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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

2012

Open to Public Inspection

A For the 2012 calendar year, or tax year beginning 07-01-2012 , 2012, and ending 06-30-2013

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

C Name of organization
SHORE HEALTH SYSTEM INC

Doing Business As

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

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

D Employer identification number
52-0610538

E Telephone number
(410)822-1000

G Gross receipts $ 232,651,186

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

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

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

H(c) Group exemption number ▶

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

J Website: ▶ www shorehealth org

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

L Year of formation 1906

M State of legal domicile MD

Part I Summary

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

2 Check this box ▶☐ if the organization discontinued its operations or disposed of more than 25% of its net assets

Activities & Governance

3	Number of voting members of the governing body (Part VI, line 1a)	**3**	17
4	Number of independent voting members of the governing body (Part VI, line 1b)	**4**	14
5	Total number of individuals employed in calendar year 2012 (Part V, line 2a)	**5**	2,319
6	Total number of volunteers (estimate if necessary)	**6**	575
7a	Total unrelated business revenue from Part VIII, column (C), line 12	**7a**	5,868,638
b	Net unrelated business taxable income from Form 990-T, line 34	**7b**	-614,641

		Prior Year	Current Year
Revenue			
8	Contributions and grants (Part VIII, line 1h)	1,194,279	1,175,085
9	Program service revenue (Part VIII, line 2g)	225,611,170	224,710,875
10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	-2,269,405	6,260,294
11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	236,517	-550,380
12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	224,772,561	231,595,874
Expenses			
13	Grants and similar amounts paid (Part IX, column (A), lines 1–3)	0	0
14	Benefits paid to or for members (Part IX, column (A), line 4)	0	0
15	Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	104,912,922	106,988,248
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)	102,308,028	104,596,660
18	Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	207,220,950	211,584,908
19	Revenue less expenses Subtract line 18 from line 12	17,551,611	20,010,966

		Beginning of Current Year	End of Year
Net Assets or Fund Balances			
20	Total assets (Part X, line 16)	331,373,142	343,942,458
21	Total liabilities (Part X, line 26)	145,166,142	150,297,748
22	Net assets or fund balances Subtract line 21 from line 20	186,207,000	193,644,710

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

****** | 2014-05-08
Signature of officer | Date

WALTER ZAJAC CFO
Type or print name and title

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check ☐ if self-employed	PTIN
GRANT THORNTON LLP				
Firm's name ▶ GRANT THORNTON LLP			Firm's EIN ▶	
Firm's address ▶ 2001 MARKET STREET SUITE 700 PHILADELPHIA, PA 19103			Phone no (215) 561-4200	

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

Part III Statement of Program Service Accomplishments

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

1 Briefly describe the organization's mission

TO EXCEL IN QUALITY CARE AND PATIENT SATISFACTION

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

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

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

If "Yes," describe these changes on Schedule O

4 Describe the organization's program service accomplishments for each of its three largest program services, as measured by expenses Section 501(c)(3) and 501(c)(4) organizations 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 $ 178,160,532 including grants of $) (Revenue $ 224,710,875)

SEE SCHEDULE O

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** ▶ 178,160,532

Part IV Checklist of Required Schedules

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

Part IV Checklist of Required Schedules *(continued)*

21	Did the organization report more than $5,000 of grants and other assistance to any government or organization in the United States on Part IX, column (A), line 1? *If "Yes," complete Schedule I, Parts I and II*	**21**		No
22	Did the organization report more than $5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? *If "Yes," complete Schedule I, Parts I and III*	**22**		No
23	Did the organization answer "Yes" to Part VII, Section A, line 3, 4, or 5 about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? *If "Yes," complete Schedule J*	**23**	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than $100,000 as of the last day of the year, that was issued after December 31, 2002? *If "Yes," answer lines 24b through 24d and complete Schedule K. If "No," go to line 25*	**24a**		No
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	**24b**		
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	**24c**		
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	**24d**		
25a	**Section 501(c)(3) and 501(c)(4) organizations.** Did the organization engage in an excess benefit transaction with a disqualified person during the year? *If "Yes," complete Schedule L, Part I*	**25a**		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? *If "Yes," complete Schedule L, Part I*	**25b**		No
26	Was a loan to or by a current or former officer, director, trustee, key employee, highest 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 employee thereof, a grant selection committee member, or to a 35% controlled entity or family member of any of these persons? *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**	Yes	
b	A family member of a current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	**28b**	Yes	
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? *If "Yes," complete Schedule L, Part IV*	**28c**		No
29	Did the organization receive more than $25,000 in non-cash contributions? *If "Yes," complete Schedule M*	**29**		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? *If "Yes," complete Schedule M*	**30**		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? *If "Yes," complete Schedule N, Part I*	**31**		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? *If "Yes," complete Schedule N, Part II*	**32**		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301 7701-2 and 301 7701-3? *If "Yes," complete Schedule R, Part I*	**33**		No
34	Was the organization related to any tax-exempt or taxable entity? *If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1*	**34**	Yes	
35a	Did the organization have a controlled entity within the meaning of section 512(b)(13)?	**35a**	Yes	
b	If 'Yes' to line 35a, 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 11b 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	769		
b	Enter the number of Forms W-2G included in line 1a *Enter -0-* if not applicable	1b	0		
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	1c		Yes	
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return	2a	2,319		
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns? **Note.** If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions)	2b		Yes	
3a	Did the organization have unrelated business gross income of $1,000 or more during the year? . . .	3a		Yes	
b	If "Yes," has it filed a Form 990-T for this year? *If "No," provide an explanation in Schedule O*	3b		Yes	
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?	4a			No
b	If "Yes," enter the name of the foreign country ▶ _____ See instructions for filing requirements for Form TD F 90-22 1, Report of Foreign Bank and Financial Accounts				
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year? . .	5a			No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	5b			No
c	If "Yes," to line 5a or 5b, did the organization file Form 8886-T?	5c			
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 as charitable contributions? . . .	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.** See the instructions for additional information the organization must report on Schedule O	13a			
b	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans	13b			
c	Enter the amount of reserves on hand	13c			
14a	Did the organization receive any payments for indoor tanning services during the tax year?	14a			No
b	If "Yes," has it filed a Form 720 to report these payments? *If "No," provide an explanation in Schedule O* . .	14b			

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

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

Section A. Governing Body and Management

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

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

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

Section C. Disclosure

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

18 Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection Indicate how you made these available Check all that apply

☐ Own website ☐ Another's website ☑ Upon request ☐ Other (explain in Schedule O)

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 during the tax year

20 State the name, physical address, and telephone number of the person who possesses the books and records of the organization ▶ WALTER ZAJAC CFO 219 SOUTH WASHINGTON ST EASTON, MD (410)822-1000

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

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

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

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

- List all of the organization's **current** officers, directors, trustees (whether individuals or organizations), regardless of amount of compensation 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 organization compensated any current officer, director, or trustee

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(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) Robert Chrencik UMMS President/CEO	1 0 49 0	X						0	2,174,568	234,466
(2) John Dillon Board Chairman	1 0	X		X				0	0	0
(3) Richard Loeffler Board Vice Chairman	1 0	X		X				0	0	0
(4) Charles Lea Board Vice Chairman	1 0	X		X				0	0	0
(5) Martha Russell Board Treasurer	1 0	X		X				0	0	0
(6) Stuart Bounds Board Secretary	1 0	X		X				0	0	0
(7) Robert Carmean Board Member	1 0	X						0	0	0
(8) Ludwig Eglseder III MD Board Member	1 0	X						48,000	0	0
(9) Marlene Feldman Board Member	1 0	X						0	0	0
(10) Michael Joyce Board Member	1 0	X						0	0	0
(11) Keith McMahan Board Member	1 0	X						0	0	0
(12) David Milligan Board Member	1 0	X						0	0	0
(13) Michael Moran Board Member	1 0	X						0	0	0
(14) John Ashworth III Board Member	1 0 49 0	X						0	588,536	20,542
(15) Neil Mufson Board Member	1 0	X						0	0	0
(16) James Peterson Board Member	1 0	X						0	0	0
(17) Jack Stolz Board Member	1 0	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 (list any hours for related organizations below dotted line)	(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) Walter Zajac SVP/CFO-Board Asst Treasurer	40 0 10 0			X				298,396	0	18,788
(19) Phyllis Matthai Board Assistant Secretary	40 0			X				72,163	0	15,883
(20) Kenneth Kozel President/CEO	40 0 10 0			X				628,725	0	80,369
(21) Gerard Walsh FORMER INTERIM CEO	47 0 3 0				X			412,236	0	20,864
(22) Michael Tooke MD CMO	50 0				X			598,789	0	20,864
(23) Christopher Parker SVP- Pat Care/CNO	49 0 1 0				X			349,534	0	17,753
(24) Jonathan Cook VP/Physican Services	40 0 10 0				X			219,363	0	33,142
(25) Michael Zimmerman VP/HR	50 0					X		236,961	0	17,115
(26) Michael Silgen VP/Strat Plan & Bus Develop	50 0					X		208,183	0	21,312
(27) John Sawyer Lead Medical Physicist	40 0					X		180,293	0	9,813
(28) Catherine Ferara Clinical Pharmist	40 0					X		148,404	0	13,727
(29) Patti Willis SVP External Relations/Commun	40 0					X		248,878	0	17,248
(30) Joseph Ross VP/Physican Services							X	206,228	0	0
1b Sub-Total . . . . . ▶										
c Total from continuation sheets to Part VII, Section A . . . . ▶										
d Total (add lines 1b and 1c) . . . . . ▶								3,856,153	2,763,104	541,886

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 ▶ 55

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

Section B. Independent Contractors

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

(A) Name and business address	(B) Description of services	(C) Compensation
Maryland Emergency Medicine Network , 110 South Paca St 6th floor suite BALTIMORE MD 21201	Physician Services	3,062,097
Tidewater Anesthesia Associates PA , PO Box 1208 EASTON MD 21601	Physician Services	1,449,996
Innovative Health Services , PO Box 778 EASTON MD 21601	MGMT Fee	768,252
Labcorp of America , PO Box 12140 BURLINGTON NC 27217	Lab Services	876,410
Transcend Services Inc , Dept 40089 PO Box 740209 ATLANTA GA 30374	Transcription	797,512

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 ▶ 47

Part VIII Statement of Revenue

Check if Schedule O contains a response to any question in this Part VIII . . . . . ☐

				(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	909,278			
	e	Government grants (contributions)	1e	177,528			
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	88,279			
	g	Noncash contributions included in lines 1a-1f $					
	h	**Total.** Add lines 1a-1f			1,175,085		
Program Service Revenue			Business Code				
	2a	PATIENT SERVICE REVENUE	621500	222,399,974	216,519,729	5,880,245	
	b	OTHER OPERATING REVENUE	900099	2,310,901	2,310,901		
	c						
	d						
	e						
	f	All other program service revenue					
	g	**Total.** Add lines 2a–2f			224,710,875		
	3	Investment income (including dividends, interest, and other similar amounts)			663,347		663,347
	4	Income from investment of tax-exempt bond proceeds			0		
	5	Royalties			0		

		(i) Real	(ii) Personal				
6a	Gross rents	586,653					
b	Less rental expenses	1,055,312					
c	Rental income or (loss)	-468,659	0				
d	Net rental income or (loss)			-468,659			-468,659

		(i) Securities	(ii) Other				
7a	Gross amount from sales of assets other than inventory	5,596,947					
b	Less cost or other basis and sales expenses						
c	Gain or (loss)	5,596,947					
d	Net gain or (loss)			5,596,947			5,596,947
Other Revenue	8a	Gross income from fundraising events (not including $ _____ of contributions reported on line 1c) See Part IV, line 18 a					
	b	Less direct expenses b					
	c	Net income or (loss) from fundraising events			0		
	9a	Gross income from gaming activities See Part IV, line 19 a					
	b	Less direct expenses b					
	c	Net income or (loss) from gaming activities			0		
	10a	Gross sales of inventory, less returns and allowances a					
	b	Less cost of goods sold b					
	c	Net income or (loss) from sales of inventory			0		
	Miscellaneous Revenue		Business Code				
	11a	JOINT VENTURE REVENUE	900099	3,893	15,500	-11,607	
	b	EARLY EXTINGUISHMENT OF DEBT	900099	-85,614			-85,614
	c						
	d	All other revenue					
	e	**Total.** Add lines 11a–11d			-81,721		
	12	**Total revenue.** See Instructions			231,595,874	218,846,130	5,868,638	5,706,021

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)

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

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.	(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1 Grants and other assistance to governments and organizations in the United States See Part IV, line 21	0			
2 Grants and other assistance to individuals in the United States See Part IV, line 22	0			
3 Grants and other assistance to governments, organizations, and individuals outside the United States See Part IV, lines 15 and 16	0			
4 Benefits paid to or for members	0			
5 Compensation of current officers, directors, trustees, and key employees	2,845,048	2,418,291	426,757	0
6 Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)	0			
7 Other salaries and wages	79,122,415	67,396,927	11,725,488	
8 Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions)	3,939,514	3,401,858	537,656	
9 Other employee benefits	14,663,701	12,541,890	2,121,811	
10 Payroll taxes	6,417,570	5,455,025	962,545	
11 Fees for services (non-employees)				
a Management	0			
b Legal	667,427		667,427	
c Accounting	2,498,225		2,498,225	
d Lobbying	21,169	21,169		
e Professional fundraising services See Part IV, line 17	0			
f Investment management fees	0			
g Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O)	20,321,953	16,482,114	3,839,839	
12 Advertising and promotion	1,405,527	1,405,527		
13 Office expenses	2,546,020	2,071,745	474,275	
14 Information technology	7,862,230	161,980	7,700,250	
15 Royalties . .	0			
16 Occupancy	5,933,052	5,933,052		
17 Travel	186,631	158,987	27,644	
18 Payments of travel or entertainment expenses for any federal, state, or local public officials	0			
19 Conferences, conventions, and meetings	0			
20 Interest	3,485,987	2,963,089	522,898	
21 Payments to affiliates	0			
22 Depreciation, depletion, and amortization	14,182,280	13,226,492	955,788	
23 Insurance	209,299	209,299		
24 Other expenses Itemize expenses not covered above (List miscellaneous expenses in line 24e If line 24e amount exceeds 10% of line 25, column (A) amount, list line 24e expenses on Schedule O)				
a BAD DEBT	6,352,847	6,352,847		
b MEDICAL SUPPLIES	28,271,398	28,271,398		
c RECRUITMENT	983,846	826,183	157,663	
d EXPENDITURES FOR FUND PURPOSES	377,502	377,502		
e All other expenses	9,291,267	8,485,157	806,110	
25 **Total functional expenses.** Add lines 1 through 24e	211,584,908	178,160,532	33,424,376	0
26 **Joint costs.** Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation Check here ▶ ☐ if following SOP 98-2 (ASC 958-720)				

Part X Balance Sheet

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

				(A) Beginning of year		(B) End of year
Assets	1	Cash—non-interest-bearing		17,315,902	1	13,479,877
	2	Savings and temporary cash investments		0	2	0
	3	Pledges and grants receivable, net		28,938,280	3	30,068,915
	4	Accounts receivable, net		0	4	0
	5	Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L		0	5	0
	6	Loans and other receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions) Complete Part II of Schedule L		0	6	0
	7	Notes and loans receivable, net		0	7	0
	8	Inventories for sale or use		3,367,228	8	3,921,181
	9	Prepaid expenses and deferred charges		808,307	9	986,346
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a 286,052,541			
	b	Less accumulated depreciation	10b 158,896,737	127,387,832	10c	127,155,804
	11	Investments—publicly traded securities		29,179,138	11	30,412,563
	12	Investments—other securities See Part IV, line 11		25,000,000	12	30,054,000
	13	Investments—program-related See Part IV, line 11		0	13	0
	14	Intangible assets		0	14	0
	15	Other assets See Part IV, line 11		99,376,455	15	107,863,772
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)		331,373,142	16	343,942,458
Liabilities	17	Accounts payable and accrued expenses		21,368,350	17	28,938,870
	18	Grants payable		0	18	0
	19	Deferred revenue		3,031	19	3,034
	20	Tax-exempt bond liabilities		0	20	0
	21	Escrow or custodial account liability Complete Part IV of Schedule D		0	21	0
	22	Loans and other payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons Complete Part II of Schedule L		0	22	0
	23	Secured mortgages and notes payable to unrelated third parties		682,671	23	13,949,388
	24	Unsecured notes and loans payable to unrelated third parties		0	24	0
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24) Complete Part X of Schedule D		123,112,090	25	107,406,456
	26	**Total liabilities.** Add lines 17 through 25		145,166,142	26	150,297,748
Net Assets or Fund Balances		**Organizations that follow SFAS 117 (ASC 958), check here ▶ ☑ and complete lines 27 through 29, and lines 33 and 34.**				
	27	Unrestricted net assets		160,571,116	27	165,187,364
	28	Temporarily restricted net assets		11,798,446	28	14,600,816
	29	Permanently restricted net assets		13,837,438	29	13,856,530
		Organizations that do not follow SFAS 117 (ASC 958), 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		186,207,000	33	193,644,710
	34	Total liabilities and net assets/fund balances		331,373,142	34	343,942,458

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	231,595,874
2	Total expenses (must equal Part IX, column (A), line 25)	2	211,584,908
3	Revenue less expenses Subtract line 2 from line 1	3	20,010,966
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	186,207,000
5	Net unrealized gains (losses) on investments	5	161,647
6	Donated services and use of facilities	6	
7	Investment expenses	7	
8	Prior period adjustments	8	
9	Other changes in net assets or fund balances (explain in Schedule O)	9	-12,734,903
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	193,644,710

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
	If 'Yes,' check a box below to indicate whether the financial statements for the year were compiled or reviewed on a separate basis, consolidated basis, or both ☐ Separate basis ☐ Consolidated basis ☐ Both consolidated and separate basis			
b	Were the organization's financial statements audited by an independent accountant?	2b	Yes	
	If 'Yes,' check a box below to indicate whether the financial statements for the year were audited on a separate basis, consolidated basis, or both ☐ Separate basis ☑ Consolidated basis ☐ Both consolidated and separate basis			
c	If "Yes," to line 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?	2c	Yes	
	If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O			
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		

Additional Data

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

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

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(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			
Robert Chrencik UMMS President/CEO	10 490	X						0	2,174,568	234,466
John Dillon Board Chairman	10	X		X				0	0	0
Richard Loeffler Board Vice Chairman	10	X		X				0	0	0
Charles Lea Board Vice Chairman	10	X		X				0	0	0
Martha Russell Board Treasurer	10	X		X				0	0	0
Stuart Bounds Board Secretary	10	X		X				0	0	0
Robert Carmean Board Member	10	X						0	0	0
Ludwig Eglseder III MD Board Member	10	X						48,000	0	0
Marlene Feldman Board Member	10	X						0	0	0
Michael Joyce Board Member	10	X						0	0	0
Keith McMahan Board Member	10	X						0	0	0
David Milligan Board Member	10	X						0	0	0
Michael Moran Board Member	10	X						0	0	0
John Ashworth III Board Member	10 490	X						0	588,536	20,542
Neil Mufson Board Member	10	X						0	0	0
James Peterson Board Member	10	X						0	0	0
Jack Stolz Board Member	10	X						0	0	0
Walter Zajac SVP/CFO-Board Asst Treasurer	400 100			X				298,396	0	18,788
Phyllis Matthai Board Assistant Secretary	400			X				72,163	0	15,883
Kenneth Kozel President/CEO	400 100			X				628,725	0	80,369
Gerard Walsh FORMER INTERIM CEO	470 30				X			412,236	0	20,864
Michael Tooke MD CMO	500				X			598,789	0	20,864
Christopher Parker SVP- Pat Care/CNO	490 10				X			349,534	0	17,753
Jonathan Cook VP/Physican Services	400 100				X			219,363	0	33,142
Michael Zimmerman VP/HR	500					X		236,961	0	17,115

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 (list any hours for related organizations below dotted line)	(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			
Michael Silgen VP/Strat Plan & Bus Develop	50.0					X		208,183	0	21,312
John Sawyer Lead Medical Physicist	40.0					X		180,293	0	9,813
Catherine Ferara Clinical Pharmist	40.0					X		148,404	0	13,727
Patti Willis SVP External Relations/Commun	40.0					X		248,878	0	17,248
Joseph Ross VP/Physican Services							X	206,228	0	0

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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

2012

Open to Public Inspection

Name of the organization
SHORE HEALTH SYSTEM INC

Employer identification number
52-0610538

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

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

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

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

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

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

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

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

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

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

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

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

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

a ☐ Type I **b** ☐ Type II **c** ☐ Type III - Functionally integrated **d** ☐ Type III - Non-functionally integrated

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

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

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

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

Section A. Public Support

Calendar year (or fiscal year beginning in) ▶	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(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) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(f) Total
7 Amounts from line 4						
8 Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
9 Net income from unrelated business activities, whether or not the business is regularly carried on						
10 Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV)						
11 **Total support** (Add lines 7 through 10)						

12 Gross receipts from related activities, etc (see instructions) **12**

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

Section C. Computation of Public Support Percentage

14 Public support percentage for 2012 (line 6, column (f) divided by line 11, column (f)) **14**

15 Public support percentage for 2011 Schedule A, Part II, line 14 **15**

16a **33 1/3% support test—2012.** 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—2011.** If the organization did not check a 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—2012.** 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—2011.** If the organization did not check a box on line 13, 16a, 16b, or 17a, and line 15 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and **stop here.** Explain in Part IV how the organization meets the "facts-and-circumstances" test The organization qualifies as a publicly supported organization ▶☐

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

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

Section A. Public Support

Calendar year (or fiscal year beginning in) ▶	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(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) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(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 2012 (line 8, column (f) divided by line 13, column (f))	15	
16	Public support percentage from 2011 Schedule A, Part III, line 15	16	

Section D. Computation of Investment Income Percentage

17	Investment income percentage for **2012** (line 10c, column (f) divided by line 13, column (f))	17	
18	Investment income percentage from **2011** Schedule A, Part III, line 17	18	

19a **33 1/3% support tests—2012.** 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—2011.** 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.** Complete this part to provide the explanations required by Part II, line 10; Part II, line 17a or 17b; and Part III, line 12. Also complete this part for any additional information. (See instructions).

Facts And Circumstances Test

Explanation

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SCHEDULE C
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Political Campaign and Lobbying Activities

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

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

OMB No 1545-0047

2012

Open to Public Inspection

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

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

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

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

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

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

Name of the organization	**Employer identification number**
SHORE HEALTH SYSTEM INC	52-0610538

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

1 Provide a description of the organization's direct and indirect political campaign activities in Part IV

2 Political expenditures ▶ $ _____

3 Volunteer hours _____

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

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

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

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

4a Was a correction made? ☐ **Yes** ☐ **No**

b If "Yes," describe in Part IV

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

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

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

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

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

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

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

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

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

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

Limits on Lobbying Expenditures (The term "expenditures" means amounts paid or incurred.)	(a) Filing organization's totals	(b) Affiliated group totals
1a Total lobbying expenditures to influence public opinion (grass roots lobbying)		
b Total lobbying expenditures to influence a legislative body (direct lobbying)		
c Total lobbying expenditures (add lines 1a and 1b)		
d Other exempt purpose expenditures		
e Total exempt purpose expenditures (add lines 1c and 1d)		
f Lobbying nontaxable amount Enter the amount from the following table in both columns		
g Grassroots nontaxable amount (enter 25% of line 1f)		
h Subtract line 1g from line 1a If zero or less, enter -0-		
i Subtract line 1f from line 1c If zero or less, enter -0-		

If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:
Not over $500,000	20% of the amount on line 1e
Over $500,000 but not over $1,000,000	$100,000 plus 15% of the excess over $500,000
Over $1,000,000 but not over $1,500,000	$175,000 plus 10% of the excess over $1,000,000
Over $1,500,000 but not over $17,000,000	$225,000 plus 5% of the excess over $1,500,000
Over $17,000,000	$1,000,000

j If there is an amount other than zero on either line 1h or line 1i, did the organization file Form 4720 reporting section 4911 tax for this year? ☐ Yes ☐ No

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

Lobbying Expenditures During 4-Year Averaging Period

Calendar year (or fiscal year beginning in)	(a) 2009	(b) 2010	(c) 2011	(d) 2012	(e) Total
2a Lobbying nontaxable amount					
b Lobbying ceiling amount (150% of line 2a, column(e))					
c Total lobbying expenditures					
d Grassroots nontaxable amount					
e Grassroots ceiling amount (150% of line 2d, column (e))					
f Grassroots lobbying expenditures					

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

	For each "Yes" response to lines 1a through 1i below, provide in Part IV a detailed description of the lobbying activity.	(a) Yes	(a) No	(b) Amount
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
a	Volunteers?		No	
b	Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		No	
c	Media advertisements?		No	
d	Mailings to members, legislators, or the public?		No	
e	Publications, or published or broadcast statements?		No	
f	Grants to other organizations for lobbying purposes?		No	
g	Direct contact with legislators, their staffs, government officials, or a legislative body?		No	
h	Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
i	Other activities?	Yes		21,169
j	Total Add lines 1c through 1i			21,169
2a	Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No	
b	If "Yes," enter the amount of any tax incurred under section 4912			
c	If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
d	If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?			

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

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

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

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

Part IV Supplemental Information

Complete this part to provide the descriptions required for Part I-A, line 1, Part I-B, line 4, Part I-C, line 5, Part II-A (affiliated group list), Part II-A, line 2, and Part II-B, line 1 Also, complete this part for any additional information

Identifier	Return Reference	Explanation
Other Activities	Schedule C, Part II-B, Line 1i	THE ORGANIZATION DOES NOT ENGAGE IN ANY DIRECT LOBBYING ACTIVITIES THE ORGANIZATION PAYS MEMBERSHIP DUES TO THE MARYLAND HOSPITAL ASSOCIATION (MHA) AND THE AMERICAN HOSPITAL ASSOCIATION (AHA) and AMERICAN MEDICAL REHABILITATION PROVIDERS ASSOCIATION (AMRPA) MHA, AHA AND AMRPA ENGAGE IN MANY SUPPORT ACTIVITIES INCLUDING LOBBYING AND ADVOCATING FOR THEIR MEMBER HOSPITALS THE MHA, AHA, and AMRPA REPORTED THAT 7 71%, 23 98%, and 29 0% RESPECTIVELY OF MEMBER DUES WERE USED FOR LOBBYING PURPOSES AND AS SUCH, THE ORGANIZATION HAS REPORTED THIS AMOUNT ON SCHEDULE C PART II-B LINE 1I AS LOBBYING ACTIVITIES

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SCHEDULE D (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
SHORE HEALTH SYSTEM INC

Employer identification number
52-0610538

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

		(a) Donor advised funds	(b) Funds and other accounts
1	Total number at end of year		
2	Aggregate contributions to (during year)		
3	Aggregate grants from (during year)		
4	Aggregate value at end of year		

5 Did the organization inform all donors and donor advisors in writing that the assets held in donor advised funds are the organization's property, subject to the organization's exclusive legal control? ☐ Yes ☐ No

6 Did the organization inform all grantees, donors, and donor advisors in writing that grant funds can 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 education) ☐ Preservation of an historically important land area
☐ Protection of natural habitat ☐ Preservation of a certified historic structure
☐ Preservation of open space

2 Complete lines 2a through 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, and not on a historic structure listed in the National Register	2d

3 Number of conservation easements modified, transferred, released, extinguished, or terminated by the organization during the tax 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 section 170(h)(4)(B)(ii)? ☐ Yes ☐ No

9 In Part XIII, 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 (ASC 958), 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 XIII, the text of the footnote to its financial statements that describes these items

b If the organization elected, as permitted under SFAS 116 (ASC 958), 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 (ASC 958) 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 acquisition, 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 XIII

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 XIII 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 XIII Check here if the explanation has been provided in Part XIII . . . . . ☐

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

		(a) Current year	(b) Prior year	b (c) Two years back	(d) Three years back	(e) Four years back
1a	Beginning of year balance	2,404,542	2,404,542	2,404,542	2,404,542	2,404,542
b	Contributions					
c	Net investment earnings, gains, and losses					
d	Grants or scholarships					
e	Other expenditures for facilities and programs					
f	Administrative expenses					
g	End of year balance	2,404,542	2,404,542	2,404,542	2,404,542	2,404,542

2 Provide the estimated percentage of the current year end balance (line 1g, column (a)) held as

- a Board designated or quasi-endowment ▶
- b Permanent endowment ▶ 100 000 %
- c Temporarily restricted endowment ▶

The percentages in lines 2a, 2b, and 2c should equal 100%

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

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

4 Describe in Part XIII 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		3,626,723		3,626,723
b Buildings		130,383,463	50,976,243	79,407,220
c Leasehold improvements				
d Equipment		148,085,163	104,428,302	43,656,861
e Other		3,957,192	3,492,192	465,000
Total. Add lines 1a through 1e *(Column (d) must equal Form 990, Part X, column (B), line 10(c).)* ▶				127,155,804

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) ALTERNATIVE INVESTMENTS	30,054,000	F
Total. *(Column (b) must equal Form 990, Part X, col (B) line 12)* ▶	30,054,000	

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

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

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

(a) Description	(b) Book value
(1) ASSETS WHOSE USE IS LIMITED	25,490,080
(2) OTHER RECEIVABLES	4,282,518
(3) ASSETS OF RELATED ORGANIZATION	65,507,324
(4) OTHER ASSETS	11,959,573
(5) CURRENT POSITION	624,277
Total. *(Column (b) must equal Form 990, Part X, col.(B) line 15.)* . . . . . ▶	107,863,772

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

1 (a) Description of liability	(b) Book value
Federal income taxes	0
ADVANCES FROM 3RD PARTY PAYORS	5,626,924
OTHER LIABILITIES	16,036,013
DUE TO UMMS	85,743,519
Total. *(Column (b) must equal Form 990, Part X, col (B) line 25)* ▶	107,406,456

2. Fin 48 (ASC 740) Footnote In Part XIII, 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 (ASC 740) Check here if the text of the footnote has been provided in Part XIII ☑

Part XI 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 XIII)	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 XIII)	4b			
c	Add lines **4a** and **4b**			4c	
5	Total revenue Add lines **3** and **4c.** (This must equal Form 990, Part I, line 12)			5	

Part XII 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 XIII)	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 XIII)	4b			
c	Add lines **4a** and **4b**			4c	
5	Total expenses Add lines **3** and **4c.** (This must equal Form 990, Part I, line 18)			5	

Part XIII 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, line 2, Part XI, lines 2d and 4b, and Part XII, lines 2d and 4b Also complete this part to provide any additional information

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

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SCHEDULE 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

2012

Open to Public Inspection

Name of the organization
SHORE HEALTH SYSTEM INC

Employer identification number
52-0610538

Part I Financial Assistance and Certain Other Community Benefits at Cost

			Yes	No
1a	Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a	1a	Yes	
b	If "Yes," was it a written policy?	1b	Yes	
2	If the organization had multiple hospital facilities, indicate which of the following best describes application of the financial assistance policy to its various hospital facilities during the tax year			
	☑ Applied uniformly to all hospital facilities ☐ Applied uniformly to most hospital facilities ☐ Generally tailored to individual hospital facilities			
3	Answer the following based on the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year			
a	Did the organization use Federal Poverty Guidelines (FPG) as a factor in determining eligibility for providing *free* care? If "Yes," indicate which of the following was the FPG family income limit for eligibility for *free* care	3a	Yes	
	☐ 100% ☐ 150% ☑ 200% ☐ Other _____ %			
b	Did the organization use FPG as a factor in determining eligibility for providing *discounted* care? If "Yes," indicate which of the following was the family income limit for eligibility for discounted care	3b	Yes	
	☐ 200% ☐ 250% ☐ 300% ☐ 350% ☐ 400% ☑ Other 500 %			
c	If the organization used factors other than FPG in determining eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care Include in the description whether the organization used an asset test or other threshold, regardless of income, as a factor in determining eligibility for free or discounted care			
4	Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for free or discounted care to the "medically indigent"?	4	Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	5a	Yes	
b	If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?	5b	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 report during the tax year?	6a	Yes	
b	If "Yes," did the organization make it available to the public?	6b	Yes	
	Complete the following table using the worksheets provided in the Schedule H instructions Do not submit these worksheets with the Schedule H			

7 Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheet 1)			7,643,834		7,643,834	3 720 %
b Medicaid (from Worksheet 3, column a)						
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d **Total** Financial Assistance and Means-Tested Government Programs			7,643,834		7,643,834	3 720 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			1,271,660	1,195	1,270,465	0 620 %
f Health professions education (from Worksheet 5)			1,297,904		1,297,904	0 630 %
g Subsidized health services (from Worksheet 6)			7,967,812	3,521	7,964,291	3 880 %
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)			139,891		139,891	0 070 %
j **Total.** Other Benefits			10,677,267	4,716	10,672,551	5 200 %
k **Total.** Add lines 7d and 7j			18,321,101	4,716	18,316,385	8 920 %

Part II **Community Building Activities** Complete this if the organization conducted any community building activities during the tax year, and describe in Part VI how its community building activities promoted the health of the communities it serves.

		(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1	Physical improvements and housing						
2	Economic development						
3	Community support			7,043		7,043	
4	Environmental improvements						
5	Leadership development and training for community members						
6	Coalition building			28,882		28,882	0 010 %
7	Community health improvement advocacy			3,732		3,732	
8	Workforce development			55,695		55,695	0 030 %
9	Other						
10	**Total**			95,352		95,352	0 040 %

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 Explain in Part VI the methodology used by the organization to estimate this amount	2	4,320,034		
3	Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's financial assistance policy Explain in Part VI the methodology used by the organization to estimate this amount and the rationale, if any, for including this portion of bad debt as community benefit	3			
4	Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense or the page number on which this footnote is contained in the attached financial statements				

Section B. Medicare

5	Enter total revenue received from Medicare (including DSH and IME)	5	105,866,990		
6	Enter Medicare allowable costs of care relating to payments on line 5	6	79,168,096		
7	Subtract line 6 from line 5 This is the surplus (or shortfall)	7	26,698,894		
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** (owned 10% or more by officers, directors, trustees, key employees, and physicians—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—see instructions)
How many hospital facilities did the organization operate during the tax year?
2

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

Part V Facility Information *(continued)*

Section B. Facility Policies and Practices

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

Name of hospital facility or facility reporting group THE MEMORIAL HOSPITAL AT EASTON

For single facility filers only: line Number of Hospital Facility (from Schedule H, Part V, Section A) 1

			Yes	No
Community Health Needs Assessment (Lines 1 through 8c are optional for tax years beginning on or before March 23, 2012)				
1	During the tax year or either of the two immediately preceding tax years, did the hospital facility conduct a community health needs assessment (CHNA)? If "No," skip to line 9	**1**	Yes	
	If "Yes," indicate what the CHNA report 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 the community health 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 CHNA 20 12			
3	In conducting its most recent CHNA, did the hospital facility take into account input from representatives of the community served by the hospital facility, including those with special knowledge of or expertise in public health? 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**	Yes	
4	Was the hospital facility's CHNA conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	**4**	Yes	
5	Did the hospital facility make its CHNA report widely available to the public?	**5**	Yes	
	If "Yes," indicate how the CHNA report 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 CHNA, indicate how (check all that apply to date)			
a	☑ Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA			
b	☑ Execution of the implementation strategy			
c	☑ Participation in the development of a community-wide plan			
d	☑ Participation in the execution of a community-wide 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 its 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 CHNA? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs	**7**		No
8a	Did the organization incur an excise tax under section 4959 for the hospital facility's failure to conduct a CHNA as required by section 501(r)(3)?	**8a**		No
b	If "Yes" to line 8a, did the organization file Form 4720 to report the section 4959 excise tax?	**8b**		
c	If "Yes" to line 8b, what is the total amount of section 4959 excise tax the organization reported on Form 4720 for all of its hospital facilities? $			

Part V Facility Information *(continued)*

Financial Assistance Policy		Yes	No
9 Did the hospital facility have in place during the tax year a written financial assistance policy that Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	**9**	Yes	
10 Used federal poverty guidelines (FPG) to determine eligibility for providing *free* care?	**10**	Yes	
If "Yes," indicate the FPG family income limit for eligibility for free care 200 % If "No," explain in Part VI the criteria the hospital facility used			
11 Used FPG to determine eligibility for providing *discounted* care?	**11**	Yes	
If "Yes," indicate the FPG family income limit for eligibility for discounted care 500 % If "No," explain in Part VI the criteria the hospital facility used			
12 Explained the basis for calculating amounts charged to patients?	**12**	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)			
13 Explained the method for applying for financial assistance?	**13**	Yes	
14 Included measures to publicize the policy within the community served by the hospital facility?	**14**	Yes	
If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
a ☑ The policy was posted on the hospital facility's website			
b ☑ The policy was attached to 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 on admission to the hospital facility			
f ☑ The policy was available upon request			
g ☐ Other (describe in Part VI)			
Billing and Collections			
15 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?	**15**	Yes	
16 Check all of the following 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			
e ☐ Other similar actions (describe in Part VI)			
17 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?	**17**		No
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)			

Part V Facility Information *(continued)*

18 Indicate which efforts the hospital facility made before initiating any of the actions listed in line 17 (check all that apply)

- **a** ☑ Notified individuals of the financial assistance policy on admission
- **b** ☑ Notified individuals of the financial assistance policy prior to discharge
- **c** ☑ Notified individuals 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)

Policy Relating to Emergency Medical Care

		Yes	No
19 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?	**19**	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)			

Charges to Individuals Eligible for Assistance under the FAP (FAP-Eligible Individuals)

20 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 its 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)			
21 During the tax year, did the hospital facility charge any FAP-eligible individuals 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?	**21**		No
If "Yes," explain in Part VI			
22 During the tax year, did the hospital facility charge any FAP-eligible individuals an amount equal to the gross charge for any service provided to that individual?	**22**		No
If "Yes," explain in Part VI			

Part V Facility Information *(continued)*

Section B. Facility Policies and Practices

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

DORCHESTER GENERAL HOSPITAL

Name of hospital facility or facility reporting group

For single facility filers only: line Number of Hospital Facility (from Schedule H, Part V, Section A) 2

			Yes	No
Community Health Needs Assessment (Lines 1 through 8c are optional for tax years beginning on or before March 23, 2012)				
1	During the tax year or either of the two immediately preceding tax years, did the hospital facility conduct a community health needs assessment (CHNA)? If "No," skip to line 9	**1**	Yes	
	If "Yes," indicate what the CHNA report 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 the community health 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 CHNA 20 12			
3	In conducting its most recent CHNA, did the hospital facility take into account input from representatives of the community served by the hospital facility, including those with special knowledge of or expertise in public health? 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**	Yes	
4	Was the hospital facility's CHNA conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	**4**	Yes	
5	Did the hospital facility make its CHNA report widely available to the public?	**5**	Yes	
	If "Yes," indicate how the CHNA report 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 CHNA, indicate how (check all that apply to date)			
a	☑ Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA			
b	☑ Execution of the implementation strategy			
c	☑ Participation in the development of a community-wide plan			
d	☑ Participation in the execution of a community-wide 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 its 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 CHNA? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs	**7**		No
8a	Did the organization incur an excise tax under section 4959 for the hospital facility's failure to conduct a CHNA as required by section 501(r)(3)?	**8a**		No
b	If "Yes" to line 8a, did the organization file Form 4720 to report the section 4959 excise tax?	**8b**		
c	If "Yes" to line 8b, what is the total amount of section 4959 excise tax the organization reported on Form 4720 for all of its hospital facilities? $			

Part V Facility Information *(continued)*

Financial Assistance Policy		Yes	No
9 Did the hospital facility have in place during the tax year a written financial assistance policy that Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	**9**	Yes	
10 Used federal poverty guidelines (FPG) to determine eligibility for providing *free* care?	**10**	Yes	
If "Yes," indicate the FPG family income limit for eligibility for free care 200 % If "No," explain in Part VI the criteria the hospital facility used			
11 Used FPG to determine eligibility for providing *discounted* care?	**11**	Yes	
If "Yes," indicate the FPG family income limit for eligibility for discounted care 500 % If "No," explain in Part VI the criteria the hospital facility used			
12 Explained the basis for calculating amounts charged to patients?	**12**	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)			
13 Explained the method for applying for financial assistance?	**13**	Yes	
14 Included measures to publicize the policy within the community served by the hospital facility?	**14**	Yes	
If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
a ☑ The policy was posted on the hospital facility's website			
b ☑ The policy was attached to 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 on admission to the hospital facility			
f ☑ The policy was available upon request			
g ☐ Other (describe in Part VI)			
Billing and Collections			
15 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?	**15**	Yes	
16 Check all of the following 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			
e ☐ Other similar actions (describe in Part VI)			
17 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?	**17**		No
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)			

Part V Facility Information *(continued)*

18 Indicate which efforts the hospital facility made before initiating any of the actions listed in line 17 (check all that apply)

- **a** ☑ Notified individuals of the financial assistance policy on admission
- **b** ☑ Notified individuals of the financial assistance policy prior to discharge
- **c** ☑ Notified individuals 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)

Policy Relating to Emergency Medical Care

		Yes	No
19 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?	**19**	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)			

Charges to Individuals Eligible for Assistance under the FAP (FAP-Eligible Individuals)

20 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 its 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)			
21 During the tax year, did the hospital facility charge any FAP-eligible individuals 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?	**21**		No
If "Yes," explain in Part VI			
22 During the tax year, did the hospital facility charge any FAP-eligible individuals an amount equal to the gross charge for any service provided to that individual?	**22**		No
If "Yes," explain in Part VI			

Part V Facility Information *(continued)*

Section C. Other Health Care 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 health care facilities did the organization operate during the tax year?
11

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

Part VI Supplemental Information

Complete this part to provide the following information

1 **Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7, Part II, Part III, lines 4, 8, and 9b, Part V, Section A, and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 10, 11, 12h, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22

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

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

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

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

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

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

8 **Facility reporting group(s).** If applicable, for each hospital facility in a facility reporting group provide the descriptions required for Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 10, 11, 12h, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22

Identifier	ReturnReference	Explanation
Criteria for Free or Discounted Care	Schedule H, Part I, Line 3c	SHORE HEALTH SYSTEM WILL PROVIDE FINANCIAL ASSISTANCE TO PERSONS WHO HAVE HEALTHCARE NEEDS AND ARE UNINSURED, UNDERINSURED, INELIGIBLE FOR A GOVERNMENT PROGRAM, OR OTHERWISE UNABLE TO PAY FOR MEDICALLY NECESSARY CARE BASED ON THEIR INDIVIDUAL FINANCIAL SITUATION, FOR RELATED SYSTEM HOSPITALS, FINANCIAL ASSISTANCE IS BASED ON INDIGENCE OR HIGH MEDICAL EXPENSE FOR PATIENTS WHO MEET SPECIFIED FINANCIAL CRITERIA, REQUEST ASSISTANCE, AND PROVIDE ADEQUATE EVIDENCE OF SUCH NEED AND ELIGIBILITY ELIGIBILITY INCLUDES INCOME, PRESUMPTIVE FINANCIAL ASSISTANCE ELIGIBILITY, AND MEDICAL HARDSHIP CRITERIA, WHICH MAY INCLUDE ASSET CONSIDERATION
Related Organization Report	Schedule H, Part I, Line 6a	SHORE HEALTH SYSTEM, IS AN AFFILIATE OF THE UNIVERSITY OF MARYLAND MEDICAL SYSTEM THE COMMUNITY BENEFIT REPORT IS PREPARED SEPARATELY

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

Identifier	ReturnReference	Explanation
Community Building Activities	Schedule H, Part II	Through a variety of community building activities, University of Maryland Shore Regional Health ("UM SRH") promotes health and wellness in the community it serves These activities include active engagement and collaboration with local Health Departments, Chambers of Commerce, and organizations that work to improve the quality of life for the residents of the Mid-Shore (Talbot, Caroline, Dorchester, Queen Annes, and Kent Counties) Because local action is essential to public health progress, UM Shore Regional Health is a key stakeholder in the Mid-Shore Health Improvement Coalition, a partnership of public sector agencies, health care providers and community-based partners The coalition was formed in December 2011 in response to a Statewide Health Improvement Process (SHIP) In addition to providing the coalition with leadership, a variety of clinical and non-clinical UM SRH associates serve on various coalition workgroups The work of the coalition began by reviewing and prioritizing objectives identified by the Maryland Department of Health and Mental Hygienes (DHMH) State Health Improvement Process (SHIP) SHIP, launched in September 2011, focuses on improving the health of Maryland residents in six vision areas Healthy Babies, Healthy Social Environments, Safe Physical Environments, Infectious Disease, Chronic Disease and Health Care Access Under SHIPs umbrella, the coalition develops and implements strategies that will improve local public health The coalition decided to focus on three health priorities (1) adolescent obesity, (2) adolescent tobacco use, and (3) diabetes related emergency department visits The coalition formulated an action plan that articulates specific goals and strategies for the three health priorities Through coalition workgroups and committees, representatives from the Mid-Shore collaborate to assess local health needs and services, share data and other resources, explore evidence-based health practices, and acquire support to enhance and initiate health programs that impact targeted populations and communities The coalition plans to effectively leverage and utilize new and existing resources to measurably improve the health status of the residents of the Mid-Shore In addition to being an integral part of the Mid-Shore Health Improvement Coalition, UM SRH continues to maintain open communication with the Health Departments of Talbot, Caroline, Dorchester, Queen Annes, and Kent Counties, Mid-Shore Mental Health System, Choptank Community Health System, local government and schools UM SRHs community outreach programs can be found in County schools, senior centers, community centers and churches throughout the Mid-Shore UM SRHs director of community outreach participates in committees and advisory councils, promoting continuous dialogue between the medical center and community stakeholders This provides opportunities for new ideas and programs to be exchanged, allowing UM SRH to maximize community outreach efforts UM SRH seeks insight from community members attending educational programs through its outreach events Program participants are asked to complete a brief survey evaluation, providing feedback and comments about the program they attended, as well as providing suggestions for future program topics METHODOLOGY USED BY THE ORGANIZATION TO ESTIMATE BAD DEBT EXPENSE SCHEDULE H, PART III, LINES 2 AND 3 IN MARYLAND, THE HEALTH SERVICES COST REVIEW COMMISSION (HSCRC) STARTED SETTING HOSPITAL RATES IN 1974 AT THAT TIME, THE HSCRC APPROVED RATES APPLIED ONLY TO COMMERCIAL INSURERS IN 1977, THE HSCRC NEGOTIATED A WAIVER FROM MEDICARE HOSPITAL PAYMENT RULES FOR MARYLAND HOSPITALS TO BRING THE FEDERAL MEDICARE PAYMENTS UNDER HSCRC CONTROL MEDICARE REIMBURSES MARYLAND HOSPITALS ACCORDING TO RATES ESTABLISHED BYTHE HSCRC AS LONG AS THE STATE CONTINUES TO MEET A TWO-PART TEST THIS TWO-PART WAIVER TEST ALLOWS MEDICARE TO PARTICIPATE IN THE MARYLAND SYSTEM AS LONG AS TWO CONDITIONS ARE MET - ALL OTHER PAYERS PARTICIPATING IN THE SYSTEM PAY HSCRC SET RATES, AND - THE RATE OF GROWTH IN MEDICARE PAYMENTS TO MARYLAND HOSPITALS FROM 1981 TO THE PRESENT IS NOT GREATER THAN THE RATE OF GROWTH IN MEDICARE PAYMENTS TO HOSPITALS NATIONALLY OVER THE SAME TIME FRAME
Bad Debt Expense Footnote on Audited Financial Statements	Schedule H, Part III, Line 4	For receivables associated with services provided to patients who have third-party coverage, the Corporation analyzes contractually due amounts and provides an allowance for bad debts, allowance for contractual adjustments, provision for bad debts, and contractual adjustments on accounts for which third-party payor has not yet paid or for payors who are known to be having financial difficulties that make the realization of the amounts due unlikely For receivables associated with self-pay patients or balances remaining after third-party coverage has already paid, the Corporation records a significant provision for bad debts in the period of service on the basis of its historical collections, which indicates that many patients ultimately do not pay the portion of their bill for which they are financially responsible The difference between the discounted rates and the amounts collected after all reasonable collection efforts have been exhausted is charged off against the allowance for Bad Debts

Identifier	ReturnReference	Explanation
Medicare Cost Report	Schedule H, Part III, Line 8	ALLOWABLE COSTS ARE ESTIMATED RATIO OF COST TO CHARGE APPLIED TO GROSS CHARGES
Collection Practices	Schedule H, Part III, Line 9b	APPENDIX 1 DESCRIBE YOUR CHARITY CARE POLICY A DESCRIBE HOW THE HOSPITAL INFORMS PATIENTS AND PERSON WHO WOULD OTHERWISE BE BILLED FOR SERVICES ABOUT THEIR ELIGIBILITY FOR ASSISTANCE UNDER FEDERAL, STATE OR LOCAL GOVERNMENT PROGRAMS OR UNDER THE HOSPITALS CHARITY CARE POLICY IT IS THE POLICY OF SHORE HEALTH SYSTEM TO WORK WITH OUR PATIENTS TO IDENTIFY AVAILABLE RESOURCES TO PAY FOR THEIR CARE ALL PATIENTS PRESENTING AS SELF PAY AND REQUESTING CHARITY RELIEF FROM THEIR BILL WILL BE SCREENED AT ALL POINTS OF ENTRY, FOR POSSIBLE COVERAGE THROUGH STATE PROGRAMS AND A PROBABLE DETERMINATION FOR COVERAGE FOR EITHER MEDICAL ASSISTANCE OR FINANCIAL ASSISTANCE (CHARITY CARE) FROM THE HOSPITAL IS IMMEDIATELY GIVEN TO THE PATIENT THE PROCESS IS RESOURCE INTENSIVE AND TIME CONSUMING FOR PATIENTS AND THE HOSPITAL, HOWEVER, IF PATIENTS QUALIFY FOR ONE OF THESE PROGRAMS, THEN THEY WILL HAVE HEALTH BENEFITS THAT THEY WILL CARRY WITH THEM BEYOND THEIR CURRENT HOSPITAL BILLS, AND ALLOW THEM TO ACCESS PREVENTIVE CARE SERVICES AS WELL SHORE HEALTH SYSTEM WORKS WITH A BUSINESS PARTNER WHO WILL WORK WITH OUR PATIENTS TO ASSIST THEM WITH THE STATE ASSISTANCE PROGRAMS, WHICH IS FREE TO OUR PATIENTS IF A PATIENT DOES NOT QUALIFY FOR MEDICAID OR ANOTHER PROGRAM, SHORE HEALTH SYSTEM OFFERS OUR FINANCIAL ASSISTANCE PROGRAM SHORE HEALTH SYSTEM POSTS NOTICES OF OUR POLICY IN CONSPICUOUS PLACES THROUGHOUT THE HOSPITALS, HAS INFORMATION WITHIN OUR HOSPITAL BILLING BROCHURE, EDUCATES ALL NEW EMPLOYEES THOROUGHLY ON THE PROCESS DURING ORIENTATION, AND DOES A YEARLY RE-EDUCATION TO ALL EXISTING STAFF ALL STAFF HAVE COPIES OF THE FINANCIAL ASSISTANCE APPLICATION, BOTH IN ENGLISH AND SPANISH, TO SUPPLY TO PATIENTS WHO WE DEEM, AFTER SCREENING, TO HAVE A NEED FOR ASSISTANCE SHORE HEALTH SYSTEM HAS A DEDICATED FINANCIAL ASSISTANCE LIAISON TO WORK WITH OUR PATIENTS TO ASSIST THEM WITH THIS PROCESS AND EXPEDITE THE DECISION PROCESS

Identifier	ReturnReference	Explanation
THE MEMORIAL HOSPITAL AT EASTON 1	Schedule H, Part V, Section B	Line 20d - Calculates an Approved % of Financial Assistance based on income and % of Federal Poverty Level Income The patient is billed the charges less the % of Financial Assistance determined Line 22 - As previously discussed in an earlier Schedule H narrative, the State of Maryland is a unique State in regard to the provision of health care services and their related charges by hospitals All hospital charges processed to all Payors, including Governmental Payors, are set through Maryland's Health Services Cost Commission Accordingly, all Hospital charges are NOT gross charges as defined by the IRS under Internal Revenue Code section 501(r)(5)(B)
DORCHESTER GENERAL HOSPITAL 2	Schedule H, Part V, Section B	Line 20d - Calculates an Approved % of Financial Assistance based on income and % of Federal Poverty Level Income The patient is billed the charges less the % of Financial Assistance determined Line 22 - As previously discussed in an earlier Schedule H narrative, the State of Maryland is a unique State in regard to the provision of health care services and their related charges by hospitals All hospital charges processed to all Payors, including Governmental Payors, are set through Maryland's Health Services Cost Commission Accordingly, all Hospital charges are NOT gross charges as defined by the IRS under Internal Revenue Code section 501(r)(5)(B)

Identifier	ReturnReference	Explanation
Community Health Care Needs Assessment	Schedule H, Part VI, Line 2	UM Shore Regional Health (SHS) in collaboration with Chester River Hospital System (CRHS) conducted a Community Health Needs Assessment (CHNA) for the five counties of Maryland's Mid-Shore Talbot, Caroline, Queen Anne's, Dorchester, and Kent The health needs of our community were identified through a process which included collecting and analyzing primary and secondary data Shore Health System, Memorial Hospital at Easton and Dorchester General Hospital started the process of the Community Health Needs Assessment (CHNA) on 7/1/2012 and completed the process on 5/22/2013 The plan was presented and approved by the Board of Directors on May 22, 2013 In particular, the CHNA includes primary data from Talbot, Caroline, Dorchester, Kent, Queen Anne's Health Departments and the community at large Additionally, Shore Health, is a participating member of the Mid-Shore SHIP coalition, where we are partnering with other community stakeholders invested in improving the community's overall health Members of the Mid-Shore SHIP coalition include community leaders, county government representatives, local non-profit organizations, local health providers, and members of the business community Feedback from customers includes data collected from surveys, advisory groups and from our community outreach and education sessions Secondary data resources referenced to identify community health needs include County Health Rankings (http //www countyhealthrankings org), Maryland Department of Health and Mental Hygiene's State Health Improvement Process (SHIP)(http //dhmh maryland gov/ship/), the Maryland ChartBook of Minority Health and Minority Health Disparities (http //dhmh maryland gov/mhhd/Documents/2ndResource_2009 pdf) Shore Regional Health participates on the University of Maryland Medical System (UMMS) Community Benefits Workgroup to study demographics, assess community health disparities, inventory resources and establish community benefit goals for both UM Shore Regional Health and UMMS UM Shore Regional Health consulted with community partners and organizations to discuss community needs related to health improvement and access to care The following list of partner agencies meets on a monthly basis as members of the Mid-Shore SHIP coalition - Choptank Community Health Systems - Caroline County Minority Outreach Technical Assistance - Talbot County Local Management Board - Partnership for Drug Free Dorchester - Caroline County Community Representative - Eastern Shore Area Health Education Center - Kent County Minority Outreach Technical Assistance - YMCA of the Chesapeake - University of MD Extension - Kent County Local Management Board - Kent County Department of Juvenile Services - Coalition Against Tobacco Use - Mt Olive AME Church - Mid Shore Core Service Agency - Associated Black Charities - Queen Anne County Housing and Family Services - Queen Anne County Health Department - Dorchester County Health Department - Talbot County Health Department - Caroline County Health Department - Easton Memorial Hospital - Chester River Hospital - Mid-Shore Mental Health Systems Shore Health and Chester River Health hosted a series of community listening forums to gather community input for a regionalization study that explores the benefits of a regional approach to providing health care for Caroline, Dorchester, Kent, Queen Anne's and Talbot counties In addition, Shore Health meets quarterly with members of the local health departments and community leaders, including - Choptank Community Health System Joseph Sheehan - Health Departments Health Officers - Mid Shore Mental Health Systems Holly Ireland - Eastern Shore Hospital Center Randy Bradford In addition, the following agencies/organizations are referenced in gathering information and data - Maryland Department of Health and Mental Hygiene - Maryland Department of Planning - Maryland Vital Statistics Administration - HealthStream, Inc - County Health Rankings - Mid Shore Comprehensive Economic Development Strategy CEDS Our CHNA identified the following list of priorities for our community - Diabetes - Heart Disease - Cancer - Behavioral Health - Access to Care Several additional topic areas were identified by the CHNA Steering Committee including safe housing, transportation, and substance abuse The unmet needs not addressed by SHS and CRHS will continue to be addressed by key governmental agencies and existing community- based organizations While SHS and CRHS will focus the majority of our efforts on the identified priorities outlined in the CHNA Action Plan, we will review the complete set of needs identified in the CHNA for future collaboration and work These areas, while still important to the health of the community, will be met through other health care organizations with our assistance as available Shore Health System, Memorial Hospital at Easton and Dorchester General Hospital, publicized the CHNA via a A website http //www shorehealth org/pdfs/2013-community-health-action-plan pdf b Made available on request at the Hospital facility Shore Health System, Memorial Hospital at Easton and Dorchester General Hospital, conducted its CHNA with the following other facilities please list if applicable Shore Health System (SHS) in collaboration with Chester River Hospital System (CRHS) conducted a Community Health Needs Assessment (CHNA) for the five counties of Maryland's Mid-Shore Talbot, Caroline, Queen Anne's, Dorchester, and Kent
Eligibility Education	Schedule H, Part VI, Line 3	It is the policy of UM Shore Regional Health to work with our patients to identify available resources to pay for their care All patients presenting as self pay and requesting charity relief from their bill will be screened at all points of entry, for possible coverage through state programs and a probable determination for coverage for either Medical Assistance or Financial Assistance (charity care) from the hospital is immediately given to the patient The process is resource intensive and time consuming for patients and the hospital, however, if patients qualify for one of these programs, then they will have health benefits that they will carry with them beyond their current hospital bills, and allow them to access preventive care services as well UM Shore Regional Health works with a business partner who will work with our patients to assist them with the state assistance programs, which is free to our patients If a patient does not qualify for Medicaid or another program, UM Shore Regional Health offers our financial assistance program UM Shore Regional Health posts notices of our policy in conspicuous places throughout the hospitals- including the emergency department, has information within our hospital billing brochure, educates all new employees thoroughly on the process during orientation, and does a yearly re- education to all existing staff All staff have copies of the financial assistance application, both in English and Spanish, to supply to patients who we deem, after screening, to have a need for assistance UM Shore Regional Health has a dedicated Financial Assistance Liaison to work with our patients to assist them with this process and expedite the decision process Shore Health notifies patients of availability of financial assistance funds prior to service during our calls to patients, through signage at all of our registration locations, through our patient billing brochure and through our discussions with patients during registration In addition, the information sheet is mailed to patients with all statements and/or handed to them if needed Notices are sent regarding our Hill Burton program (services at reduced cost) yearly as well - Shore Health prepares its FAP in a culturally sensitive manner, at a reading comprehension level appropriate to the CBSA's population, and in Spanish - Shore Health posts its FAP and financial assistance contact information in admissions areas, emergency rooms, and other areas of facilities in which eligible patients are likely to present, - Shore Health provides a copy of the FAP and financial assistance contact information to patients or their families as part of the intake process, - Shore Health provides a copy of the FAP and financial assistance contact information to patients with discharge materials - A copy of Shore Health's FAP along with financial assistance contact information, is provided in patient bills, and/or - Shore Health discusses with patients or their families the availability of various government benefits, such as Medicaid or state programs, and assists patients with qualification for such programs, where applicable - An abbreviated statement referencing Shore Health's financial assistance policy, including a phone number to call for more information, is run annually in the local newspaper (Star Democrat)

Identifier	ReturnReference	Explanation
Description of Community Served	Schedule H, Part VI, Line 4	UM Shore Regional Healths service area is defined as the Maryland counties of Caroline, Dorchester, Talbot (primary service area), Queen Annes and Kent (secondary service area) The five counties of the Mid-Shore comprise 20% of the landmass of the State of Maryland and 2% of the population The population of the five counties is just over 170,000 The entire region has over 4,400 employers with nearly 45,000 workers Only 50 of those employers employ 100 or more workers Almost 85% of employers in this rural region are manufacturing firms, which require workers with high-level technology skills as well as low-skilled workers (9 62% adults have less than a 9th grade education and another 9 62% have an education at the 9th -12th grade level but do not have a high school diploma) The service industry is growing rapidly as the local population shifts to include more senior adults who retire to this beautiful area of the State Although the seafood industry continues to be important to the region it is fast becoming an endangered species The Mid-Shore has a higher percentage of population aged 65 and older as compared to Maryland overall Talbot County has a 22 7 % rate for this age group This concentration is due mainly to influx of retirees The Mid Shore Region has 26,203 minority persons, representing 25 3% of the total population While steady progress is being made, the Mid-Shore economy still faces a myriad of challenges that include limited access to affordable high speed broadband services, a shortage of affordable housing, an inadequate supply of skilled workers, low per capita income, and more layoffs in the manufacturing sector (Source Mid Shore Comprehensive Economic Development Strategy CEDS) In terms of healthcare, large disparities exist between Blacks and Whites as reported by the Office of Minority Health and Health Disparities, DHMH For emergency department (ED) visit rates for diabetes, asthma and hypertension, the Black rates are typically 3- to 5 fold higher than White rates Adults at healthy weight metric is lower (worse) for Blacks in all three counties where Black data could be reported Heart disease mortality Black rates are varously higher or lower compared to White rates in individual counties In Caroline, the Black rate is lower than the White rates not because the Black rate is particularly low, but because the White rate is unusually high For cancer mortality, Black rates exceed White rates in Dorchester, Kent, Queen Annes and Talbot In Caroline, Black rates are lower, again because of a rather high White rate The Black rates and White rates are below the State Health Improvement Process (SHIP) goals (Source http //www dhmh maryland gov/ship) County Health Rankings for the Mid-Shore counties also reveal the large disparities between counties for health outcomes in the service area Overall, Queen Annes County ranks 4th, Talbot County ranks 6th, Dorchester ranks 21st, Caroline ranks 23rd (out of 24 counties including Baltimore City) in health outcomes that indicate the overall health of the county (Source http //www countyhealthrankings org/maryland/anne-arundel/2013) Memonal Hospital at Easton Primary Service Area 21601, 21613, 21629, 21632,21655,21639,21643 Dorchester General Hospitals Primary Service Area 21613, 21643,21631 Community Benefit Service Area (CBSA) Target Population 170,000 Talbot County Male 47 7%, Female 52 3% White, Not Hispanic (NH) 81 4% Black, NH 12 8% Hispanic 5 5% Asian, NH 1 2% American Indian, NH 0 2% Median Age 43 3 Median Household Income $62,739 Dorchester County Male 47 7%, Female 52 3% White, Not Hispanic (NH) 67 6% Black, NH 27 7% Hispanc 3 5% Asian, NH 0 9% American Indian, NH 0 3% Median Age 40 7 Median Household Income $46,710 Caroline County Male 48 8%, Female 51 2% White, Not Hispanic (NH) 79 8% Black, NH 13 9% Hispanic 5 5% Asian, NH 0 6 Amencan Indian, NH 0 4 Median Age 37 Median Household Income $59,689 Queen Annes County Male 49 7%, Female 50 3% White, Not Hispanic (NH) 88 7% Black, NH 6 9% Hispanic 3 0% Asian, NH 1 0% Amencan Indian, NH 0 3 Median Age 38 8 Median Household Income $83,958 (Source http //dhmh maryland gov/ship) Percentage of households with incomes below the federal poverty guidelines within the CBSA Talbot 7 7%, Dorchester 15 0%, Caroline 11 8%, Queen Annes 6 3% (Source http //quickfacts census gov/qfd/states/24/24041 html) Percentage of uninsured people by County within the CBSA Talbot 10 5%, Dorchester 11 87%, Caroline 14 58%, Queen Annes 10 3% (Source http //www seedco org) Percentage of Medicaid recipients by County within the CBSA Talbot 12 63%, Dorchester 23 30%, Caroline 22 17%, Queen Annes 12 08% Life Expectancy by County within the CBSA Talbot County All Races 80 5, White 81 2, Black 77 1 Dorchester County All Races 77 6, White 79 1, Black 73 7 Caroline County All Races 76 5, White 76 8, Black 74 7 Queen Annes County All Races 79 7, White 80 0, Black 75 2 (Source http //dhmh maryland gov) Mortality Rates by County within the CBSA (Age adjusted rates per 100,000 population) Talbot County All Races 1118 0, White 1118 0, Black 1015 8 Dorchester County All Races 1106 0, White 1163 3, Black 1008 4 Caroline County All Races 942 9, White 955 3, Black 980 6 Queen Annes County All Races 800 6, White 800 3, Black 1077 9 (Source Maryland Vital Statistics Annual Report 2011, Vital Statistics Administration, Maryland DHMH) Proportion of county restaurants that are Fast Food restaurants Talbot County 37% Dorchester County 60% Caroline County 58% Queen Annes County 45% Limited access to healthy food (percentages of the population who are low income and do not live close to a grocery store) Talbot County 2% Dorchester County 3% Caroline County 2% Queen Annes County 3% (Source USL http //www countyhealthrankings org/maryland/2013) Quality of Housing Total Housing Units Talbot County 19,645 Dorchester County 16,574 Caroline County 13,469 Queen Annes County 20,303 Home Ownership Rate Talbot County 72 6% Dorchester County 69 8% Caroline County 74 2% Queen Annes County 86 0% Caroline County There is a lack of Section 8 Rental Assistance housing in Caroline County At the present time, only about one- third of the demand has been filled Dorchester County Housing in Dorchester County, even though relatively low-priced, is not necessarily more affordable due to the relatively low income of county residents Compared to surrounding counties, the housing stock is older, fewer homes are owner- occupied, more households are low to moderate income, and more housing lacks complete plumbing The lack of move-up housing in the County is seen as a deterrent to attracting business Dorchester County has a relatively weak housing market linked to the weak economy In addition, the disproportionate amount of the Countys elderly population dictates the need for more modest priced homes for the persons in this age category County-wide, just over 31 5 percent of housing was renter occupied in 2010 with a renter rate for incorporated towns nearing 50 percent In 2010, 18 3 percent of the Countys housing units were vacant This is a much higher percentage than for adjoining counties Problems associated with Dorchester County housing include the following - High housing costs compared to income - Significant number of homes in poor physical condition - Owner occupancy level for housing units in Cambridge at less than 50 percent - Market demand for rural subdivisions coupled with disincentives for housing developments in towns are resulting in increasing housing development in the unincorporated area of the County Talbot County The housing issues in Talbot County are complex primarily because of the extreme disparity of income levels in the County Limited entrepreneurial and job opportunities keep the moderate income wage earners from home ownership Habitat for Humanity and new Easton Town Council initiatives now require developers to address low to moderate income, affordable home ownership opportunities as part of any new housing development strategy The net effect will not be known for several years There is no shortage of high end housing options Middle income affordable housing remains a county wide issue Talbot County had the fourth smallest number of persons per household in the State in 2000 (2 32) however 40% of public housing remains inexplicably vacant Rental property is exorbitant and often requires unrelated families to share space Apartments represent 85% of the rental property Failure of code enforcement allows rentals to remain in a state of disrepair Much of the substandard housing is owned by rural pockets The Talbot County Housing Roundtable, a coalition of organizations and individuals formed to assess and recommend affordable housing policy for Talbot County, and local tax and county councils are exploring avenues to significantly addre
Promoting the Health of the Community	Schedule H, Part VI, Line 5	The analysis of local data indicated that diabetes, heart disease, cancer, behavioral health and access to care were all high improvement priorities for the Mid-Shore After careful review of County health data, the Mid-Shore SHIP Coalition prioritized the potential health improvement areas and decided to focus the Coalition's efforts on three areas (1) adolescent obesity, (2) adolescent tobacco use, and (3) diabetes related emergency department visits The Coalition is committed to examining what evidence-based initiatives can improve the county's health in these three areas related to racial, ethnic and other demographic and geographic-related health disparities Maryland's State Health Improvement Process (SHIP) provides a framework for continual progress toward a healthier Maryland Maryland's State Heath Improvement Process (SHIP) began with national, state and local data being reviewed and analyzed by the Maryland Department of Health and Mental Hygiene (DHMH) Office of Population Health as well as by the 5 Departments of Health (Talbot, Caroline, Dorchester, Queen Anne's, Kent) It has three main components accountability, local action and public engagement SHIP includes 39 measures that provide a framework to improve the health of Maryland residents Twenty-eight of the measures have been identified as central racial/ethnic health disparities Each measure has a data source and a target, and where possible, can be assessed at the county level UM SRH's priorities are aligned with the Maryland State Health Improvement Process vision areas and those objectives outlined by the local health improvement coalition UM SRH's Priorities 1 Chronic Diseases (Obesity, Heart Disease, Diabetes and Cancer) 2 Wellness and Access 3 Reducing ED visits due to chronic disease 4 Access to Care Several additional topic areas were identified by the CHNA Steering Committee including safe housing, transportation, and substance abuse The unmet needs not addressed by UM SRH will continue to be addressed by key governmental agencies and existing community- based organizations While UM SRH will address a majority of our efforts on the identified priorities outlined in the CHNA Action Plan, we will review the complete set of needs identified in the CHNA for future collaboration and work These areas, while still important to the health of the community, will be met through other health care organizations with our assistance as available Initiative 1 Identified Need Reduce emergency department visits due to diabetes, hypertension Hospital Initiative Shore Wellness Partners (SWP) Primary Objective of Initiative/Metrics that will be Used to Evaluate the Results Shore Well Partners is a unique program that provides a continuum of care, focusing on preventive care to improve the ability of patients and families to work together to reduce emergency department visits and readmissions The program is designed for at-risk families and individuals who do not have sufficient resources and are not eligible for other in-home services Wellness Partners helps patients with disease management and life skills so that they can continue to live in their own homes The service is provided by Shore Health System at no charge for those who qualify Objectives - Managing physical health problems - Connection with other community services - Dietary education - Home safety evaluations - Safe medicine use - Education on specific illness and treatments - Emotional support - Monitoring client progress through home visits or phone calls Single or Multi-Year Initiative Time Period Multi-year initiative beginning in 2011 Key Partners and/or Hospitals in Initiative Development and/or Implementation Members of the Shore Wellness Partners team include advanced practice nurses and medical social workers These specialists work with patients, caregivers, and primary care providers (sometimes care is provided in the patient's home) Shore Wellness Partners is a partner in the HEZ for Dorchester and Caroline Counties Detailed information for the HEZ model, Competent Care Connections can be found at http //dhmh org Evaluation Dates July 1, 2012 through June 30 Evaluation of Outcomes (1) # of referrals to service,(2) # of patients on service with Shore Wellness Partners, (3) Comparison of ALL CAUSE readmissions for FY13 to FY12 Outcomes (process and impact measures included) Number of referrals = 433 Number of active patients=213 New patients=93 Readmission, ALLCAUSE - Memorial at Easton FY13, decreased by 18 8% ,157 patients - Dorchester General FY13 decreased by 9% ,16 patients Continuation of Initiative Yes Cost of Initiative in FY12 $485,341(includes staff salary and supplies Does not include indirect overhead) Initiative 2 Identified Need Cardiovascular Disease, Critical Care Access to emergency medications prevents terminal outcomes for patients (Advanced Cardiac Life Support) Hospital Initiative (A) Anti-thrombosis Clinic, (B) EMS Medication Programs Primary Objective of Initiative/Metrics that will be Used to Evaluate the Results A) Provide anticoagulated patients (no charge) with close monitoring, educational resources and dedicated expertise to prevent adverse outcomes, reduction of hospital encounters related to over anticoagulation or under anticoagulation B) Shore Regional Health provide emergency management medications to the local Ambulance Services so that Advanced Cardiac Life Support may be initiated in the field Key Partners and/or Hospitals in Initiative Development and/or Implementation A) Shore Health Pharmacy Services B) Shore Health Pharmacy, EMS Single or Multi-Year Initiative Time Period Multi-year initiative Evaluation of Outcomes # of patients enrolled, Average time in therapeutic INR, % of patients in therapeutic range (B) # of patients served Outcomes (process and impact measures included) A) Clinic manages 1,009 patients enrolled 12,187 patient encounters Average time to therapeutic INR is 4 3 days compared to national average of 5 8 days 73% of patients spend greater than 90% of time in therapeutic range (national average, 58%) 1 4% adverse event requiring hospitalization B) Early interventions by EMS, served 10,000 persons Continuation of Initiatives Yes Cost of Initiative in FY13 A) $187,054 (includes staff salary and supplies Does not include indirect overhead) (B) $179,586 Initiative 3 Identified Need Cancer Mortality Hospital Initiative A) Shore Regional Breast Outreach, (B) Shore Regional Breast Center Wellness for Women Program, (C) Prostate Cancer Screening Primary Objective of Initiative/Metrics that will be Used to Evaluate the Results A) 1 Increase the number of women surviving breast cancer by diagnosing them at an earlier stage through education and promotion of preventative measures and early detection 2 Diagnose African American women at earlier stages of breast cancer, equivalent to Caucasian women 3 Educate Latina women in breast self examination with the assistance of a translator B) The program serves as a point of access into care for age and risk specific mammography screening, clinical breast exam, and genetic testing for breast cancer Baseline/Strategies/Outcomes Offered no cost mammograms to eligible women those under the age of 40 and over 65who have no insurance and Latina women of all ages who will be screened annually thereafter Those women needing further diagnostic tests or who need treatment for breast cancer will be enrolled in the State of Maryland Diagnosis and Treatment Program through the case manager C) Provide men in the mid shore, the opportunity to obtain a free prostate cancer screening which includes blood test and exam by a competent physician Single or Multi-Year Initiative Time Period All initiatives are multi-year initiatives Key Partners and/or Hospitals in Initiative Development and/or Implementation County Departments of Health, Shore Comprehensive Urology, Talbot County NAACP, MOTA Evaluation of Outcomes A) # of women educated, Correlation of tumor registry data with outreach events, screenings (B) Ongoing data collection reported monthly to capture total number seen with breakdown by race, Increase breast screening levels among unmsured and underinsured women (C) # of screenings and exams provided Outcomes (process and impact measures included) A) Increased the community's awareness of breast cancer prevention, detection and treatments, Served 4,267 person at 30 community events, 7 professional presentations, The stage at diagnosis as reported by the Tumor Registry for the Cancer Center indicates women are being diagnosed at early stages of the disease, and that there is no distinction between the ethnic groups in our community B) Wellness For Women Program 187 patient screenings African American new patients, up 10 5% Hispanic new patients, up 24% Caucasian new patients, up 26% Shore Regional Breast Center Case Worker 1,559

Identifier	ReturnReference	Explanation
Affiliated Health Care System Roles	Schedule H, Part VI, Line 6	THE UNIVERSITY OF MARYLAND MEDICAL CENTER IS AN 800-BED TEACHING HOSPITALIN BALTIMORE AND THE FLAGSHIP INSTITUTION OF THE 12-HOSPITAL UNIVERSITY OF MARYLAND MEDICAL SYSTEM (UMMS) AS A NATIONAL AND REGIONAL REFERRAL CENTER FOR TRAUMA, CANCER CARE, NEUROCARE, CARDIAC CARE, WOMEN'S AND CHILDREN'S HEALTH AND PHYSICAL REHABILITATION, UMMC TREATS PATIENTS WHO ARE REFERRED NATIONALLY AND REGIONALLY FOR EXPERTISE IN TIME-SENSITIVE CRITICAL CARE MEDICINE UMMC ALSO HAS ONE OF THE LARGEST SOLID ORGAN TRANSPLANT PROGRAMS IN THE COUNTRY, PERFORMING MORE THAN 400 ABDOMINAL AND THORACIC TRANSPLANTS A YEAR ALL PHYSICIANS ON STAFF AT THE MEDICAL CENTER ARE FACULTY PHYSICIANS OF THE UNIVERSITY OF MARYLAND SCHOOL OF MEDICINE AS PART OF THE UNIVERSITY OF MARYLAND MEDICAL SYSTEM, THE MEDICAL CENTER PARTICIPATES IN THE UMMS COMMUNITY HEALTH OUTREACH AND ADVOCACY TEAM TO VALIDATE DATA AND INFORMATION FROM OTHER UMMS HOSPITALS AND COLLABORATE ON LARGE SYSTEM-WIDE EVENTS AND INITIATIVES SEVERAL UMMS-SPONSORED EVENTS THAT THE MEDICAL CENTER PARTNERS WITH OTHER UMMS' HOSPITALS INCLUDE SPRING INTO GOOD HEALTH, FROM THE HEART, AND TAKE A LOVED ONE TO THE DOCTOR TODAY THE UMMC RETAINS ITS STRATEGIC COMMUNITY OUTREACH PRIORITIES WHILE COLLABORATING WITH OTHER UMMS HOSPITALS THE MEDICAL CENTER ESPECIALLY COLLABORATES WITH THE BALTIMORE-BASED HOSPITALS (UNIVERSITY OF MARYLAND MIDTOWN CAMPUS, FORMERLY MARYLAND GENERAL, MT WASHINGTON PEDIATRICHOSPITAL, AND UNIVERSITY OF MARYLAND REHABILITATION AND ORTHOPEDIC INSTITUTE, FORMERLY KERNAN HOSPITAL) SEVERAL MEMBERS OF THE UMMC COMMUNITY OUTREACH TEAM ARE MEMBERS OF THE UMMS COMMUNITY ADVOCACY AND UMMS COMMUNITY BENEFITS TEAMS INFORMATION AND COLLABORATIVE OPPORTUNITIES ARE DISCUSSED IN ALL FORUMS IN MOST INSTANCES, THE UMMC PROVIDES CLINICAL EXPERTISE IN MANY SPECIALTY FIELDS AS WELL STAFF SUPPORT AND RESOURCES FOR LARGER SYSTEM-WIDE PROGRAMMING WHILE RETAINING FOCUS ON OUR KEY COMMUNITY STRATEGIC PRIORITIES
STATE FILING OF COMMUNITY BENEFIT REPORT	990 SCHEDULE H, PART VI	MD,

Additional Data

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

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

Section C. Other Health Care 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 health care facilities did the organization operate during the tax year?
11

Name and address	Type of Facility (describe)
Reguard Cancer Center 509 Idlewild Avenue Easton, MD 21601	Oncology Services
Digestive Disease Center 5111 Idlewild Avenue Easton, MD 21601	Oncology Services
Diagnostic Center 10 Martin Court Easton, MD 21601	Oncology Services
Shore Health System Surgery Center 6 Caulk Lane Easton, MD 21601	Oncology Services
Centreville Diagnostic Center 2540 Centerville Road Centreville, MD 21617	Oncology Services
Sunburst Center Route 50 Cambridge, MD 21613	Oncology Services
Integrative Medicine 607 Dutchmans Lane Easton, MD 21601	Oncology Services
Shoreworks Bryn Street Cambridge, MD 21658	Oncology Services
Queen Anne Emergency Center 115 Shoreway Drive Queenstown, MD 21658	Oncology Services
Denton Diagnostic Center 920 Market Street Denton, MD 21601	Oncology Services
The Shore Medical Pavilion 125 Shoreway Drive Queenstown, MD 21658	Oncology Services

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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

2012

Open to Public Inspection

Name of the organization
SHORE HEALTH SYSTEM INC

Employer identification number
52-0610538

Part I Questions Regarding Compensation

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

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

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

(A) Name and Title	**(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 as deferred in prior Form 990
	(i) Base compensation	**(ii)** Bonus & incentive compensation	**(iii)** Other reportable compensation				
See Additional Data Table							

Part III Supplemental Information

Complete this part to provide the information, explanation, or descriptions required for Part I, lines 1a, 1b, 3, 4a, 4b, 4c, 5a, 5b, 6a, 6b, 7, and 8, and for Part II
Also complete this part for any additional information

Identifier	Return Reference	Explanation
Health or social club dues or initiation fees	Schedule J, Part I, Line 1a	UMMS executives receive a benefit package which may be used towards health club dues or other health maintenance programs such benefits are capped at $7,000 or $3,000 depending on job title as described in the program documents
Supplemental nonqualified retirement plan	Schedule J, Part I, Line 4b	DURING THE FISCAL YEAR ENDED JUNE 30, 2013, CERTAIN OFFICERS AND KEY EMPLOYEES PARTICIPATED IN THE UNIVERSITY OF MARYLAND MEDICAL SYSTEM (UMMS) SUPPLEMENTAL NONQUALIFIED RETIREMENT PLAN THE INDIVIDUALS LISTED BELOW HAVE NOT VESTED IN THE PLAN THEREFORE, THE ACCRUED CONTRIBUTION TO THE PLAN FOR THE FISCAL YEAR IS REPORTED ON SCHEDULE J, PART II, COLUMN C, RETIREMENT AND OTHER DEFERRED COMPENSATION Robert Chrencik MICHAEL SILGEN JONATHAN COOK MD Kenneth Kozel DURING THE FISCAL YEAR ENDED JUNE 30, 2013, CERTAIN OFFICERS AND KEY EMPLOYEES PARTICIPATED IN THE UNIVERSITY OF MARYLAND MEDICAL SYSTEM (UMMS) SUPPLEMENTAL NONQUALIFIED RETIREMENT PLAN THE INDIVIDUALS LISTED BELOW HAVE VESTED IN THE PLAN IN A PRIOR YEAR THEREFORE, THE CONTRIBUTIONS TO THE PLAN FOR THE FISCAL YEAR ARE REPORTED AS TAXABLE COMPENSATION AND REPORTED ON SCHEDULE J, PART II, LINE B(III), OTHER REPORTABLE COMPENSATION MICHAEL ZIMMERMAN Patti Willis JOSEPH P ROSS (Term 4/1/11) John Ashworth WALTER ZAJAC GERARD M WALSH CHRISTOPHER PARKER DURING THE FISCAL YEAR ENDed JUNE 30, 2013, CERTAIN OFFICERS AND KEY EMPLOYEES PARTICIPATED IN THE UNIVERSITY OF MARYLAND MEDICAL SYSTEM (UMMS) SUPPLEMENTAL NONQUALIFIED RETIREMENT PLAN THE INDIVIDUAL LISTED BELOW HAS VESTED IN THE PLAN IN THE REPORTING TAX YAR THEREFORE, THE FULL VALUE OF THE PLAN, INCLUDING ANY CONTRIBUTIONS TO THE PLAN FOR THE CURRENT FISCAL YEAR, IS REPORTED AS TAXABLE COMPENSATION AND REPORTED ON SCHEDULE J, PART II, LINE B(III), OTHER REPORTABLE COMPENSATION PRIOR YEAR CONTRIBUTIONS TO THE PLAN WERE PREVIOUSLY REPORTED ON FORM 990 AND ARE INDICATED ON SCHEDULE J, PART II, COLUMN (F) MICHAEL TOOKE MD
Non-fixed payments	Schedule J, Part I, Line 7	Bonuses paid are based on a number of variables including but not limited to individual goal achievements as well as organization operation achievements The final determination of the bonus amount is determined and approved by the Board as part of the overall compensation review of the officers and key employees

Additional Data

Return to Form

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

Form 990, Schedule J, Part II - Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) 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 compensation				
Robert Chrencik	(I)	0	0	0	0	0	0	0
	(II)	1,166,972	994,524	13,072	223,385	13,688	2,411,641	0
John Ashworth III	(I)	0	0	0	0	0	0	0
	(II)	368,549	157,673	62,314	10,000	12,467	611,003	0
Gerard Walsh	(I)	263,676	113,156	35,404	10,000	12,542	434,778	0
	(II)	0	0	0	0	0	0	0
Walter Zajac	(I)	190,303	83,808	24,285	7,924	12,285	318,605	0
	(II)	0	0	0	0	0	0	0
Kenneth Kozel	(I)	367,451	240,875	20,399	67,500	14,787	711,012	0
	(II)	0	0	0	0	0	0	0
Michael Tooke MD	(I)	278,652	130,344	189,793	10,000	12,581	621,370	138,788
	(II)	0	0	0	0	0	0	0
Christopher Parker	(I)	221,009	99,311	29,214	8,676	10,585	368,795	0
	(II)	0	0	0	0	0	0	0
Michael Zimmerman	(I)	150,675	67,443	18,843	6,225	12,175	255,361	0
	(II)	0	0	0	0	0	0	0
Jonathan Cook	(I)	160,812	55,473	3,078	20,273	14,153	253,789	0
	(II)	0	0	0	0	0	0	0
Michael Silgen	(I)	150,101	54,150	3,932	18,500	4,029	230,712	0
	(II)	0	0	0	0	0	0	0
John Sawyer	(I)	179,527	400	366	9,813	911	191,017	0
	(II)	0	0	0	0	0	0	0
Catherine Ferara	(I)	147,946	400	58	8,238	6,239	162,881	0
	(II)	0	0	0	0	0	0	0
Joseph Ross	(I)	206,228	0	0	0	0	206,228	0
	(II)	0	0	0	0	0	0	0
Patti Willis	(I)	153,465	73,083	22,330	6,384	12,107	267,369	0
	(II)	0	0	0	0	0	0	0

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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, line 38a or 40b.**

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
SHORE HEALTH SYSTEM INC

Employer identification number
52-0610538

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) Relationship between disqualified person and organization	(c) Description of transaction	(d) Corrected? Yes	No

2 Enter the amount of tax incurred by 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-EZ, Part V, line 38a, or Form 990, Part IV, line 26, or if the organization reported an amount on Form 990, Part X, line 5, 6, or 22

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

Part III Grants or Assistance Benefitting Interested Persons.

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

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of assistance	(d) Type of assistance	(e) Purpose 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) Bonnie Zajac	Walter Zajac-Spouse	82,038	Compensation for FYE 2013		No
(2) Karyn Walsh	Gerard Walsh-Spouse	26,023	Compensation for FYE 2013		No
(3) Joshua Zimmerman	Michael Zimmerman-Son	34,967	Compensation for FYE 2013		No
(4) Ronald Meaker	Christopher Parker-Spouse	33,263	Compensation for FYE 2013		No
(5) Michael Moran	Joint Venture	120,000	Share in Joint Venture		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

2012

Open to Public Inspection

Name of the organization
SHORE HEALTH SYSTEM INC

Employer identification number
52-0610538

Identifier	Return Reference	Explanation
NOTE REGARDING REORGANIZATION		Effective July 1, 2013, the operations of Shore Health and Chester River were combined and renamed Shore Regional Health This was accomplished through merging certain entities within the systems PROGRAM SERVICE ACCOMPLISHMENTS FORM 990, PART III, LINE 4A SHORE HEALTH SYSTEM, INC IS A 196 LICENSED BED COMMUNITY HOSPITAL PROVIDING A FULL RANGE OF INPATIENT AND OUTPATIENT CLINICAL SERVICES TO THE MARYLAND MID-SHORE AREA, INCLUDING GENERAL HOSPITAL, EMERGENCY, AND SPECIALIZED SERVICES AS WELL AS OUTPATIENT CENTERS FOR PRIMARY CARE, DIAGNOSTICS, TREATMENT, EDUCATION, AND REHABILITATION THE SYSTEM OFFERS FREE EDUCATION PROGRAMS AND SERVICES TO PROMOTE HEALTH AWARENESS IN THE COMMUNITY DURING FY 2013, THE SYSTEM PROVIDED CARE FOR 11,802 INPATIENTS RESULTING IN 45,885 DAYS OF PATIENT CARE, TREATED 73,235 PATIENTS IN THE ER, AND PERFORMED 10,552 SURGERIES IN THE OR THE SYSTEM'S ANCILLARY SERVICE DEPARTMENTS REALIZED 502,485 OUTPATIENT ENCOUNTERS HOME HEALTH/HOSPICE SERVICES WERE PROVIDED TO 1,794 PATIENTS IN 30,484 NURSING VISITS THE SYSTEMS MISSION STATEMENT IS "TO EXCEL IN QUALITY CARE AND PATIENT SATISFACTION" ITS STRATEGIC PRINCIPLE IS "EXCEPTIONAL CARE, EVERY DAY", AND ITS VALUES STATEMENT IS "EVERY INTERACTION WITH ANOTHER IS AN OPPORTUNITY TO CARE" AS A PART OF ITS MISSION, THE SYSTEM PROVIDES CHARITY CARE TO PATIENTS UNABLE TO PAY, PROVIDING $11 2 MILLION OF CHARITY CARE IN FY 2013

Identifier	Return Reference	Explanation
MEMBERS OR STOCKHOLDERS	Form 990, Part VI, Lines 6, 7a and 7b	University of Maryland medical system corporation (UMMS) is the sole member of Shore Health System, Inc UMMS may elect one or more board members of the governing body and all decisions of the governing body must be approved by UMMS

Identifier	Return Reference	Explanation
FORM 990 REVIEW PROCESS	Form 990, Part VI, Line 11b	The IRS form 990 is prepared and reviewed by the accounting firm of Grant Thornton Accounting personnel in finance shared services at the university of Maryland medical system gather the information needed to complete the return and input the data into the Grant Thornton tax organizer When all data has been entered, the information is submitted to Grant Thornton for importation into their tax software At this point, Grant Thornton staff members review the data, ask for additional information if needed and prepare the tax return Each return is reviewed at several levels at Grant Thornton including the tax partner After their review process, a draft return is sent to the accounting staff at UMMS for an in-house review Upon completion of the in-house review, Grant Thornton is instructed to make any necessary changes and to prepare the final tax return The final return undergoes another review by the accounting staff at finance shared services and is also reviewed by the accounting manager, the director of financial reporting, the vice president of finance and the CFO, who signs the return Prior to filing the IRS Form 990, the organization's board chairman, treasurer, audit committee chairman, executive committee chairman or other member of the board with similar authority will review the IRS Form 990 At the discretion of the reviewing board member, such member will bring any issues or questions related to the completed IRS Form 990 to the attention of the board Notwithstanding the above, a board resolution is not required for the filing of the organization's IRS form 990 Each board member is provided with a copy of the final IRS Form 990 before filing

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

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

Identifier	Return Reference	Explanation
HOW DOCUMENTS ARE MADE AVAILABLE TO THE PUBLIC	Form 990, Part VI, Line 19	In general, financial and tax information relating to the organization is deemed proprietary and not subject to disclosure upon request However, specific provisions of federal and state law require the organization to disclose certain limited financial and tax data upon a specific request for that information Requests for form 990 and form 1023 a requestor seeking to review and/or obtain a copy of the organization's I R S form 990 or form 1023 as filed with the internal revenue service, including all schedules and attachments, may appear in person or submit a written request The most recent three years of I R S form 990 may be requested If the requester appears in person, the individual is directed to the office of the chief financial officer for the organization and the form 990 and/or form 1023 are made available for inspection The individual is permitted to review the return, take notes and request a copy If requested, a copy is provided on the same day A nominal fee is charged for making the copies The organization may have an employee present during the public inspection of the document Written requests for an entity's form 990 or form 1023 are directed immediately to the office of the chief financial officer for the organization The requested copies are mailed within 30 days of the request Reproduction fees and mailing costs are charged to the requestor Conflict of interest policy and governing documents if the governing documents and conflict of interest policy of our organization are subject to the federal public disclosure rules (or state public disclosure rules), these documents will be made publicly available as applicable law may require Otherwise, the governing documents and conflict of interest policy will be provided to the public at the discretion of management

Identifier	Return Reference	Explanation
HOURS NARRATIVE	Form 990, Part VII, Section A, Column B	THE UNIVERSITY OF MARYLAND MEDICAL SYSTEM (UMMS) IS A MULTI-ENTITY HEALTH CARE SYSTEM THAT INCLUDES 10 ACUTE CARE HOSPITALS, 3 ACUTE CARE HOSPITALS OWNED IN JOINT VENTURE ARRANGEMENTS AND VARIOUS SUPPORTING ENTITIES A NUMBER OF INDIVIDUALS PROVIDE SERVICES TO VARIOUS ENTITIES WITHIN THE SYSTEM IN GENERAL, THE OFFICERS AND KEY EMPLOYEES OF UMMS AVERAGE IN EXCESS OF 40 HOURS PER WEEK SERVING THE DIFFERENT ENTITIES THAT COMPRISE UMMS

Identifier	Return Reference	Explanation
OTHER CHANGES IN NET ASSETS	FORM 990, PART XI, LINE 9	Change in beneficiary interest 5,909,682 Change in investment of subsidiary (3,951,059) Market Adjustment - SWAP (21,091) Change in MKT Value Interest Rate Swap (1,650,771) Equity Transfers (13,021,664) ---------- Total other changes in net assets ($12,734,903)

Identifier	Return Reference	Explanation
TAX EXEMPT BONDS	PART IV, LINE 24A	Pursuant to a Master Loan Agreement dated June 20, 1991 (The "Master Loan Agreement"), as Amended, The University Of Maryland Medical System Corporation (The "Corporation") and several of its subsidiaries have issued debt through the Maryland Health and Higher Education Facility Authority (the "Authority") As Security for the performance of the bond obligation under the Master Loan Agreement, The Authority maintains a security interest in the revenue of the obligors The Master Loan Agreement contains certain restrictive covenants These covenants require that rates and charges be set at certain levels, limit incurrence of additional debt, require compliance with certain operating ratios and restrict the disposition of assets The obligated group under the Master Loan Agreement includes the Corporation, The James Lawrence Kernan Hospital, Inc , Maryland General Hospital, Inc , Baltimore Washington Medical Center, Inc , Shore Health System, Inc , Chester River Hospital Center, Inc , Civista Medical Center, Inc , University of Maryland St Joseph Medical Center, LLC and the University of Maryland Medical System Foundation, Inc Each member of the obligated Group is jointly and severally liable for the repayment of the obligations under the Master Loan Agreement of the Corporation's $1,267,185,000 of outstanding Authority Bonds on June 30, 2013 All of the bonds were issued in the name of the University of Maryland Medical System Corporation and are reported on Schedule K of its Form 990

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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

2012

Open to Public Inspection

Name of the organization
SHORE HEALTH SYSTEM INC

Employer identification number
52-0610538

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

(a) Name, address, and EIN (if applicable) 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" to 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 entity? Yes	(g) No
See Additional Data Table							

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

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

Part IV **Identification of Related Organizations Taxable as a Corporation or Trust** (Complete if the organization answered "Yes" to 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	(i) Section 512 (b)(13) controlled entity?	
								Yes	No
See Additional Data Table									

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

		Yes	No
Note. Complete line 1 if any entity is listed in Parts II, III, or IV of this schedule			
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 or **(iv)** rent from a controlled entity	1a	Yes	
b Gift, grant, or capital contribution to related organization(s)	1b	Yes	
c Gift, grant, or capital contribution from related organization(s)	1c	Yes	
d Loans or loan guarantees to or for related organization(s)	1d		No
e Loans or loan guarantees by related organization(s)	1e	Yes	
f Dividends from related organization(s)	1f		No
g Sale of assets to related organization(s)	1g		No
h Purchase of assets from related organization(s)	1h	Yes	
i Exchange of assets with related organization(s)	1i		No
j Lease of facilities, equipment, or other assets to related organization(s)	1j	Yes	
k Lease of facilities, equipment, or other assets from related organization(s)	1k	Yes	
l Performance of services or membership or fundraising solicitations for related organization(s)	1l	Yes	
m Performance of services or membership or fundraising solicitations by related organization(s)	1m		No
n Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)	1n	Yes	
o Sharing of paid employees with related organization(s)	1o	Yes	
p Reimbursement paid to related organization(s) for expenses	1p	Yes	
q Reimbursement paid by related organization(s) for expenses	1q	Yes	
r Other transfer of cash or property to related organization(s)	1r	Yes	
s Other transfer of cash or property from related organization(s)	1s		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-s)	(c) Amount involved	(d) Method of determining amount involved
See Additional Data Table			

Part VI **Unrelated Organizations Taxable as a Partnership** (Complete if the organization answered "Yes" to 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 section 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	

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

Part VII Supplemental Information

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

Identifier	Return Reference	Explanation

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal Domicile (State or Foreign Country)	(d) Direct Controlling Entity	(e) Predominant income(related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproprtionate allocations?		(i) Code V-UBI amount on Box 20 of K-1	(j) General or Managing Partner?		(k) Percentage ownership
							Yes	No		Yes	No	
Arundel Physicians Associates LLC 301 Hospital Drive Glen Burnie, MD 21061 52-2000762	Healthcare	MD	NA		0	0						
Baltimore Washington Imaging LLC 301 Hospital Drive Glen Burnie, MD 21061 20-0806027	Healthcare	MD	NA		0	0					No	
Central Maryland Radiology Oncology LLC 10710 Charter Drive Columbia, MD 21044 27-0879418	Healthcare	MD	NA		0	0						
Innovative Health LLC 29165 Canvasback Drive Suite 100 Easton, MD 21601 52-1997287	Billing	MD	SHS	RELATED	559,270	310,061		No			No	50 000 %
NAHSunrise of Severna Park LLC 301 Hospital Drive Glen Burnie, MD 21061 54-1810729	Healthcare	MD	NA		0	0						
North Arundel Senior Living LLC 301 Hospital Drive Glen Burnie, MD 21061 54-1810728	Healthcare	MD	NA		0	0						
Shipley's Imaging Center LLC 22 South Greene Street Baltimore, MD 21201 52-2040338	Healthcare	MD	NA		0	0						
Universitycare LLC 22 South Greene Street Baltimore, MD 21201 52-1914892	Healthcare	MD	NA		0	0						
O'Dea Medical Arts Limited Partnership 7601 Osler Drive Towson, MD 21204 52-1682964	Rental	MD	NA		0	0						

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership	(i) Section 512(b)(13) controlled entity?	
								Yes	No
Arundel Physicians Associates Inc 301 Hospital Drive Glen Burnie, MD 21061 52-1992649	Healthcare	MD	NA	C Corp	0	0			No
Baltimore Washington Health Enterprises 301 Hospital Drive Glen Burnie, MD 21061 52-1936656	Healthcare	MD	NA	C Corp	0	0			No
BW Professional Services Inc 301 Hospital Drive Glen Burnie, MD 21061 52-1655640	Healthcare	MD	NA	C Corp	0	0			No
Civista Care Partners Inc PO Box 1070 La Plata, MD 20646 52-2176314	Healthcare	MD	NA	C Corp	0	0			No
Univ Midtown Prof Center Condominium 827 Linden Avenue Baltimore, MD 21201 52-1891126	Real Estate	MD	NA	C Corp	0	0			No
Shore Health Enterprises Inc 219 South Washington Street Easton, MD 21601 52-1363201	Real Estate	MD	SHS	C Corp	58,000	0	100 000 %		No
NA Executive Building Condo Assn Inc 301 Hospital Drive Glen Burnie, MD 21061	Real Estate	MD	NA	C Corp	0	0			No
Terrapin Insurance Company 98-0129232	Insurance	CJ	NA	C Corp	0	0			No
UMMS Self Insurance Trust 22 South Greene Street Baltimore, MD 21201 52-6315433	Insurance	MD	NA	Trust	0	0			No

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

(a) Name of other organization	(b) Transaction type(a-s)	(c) Amount Involved	(d) Method of determining amount involved
Shore Health Enterprises	a	62,538	FMV
Shore Clinical Foundation	a	89,312	FMV
Dorchester General Hospital Foundation	c	178,507	FMV
Memorial Hospital Foundation	c	730,771	FMV
Shore Health Enterprises	j	58,076	FMV
Care Health Services	n	590,471	FMV
Memorial Hospital Foundation	n	343,581	FMV
Shore Clinical Foundation	n	595,176	FMV
Shore Health Enterprises	h	1,473,365	FMV

KPMG

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidated Financial Statements and Schedules

June 30, 2013 and 2012

(With Independent Auditors' Report Thereon)

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Table of Contents

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

Independent Auditors' Report

The Board of Directors
University of Maryland Medical System Corporation

We have audited the accompanying consolidated financial statements of the University of Maryland Medical System Corporation and Subsidiaries (the Corporation), which comprise the consolidated balance sheets as of June 30, 2013 and 2012, and the related consolidated statements of operations and changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U S generally accepted accounting principles, this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits We conducted our audits in accordance with auditing standards generally accepted in the United States of America Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control Accordingly, we express no such opinion An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the University of Maryland Medical System Corporation and Subsidiaries as of June 30, 2013 and 2012, and the results of their operations and their cash flows for the years then ended in accordance with U S generally accepted accounting principles

Emphasis of Matter

As discussed in note 1(x) to the consolidated financial statements, in 2013, the Corporation adopted new accounting guidance, Accounting Standards Update 2011-07, *Health Care Entities (Topic 954), Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities*. Our opinion is not modified with respect to this matter.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information in Schedules 1-8 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the 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 of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

KPMG LLP

October 25, 2013

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

June 30, 2013 and 2012

(In thousands)

Assets		2013	2012
Current assets			
Cash and cash equivalents	$	252,205	279,909
Assets limited as to use, current portion		46,343	43,089
Accounts receivable			
Patient accounts receivable, less allowance for doubtful accounts of $160,675 and $158,201 as of June 30, 2013 and 2012, respectively		340,780	289,752
Other		40,760	25,126
Inventories		41,021	35,372
Swap collateral posted		—	121,802
Prepaid expenses and other current assets		14,313	16,774
Total current assets		735,422	811,824
Investments		463,476	446,127
Assets limited as to use, less current portion		567,780	453,034
Property and equipment, net		1,707,676	1,444,090
Investments in joint ventures		192,045	166,803
Other assets		147,698	134,219
Total assets	$	3,814,097	3,456,097
Liabilities and Net Assets			
Current liabilities			
Trade accounts payable	$	239,832	188,815
Accrued payroll and benefits		181,409	149,694
Advances from third-party payors		115,992	119,923
Lines of credit		95,000	102,000
Other current liabilities		93,383	106,377
Long-term debt subject to short-term remarketing arrangements		19,123	52,621
Current portion of long-term debt		38,802	53,928
Total current liabilities		783,541	773,358
Long-term debt, less current portion and amount subject to short-term remarketing arrangements		1,304,046	1,011,569
Other long-term liabilities		207,685	226,512
Interest rate swap liabilities		145,504	217,756
Total liabilities		2,440,776	2,229,195
Net assets			
Unrestricted		1,264,433	1,125,068
Temporarily restricted		74,877	67,140
Permanently restricted		34,011	34,694
Total net assets		1,373,321	1,226,902
Total liabilities and net assets	$	3,814,097	3,456,097

See accompanying notes to consolidated financial statements

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidated Statements of Operations

Years ended June 30, 2013 and 2012

(In thousands)

	2013	2012
Unrestricted revenues, gains and other support		
Patient service revenue (net of contractual adjustments)	$ 2,615,590	2,426,977
Provision for bad debts	(153,457)	(133,640)
Net patient service revenue	2,462,133	2,293,337
Other operating revenue		
State support	3,000	3,200
Other revenue	106,313	74,519
Total unrestricted revenues, gains and other support	2,571,446	2,371,056
Operating expenses		
Salaries, wages and benefits	1,295,416	1,153,106
Expendable supplies	470,739	407,413
Purchased services	414,180	382,474
Contracted services	211,021	164,114
Depreciation and amortization	144,671	130,149
Interest expense	49,199	45,901
Facility closure expenses	—	16,247
Total operating expenses	2,585,226	2,299,404
Operating (loss) income	(13,780)	71,652
Nonoperating income and expenses, net		
Contributions	7,474	8,961
Inherent contribution – Civista	—	37,322
Equity in net income of joint ventures	16,279	1,660
Investment income	17,248	17,287
Change in fair value of investments	29,567	(23,104)
Change in fair value of undesignated interest rate swaps	69,206	(107,408)
Change in fair value of debt instrument	(2,917)	(9,607)
Loss on early extinguishment of debt	(3,397)	—
Other nonoperating losses, net	(35,482)	(19,764)
Excess (deficiency) of revenues over expenses	84,198	(23,001)
Net assets released from restrictions used for the purchase of property and equipment	24,081	36,352
Other	31,086	(31,118)
Increase (decrease) in unrestricted net assets	$ 139,365	(17,767)

See accompanying notes to consolidated financial statements

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidated Statements of Changes in Net Assets

Years ended June 30, 2013 and 2012

(In thousands)

	Unrestricted net assets	Temporarily restricted net assets	Permanently restricted net assets	Total
Balance at June 30, 2011	$ 1,142,835	75,656	32,543	1,251,034
Deficiency of revenues over expenses	(23,001)	—	—	(23,001)
Investment losses, net	—	(296)	—	(296)
State support for capital	—	30,558	—	30,558
Contributions, net	—	7,606	2,130	9,736
Net assets released from restrictions used for operations and nonoperating activities	—	(4,798)	—	(4,798)
Net assets released from restrictions used for purchase of property and equipment	36,352	(36,352)	—	—
Change in economic and beneficial interests in the net assets of related organizations	—	(4,254)	21	(4,233)
Change in ownership interest of joint ventures	(2,883)	(900)	—	(3,783)
Change in fair value of designated interest rate swaps	(4,948)	—	—	(4,948)
Change in funded status of defined benefit pension plans	(23,636)	—	—	(23,636)
Other	349	(80)	—	269
(Decrease) increase in net assets	(17,767)	(8,516)	2,151	(24,132)
Balance at June 30, 2012	1,125,068	67,140	34,694	1,226,902
Excess of revenues over expenses	84,198	—	—	84,198
Acquisition of SJMC Foundation	4,737	4,416	350	9,503
Investment gains, net	—	3,658	71	3,729
State support for capital	—	17,253	—	17,253
Contributions, net	—	8,596	280	8,876
Net assets released from restrictions used for operations and nonoperating activities	—	(2,067)	—	(2,067)
Net assets released from restrictions used for purchase of property and equipment	24,081	(24,081)	—	—
Change in economic and beneficial interests in the net assets of related organizations	—	(342)	(110)	(452)
Change in ownership interest of joint ventures	1,170	243	—	1,413
Change in fair value of designated interest rate swaps	3,046	—	—	3,046
Change in funded status of defined benefit pension plans	19,822	—	—	19,822
Asset reclassifications at request of donor	1,519	(245)	(1,274)	—
Other	792	306	—	1,098
Increase (decrease) in net assets	139,365	7,737	(683)	146,419
Balance at June 30, 2013	$ 1,264,433	74,877	34,011	1,373,321

See accompanying notes to consolidated financial statements

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended June 30, 2013 and 2012

(In thousands)

	2013	2012
Cash flows from operating activities		
Increase (decrease) in net assets	$ 146,419	(24,132)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities		
Depreciation and amortization	144,671	130,149
Provision for bad debts	153,457	133,640
Amortization of bond premium and deferred financing costs	1,192	2,954
Net realized gains and change in fair value of investments	(42,082)	16,240
Loss on early extinguishment of debt	3,397	—
Change in fair value of debt instrument	2,917	9,607
Equity in net income of joint ventures	(16,279)	(1,660)
Loss on facility closure	—	13,824
Increase in economic and beneficial interests in net assets of related organizations	452	4,233
Change in fair value of interest rate swaps	(72,252)	112,356
Change in funded status of defined benefit pension plans	(19,822)	23,636
Inherent contribution related to Civista acquisition	—	(37,811)
Restricted contributions, investment income and state support	(29,858)	(39,998)
Change in operating assets and liabilities		
Patient accounts receivable	(204,485)	(151,040)
Other receivables, prepaid expenses, other current assets and other assets	(12,336)	(15,365)
Inventories	(5,649)	(1,657)
Trade accounts payable, accrued payroll and benefits, other current liabilities and other long-term liabilities	59,786	58,137
Advances from third-party payors	(3,931)	20,501
Net cash provided by operating activities	105,597	253,614
Cash flows from investing activities		
Purchases and sales of investments and assets limited as to use, net	(98,350)	(1,802)
Acquisition of St Joseph Medical System	(206,300)	—
Addition of cash from Civista Health, Inc	—	33,905
Purchases of property and equipment	(213,971)	(210,703)
Distributions from joint ventures	3,646	6,723
Cash received from (paid to) swap counter party for collateral related to interest rate swaps, net	121,802	(64,329)
Net cash used in investing activities	(393,173)	(236,206)

(Continued)

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended June 30, 2013 and 2012

(In thousands)

		2013	2012
Cash flows from financing activities			
Proceeds from long-term debt	$	597,709	15,631
Repayment of long-term debt and capital leases		(356,283)	(32,362)
Draws (repayments) on lines of credit, net		(7,000)	37,900
Payment of debt issuance costs		(4,412)	—
Cash received from (paid to) swap counterparty for designated interest rate swaps, net		—	(16,183)
Restricted contributions, investment income and state support		29,858	39,998
Net cash provided by financing activities		259,872	44,984
Net (decrease) increase in cash and cash equivalents		(27,704)	62,392
Cash and cash equivalents, beginning of year		279,909	217,517
Cash and cash equivalents, end of year	$	252,205	279,909
Supplemental disclosures of cash flow information			
Cash paid during the year for interest	$	44,630	43,957
Amount included in accounts payable for construction in progress		35,088	22,972
Supplemental disclosures of noncash information			
Capital leases	$	—	56

See accompanying notes to consolidated financial statements

(1) Organization and Summary of Significant Accounting Policies

(a) Organization

The University of Maryland Medical System Corporation (the Corporation or UMMS) is engaged in providing comprehensive healthcare services through an integrated network of hospitals and other inpatient and outpatient clinical enterprises The Corporation operates University Hospital, University of Maryland Marlene and Stewart Greenebaum Cancer Center (Greenebaum Cancer Center), and The R Adams Cowley Shock Trauma Center (Shock Trauma Center), and certain other affiliates, collectively referred to as University of Maryland Medical Center (Medical Center) and is the sole member of The James Lawrence Kernan Hospital, Inc (Kernan), University Specialty Hospital, Inc (University Specialty), Maryland General Health Systems, Inc (Maryland General), Baltimore Washington Medical System, Inc (Baltimore Washington), Shore Health System, Inc (Shore Health), Chester River Health System, Inc (Chester River), Civista Health, Inc (Civista), University of Maryland St Joseph Health System (St Joseph), University of Maryland Medical System Foundation, Inc (UMMS Foundation), and Shipley's Choice Medical Park, Inc (Shipley's), each of which is described below

The accompanying consolidated financial statements include the accounts of the Corporation, its wholly owned subsidiaries, and entities controlled by the Corporation In addition, the Corporation maintains equity interests in various unconsolidated joint ventures, which are described in note 4 All material intercompany balances and transactions have been eliminated in consolidation

Recent Acquisitions & Divestitures

The Corporation established St Joseph and subsequently purchased substantially all of the assets of the former St Joseph Medical Center on December 1, 2012 During the year ended June 30, 2013, the Corporation completed the closure of University Specialty Additionally, the Corporation became the sole member of Civista on July 1, 2011 These events are more fully described below

University of Maryland Medical Center

The University of Maryland Medical Center, which is a major component of UMMS, is an 800-bed academic medical center located in Baltimore The Medical Center has served as the teaching hospital of the School of Medicine of the University System of Maryland, Baltimore since 1823 While the Corporation is not affiliated with the University System of Maryland, clinical faculty members of the School of Medicine serve as medical staff of the Medical Center

The Medical Center is comprised of three operating divisions University Hospital, Shock Trauma Center, and Greenebaum Cancer Center University Hospital, which generates approximately 75% of the Medical Center's admissions and patient days, is a tertiary teaching hospital providing over 70 clinical services and programs The Shock Trauma Center, which specializes in emergency treatment of patients suffering severe trauma, generates approximately 20% of admissions and patient days, The Greenebaum Cancer Center specializes in the treatment of cancer patients and is a site for clinical cancer research

(Continued)

The Medical Center's operations include UniversityCARE, LLC (UCARE), a physician hospital organization of which the Corporation has a majority ownership interest and therefore consolidates, and 36 South Paca Street, LLC, a wholly owned subsidiary of the Corporation that operates a residential apartment building

The James Lawrence Kernan Hospital, Inc.

Kernan is comprised of a medical/surgical and rehabilitation hospital in Baltimore with 153 licensed beds, including 108 rehabilitation beds, 36 chronic care beds, 9 medical/surgical beds, and off-site physical therapy facilities

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

Effective July 1, 2013, Kernan's name was changed to University of Maryland Rehabilitation and Orthopaedic Institute

University Specialty Hospital, Inc.

During fiscal year 2013, the Corporation closed University Specialty Hospital (USH), a 180-bed chronic care hospital located in Baltimore and ceased operations at that location The decision to close University Specialty was made during fiscal 2012, therefore in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Subtopic 205-35, the Corporation recorded an impairment loss of $13,824,000 during the year ended June 30, 2012 In addition, the Corporation recorded $2,423,000 of operating expenses related to the accrual of salaries and benefits payable under severance agreements during the year ended June 30, 2012

During the year ended June 30, 2013, the Corporation sold the USH hospital building along with an unrelated piece of land for $7,202,000 The Corporation recognized a gain of $1,427,000 in the year ended June 30, 2013, which is recorded as an other nonoperating gain in the accompanying consolidated statements of operations

Maryland General Health Systems, Inc.

Maryland General is located in Baltimore city and is comprised of Maryland General Hospital, a 235-bed acute care hospital, a wholly owned subsidiary providing primary care, and a noncontrolling 25% interest in a managed care organization providing services primarily to Medicaid patients

Effective July 1, 2013, Maryland General's name was changed to University of Maryland Medical Center Midtown Campus

Baltimore Washington Medical System, Inc.

Baltimore Washington is located in Anne Arundel County, a suburb of Baltimore city, and is a health system comprised of Baltimore Washington Medical Center, a 307-bed acute care hospital providing

a broad range of services, and several wholly owned subsidiaries providing emergency physician and other services

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

Shore Health System, Inc. and Chester River Health System, Inc.

Shore Health is a two-hospital health system located on the Eastern Shore of Maryland Shore Health owns and operates Memorial Hospital, a 132-bed acute care hospital providing inpatient and outpatient services in Easton, Maryland, Dorchester Hospital, a 46-bed acute care hospital providing inpatient and outpatient services in Cambridge, Maryland, Memorial Hospital Foundation (Memorial Foundation), a nonprofit corporation established to solicit donations for the benefit of Memorial Hospital, and several other subsidiaries providing various outpatient and home care services

Chester River owns and operates Chester River Hospital Center (CRHC), a 42-bed acute care hospital providing inpatient and outpatient services to the residents of Kent and Queen Anne's counties, Chester River Health Foundation (Chester River Foundation), a nonprofit corporation established to solicit donations for the benefit of Chester River, and two other subsidiaries providing outpatient and homecare services

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

Effective July 1, 2013, the operations of Shore Health and Chester River were combined and renamed Shore Regional Health

Civista Health, Inc.

Civista Medical Center (CMC) is comprised of a 110-bed acute care hospital and other community healthcare resources providing inpatient and outpatient services to the residents of Charles County in Southern Maryland

On July 1, 2011, the Corporation entered into an affiliation agreement with Civista under which the Corporation became the sole member of Civista No consideration was tendered in connection with the transaction The affiliation was accounted for under the purchase accounting method for business combinations and the financial position and results of operations for Civista were consolidated by the Corporation beginning on July 1, 2011 The Corporation recognized an inherent contribution equal to the estimated fair value of the identifiable net assets of Civista on the acquisition date of $37,811,000, of which $37,322,000 was included with nonoperating income on the consolidated

statement of operations and $489,000 was included as a temporarily restricted contribution in the consolidated statement of changes in net assets, for the year ended June 30, 2012

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

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

Effective July 1, 2013, Civista's name was changed to Charles Regional Health

University of Maryland St. Joseph Health System, LLC

St Joseph owns and operates University of Maryland St Joseph Medical Center (UMSJMC), a 247-bed, Catholic acute care hospital located in Towson, Maryland, as well as other subsidiaries providing inpatient and outpatient services to the residents of Baltimore County

St Joseph, a wholly owned subsidiary of the Corporation, acquired substantially all the assets of the former St Joseph Medical Center, as well as ownership interests in certain of its related affiliates, on December 1, 2012 (the Purchase Date)

The acquisition was completed pursuant to an Asset Purchase Agreement (the Purchase Agreement) with the sellers, under which the stated purchase price was $206,300,000 The purchase price included $47,000,000 that was placed into escrow by the Corporation as a contingent component of the purchase The Corporation expects it is more likely than not that this contingency will be payable to the seller, and has accounted for it as a component of the purchase price and fair value of the assets acquired

Under the Purchase Agreement, purchased assets include the former St Joseph Medical Center hospital facility, land and improvements, furniture, fixtures and equipment, joint venture interests, and other assets, liabilities, and records necessary to continue operations at the facility, but exclude certain assets such as cash, investments, and accounts receivable as of the Purchase Date Under the terms of the Purchase Agreement, UMMS did not assume any liabilities or financial obligations associated with any acquired assets or the business operations at St Joseph Medical Center that existed at the time of, or occurred prior to, the Purchase Date, including but not limited to accounts payable, liabilities for benefit and pension plans, financial obligations to any governmental authority and claims or litigation relating to acts or omissions that occurred prior to the Purchase Date

The acquisition was accounted for under the purchase accounting method for business combinations and the financial position and results of operations of St Joseph were consolidated by the Corporation beginning on December 1, 2012 Included in other nonoperating losses as of June 30, 2013, is $6,920,000 of acquisition costs incurred by the Corporation as a result of the purchase

The following table summarizes the estimated fair value of assets acquired at December 1, 2012 (the acquisition date)

Property, plant and equipment	$	182,170,000
Investments in joint ventures		14,627,000
Interest in net assets of St Joseph Medical Center Foundation, Inc		9,503,000
Total assets	$	206,300,000

Included in investments in joint ventures is an interest in O'Dea Medical Arts Limited Partnership (O'Dea) O'Dea has been consolidated with the Corporation due to control

The following table summarizes the Corporation's pro forma consolidated results as through the acquisition date occurred at July 1

		2013	2012
Operating revenues	$	2,697,750	2,702,716
Net operating income		(33,349)	47,372
Changes in net assets			
Unrestricted	$	114,126	(41,039)
Temporarily restricted		7,305	(8,450)
Permanently restricted		(3,154)	2,075
Total changes in net assets	$	118,277	(47,414)

(Continued)

University of Maryland Medical System Foundation, Inc.

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

Shipley's Choice Medical Park, Inc.

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

(b) Basis of Presentation

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

(c) Cash Equivalents

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

(d) Investments and Assets Limited as to Use

The Corporation's investment portfolio is classified as trading, and is reported in the consolidated balance sheets at its fair value, based on quoted market prices, at June 30, 2013 and 2012 Unrealized holding gains and losses on trading securities with readily determinable market values are included in nonoperating income Investment income, including realized gains and losses, is included in nonoperating income in the accompanying consolidated statement of operations

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

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

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

Investments are exposed to certain risks such as interest rate, credit and overall market volatility Due to the level of risk associated with certain investment securities, changes in the value of

investment securities could occur in the near term, and these changes could materially differ from the amounts reported in the accompanying consolidated financial statements

(e) Inventories

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

(f) Economic Interests in Financially Interrelated Organizations

The Corporation recognizes its rights to assets held by recipient organizations, which accept cash or other financial assets from a donor and agree to use those assets on behalf of or transfer those assets, the return on investment of those assets, or both, to the Corporation Changes in the Corporation's economic interests in these financially interrelated organizations are recognized in the consolidated statements of changes in net assets

(g) Property and Equipment

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

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

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

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

(h) Deferred Financing Costs

Costs incurred related to the issuance of long-term debt, which are included in other assets, are deferred and are amortized over the life of the related debt agreements or the related letter of credit agreements using the effective interest method

(i) Goodwill

Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized Goodwill is

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

No impairment loss was recorded in 2013 or 2012

(j) Impairment of Long-Lived Assets

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

(k) Investments in Joint Ventures

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

(l) Self-Insurance

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

(m) Net Assets

The Corporation classifies net assets based on the existence or absence of donor-imposed restrictions Unrestricted net assets represent contributions, gifts and grants, which have no

donor-imposed restrictions or which arise as a result of operations Temporarily restricted net assets are subject to donor-imposed restrictions that must or will be met either by satisfying a specific purpose and/or passage of time Permanently restricted net assets are subject to donor-imposed restrictions that must be maintained in perpetuity Generally, the donors of these assets permit the use of all or part of the income earned on related investments for specific purposes The restrictions associated with these net assets generally pertain to patient care, specific capital projects and funding of specific hospital operations and community outreach programs

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

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

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

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

For receivables associated with services provided to patients who have third-party coverage, the Corporation analyzes contractually due amounts and provides an allowance for bad debts, allowance for contractual adjustments, provision for bad debts, and contractual adjustments on accounts for which the third-party payor has not yet paid or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely For receivables associated with self-pay patients or with balances remaining after the third-party coverage has already paid, the Corporation records a significant provision for bad debts in the period of service on the basis of its historical collections, which indicates that many patients ultimately do not pay the portion of their bill for which they are financially responsible The difference between the discounted rates and the amounts collected after all reasonable collection efforts have been exhausted is charged off against the allowance for bad debts The change in the allowance for bad debts was as follows during the years ended June 30

		2013	2012
Beginning bad debt allowance	$	(158,201)	(161,124)
Plus provision for bad debt		(153,457)	(133,640)
Less bad debt write-offs		150,983	136,563
Ending bad debt allowance	$	(160,675)	(158,201)

The change in the allowance for bad debts during 2013 is attributable to increased patient volumes in 2013, and trends experienced in the collection of the related patient receivables

The Health Information Technology for Economic and Clinical Health (HITECH) Act was signed into law in February 2009 In the context of the HITECH Act, certain healthcare entities must implement a certified Electronic Health Record (EHR) in an effort to promote the adoption and "meaningful use" of health information technology (HIT) The HITECH Act includes significant monetary incentives meant to encourage the adaptation of an EHR system During 2013, the Corporation recognized "meaningful use" incentive payments totaling $20,261,000, which are included in other operating revenue in the consolidated statements of operations

(o) Charity Care

The Corporation is committed to providing quality healthcare to all, regardless of their ability to pay Patients who meet the criteria of its charity care policy receive services without charge or at amounts less than its established rates The criteria for charity care consider the household income in relation to the federal poverty guidelines The Corporation provides services at no charge for patients with adjusted gross income equal to or less than 200% of the federal poverty guidelines For uninsured patients with adjusted gross income greater than 200% of the federal poverty guidelines, a sliding scale discount is applied Income and asset information obtained from patient credit reporting data are used to determine patients' ability to pay The Corporation maintains records to identify and monitor the level of charity care it furnished under its charity care policy The charity care policies of the new affiliates are generally consistent with that of the Corporation's policy

Due to the complexity of the eligibility process, the Corporation provides eligibility services to patients free of charge to assist in the qualification process These eligibility services include, but are not limited to, the following

- Financial assistance brochures and other information are posted at each point of service When patients have questions or concerns, they are encouraged to call a toll-free number to reach customer service representatives during the business day Financial assistance programs are published on the Corporation's website and included on the statements provided to patients
- The Corporation offers assistance to patients in completing the applications for Medicaid or other government payment assistance programs, or applying for care under the Corporation's charity care policy, if applicable The Corporation also employs an external firm to assist in the eligibility process
- Any patient, whether covered by insurance or not, may meet with a UMMS representative and receive financial counseling from UMMS' dedicated financial assistance unit

The Corporation recognizes that a large number of uninsured and insured patients meet the charity care guidelines but do not respond to the Corporation's attempts to obtain necessary financial information In these instances, the Corporation uses credit reporting data to properly classify these unpaid balances as charity care as opposed to bad debt expense Utilization of income and asset information and credit reporting data indicate the vast majority of amounts reported as provision for bad debts represent amounts due from patients that would otherwise qualify for charity benefits but do not respond to the Corporation's attempts to obtain the necessary financial information In these cases, reasonable collection efforts are pursued, but yield few collections Amounts determined to meet the criteria under the charity care policy are not reported as net patient service revenue

The amounts reported as charity care represent the cost of rendering such services Costs incurred are estimated based on the cost-to-charge ratio for each hospital and applied to charity care charges The Corporation estimates the total direct and indirect costs to provide charity care were $97,656,000 and $100,753,000 for the years ended June 30, 2013 and 2012, respectively

(p) Nonoperating Income and Expenses, Net

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

(q) Derivative Financial Instruments

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

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

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

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

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

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

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

(r) Excess (Deficiency) of Revenue over Expenses

The consolidated statement of operations includes a performance indicator, excess of revenue over expenses Changes in unrestricted net assets that are excluded from the performance indicator, consistent with industry practice, include contributions of long-lived assets (including assets

acquired using contributions, which, by donor restrictions, were to be used for the purpose of acquiring such assets), pension-related changes other than net periodic pension costs, change in fair value of derivatives that qualify for hedge accounting, and other items that are required by generally accepted accounting principles to be reported separately

(s) Income Taxes

The Corporation and most of its subsidiaries are not-for-profit corporations formed under the laws of the State of Maryland, organized for charitable purposes and recognized by the Internal Revenue Service as tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code pursuant to Section 501(a) of the Code The effect of the taxable status of its for-profit subsidiaries is not material to the consolidated financial statements There were no income taxes paid on unrelated business activities in the year ended June 30, 2013 or 2012 The Corporation has net operating losses of approximately $27,336,000 as of June 30, 2013, which expire at various dates through 2031 The Corporation's deferred tax assets of approximately $10,934,000 at June 30, 2013 are fully reserved as they are not expected to be utilized

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

(t) Donor-Restricted Gifts

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

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

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

(u) Fair Value Measurements

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

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

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

Long-term debt – The fair value of the long-term debt issued through the Maryland Health and Higher Educational Facilities Authority (Authority or MHHEFA), based on quoted market prices for the same or similar issues, at June 30, 2013 and 2012, was approximately $1,291,397,000 and $1,077,764,000, respectively The carrying amounts of other long-term debt reported in note 7 and on the consolidated balance sheet approximate the related fair values

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

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

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

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

As of June 30, 2013 and 2012, the Level 2 assets and liabilities listed in the fair value hierarchy tables below utilize the following valuation techniques and inputs

(i) Cash Equivalents

The fair value of investments in cash equivalent securities, with maturities within three months of the date of purchase, is determined using techniques that are consistent with the market approach Significant observable inputs include reported trades and observable broker/dealer quotes

(ii) U.S. Government and Agency Securities

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

(iii) Corporate Bonds

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

(iv) Collateralized Corporate Obligations

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

(v) Derivative Liabilities

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

(v) Fair Value Option

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

(w) Commitments and Contingencies

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

(x) New Accounting Pronouncements

In July 2011, the FASB issued ASU No 2011-07, Health Care Entities (Topic 954) *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debt, and the Allowance for Doubtful Accounts* The ASU requires health care entities that recognize significant amounts of patient service revenue to present the provision for bad debts related to patient service revenue as a deduction from patient service revenue (net of contractual allowances and discounts) on their statement of operations Additionally, enhanced disclosures about an entity's policies for recognizing, assessing bad debts, as well as qualitative and quantitative information about changes in the allowance for doubtful accounts are required This ASU was effective for the Corporation on July 1, 2012 The adoption of this pronouncement did not have a material impact on the financial position or results of operations of the Corporation See note 1(n) for related disclosure information

(y) Use of Estimates

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

(z) Reclassification of Prior Year Balances

Certain prior year amounts in note 14, Functional Expenses, have been reclassified to reflect the effects of the accounting pronouncement discussed in note 1(x) The reclassification reduced the 2012 Healthcare Services expenses by the provision for bad debts of $133,640,000

(2) Investments and Assets Limited as to Use

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

	2013	2012
Investments held for collateral	$ 66,644	—
Debt service and reserve funds	74,772	83,367
Construction funds – held by trustee	75,340	49,287
Board designated funds	110,003	104,624
Construction funds – held by the Corporation	88,469	72,469
Self-insurance trust funds	111,454	101,348
Funds restricted by donors	50,324	47,460
Economic and beneficial interests in the net assets of related organizations (note 12)	37,117	37,568
Total assets limited as to use	614,123	496,123
Less amounts available for current liabilities	(46,343)	(43,089)
Total assets limited as to use, less current portion	$ 567,780	453,034

The carrying values of assets limited as to use were as follows at June 30, 2013 (in thousands)

	Investments held for collateral	Debt service and reserve funds	Construction funds	Board designated funds	Self-insurance trust funds	Funds restricted by donors	Economic and beneficial interests	Total
Cash and cash equivalents	$ —	17 906	62 599	8 406	367	6 412	—	95 690
Corporate bonds	—	—	3 256	9 550	2 838	7 810	—	23 454
Collateralized corporate obligations	—	—	1 020	1 056	—	46	—	2 122
U S government and agency securities	66 644	56 866	61 325	1 725	132	76	—	186 768
Common stocks including mutual funds	—	—	17 127	39 643	—	22 348	—	79 118
Alternative investments	—	—	18 482	49 623	—	13 632	—	81 737
Assets held by other organizations	—	—	—	—	108 117	—	37 117	145 234
Total assets limited as to use	$ 66 644	74 772	163 809	110 003	111 454	50 324	37 117	614 123

(Continued)

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

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

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

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

		2013	2012
Cash and cash equivalents	$	7,035	17,342
Corporate bonds		32,426	32,030
Collateralized corporate obligations		9,014	16,443
U S government and agency securities		68,638	26,427
Common stocks		165,409	170,879
Alternative investments		180,954	183,006
	$	463,476	446,127

Investments at June 30, 2013 include $150,000,000 of funds for potential future commitments in accordance with the Affiliation Agreement with Upper Chesapeake Health System as discussed in note 4

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

The following table presents investments and assets limited as to use that are measured at fair value on a recurring basis at June 30, 2013 (in thousands)

	Level 1	Level 2	Level 3	Total
Assets				
Investments				
Cash and cash equivalents	$ 7,035	—	—	7,035
Corporate bonds	21,410	11,016	—	32,426
Collateralized corporate obligations	—	9,014	—	9,014
U S government and agency securities	62,252	6,386	—	68,638
Common and preferred stocks, including mutual funds	165,409	—	—	165,409
	256,106	26,416	—	282,522
Assets limited as to use				
Cash and cash equivalents	62,501	33,189	—	95,690
Corporate bonds	18,023	5,431	—	23,454
Collateralized corporate obligations	—	2,122	—	2,122
U S government and agency securities	68,766	118,002	—	186,768
Common and preferred stocks, including mutual funds	79,118	—	—	79,118
Investments held by other organizations	—	108,117	—	108,117
	228,408	266,861	—	495,269
	$ 484,514	293,277	—	777,791

(Continued)

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

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

Changes to Level 1 and Level 2 securities between June 30, 2013 and 2012 were the result of strategic investments and reinvestments, interest income earnings, and changes in the fair value of investments

(Continued)

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

		2013	2012
Dividends and interest, net of fees	$	8,462	10,127
Net realized gains		9,924	7,870
Change in fair value of trading securities		32,158	(24,110)
Total investment return	$	50,544	(6,113)

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

		2013	2012
Nonoperating investment income	$	17,248	17,287
Change in fair value of unrestricted investments		29,567	(23,104)
Investment gains on restricted net assets		3,729	(296)
Total investment return	$	50,544	(6,113)

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

(3) Property and Equipment

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

		2013	2012
Land	$	105,418	86,464
Buildings		1,249,769	1,009,102
Building and leasehold improvements		586,814	529,589
Equipment		1,122,742	1,013,061
Construction in progress		150,288	217,230
		3,215,031	2,855,446
Less accumulated depreciation and amortization		(1,507,355)	(1,411,356)
	$	1,707,676	1,444,090

There was no interest cost capitalized for the year ended June 30, 2013 Interest cost capitalized was $1,368,000 (net of interest income $103,000) for the year ended June 30, 2012

Remaining commitments on construction projects were approximately $24,312,000 at June 30, 2013

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

Depreciation expense was $144,671,000 and $130,133,000, for the years ended June 30, 2013 and 2012, respectively

(4) Investments in Joint Ventures

The Corporation has investments of $192,045,000 and $166,803,000 at June 30, 2013 and 2012, respectively, in the following unconsolidated joint ventures

Joint venture	Business purpose	Ownership Percentage FY2013	Ownership Percentage FY2012
Shipley's Imaging Center, LLC	Freestanding imaging center	50%	50%
Maryland Care, Inc	Managed care organization	25	25
Innovative Health Services, LLC	Third-party insurance claims processor	50	50
NAH/Sunrise of Severna Park, LLC	Senior living facility	50	50
Terrapin Insurance Company (Terrapin)	Healthcare professional liability insurance company	50	50
Mt Washington Pediatric Hospital, Inc (Mt Washington)	Healthcare services	50	50
UCHS/UMMS Venture, LLC	Healthcare services	49	49
Central Maryland Radiation Oncology Center LLC	Healthcare services	50	50
Chesapeake-Potomac Healthcare Alliance	Healthcare services	33	33
Civista Ambulatory Surgery Center, Inc	Ambulatory surgical services	50	50
NRH/CPT/St Mary's/ Civista Regional Rehab, LLC	Medical rehabilitative and therapy services	15	15

(Continued)

Joint venture	Business purpose	Ownership Percentage FY2013	Ownership Percentage FY2012
Freestate Healthcare Insurance Company, LTD	Healthcare professional liability insurance company	17%	17%
Maryland eCare, LLC	Remote monitoring technology	14	14
MRI at St Joseph Medical Center, LLC	Healthcare services	51 *	**
SJMC-RA, LLC	Healthcare services	49	**

* *The Corporation has a greater than 50% ownership interest, but does not exert control*

** *Acquired as part of St Joseph See note 1(a)*

The Corporation recorded equity in net earnings of $16,279,000 and $1,660,000 related to these joint ventures for the years ended June 30, 2013 and 2012, respectively

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

(Continued)

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

	2013				
	Mt. Washington	Terrapin	UCHS/UMMS Venture, LLC	Others	Total
Current assets	$ 24,380	10,056	86,871	184,665	305,972
Noncurrent assets	65,494	148,845	336,380	94,458	645,177
Total assets	$ 89,874	158,901	423,251	279,123	951,149
Current liabilities	$ 13,155	2,920	55,288	164,676	236,039
Noncurrent liabilities	8,625	154,031	234,987	(8,880)	388,763
Net assets	68,094	1,950	132,976	123,327	326,347
Total liabilities and net assets	$ 89,874	158,901	423,251	279,123	951,149
Total operating revenue	$ 54,019	32,314	356,417	761,042	1,203,792
Total operating expenses	(48,625)	(39,129)	(348,711)	(740,852)	(1,177,317)
Total nonoperating gains (losses), net	2,188	6,815	11,364	(2,942)	17,425
Distributions to owners	—	—	—	(10,582)	(10,582)
Other changes in net assets, net	3,705	—	5,481	(12,992)	(3,806)
Increase in net assets	$ 11,287	—	24,551	(6,326)	29,512

(Continued)

	2012				
	Mt. Washington	Terrapin	UCHS/UMMS Venture, LLC	Others	Total
Current assets	$ 26,499	12,427	89,578	191,821	320,325
Noncurrent assets	52,834	137,883	307,249	80,858	578,824
Total assets	$ 79,333	150,310	396,827	272,679	899,149
Current liabilities	$ 13,119	8,105	55,885	173,008	250,117
Noncurrent liabilities	9,407	140,255	218,122	4,288	372,072
Net assets	56,807	1,950	122,820	95,383	276,960
Total liabilities and net assets	$ 79,333	150,310	396,827	272,679	899,149
Total operating revenue	$ 48,537	28,067	380,087	731,354	1,188,045
Total operating expenses	(46,690)	(29,181)	(370,037)	(697,371)	(1,143,279)
Total nonoperating gains/(losses), net	200	1,114	(13,600)	(12,541)	(24,827)
Distributions to owners	—	—	—	(16,000)	(16,000)
Other changes in net assets, net	694	—	(286)	(1,007)	(599)
Increase in net assets	$ 2,741	—	(3,836)	4,435	3,340

(5) Leases

The Corporation rents various equipment and facility space. Rent expense under these operating leases for the years ended June 30, 2013 and 2012 was approximately $23,461,000 and $17,023,000, respectively.

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

2014	$ 12,662
2015	8,811
2016	6,033
2017	4,202
2018	3,324
Thereafter	10,312
	$ 45,344

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

(Continued)

Corporation to purchase the building for $37,000,000 As of June 30, 2013 and 2012, amounts of $35,567,000 and $35,244,000, respectively, representing obligations under the lease, have been recorded in other current liabilities

As of June 30, 2013, amounts of $1,000,000 and $962,000 representing obligations under all other capital leases are included in other current liabilities and other long-term liabilities, respectively

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

		2013	2012
Land	$	3,770	3,770
Buildings		29,230	29,230
Equipment		17,798	18,611
		50,798	51,611
Less accumulated amortization		(18,674)	(13,926)
	$	32,124	37,685

Future minimum lease payments under capital leases, together with the present value of the net minimum lease payments, are as follows as of June 30, 2013 (in thousands)

2014	$	4,221
2015		3,745
2016		3,520
2017		39,750
2018		—
Thereafter		—
Total minimum lease payments		51,236
Less amounts representing interest		(13,707)
Present value of net minimum lease payments	$	37,529

(Continued)

(6) Lines of Credit

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

2013					
Line number	Interest rate calculation	Interest rate as of June 30, 2013	Date of expiration	Total available	Outstanding amount
1	1-mo LIBOR + 0.80%	0.99%	12.31.2013	$ 25,000	25,000
2	1-mo LIBOR +2.20%	2.39	Annually renewing	20,000	10,000
3	1,2 or 3 month LIBOR + 0.75%	0.94	7.1.2014	20,000	20,000
4	1-mo LIBOR +0.20%	0.99	12.31.2013	10,000	10,000
5	1-mo LIBOR +2.20%	2.39	Annually renewing	5,000	—
6	Prime + 0.50%	3.75	5.31.2014	12,000	12,000
7	Prime, LIBOR (1,2,3 or 6 month) or LIBOR w daily reset	3.25	1.16.2014	10,000	10,000
8	1-mo LIBOR + 0.70%	0.89	4.2.2014	60,000	8,000
Total lines of credit				$ 162,000	95,000

2012					
Line number	Interest rate calculation	Interest rate as of June 30, 2012	Date of expiration	Total available	Outstanding amount
1	1-mo LIBOR + 0.80%	1.05%	12.31.2012	$ 25,000	25,000
2	1-mo LIBOR +2.20%	2.45	Annually renewing	20,000	20,000
3	1,2 or 3 month LIBOR + 0.75%	1.00	7.1.2013	20,000	20,000
4	1-mo LIBOR +0.80%	1.05	12.31.2012	10,000	10,000
5	1-mo LIBOR +2.20%	2.45	Annually renewing	5,000	5,000
6	of Prime + 0.25%, or 5.0%	5.00	12.1.2012	12,000	12,000
7	Prime, LIBOR (1,2,3 or 6 month) or LIBOR w daily reset	3.25	1.16.2013	10,000	10,000
Total lines of credit				$ 102,000	102,000

(Continued)

(7) Long-Term Debt and Other Borrowings

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

	Interest rate	Payable in fiscal year(s)	2013	2012
MHHEFA project revenue bonds				
Corporation issue, payments due annually on July 1				
Series 2013 Bonds	2.00% – 5.00%	2013 – 2043	$ 362,335	—
Series 2012A-D Bonds	Variable rate	2013 – 2041	216,335	—
Series 2010 Bonds	2.00% – 5.25%	2010 – 2040	226,485	231,925
Series 2008A-E Bonds	Variable rate	2026 – 2042	105,000	280,000
Series 2008F Bonds	4.00% – 5.25%	2009 – 2024	65,055	69,980
Series 2007A/B Bonds	Variable rate	2008 – 2035	95,065	137,220
Series 2006A Bonds	4.50% – 5.00%	2026 – 2042	45,000	45,000
Series 2005 Bonds	4.00% – 5.50%	2006 – 2032	125,825	135,690
Series 2004B Bonds	2.00% – 5.00%	2005 – 2025	—	26,690
Series 2002 Bonds	5.00%	2004 – 2013	—	1,430
Series 1991B Bonds	7.00%	1992 – 2023	26,085	27,315
Shore Health issue, payments due annually on July 1				
Series 1998 Bonds	4.15% – 5.25%	2000 – 2020	—	19,200
MHHEFA pooled loan program				
Chester River issue, payments due semi-annually on July and January 1 Commercial paper series	Variable rate	1990 – 2013	—	385
MHHEFA variable rate demand bonds				
Chester River issue, payments due semi-annually on July and January 1 MHHEFA D	Variable rate	2004 – 2024	—	1,965
MHHEFA master lease and sublease	4.40%	2006 – 2013	—	545
MHHEFA project revenue bonds				
Civista Medical System issue, interest payable semi-annually, principal payable annually on July 1				
Series 2005 Bonds	3.00% – 5.00%	2012 – 2037	—	56,740
Other long-term debt				
North Arundel Senior Living, LLC Mortgage	4.75%	Monthly, 2021	10,342	10,635
Charles County Government loan payable	3.05%	Monthly, 2004 – 2021	8,599	9,568
Grandbridge Real Estate Capital mortgaged promissory note payable	5.70%	Monthly, 2012 – 2014	4,215	4,459

(Continued)

	Interest rate	Payable in fiscal year(s)	2013	2012
O'Dea Medical Arts L P mortgage	3 68%	2009 – 2014	$ 9,272	—
Term loans	1 46% – 2 94%	2009 – 2022	38,591	52,516
Other loans and notes payable	3 25% – 7 00%	Monthly, 1991 – 2025	3,657	6,111
			1,341,861	1,117,374
Less current portion of long-term debt			38,802	53,928
Less long-term debt subject to short-term remarketing agreements			19,123	52,621
			1,283,936	1,010,825
Plus unamortized premiums and discounts, net			20,110	3,660
Less fair market value adjustment			—	(2,916)
			$ 1,304,046	1,011,569

Pursuant to an Amended and Restated Master Loan Agreement dated August 1, 2012 (UMMS Master Loan Agreement), the Corporation and several of its subsidiaries have issued debt through MHHEFA As security for the performance of the bond obligation under the Master Loan Agreement, the Authority maintains a security interest in the revenue of the obligors The UMMS Master Loan Agreement contains certain restrictive covenants These covenants require that rates and charges be set at certain levels, limit incurrence of additional debt, require compliance with certain operating ratios and restrict the disposition of assets

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

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

In August 2012, the Corporation refunded $40,755,000 of the Series 2007 Bonds and $175,000,000 of the Series 2008 Bonds The refunding was completed using the proceeds of a new $216,335,000 variable-rate MHHEFA bond issue (the Series 2012A-D Bonds)

(Continued)

In April 2013, the Corporation issued a new fixed-rate MHHEFA bond issue (the Series 2013 Bonds) in the amount of $362,335,000 The Series 2013 Bonds were issued to finance the following

Purchase of substantially all of the assets of St Joseph Medical Center (see footnote 1(a))	$ 206,300,000
Information Technology and capital construction projects	68,200,000
Refunding of existing debt	
Civista MHHEFA Series 2005	56,100,000
UMMS MHHEFA Series 2004B	25,200,000
Shore Health MHHEFA Series 1998	17,200,000
Chester River MHHEFA bonds and other loans	14,400,000
Subtotal	387,400,000
Less proceeds of original issue premium	(18,100,000)
Less amounts pledged to refunded bonds, net of financing costs	(6,965,000)
	$ 362,335,000

The unamortized portion of issuance costs on the debt refunded by the Series 2013 Bonds was expensed as a loss on early extinguishment of debt during the year ended June 30, 2013 In addition, the Corporation had previously recorded a fair value decrease to the Civista Series 2005 Bonds as a result of having elected to record that debt instrument at its fair value under ASC Subtopic 825-10 During fiscal year 2013, the Corporation continued to record changes in the fair value of the Civista Series 2005 Bonds until the refunding occurred, at which time the remaining fair value change of $2,793,000 was expensed as a component of the loss on early extinguishment of debt

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

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

2014	$ 38,802
2015	31,657
2016	28,691
2017	29,581
2018	40,276
Thereafter	1,172,854
	$ 1,341,861

The Corporation's Series 2007A and 2008D-E are variable rate demand bonds requiring remarketing agents to purchase and remarket any bonds tendered before the stated maturity date The reimbursement

obligations with respect to the letters of credit are evidenced and secured by the respective bonds To provide liquidity support for the timely payment of any bonds that are not successfully remarketed, the Corporation has entered into letter of credit agreements with six banking institutions These agreements have terms that expire in 2015 through 2017 If the bonds are not successfully remarketed, the Corporation is required to pay an interest rate specified in the letter of credit agreement, and the principal repayment of bonds may be accelerated to require repayment in periods ranging from 20 to 60 months from the date of the failed remarketing The Corporation has reflected the amount of its long-term debt that is subject to these short-term remarketing arrangements as a separate component of current liabilities in its consolidated balance sheets In the event that bonds are not remarketed, the Corporation maintains available letters of credit and has the ability to access other sources to obtain the necessary liquidity to comply with accelerated repayment terms All variable rate demand bonds were successfully remarketed as of June 30, 2013

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

2014	$ 57,925
2015	127,235
2016	74,269
2017	59,704
2018	47,609
Thereafter	975,119
	$ 1,341,861

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

	2013	2012
Series 2008A Bonds	—%	0 28%
Series 2008B Bonds	—	0 25
Series 2008C Bonds	—	0 15
Series 2008D Bonds	0 03	0 15
Series 2008E Bonds	0 05	0 17
Series 2007A Bonds	0 07	0 15
Series 2007B Bonds	—	0 28
Pooled Loan Program Series A and D, Chester River Issue	—	0 40

(Continued)

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

	Interest rate	Interest rate	Payable in fiscal year(s)	2013	2012
Term loan 1					
payable monthly beginning February 2012	1-mo LIBOR + 2.75%	2.94%	2012 – 2018	$ 21,141	23,591
Term loan 2					
payable monthly beginning January 2009	1-mo LIBOR + 0.85%	1.10	2009 – 2014	—	10,800
Term loan 3					
payable monthly beginning March 2012	Fixed rate	1.95	2012 – 2022	10,800	11,600
Term loan 4					
payable monthly beginning January 2012	Fixed rate	1.66	2012 – 2017	996	1,305
Term loan 5					
payable monthly beginning April 2012	Fixed rate	1.62	2012 – 2017	981	1,264
Term loan 6					
payable monthly beginning February 2010	1-mo LIBOR + 1.75%	1.94	2010 – 2019	3,731	3,956
Term loan 7					
payable monthly beginning October 2012	Fixed rate	1.46	2013 – 2018	776	—
Term loan 8					
payable monthly beginning November 2012	Fixed rate	2.91	2013 – 2018	166	—
Total term loans				$ 38,591	52,516

(8) Interest Rate Risk Management

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

(Continued)

At June 30, 2013 and 2012, the Corporation's notional values of outstanding interest rate swaps were $606,899,000 and $608,949,000, respectively, the details of which were as follows

	Notional amount	Pay rate	Maturity date	Mark to market	Qualifies for hedge accounting treatment?
As of June 30, 2013					
Swap #1	$ 92,349	3.59%	7/1/2031	$ (14,839)	No
Swap #2	84,000	3.93%	7/1/2041	(23,896)	No
Swap #3	21,000	4.24%	7/1/2041	(7,090)	No
Swap #4	39,225	3.99%	7/1/2034	(8,422)	No
Swap #5	28,730	3.54%	7/1/2031	(4,454)	No
Swap #6	196,000	3.93%	7/1/2041	(55,764)	No
Swap #7	49,000	4.24%	7/1/2041	(16,545)	No
Swap #8	91,550	4.00%	7/1/2034	(19,735)	No
Swap #9	5,045	3.63%	7/1/2032	(647)	No
				(151,392)	
			Valuation adjustments	5,888	
Total	$ 606,899			$ (145,504)	

	Notional amount	Pay rate	Maturity date	Mark to market	Qualifies for hedge accounting treatment?
As of June 30, 2012					
Swap #1	$ 92,349	3.59%	7/1/2031	$ (22,691)	No
Swap #2	84,000	3.93%	7/1/2041	(36,788)	No
Swap #3	21,000	4.24%	7/1/2041	(10,477)	No
Swap #4	39,650	3.99%	7/1/2034	(12,190)	No
Swap #5	29,380	3.54%	7/1/2031	(6,883)	No
Swap #6	196,000	3.93%	7/1/2041	(85,850)	No
Swap #7	49,000	4.24%	7/1/2041	(24,450)	No
Swap #8	92,525	4.00%	7/1/2034	(28,539)	Yes*
Swap #9	5,045	3.63%	7/1/2032	(936)	No
				(228,804)	
			Valuation adjustments	11,048	
Total	$ 608,949			$ (217,756)	

* De-designated as nonqualifying on January 1, 2013

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

(Continued)

Swap #8 qualified as, and was designated as, a cash flow hedge as of June 30, 2012 An unrealized loss of ($12,058,000) was recorded in other changes in unrestricted net assets for the year ended June 30, 2012 This amount subsequently will be reclassified into interest expense as a yield adjustment of the hedged debt obligation in the same period in which the related interest affected the excess of revenues over expenses, representing a hedge ineffectiveness adjustment There was no net gain or loss recognized in interest expense for the year ended June 30, 2012 as a result of hedge ineffectiveness on the designated swap The accumulated loss on changes in the fair value of designated swaps that was included in unrestricted net assets was ($28,130,000) at June 30, 2012

On January 1, 2013, in accordance with ASC 815, *Derivatives and Hedging*, the Corporation elected to discontinue the cash flow hedging relationship for Swap #8 As of that date, the accumulated losses included in unrestricted net assets, will be reclassified into earnings over the life of the Series 2007 bonds For the year ended June 30, 2013, $938,000 was reclassified from other changes in net assets into change in fair value of undesignated interest rate swaps The accumulated losses included in unrestricted net assets was ($25,084,000) at June 30, 2013

Other than Swap #8 during the period July 1, 2011 through December 31, 2012 as discussed above, the Corporation's interest rate swaps, do not qualify for hedge accounting treatment The Corporation recorded a net nonoperating gain (loss) on nonqualifying interest rate swaps of $70,144,000 and $(107,408,000) for the years ended June 30, 2013 and 2012, respectively

The swap agreements are included in the consolidated balance sheet at their fair value of $145,504,000 and $217,756,000 as of June 30, 2013 and 2012, respectively, an amount that is based on observable inputs other than quoted market prices in active markets for identical liabilities (Level 2 in the fair value hierarchy)

The Corporation is subject to a collateral posting requirement with one of its swap counterparties Collateral posting requirements are based on the Corporation's long-term debt credit ratings, as well as the net liability position of total interest rate swap agreements outstanding with that counterparty The amount of such posted collateral was $65,047,000 and $121,802,000 at June 30, 2013 and 2012, respectively

As of June 30, 2013, the Corporation met its collateral posting requirement through the use of collateralized investments, which were selected and purchased by the Corporation and subsequently transferred to the custody of the swap counterparty The amount of posted investments that is required to meet the collateral requirement is computed daily, and is accounted for as a component of the Corporation's assets limited as to use on the accompanying consolidated balance sheet as of that date Any excess investment value is considered a component of the Corporation's unrestricted investment portfolio, and is included in investments on the accompanying balance sheet as of that date

As of June 30, 2012, the Corporation met its collateral posting requirement through the transfer of cash to the counterparty, which was accounted for as a component of total current assets on the accompanying consolidated balance sheet on that date

(9) Other Liabilities

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

		2013	2012
Professional and general malpractice liabilities	$	181,275	165,742
Capital lease obligations		37,529	45,539
Accrued pension obligations		26,584	47,630
Accrued interest payable		16,963	15,543
Other miscellaneous		38,717	58,435
Total other liabilities		301,068	332,889
Less current portion		(93,383)	(106,377)
Other long-term liabilities	$	207,685	226,512

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

(10) Retirement Plans

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

(a) Defined Benefit Plans

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

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

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

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

(Continued)

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

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

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

		2013	2012
Change in projected benefit obligations			
Benefit obligations at beginning of year	$	171,632	125,335
Addition of Civista obligation		—	23,259
Plan amendment		(123)	1,163
Settlements		(2,609)	(1,156)
Service cost		3,963	3,250
Interest cost		7,647	7,810
Actuarial loss		(9,260)	17,426
Benefit payments		(6,093)	(5,455)
Projected benefit obligations at end of year	$	165,157	171,632
Change in plan assets			
Fair value of plan assets at beginning of year	$	124,002	99,068
Addition of Civista assets		—	19,061
Actual return on plan assets		11,960	(6)
Settlements		(2,609)	(1,156)
Employer contributions		11,313	12,490
Benefit payments		(6,093)	(5,455)
Fair value of plan assets at end of year	$	138,573	124,002
Accumulated benefit obligation at end of year	$	158,832	165,109

(Continued)

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

		2013	2012
Funded status, end of period			
Fair value of plan assets	$	138,573	124,002
Projected benefit obligations		165,157	171,632
	$	(26,584)	(47,630)
Amounts recognized in unrestricted net assets at June 30			
Net actuarial loss	$	(53,337)	(72,874)
Prior service cost		(1,135)	(1,420)
	$	(54,472)	(74,294)

The estimated amounts that will be amortized from unrestricted net assets into net periodic pension cost in fiscal 2014 are as follows

Net actuarial loss	$	4,009
Prior service cost		163
	$	4,172

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

		2013	2012
Service cost	$	3,963	3,250
Interest cost		7,647	7,810
Expected return on plan assets		(9,328)	(9,389)
Prior service cost recognized		163	183
Recognized gains or losses		7,644	4,164
Net periodic pension cost	$	10,089	6,018

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

	2013	2012
Discount rate	4 97% – 5 24%	4 32% – 4 67%
Rate of compensation increase (for nonfrozen plan)	2 50% – 4 50%	2 50% – 4 50%

(Continued)

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

	2013	2012
Discount rate	4 32% – 4 67%	5 25% – 5 60%
Expected long-term return on plan assets	7 50%	7 00% – 7 75%
Rate of compensation increase (for nonfrozen plan)	2 50% – 4 50%	3 00% – 4 50%

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

The Corporation's pension plans' target allocation and weighted average asset allocations at the measurement date of June 30, 2013 and 2012, by asset category, are as follows

Asset category	Target allocation	Percentage of plan assets as of June 30	
		2013	2012
Cash and cash equivalents	—	6%	4%
Fixed income securities	35	28	30
Equity securities	40	41	40
Global asset allocation	15	15	16
Hedge funds	10	10	10
		100%	100%

Equity and fixed income securities include investments in hedge fund of funds that are categorized in accordance with each fund's respective investment holdings At both June 30, 2013 and 2012, the Corporation was in the process of implementing changes to its investment classification, which required the liquidation of certain assets, resulting in more cash on hand than targeted This cash was used to purchase additional securities in subsequent periods in order to restore compliance with the target allocation

(Continued)

The table below presents the Corporation's combined investable assets of the defined benefit pension plans as of June 30, 2013 aggregated by the three level valuation hierarchy as described in note 1(u)

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ —	7,182	—	7,182
Fixed income mutual funds	35,141	—	—	35,141
Common and preferred stocks	10,337	—	—	10,337
Equity mutual funds	43,584	—	—	43,584
Other mutual funds	10,655	—	—	10,655
Alternative investments	—	13,933	17,741	31,674
	$ 99,717	21,115	17,741	138,573

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

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

Changes to Level 1 and Level 2 inputs between June 30, 2013 and 2012 were the result of strategic investments and reinvestments, interest income earnings, and changes in the fair value of investments

(Continued)

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

	Hedge funds
Balance as of June 30, 2011	$ 9,892
Additions/purchases	1,923
Withdrawals/sales	(745)
Net change in value	(918)
Balance as of June 30, 2012	10,152
Additions/purchases	7,660
Withdrawals/sales	(371)
Net change in value	300
Balance as of June 30, 2013	$ 17,741

The following summarizes the redemption terms for the hedge fund-of-funds vehicles alternative investments held as of June 30, 2013

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

The Corporation expects to contribute $10,277,000 to its defined benefit pension plans for the fiscal year ending June 30, 2014

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

2014	$ 7,503
2015	8,318
2016	8,183
2017	9,880
2018	10,116
2019 – 2020	58,326

(Continued)

The expected benefits to be paid are based on the same assumptions used to measure the Corporation's benefit obligation at June 30, 2013

(b) Defined Contribution Plans

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

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

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

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

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

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

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

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

Total annual retirement costs incurred by the Corporation for the previously discussed defined contribution plans were $34,516,000 and $25,839,000 for the years ended June 30, 2013 and 2012, respectively Such amounts are included in salaries, wages and benefits in the accompanying consolidated statements of operations

(11) Temporarily and Permanently Restricted Net Assets

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

	2013	2012
Facility construction and renovations, research, education, and other	$ 37,760	29,571
Economic and beneficial interests in the net assets of related organizations	37,117	37,569
	$ 74,877	67,140

Net assets were released from donor restrictions during the years ended June 30, 2013 and 2012 by expending funds satisfying the restricted purposes or by occurrence of other events specified by donors as follows (in thousands)

	2013	2012
Purchases of equipment and construction costs	$ 24,081	36,352
Research, education, uncompensated care, and other	2,067	4,798
	$ 26,148	41,150

Included in net assets released from donor restrictions for research, professional education, faculty support, uncompensated care and other is $1,638,000 and $3,983,000 for the years ended June 30, 2013 and 2012, respectively, related to nonoperating activities of the UMMS Foundation

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

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

(a) Interpretation of Relevant Law

The Corporation has interpreted the Maryland Uniform Prudent Management of Institutional Funds Act (MUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary As a result of this interpretation, the Corporation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until

(Continued)

those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by MUPMIFA In accordance with MUPMIFA, the Corporation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds

(1) The duration and preservation of the fund

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

(3) General economic conditions

(4) The possible effect of inflation and deflation

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

(6) Other resources of the Corporation

(7) The investment policies of the Corporation

Endowment net assets are as follows (in thousands)

	June 30, 2013			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	$ —	9,480	34,011	43,491

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

(b) Funds with Deficiencies

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

(c) Investment Strategies

The Corporation has adopted policies for corporate investments, including endowment assets, that seek to maximize risk-adjusted returns with preservation of principal Endowment assets include those assets of donor-restricted funds that the Corporation must hold in perpetuity or for a

donor-specified period(s) The endowment assets are invested in a manner that is intended to hold a mix of investment assets designed to meet the objectives of the account The Corporation expects its endowment funds, over time, to provide an average rate of return that generates earnings to achieve the endowment purpose

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

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

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

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

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

		2013	2012
Economic interests in			
The James Lawrence Kernan Hospital Endowment Fund, Incorporated	$	28,660	29,002
Baltimore Washington Medical Center Foundation, Inc		5,607	5,966
Total economic interests		34,267	34,968
Beneficial interest in the net assets of Dorchester General Hospital Foundation, Inc		2,850	2,601
	$	37,117	37,569

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

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

(Continued)

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

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

		2013	2012
Current assets	$	2,140	1,905
Noncurrent assets		35,631	36,408
Total assets	$	37,771	38,313
Current liabilities	$	101	101
Noncurrent liabilities		553	643
Net assets		37,117	37,569
Total liabilities and net assets	$	37,771	38,313
Total operating revenue	$	(1,000)	622
Total operating expense		1,043	(4,922)
Other changes in net assets		(495)	67
Total decrease in net assets	$	(452)	(4,233)

(13) State Support

The Corporation received $3,000,000 and $3,200,000 in support for the Shock Trauma Center operations from the State of Maryland for the years ended June 30, 2013 and 2012, respectively

The State of Maryland appropriates funds for specific construction costs incurred and equipment purchases made The Corporation recognizes this support as the funds are expended for the intended projects The Corporation expended and recorded $16,503,000 and $29,808,000 during the years ended June 30, 2013 and 2012, respectively

In each of the years ended June 30, 2013 and 2012, the Corporation received $750,000 of capital support from the State of Maryland for Kernan

(Continued)

(14) Functional Expenses

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

		2013	2012
Healthcare services	$	2,228,069	1,905,382
General and administrative		357,157	394,022
	$	2,585,226	2,299,404

(15) Insurance

The Corporation maintains self-insurance programs for professional and general liability risks, employee health, employee long-term disability, and workers' compensation Estimated liabilities have been recorded based on actuarial estimation of reported and incurred but not reported claims The accrued liabilities for these programs as of June 30, 2013 and 2012 were as follows (in thousands)

		2013	2012
Professional and general malpractice liabilities	$	181,275	165,742
Employee health		20,068	14,589
Employee long-term disability		10,038	8,143
Workers' compensation		12,420	11,473
Total self-insured liabilities		223,801	199,947
Less current portion		(48,111)	(39,909)
	$	175,690	160,038

The Corporation provides for and funds the present value of the costs for professional and general liability claims and insurance coverage related to the projected liability from asserted and unasserted incidents, which the Corporation believes may ultimately result in a loss These accrued malpractice losses are discounted using a discount rate of 2 5% In management's opinion, these accruals provide an adequate and appropriate loss reserve The professional and general malpractice liabilities presented above include $114,355,000 and $104,740,000 as of June 30, 2013 and 2012, respectively, for which related insurance receivables have been recorded

The Corporation and each of its affiliates are self-insured for professional and general liability claims up to the limits of $1 0 million on individual claims and $3 0 million in the aggregate on an annual basis For amounts in excess of these limits, the risk of loss has been transferred to the Terrapin Insurance Company (Terrapin), an unconsolidated joint venture Terrapin provides insurance for claims in excess of $1 million individually and $3 million in the aggregate up to $90 million individually and $90 million in the aggregate under claims made policies between the Corporation and Terrapin For claims in excess of Terrapin's coverage limits, if any, the Corporation retains the risk of loss

(Continued)

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

Total malpractice insurance expense for the Corporation during the years ended June 30, 2013 and 2012 was approximately $44,234,000 and $39,290,000, respectively

(16) Business and Credit Concentrations

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

The Corporation maintains cash accounts with highly rated financial institutions which generally exceed federally insured limits The Corporation has not experienced any losses from maintaining cash accounts in excess of federally insured limits, and as such, management does not believe the Corporation is subject to any significant credit risks related to this practice

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

	2013	2012
Medicare	25%	22%
Medicaid	27	35
Commercial insurance and HMOs	17	16
Blue Cross	12	11
Self-pay and others	19	16
	100%	100%

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

	2013	2012
Medicare	36%	31%
Medicaid	23	27
Commercial insurance and HMOs	17	18
Blue Cross	16	15
Self-pay and others	8	9
	100%	100%

(Continued)

(17) Certain Significant Risks and Uncertainties

The Corporation provides general acute healthcare services in the State of Maryland The Corporation and other healthcare providers in Maryland are subject to certain inherent risks, including the following

- Dependence on revenues derived from reimbursement by the Federal Medicare and state Medicaid programs,
- Regulation of hospital rates by the State of Maryland Health Services Cost Review Commission,
- Government regulation, government budgetary constraints and proposed legislative and regulatory changes, and
- Lawsuits alleging malpractice and related claims

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

The Medicare and state Medicaid reimbursement programs represent a substantial portion of the Corporation's revenues, and the Corporation's operations are subject to a variety of other federal, state and local regulatory requirements Failure to maintain required regulatory approvals and licenses and/or changes in such regulatory requirements could have a significant adverse effect on the Corporation

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

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

The federal government and many states have aggressively increased enforcement under Medicare and Medicaid anti-fraud and abuse laws and physician self-referral laws (STARK law and regulation) Recent federal initiatives have prompted a national review of federally funded healthcare programs In addition, the federal government and many states have implemented programs to audit and recover potential overpayments to providers from the Medicare and Medicaid programs The Corporation has implemented a compliance program to monitor conformance with applicable laws and regulations, but the possibility of future government review and enforcement action exists

The general healthcare industry environment is increasingly uncertain, especially with respect to the impact of Federal healthcare reform legislation, which was passed in 2010 and largely upheld by the U S Supreme Court in June 2012 Potential impacts of ongoing healthcare industry transformation include, but are not limited to (1) significant capital investments in healthcare information technology, (2) continuing volatility in the state and federal government reimbursement programs, (3) lack of clarity

related to the health benefit exchange framework mandated by reform legislation, including important open questions regarding exchange reimbursement levels, and impact on the healthcare "demand curve" as the previously uninsured enter the insurance system, and (4) effective management of multiple major regulatory mandates, including the transition to ICD-10 This Federal healthcare reform legislation does not affect the consolidated financial statements for the year ended June 30, 2013

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

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

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

The HSCRC utilizes a bad debt pool into which each of the regulated hospitals in Maryland participates The funds in the bad debt pool are distributed to the hospitals that exceed the state average based upon the amount of uncompensated care delivered to patients during the year For the years ended June 30, 2013 and 2012, the Corporation recognized a net distribution from the pool of $52,352,000 and $53,350,000, respectively, which is recorded as net patient service revenue

(19) Related Party Agreements

The Corporation has certain agreements with various departments of the University of Maryland School of Medicine concerning the provision of professional and administrative services to the Corporation and its patients Total expense under these agreements in the years ended June 30, 2013 and 2012 was approximately $135,161,000 and $115,956,000, respectively

(20) Subsequent Events

The corporation evaluated all events and transactions that occurred after June 30, 2013 and through October 25, 2013 Other than described below, the Corporation did not have any material recognizable subsequent events during the period

Effective September 1, 2013, the Corporation entered into a management agreement with Nexus Health, Inc , which operates Fort Washington Medical Center (FWMC), a 37-bed hospital located in southern Prince George's County, Maryland Under the terms of the agreement, the Corporation will participate in the management, operations, and business development of FWMC

Schedule 1

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES

Consolidating Balance Sheet Information by Division

June 30, 2015

(In thousands)

Assets	University of Maryland Medical Center	Kernan	Maryland General	Baltimore Washington	Shore Health	Chester River	Civista Health	St. Joseph Health	UMMS Foundation	Shipley's	EC ARE	Eliminations	Consolidated total
Current assets													
Cash and cash equivalents	$ 143,930	6,887	6,911	18,267	14,256	5,909	28,806	6,398	—	852	—	—	252,205
Assets limited as to use, current portion	42,900	—	1,001	985	624	575	—	260	—	—	—	—	46,345
Accounts receivable													
Patient accounts receivable, less allowance for doubtful accounts of $160,675	156,721	14,671	27,860	44,359	32,967	5,974	12,108	46,120	—	—	—	—	340,780
Other	179,820	12,472	727	352	6,943	445	1,533	(61,555)	(1,200)	3,433	208	(102,398)	40,760
Inventories	20,225	1,054	2,691	6,745	3,921	405	1,459	4,523	—	—	—	—	41,021
Prepaid expenses and other current assets	7,071	—	127	2,008	1,753	40	554	1,260	1,500	—	—	—	14,313
Total current assets	550,676	35,084	39,317	92,694	60,464	13,346	44,460	(2,994)	300	4,285	208	(102,398)	735,422
Investments	346,659	12,038	—	51,744	35,467	5,727	1,621	10,220	—	—	—	—	463,476
Assets limited as to use, less current portion													
Investments held for collateral	58,642	—	—	8,000	—	—	—	—	—	—	—	—	66,642
Debt service funds	34,236	—	—	—	—	—	—	—	—	—	—	—	34,236
Construction funds	79,575	14,001	1,603	13,394	5,078	1,127	962	48,069	—	—	—	—	163,809
Board designated and escrow funds	—	—	—	—	62,957	5,000	3,580	—	38,467	—	—	—	110,004
Self-insurance trust funds	40,045	—	24,607	19,439	16,275	3,476	—	1,808	—	—	—	—	105,648
Funds restricted by donor	—	—	1,140	—	25,740	1,775	—	—	21,670	—	—	—	50,325
Economic and beneficial interests in the net assets of related organizations	65,452	30,490	222	5,607	2,850	—	—	9,505	—	—	—	(77,008)	37,116
	277,948	44,491	27,572	46,440	112,900	11,378	4,542	59,380	60,137	—	—	(77,008)	567,780
Property and equipment, net	845,193	45,152	104,396	259,662	133,048	26,346	96,092	189,418	—	6,471	1,918	—	1,707,676
Investments in joint ventures and other assets	536,349	—	27,061	19,148	7,851	4,051	11,377	14,848	7,118	—	—	(288,060)	329,743
Total assets	$ 2,556,825	136,745	198,346	469,688	349,730	60,848	158,092	270,872	67,555	10,756	2,126	(467,466)	3,814,097

(Continued)

Schedule 1

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES

Consolidating Balance Sheet Information by Division

June 30, 2015

(In thousands)

Liabilities and Net Assets	University of Maryland Medical Center	Kernan	Maryland General	Baltimore Washington	Shore Health	Chester River	Civista Health	St. Joseph Health	UMMS Foundation	Shipley's	EC ARE	Eliminations	Consolidated total
Current liabilities													
Trade accounts payable	$ 145,463	8,093	15,266	21,788	14,374	6,045	7,511	20,643	50	409	190	—	239,832
Accrued payroll and benefits	89,822	5,222	14,757	23,350	19,585	4,719	5,137	18,808	—	—	—	—	181,400
Advances from third-party payors	77,290	3,057	6,803	8,650	5,627	887	3,235	10,454	—	—	—	—	115,992
Lines of credit	85,000	—	—	—	—	—	12,000	—	—	—	—	—	97,000
Other current liabilities	165,414	1,860	8,677	9,698	3,127	(2,892)	4,528	2,547	—	—	2,822	(102,398)	93,383
Long-term debt subject to short-term remarketing arrangements	19,125	—	—	—	—		—	—	—	—	—	—	19,125
Current portion of long-term debt	14,616	463	778	3,802	3,021	112	2,376	13,634	—	—	—	—	38,802
Total current liabilities	594,728	18,675	46,281	67,306	45,754	8,871	34,787	66,086	50	409	3,012	(102,398)	785,541
Long-term debt, less current portion	631,391	22,393	35,960	196,747	96,505	50,048	67,141	248,861	—	—	—	—	1,304,046
Other long-term liabilities	108,965	415	25,223	34,670	13,846	8,322	12,100	4,145	—	—	—	—	207,685
Interest rate swap liabilities	145,504	—	—	—	—	—	—	—	—	—	—	—	145,504
Total liabilities	1,480,588	41,483	107,464	298,723	156,085	22,241	114,028	319,082	50	409	3,012	(102,398)	2,440,776
Net assets													
Unrestricted	996,454	64,618	89,520	165,349	165,187	36,832	43,854	(52,667)	42,899	10,327	(886)	(297,074)	1,264,453
Temporarily restricted	79,370	30,624	1,362	5,607	14,601	387	210	4,107	6,603	—	—	(67,994)	74,877
Permanently restricted	413	—	—	—	1,853	1,388	—	350	18,003	—	—	—	34,011
Total net assets	1,076,237	95,262	90,882	170,956	193,645	38,607	44,064	(48,210)	67,505	10,327	(886)	(365,068)	1,373,321
Total liabilities and net assets	$ 2,556,825	136,745	198,346	469,688	349,730	60,848	158,092	270,872	67,555	10,736	2,126	(467,466)	3,814,097

See accompanying independent auditors' report

Schedule 1-b

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidating Balance Sheet Information by Division – University of Maryland Medical Center & Affiliates (UMMC)

June 30, 2013

(In thousands)

Assets	University of Maryland Medical Center	University Specialty	36 South Paca	University CARE	Eliminations	University of Maryland consolidated total
Current assets						
Cash and cash equivalents	$ 142,414	196	1,128	201	—	143,939
Assets limited as to use, current portion	42,900	—	—	—	—	42,900
Accounts receivable						
Patient accounts receivable, less allowance for doubtful accounts of $86,794	156,593	—	—	128	—	156,721
Other	194,804	600	169	163	(15,916)	179,820
Inventories	20,186	—	—	39	—	20,225
Prepaid expenses and other current assets	7,015	—	—	56	—	7,071
Total current assets	563,912	796	1,297	587	(15,916)	550,676
Investments	346,659	—	—	—	—	346,659
Assets limited as to use, less current portion						
Investment held for collateral	58,642	—	—	—	—	58,642
Debt service funds	34,236	—	—	—	—	34,236
Construction funds	79,575	—	—	—	—	79,575
Board designated and escrow funds	—	—	—	—	—	—
Self-insurance trust funds	40,043	—	—	—	—	40,043
Funds restricted by donor	—	—	—	—	—	—
Economic interests in the net assets of related organizations	— 65,347	105	—	—	—	65,452
	277,843	105	—	—	—	277,948
Property and equipment, net	835,770	—	9,423	—	—	845,193
Investments in joint ventures and other assets	521,903	—	3,277	—	11,169	536,349
Total assets	$ 2,546,087	901	13,997	587	(4,747)	2,556,825

(Continued)

Schedule 1-b

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

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

June 30, 2013

(In thousands)

Liabilities and Net Assets	University of Maryland Medical Center	University Specialty	36 South Paca	University CARE	Eliminations	University of Maryland consolidated total
Current liabilities						
Trade accounts payable	$ 142,190	1,912	160	1,201	—	145,463
Accrued payroll and benefits	88,879	827	—	116	—	89,822
Advances from third-party payors	72,725	4,565	—	—	—	77,290
Lines of credit	83,000	—	—	—	—	83,000
Other current liabilities	163,631	14,035	3,244	420	(15,916)	165,414
Long-term debt subject to short-term remarketing arrangements	19,123	—	—	—	—	19,123
Current portion of long-term debt	14,616	—	—	—	—	14,616
Total current liabilities	584,164	21,339	3,404	1,737	(15,916)	594,728
Long-term debt, less current portion	631,325	66	—	—	—	631,391
Other long-term liabilities	108,965	—	—	—	—	108,965
Interest rate swaps	145,504	—	—	—	—	145,504
Total liabilities	1,469,958	21,405	3,404	1,737	(15,916)	1,480,588
Net assets						
Unrestricted	996,451	(20,609)	10,593	(1,150)	11,169	996,454
Temporarily restricted	79,265	105	—	—	—	79,370
Permanently restricted	413	—	—	—	—	413
Total net assets	1,076,129	(20,504)	10,593	(1,150)	11,169	1,076,237
Total liabilities and net assets	$ 2,546,087	901	13,997	587	(4,747)	2,556,825

See accompanying independent auditors' report

Schedule 1-a

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

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

June 30, 2013

(In thousands)

Assets	Maryland General Health Systems, Inc.	Maryland General Hospital	Maryland General Clin. Prac. Group	Eliminations	MGHS consolidated total
Current assets					
Cash and cash equivalents	$ 285	6,522	104	—	6,911
Assets limited as to use, current portion	—	1,001	—	—	1,001
Accounts receivable					
Patient accounts receivable, less allowance for doubtful accounts of $9,316	—	26,988	872	—	27,860
Other	(34)	1,722	(961)	—	727
Inventories	—	2,691	—	—	2,691
Prepaid expenses and other current assets	—	127	—	—	127
Total current assets	251	39,051	15	—	39,317
Investments	—	—	—	—	—
Assets limited as to use, less current portion					
Debt service funds	—	—	—	—	—
Construction funds	—	1,603	—	—	1,603
Board designated and escrow funds	—	—	—	—	—
Self-insurance trust funds	—	24,607	—	—	24,607
Funds restricted by donor	—	1,140	—	—	1,140
Economic interests in the net assets of related organizations	—	222	—	—	222
	—	27,572	—	—	27,572
Property and equipment, net	2,227	102,169	—	—	104,396
Investments in joint ventures and other assets	18,267	8,794	—	—	27,061
Total assets	$ 20,745	177,586	15	—	198,346

(Continued)

Schedule 1-a

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

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

June 30, 2013

(In thousands)

Liabilities and Net Assets	Maryland General Health Systems, Inc.	Maryland General Hospital	Maryland General Clin. Prac. Group	Eliminations	MGHS consolidated total
Current liabilities					
Trade accounts payable	$ 8	15,250	8	—	15,266
Accrued payroll and benefits	—	14,757	—	—	14,757
Advances from third-party payors	—	6,803	—	—	6,803
Lines of credit	—		—	—	—
Other current liabilities	—	8,677	—	—	8,677
Current portion of long-term debt	174	604	—	—	778
Total current liabilities	182	46,091	8	—	46,281
Long-term debt, less current portion	967	34,993	—	—	35,960
Other long-term liabilities	1	25,222	—	—	25,223
Total liabilities	1,150	106,306	8	—	107,464
Net assets					
Unrestricted	19,595	69,918	7	—	89,520
Temporarily restricted	—	1,362	—	—	1,362
Permanently restricted	—	—	—	—	—
Total net assets	19,595	71,280	7	—	90,882
Total liabilities and net assets	$ 20,745	177,586	15	—	198,346

See accompanying independent auditors' report

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

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

June 30, 2013

(In thousands)

Assets	Baltimore Washington Medical System, Inc.	Baltimore Washington Medical Center	Baltimore Washington Healthcare Services	Baltimore Washington Health Enterprises	North County Corporation	Eliminations	BWMS consolidated total
Current assets							
Cash and cash equivalents	$ —	37,209	730	38	290	—	38,267
Assets limited as to use, current portion	—	985	—	—	—	—	985
Accounts receivable							
Patient accounts receivable, less allowance for doubtful accounts of $40,646	—	38,987	3,552	1,820	—	—	44,359
Other	27,033	332	5,683	—	(713)	(32,003)	332
Inventories	—	6,743	—	—	—	—	6,743
Prepaid expenses and other current assets	—	1,447	22	533	6	—	2,008
Total current assets	27,033	85,703	9,987	2,391	(417)	(32,003)	92,694
Investments	—	51,744	—	—	—	—	51,744
Assets limited as to use, less current portion							
Investment held for collateral	—	8,000	—	—	—	—	8,000
Debt service funds	—	—	—	—	—	—	—
Construction funds	—	13,394	—	—	—	—	13,394
Board designated and escrow funds	—	—	—	—	—	—	—
Self-insurance trust funds	—	19,439	—	—	—	—	19,439
Funds restricted by donor	—	—	—	—	—	—	—
Economic interests in the net assets of related organizations	—	5,607	—	—	—	—	5,607
	—	46,440	—	—	—	—	46,440
Property and equipment, net	—	236,734	—	10,400	12,528	—	259,662
Investments in joint ventures and other assets	144,848	11,735	—	2,248	—	(139,683)	19,148
Total assets	$ 171,881	432,356	9,987	15,039	12,111	(171,686)	469,688

(Continued)

Schedule 1-b

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

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

June 30, 2013

(In thousands)

Liabilities and Net Assets	Baltimore Washington Medical System, Inc.	Baltimore Washington Medical Center	Baltimore Washington Healthcare Services	Baltimore Washington Health Enterprises	North County Corporation	Eliminations	BWMS consolidated total
Current liabilities							
Trade accounts payable	$ 18	20,374	579	744	73	—	21,788
Accrued payroll and benefits	906	21,672	617	137	27	—	23,359
Advances from third-party payors	—	8,659	—	—	—	—	8,659
Lines of credit	—	—	—	—	—	—	—
Other current liabilities	—	40,634	—	1,067	—	(32,003)	9,698
Current portion of long-term debt	—	3,161	—	416	225	—	3,802
Total current liabilities	924	94,500	1,196	2,364	325	(32,003)	67,306
Long-term debt, less current portion	—	183,145	—	10,096	3,506	—	196,747
Other long-term liabilities	—	33,981	—	698	—	—	34,679
Total liabilities	924	311,626	1,196	13,158	3,831	(32,003)	298,732
Net assets							
Unrestricted	170,957	115,123	8,791	1,881	8,280	(139,683)	165,349
Temporarily restricted	—	5,607	—	—	—	—	5,607
Permanently restricted	—	—	—	—	—	—	—
Total net assets	170,957	120,730	8,791	1,881	8,280	(139,683)	170,956
Total liabilities and net assets	$ 171,881	432,356	9,987	15,039	12,111	(171,686)	469,688

See accompanying independent auditors' report

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

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

June 30, 2013

(In thousands)

Assets	Shore Health System, Inc.	Memorial Hospital Foundation, Inc. and Subsidiary	Care Health Services, Inc.	Shore Health Enterprises, Inc. and Subsidiary	Shore Clinical Foundation, Inc.	Eliminations	SHS consolidated total
Current assets							
Cash and cash equivalents	$ 13,480	—	357	16	403	—	14,256
Assets limited as to use, current portion	624	—	—	—	—	—	624
Accounts receivable							
Patient accounts receivable, less allowance for doubtful accounts of $11,019	30,069	—	722	—	2,176	—	32,967
Other	4,283	1	2,490	(13)	182	—	6,943
Inventories	3,921	—	—	—	—	—	3,921
Prepaid expenses and other current assets	986	24	11	—	732	—	1,753
Total current assets	53,363	25	3,580	3	3,493	—	60,464
Investments	35,467	—	—	—	—	—	35,467
Assets limited as to use, less current portion							
Debt service funds	—	—	—	—	—	—	—
Construction funds	5,078	—	—	—	—	—	5,078
Board designated and escrow funds	25,000	37,957	—	—	—	—	62,957
Self-insurance trust funds	16,275	—	—	—	—	—	16,275
Funds restricted by donor	4,137	21,603	—	—	—	—	25,740
Economic and beneficial interests in the net assets of related organizations	65,507	—	—	—	—	(62,657)	2,850
	115,997	59,560	—	—	—	(62,657)	112,900
Property and equipment, net	127,156	3,584	554	—	1,754	—	133,048
Investments in joint ventures and other assets	11,959	21	—	—	—	(4,129)	7,851
Total assets	$ 343,942	63,190	4,134	3	5,247	(66,786)	349,730

(Continued)

Schedule 1-c

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

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

June 30, 2013

(In thousands)

Liabilities and Net Assets	Shore Health System, Inc.	Memorial Hospital Foundation, Inc. and Subsidiary	Care Health Services, Inc.	Shore Health Enterprises, Inc. and Subsidiary	Shore Clinical Foundation, Inc.	Eliminations	SHS consolidated total
Current liabilities							
Trade accounts payable	$ 11,913	15	113	—	2,333	—	14,374
Accrued payroll and benefits	17,025	18	359	—	2,183	—	19,585
Advances from third-party payors	5,627	—		—	—	—	5,627
Lines of credit	—	—	—	—	—	—	—
Other current liabilities	2,370	490	77	—	190	—	3,127
Current portion of long-term debt	3,021	—	—	—	—	—	3,021
Total current liabilities	39,956	523	549	—	4,706	—	45,734
Long-term debt, less current portion	96,505	—	—	—	—	—	96,505
Other long-term liabilities	13,836	10	—	—	—	—	13,846
Total liabilities	150,297	533	549	—	4,706	—	156,085
Net assets							
Unrestricted	165,187	41,366	3,585	3	541	(45,495)	165,187
Temporarily restricted	14,601	10,427	—	—	—	(10,427)	14,601
Permanently restricted	13,857	10,864	—	—	—	(10,864)	13,857
Total net assets	193,645	62,657	3,585	3	541	(66,786)	193,645
Total liabilities and net assets	$ 343,942	63,190	4,134	3	5,247	(66,786)	349,730

See accompanying independent auditors' report

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

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

June 30, 2013

(In thousands)

Assets	Chester River Hospital Center	Chester River Manor	Chester River Home Care and Hospice	Chester River Health Foundation	Eliminations	CRHS consolidated total
Current assets						
Cash and cash equivalents	$ 2,313	1,152	725	1,719	—	5,909
Assets limited as to use, current portion	573	—	—	—	—	573
Accounts receivable						
Patient accounts receivable, less allowance for doubtful accounts of $3,307	5,063	621	290	—	—	5,974
Other	411	17	1	16	—	445
Inventories	405	—	—	—	—	405
Prepaid expenses and other current assets	—	40	—	—	—	40
Total current assets	8,765	1,830	1,016	1,735	—	13,346
Investments	3,792	—	1,221	714	—	5,727
Assets limited as to use, less current portion						
Debt service funds	—	—	—	—	—	—
Construction funds	1,127	—	—	—	—	1,127
Board designated and escrow funds	5,000	—	—	—	—	5,000
Self-insurance trust funds	3,392	84	—	—	—	3,476
Funds restricted by donor	44	—	73	1,658	—	1,775
Economic interests in the net assets of related organizations	5,886	83	432	—	(6,401)	—
	15,449	167	505	1,658	(6,401)	11,378
Property and equipment, net	24,145	1,954	247	—	—	26,346
Investments in joint ventures and other assets	1,588	—	—	2,463	—	4,051
Total assets	$ 53,739	3,951	2,989	6,570	(6,401)	60,848

(Continued)

Schedule 1-d

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

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

June 30, 2013

(In thousands)

Liabilities and Net Assets	Chester River Hospital Center	Chester River Manor	Chester River Home Care and Hospice	Chester River Health Foundation	Eliminations	CRHS consolidated total
Current liabilities						
Trade accounts payable	$ 5,267	651	84	43	—	6,045
Accrued payroll and benefits	3,840	641	238	—	—	4,719
Advances from third-party payors	751	136	—	—	—	887
Lines of credit	—	—	—	—	—	—
Other current liabilities	(3,009)	71	16	30	—	(2,892)
Current portion of long-term debt	82	30	—	—	—	112
Total current liabilities	6,931	1,529	338	73	—	8,871
Long-term debt, less current portion	4,783	265	—	—	—	5,048
Other long-term liabilities	8,161	138	—	23	—	8,322
Total liabilities	19,875	1,932	338	96	—	22,241
Net assets						
Unrestricted	32,161	2,019	2,579	4,814	(4,741)	36,832
Temporarily restricted	332	—	55	289	(289)	387
Permanently restricted	1,371	—	17	1,371	(1,371)	1,388
Total net assets	33,864	2,019	2,651	6,474	(6,401)	38,607
Total liabilities and net assets	$ 53,739	3,951	2,989	6,570	(6,401)	60,848

See accompanying independent auditors' report

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

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

June 30, 2013

(In thousands)

Assets	Civista Health, Inc.	Civista Medical Center, Inc.	Civista Care Partners, Inc. and Subsidiary	Civista Health Foundation, Inc.	Eliminations	Civista consolidated total
Current assets						
Cash and cash equivalents	$ 62	28,125	137	482	—	28,806
Assets limited as to use, current portion	—	—	—	—	—	—
Accounts receivable						
Patient accounts receivable, less allowance for doubtful accounts of $7,136	—	11,705	403	—	—	12,108
Other	(10,667)	17,022	(5,216)	394	—	1,533
Inventories	—	1,459	—	—	—	1,459
Prepaid expenses and other current assets	—	460	66	28	—	554
Total current assets	(10,605)	58,771	(4,610)	904	—	44,460
Investments	—	—	—	1,621	—	1,621
Assets limited as to use, less current portion						
Debt service funds	—	—	—	—	—	—
Construction funds	—	962	—	—	—	962
Board designated and escrow funds	3,485	—	—	95	—	3,580
Self-insurance trust funds	—	—	—	—	—	—
Funds restricted by donor	—	—	—	—	—	—
Economic interests in the net assets of related organizations	—	—	—	—	—	—
	3,485	962	—	95	—	4,542
Property and equipment, net	14,621	69,010	9,584	2,877	—	96,092
Investments in joint ventures and other assets	905	14,663	383	—	(4,574)	11,377
Total assets	$ 8,406	143,406	5,357	5,497	(4,574)	158,092

(Continued)

Schedule 1-e

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

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

June 30, 2013

(In thousands)

Liabilities and Net Assets	Civista Health, Inc.	Civista Medical Center, Inc.	Civista Care Partners, Inc. and Subsidiary	Civista Health Foundation, Inc.	Eliminations	Civista consolidated total
Current liabilities						
Trade accounts payable	$ 3	7,136	328	44	—	7,511
Accrued payroll and benefits	—	4,978	159	—	—	5,137
Advances from third-party payors	—	3,235	—	—	—	3,235
Lines of credit	—	12,000	—	—	—	12,000
Other current liabilities	3,278	1,250	—	—	—	4,528
Current portion of long-term debt	130	1,966	258	22	—	2,376
Total current liabilities	3,411	30,565	745	66	—	34,787
Long-term debt, less current portion	978	61,349	3,957	857	—	67,141
Other long-term liabilities	—	12,100	—	—	—	12,100
Total liabilities	4,389	104,014	4,702	923	—	114,028
Net assets						
Unrestricted	4,017	39,182	655	4,364	(4,364)	43,854
Temporarily restricted	—	210	—	210	(210)	210
Permanently restricted	—	—	—	—	—	—
Total net assets	4,017	39,392	655	4,574	(4,574)	44,064
Total liabilities and net assets	$ 8,406	143,406	5,357	5,497	(4,574)	158,092

See accompanying independent auditors' report

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidating Balance Sheet Information by Division – St Joseph Health System (SJHS)

June 30, 2013

(In thousands)

Assets	St. Joseph Medical Center	St. Joseph Medical Group	St. Joseph Properties	St. Joseph Orthopaedics	O'Dea Medical Arts	St. Joseph Foundation	Eliminations	St. Joseph consolidated total
Current assets								
Cash and cash equivalents	$ (8,333)	(20)	49	12,776	1,750	176	—	6,398
Assets limited as to use, current portion	260	—	—	—	—	—	—	260
Accounts receivable								
Patient accounts receivable, less allowance for doubtful accounts of $23,759	40,360	2,791	—	2,969	—	—	—	46,120
Other	(27,966)	(6,175)	(3,365)	(22,840)	77	(1,286)	—	(61,555)
Inventories	4,496	—	—	27	—	—	—	4,523
Prepaid expenses and other current assets	735	344	165	—	10	6	—	1,260
Total current assets	9,552	(3,060)	(3,151)	(7,068)	1,837	(1,104)	—	(2,994)
Investments	—	—	—	—	—	10,220	—	10,220
Assets limited as to use, less current portion								
Debt service funds	—	—	—	—	—	—	—	—
Construction funds	48,069	—	—	—	—	—	—	48,069
Board designated and escrow funds	—	—	—	—	—	—	—	—
Self-insurance trust funds	1,808	—	—	—	—	—	—	1,808
Funds restricted by donor	—	—	—	—	—	—	—	—
Economic interests in the net assets of related organizations	9,503	—	—	—	—	—	—	9,503
	59,380	—	—	—	—	—	—	59,380
Property and equipment, net	175,707	603	—	324	12,784	—		189,418
Investments in joint ventures and other assets	11,931	—	3,203	2,846		71	(3,203)	14,848
Total assets	$ 256,570	(2,457)	52	(3,898)	14,621	9,187	(3,203)	270,872

(Continued)

Schedule 1-b

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidating Balance Sheet Information by Division – St Joseph Health System (SJHS)

June 30, 2013

(In thousands)

Liabilities and Net Assets	St. Joseph Medical Center	St. Joseph Medical Group	St. Joseph Properties	St. Joseph Orthopaedics	O'Dea Medical Arts	St. Joseph Foundation	Eliminations	St. Joseph consolidated total
Current liabilities								
Trade accounts payable	$ 17,679	1,114	357	1,327	145	21	—	20,643
Accrued payroll and benefits	15,085	2,859	—	864	—	—	—	18,808
Advances from third-party payors	10,454	—	—	—	—	—	—	10,454
Lines of credit	—	—	—	—	—	—	—	—
Other current liabilities	2,003	72	—	—	403	69	—	2,547
Current portion of long-term debt	4,362	—	—	—	9,272	—	—	13,634
Total current liabilities	49,583	4,045	357	2,191	9,820	90	—	66,086
Long-term debt, less current portion	248,861	—	—	—	—	—	—	248,861
Other long-term liabilities	3,775	—	—	360	—	—	—	4,135
Total liabilities	302,219	4,045	357	2,551	9,820	90	—	319,082
Net assets								
Unrestricted	(45,650)	(6,502)	(305)	(6,449)	4,801	4,641	(3,203)	(52,667)
Temporarily restricted	1	—	—	—	—	4,106	—	4,107
Permanently restricted	—	—	—	—	—	350	—	350
Total net assets	(45,649)	(6,502)	(305)	(6,449)	4,801	9,097	(3,203)	(48,210)
Total liabilities and net assets	$ 256,570	(2,457)	52	(3,898)	14,621	9,187	(3,203)	270,872

See accompanying independent auditors' report

Schedule 2

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidating Balance Sheet Information by Division

June 30, 2012

(In thousands)

Assets	University of Maryland Medical Center	Kernan	Maryland General	Baltimore Washington	Shore Health	Chester River	Civista Health	UMMS Foundation	Shipley's	Eliminations	Consolidated total
Current assets											
Cash and cash equivalents	$ 148,424	5,008	24,482	30,908	18,462	7,183	38,784	—	658	—	274,909
Assets limited as to use, current portion	37,912	—	955	1,051	714	521	1,936	—	—	—	43,089
Accounts receivable											
Patient accounts receivable, less allowance for doubtful accounts of $158,201	162,921	16,172	13,131	42,825	33,211	9,008	11,494	—	—	—	289,752
Other	37,755	3,758	1,156	142	2,717	4	535	(1,967)	3,454	(22,428)	25,126
Inventories	19,821	908	2,228	7,006	3,367	461	1,491	—	—	—	35,372
Prepaid expenses and other current assets	123,548	16	393	9,979	954	1,203	983	1,500	—	—	138,576
Total current assets	530,381	25,952	42,345	91,911	59,425	10,370	55,223	(467)	4,112	(22,428)	811,824
Investments	350,097	13,011	—	47,935	29,179	4,515	1,390	—	—	—	446,127
Assets limited as to use, less current portion											
Debt service funds	41,438	—	—	—	—	—	4,544	—	—	—	45,982
Construction funds	89,458	8,057	—	18,390	5,851	—	—	—	—	—	121,756
Board designated and escrow funds	—	—	4,000	—	59,997	5,000	2,545	33,418	—	—	104,630
Self-insurance trust funds	41,045	—	21,088	18,972	13,013	2,426	—	—	—	—	96,644
Funds restricted by donor	—	—	3,201	—	23,997	1,655	—	19,591	—	—	47,454
Economic and beneficial interests in the net assets of related organizations	58,523	30,788	293	5,999	2,000	—	—	—	—	(99,602)	37,908
	230,464	38,845	28,582	42,428	104,138	9,081	7,089	53,009	—	(99,602)	453,034
Property and equipment, net	794,744	42,111	94,089	265,993	133,975	24,014	82,055	1,815	9,194	—	1,444,990
Investments in joint ventures and other assets	310,934	—	24,644	21,423	7,523	3,362	15,532	9,313	—	(88,709)	301,022
Total assets	$ 2,216,620	119,919	189,660	474,790	334,240	99,342	161,289	99,970	13,306	(171,739)	3,456,097

(Continued)

Schedule 2

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES

Consolidating Balance Sheet Information by Division

June 30, 2012

(In thousands)

Liabilities and Net Assets	University of Maryland Medical Center	Kernan	Maryland General	Baltimore Washington	Shore Health	Chester River	Civista Health	UMMS Foundation	Shipley's	Eliminations	Consolidated total
Current liabilities											
Trade accounts payable	$ 130 547	5 783	13 842	18 433	8 139	3 104	8 839	68	60	—	188 815
Accrued payroll and benefits	85 452	4 802	12 496	22 919	15 360	3 844	4 821	—	—	—	149 694
Advances from third-party payors	87 445	3 937	6 541	10 044	6 704	1 308	3 944	—	—	—	119 923
Lines of credit	85 000	—	5 000	—	—	—	12 000	—	—	—	102 000
Other current liabilities	104 426	725	4 094	5 536	4 313	5 747	3 964	—	—	(22 428)	106 377
Long-term debt subject to short-term remarketing arrangements	50 427	—	—	—	—	2 194	—	—	—	—	52 621
Current portion of long-term debt	37 830	270	840	8 510	3 294	1 221	1 963	—	—	—	53 928
Total current liabilities	581 127	15 517	42 813	65 442	37 810	17 418	35 531	68	60	(22 428)	773 358
Long-term debt, less current portion	603 147	12 049	35 261	193 601	96 594	23 73	68 544	—	—	—	1 011 569
Other long-term liabilities	102 132	441	36 847	41 632	13 630	10 336	21 494	—	—	—	226 512
Interest rate swap liabilities	217 756	—	—	—	—	—	—	—	—	—	217 756
Total liabilities	1 504 162	28 007	114 921	300 675	148 034	30 127	125 569	68	60	(22 428)	2 229 195
Net assets											
Unrestricted	639 847	60 991	71 245	168 149	160 571	28 559	35 703	37 977	10 246	(88 220)	1 125 068
Temporarily restricted	72 198	30 921	3 494	5 966	11 798	268	17	3 569	—	(61 091)	67 140
Permanently restricted	413	—	—	—	13 837	1 388	—	19 056	—	—	34 694
Total net assets	712 458	91 912	74 739	174 115	186 206	30 215	35 720	60 602	10 246	(149 311)	1 226 902
Total liabilities and net assets	$ 2 216 620	119 919	189 660	474 790	334 240	60 342	161 289	60 670	10 306	(171 739)	3 456 097

See accompanying independent auditors' report

Schedule 1-b

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidating Balance Sheet Information by Division – University of Maryland Medical Center & Affiliates (UMMC)

June 30, 2012

(In thousands)

Assets	University of Maryland Medical Center	University Specialty	36 South Paca	University CARE	Eliminations	University of Maryland consolidated total
Current assets						
Cash and cash equivalents	$ 146,758	221	1,102	343	—	148,424
Assets limited as to use, current portion	37,912	—		—	—	37,912
Accounts receivable						
Patient accounts receivable, less allowance for doubtful accounts of $95,496	155,572	7,187		162	—	162,921
Other	48,208	122	129	125	(10,829)	37,755
Inventories	19,188	594	—	39	—	19,821
Prepaid expenses and other current assets	123,530	—	(14)	32	—	123,548
Total current assets	531,168	8,124	1,217	701	(10,829)	530,381
Investments	349,906	191	—	—	—	350,097
Assets limited as to use, less current portion						
Debt service funds	41,438	—	—	—	—	41,438
Construction funds	89,458	—	—	—	—	89,458
Board designated and escrow funds	—	—	—	—	—	—
Self-insurance trust funds	41,045	—	—	—	—	41,045
Funds restricted by donor	—	—	—	—	—	—
Economic interests in the net assets of related organizations	58,001	522	—	—	—	58,523
	229,942	522	—	—	—	230,464
Property and equipment, net	779,987	5,194	9,563	—	—	794,744
Investments in joint ventures and other assets	297,861	—	3,277	—	9,796	310,934
Total assets	$ 2,188,864	14,031	14,057	701	(1,033)	2,216,620

(Continued)

Schedule 1-b

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

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

June 30, 2012

(In thousands)

Liabilities and Net Assets	University of Maryland Medical Center	University Specialty	36 South Paca	University CARE	Eliminations	University of Maryland consolidated total
Current liabilities						
Trade accounts payable	$ 126,306	3,486	221	534	—	130,547
Accrued payroll and benefits	79,906	5,445	—	101	—	85,452
Advances from third-party payors	82,861	4,584	—	—	—	87,445
Lines of credit	85,000	—	—	—	—	85,000
Other current liabilities	98,528	13,547	2,820	360	(10,829)	104,426
Long-term debt subject to short-term remarketing arrangements	50,427	—	—	—	—	50,427
Current portion of long-term debt	37,530	300	—	—	—	37,830
Total current liabilities	560,558	27,362	3,041	995	(10,829)	581,127
Long-term debt, less current portion	596,491	6,656	—	—	—	603,147
Other long-term liabilities	102,124	8	—	—	—	102,132
Interest rate swaps	217,756	—	—	—	—	217,756
Total liabilities	1,476,929	34,026	3,041	995	(10,829)	1,504,162
Net assets						
Unrestricted	639,846	(20,517)	11,016	(294)	9,796	639,847
Temporarily restricted	71,676	522	—	—	—	72,198
Permanently restricted	413	—	—	—	—	413
Total net assets	711,935	(19,995)	11,016	(294)	9,796	712,458
Total liabilities and net assets	$ 2,188,864	14,031	14,057	701	(1,033)	2,216,620

See accompanying independent auditors' report

Schedule 2-a

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

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

June 30, 2012

(In thousands)

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

(Continued)

Schedule 2-a

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

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

June 30, 2012

(In thousands)

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

See accompanying independent auditors' report

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

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

June 30, 2012

(In thousands)

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

(Continued)

Schedule 2-b

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

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

June 30, 2012

(In thousands)

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

See accompanying independent auditors' report

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

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

June 30, 2012

(In thousands)

Assets	Shore Health System, Inc.	Memorial Hospital Foundation, Inc. and Subsidiary	Care Health Services, Inc.	Shore Health Enterprises, Inc. and Subsidiary	Shore Clinical Foundation, Inc.	Eliminations	SHS consolidated total
Current assets							
Cash and cash equivalents	$ 17,316	—	535	16	595	—	18,462
Assets limited as to use, current portion	714	—	—	—	—	—	714
Accounts receivable							
Patient accounts receivable, less allowance for doubtful accounts of $2,855	28,938	—	836	—	3,437	—	33,211
Other	840	(28)	2,703	(1,459)	661	—	2,717
Inventories	3,367	—	—	—	—	—	3,367
Prepaid expenses and other current assets	808	17	10	—	119	—	954
Total current assets	51,983	(11)	4,084	(1,443)	4,812	—	59,425
Investments	29,179	—	—	—	—	—	29,179
Assets limited as to use, less current portion							
Debt service funds	—	—	—	—	—	—	—
Construction funds	5,851	—	—	—	—	—	5,851
Board designated and escrow funds	25,000	34,667	—	—	—	—	59,667
Self-insurance trust funds	13,013		—	—	—	—	13,013
Funds restricted by donor	3,781	19,226	—	—	—	—	23,007
Economic and beneficial interests in the net assets of related organizations	59,598	—	—	—	—	(56,998)	2,600
	107,243	53,893	—	—	—	(56,998)	104,138
Property and equipment, net	127,388	3,680	594	702	1,611	—	133,975
Investments in joint ventures and other assets	15,581	23	—	—	—	(8,081)	7,523
Total assets	$ 331,374	57,585	4,678	(741)	6,423	(65,079)	334,240

(Continued)

Schedule 2-c

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

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

June 30, 2012

(In thousands)

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

See accompanying independent auditors' report

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

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

June 30, 2012

(In thousands)

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

(Continued)

Schedule 2-d

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

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

June 30, 2012

(In thousands)

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

See accompanying independent auditors' report

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

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

June 30, 2012

(In thousands)

Assets	Civista Health, Inc.	Civista Medical Center, Inc.	Civista Care Partners, Inc. and Subsidiary	Civista Health Foundation, Inc.	Eliminations	Civista consolidated total
Current assets						
Cash and cash equivalents	$ 7	37,974	238	565	—	38,784
Assets limited as to use, current portion	—	1,936	—	—	—	1,936
Accounts receivable						
Patient accounts receivable, less allowance for doubtful accounts of $5,809	—	11,344	150	—	—	11,494
Other	989	2,702	(3,139)	(17)	—	535
Inventories	—	1,491	—	—	—	1,491
Prepaid expenses and other current assets	—	931	52	—	—	983
Total current assets	996	56,378	(2,699)	548	—	55,223
Investments	—	—	—	1,390	—	1,390
Assets limited as to use, less current portion						
Debt service funds	—	4,544	—	—	—	4,544
Construction funds	—	—	—	—	—	—
Board designated and escrow funds	2,538	—	—	7	—	2,545
Self-insurance trust funds	—	—	—	—	—	—
Funds restricted by donor	—	—	—	—	—	—
Economic interests in the net assets of related organizations	—	4,071	(173)	—	(3,898)	—
	2,538	8,615	(173)	7	(3,898)	7,089
Property and equipment, net	3,262	66,995	8,898	2,900	—	82,055
Investments in joint ventures and other assets	—	15,035	497	—	—	15,532
Total assets	$ 6,796	147,023	6,523	4,845	(3,898)	161,289

(Continued)

Schedule 2-e

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

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

June 30, 2012

(In thousands)

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

See accompanying independent auditors' report

Schedule 3

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidating Operations Information by Division

Year ended June 30, 2015

(In thousands)

	University of Maryland Medical Center	Kernan	Maryland General	Baltimore Washington	Shore Health	Chester River	Civista Health	St Joseph Health	UMMS Foundation	Shipley s	EC ARE	Eliminations	Consolidated total
Unrestricted revenues gains and other support													
Patient Service Revenue (net of contractual adjustments)	$ 1 029 661	102 474	199 078	96 [illegible]	241 242	64 256	121 159	184 764	—	—	—	(1 009)	2 615 590
Provision for bad debts	(86 698)	(4 600)	(15 769)	(24 197)	(6 427)	(2 656)	(4 987)	(8 [illegible])	—	—	—	—	(153 [illegible])
Net patient service revenue	1 242 96[illegible]	97 874	183 [illegible]	949 768	234 815	61 600	116 172	176 [illegible]	—	—	—	(1 009)	2 462 [illegible]
Other operating revenue													
State support	[illegible] 000	—	—	—	—	—	—	—	—	—	—	—	[illegible] 000
Other revenue	82 559	2 471	2 [illegible]92	8 542	4 494	[illegible]6	1 [illegible]58	4 [illegible]72	—	[illegible]05	415	(2 062)	[illegible]1 106
Total unrestricted revenue gains and other support	1 [illegible]28 522	100 [illegible]45	185 [illegible]11	[illegible]58 [illegible]10	239 [illegible]09	61 [illegible]96	117 [illegible]30	[illegible]05 181	—	[illegible]05	415	([illegible]0 [illegible]1)	2 [illegible]71 446
Operating expenses													
Salaries wages and benefits	614 986	[illegible]9 [illegible]36	9 [illegible]609	195 [illegible]22	134 290	[illegible]32 [illegible]34	58 [illegible]2	108 [illegible]61	—	—	—	—	1 295 416
Expendable supplies	270 481	16 [illegible]63	21 058	61 [illegible]68	[illegible]0 [illegible]8	[illegible] [illegible]06	19 20[illegible]	42 144	—	—	[illegible]1	—	[illegible]70 [illegible]39
Purchased services	171 [illegible]82	18 992	26 [illegible]49	[illegible]3 [illegible]29	46 294	12 980	21 198	[illegible]5 [illegible]19	—	426	1 288	(6 [illegible]78)	414 180
Contracted services	122 151	8 068	[illegible]0 [illegible]19	11 [illegible]28[illegible]	11 [illegible]76	6 152	[illegible] 861	[illegible]3 [illegible]05	—	—	—	[illegible]69 [illegible]	211 021
Depreciation and amortization	[illegible]5 [illegible]08	[illegible] 862	11 [illegible]02	25 [illegible]54	[illegible]1 [illegible]54	[illegible] [illegible]04	4 499	9 015	—	198	—	—	144 [illegible]71
Interest expense	28 [illegible]64	[illegible]12	1 426	[illegible]91	[illegible] 486	214	[illegible] 122	[illegible] 884	—	—	—	—	49 199
Total operating expenses	1 280 648	101 [illegible]63	189 [illegible]68	[illegible]64 852	242 629	62 [illegible]51	110 164	[illegible]34 126	—	624	1 [illegible]01	(2 485)	2 585 226
Operating income (loss)	[illegible]7 [illegible]84	(1 288)	([illegible] [illegible]72)	(6 542)	([illegible] [illegible]20)	([illegible]84)	[illegible]7 [illegible]66	(52 [illegible]82[illegible])	—	81	(886)	(586)	(1[illegible] [illegible]80)
Nonoperating income and expenses net													
Loss on early extinguishment of debt	(111)	(22)	([illegible]5)	(18)	(86)	—	(2 [illegible]956)	—	—	—	—	—	([illegible] [illegible]9)
Change in fair value of undesignated interest rate swaps	69 206	—	—	—	—	—	—	—	—	—	—	—	69 206
Other nonoperating gains and losses													
Contributions	—	—	—	—	96	1 046	25	42	6 [illegible]26[illegible]	—	—	—	[illegible]7 [illegible]74
Equity in net income of joint ventures	12 114	—	1 [illegible]9[illegible]	42	—	—	440	1 [illegible]9[illegible]1	—	—	—	(81)	16 [illegible]79
Investment income	10 [illegible]56	116	[illegible]7	1 098	922	964	99	[illegible]52[illegible]	2 [illegible]09	—	—	—	17 248
Change in fair value of investments	15 [illegible]65	906	224	[illegible]55 [illegible]	9 [illegible]72	([illegible]20[illegible])	196	([illegible]61[illegible])	61[illegible]	—	—	—	29 [illegible]56[illegible]
Change in fair value of financial instrument	—	—	—	—	—	—	(2 [illegible]91[illegible])	—	—	—	—	—	(2 [illegible]91[illegible])
Other nonoperating gains and losses	(12 421)	(95)	([illegible]6[illegible]8)	(4 [illegible]50)	([illegible] [illegible]20)	([illegible]88[illegible])	([illegible]9[illegible])	(8 [illegible]38[illegible])	(6 [illegible]18[illegible])	—	—	—	([illegible]5 [illegible]82)
Total other nonoperating gains and losses	25 [illegible]84	[illegible]92[illegible]	1 [illegible]96	([illegible]5[illegible])	8 [illegible]08[illegible]	1 [illegible]419	(2 [illegible]254)	(6 [illegible]462)	[illegible] 406	—	—	(81)	[illegible]2 169
Excess (deficiency) of revenues over expenses	142 [illegible]65[illegible]	([illegible]68[illegible])	(2 [illegible]11)	(6 [illegible]82)	4 681	1 [illegible]05[illegible]	2 [illegible]556	(59 [illegible]285)	[illegible] 406	81	(886)	(666)	84 198
Acquisition of St Joseph Foundation	—	—	—	—	—	—	—	[illegible]4 [illegible]7[illegible]	—	—	—	—	[illegible]4 [illegible]7[illegible]
Net assets released from restrictions used for purchase of property and equipment	16 [illegible]50[illegible]	[illegible]4 [illegible]05[illegible]	[illegible]2 [illegible]14[illegible]	641	[illegible]80	—	(146)	[illegible]dd	—	—	—	—	24 081
Change in unrealized gains on investments	—	—	—	—	—	—	—	—	—	—	—	—	—
Change in economic and beneficial interests in the net assets of related organizations	—	—	—	—	—	—	—	—	—	—	—	—	—
Change in ownership interest of joint ventures	1 [illegible]1[illegible]	—	—	—	—	—	—	—	—	—	—	—	1 [illegible]1[illegible]
Capital transfers (to) from affiliate	(12 801)	—	8 [illegible]5[illegible]	—	([illegible]36)	[illegible]4 [illegible]00	2 [illegible]500	—	—	—	—	(2 [illegible]500)	—
Change in fair value of designated interest rate swaps	[illegible] 046	—	—	—	—	—	—	—	—	—	—	—	[illegible] 046
Change in funded status of defined benefit pension plans	—	—	9 922	[illegible]40 [illegible]	—	2 [illegible]9[illegible]4	[illegible] 626	—	—	—	—	—	19 822
Other	[illegible]205 [illegible]96	—	(16)	1	(609)	[illegible]4	([illegible]85)	1 [illegible]551	1 [illegible]516	—	—	([illegible]205 [illegible]68)	[illegible]2 [illegible]11
Increase (decrease) in unrestricted net assets	$ [illegible]56 [illegible]60[illegible]	[illegible] [illegible]64[illegible]	18 [illegible]2[illegible]5	(2 800)	4 616	8 [illegible]27	8 [illegible]151	(52 [illegible]66[illegible])	4 922	81	(886)	(208 [illegible]84)	[illegible]29 [illegible]65

See accompanying independent auditors report

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES

Consolidating Operations Information by Division for University of Maryland Medical Center & Affiliates (UMMC)

Year ended June 30, 2013

(In thousands)

	University of Maryland Medical Center							
	University Hospital	Shock Trauma Center	Subtotal	University Specialty	36 South Paca	University CARE	Eliminations	University of Maryland consolidated total
Unrestricted revenues, gains and other support								
Patient service revenue (net of contractual adjustments)	$ 1,127,771	197,320	1,325,091	1,238	—	3,332	—	1,329,661
Provision for bad debts	(48,601)	(39,288)	(87,889)	1,496	—	(305)	—	(86,698)
Net patient service revenue	1,079,170	158,032	1,237,202	2,734	—	3,027	—	1,242,963
Other operating revenue								
State support	—	3,000	3,000	—	—	—	—	3,000
Other revenue	79,165	91	79,256	35	1,180	2,332	(244)	82,559
Total unrestricted revenue, gains and other support	1,158,335	161,123	1,319,458	2,769	1,180	5,359	(244)	1,328,522
Operating expenses								
Salaries, wages and benefits	554,856	55,882	610,738	556	181	3,327	184	614,986
Expendable supplies	242,009	28,124	270,133	56	5	287	—	270,481
Purchased services	121,829	42,899	164,728	1,839	853	5,127	(1,164)	171,383
Contracted services	110,751	11,400	122,151	—	—	—	—	122,151
Depreciation and amortization	65,974	6,289	72,263	428	392	—	—	73,083
Interest expense	28,390	—	28,390	1	173	—	—	28,564
Total operating expenses	1,123,809	144,594	1,268,403	2,880	1,604	8,741	(980)	1,280,648
Operating income (loss)	34,526	16,529	51,055	(111)	(424)	(3,382)	736	47,874

(Continued)

Schedule 3-b

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidating Operations Information by Division for University of Maryland Medical Center & Affiliates (UMMC)

Year ended June 30, 2013

(In thousands)

	University of Maryland Medical Center							
	University Hospital	Shock Trauma Center	Subtotal	University Specialty	36 South Paca	University CARE	Eliminations	University of Maryland consolidated total
Nonoperating income and expenses, net								
Loss on early extinguishment of debt	$ (111)	—	(111)	—	—	—	—	(111)
Change in fair value of undesignated interest rate swaps	69,206	—	69,206	—	—	—	—	69,206
Other nonoperating gains and losses								
Contributions	—	—	—	—	—	—	—	—
Equity in net income of joint ventures	9,045	—	9,045	—	—	—	3,069	12,114
Investment income	9,945	791	10,736	20	—	—	—	10,756
Change in fair value of investments	14,626	709	15,335	—	—	—	—	15,335
Other nonoperating gains and losses	(12,421)	—	(12,421)	—	—	—	—	(12,421)
Total other nonoperating gains and losses	21,195	1,500	22,695	20	—	—	3,069	25,784
Excess (deficiency) of revenues over expenses	124,816	18,029	142,845	(91)	(424)	(3,382)	3,805	142,753
Net assets released from restrictions used for purchase of property and equipment	16,503	—	16,503	—	—	—	—	16,503
Change in unrealized gains on investments	—	—	—	—	—	—	—	—
Change in economic and beneficial interests in the net assets of related organizations	—	—	—	—	—	—	—	—
Change in ownership interest of joint ventures	1,170	—	1,170	—	—	—	—	1,170
Capital transfers (to) from affiliate	(12,801)	—	(12,801)	—	—	2,526	(2,526)	(12,801)
Change in fair value of designated interest rate swaps	3,046	—	3,046	—	—	—	—	3,046
Change in funded status of defined benefit pension plans	—	—	—	—	—	—	—	—
Other	205,842	—	205,842	(1)	1	—	94	205,936
Increase (decrease) in unrestricted net assets	$ 338,576	18,029	356,605	(92)	(423)	(856)	1,373	356,607

See accompanying independent auditors' report

Schedule 3-a

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

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

Year ended June 30, 2013

(In thousands)

	Maryland General Health Systems, Inc.	Maryland General Hospital	Maryland General Clin. Prac. Group	Eliminations	MGHS consolidated total
Unrestricted revenues, gains and other support					
Patient service revenue (net of contractual adjustments)	$ —	197,494	8,292	(6,708)	199,078
Provision for bad debts	—	(14,141)	(1,618)	—	(15,759)
Net patient service revenue	—	183,353	6,674	(6,708)	183,319
Other operating revenue					
State support	—	—	—	—	—
Other revenue	873	1,483	36	—	2,392
Total unrestricted revenue, gains and other support	873	184,836	6,710	(6,708)	185,711
Operating expenses					
Salaries, wages and benefits	—	97,609	—	—	97,609
Expendable supplies	—	21,058	—	—	21,058
Purchased services	750	25,797	2	—	26,549
Contracted services	—	31,039	6,708	(6,708)	31,039
Depreciation and amortization	459	11,243	—	—	11,702
Interest expense	83	1,343	—	—	1,426
Total operating expenses	1,292	188,089	6,710	(6,708)	189,383
Operating income (loss)	(419)	(3,253)	—	—	(3,672)

(Continued)

Schedule 3-a

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

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

Year ended June 30, 2013

(In thousands)

	Maryland General Health Systems, Inc.	Maryland General Hospital	Maryland General Clin. Prac. Group	Eliminations	MGHS consolidated total
Nonoperating income and expenses, net					
Loss on early extinguishment of debt	$ —	(35)	—	—	(35)
Change in fair value of undesignated interest rate swaps	—	—	—	—	—
Other nonoperating gains and losses					
Contributions	—	—	—	—	—
Equity in net income of joint ventures	1,793	—	—	—	1,793
Investment income	—	57	—	—	57
Change in fair value of investments	—	224	—	—	224
Other nonoperating gains and losses	—	(678)	—	—	(678)
Total other nonoperating gains and losses	1,793	(397)	—	—	1,396
Excess of revenues over expenses	1,374	(3,685)	—	—	(2,311)
Net assets released from restrictions used for purchase of property and equipment	—	2,143	—	—	2,143
Change in unrealized gains on investments	—	—	—	—	—
Change in economic and beneficial interests in the net assets of related organizations	—	—	—	—	—
Change in ownership interest of joint ventures	—	—	—	—	—
Capital transfers (to) from affiliate	1,000	7,537	—	—	8,537
Change in fair value of designated interest rate swaps	—	—	—	—	—
Change in funded status of defined benefit pension plans	—	9,922	—	—	9,922
Other	—	(16)	—	—	(16)
Increase in unrestricted net assets	$ 2,374	15,901	—	—	18,275

See accompanying independent auditors' report

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

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

Year ended June 30, 2013

(In thousands)

	Baltimore Washington Medical System, Inc.	Baltimore Washington Medical Center	Baltimore Washington Healthcare Services	Baltimore Washington Health Enterprises	North County Corporation	Eliminations	BWMS consolidated total
Unrestricted revenues, gains and other support							
Patient service revenue (net of contractual adjustments)	$ —	329,657	33,594	13,035	—	(2,321)	373,965
Provision for bad debts	—	(11,135)	(13,062)	—	—		(24,197)
Net patient service revenue	—	318,522	20,532	13,035	—	(2,321)	349,768
Other operating revenue							
State support	—	—	—	—	—		—
Other revenue	3,573	4,066	—	4,210	2,234	(5,541)	8,542
Total unrestricted revenue, gains and other support	3,573	322,588	20,532	17,245	2,234	(7,862)	358,310
Operating expenses							
Salaries, wages and benefits	3,565	168,709	11,492	11,457	—	—	195,223
Expendable supplies	—	60,662	—	906	—	—	61,568
Purchased services	8	58,982	6,078	5,230	1,293	(7,862)	63,729
Contracted services	—	8,156	—	3,131	—	—	11,287
Depreciation and amortization	—	23,467	—	1,068	719	—	25,254
Interest expense	—	7,021	—	680	90	—	7,791
Total operating expenses	3,573	326,997	17,570	22,472	2,102	(7,862)	364,852
Operating income (loss)	—	(4,409)	2,962	(5,227)	132	—	(6,542)

(Continued)

Schedule 3-b

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

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

Year ended June 30, 2013

(In thousands)

	Baltimore Washington Medical System, Inc.	Baltimore Washington Medical Center	Baltimore Washington Healthcare Services	Baltimore Washington Health Enterprises	North County Corporation	Eliminations	BWMS consolidated total
Nonoperating income and expenses, net							
Loss on early extinguishment of debt	$ —	(187)	—	—	—	—	(187)
Change in fair value of undesignated interest rate swaps	—	—	—	—	—	—	—
Other nonoperating gains and losses							
Contributions	—	—	—	—	—	—	—
Equity in net income of joint ventures	42	—	—	—	—	—	42
Investment income	(6,822)	1,087	—	12	—	6,821	1,098
Change in fair value of investments	—	3,337	—	—	—	—	3,337
Other nonoperating gains and losses	—	(4,208)	—	(322)	—	—	(4,530)
Total other nonoperating gains and losses	(6,780)	216	—	(310)	—	6,821	(53)
Excess (deficiency) of revenues over expenses	(6,780)	(4,380)	2,962	(5,537)	132	6,821	(6,782)
Net assets released from restrictions used for purchase of property and equipment	641	641	—	—	—	(641)	641
Change in unrealized gains on investments	—	—	—	—	—		—
Change in economic and beneficial interests in the net assets of related organizations	(359)	—	—	—	—	359	—
Change in ownership interest of joint ventures	—	—	—	—	—		—
Capital transfers (to) from affiliate	—	—	—	5,756	—	(5,756)	—
Change in fair value of designated interest rate swaps	—	—	—	—	—		—
Change in funded status of defined benefit pension plans	3,340	3,340	—	—	—	(3,340)	3,340
Other	—	(1)	—	—	—	2	1
Increase (decrease) in unrestricted net assets	$ (3,158)	(400)	2,962	219	132	(2,555)	(2,800)

See accompanying independent auditors' report

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

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

Year ended June 30, 2013

(In thousands)

	Shore Health System, Inc.	Memorial Hospital Foundation, Inc. and Subsidiary	Care Health Services, Inc.	Shore Health Enterprises, Inc. and Subsidiary	Shore Clinical Foundation, Inc.	Eliminations	SHS consolidated total
Unrestricted revenues, gains and other support							
Patient service revenue (net of contractual adjustments)	$ 222,399	—	5,522	—	13,321	—	241,242
Provision for bad debts	(6,353)	—	(74)	—	—	—	(6,427)
Net patient service revenue	216,046	—	5,448	—	13,321	—	234,815
Other operating revenue							
State support	—	—	—	—	—	—	—
Other revenue	2,978	—	16	58	1,590	(148)	4,494
Total unrestricted revenue, gains and other support	219,024	—	5,464	58	14,911	(148)	239,309
Operating expenses							
Salaries, wages and benefits	109,160	—	5,060	—	20,070	—	134,290
Expendable supplies	31,487	—	228	—	1,323	—	33,038
Purchased services	41,346	—	830	23	4,398	(303)	46,294
Contracted services	6,249	—	—	—	5,518	—	11,767
Depreciation and amortization	14,182	—	51	(772)	293	—	13,754
Interest expense	3,486	—	—	63	—	(63)	3,486
Total operating expenses	205,910	—	6,169	(686)	31,602	(366)	242,629
Operating income (loss)	13,114	—	(705)	744	(16,691)	218	(3,320)

(Continued)

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

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

Year ended June 30, 2013

(In thousands)

	Shore Health System, Inc.	Memorial Hospital Foundation, Inc. and Subsidiary	Care Health Services, Inc.	Shore Health Enterprises, Inc. and Subsidiary	Shore Clinical Foundation, Inc.	Eliminations	SHS consolidated total
Nonoperating income and expenses, net							
Loss on early extinguishment of debt	$ (86)	—	—	—	—	—	(86)
Change in fair value of undesignated interest rate swaps	—	—	—	—	—	—	—
Other nonoperating gains and losses							
Contributions	25	59	12	—	—	—	96
Equity in net income of joint ventures	—	—	—	—	—	—	—
Investment income (loss)	651	333	1	—	—	(63)	922
Change in fair value of investments	5,597	4,175	—	—	—	—	9,772
Other nonoperating gains and losses	(1,758)	(790)	—	—	—	(155)	(2,703)
Total other nonoperating gains and losses	4,515	3,777	13	—	—	(218)	8,087
Excess (deficiency) of revenues over expenses	17,543	3,777	(692)	744	(16,691)	—	4,681
Net assets released from restrictions used for purchase of property and equipment	580	—	—	—	—	—	580
Change in unrealized gains on investments	—	—	—	—	—	—	—
Change in economic and beneficial interests in the net assets of related organizations	—	—	—	—	—	—	—
Change in ownership interest of joint ventures	—	—	—	—	—	—	—
Capital transfers (to) from affiliate	(12,433)	(291)	—	—	12,688	—	(36)
Change in fair value of designated interest rate swaps	—	—	—	—	—	—	—
Change in funded status of defined benefit pension plans	—	—	—	—	—	—	—
Net losses from nonconsolidated subsidiaries	—	—	—	—	—	—	—
Other	(1,074)	(1)	—	—	—	466	(609)
Increase (decrease) in unrestricted net assets	$ 4,616	3,485	(692)	744	(4,003)	466	4,616

See accompanying independent auditors' report

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

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

Year ended June 30, 2013

(In thousands)

	Chester River Hospital Center	Chester River Manor	Chester River Home Care and Hospice	Chester River Health Foundation	Eliminations	CRHS consolidated total
Unrestricted revenues, gains and other support						
Patient service revenue (net of contractual allowances)	$ 53,929	7,582	2,745	—	—	64,256
Provision for bad debts	(2,553)	(42)	(61)	—	—	(2,656)
Net patient service revenue	51,376	7,540	2,684	—	—	61,600
Other operating revenue						
State support						—
Other revenue	304	8	55	—	—	367
Total unrestricted revenue, gains and other support	51,680	7,548	2,739	—	—	61,967
Operating expenses						
Salaries, wages and benefits	26,253	4,318	2,063	—	—	32,634
Expendable supplies	6,190	799	78	—	—	7,067
Purchased services	10,073	2,498	409	—	—	12,980
Contracted services	6,144	8	—	—	—	6,152
Depreciation and amortization	3,000	249	55	—	—	3,304
Interest expense	206	8	—	—	—	214
Total operating expenses	51,866	7,880	2,605	—	—	62,351
Operating income	(186)	(332)	134	—	—	(384)

(Continued)

Schedule 3-d

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

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

Year ended June 30, 2013

(In thousands)

	Chester River Hospital Center	Chester River Manor	Chester River Home Care and Hospice	Chester River Health Foundation	Eliminations	CRHS consolidated total
Nonoperating income and expenses, net						
Loss on early extinguishment of debt	$ —	—	—	—	—	—
Other nonoperating gains and losses						
Contributions	—	—	—	1,046	—	1,046
Equity in net income of joint ventures	—	—	—	—	—	—
Investment income	897	—	19	48	—	964
Change in fair value of investments	(266)	—	66	(3)	—	(203)
Other nonoperating gains and losses	621	60	22	(366)	(725)	(388)
Total other nonoperating gains and losses	1,252	60	107	725	(725)	1,419
Excess of revenues over expenses	1,066	(272)	241	725	(725)	1,035
Net assets released from restrictions used for purchase of property and equipment	—	—	—	—	—	—
Change in unrealized gains on investments	—	—	—	—	—	—
Change in economic and beneficial interests in the net assets of related organizations	—	—	—	—	—	—
Change in ownership interest of joint ventures	—	—	—	—	—	—
Capital transfers (to) from affiliate	4,300	—	—	—	—	4,300
Change in fair value of designated interest rate swaps	—	—	—	—	—	—
Change in funded status of defined benefit pension plans	2,934	—	—	—	—	2,934
Other	(98)	19	—	(21)	104	4
Increase in unrestricted net assets	$ 8,202	(253)	241	704	(621)	8,273

See accompanying independent auditors' report

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

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

Year ended June 30, 2013

(In thousands)

	Civista Health, Inc.	Civista Medical Center, Inc.	Civista Care Partners, Inc. and Subsidiary	Civista Health Foundation, Inc.	Eliminations	Civista consolidated total
Unrestricted revenues, gains and other support						
Patient service revenue (net of contractual adjustments)	$ —	118,309	2,850	—	—	121,159
Provision for bad debts	—	(4,922)	(65)	—	—	(4,987)
Net patient service revenue	—	113,387	2,785	—	—	116,172
Other operating revenue						
State support	—	—	—	—	—	—
Other revenue	2,046	529	861	—	(1,678)	1,758
Total unrestricted revenue, gains and other support	2,046	113,916	3,646	—	(1,678)	117,930
Operating expenses						
Salaries, wages and benefits	—	55,984	2,293	—	—	58,277
Expendable supplies	—	18,953	254	—	—	19,207
Purchased services	3,071	18,137	1,395	—	(1,405)	21,198
Contracted services	—	4,107	27	—	(273)	3,861
Depreciation and amortization	199	3,932	368	—	—	4,499
Interest expense	69	2,802	251	—	—	3,122
Total operating expenses	3,339	103,915	4,588	—	(1,678)	110,164
Operating income	(1,293)	10,001	(942)	—	—	7,766

(Continued)

Schedule 3-e

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

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

Year ended June 30, 2013

(In thousands)

	Civista Health, Inc.	Civista Medical Center, Inc.	Civista Care Partners, Inc. and Subsidiary	Civista Health Foundation, Inc.	Eliminations	Civista consolidated total
Nonoperating income and expenses, net						
Loss on early extinguishment of debt	$ —	(2,956)	—	—	—	(2,956)
Other nonoperating gains and losses						
Contributions	—	28	—	(3)	—	25
Equity in net income of joint ventures	—	411	29	—	—	440
Investment income	28	40	—	31	—	99
Change in fair value of investments	—	(7)	—	203	—	196
Change in fair value of financial instrument	—	(2,917)	—	—	—	(2,917)
Other nonoperating gains and losses	—	134	—	270	(501)	(97)
Total other nonoperating gains and losses	28	(2,311)	29	501	(501)	(2,254)
Excess of revenues over expenses	(1,265)	4,734	(913)	501	(501)	2,556
Net assets released from restrictions used for purchase of property and equipment	—	(146)	—	—	—	(146)
Change in unrealized gains on investments	—	—	—	—	—	—
Change in economic and beneficial interests in the net assets of related organizations	—	—	—	—	—	—
Change in ownership interest of joint ventures	—	—	—	—	—	—
Capital transfers (to) from affiliate	2,500	—	—	—	—	2,500
Change in fair value of designated interest rate swaps	—	—	—	—	—	—
Change in funded status of defined benefit pension plans	—	3,626	—	—	—	3,626
Other	(583)	197	1	(18)	18	(385)
Increase in unrestricted net assets	$ 652	8,411	(912)	483	(483)	8,151

See accompanying independent auditors' report

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES

Consolidating Operations Information by Division for St Joseph Health System (SJHS)

Year ended June 30, 2013

(In thousands)

	St Joseph Medical Center	St Joseph Medical Group	St Joseph Properties	St Joseph Orthopaedics	O'Dea Medical Arts	St Joseph Foundation	Eliminations	St Joseph consolidated total
Unrestricted revenues, gains and other support								
Patient service revenue (net of contractual adjustments)	$ 146,993	13,386	—	24,385	—	—	—	184,764
Provision for bad debts	(5,066)	(1,161)	—	(1,906)	—	—	—	(8,133)
Net patient service revenue	141,927	12,225	—	22,479	—	—	—	176,631
Other operating revenue								
State support	—	—	—	—	—	—	—	—
Other revenue	1,752	2,675	757	—	1,450	—	(1,962)	4,672
Total unrestricted revenue, gains and other support	143,679	14,900	757	22,479	1,450	—	(1,962)	181,303
Operating expenses								
Salaries, wages and benefits	76,046	16,863	—	15,652	—	—	—	108,561
Expendable supplies	41,850	290	—	4	—	—	—	42,144
Purchased services	38,666	4,159	1,063	13,189	825	—	(383)	57,519
Contracted services	14,557	25	—	—	—	—	(1,579)	13,003
Depreciation and amortization	8,647	68	—	83	217	—	—	9,015
Interest expense	3,544	—	—	—	340	—	—	3,884
Total operating expenses	183,310	21,405	1,063	28,928	1,382	—	(1,962)	234,126
Operating income (loss)	(39,631)	(6,505)	(306)	(6,449)	68	—	—	(52,823)

(Continued)

Schedule 3-b

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES

Consolidating Operations Information by Division for St Joseph Health System (SJHS)

Year ended June 30, 2013

(In thousands)

	St Joseph Medical Center	St Joseph Medical Group	St Joseph Properties	St Joseph Orthopaedics	O'Dea Medical Arts	St Joseph Foundation	Eliminations	St Joseph consolidated total
Nonoperating income and expenses, net								
Loss on early extinguishment of debt	$ —	—	—	—	—	—	—	—
Other nonoperating gains and losses								
Contributions	—	—	—	—	—	42	—	42
Equity in net income of joint ventures	1,971	—	—	—	—	—	—	1,971
Investment income	—	—	—	—	—	527	—	527
Change in fair value of investments	—	—	—	—	—	(615)	—	(615)
Other nonoperating gains and losses	(8,150)	—	—	—	125	(362)	—	(8,387)
Total other nonoperating gains and losses	(6,179)	—	—	—	125	(408)	—	(6,462)
Excess (deficiency) of revenues over expenses	(45,810)	(6,505)	(306)	(6,449)	193	(408)	—	(59,285)
Acquisition of St Iosph Foundation	—	—	—	—	—	4,737	—	4,737
Net assets released from restrictions used for purchase of property and equipment	330	—	—	—	—	—	—	330
Change in unrealized gains on investments	—	—	—	—	—	—	—	—
Change in economic and beneficial interests in the net assets of related organizations	—	—	—	—	—	—	—	—
Change in ownership interest of joint ventures	—	—	—	—	—	—	—	—
Capital transfers (to) from affiliate	—	—	—	—	—	—	—	—
Change in fair value of designated interest rate swaps	—	—	—	—	—	—	—	—
Change in funded status of defined benefit pension plans	—	—	—	—	—	—	—	—
Other	93	3	1	—	1,403	51	—	1,551
Increase (decrease) in unrestricted net assets	$ (45,387)	(6,502)	(305)	(6,449)	1,596	4,380	—	(52,667)

See accompanying independent auditors' report

Schedule 4

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES

Consolidating Operations Information by Division

Year ended June 30, 2012

(In thousands)

	University of Maryland Medical Center	Kernan	Maryland General	Baltimore Washington	Shore Health	Chester River	Civista Health	UMMS Foundation	Shipley's	Eliminations	Consolidated total
Unrestricted revenues, gains and other support											
Patient Service Revenue (net of contractual adjustments)	$ 1,353,837	106,262	176,155	376,524	237,996	63,103	113,930	—	—	(830)	2,426,977
Provision for bad debts	(76,907)	(5,575)	(13,522)	(25,961)	(2,454)	(1,261)	(7,960)	—	—	—	(133,640)
Net patient service revenue	1,276,930	100,687	162,633	350,563	235,542	61,842	105,970	—	—	(830)	2,293,337
Other operating revenue											
State support	3,200	—	—	—	—	—	—	—	—	—	3,200
Other revenue	54,737	2,828	2,335	7,163	6,128	516	1,955	—	980	(2,123)	74,519
Total unrestricted revenue, gains and other support	1,334,867	103,515	164,968	357,726	241,670	62,358	107,925	—	980	(2,953)	2,371,056
Operating expenses											
Salaries, wages and benefits	621,716	50,604	83,952	180,575	126,156	35,961	54,142	—	—	—	1,153,106
Expendable supplies	256,013	16,232	18,049	57,758	34,534	7,895	16,932	—	—	—	407,413
Purchased services	188,582	20,306	30,130	65,996	44,664	13,994	21,322	—	433	(2,953)	382,474
Contracted services	107,962	7,994	24,699	9,736	8,430	2,448	2,845	—	—	—	164,114
Depreciation and amortization	71,621	3,202	11,037	22,687	14,217	4,200	2,992	—	193	—	130,149
Interest expense	28,728	485	1,622	7,947	3,567	259	3,293	—	—	—	45,901
Facility closure expenses	16,247	—	—	—	—	—	—	—	—	—	16,247
Total operating expenses	1,290,869	98,823	169,489	344,699	231,568	64,757	101,526	—	626	(2,953)	2,299,404
Operating income (loss)	43,998	4,692	(4,521)	13,027	10,102	(2,399)	6,399	—	354	—	71,652
Nonoperating income and expenses, net											
Loss on early extinguishment of debt	—	—	—	—	—	—	—	—	—	—	—
Change in fair value of undesignated interest rate swaps	(107,408)	—	—	—	—	—	—	—	—	—	(107,408)
Other nonoperating gains and losses											
Contributions	—	—	—	—	1,410	552	438	6,561	—	—	8,961
Inherent contribution – Civista	37,322										37,322
Equity in net income of joint ventures	(2,747)	—	4,933	177	—	—	(349)	—	—	(354)	1,660
Investment income	15,102	426	100	1,578	(2,789)	706	151	2,013	—	—	17,287
Change in fair value of investments	(17,429)	(557)	(208)	(2,033)	98	(495)	(108)	(2,372)	—	—	(23,104)
Change in fair value of financial instrument	—	—	—	—	—	—	(9,607)	—	—	—	(9,607)
Other nonoperating gains and losses	(9,182)	(186)	(570)	(3,363)	(1,953)	(560)	41	(3,065)	—	(926)	(19,764)
Total other nonoperating gains and losses	23,066	(317)	4,255	(3,641)	(3,234)	203	(9,434)	3,137	—	(1,280)	12,755
Excess (deficiency) of revenues over expenses	(40,344)	4,375	(266)	9,386	6,868	(2,196)	(3,035)	3,137	354	(1,280)	(23,001)
Net assets released from restrictions used for purchase of property and equipment	29,893	4,750	995	—	691	—	108	(85)	—	—	36,352
Change in unrealized gains on investments	—	—	—	—	—	—	—	—	—	—	—
Change in economic and beneficial interests in the net assets of related organizations	—	—	—	—	—	—	—	—	—	—	—
Change in ownership interest of joint ventures	(2,883)	—	—	—	—	—	—	—	—	—	(2,883)
Capital transfers (to) from affiliate	335	—	2,135	—	(2,471)	—	6,500	—	—	(6,499)	—
Change in fair value of designated interest rate swaps	(4,948)	—	—	—	—	—	—	—	—	—	(4,948)
Change in funded status of defined benefit pension plans	—	—	(8,117)	(8,998)	—	(1,303)	(5,218)	—	—	—	(23,636)
Other	30	—	1	(1)	(23)	792	13,475	—	—	(13,925)	349
Increase (decrease) in unrestricted net assets	$ (17,917)	9,125	(5,252)	387	5,065	(2,707)	11,830	3,052	354	(21,704)	(17,767)

See accompanying independent auditors' report

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidating Operations Information by Division for University of Maryland Medical Center & Affiliates (UMMC)

Year ended June 30, 2012

(In thousands)

	University of Maryland Medical Center								University of Maryland consolidated total
	University Hospital	Shock Trauma Center	Cancer Center	Subtotal	University Specialty	36 South Paca	University CARE	Eliminations	
Unrestricted revenues, gains and other support									
Patient service revenue (net of contractual adjustments)	$ 1 066 379	190 121	54 727	1 311 227	39 929	—	3 002	(321)	1 353 837
Provision for bad debts	(39 667)	(32 984)	(2 975)	(75 626)	(971)	(1)	(309)	—	(76 907)
Net patient service revenue	1 026 712	157 137	51 752	1 235 601	38 958	(1)	2 693	(321)	1 276 930
Other operating revenue									
State support	—	3 200	—	3 200	—	—	—	—	3 200
Other revenue	51 408	63	94	51 565	280	1 137	2 385	(630)	54 737
Total unrestricted revenue, gains and other support	1 078 120	160 400	51 846	1 290 366	39 238	1 136	5 078	(951)	1 334 867
Operating expenses									
Salaries, wages and benefits	517 800	55 815	19 915	593 530	24 732	175	3 279	—	621 716
Expendable supplies	204 354	26 897	20 193	251 444	4 329	29	211	—	256 013
Purchased services	112 177	44 118	12 797	169 092	15 399	716	5 080	(1 705)	188 582
Contracted services	93 563	10 731	3 668	107 962	—	—	—	—	107 962
Depreciation and amortization	63 891	2 603	2 131	68 625	2 604	392	—	—	71 621
Interest expense	27 754	—	—	27 754	850	124	—	—	28 728
Facility closure expenses	—	—	—	—	16 247	—	—	—	16 247
Total operating expenses	1 019 539	140 164	58 704	1 218 407	64 161	1 436	8 570	(1 705)	1 290 869
Operating income (loss)	58 581	20 236	(6 858)	71 959	(24 923)	(300)	(3 492)	754	43 998

(Continued)

Schedule 3-b

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidating Operations Information by Division for University of Maryland Medical Centery & Affiliates (UMMC)

Year ended June 30 2012

(In thousands)

	University of Maryland Medical Center								
	University Hospital	Shock Trauma Center	Cancer Center	Subtotal	University Specialty	36 South Paca	University CARE	Eliminations	University of Maryland consolidated total
Nonoperating income and expenses net									
Loss on early extinguishment of debt	$ —	—	—	—	—	—	—	—	—
Change in fair value of undesignated interest rate swaps	(107 408)	—	—	(107 408)	—	—	—	—	(107 408)
Other nonoperating gains and losses									
Contributions	—	—	—	—	—	—	—	—	—
Inherent contribution – Civista	37 322	—	—	37 322	—	—	—	—	37 322
Equity in net income of joint ventures	(30 748)	—	—	(30 748)	—	—	—	28 001	(2 747)
Investment income	13 294	1 500	335	15 129	(27)	—	—	—	15 102
Change in fair value of investments	(17 067)	—	—	(17 067)	(362)	—	—	—	(17 429)
Other nonoperating gains and losses	(9 531)	—	—	(9 531)	—	—	—	349	(9 182)
Total other nonoperating gains and losses	(6 730)	1 500	335	(4 895)	(389)	—	—	28 350	23 066
Excess (deficiency) of revenues over expenses	(55 557)	21 736	(6 523)	(40 344)	(25 312)	(300)	(3 492)	29 104	(40 344)
Net assets released from restrictions used for purchase of property and equipment	29 893	—	—	29 893	—	—	—	—	29 893
Change in unrealized gains on investments	—	—	—	—	—	—	—	—	—
Change in economic and beneficial interests in the net assets of related organizations	—	—	—	—	—	—	—	—	—
Change in ownership interest of joint ventures	(2 883)	—	—	(2 883)	—	—	—	—	(2 883)
Capital transfers (to) from affiliate	335	—	—	335	—	—	3 728	(3 728)	335
Change in fair value of designated interest rate swaps	(4 948)	—	—	(4 948)	—	—	—	—	(4 948)
Change in funded status of defined benefit pension plans	—	—	—	—	—	—	—	—	—
Other	54	—	—	54	(1)	(22)	(1)	—	30
Increase (decrease) in unrestricted net assets	$ (33 106)	21 736	(6 523)	(17 893)	(25 313)	(322)	235	25 376	(17 917)

See accompanying independent auditors' report

Schedule 4-a

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

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

Year ended June 30, 2012

(In thousands)

	Maryland General Health Systems, Inc.	Maryland General Hospital	Maryland General Clin. Prac. Group	Eliminations	MGHS consolidated total
Unrestricted revenues, gains and other support					
Patient Service Revenue (net of contractual adjustments)	$ —	174,332	9,050	(7,227)	176,155
Provision for bad debts	—	(11,688)	(1,834)	—	(13,522)
Net patient service revenue	—	162,644	7,216	(7,227)	162,633
Other operating revenue					
State support	—	—	—	—	—
Other revenue	892	1,429	14	—	2,335
Total unrestricted revenue, gains and other support	892	164,073	7,230	(7,227)	164,968
Operating expenses					
Salaries, wages and benefits	—	83,952	—	—	83,952
Expendable supplies	—	18,049	—	—	18,049
Purchased services	731	29,396	3	—	30,130
Contracted services	—	24,699	7,227	(7,227)	24,699
Depreciation and amortization	454	10,583	—	—	11,037
Interest expense	93	1,529	—	—	1,622
Total operating expenses	1,278	168,208	7,230	(7,227)	169,489
Operating income (loss)	(386)	(4,135)	—	—	(4,521)

(Continued)

Schedule 4-a

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

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

Year ended June 30, 2012

(In thousands)

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

See accompanying independent auditors' report

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

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

Year ended June 30, 2012

(In thousands)

	Baltimore Washington Medical System, Inc.	Baltimore Washington Medical Center	Baltimore Washington Healthcare Services	Baltimore Washington Health Enterprises	North County Corporation	Eliminations	BWMS consolidated total
Unrestricted revenues, gains and other support							
Patient Service Revenue (net of contractual adjustments)	$ —	336.093	31.238	11.700	—	(2.507)	376.524
Provision for bad debts	—	(11.544)	(14.417)	—	—	—	(25.961)
Net patient service revenue	—	324.549	16.821	11.700	—	(2.507)	350.563
Other operating revenue							
State support	—	—	—	—	—	—	—
Other revenue	3.943	3.482	—	3.087	2.062	(5.411)	7.163
Total unrestricted revenue, gains and other support	3.943	328.031	16.821	14.787	2.062	(7.918)	357.726
Operating expenses							
Salaries, wages and benefits	3.943	156.728	10.875	9.029	—	—	180.575
Expendable supplies	—	56.948	—	810	—	—	57.758
Purchased services	—	63.804	5.498	3.332	1.280	(7.918)	65.996
Contracted services	—	7.728	—	2.008	—	—	9.736
Depreciation and amortization	—	21.142	—	993	552	—	22.687
Interest expense	—	7.141	—	708	98	—	7.947
Total operating expenses	3.943	313.491	16.373	16.880	1.930	(7.918)	344.699
Operating income (loss)	—	14.540	448	(2.093)	132	—	13.027

(Continued)

Schedule 4-b

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

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

Year ended June 30, 2012

(In thousands)

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

See accompanying independent auditors' report

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

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

Year ended June 30, 2012

(In thousands)

	Shore Health System, Inc.	Memorial Hospital Foundation, Inc. and Subsidiary	Care Health Services, Inc.	Shore Health Enterprises, Inc. and Subsidiary	Shore Clinical Foundation, Inc.	Eliminations	SHS consolidated total
Unrestricted revenues, gains and other support							
Patient Service Revenue (net of contractual adjustments)	$ 221,080	—	5,950	—	10,966	—	237,996
Provision for bad debts	(2,372)	—	(82)	—	—	—	(2,454)
Net patient service revenue	218,708	—	5,868	—	10,966	—	235,542
Other operating revenue							
State support	—	—	—	—	—	—	—
Other revenue	5,072	—	55	58	1,080	(137)	6,128
Total unrestricted revenue, gains and other support	223,780	—	5,923	58	12,046	(137)	241,670
Operating expenses							
Salaries, wages and benefits	106,479	—	4,831	—	14,846	—	126,156
Expendable supplies	33,503	—	243	—	788	—	34,534
Purchased services	40,860	—	819	25	3,239	(279)	44,664
Contracted services	6,585	—	—	—	1,845	—	8,430
Depreciation and amortization	13,817	—	34	12	354	—	14,217
Interest expense	3,567	—	—	62	—	(62)	3,567
Total operating expenses	204,811	—	5,927	99	21,072	(341)	231,568
Operating income (loss)	18,969	—	(4)	(41)	(9,026)	204	10,102

(Continued)

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

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

Year ended June 30, 2012

(In thousands)

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

See accompanying independent auditors' report

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

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

Year ended June 30, 2012

(In thousands)

	Chester River Hospital Center	Chester River Manor	Chester River Home Care and Hospice	Chester River Health Foundation	Eliminations	CRHS consolidated total
Unrestricted revenues, gains and other support						
Patient Service Revenue (net of contractual adjustments)	$ 52,642	7,877	2,584	—	—	63,103
Provision for bad debts	(957)	(244)	(60)	—	—	(1,261)
Net patient service revenue	51,685	7,633	2,524	—	—	61,842
Other operating revenue						
State support	—	—	—	—	—	—
Other revenue	457	4	55	—	—	516
Total unrestricted revenue, gains and other support	52,142	7,637	2,579	—	—	62,358
Operating expenses						
Salaries, wages and benefits	29,599	4,295	2,067	—	—	35,961
Expendable supplies	7,068	765	62	—	—	7,895
Purchased services	11,037	2,506	451	—	—	13,994
Contracted services	2,448	—	—	—	—	2,448
Depreciation and amortization	3,891	250	59	—	—	4,200
Interest expense	250	9	—	—	—	259
Total operating expenses	54,293	7,825	2,639	—	—	64,757
Operating income	(2,151)	(188)	(60)	—	—	(2,399)

(Continued)

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

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

Year ended June 30, 2012

(In thousands)

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

See accompanying independent auditors' report

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

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

Year ended June 30, 2012

(In thousands)

	Civista Health, Inc.	Civista Medical Center, Inc.	Civista Care Partners, Inc. and Subsidiary	Civista Health Foundation, Inc.	Eliminations	Civista consolidated total
Unrestricted revenues, gains and other support						
Patient Service Revenue (net of contractual adjustments)	$ —	111,209	2,721	—	—	113,930
Provision for bad debts	—	(7,679)	(281)	—	—	(7,960)
Net patient service revenue	—	103,530	2,440	—	—	105,970
Other operating revenue						
State support	—	—	—	—	—	—
Other revenue	1,405	707	1,019	514	(1,690)	1,955
Total unrestricted revenue, gains and other support	1,405	104,237	3,459	514	(1,690)	107,925
Operating expenses						
Salaries, wages and benefits	—	51,770	2,153	219	—	54,142
Expendable supplies	—	16,708	210	14	—	16,932
Purchased services	2,472	18,830	1,019	406	(1,405)	21,322
Contracted services	—	3,130	—	—	(285)	2,845
Depreciation and amortization	12	2,630	312	38	—	2,992
Interest expense	75	2,941	266	11	—	3,293
Total operating expenses	2,559	96,009	3,960	688	(1,690)	101,526
Operating income	(1,154)	8,228	(501)	(174)	—	6,399

(Continued)

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

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

Year ended June 30, 2012

(In thousands)

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

See accompanying independent auditors' report

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Combining Balance Sheet Information – Obligated Group

June 30, 2013

(In thousands)

Assets	University of Maryland Medical Center	Kernan Hospital, Inc	Maryland General Hospital, Inc	Baltimore Washington Medical Center, Inc	Shore Health System, Inc	Chester River Medical Center	Civista Medical Center	St. Joseph Medical Center	UMMS Foundation	Eliminations	Obligated group total
Current assets											
Cash and cash equivalents	$ 142,414	6,887	6,522	37,209	13,480	2,313	28,125	(8,333)	—	—	228,617
Assets limited as to use, current portion	42,900	—	1,001	985	624	573	—	260	—	—	46,343
Accounts receivable											
Patient accounts receivable, less allowance for doubtful accounts of $137,700	156,593	14,631	26,988	38,987	30,069	5,063	11,705	40,360	—	—	324,396
Other	104,804	17,699	1,722	332	4,283	411	17,022	(27,966)	(1,200)	(102,398)	104,709
Inventories	20,186	1,054	2,691	6,743	3,921	405	1,459	4,496	—	—	40,955
Prepaid expenses and other current assets	7,015	—	127	1,447	986	—	460	735	1,500	—	12,270
Total current assets	563,912	40,271	39,051	85,703	53,363	8,765	58,771	9,552	300	(102,398)	757,290
Investments	346,650	12,038	—	51,744	35,467	3,702	—	—	—	—	449,700
Assets limited as to use, less current portion											
Investments held for collateral	58,642	—	—	8,000	—	—	—	—	—	—	66,642
Debt service funds	34,236	—	—	—	—	—	—	—	—	—	34,236
Construction funds	70,575	14,001	1,603	13,304	5,078	1,127	962	48,069	—	—	163,809
Board designated and escrow funds	—	—	—	—	25,000	5,000	—	—	38,467	—	68,467
Self-insurance trust funds	40,043	—	24,607	10,430	16,275	3,392	—	1,808	—	—	105,564
Funds restricted by donor	—	—	1,140	—	4,137	44	—	—	21,670	—	26,991
Economic interests in the net assets of related organizations	65,347	30,490	222	5,607	65,507	5,886	—	9,503	—	(77,008)	105,554
	277,843	44,491	27,572	46,440	115,997	15,449	962	59,380	60,137	(77,008)	571,263
Property and equipment, net	835,770	45,127	102,169	230,734	127,156	24,145	69,010	175,707	—	—	1,015,818
Investments in joint ventures and other assets	521,903	—	8,704	11,735	11,950	1,588	14,063	11,931	7,118	(277,733)	311,958
Total assets	$ 2,546,087	141,927	177,586	432,356	343,942	53,730	143,406	256,570	67,555	(457,139)	3,706,029

(Continued)

Schedule 5

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Combining Balance Sheet Information – Obligated Group

June 30, 2013

(In thousands)

Liabilities and Net Assets	University of Maryland Medical Center	Kernan Hospital, Inc	Maryland General Hospital, Inc	Baltimore Washington Medical Center, Inc	Shore Health System, Inc	Chester River Medical Center	Civista Medical Center	St. Joseph Medical Center	UMMS Foundation	Eliminations	Obligated group total
Current liabilities											
Trade accounts payable	$ 142,190	8,000	15,250	20,374	11,913	5,207	7,136	17,670	50	—	227,928
Accrued payroll and benefits	88,870	5,117	14,757	21,672	17,025	3,840	4,078	15,085	—	—	171,353
Advances from third-party payors	72,725	3,037	6,803	8,650	5,627	751	3,235	10,454	—	—	111,201
Lines of credit	83,000	—	—	—	—	—	12,000	—	—	—	95,000
Other current liabilities	103,031	1,860	8,677	40,034	2,370	(3,000)	1,250	2,003	—	(102,398)	115,018
Long-term debt subject to short-term remarketing arrangements	19,123	—	—	—	—	—	—	—	—	—	19,123
Current portion of long-term debt	14,010	403	604	3,101	3,021	82	1,900	4,362	—	—	28,275
Total current liabilities	584,104	18,540	46,091	94,500	39,956	6,931	30,565	49,583	50	(102,398)	767,988
Long-term debt, less current portion	631,325	22,393	34,993	183,145	96,505	4,783	61,340	248,861	—	—	1,283,354
Other long-term liabilities	108,965	415	25,222	33,981	13,836	8,101	12,100	3,775	—	—	206,455
Interest rate swap liabilities	145,504	—	—	—	—	—	—	—	—	—	145,504
Total liabilities	1,469,958	41,354	106,306	311,626	150,297	19,875	104,014	302,219	50	(102,398)	2,403,301
Net assets											
Unrestricted	906,451	70,083	65,918	115,123	165,187	32,101	39,182	(15,650)	42,800	(286,747)	1,108,607
Temporarily restricted	70,265	30,490	1,362	5,607	14,601	332	210	1	6,603	(67,994)	70,477
Permanently restricted	413	—	—	—	13,857	1,371	—	—	18,003	—	33,644
Total net assets	1,070,129	100,573	71,280	120,730	193,645	33,804	39,392	(15,649)	67,505	(354,741)	1,302,728
Total liabilities and net assets	$ 2,540,087	141,927	177,586	432,356	343,942	53,730	143,406	286,570	67,555	(457,139)	3,706,029

See accompanying independent auditors' report

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Combining Balance Sheet Information – Obligated Group

June 30, 2012

(In thousands)

Assets	University of Maryland Medical Center	Kernan Hospital, Inc	University Specialty Hospital, Inc	Maryland General Hospital, Inc	Baltimore Washington Medical Center, Inc	Shore Health System, Inc	Chester River Health System, Inc	UMMS Foundation	Eliminations	Obligated group total
Current assets										
Cash and cash equivalents	$ 146,758	5,008	221	24,351	36,053	17,316	—	—	—	229,707
Assets limited as to use, current portion	37,912	—	—	955	1,051	714	—	—	—	40,632
Accounts receivable										
Patient accounts receivable, less allowance for doubtful accounts of $128,947	155,572	16,167	3,187	12,247	39,517	28,938	—	—	—	259,628
Other	48,208	9,085	122	2,256	142	840	—	(1,967)	(10,829)	47,857
Inventories	19,188	998	594	2,228	3,006	3,367	—	—	—	33,381
Prepaid expenses and other current assets	123,530	16	—	393	9,316	808	—	1,500	—	135,563
Total current assets	531,168	31,274	8,124	42,430	93,085	51,983	—	(467)	(10,829)	746,768
Investments	349,906	13,011	191	—	47,935	29,179	—	—	—	440,222
Assets limited as to use, less current portion										
Debt service funds	41,438	—	—	—	—	—	—	—	—	41,438
Construction funds	89,458	8,057	—	—	18,390	5,851	—	—	—	121,756
Board designated and escrow funds	—	—	—	4,000	—	25,000	—	33,418	—	62,418
Self-insurance trust funds	41,045	—	—	21,088	18,072	13,013	—	—	—	93,218
Funds restricted by donor	—	—	—	3,201	—	3,781	—	19,591	—	26,573
Economic interests in the net assets of related organizations	58,001	30,788	522	293	5,966	59,598	—	—	(60,602)	94,566
	229,942	38,845	522	28,582	42,428	107,243	—	53,009	(60,602)	439,969
Property and equipment, net	779,987	42,104	5,194	91,952	240,920	127,388	—	1,815	—	1,289,360
Investments in joint ventures and other assets	297,861	—	—	8,155	14,128	15,581	30,215	6,313	(10,275)	361,978
Total assets	$ 2,188,864	125,234	14,031	171,119	438,496	331,374	30,215	60,670	(81,706)	3,278,297

Schedule 6

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Combining Balance Sheet Information – Obligated Group

June 30, 2012

(In thousands)

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

See accompanying independent auditors' report

Schedule 7

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Combining Operations Information – Obligated Group

Year ended June 30, 2013

(In thousands)

	University of Maryland Medical Center	Kernan Hospital	Maryland General Hospital	Baltimore Washington Medical Center	Shore Health System				Chester River Hospital Center	Civista Medical Center	St. Joseph Medical Center	UMMS Foundation	Eliminations	Obligated group total
					Memorial Hospital	Dorchester General	QAEC	Subtotal						
Unrestricted revenues, gains and other support														
Patient service revenue (net of contractual adjustments)	$ 1,325,091	101,611	197,494	329,657	168,514	49,765	4,128	222,399	59,929	118,309	146,993	—	(1,009)	2,494,474
Provision for bad debts	(87,889)	(4,543)	(14,141)	(11,135)	(4,698)	(1,566)	(89)	(6,353)	(2,553)	(4,922)	(5,066)	—	—	(136,602)
Net patient service revenue	1,237,202	97,068	183,353	318,522	163,816	48,199	4,039	216,046	57,376	113,387	141,927	—	(1,009)	2,357,872
Other operating revenue														
State support	3,000	—	—	—	—	—	—	—	—	—	—	—	—	3,000
Other revenue	79,256	2,471	1,483	4,066	2,570	369	15	2,958	304	529	1,752	—	(2,062)	90,777
Total unrestricted revenue, gains and other support	1,319,458	99,539	184,836	322,588	166,386	48,584	4,054	219,024	57,680	113,916	143,679	—	(3,071)	2,451,649
Operating expenses														
Salaries, wages and benefits	610,358	53,206	97,609	168,709	81,986	23,815	3,959	109,160	26,253	55,984	76,046	—	—	1,119,705
Expendable supplies	207,123	16,150	21,058	60,662	26,156	4,777	558	31,487	6,190	18,953	41,850	—	—	406,483
Purchased services	164,728	18,763	25,793	58,982	30,861	9,605	880	41,346	10,053	18,123	38,666	—	(6,178)	326,703
Contracted services	122,151	8,068	31,039	8,156	6,651	1,514	1,084	9,249	6,144	4,107	14,557	—	23,693	204,164
Depreciation and amortization	72,263	3,860	11,243	23,467	10,772	2,274	1,136	14,182	3,000	9,232	8,641	—	—	140,594
Interest expense	28,390	949	1,243	7,021	2,592	348	546	3,486	206	2,802	3,544	—	—	47,741
Total operating expenses	1,268,403	101,000	188,089	326,997	156,018	42,329	7,363	205,910	51,866	109,215	183,310	—	(2,485)	2,427,005
Operating income (loss)	51,055	(1,461)	(3,253)	(4,409)	10,368	6,255	(3,309)	13,114	(186)	10,001	(39,631)	—	(586)	24,644
Nonoperating income and expenses, net														
Loss on early extinguishment of debt	(111)	(22)	(35)	(18)	(86)	—	—	(86)	—	(2,956)	—	—	—	(3,228)
Change in fair value of undesignated interest rate swaps	69,206	—	—	—	—	—	—	—	—	—	—	—	—	69,206
Other nonoperating gains and losses														
Contributions	—	—	—	—	25	—	—	25	—	28	—	6,265	—	6,318
Equity in net income of joint ventures	9,045	—	—	—	—	—	—	—	—	411	1,971	—	—	11,427
Investment income	10,736	116	57	1,087	651	—	—	651	897	40	—	2,709	—	16,293
Change in fair value of investments	15,335	906	224	3,333	5,769	—	—	5,769	(266)	(7)	—	615	—	25,741
Change in fair value of financial instrument	—	—	—	—	—	—	—	—	—	(2,917)	—	—	—	(2,917)
Other nonoperating gains and losses	(12,421)	(129)	(678)	(4,208)	(1,758)	—	—	(1,758)	621	1,134	(8,150)	(6,183)	—	(32,772)
Total other nonoperating gains and losses	22,695	893	(397)	216	4,515	—	—	4,515	1,252	(2,311)	(6,179)	3,406	—	24,090
Excess (deficiency) of revenues over expenses	142,845	(590)	(3,685)	(4,080)	14,797	6,255	(3,309)	17,543	1,066	4,754	(45,810)	3,406	(586)	114,543
Net assets released from restrictions used for purchase of property and equipment	16,503	4,030	2,143	641	580	—	—	580	—	(146)	330	—	—	24,081
Change in unrealized gains on investments	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Change in economic and beneficial interests in the net assets of related organizations	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Change in ownership interest of joint ventures	1,170	—	—	—	—	—	—	—	—	—	—	—	—	1,170
Capital transfers (to) from affiliate	(12,801)	—	(2,563)	—	(12,433)	—	—	(12,433)	4,300	—	—	—	(2,500)	(15,897)
Change in fair value of designated interest rate swaps	3,046	—	—	—	—	—	—	—	—	—	—	—	—	3,046
Change in funded status of defined benefit pension plans	—	—	9,922	3,900	—	—	—	—	2,934	3,626	—	—	—	19,822
Net gains from nonconsolidated subsidiaries	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Other	205,842	2	(16)	(1)	(1,074)	—	—	(1,074)	(98)	(197)	93	1,516	(205,168)	(2,884)
Increase (decrease) in unrestricted net assets	$ 356,605	3,442	15,901	(400)	1,870	6,255	(3,309)	4,616	8,202	8,411	(45,387)	4,922	(208,254)	147,549

See accompanying independent auditors' report

Schedule 8

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Combining Operations Information – Obligated Group

Year ended June 30, 2012

(In thousands)

	University of Maryland Medical Center	Kernan Hospital	University Specialty	Maryland General Hospital	Baltimore Washington Medical Center	Shore Health System				Chester River Health System, Inc	UMMS Foundation	Eliminations	Obligated group total
						Memorial Hospital	Dorchester General	QAEC	Subtotal				
Unrestricted revenues, gains and other support													
Patient Service Revenue (net of contractual adjustments)	$ 1,311,227	105,275	59,929	174,352	356,095	168,172	48,527	4,381	221,080	—	—	(321)	2,187,613
Provision for bad debts	(75,626)	(5,485)	(971)	(11,688)	(11,544)	(1,955)	(170)	(240)	(2,365)	—	—	—	(107,684)
Net patient service revenue	1,235,601	99,790	58,958	162,664	344,549	166,219	48,348	4,141	218,708	—	—	(321)	2,079,929
Other operating revenue													
State support	3,200	—	—	—	—	—	—	—	—	—	—	—	3,200
Other revenue	51,565	2,828	280	1,429	3,482	4,587	485	—	5,072	—	—	(630)	64,026
Total unrestricted revenue, gains and other support	1,290,366	102,618	59,238	164,093	348,031	170,806	48,833	4,141	223,780	—	—	(951)	2,147,155
Operating expenses													
Salaries, wages, and benefits	503,530	49,902	24,752	83,052	156,728	70,620	24,331	2,528	106,479	—	—	—	1,015,323
Expendable supplies	251,444	16,224	4,329	18,049	56,948	27,979	5,067	457	33,503	—	—	—	380,497
Purchased services	160,092	20,063	15,390	29,396	63,804	30,883	9,684	293	40,860	—	—	(951)	333,663
Contracted services	107,962	7,994	—	24,699	7,728	3,500	1,784	1,211	6,585	—	—	—	154,968
Depreciation and amortization	68,625	3,186	2,604	10,583	21,142	10,860	1,930	1,027	13,817	—	—	—	119,957
Interest expense	27,754	621	850	1,529	7,141	2,666	351	550	3,567	—	—	—	41,462
Facility closure expenses	—	—	16,247	—	—	—	—	—	—	—	—	—	16,247
Total operating expenses	1,218,407	97,990	64,161	168,208	313,491	155,508	43,147	6,066	204,811	—	—	(951)	2,066,117
Operating income (loss)	71,959	4,628	(24,923)	(4,115)	34,540	15,298	5,686	(1,925)	18,969	—	—	—	81,038
Nonoperating income and expenses, net													
Loss on early extinguishment of debt	—	—	—	—	—	—	—	—	—	—	—	—	—
Change in fair value of undesignated interest rate swaps	(107,408)	—	—	—	—	—	—	—	—	—	—	—	(107,408)
Other nonoperating gains and losses													
Contributions	—	—	—	—	—	47	—	—	47	—	6,561	—	6,608
Inherent contribution – Civista	37,322	—	—	—	—	—	—	—	—	—	—	—	37,322
Equity in net income of joint ventures	(30,748)	—	—	—	—	—	—	—	—	—	—	25,313	(5,435)
Investment income	15,129	266	(27)	100	1,377	(3,029)	(23)	—	(3,052)	—	2,013	—	16,006
Change in fair value of investments	(17,067)	(397)	(362)	(208)	(2,033)	2,043	—	—	2,043	—	(2,372)	—	(20,496)
Other nonoperating gains and losses	(9,531)	(50)	—	(570)	(2,832)	(1,205)	(89)	—	(1,294)	—	(3,065)	—	(17,342)
Total other nonoperating gains and losses	(4,895)	(181)	(389)	(678)	(3,488)	(2,144)	(112)	—	(2,256)	—	3,137	25,313	16,763
Excess (deficiency) of revenues over expenses	(40,344)	4,447	(25,312)	(4,815)	31,052	13,064	5,574	(1,925)	16,713	—	3,137	25,313	(9,607)
Net assets released from restrictions used for purchase of property and equipment	29,893	4,750	—	995	—	691	—	—	691	—	(85)	—	36,244
Change in unrealized gains on investments	—	—	—	—	—	—	—	—	—	—	—	—	—
Change in economic and beneficial interests in the net assets of related organizations	—	—	—	—	—	(901)	—	—	(901)	—	—	—	(901)
Change in ownership interest of joint ventures	(2,888)	—	—	—	—	451	—	—	451	—	—	—	(2,437)
Capital transfers (to) from affiliate	335	—	—	5,837	(14,880)	(11,865)	—	—	(11,865)	—	—	—	(20,573)
Change in fair value of designated interest rate swaps	(4,948)	—	—	—	—	—	—	—	—	—	—	—	(4,948)
Change in funded status of defined benefit pension plans	—	—	—	(8,117)	(8,998)	—	—	—	—	—	—	—	(17,115)
Net gains from nonconsolidated subsidiaries	—	—	—	—	—	—	—	—	—	(2,707)	—	(793)	(3,500)
Other	54	—	(1)	1	(4)	(23)	—	—	(23)	—	—	—	27
Increase (decrease) in unrestricted net assets	$ (17,898)	9,197	(25,313)	(6,097)	(12,830)	1,417	5,574	(1,925)	5,066	(2,707)	3,052	24,520	(22,805)

See accompanying independent auditors' report