the term loan discussed in the immediately preceding paragraph The debt is secured by the medical office building Interest only is due during the construction period at a rate equal to the LIBOR Market Index Rate plus 1 25% The loan converted to a term loan after the completion of the construction in July 2009 The term loan provides for monthly principal and interest payments and has a final maturity of November 5, 2018 The effective annual interest rates for the years ended June 30, 2012 and 2011, were 1 52% and 1 34%, respectively

6. Long-Term Debt and Lines of Credit (continued)

Kent Island Term Loan

In August 2007, KIMA entered into a construction loan agreement with a bank in the amount of $9,000,000 that would convert to a term loan after the completion of the construction The proceeds were used to construct a medical office building The debt is secured by the medical office building Interest only was due during the construction period at a rate of the 30-day LIBOR rate plus 1 0% The construction was completed in June 2008 The term loan provides for monthly principal and interest payments and has a final maturity of June 2015 The effective annual interest rates for the years ended June 30, 2012 and 2011, were 1 11% and 1 12%, respectively

7. Capital Lease Obligations

The Group has entered into capital lease agreements for certain medical equipment and software at a cost of $8,257,000 as of June 30, 2012 and 2011 Accumulated amortization on these assets was $4,075,000 and $3,225,000 as of June 30, 2012 and 2011, respectively Future payments under these capital lease obligations are as follows

2013	$ 998,000
2014	825,000
2015	91,000
Total payments	1,914,000
Less amount deemed to represent interest	91,000
	1,823,000
Less current portion	1,070,000
	$ 753,000

8. Pension Plan and Thrift Plan

The Hospital has a qualified noncontributory, defined benefit pension plan that covers substantially all employees The Group's policy is to fund pension costs as determined by its actuary Adopted by the Board of Trustees on June 11, 2009, and effective September 1, 2009, the Hospital amended the plan to freeze future benefit accruals, and participants have not earned any additional benefits under the Plan since that date However, subsequent to September 1, 2009, participants have continued to vest in benefits they have earned through September 1, 2009 The frozen benefit balance for the participants will only accrue interest credits until the participants' benefit commencement dates Balances below reflect the impact of the plan freeze effective September 1, 2009

8. Pension Plan and Thrift Plan (continued)

FASB ASC 715, *Compensation – Retirement Benefits*, requires the Group to recognize the funded status (i e , the difference between the fair value of plan assets and the projected benefit obligations) of its pension plan on its consolidated balance sheet, with a corresponding adjustment to unrestricted net assets The pension liability adjustment to unrestricted net assets represents the change in net unrecognized actuarial losses, and unrecognized prior service costs which have not yet been recognized as part of revenues and gains (less than) in excess of expenses These amounts are subsequently recognized as net periodic pension cost pursuant to the Group's historical accounting policy for amortizing such amounts

The reconciliation of the beginning and ending balances of the projected benefit obligation and the fair value of plan assets for the years ended June 30, 2012 and 2011, and the accumulated benefit obligation at June 30, 2012 and 2011, is as follows

	June 30	
	2012	**2011**
Accumulated benefit obligation	**$111,955,000**	$ 96,341,000
Change in projected benefit obligation		
Projected benefit obligation at beginning of year	**$ 96,341,000**	$ 97,422,000
Service cost	**–**	–
Interest cost	**5,473,000**	5,373,000
Actuarial loss (gain)	**14,625,000**	(1,892,000)
Benefits paid	**(4,484,000)**	(4,562,000)
Projected benefit obligation at end of year	**111,955,000**	96,341,000
Change in plan assets		
Fair value of plan assets at beginning of year	**76,725,000**	65,274,000
Actual return on plan assets	**(1,445,000)**	12,013,000
Employer contribution	**5,700,000**	4,000,000
Benefits paid	**(4,484,000)**	(4,562,000)
Fair value of plan assets at end of year	**76,496,000**	76,725,000
Net liability recognized	**$ (35,459,000)**	$ (19,616,000)

8. Pension Plan and Thrift Plan (continued)

	June 30	
	2012	**2011**
Net amounts recognized in the consolidated balance sheets consist of		
Accrued pension costs	**$ (35,459,000)**	$ (19,616,000)
Amounts recognized in accumulated unrestricted net assets consist of		
Net actuarial loss	**$ 54,116,000**	$ 32,508,000

The following table sets forth the weighted-average assumptions used to determine benefit obligations

	June 30	
	2012	**2011**
Discount rate	**4.25%**	5 80%
Rate of compensation increase	**N/A**	N/A

The following table sets forth the weighted-average assumptions used to determine net periodic benefit cost

	Year Ended June 30	
	2012	**2011**
Discount rate	**5.80%**	5 60%
Expected return on plan assets	**7.75%**	8 00
Rate of compensation increase	**N/A**	N/A

8. Pension Plan and Thrift Plan (continued)

Net periodic pension credit included the following components

	June 30	
	2012	**2011**
Service cost	**$ –**	$ –
Interest cost	**5,473,000**	5,373,000
Expected return on plan assets	**(6,074,000)**	(6,019,000)
Amortization of prior service cost	**–**	–
Recognized net actuarial loss	**583,000**	581,000
Net periodic benefit credit	**$ (18,000)**	$ (65,000)

The estimated net loss that is expected to be amortized from other changes in unrestricted net assets into net periodic benefit cost (credit) for the year ending June 30, 2013, is $1,066,000

The Hospital's defined benefit plan invests in a diversified mix of traditional asset classes Investments in certain types of U S equity securities and fixed income securities are made to maximize long-term results while recognizing the need for adequate liquidity to meet on-going benefit and administrative obligations Risk tolerance of unexpected investment and actuarial outcomes is continually evaluated by understanding the pension plan's liability characteristics Equity investments are used primarily to increase overall plan returns Debt securities provide diversification benefits and liability hedging attributes that are desirable, especially in falling interest rate environments

The Hospital's target asset allocation percentages as of June 30, 2012, were as follows 19% large cap domestic stocks, 8 5% small cap domestic stocks, 21% international stocks, 6 5% emerging market stocks, 5% exchange traded notes, 35% U S investment grade bonds, and 5% high-yield bonds

8. Pension Plan and Thrift Plan (continued)

The following tables present the fair value hierarchy of assets of the defined benefit pension plan at June 30, 2012 and 2011, respectively

	Total	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
June 30, 2012				
Assets				
Cash and cash equivalents	**$ 1,017,000**	**$ –**	**$ 1,017,000**	**$ –**
Mutual funds				
Equity	**25,066,000**	**25,066,000**	**–**	**–**
Corporate bonds	**3,958,000**	**3,958,000**	**–**	**–**
Government bonds	**26,961,000**	**26,961,000**	**–**	**–**
International equity	**19,493,000**	**19,493,000**	**–**	**–**
Total	**$ 76,495,000**	**$ 75,478,000**	**$ 1,017,000**	**$ –**

	Total	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
June 30, 2011				
Assets				
Cash and cash equivalents	$ 1,910,000	$ 85,000	$ 1,825,000	$ –
Mutual funds				
Equity	29,100,000	29,100,000	–	–
Corporate bonds	3,782,000	3,782,000	–	–
Government bonds	24,338,000	24,338,000	–	–
International equity	17,595,000	17,595,000	–	–
Total	$ 76,725,000	$ 74,900,000	$ 1,825,000	$ –

8. Pension Plan and Thrift Plan (continued)

Level 1 securities primarily consist of exchange-traded mutual funds Level 2 securities primarily consist of money market funds Methods consistent with those discussed in Note 5 are used to estimate the fair values of these securities

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

The Hospital does not have any regulatory contribution requirements, however, the Hospital currently intends to make voluntary contributions to the defined benefit pension plan of $4,000,000 in fiscal 2013

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

2013	$ 7,553,000
2014	6,374,000
2015	6,391,000
2016	5,998,000
2017	5,917,000
2018–2022	35,014,000

In addition to the noncontributory, defined benefit pension plan, the Hospital also offers an employee thrift plan Participation in the plan is voluntary Substantially all full-time employees of the Hospital are eligible to participate Employees may elect to contribute a minimum of 1% of compensation, and a maximum amount as determined by Sections 403(b) and 415 of the Internal Revenue Code Any employee making contributions to the plan is entitled to a Hospital contribution that will match the employee contribution at the rate of 50% to 75%, depending on the number of years of service, up to a maximum of 4% of qualified compensation The Hospital temporarily suspended matching contributions during fiscal 2010 Matching contributions under this thrift plan were $2,556,000 and $2,491,000 in fiscal years 2012 and 2011, respectively

9. Concentrations of Credit Risk

Certain members of the Group grant credit without collateral to their patients, most of whom are local residents and are insured under third-party payor agreements The mix of receivables from patients and third-party payors was as follows

	June 30	
	2012	**2011**
Medicare	**27%**	28%
Medicaid	**5**	4
Blue Cross	**23**	25
Health maintenance organizations	**20**	18
Commercial and other	**10**	11
Patients	**15**	14
	100%	100%

10. Malpractice Insurance Costs and Self-Insured Professional Liability

Until August 1, 1998, the Group maintained insurance coverage for general and professional liability claims on a claims-made basis The professional liability coverage included a per-case deductible of $250,000, up to a maximum out-of-pocket amount of $750,000 annually Effective August 1, 1998, the Group changed its professional liability coverage to a full coverage claims-made policy with no annual deductibles This policy included tail coverage for claims incurred prior to August 1, 1998, but reported subsequently Effective August 1, 2002, the Group changed its professional liability coverage back to a claims-made policy with a per-case deductible of $250,000, up to a maximum out-of-pocket amount of $750,000 annually Also, the Group did not purchase tail coverage for claims incurred prior to August 1, 2002 not yet reported

Effective March 1, 2004, the Group changed its professional liability coverage to a self-insurance trust with annual exposure limits of $2,000,000 per claim and $11,000,000 in aggregate The Group carried an excess liability insurance policy for claims above these limits

10. Malpractice Insurance Costs and Self-Insured Professional Liability (continued)

Effective July 1, 2005, Cottage was formed as a captive insurer to provide professional liability insurance for the Group Cottage is a wholly owned subsidiary of the System, which was formed in the Cayman Islands The primary layer of professional and general liability insurance coverage is self-insured through Cottage and the secondary layer is fully reinsured through a commercial carrier

For the period July 1, 2005 to June 30, 2009, Cottage issued claims-made policies covering hospital professional liability (including employed physicians) and on an occurrence basis, comprehensive general liability risks of the Parent and certain affiliates Policy limits were $2,000,000 per claim with a $9,000,000 policy aggregate Effective July 1, 2005, Cottage assumed existing liabilities from the System's self-insured trust discussed above on a claims-made basis Effective July 1, 2009, Cottage issued a claims-made policy providing $2,000,000 per claim hospital professional liability coverage and $1,000,000 per claim comprehensive general liability coverage, subject to a consolidated annual aggregate limit of $10,000,000

For the period July 1, 2005 to June 30, 2008, Cottage also issued an excess umbrella coverage policy (covering hospital professional liability) with limits of $20,000,000 per claim and in the policy aggregate For claims reported on and subsequent to July 1, 2008, the coverage limit provided is $30,000,000 per claim and in the policy aggregate These excess limits are excess of the primary policy, and the umbrella policies are 100% reinsured with third-party commercial reinsurers

The provision for estimated professional liability claims, general liability claims, and workers' compensation claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported As of June 30, 2012 and 2011, the balance for outstanding claims reserves recorded at Cottage is $20,432,000 and $21,372,000, respectively The remaining tail liability for claims incurred but not reported is $6,529,000 and $6,561,000 as of June 30, 2012 and 2011, with $5,326,000 of the 2012 liability, and $5,270,000 of the 2011 liability recorded at the Hospital The remainder of the liability is recorded at PE The Group has employed an independent actuary to estimate the ultimate settlement of such claims In management's opinion, the amounts recorded provide an adequate reserve for loss contingencies However, changes in circumstances affecting professional liability claims could cause these estimates to change by material amounts in the short term

11. Commitments and Contingencies

Operating Leases

Various members of the Group have operating leases for storage space, equipment, and offices During 2012 and 2011, rent expense on these leases was approximately $7,077,000 and $7,880,000, respectively Future minimum annual rental payments under noncancelable operating leases, which expire through 2019, are as follows

2013	$ 8,941,000
2014	7,096,000
2015	4,924,000
2016	3,853,000
2017	1,914,000
Thereafter	3,208,000
	$ 29,936,000

Contracted Construction Commitments

Members of the Group have future construction commitments with outside contractors for various projects totaling $2,324,000 and $9,406,000 as of June 30, 2012 and 2011, respectively

Contingencies

Members of the Group have been named as defendants in various legal proceedings arising from the performance of their normal activities In the opinion of management, after consultation with legal counsel and after consideration of applicable insurance, the amount of the Group's ultimate liability under all current legal proceedings will not have a material adverse effect on its consolidated financial position or results of operations

The Group's revenues may be subject to adjustment as a result of examination by government agencies or contractors based upon differing interpretation of government regulations, medical diagnosis, charge coding, medical necessity, or other contract terms The resolution of these matters, if any, often is not finalized until subsequent to the period during which the services were rendered Section 302 of the Tax Relief and Health Care Act of 2006 authorized a permanent program involving the use of third-party recovery audit contractors (RACs) to identify Medicare overpayments and underpayments made to providers We have established

11. Commitments and Contingencies (continued)

protocols to respond to RAC requests and payment denials Payment recoveries resulting from RAC reviews are appealable through administrative and judicial processes, and we intend to pursue the reversal of adverse determinations where appropriate In addition to overpayments that are not reversed on appeal, we will incur additional costs to respond to requests for records and pursue the reversal of payment denials As of June 30, 2012, the Group has recorded an estimated reserve regarding the Medicare overpayments In the opinion of the Group's management, the ultimate settlement of this matter will not have a material adverse effect on the financial position of the Group

12. Functional Expenses

Members of the Group provide general health care services to residents within their service area Expenses related to providing these services are as follows

	2012	2011
Health care services	**$ 478,720,000**	$ 429,288,000
General and administrative	**89,110,000**	75,396,000
	$ 567,830,000	$ 504,684,000

13. Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, patient receivables, prepaid expenses and other current assets, accounts payable, accrued salaries, wages and benefits, other accrued expenses, and advances from third-party payors approximate fair value, given the short-term nature of these financial instruments and/or their methods of valuation The following methods and assumptions were used by the Group in estimating the fair value of other financial instruments

Investments and Assets Whose Use Is Limited

Fair values are based on quoted market prices, if available, or estimated using quoted market prices for similar securities

13. Fair Value of Financial Instruments (continued)

Pledges Receivable

The Group estimates that the carrying value of pledges receivable approximates fair value, given the discount rates applied

Long-Term Debt

Fair values of the Group's fixed rate long-term debt are established using discounted cash flow analyses, based on the Group's current incremental borrowing rates for similar types of borrowing arrangements The carrying amount of the Group's variable rate long-term debt approximates fair value The estimated fair value of all long-term debt at June 30, 2012 and 2011, was approximately $460,940,000 and $453,564,000, respectively

14. Temporarily Restricted Net Assets

At June 30, 2012 and 2011, temporarily restricted net assets are restricted for use, as follows

	2012	2011
Hospital capital additions	**$ 14,003,000**	$ 16,939,000
Hospital operating programs	**4,890,000**	3,144,000
	$ 18,893,000	$ 20,083,000

15. Subsequent Events

The Group has evaluated the impact of subsequent events through September 24, 2012, representing the date at which the consolidated financial statements were issued

Supplementary Information

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Report of Independent Auditors on Supplementary Information

Board of Trustees of
Anne Arundel Health System, Inc

Our audit was conducted for the purpose of forming an opinion on the June 30, 2012 consolidated financial statements taken as a whole The June 30, 2012 supplementary consolidating information 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 audit 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 In our opinion, based on our audit and the report of other auditors, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole

Ernst + Young LLP

September 25, 2012

Anne Arundel Health System, Inc and Subsidiaries

Supplementary Consolidating Balance Sheet

June 30, 2012

	Anne Arundel Health System, Inc	Anne Arundel Medical Center, Inc and Subsidiaries	Anne Arundel Health Care Enterprises, Inc	Anne Arundel Real Estate Holding Company, Inc and Subsidiaries	Cottage Insurance Company, Ltd	AAHS Research Institute, Inc	Physician Enterprise, LLC	Anne Arundel Medical Center Foundation, Inc	Consolidating and Eliminating Entries		Consolidated
									Cottage Insurance Company, Ltd	Other Subsidiaries	
Assets											
Current assets											
Cash and cash equivalents	$ 472 000	$ 16 267 000	$ 5 000	$ 1 554 000	$ –	$ 21 000	$ 447 000	$ 3 124 000	$ –	$ –	$ 21 890 000
Short-term investments	–	1 762 000	–	–	–	–	–	1 083 000	–	–	2 845 000
Current portion of assets whose use is limited	–	6 873 000	–	–	2 748 000	–	–	–	–	–	9 621 000
Patient receivables net	–	56 468 000	–	–	–	–	4 313 000	–	–	–	60 781 000
Current portion of pledges receivable net	–	–	–	–	–	–	–	4 706 000	–	–	4 706 000
Inventories	–	8 421 000	85 000	–	–	–	–	–	–	–	8 506 000
Prepaid expenses and other current assets	–	46 616 000	1 831 000	1 252 000	36 000	10 000	262 000	13 000	(5 320 000)	(34 312 000) [1, 4]	10 388 000
Total current assets	472 000	136 407 000	1 921 000	2 806 000	2 784 000	31 000	5 022 000	8 926 000	(5 320 000)	(34 312 000)	118 737 000
Property and equipment	–	628 741 000	8 839 000	131 515 000	–	67 000	–	247 000	–	–	769 409 000
Less accumulated depreciation and amortization	–	(221 486 000)	(5 468 000)	(32 841 000)	–	(37 000)	–	(209 000)	–	–	(260 041 000)
Net property and equipment	–	407 255 000	3 371 000	98 674 000	–	30 000	–	38 000	–	–	509 368 000
Other assets											
Investments	–	202 035 000	–	–	–	–	–	1 583 000	–	–	203 618 000
Investments in joint ventures	–	–	1 283 000	4 135 000	–	–	–	–	–	–	5 418 000
Pledges receivable net	–	–	–	–	–	–	–	9 936 000	–	–	9 936 000
Assets whose use is limited	–	34 235 000	–	–	24 395 000	–	–	13 220 000	–	–	71 850 000
Deferred debt issue costs net	–	7 061 000	–	374 000	–	–	–	–	–	–	7 435 000
Beneficial interest in net assets of AAMC Foundation Inc	–	30 811 000	–	–	–	–	–	–	–	(30 811 000) [3]	–
Restricted collateral for interest rate swap contracts	–	78 505 000	–	–	–	–	–	–	–	–	78 505 000
Investment in subsidiaries and other assets	348 397 000	17 710 000	–	–	8 730 000	–	1 224 000	322 000	–	(364 500 000) [1, 4]	11 883 000
Total assets	$ 348 869 000	$ 914 019 000	$ 6 575 000	$ 105 989 000	$ 35 909 000	$ 61 000	$ 6 246 000	$ 34 025 000	$ (5 320 000)	$ (429 623 000)	$ 1 016 750 000

Anne Arundel Health System, Inc and Subsidiaries

Supplementary Consolidating Balance Sheet (continued)

June 30, 2012

	Anne Arundel Health System, Inc	Anne Arundel Medical Center, Inc and Subsidiaries	Anne Arundel Health Care Enterprises, Inc	Anne Arundel Real Estate Holding Company, Inc and Subsidiaries	Cottage Insurance Company, Ltd	AAHS Research Institute, Inc	Physician Enterprise, LLC	Anne Arundel Medical Center Foundation, Inc	Consolidating and Eliminating Entries			Consolidated
									Cottage Insurance Company, Ltd	Other Subsidiaries		
Liabilities and net assets												
Current liabilities												
Accounts payable	$ –	$ 22 026 000	$ 7 920 000	$ 1 062 000	$ 5 404 000	$ 3 751 000	$ 21 172 000	$ 2 591 000	$ (5 320 000)	$ (33 792 000)	[1]	$ 24 814 000
Accrued salaries wages and benefits	–	25 322 000	980 000	–	–	–	3 282 000	–	–	–		29 584 000
Other accrued expenses	–	16 799 000	10 000	939 000	3 562 000	–	–	623 000	–	–		21 933 000
Current portion of long-term debt and capital lease obligations	–	5 964 000	–	3 748 000	–	–	–	–	–	(520 000)	[4]	9 192 000
Advances from third-party payors	–	26 357 000	–	–	–	–	–	–	–	–		26 357 000
Total current liabilities	–	96 468 000	8 910 000	5 749 000	8 966 000	3 751 000	24 454 000	3 214 000	(5 320 000)	(34 312 000)		111 880 000
Long-term debt and capital lease obligations less current portion and unamortized original issue discount	–	333 497 000	–	90 795 000	–	–	–	–	–	(5 718 000)	[4]	418 574 000
Interest rate swap contracts	–	82 797 000	–	–	–	–	–	–	–	–		82 797 000
Accrued pension liability	–	35 459 000	–	–	–	–	–	–	–	–		35 459 000
Other long-term liabilities	–	11 000	–	10 384 000	16 870 000	–	2 291 000	–	–	(10 384 000)	[1]	19 172 000
Total liabilities	–	548 232 000	8 910 000	106 928 000	25 836 000	3 751 000	26 745 000	3 214 000	(5 320 000)	(50 414 000)		667 882 000
Net assets												
Unrestricted	318 414 000	335 332 000	(2 335 000)	(939 000)	10 073 000	(3 690 000)	(20 499 000)	1 015 000	–	(318 958 000)	[2] [3]	318 413 000
Temporarily restricted	18 893 000	18 893 000	–	–	–	–	–	18 893 000	–	(37 786 000)	[2] [3]	18 893 000
Permanently restricted	11 562 000	11 562 000	–	–	–	–	–	10 903 000	–	(22 465 000)	[2] [3]	11 562 000
Total net assets	348 869 000	365 787 000	(2 335 000)	(939 000)	10 073 000	(3 690 000)	(20 499 000)	30 811 000	–	(379 209 000)		348 868 000
Total liabilities and net assets	$ 348 869 000	$ 914 019 000	$ 6 575 000	$ 105 989 000	$ 35 909 000	$ 61 000	$ 6 246 000	$ 34 025 000	$ (5 320 000)	$ (429 623 000)		$ 1 016 750 000

Anne Arundel Health System, Inc and Subsidiaries

Supplementary Consolidating Schedule of Revenues, Expenses, Gains, and Losses

June 30, 2012

	Anne Arundel Health System, Inc	Anne Arundel Medical Center, Inc and Subsidiaries	Anne Arundel Health Care Enterprises, Inc	Anne Arundel Real Estate Holding Company, Inc and Subsidiaries	Cottage Insurance Company, Ltd	AAHS Research Institute, Inc	Physician Enterprise, LLC	Anne Arundel Medical Center Foundation, Inc	Consolidating and Eliminating Entries		Consolidated
									Cottage Insurance Company, Ltd	Other Subsidiaries	
Operating revenue											
Net patient service revenue	$ –	$ 498 647 000	$ –	$ –	$ –	$ –	$ 52 242 000	$ –	$ –	$ –	$ 550 889 000
Other operating revenue	1 301 000	15 804 000	19 308 000	18 777 000	4 012 000	1 192 000	15 446 000	–	(4 012 000)	(44 145 000)	27 683 000
Total operating revenue	1 301 000	514 451 000	19 308 000	18 777 000	4 012 000	1 192 000	67 688 000	–	(4 012 000)	(44 145 000)	578 572 000
Operating expenses											
Salaries and wages	$ –	$ 177 121 000	$ 13 055 000	$ –	$ –	$ 1 066 000	$ 35 321 000	$ 799 000	$ –	$ (1 865 000)	$ 225 497 000
Employee benefits	–	37 896 000	2 723 000	–	–	234 000	3 204 000	176 000	–	(410 000)	43 823 000
Medical supplies and drugs	–	113 687 000	45 000	1 000	–	15 000	2 312 000	19 000	–	–	116 079 000
Purchased services	1 119 000	89 296 000	3 528 000	10 372 000	2 488 000	495 000	26 590 000	1 117 000	(4 012 000)	(41 744 000)	89 249 000
Professional fees	–	15 421 000	–	–	–	9 000	365 000	–	–	(29 000)	15 766 000
Depreciation and amortization	–	29 972 000	1 098 000	4 552 000	–	13 000	–	1 000	–	–	35 636 000
Interest	–	16 894 000	–	1 429 000	–	–	–	–	–	(97 000)	18 226 000
Provision for bad debts	–	20 664 000	–	–	–	–	2 890 000	–	–	–	23 554 000
Total operating expenses	1 119 000	500 951 000	20 449 000	16 354 000	2 488 000	1 832 000	70 682 000	2 112 000	(4 012 000)	(44 145 000)	567 830 000
Operating income (loss)	182 000	13 500 000	(1 141 000)	2 423 000	1 524 000	(640 000)	(2 994 000)	(2 112 000)	–	–	10 742 000
Other income (loss)											
Investment income, net	–	6 137 000	–	42 000	1 612 000	–	–	54 000	–	–	7 845 000
Income (Loss) from joint ventures and other, net	(35 261 000)	966 000	367 000	–	–	–	–	–	–	35 261 000	1 333 000
Change in unrealized gains (losses) on trading securities, net	–	(3 470 000)	–	–	(776 000)	–	–	(99 000)	–	–	(4 345 000)
Realized and unrealized losses on interest rate swap contracts, net	–	(50 654 000)	–	–	–	–	–	–	–	–	– (50 654 000)
Total other income, net	(35 261 000)	(47 021 000)	367 000	42 000	836 000	–	–	(45 000)	–	35 261 000	(45 821 000)
Revenues and gains (less than) in excess of expenses	$ (35 079 000)	$ (33 521 000)	$ (774 000)	$ 2 465 000	$ 2 360 000	$ (640 000)	$ (2 994 000)	$ (2 157 000)	$ –	$ 35 261 000	$ (35 079 000)

Anne Arundel Medical Center, Inc. and Subsidiaries

Supplementary Consolidating Balance Sheet

June 30, 2012

	Anne Arundel Medical Center, Inc.	Anne Arundel Health Care Services, Inc.	Anne Arundel General Treatment Services, Inc.	Consolidating and Eliminating Entries	Consolidated
Assets					
Current assets					
Cash and cash equivalents	$ 4,507,000	$ 11,759,000	$ 1,000	$ –	$ 16,267,000
Short-term investments	1,762,000	–	–	–	1,762,000
Current portion of assets whose use is limited	6,873,000	–	–	–	6,873,000
Patient receivables, net	53,070,000	2,875,000	523,000	–	56,468,000
Inventories	8,421,000	–	–	–	8,421,000
Due from affiliates, net	39,633,000	25,073,000	323,000	(25,396,000) (1)	39,633,000
Prepaid expenses and other current assets	6,878,000	102,000	3,000	–	6,983,000
Total current assets	121,144,000	39,809,000	850,000	(25,396,000)	136,407,000
Property and equipment	595,873,000	27,339,000	5,529,000	–	628,741,000
Less accumulated depreciation and amortization	(196,883,000)	(21,611,000)	(2,992,000)	–	(221,486,000)
Net property and equipment	398,990,000	5,728,000	2,537,000	–	407,255,000
Other assets					
Investments	202,035,000	–	–	–	202,035,000
Assets whose use is limited	34,235,000	–	–	–	34,235,000
Deferred debt issue costs, net	7,061,000	–	–	–	7,061,000
Beneficial interest in net assets of Anne Arundel Medical Center Foundation, Inc	30,811,000	–	–	–	30,811,000
Notes receivable from affiliate	5,718,000	–	–	–	5,718,000
Restricted collateral for interest rate swap contracts	78,505,000	–	–	–	78,505,000
Investments in subsidiaries and other assets, net	59,192,000	27,000	–	(47,227,000) (2)	11,992,000
Total assets	$ 937,691,000	$ 45,564,000	$ 3,387,000	$ (72,623,000)	$ 914,019,000

Anne Arundel Medical Center, Inc. and Subsidiaries

Supplementary Consolidating Balance Sheet (continued)

June 30, 2012

	Anne Arundel Medical Center, Inc.	Anne Arundel Health Care Services, Inc.	Anne Arundel General Treatment Services, Inc.	Consolidating and Eliminating Entries	Consolidated
Liabilities and net assets					
Current liabilities					
Accounts payable	$ 20,302,000	$ 1,690,000	$ 34,000	$ –	$ 22,026,000
Accrued salaries, wages, and benefits	25,322,000	–	–	–	25,322,000
Other accrued expenses	16,799,000	–	–	–	16,799,000
Current portion of long-term debt and capital lease obligations	5,964,000	–	–	–	5,964,000
Intercompany payables	25,396,000	–	–	(25,396,000) [1]	–
Advances from third-party payors	26,357,000	–	–	–	26,357,000
Total current liabilities	120,140,000	1,690,000	34,000	(25,396,000)	96,468,000
Long-term debt and capital lease obligations, less current portion and unamortized original issue discount	333,497,000	–	–	–	333,497,000
Interest rate swap contracts	82,797,000	–	–	–	82,797,000
Accrued pension liability	35,459,000	–	–	–	35,459,000
Other long-term liabilities	11,000	–	–	–	11,000
Total liabilities	571,904,000	1,690,000	34,000	(25,396,000)	548,232,000
Net assets					
Unrestricted	335,332,000	43,874,000	3,353,000	(47,227,000) [2]	335,332,000
Temporarily restricted	18,893,000	–	–	–	18,893,000
Permanently restricted	11,562,000	–	–	–	11,562,000
Total net assets	365,787,000	43,874,000	3,353,000	(47,227,000)	365,787,000
Total liabilities and net assets	$ 937,691,000	$ 45,564,000	$ 3,387,000	$ (72,623,000)	$ 914,019,000

Anne Arundel Medical Center, Inc. and Subsidiaries

Supplementary Consolidating Schedule of Revenues, Expenses, Gains, and Losses

June 30, 2012

	Anne Arundel Medical Center, Inc.	Anne Arundel Health Care Services, Inc.	Anne Arundel General Treatment Services, Inc.	Consolidating and Eliminating Entries	Consolidated
Operating revenue					
Net patient service revenue	$ 463,459,000	$ 29,894,000	$ 5,294,000	$ –	$ 498,647,000
Other operating revenue	25,689,000	85,000	35,000	(10,005,000) [3]	15,804,000
Total operating revenue	489,148,000	29,979,000	5,329,000	(10,005,000)	514,451,000
Operating expenses					
Salaries and wages	177,121,000	4,923,000	2,934,000	(7,857,000) [3]	177,121,000
Employee benefits	37,896,000	1,083,000	645,000	(1,728,000) [3]	37,896,000
Medical supplies and drugs	112,310,000	1,140,000	283,000	(46,000) [3]	113,687,000
Purchased services	82,203,000	6,864,000	603,000	(374,000) [3]	89,296,000
Professional fees	8,939,000	6,443,000	39,000	–	15,421,000
Depreciation and amortization	27,759,000	2,065,000	148,000	–	29,972,000
Interest	16,894,000	–	–	–	16,894,000
Provision for bad debts	18,502,000	1,884,000	278,000	–	20,664,000
Total operating expenses	481,624,000	24,402,000	4,930,000	(10,005,000)	500,951,000
Operating income	7,524,000	5,577,000	399,000	–	13,500,000
Other income (loss)					
Investment income, net	6,136,000	1,000	–	–	6,137,000
Income from joint venture and other, net	6,943,000	–	1,000	(5,978,000) [5]	966,000
Change in unrealized gains on trading securities, net	(3,470,000)	–	–	–	(3,470,000)
Realized and unrealized losses on interest rate swap contracts, net	(50,654,000)	–	–	–	(50,654,000)
Total other income (loss), net	(41,045,000)	1,000	1,000	(5,978,000)	(47,021,000)
Revenues and gains (less than) in excess of expenses	$ (33,521,000)	$ 5,578,000	$ 400,000	$ (5,978,000)	$ (33,521,000)

Anne Arundel Health System, Inc. and Subsidiaries

Supplementary Description of Consolidating and Eliminating Entries

1 To eliminate intercompany payables/receivables

2 To eliminate investment in subsidiaries and related net asset accounts

3 To eliminate intercompany income/expense generated from management fees, staffing contracts, captive insurance premiums, and operating leases

4 To eliminate intercompany notes

5 To eliminate income of wholly owned subsidiaries

6 To eliminate intercompany revenue/expense for interest and other miscellaneous transactions

7 To eliminate the Hospital's beneficial interest in Anne Arundel Medical Center Foundation, Inc

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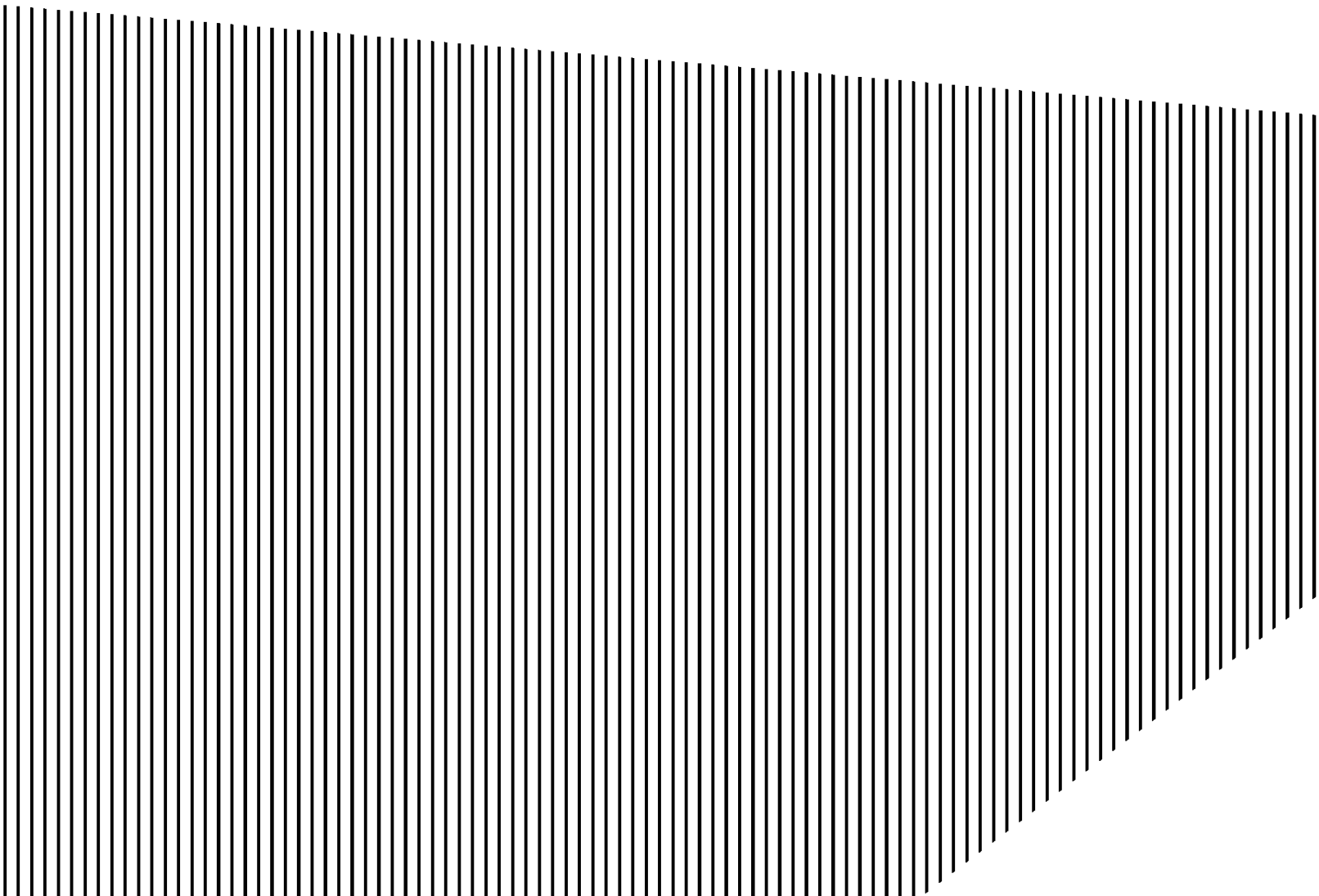

REPRESENTATION UNDER TREAS. REG. § 1.7872-15(D)(2) REGARDING NONRECOURSE SPLIT-DOLLAR LOAN

Employee	**Employer**
Martin "Chip" L. Doordan Name	Anne Arundel Health System Name
4908 Sudleys Choice Lane	2001 Medical Parkway
Harwood, MD 20776-	Annapolis, MD 21401
Social Security Number	52-1169362 Employer Identification Number

The Employer has paid one or more premiums into a life insurance policy owned by the Employee. The premiums are split dollar loans under Treas. Reg. § 1.7872-15. The loans are nonrecourse.

The Employer and Employee represent that a reasonable person would expect that all payments under the loan(s) will be made.

Employee Signature:

Date: 1/24/12

Employer Signature:

By _____

Its Victoria W. Bayless
President & Chief Executive Officer
~~Anne Arundel Health System~~

Date: _____

SIGN TWO COPIES OF THIS FORM – SEE BELOW

Note: Current IRS regulations require the following:

1. The employer and the employee must each sign this representation not later than the last day (including extensions) for filing the Federal income tax return of the employer or the employee (whichever is earlier) for the taxable year in which the employer pays the first premium under the arrangement.
2. The employer and the employee must each keep an original signed copy of this representation as part of their books and records.
3. The employer and the employee must each attach a copy of this representation to their Federal income tax returns for any taxable year in which the employer pays a premium under the arrangement.

Additional Data

Software ID:
Software Version:
EIN: 52-1169362
Name: ANNE ARUNDEL MEDICAL CENTER 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			
GEORGE T MORAN CHAIRMAN	1 00	X		X				0	0	0
BIANA J ARENTZ VICE CHAIRMAN	1 00	X		X				0	0	0
KENT MCNEW SECRETARY	1 00	X		X				0	0	0
CHARLES R LARSON TREASURER	1 00	X		X				0	0	0
JASON GROVES ASSISTANT SECRETARY	1 00	X		X				0	0	0
BARRY JACKSON ASSISTANT TREASURER	1 00	X		X				0	0	0
VICTORIA BAYLESS PRESIDENT	40 00	X		X				774,544	0	106,244
JOHN BELCHER BOARD MEMBER	1 00	X						0	0	0
JUNE CAUDILL BOARD MEMBER	1 00	X						0	0	0
PAUL ELDER MD BOARD MEMBER	1 00	X						0	0	0
JAMES ELLERSON BOARD MEMBER	1 00	X						0	0	0
CARLESA FINNEY BOARD MEMBER	1 00	X						0	0	0
ED GOSSELIN BOARD MEMBER	1 00	X						0	0	0
KEN GUMMERSON MD BOARD MEMBER	1 00	X						0	0	0
GARY JOBSON BOARD MEMBER	1 00	X						0	0	0
MAULIK JOSHI BOARD MEMBER	1 00	X						0	0	0
DOUG MITCHELL MD BOARD MEMBER	1 00	X						0	0	0
RICHARD J MORGAN BOARD MEMBER	1 00	X						0	0	0
CHRIS O'MEARA BOARD MEMBER	1 00	X						0	0	0
PATRICIA ROCHE BOARD MEMBER	1 00	X						0	0	0
LEISA C RUSSELL BOARD MEMBER	1 00	X						0	0	0
ROBERT REILLY CFO	40 00			X				438,415	0	21,959
MARTIN L DOORDAN CEO DURING CALENDAR YEAR	40 00				X			936,615	0	44,121
SHERRY PERKINS CHIEF NURSING OFFICER	40 00				X			444,406	0	7,604
MITCHELL SCHWARTZ MD CHIEF MEDICAL OFFICER	40 00				X			563,216	0	35,627

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			
STEPHEN CLARKE VP OF PHYSICIAN SERVICES	20 00					X		309,636	0	11,852
CAROLYN CORE SENIOR VP OF CORPORATE SERVICES	40 00					X		413,281	0	18,627
VANESSA DIFLUMERI VP OF STRATEGIC PLANNING & BUSINESS DEVELOPMENT	40 00					X		331,189	0	12,487
NANCY LUTTRELL VP OF HUMAN RESOURCES	40 00					X		286,684	0	13,464
JOSEPH D MOSER MD SENIOR VP OF MEDICAL AFFAIRS	40 00					X		446,082	0	24,371