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Form 990  Department of the Treasury Internal Revenue Service	Return of Organization Exempt From Income Tax Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)	OMB No 1545-0047 2012 Open to Public Inspection
	The organization may have to use a copy of this return to satisfy state reporting requirements	

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 ANNE ARUNDEL MEDICAL CENTER INC		D Employer identification number 52-1169362	
	Doing Business As			
	Number and street (or P O box if mail is not delivered to street address) 2001 MEDICAL PARKWAY	Room/suite	E Telephone number (443) 481-6554	
	City or town, state or country, and ZIP + 4 ANNAPOLIS, MD 21401		G Gross receipts \$ 493,413,708	
	F Name and address of principal officer ROBERT REILLY 2001 MEDICAL PARKWAY ANNAPOLIS, MD 21401		H(a) Is this a group return for affiliates? ☐ Yes ☒ No H(b) Are all affiliates included? ☐ Yes ☐ No If "No," attach a list (see instructions) H(c) Group exemption number ▶	
I Tax-exempt status ☒ 501(c)(3) ☐ 501(c) () ◀ (insert no) ☐ 4947(a)(1) or ☐ 527				
J Website: ▶ WWW.AAHS.ORG				
K Form of organization ☒ Corporation ☐ Trust ☐ Association ☐ Other ▶		L Year of formation 1902		M State of legal domicile MD

Part I	Summary
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Activities & Governance	1 Briefly describe the organization's mission or most significant activities TO ENHANCE THE COMPREHENSIVE HEALTH CARE WE PROVIDE TO THE LOCAL AND REGIONAL COMMUNITY WE SERVE			
	2 Check this box ☐ if the organization discontinued its operations or disposed of more than 25% of its net assets			
	3	Number of voting members of the governing body (Part VI, line 1a)	18	
	4	Number of independent voting members of the governing body (Part VI, line 1b)	15	
	5	Total number of individuals employed in calendar year 2012 (Part V, line 2a)	3,662	
6	Total number of volunteers (estimate if necessary)	565		
7a	Total unrelated business revenue from Part VIII, column (C), line 12	8,456,985		
7b	Net unrelated business taxable income from Form 990-T, line 34	-608,973		
Revenue	8	Contributions and grants (Part VIII, line 1h)	1,485,641	5,037,550
	9	Program service revenue (Part VIII, line 2g)	467,862,598	455,897,486
	10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	6,489,424	12,081,948
	11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	20,700,304	20,038,817
	12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	496,537,967	493,055,801
	Expenses	13	Grants and similar amounts paid (Part IX, column (A), lines 1–3)	10,841,391
14		Benefits paid to or for members (Part IX, column (A), line 4)	0	0
15		Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	215,017,132	225,586,346
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)	255,777,172	239,547,833
18		Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	481,635,695	476,251,558
19		Revenue less expenses Subtract line 18 from line 12	14,902,272	16,804,243
Net Assets or Fund Balances		Beginning of Current Year	End of Year	
	20	Total assets (Part X, line 16)	937,689,806	959,419,269
	21	Total liabilities (Part X, line 26)	571,902,835	534,530,069
	22	Net assets or fund balances Subtract line 21 from line 20	365,786,971	424,889,200

Part II	Signature Block
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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	*****				2014-05-13		
	Signature of officer				Date		
	ROBERT REILLY CFO						
	Type or print name and title						
Paid Preparer Use Only	Print/Type preparer's name LORI S BURGHAUSER		Preparer's signature		Date 2014-05-13	Check ☐ if self-employed	PTIN P00370694
	Firm's name  SC&H TAX & ADVISORY SERVICES LLC					Firm's EIN  20-5991824	
	Firm's address  910 RIDGEBROOK ROAD SPARKS, MD 21152					Phone no (410) 403-1500	

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

Part IV Checklist of Required Schedules

	Yes	No
1 Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? If "Yes," complete Schedule A 	1 Yes	
2 Is the organization required to complete Schedule B, Schedule of Contributors (see instructions)? 	2 Yes	
3 Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? If "Yes," complete Schedule C, Part I	3	No
4 Section 501(c)(3) organizations. Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? If "Yes," complete Schedule C, Part II	4	No
5 Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? If "Yes," complete Schedule C, Part III	5	No
6 Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? If "Yes," complete Schedule D, Part I 	6	No
7 Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas, or historic structures? If "Yes," complete Schedule D, Part II 	7	No
8 Did the organization maintain collections of works of art, historical treasures, or other similar assets? If "Yes," complete Schedule D, Part III 	8	No
9 Did the organization report an amount in Part X, line 21 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	No
11 If the organization's answer to any of the following questions is "Yes," then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable		
a Did the organization report an amount for land, buildings, and equipment in Part X, line 10? 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 Yes	
b Did the organization have aggregate revenues or expenses of more than \$10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at \$100,000 or more? If "Yes," complete Schedule F, Parts I and IV 	14b Yes	
15 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of grants or assistance to any organization or entity located outside the 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 Yes	
19 Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? If "Yes," complete Schedule G, Part III 	19	No
20a Did the organization operate one or more 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? <i>If "Yes," complete Schedule I, Parts I and II</i>	21	Yes	
22	Did the organization report more than \$5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? <i>If "Yes," complete Schedule I, Parts I and III</i>	22		No
23	Did the organization answer "Yes" to Part VII, Section A, line 3, 4, or 5 about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? <i>If "Yes," complete Schedule J</i>	23	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? <i>If "Yes," answer lines 24b through 24d and complete Schedule K. If "No," go to line 25</i>	24a	Yes	
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	24b		No
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	24c		No
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	24d		No
25a	Section 501(c)(3) and 501(c)(4) organizations. Did the organization engage in an excess benefit transaction with a disqualified person during the year? <i>If "Yes," complete Schedule L, Part I</i>	25a		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? <i>If "Yes," complete Schedule L, Part I</i>	25b		No
26	Was a loan to or by a current or former officer, director, trustee, key employee, highest compensated employee, or disqualified person outstanding as of the end of the organization's tax year? <i>If "Yes," complete Schedule L, Part II</i>	26		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor or employee thereof, a grant selection committee member, or to a 35% controlled entity or family member of any of these persons? <i>If "Yes," complete Schedule L, Part III</i>	27		No
28	Was the organization a party to a business transaction with one of the following parties (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28a		No
b	A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28b		No
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? <i>If "Yes," complete Schedule L, Part IV</i>	28c	Yes	
29	Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i>	29		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i>	30		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i>	31		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i>	32		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? <i>If "Yes," complete Schedule R, Part I</i>	33		No
34	Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1</i>	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)? <i>If "Yes," complete Schedule R, Part V, line 2</i>	35b	Yes	
36	Section 501(c)(3) organizations. Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2</i>	36		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? <i>If "Yes," complete Schedule R, Part VI</i>	37		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 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.	208	
1b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.	0	
1c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?		
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.	3,662	
2b	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).	Yes	
3a	Did the organization have unrelated business gross income of \$1,000 or more during the year?	Yes	
3b	If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O.	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)?	Yes	
b	If "Yes," enter the name of the foreign country: CJ See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.		
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?		No
5b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?		No
5c	If "Yes," to line 5a or 5b, did the organization file Form 8886-T?		
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?		No
6b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?		
7	Organizations that may receive deductible contributions under section 170(c).		
7a	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?		No
7b	If "Yes," did the organization notify the donor of the value of the goods or services provided?		
7c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?		No
7d	If "Yes," indicate the number of Forms 8282 filed during the year.		
7e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?		No
7f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?		No
7g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?		
7h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?		
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?		
9	Sponsoring organizations maintaining donor advised funds.		
9a	Did the organization make any taxable distributions under section 4966?		
9b	Did the organization make a distribution to a donor, donor advisor, or related person?		
10	Section 501(c)(7) organizations. Enter		
10a	Initiation fees and capital contributions included on Part VIII, line 12.		
10b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities.		
11	Section 501(c)(12) organizations. Enter		
11a	Gross income from members or shareholders.		
11b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them).		
12a	Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041?		
12b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year.		
13	Section 501(c)(29) qualified nonprofit health insurance issuers.		
13a	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.		
13b	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.		
13c	Enter the amount of reserves on hand.		
14a	Did the organization receive any payments for indoor tanning services during the tax year?		No
14b	If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O.		

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	18	
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			
1b	Enter the number of voting members included in line 1a, above, who are independent	15	
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
7b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	7b	Yes
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following		
8a	The governing body?	8a	Yes
8b	Each committee with authority to act on behalf of the governing body?	8b	Yes
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O	9	No

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

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

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	SANDRA HUFFER 2001 MEDICAL PARKWAY ANNAPOLIS, MD (443) 481-6554

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) BIANA J ARENTZ CHAIRMAN	1 00 0 00	X		X				0	0	0
(2) EDWARD GOSSELIN VICE CHAIRMAN	1 00 0 00	X		X				0	0	0
(3) KENT MCNEW SECRETARY	1 00 0 00	X		X				0	0	0
(4) CHARLES R LARSON TREASURER	1 00 0 00	X		X				0	0	0
(5) JASON GROVES ASSISTANT SECRETARY	1 00 0 00	X		X				0	0	0
(6) LEISA C RUSSELL ASSISTANT TREASURER	1 00 0 00	X		X				0	0	0
(7) VICTORIA BAYLESS PRESIDENT	40 00 9 00	X		X				869,369	0	157,458
(8) GEORGE K ANDERSON MD BOARD MEMBER	1 00 0 00	X						0	0	0
(9) JOHN BELCHER BOARD MEMBER	1 00 0 00	X						0	0	0
(10) JAMES ELLERSON BOARD MEMBER	1 00 0 00	X						0	0	0
(11) CARLESA FINNEY BOARD MEMBER	1 00 0 00	X						0	0	0
(12) KEN GUMMERSON MD BOARD MEMBER	1 00 0 00	X						54,000	0	0
(13) ALAN J HYATT BOARD MEMBER	1 00 0 00	X						0	0	0
(14) GARY JOBSON BOARD MEMBER	1 00 0 00	X						0	0	0
(15) MAULIK JOSHI MD BOARD MEMBER	1 00 0 00	X						0	0	0
(16) JOHN P KOPKOWSKI BOARD MEMBER	1 00 0 00	X						0	0	0
(17) DOUG MITCHELL MD BOARD MEMBER	1 00 0 00	X						0	0	0

Part VII

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

(A) Name and Title	(B) Average hours per week (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) CHRIS O'MEARA BOARD MEMBER	1 00 0 00	X						0	0	0
(19) ROBERT REILLY CFO	40 00 5 00			X				443,440	0	51,679
(20) MITCHELL SCHWARTZ MD CHIEF MEDICAL OFFICER	40 00 5 00				X			572,014	0	59,511
(21) SHERRY PERKINS CHIEF OPERATING OFFICER	40 00 6 00				X			481,823	0	28,579
(22) ADRIAN PARK SURGERY DIVISION CHAIR	40 00 0 00					X		599,416	0	48,492
(23) JOSEPH D MOSER MD SENIOR VP OF MEDICAL AFFAIRS	40 00 0 00					X		458,186	0	37,842
(24) GEORGE SAMARAS MD MEDICINE DIVISION CHAIR	40 00 0 00					X		423,922	0	17,667
(25) HENRY SOBEL MD WOMEN'S & CHILDREN'S DIVISION CHAIR	40 00 0 00					X		362,818	0	53,749
(26) PATRICIA CZAPP MD CLINICAL INTEGRATION CHAIR	40 00 0 00					X		321,541	0	32,094

1b	Sub-Total	▶			
c	Total from continuation sheets to Part VII, Section A	▶			
d	Total (add lines 1b and 1c)	▶	4,586,529	0	487,071

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▶228

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

Section B. Independent Contractors

1	Complete this table for your five highest compensated independent contractors that received more than \$100,000 of compensation from the organization Report compensation for the calendar year ending with or within the organization's tax year		
(A) Name and business address		(B) Description of services	(C) Compensation
ANNAPOLIS ASTHMA PULMONARY SLEEP SPECIAL 2000 MEDICAL PARKWAY SUITE 607 ANNAPOLIS MD 21401		SLEEP STUDIES	3,983,608
CONIFER VALUE-BASED CARE LLC 1596 WHITEHALL ROAD ANNAPOLIS MD 21409		MEDICAL PLAN SERVICE	1,359,802
SIMPLER NORTH AMERICA LP 401 LIBERTY AVENUE 22 PITTSBURGH PA 15222		LEAN ENTERPRISE TRANSFORMATION	902,601
CR GOODMAN ASSOCIATES 912 COMMERCE ROAD ANNAPOLIS MD 21401		CONSTRUCTION DESIGN	899,338
QUEST DIAGNOSTICS INC (MD) 1901 SULPHUR SPRING ROAD BALTIMORE MD 21227		LABORATORY TESTING SERVICES	888,997
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 ▶48		

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	2,610,566		
	e	Government grants (contributions)	1e			
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	2,426,984		
	g	Noncash contributions included in lines 1a-1f \$				
	h	Total. Add lines 1a-1f		5,037,550		
Program Service Revenue	2a	ANCILLIARY SERVICES	Business Code 621500	374,870,537	367,909,153	6,961,384
	b	ADMISSION/ROOM CHARGES	621990	46,582,983	46,582,983	
	c	EMERGENCY ROOM CHARGES	621990	30,114,366	30,114,366	
	d	CAFETERIA	722210	3,738,553		3,738,553
	e	PATIENT EDUCATION/MISC	624100	591,047	591,047	
	f	All other program service revenue				
	g	Total. Add lines 2a-2f		455,897,486		
	Other Revenue	3	Investment income (including dividends, interest, and other similar amounts)		12,081,948	
4		Income from investment of tax-exempt bond proceeds . .				
5		Royalties				
6a		Gross rents	(i) Real 1,313,692	(ii) Personal		
b		Less rental expenses	185,492			
c		Rental income or (loss)	1,128,200			
d		Net rental income or (loss)		1,128,200	8,595	1,119,605
7a		Gross amount from sales of assets other than inventory	(i) Securities	(ii) Other		
b		Less cost or other basis and sales expenses				
c		Gain or (loss)				
d		Net gain or (loss)				
8a		Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18 . . .	a 194,185			
b		Less direct expenses	b 172,415			
c		Net income or (loss) from fundraising events . .		21,770		21,770
9a		Gross income from gaming activities See Part IV, line 19	a			
b		Less direct expenses	b			
c		Net income or (loss) from gaming activities . .				
10a		Gross sales of inventory, less returns and allowances . .	a			
b		Less cost of goods sold . . .	b			
c		Net income or (loss) from sales of inventory . .				
		Miscellaneous Revenue	Business Code			
11a		MANAGEMENT SERVICES	812900	14,641,637	13,392,742	1,248,895
b	PREMIER PURCHASING PARTNERS, LP	525990	1,382,264	1,341,989	40,275	
c	ANSWERING/PAGING SERVICE	812900	197,836		197,836	
d	All other revenue		2,667,110	2,643,498	23,612	
e	Total. Add lines 11a-11d		18,888,847			
12	Total revenue. See Instructions		493,055,801	462,575,778	8,456,985	16,985,488

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.	11,117,379	11,117,379		
2	Grants and other assistance to individuals in the United States. See Part IV, line 22.				
3	Grants and other assistance to governments, organizations, and individuals outside the United States. See Part IV, lines 15 and 16.				
4	Benefits paid to or for members.				
5	Compensation of current officers, directors, trustees, and key employees.	2,663,871	2,397,484	266,387	
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B).				
7	Other salaries and wages.	186,796,011	163,620,466	23,175,545	
8	Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions).	2,529,104	2,207,382	321,722	
9	Other employee benefits.	19,627,800	17,186,755	2,441,045	
10	Payroll taxes.	13,969,560	12,234,807	1,734,753	
11	Fees for services (non-employees):				
a	Management.				
b	Legal.	1,254,581		1,254,581	
c	Accounting.	175,032		175,032	
d	Lobbying.				
e	Professional fundraising services. See Part IV, line 17.				
f	Investment management fees.	114,463		114,463	
g	Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O).	42,308,364	24,262,875	18,045,489	
12	Advertising and promotion.	1,227,471	1,227,471		
13	Office expenses.	16,817,813	12,736,825	4,080,988	
14	Information technology.	5,336,858	2,290	5,334,568	
15	Royalties.				
16	Occupancy.	12,568,261	9,284,136	3,284,125	
17	Travel.	1,099,505	730,223	369,282	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials.				
19	Conferences, conventions, and meetings.	1,007,714	658,069	349,645	
20	Interest.	15,972,794	15,972,794		
21	Payments to affiliates.				
22	Depreciation, depletion, and amortization.	28,370,547	28,370,547		
23	Insurance.	3,239,361	2,915,425	323,936	
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	MEDICAL SUPPLIES	105,362,197	105,362,197		
b	TEMPORARY AGENCY	2,851,345	2,211,477	639,868	
c	DUES, BOOKS, AND SUBSCR	1,841,527	153,573	1,687,954	
d					
e	All other expenses				
25	Total functional expenses. Add lines 1 through 24e.	476,251,558	412,652,175	63,599,383	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)		(B)
				Beginning of year		End of year
Assets	1	Cash—non-interest-bearing			1	
	2	Savings and temporary cash investments		4,506,831	2	26,120,248
	3	Pledges and grants receivable, net			3	
	4	Accounts receivable, net		53,069,704	4	68,058,783
	5	Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L			5	
	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			6	
	7	Notes and loans receivable, net			7	
	8	Inventories for sale or use		8,420,682	8	8,203,840
	9	Prepaid expenses and deferred charges		6,877,978	9	7,173,714
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a	610,202,531		
	b	Less accumulated depreciation	10b	224,388,795	398,989,389	10c 385,813,736
	11	Investments—publicly traded securities		203,796,653	11	212,278,330
	12	Investments—other securities See Part IV, line 11		47,888,651	12	65,441,584
	13	Investments—program-related See Part IV, line 11			13	
	14	Intangible assets			14	
	15	Other assets See Part IV, line 11		214,139,918	15	186,329,034
	16	Total assets. Add lines 1 through 15 (must equal line 34)		937,689,806	16	959,419,269
Liabilities	17	Accounts payable and accrued expenses		97,892,267	17	91,914,159
	18	Grants payable			18	
	19	Deferred revenue			19	
	20	Tax-exempt bond liabilities		337,637,709	20	334,789,572
	21	Escrow or custodial account liability Complete Part IV of Schedule D			21	
	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			22	
	23	Secured mortgages and notes payable to unrelated third parties		1,822,495	23	889,559
	24	Unsecured notes and loans payable to unrelated third parties			24	
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24) Complete Part X of Schedule D		134,550,364	25	106,936,779
	26	Total liabilities. Add lines 17 through 25		571,902,835	26	534,530,069
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		335,332,090	27	393,592,679
	28	Temporarily restricted net assets		18,892,847	28	19,867,153
	29	Permanently restricted net assets		11,562,034	29	11,429,368
	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		365,786,971	33	424,889,200
	34	Total liabilities and net assets/fund balances		937,689,806	34	959,419,269

Part XI Reconciliation of Net Assets

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

1	Total revenue (must equal Part VIII, column (A), line 12)	1	493,055,801
2	Total expenses (must equal Part IX, column (A), line 25)	2	476,251,558
3	Revenue less expenses Subtract line 2 from line 1	3	16,804,243
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	365,786,971
5	Net unrealized gains (losses) on investments	5	7,911,382
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	34,386,604
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	424,889,200

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? 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	2a	No
2b	Were the organization's financial statements audited by an independent accountant? 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	2b	Yes
2c	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? If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O	2c	Yes
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
3b	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	

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 ANNE ARUNDEL MEDICAL CENTER INC	Employer identification number 52-1169362
---	--

Part I

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

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

- 1

☐

A church, convention of churches, or association of churches 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 33¹/₃% 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 33¹/₃% 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?

(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?

(ii)

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

(iii)

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

h

☐

Provide the following information about the supported organization(s)
- | | Yes | No |
|----------|-----|----|
| 11g(i) | | |
| 11g(ii) | | |
| 11g(iii) | | |
- | (i) Name of supported organization | (ii) EIN | (iii) Type of organization (described on lines 1 - 9 above or IRC section (see instructions)) | (iv) Is the organization in col (i) listed in your governing document? | | (v) Did you notify the organization in col (i) of your support? | | (vi) Is the organization in col (i) organized in the U S ? | | (vii) Amount of monetary support |
|------------------------------------|----------|---|--|----|---|----|--|----|----------------------------------|
| | | | Yes | No | Yes | No | Yes | No | |
| | | | | | | | | | |
| | | | | | | | | | |
| Total | | | | | | | | | |
- For Paperwork Reduction Act Notice, see the Instructions for Form 990 or 990EZ.

Cat No 11285F

Schedule A (Form 990 or 990-EZ) 2012

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 IIIPart 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

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 ANNE ARUNDEL MEDICAL CENTER INC	Employer identification number 52-1169362
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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
b	Total acreage restricted by conservation easements
c	Number of conservation easements on a certified historic structure included in (a)
d	Number of conservation easements included in (c) acquired after 8/17/06, and not on a historic structure listed in the National Register

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

c

Beginning balance

d

Additions during the year

e

Distributions during the year

f

Ending balance

	Amount
1c	
1d	
1e	
1f	

2a

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

☐ Yes

☐ No

b

If "Yes," explain the arrangement in Part 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				
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

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

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

(i) unrelated organizations

3a(i)

Yes

No

(ii) related organizations

3a(ii)

Yes

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		26,895,207		26,895,207
b Buildings		360,002,217	73,921,120	286,081,097
c Leasehold improvements		10,669,476	5,129,042	5,540,434
d Equipment		211,187,334	145,288,568	65,898,766
e Other		1,448,297	50,065	1,398,232
Total. Add lines 1a through 1e (Column (d) must equal Form 990, Part X, column (B), line 10(c).)				385,813,736

Schedule D (Form 990) 2012

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
DESCRIPTION OF UNCERTAIN TAX POSITIONS UNDER FIN 48	PART X, LINE 2	UNDER THE REQUIREMENTS OF ASC 740, INCOME TAXES, TAX-EXEMPT ORGANIZATIONS COULD BE REQUIRED TO RECORD AN OBLIGATION AS THE RESULT OF A TAX POSITION THEY HAVE HISTORICALLY TAKEN ON VARIOUS TAX EXPOSURE ITEMS. ANNE ARUNDEL HEALTH SYSTEM, INC. AND SUBSIDIARIES (THE "GROUP") HAS DETERMINED THAT IT DOES NOT HAVE ANY UNCERTAIN TAX POSITIONS THROUGH JUNE 30, 2013.

SCHEDULE F
(Form 990)

Department of the Treasury
Internal Revenue Service

Statement of Activities Outside the United States

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

OMB No 1545-0047

2012

Open to Public
Inspection

Name of the organization
ANNE ARUNDEL MEDICAL CENTER INC

Employer identification number
52-1169362

Part I

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

- 1 For grantmakers. Does the organization maintain records to substantiate the amount of the grants or assistance, the grantees' eligibility for the grants or assistance, and the selection criteria used to award the grants or assistance? ☐ Yes ☐ No
- 2 For grantmakers. Describe in Part V the organization's procedures for monitoring the use of grant funds outside the United States.
- 3 Activites per Region (The following Part I, line 3 table can be duplicated if additional space is needed)

(a) Region	(b) Number of offices in the region	(c) Number of employees, agents, and independent contractors in region	(d) Activities conducted in region (by type) (e g , fundraising, program services, investments, grants to recipients located in the region)	(e) If activity listed in (d) is a program service, describe specific type of service(s) in region	(f) Total expenditures for and investments in region
CENTRAL AMERICA AND THE CARIBBEAN	0	1	REINSURANCE EXPENSES		4,087,000
CENTRAL AMERICA AND THE CARIBBEAN	0	0	INVESTMENTS		11,296,816
3a Sub-total	0	1			15,383,816
b Total from continuation sheets to Part I	0	0			0
c Totals (add lines 3a and 3b)	0	1			15,383,816

Part II

Grants and Other Assistance to Organizations or Entities Outside the United States. Complete if the organization answered "Yes" to Form 990, Part IV, line 15, for any recipient who received more than \$5,000. Part II can be duplicated if additional space is needed.

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

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

Part III

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

Part IV Foreign Forms

- 1

Was the organization a U S transferor of property to a foreign corporation during the tax year? *If "Yes," the organization may be required to file Form 926, Return by a U.S. Transferor of Property to a Foreign Corporation (see Instructions for Form 926)*

☒ Yes

☐ No
- 2

Did the organization have an interest in a foreign trust during the tax year? *If "Yes," the organization may be required to file Form 3520, Annual Return to Report Transactions with Foreign Trusts and Receipt of Certain Foreign Gifts, and/or Form 3520-A, Annual Information Return of Foreign Trust With a U.S. Owner (see Instructions for Forms 3520 and 3520-A)*

☐ Yes

☒ No
- 3

Did the organization have an ownership interest in a foreign corporation during the tax year? *If "Yes," the organization may be required to file Form 5471, Information Return of U.S. Persons with Respect to Certain Foreign Corporations. (see Instructions for Form 5471)*

☒ Yes

☐ No
- 4

Was the organization a direct or indirect shareholder of a passive foreign investment company or a qualified electing fund during the tax year? *If "Yes," the organization may be required to file Form 8621, Return by a Shareholder of a Passive Foreign Investment Company or Qualified Electing Fund. (see Instructions for Form 8621)*

☐ Yes

☒ No
- 5

Did the organization have an ownership interest in a foreign partnership during the tax year? *If "Yes," the organization may be required to file Form 8865, Return of U.S. Persons with Respect to Certain Foreign Partnerships. (see Instructions for Form 8865)*

☐ Yes

☒ No
- 6

Did the organization have any operations in or related to any boycotting countries during the tax year? *If "Yes," the organization may be required to file Form 5713, International Boycott Report (see Instructions for Form 5713).*

☐ Yes

☒ No

Supplemental Information

Complete this part to provide the information required by Part I, line 2 (monitoring of funds); Part I, line 3, column (f) (accounting method; amounts of investments vs. expenditures per region); Part II, line 1 (accounting method); Part III (accounting method); and Part III, column (c) (estimated number of recipients), as applicable. Also complete this part to provide any additional information (see instructions).

[illegible]

Part II Fundraising Events. Complete if the organization answered "Yes" to Form 990, Part IV, line 18, or reported more than \$15,000 of fundraising event contributions and gross income on Form 990-EZ, lines 1 and 6b. List events with gross receipts greater than \$5,000.

		(a) Event #1	(b) Event #2	(c) Other events	(d) Total events
		<u>LIGHTS ON THE BAY</u> (event type)	 (event type)	 (total number)	(add col (a) through col (c))
Revenue	1	Gross receipts	194,185		194,185
	2	Less Contributions . . .			
	3	Gross income (line 1 minus line 2)	194,185		194,185
Direct Expenses	4	Cash prizes			
	5	Noncash prizes . . .			
	6	Rent/facility costs . . .	172,415		172,415
	7	Food and beverages .			
	8	Entertainment			
	9	Other direct expenses .			
	10	Direct expense summary Add lines 4 through 9 in column (d) ▶			
	11	Net income summary Combine line 3, column (d), and line 10 ▶			
					21,770

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

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

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

a Is the organization licensed to operate gaming activities in each of these states?

☐ Yes ☐ No

b If "No," explain _____

10a Were any of the organization's gaming licenses revoked, suspended or terminated during the tax year?

☐ Yes ☐ No

b If "Yes," explain _____

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

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

13 Indicate the percentage of gaming activity operated in

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

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

Name 

Address 

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

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

c If "Yes," enter name and address of the third party

Name 

Address 

16 Gaming manager information

Name 

Gaming manager compensation  \$

Description of services provided 

☐ Director/officer ☐ Employee ☐ Independent contractor

17 Mandatory distributions

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

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

Part IV Supplemental Information. Complete this part to provide the explanations required by Part I, line 2b, columns (iii) and (v), and Part III, lines 9, 9b, 10b, 15b, 15c, 16, and 17b, as applicable. Also complete this part to provide any additional information (see instructions).

Identifier	Return Reference	Explanation
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SCHEDULE H
(Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
ANNE ARUNDEL MEDICAL CENTER INC

Employer identification number
52-1169362

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 <i>free</i> care? If "Yes," indicate which of the following was the FPG family income limit for eligibility for <i>free</i> care ☐ 100% ☐ 150% ☒ 200% ☐ Other _____ % b Did the organization use FPG as a factor in determining eligibility for providing <i>discounted</i> care? If "Yes," indicate which of the following was the family income limit for eligibility for discounted care ☐ 200% ☐ 250% ☐ 300% ☐ 350% ☐ 400% ☒ Other _____ 33000 0000000000 % 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"?	3a	Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	3b	Yes	
b	If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?	4	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 eligible for free or discounted care?	5a	Yes	
6a	Did the organization prepare a community benefit report during the tax year?	5b	Yes	
b	If "Yes," did the organization make it available to the public?	5c		No
	Complete the following table using the worksheets provided in the Schedule H instructions Do not submit these worksheets with the Schedule H	6a	Yes	
		6b	Yes	

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)			9,224,659		9,224,659	1 940 %
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			9,224,659		9,224,659	1 940 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			4,128,603	70,797	4,057,806	0 850 %
f Health professions education (from Worksheet 5)			3,295,374	2,500	3,292,874	0 690 %
g Subsidized health services (from Worksheet 6)			12,555,017	27,000	12,528,017	2 630 %
h Research (from Worksheet 7)			613,454	0	613,454	0 130 %
i Cash and in-kind contributions for community benefit (from Worksheet 8)			835,724		835,724	0 180 %
j Total Other Benefits			21,428,172	100,297	21,327,875	4 480 %
k Total. Add lines 7d and 7j			30,652,831	100,297	30,552,534	6 420 %

Part III

Community Building Activities

Complete this table 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
1Physical improvements and housing			1,468,916	114,374	1,354,542	0 280 %
2Economic development			20,961		20,961	0 %
3Community support			96,003		96,003	0 020 %
4Environmental improvements			140,781		140,781	0 030 %
5Leadership development and training for community members			3,045		3,045	0 %
6Coalition building			158,910		158,910	0 030 %
7Community health improvement advocacy			33,596		33,596	0 010 %
8Workforce development			42,631		42,631	0 010 %
9Other			144,661		144,661	0 030 %
10Total			2,109,504	114,374	1,995,130	0 410 %

Part IIIBad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

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

15,767,283

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

2,207,420

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

169,226,731

6

Enter Medicare allowable costs of care relating to payments on line 5.

6

142,195,331

7

Subtract line 6 from line 5. This is the surplus (or shortfall).

7

27,031,400

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 IVManagement 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				

Schedule H (Form 990) 2012

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?
1

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

Part V Facility Information (continued)

Section B. Facility Policies and Practices

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

ANNE ARUNDEL MEDICAL CENTER

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)

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 If "Yes," indicate what the CHNA report describes (check all that apply)	1 Yes	
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 <u>12</u>		
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? If "Yes," indicate how the CHNA report was made widely available (check all that apply)	5 Yes	
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 Yes	
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 <i>free</i> care? If "Yes," indicate the FPG family income limit for eligibility for free care <u>200 00000000000000</u> % If "No," explain in Part VI the criteria the hospital facility used		10	Yes
11 Used FPG to determine eligibility for providing <i>discounted</i> care? If "Yes," indicate the FPG family income limit for eligibility for discounted care <u>330 00000000000000</u> % If "No," explain in Part VI the criteria the hospital facility used		11	Yes
12 Explained the basis for calculating amounts charged to patients? If "Yes," indicate the factors used in determining such amounts (check all that apply)		12	Yes
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? If "Yes," indicate how the hospital facility publicized the policy (check all that apply)		14	Yes
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? If "Yes," check all actions in which the hospital facility or a third party engaged		17	Yes
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? If "No," indicate why	Yes	
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? If "Yes," explain in Part VI		No
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? If "Yes," explain in Part VI		No

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?

3

Name and address	Type of Facility (describe)
1 BLOOD DRAW SITE- SAJAK PAVILION 2002 MEDICAL PARKWAY ANNAPOLIS, MD 21401	BLOOD DRAW LABORATORY
2 BLOOD DRAW SITE- KENT ISLAND 1630 MAIN STREET CHESTER, MD 21619	BLOOD DRAW LABORATORY
3 BLOOD DRAW SITE- BOWIE MITCHELLVILLE ROAD BOWIE, MD 20716	BLOOD DRAW LABORATORY
4	
5	
6	
7	
8	
9	
10	

Part VI

Supplemental Information

Complete this part to provide the following information

- 1

Required descriptions. Provide the descriptions required for Part I, lines 3c, 6a, and 7, Part II, Part III, lines 4, 8, and 9b, 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
		PART I, LINE 7 CHARITY CARE REPORTED IN LINE 7A WAS CALCULATED USING A COST TO CHARGE RATIO DERIVED USING THE RATIO OF PATIENT CARE COST TO CHARGES AND THE HOSPITAL'S AUDITED FINANCIAL STATEMENTS OTHER COST AMOUNTS INCLUDED IN LINE 7 RELATING TO COMMUNITY BENEFITS AND COMMUNITY BUILDING ACTIVITIES WERE OBTAINED FROM THE ORGANIZATION'S COMMUNITY BENEFIT REPORT FILING WITH THE HSCRC IN THE STATE OF MARYLAND THESE COSTS WERE DETERMINED USING A VARIETY OF SOURCES, INCLUDING PAYROLL INFORMATION (FOR DIRECT LABOR COSTS) AND THE ORGANIZATION'S GENERAL LEDGER SYSTEM DETAIL (FOR OTHER DIRECT COSTS E G SUPPLIES) INDIRECT COSTS IN THESE AREAS OF BENEFIT WERE DETERMINED BY APPLYING AN INDIRECT COST RATIO TO THE DIRECT COST AMOUNTS OBTAINED THIS RATIO IS CALCULATED USING SCHEDULE M OF THE HOSPITAL'S ANNUAL COST REPORT FILING WITH THE HSCRC IN THE STATE OF MARYLAND PART I, LINE 7A, COLUMN (D) AND LINE 7F, COLUMNS (C) AND (D) MARYLAND'S REGULATORY SYSTEM CREATES A UNIQUE PROCESS FOR HOSPITAL PAYMENT THAT DIFFERS FROM THE REST OF THE NATION THE HEALTH SERVICES COST REVIEW COMMISSION, (HSCRC) DETERMINES PAYMENT THROUGH A RATE SETTING PROCESS AND ALL PAYORS, INCLUDING GOVERNMENTAL PAYORS, PAY THE SAME AMOUNT FOR THE SAME SERVICES DELIVERED AT THE SAME HOSPITAL MARYLAND'S UNIQUE ALL PAYOR SYSTEM INCLUDES A METHOD FOR REFERENCING UNCOMPENSATED CARE IN EACH PAYORS' RATES, WHICH DOES NOT ENABLE MARYLAND HOSPITALS TO BREAKOUT ANY OFFSETTING REVENUE RELATED TO UNCOMPENSATED CARE PART I, LINE 7B, COLUMN (C) THROUGH (F) MARYLAND'S REGULATORY SYSTEM CREATES A UNIQUE PROCESS FOR HOSPITAL PAYMENT THAT DIFFERS FROM THE REST OF THE NATION THE HEALTH SERVICES COST REVIEW COMMISSION, (HSCRC) DETERMINES PAYMENT THROUGH A RATE SETTING PROCESS AND ALL PAYORS, INCLUDING GOVERNMENTAL PAYORS, PAY THE SAME AMOUNT FOR THE SAME SERVICES DELIVERED AT THE SAME HOSPITAL MARYLAND'S UNIQUE ALL PAYOR SYSTEM INCLUDES A METHOD FOR REFERENCING UNCOMPENSATED CARE IN EACH PAYORS' RATES, WHICH DOES NOT ENABLE MARYLAND HOSPITALS TO BREAKOUT ANY DIRECTED OFFSETTING REVENUE RELATED TO UNCOMPENSATED CARE COMMUNITY BENEFIT EXPENSES ARE EQUAL TO MEDICAID REVENUES IN MARYLAND, AS SUCH, THE NET EFFECT IS ZERO THE EXCEPTION TO THIS IS THE IMPACT ON THE HOSPITAL OF ITS SHARE OF THE MEDICAID ASSESSMENT IN RECENT YEARS, THE STATE OF MARYLAND HAS CLOSED FISCAL GAPS IN THE STATE MEDICAID BUDGET BY ASSESSING HOSPITALS THROUGH THE RATE SETTING SYSTEM
		PART I, LINE 7G ANNAPOLIS OUTREACH CLINIC - THE ANNE ARUNDEL MEDICAL CENTER SPONSORS A FREE MEDICAL AND DENTAL CLINIC AT THE STANTON COMMUNITY CENTER, WHICH IS SUPPORTED BY A NETWORK OF DEDICATED PHYSICIAN VOLUNTEERS, NURSES, AND OTHER PROFESSIONALS IN THE COMMUNITY THE ANNAPOLIS OUTREACH CENTER OFFERS A "SAFETY-NET OF CARE" TO THOSE WHO DO NOT HAVE HEALTH INSURANCE, HAVE LIMITED HEALTH COVERAGE, OR DO NOT HAVE ACCESS TO HEALTH SERVICES FOR A VARIETY OF OTHERS REASONS THE CENTER'S HEALTH CARE TEAM CONSISTS OF A NURSE COORDINATOR, CASE MANAGER, NUTRITION COUNSELOR, AND SPANISH SPEAKING PATIENT ADVOCATE THEY SUPPORT THE DOCTORS WHO VOLUNTEER THEIR TIME AND TALENTS TO OFFER WEEKLY HEALTH CLINICS, CHILDREN'S HEALTH CLINICS, AND OTHER SPECIALTY CLINICS THROUGHOUT THE MONTH THE CENTER'S CARE TEAM WORKS WITH CLIENTS TO IMPROVE LIFESTYLES AND PREVENT ILLNESS, THERE ARE SPECIAL PROGRAMS FOR PEOPLE WITH DIABETES AND/OR HYPERTENSION ALL SERVICES PROVIDED BY THE DOCTORS, NURSES AND COUNSELORS AT THE CENTER ARE FREE OF CHARGE COST (INCLUDED IN I LINE 7G - \$397,035)PHYSICIAN SHORTAGES IDENTIFIED ACCORDING TO AAMC'S COMMUNITY HEALTH NEEDS ANALYSIS, THERE ARE GAPS IN THE AVAILABILITY PHYSICIANS, INCLUDING OUTPATIENT SPECIALTY CARE, TO SERVE THE UNINSURED IN OUR COMMUNITY UPON REVIEW OF OUR OWN MEDICAL STAFF, GAPS WERE ALSO IDENTIFIED IN PRIMARY AND SPECIALTY CARE WITH PATIENT ACCESS TO CARE LIMITED BY LONG WAIT TIMES FOR APPOINTMENTS TO SEE PHYSICIANS PRIMARY CARE PHYSICIANS THERE IS A SIGNIFICANT SHORTAGE OF PRIMARY CARE PHYSICIANS (PCPS) IN THE REGION ESPECIALLY IN ANNE ARUNDEL COUNTY AND PRINCE GEORGE'S COUNTY PER THE 2009 RAND CORPORATION REPORT THIS SHORTAGE RESULTS IN SERIOUSLY LIMITED ACCESS TO PRIMARY CARE IN PARTS OF OUR COMMUNITY SERVICE AREA BUILDING PRIMARY CARE ACCESS IS ESSENTIAL, PROVIDING ACCESSIBILITY AND MAKING CARE LESS FRAGMENTED WILL HELP TO INCREASE THE FOCUS ON PREVENTION AND IMPROVING QUALITY OF LIFE FOR OUR PATIENTS/CONSTITUENTS SPECIALTY CARE PHYSICIANS BASED ON THE PHYSICIAN WORKFORCE STUDY MOST RECENTLY PERFORMED IN MARYLAND (MHCC/MHA/MEDCHI 2007), MANY OF THE MEDICAL AND SURGICAL SPECIALTIES HAD IDENTIFIED SHORTAGES ACROSS THE REGION THESE SHORTAGES ARE PROJECTED THROUGH THE YEAR 2015 THERE ARE ALSO PROJECTED SHORTAGES FOR ALL PEDIATRIC SPECIALTIES PSYCHIATRIST SHORTAGES ARE OCCURRING IN FOUR OUT OF FIVE REGIONS THERE IS ALSO CONCERN FOR THE AGING OF PHYSICIANS WITH 25% OF SURGEONS AGED 60 YEARS OR OLDER

Identifier	ReturnReference	Explanation
		PART I, L7 COL(F) IN JULY 2011, THE FINANCIAL ACCOUNTING STANDARDS BOARD (FASB) ISSUED ASU 2011-07, HEALTH CARE ENTITIES PRESENTATION AND DISCLOSURE OF PATIENT SERVICE REVENUE, PROVISION FOR BAD DEBTS, AND THE ALLOWANCE FOR DOUBTFUL ACCOUNTS FOR CERTAIN HEALTH CARE ENTITIES (A CONSENSUS OF THE EMERGING ISSUES TASK FORCE), WHICH PROVIDES GUIDANCE ON THE PRESENTATION AND DISCLOSURE OF PATIENT SERVICE REVENUE, PROVISIONS FOR BAD DEBTS, AND THE ALLOWANCE FOR DOUBTFUL ACCOUNTS FOR CERTAIN HEALTH CARE ENTITIES THIS GUIDANCE CHANGES THE PRESENTATION OF THE STATEMENT OF OPERATIONS BY RECLASSIFYING THE PROVISION FOR BAD DEBTS ASSOCIATED WITH PATIENT SERVICE REVENUE FROM AN OPERATING EXPENSE TO A DEDUCTION FROM PATIENT SERVICE REVENUE (NET OF CONTRACTUAL ALLOWANCES AND DISCOUNTS) ADDITIONALLY, THE GUIDANCE REQUIRES ENHANCED DISCLOSURES ABOUT THE POLICIES FOR RECOGNIZING REVENUE AND ASSESSING BAD DEBTS, AS WELL AS QUALITATIVE AND QUANTITATIVE INFORMATION ABOUT CHANGES IN THE ALLOWANCE FOR DOUBTFUL ACCOUNTS THE ADOPTION OF THIS GUIDANCE RESULTED IN A CHANGE IN THE PRESENTATION OF THE CONSOLIDATED STATEMENT OF OPERATIONS AND RESULTED IN ADDITIONAL DISCLOSURES RELATED TO REVENUE RECOGNITION POLICIES AND THE ALLOWANCE FOR DOUBTFUL ACCOUNTS
		PART II SUPPORT SYSTEMS ENHANCEMENT INCLUDES EMERGENCY MANAGEMENT ACTIVITIES, ALTERNATE CARE SITE NAVAL SUPPORT ACTIVITY, OTHER DRILLS AND REAL TIME ACTIVITIES THE HOSPITAL HAS A DISASTER PREPAREDNESS COORDINATOR THAT IS RESPONSIBLE FOR STAFF TRAINING, COORDINATING DISASTER DRILLS AND KEEPING THE HOSPITAL'S DISASTER PREPAREDNESS INVENTORY UP TO DATE COALITION BUILDING INCLUDES HOSPITAL REPRESENTATION TO COMMUNITY COALITIONS, COLLABORATIVE PARTNERSHIPS WITH COMMUNITY GROUPS TO IMPROVE COMMUNITY HEALTH, COMMUNITY MEETING COSTS, VISIONING SESSIONS AND COSTS FOR TASK FORCE SPECIFIC PROJECTS AND INITIATIVES THE HOSPITALS ONGOING WORK WITH COMMUNITY GROUPS AND PARTICIPATION IN ADVISORY COMMITTEES AND COUNCELS CREATE A CONTINUOUS COMMUNICATIONS PROCESS, BRINGING NEW IDEAS FROM ANNE ARUNDEL COUNTY RESIDENTS AND ORGANIZATIONS INTO THE HOSPITAL'S COMMUNITY BENEFIT PLANNING PROCESS MYCHART ELECTRONIC HEALTH RECORD IS A SECURE ON-LINE ACCESS TO PORTIONS OF MEDICAL RECORDS PATIENTS CAN REQUEST MEDICAL APPOINTMENTS, VIEW THEIR HEALTH SUMMARY FROM THE MYCHART ELECTRONIC HEALTH RECORD, VIEW TEST RESULTS, REQUEST PRESCRIPTION RENEWAL, ACCESS TRUSTED HEALTH INFORMATION RESOURCES AND COMMUNICATE ELECTRONICALLY AND SECURELY WITH THEIR MEDICAL TEAM CURRENTLY THERE ARE 31,911 ACTIVE USERS IN FEBRUARY 2013 AAMC OPENED THE HACKERMAN-PATZ HOSPITALITY HOUSE THIS HOMELIKE LODGING FACILITY IS DESIGNED TO MEET THE NEEDS OF PATIENTS AND THEIR FAMILIES SO THEY MAY STAY CLOSE TO THE HOSPITAL WHERE LOVED ONES RECEIVE TREATMENT THE FACILITY HOUSES 20 PRIVATE GUEST ROOMS AS WELL AS A GREAT ROOM, FULLY FURNISHED KITCHEN AND PLAYROOM

Identifier	ReturnReference	Explanation
		PART III, LINE 4 THE HOSPITAL HAS ADOPTED HEALTHCARE FINANCIAL MANAGEMENT ASSOCIATION STATEMENT #15 THE HOSPITAL'S POLICY IS TO WRITE OFF ALL PATIENT ACCOUNTS THAT HAVE BEEN IDENTIFIED AS UNCOLLECTIBLE AN ALLOWANCE FOR DOUBTFUL ACCOUNTS IS RECORDED FOR ACCOUNTS NOT YET WRITTEN OFF THAT ARE ANTICIPATED TO BECOME UNCOLLECTIBLE IN FUTURE PERIODS INSURANCE COVERAGE AND CREDIT INFORMATION ARE OBTAINED FROM PATIENTS WHEN AVAILABLE NO COLLATERAL IS OBTAINED FOR ACCOUNTS RECEIVABLE BAD DEBT EXPENSE AT COST WAS DETERMINED BY USING A COST TO CHARGE RATIO THE BAD DEBT EXPENSE ATTRIBUTABLE TO PATIENTS ELIGIBLE UNDER THE ORGANIZATION'S CHARITY CARE POLICY WAS DETERMINED BY SPECIFIC IDENTIFICATION REVIEWING BAD DEBT RECORDS AND DETERMINING WHO WOULD HAVE BECOME ELIGIBLE FOR CHARITY CARE IF ALL INFORMATION HAD BEEN OBTAINED FROM THE PATIENTS
		PART III, LINE 8 COMMUNITY BENEFIT QUESTION IS NOT APPLICABLE IN MARYLAND AS MARYLAND HOSPITALS ARE REIMBURSED UNDER THE HSCRC WAIVER PROGRAM WHEREIN NET REVENUE (REIMBURSEMENT) IS BASED ON A PERCENTAGE OF REGULATED CHARGES COSTING METHODOLOGY BASED ON TRIAL BALANCE EXPENSES ADJUSTED TO ALLOWABLE EXPENSE IN ACCORDANCE WITH MEDICARE COST REPORTING RULES AND REGULATIONS COST NUMBERS REPORTED ARE CONSISTENT WITH AAMC'S MEDICARE COST REPORT FILING

Identifier	ReturnReference	Explanation
		PART III, LINE 9B EACH AAMS PATIENT BILL INCLUDES CONTACT INFORMATION FOR FINANCIAL ASSISTANCE AND STATES WHERE TO CALL TO REQUEST A PAYMENT PLAN SHORT AND LONG TERM INTEREST FREE PAYMENTS PLANS ARE AVAILABLE THE HOSPITAL TAKES INTO ACCOUNT THE BALANCE OF THE BILL AND THE PATIENT'S FINANCIAL CIRCUMSTANCES IN DETERMINING THE APPROPRIATE AGREEMENT SHOULD THE PATIENT CONTACT PATIENT FINANCIAL SERVICES CUSTOMER SERVICE UNIT REGARDING INABILITY TO PAY, FINANCIAL ASSISTANCE IS OFFERED, THE AMOUNT OF WHICH IS BASED ON THE FINANCIAL ASSISTANCE SCREENING PROCESS IF THERE IS NO INDICATION FROM THE PATIENT OR A REPRESENTATIVE THAT THEY CANNOT PAY AND NO ATTEMPT AT PAYMENT OR REASONABLE PAYMENT ARRANGEMENTS ARE MADE, THE ACCOUNT IS REFERRED TO A COLLECTION AGENCY THE COLLECTION AGENCY IS EDUCATED ON HOW TO MAKE REFERRALS TO AAMC'S FINANCIAL COUNSELING DEPARTMENT FOR INDIVIDUALS INDICATING THEY HAVE AN INABILITY TO PAY THE HOSPITAL COLLECTION POLICY ALLOWS THE HOSPITAL TO TAKE INTO ACCOUNT PATIENT CIRCUMSTANCES SUCH AS THE AMOUNT OF THE BILL AND AMOUNTS OWED TO OTHER PROVIDERS IN DETERMINATION OF ULTIMATE AMOUNT TO BE PAID
ANNE ARUNDEL MEDICAL CENTER		PART V, SECTION B, LINE 3 SEE STATEMENT FOR PART VI, LINE 2 ON PAGE 46 FOR SUPPORTING NARRATIVE

Identifier	ReturnReference	Explanation
ANNE ARUNDEL MEDICAL CENTER		PART V, SECTION B, LINE 4 THE CHNA WAS A JOINT UNDERTAKING, LED BY THE ANNE ARUNDEL COUNTY DEPARTMENT OF HEALTH, ANNE ARUNDEL HEALTH SYSTEM AND BALTIMORE WASHINGTON MEDICAL CENTER THE RESEARCH AND SURVEY DATA WERE SOURCED BY SECONDARY DATA PROFILES, KEY INFORMANT SURVEYS AND FOCUS GROUPS
ANNE ARUNDEL MEDICAL CENTER		PART V, SECTION B, LINE 20D THE HOSPITAL FACILITY USED THE RATES SET BY THE HEALTH SERVICES COST REVIEW COMMISSION ("HSCRC") PLEASE REFER TO THE NARRATIVES FOR PART I, LINES 7A AND 7B FOR MORE DETAILED INFORMATION ON THIS PROCESS

Identifier	ReturnReference	Explanation
		PART VI, LINE 2 THE PROCESS USED TO IDENTIFY THE HEALTH NEEDS OF OUR COMMUNITY INCLUDES ANALYZING DATA AND CONDUCTING PRIMARY AND SECONDARY MARKET RESEARCH THE DATA ANALYSIS INCLUDES REPORTS ON THE NATIONAL, STATE, AND COUNTY LEVEL HOSPITAL-LEVEL DATA AND NEILSEN CLARITAS DEMOGRAPHIC DATA IS ALSO ANALYZED THE RESEARCH INCLUDES FEEDBACK FROM OUR CONSUMER SURVEYS, PATIENT SATISFACTION SURVEYS, PATIENT ADVISORY GROUPS, CUSTOMER CALL CENTER INQUIRIES AND FEEDBACK FROM OUR COMMUNITY OUTREACH AND EDUCATIONAL SESSIONS THE HOSPITAL'S ONGOING WORK WITH COMMUNITY GROUPS AND PARTICIPATION IN ADVISORY BOARDS, COMMITTEES AND COUNCILS CREATES A CONTINUOUS COMMUNICATION PROCESS, BRINGING NEW IDEAS AND IDENTIFYING SPECIFIC NEEDS FROM ANNE ARUNDEL COUNTY RESIDENTS AND ORGANIZATIONS INTO THE HOSPITAL'S COMMUNITY NEEDS PLANNING PROCESS THE HOSPITAL CONTINUED ITS ENGAGEMENT WITH MARYLAND'S STATE HEALTH IMPROVEMENT (SHIP) THROUGH HEALTHY ANNE ARUNDEL COALITION (HAAC) HAAC PARTNERED WITH HOLLERAN, A NATIONAL HEALTH CARE RESEARCH FIRM TO PERFORM A COMPREHENSIVE COUNTYWIDE CHNA THE CHNA WAS A JOINT UNDERTAKING, LED BY THE ANNE ARUNDEL COUNTY DEPARTMENT OF HEALTH, ANNE ARUNDEL HEALTH SYSTEM AND BALTIMORE WASHINGTON MEDICAL CENTER THE RESEARCH AND SURVEY DATA WERE SOURCED BY SECONDARY DATA PROFILES, KEY INFORMANT SURVEYS AND FOCUS GROUPS THE HOSPITAL'S COMMUNITY BENEFIT INITIATIVES AND IMPLEMENTATION PLAN REFLECT THE NEEDS OF OUR COMMUNITY WITH FOCUS ON THE PRIORITIES IDENTIFIED ADDRESSING OBESITY, MORTALITY RATES FOR CANCER, TREATMENT AND MANAGEMENT OF CO-OCCURRING DISORDERS, MORTALITY RATES FOR CHRONIC DISEASE, ACCESSIBILITY OF HEALTHCARE TO THE UNINSURED AND THE UNDERINSURED, INCREASING AWARENESS OF MENTAL HEALTH TREATMENT PROGRAMS AND CENTERS FOR THE UNINSURED AND UNDERINSURED, AND ADDRESSING HEALTH INEQUITIES BY RACE/ETHNICITY WE CONTINUE TO CONSULT WITH THE FOLLOWING ORGANIZATIONS AND INDIVIDUALS ANNE ARUNDEL COUNTY - DEPARTMENT OF HEALTH - PRE-NATAL CARE PROGRAM, COMENZANDO BIEN, AND WIC PROGRAM - DEPARTMENT OF AGING AND DISABILITIES - LIVING WELL WITH CHRONIC CONDITIONS AND THE FUTURE IS NOW WORKSHOP SERIES - FIRE DEPARTMENT - DISASTER PREPAREDNESS DRILL, PYXIS STATION - MEDICATION FOR PATIENTS VIA EMS - A A CO PUBLIC SCHOOLS - COMMUNITY HEALTH CENTER ADVISORY COMMITTEE - A A CO DEPT OF SOCIAL SERVICES - COMMUNITY HEALTH CENTER ADVISORY COMMITTEEANNE ARUNDEL MEDICAL CENTER - A A CO EMERGENCY MEDICAL SERVICES (EMS) - EMERG STEMI PROGRAM, DISASTER PREPAREDNESS DRILL - A A CO FIMR (FETAL INFANT MORTALITY REVIEW) COMMITTEE - TO DECREASE INFANT MORTALITYCITY OF ANNAPOLIS - RECREATION AND PARKS DEPARTMENT - ANNAPOLIS COMMUNITY HEALTH INITIATIVE - CITY EMERGENCY MEDICAL SERVICES (EMS) - DISASTER PREPAREDNESS DRILL - CITY POLICE DEPARTMENT - DISASTER PREPAREDNESS DRILL - CITY HOUSING AUTHORITY - COMMUNITY HEALTH CENTER ADVISORY COMMITTEE - PEDIATRIC PHYSICIAN GROUPS - PEDIATRIC EMERGENCY DEPARTMENT DEVELOPMENT - LIGHTHOUSE SHELTER - VOLUNTEER HEALTH SERVICES FOR THE HOMELESS, RIDE FOR SHELTER, HOMELESS RESOURCE DAY, THANKSGIVING DAY FOOD BASKET DRIVE, CULTURAL DIVERSITY INITIATIVE - PRIVATE INDIVIDUALS FROM THE LOCAL COMMUNITY - PATIENT AND FAMILY ADVISORY GROUP - U S NAVAL ACADEMY - DISASTER PREPAREDNESS DRILL - JOHNS HOPKINS HOME HEALTH GROUP - CONGESTIVE HEART FAILURE (CHF) READMISSION PREVENTION PROG - ANNE ARUNDEL COMMUNITY ACTION PARTNERSHIP - COMMUNITY HEALTH CENTER ADVISORY COMMITTEE - ANNAPOLIS YOUTH SERVICES BUREAU - COMMUNITY HEALTH CENTER ADVISORY COMMITTEE - CENTER OF HELP (ANNAPOLIS) - COMMUNITY HEALTH CENTER ADVISORY COMMITTEE - FAMILY & CHILDREN'S SERVICES OF CENTRAL MARYLAND - COMMUNITY HEALTH CENTER ADVISORY COMMITTEE - MD COMMUNITY HEALTH RESOURCES COMMISSION - COMMUNITY HEALTH CENTER ADVISORY COMMITTEE - ANNE ARUNDEL COMMUNITY ACTION PARTNERSHIP - COMMUNITY HEALTH CENTER ADVISORY COMMITTEE - MD PATIENT SAFETY CENTER NEONATAL COLLABORATIVE - TO DECREASE INFANT MORTALITY, REDUCE INFECTIONS, ETC - MD PERINATAL LEARNING NETWORK - TO IMPROVE PRENATAL CARE - MD DHMHIMED CHI MATERNAL MORTALITY REVIEW COMMITTEE- TO DECREASE MATERNAL MORTALITYTHE CHNA CAN BE ACCESSED ONLINE VIA WWW.AAHEALTH.ORG/CHNA
		PART VI, LINE 3 PUBLIC NOTICE AND INFORMATION REGARDING THE ANNE ARUNDEL MEDICAL CENTER'S CHARITY CARE POLICY INCLUDES THE FOLLOWING A) ANNUAL NOTICE THAT CHARITY CARE IS PROVIDED AND THE CRITERIA IS PROVIDED AND PUBLISHED IN THE LOCAL NEWSPAPER, THE CAPITAL B) THE NOTICE PROVIDED BY THE UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES REGARDING MEDICAL CARE FOR THOSE WHO CANNOT AFFORD TO PAY IS POSTED AT THE POINT OF ADMISSION, THE BUSINESS OFFICE, CASHIER, AND EMERGENCY ROOM C) INDIVIDUAL NOTICE IS PROVIDED TO EACH PERSON SEEKING SERVICE AT THE TIME OF ADMISSION OR PRE-ADMISSION TESTING

Identifier	ReturnReference	Explanation
		PART VI, LINE 4 THE ANNE ARUNDEL MEDICAL CENTER CORE BASED STATISTICAL AREA PRIMARILY CONSISTS OF ANNE ARUNDEL COUNTY THE COUNTY POPULATION IS ESTIMATED TO BE 537,656 WITH A MEDIAN AGE OF 38 4 YEARS RESIDENTS ARE PREDOMINANTLY CAUCASIAN AT 75 4% OF THE POPULATION, FOLLOWED BY AFRICAN-AMERICAN AT 15% AND LATINO/HISPANIC AT 6% RESIDENTS LIVE IN SETTINGS THAT RANGE FROM URBAN TO AGRICULTURAL THE MEDIAN HOUSEHOLD INCOME IS \$82,386 WITH 4% OF FAMILIES LIVING AT OR BELOW POVERTY THIS FIGURE INCREASES TO 20 1% AMONG SINGLE-MOTHER HOUSEHOLDS WITH CHILDREN UNDER 18 YEARS OLD ADDITIONALLY, WHEN EXAMINING POVERTY STATISTICS BY RACE, THIS FIGURE INCREASES 12% FOR THE COUNTY'S AFRICAN-AMERICAN POPULATION AND 15 3% FOR THE LATINO/HISPANIC POPULATION AS OF AUGUST 2012, 6 8% OF THE COUNTY'S POPULATION WAS UNEMPLOYED, 3% LOWER THAT THE STATE, AND 1 3% LOWER THAN THE NATIONAL RATE 90% OF RESIDENTS HAVE A HIGH SCHOOL DIPLOMA, AND 36% HAVE A BACHELOR'S DEGREE OR HIGHER INADEQUATE PUBLIC TRANSPORTATION IS A BARRIER NOT ONLY FOR EMPLOYMENT, BUT ALSO FOR ACCESS TO SERVICES, INCLUDING HEALTHCARE THE GEOGRAPHY OF ANNE ARUNDEL PROHIBITS COST EFFECTIVE MAINTENANCE OF WIDE REACHING PUBLIC TRANSPORTATION SYSTEM DUE TO THE LARGE NUMBER OF PENINSULAS SPANNING THE COUNTY LASTLY, THE COUNTY IS CONSIDERED A HIGH RISK AREA FOR BIOTERRORISM AS ITS GEOGRAPHY CONTAINS THE NATIONAL SECURITY AGENCY, THE U S NAVAL ACADEMY, THE BALTIMORE-WASHINGTON THURGOOD MARSHALL INTERNATIONAL AIRPORT, AND FORT MEADE BECAUSE OF BRAC (BASE REALIGNMENT AND CLOSURE), FORT MEADE HAS GROWN TO OVER 56,000 MILITARY, GOVERNMENT SERVICE CIVILIAN, AND CONTRACTOR EMPLOYEES IN RESPONSE TO THIS INCREASE AND ADDITIONAL NEEDS FOR SERVICES IN THE SURROUNDING AREA, ANNE ARUNDEL HEALTH SYSTEM PARTNERED WITH JOHNS HOPKINS AND OPENED A MEDICAL OFFICE BUILDING IN ODENTON MARYLAND IN DECEMBER 2012 THIS BUILDING HOUSES A WIDE RANGE OF SERVICES FROM SPECIALTIES, TO FAMILY PRACTICES TO RADIOLOGY SERVICES
		PART VI, LINE 5 THE FOLLOWING ARE SEVERAL EXAMPLES OF HOSPITAL ACTIVITIES AND INITIATIVES THE HOSPITAL HAS RUN A FREE MEDICAL CLINIC FOR OUR UNDERSERVED AND UNINSURED COMMUNITY FOR THE PAST 18 YEARS THE ANNAPOLIS OUTREACH CENTER, LOCATED IN THE HISTORIC STANTON CENTER IN ANNAPOLIS' CLAY STREET COMMUNITY, IS A FREE CLINIC ESTABLISHED TO PROVIDE MEDICAL CARE FOR THOSE THAT ARE UNINSURED AND OTHERWISE MAY NOT BE ABLE TO OBTAIN PROPER MEDICAL CARE THOUSANDS OF INDIVIDUALS ARE SEEN EACH YEAR IN ITS MEDICAL AND SPECIALTY CLINICS 75% OF THE CARE RENDERED AT THE OUTREACH CENTER IS BY VOLUNTEER PROVIDERS THERE ARE OVER 300 VOLUNTEERS (INCLUDING PHYSICIANS, DENTIST, RADIOLOGIST, ANESTHESIOLOGIST, NURSES, TRANSLATORS, AND CLINICAL STAFF) WITH COMBINED VOLUNTEER HOURS OF OVER 5,000 PER YEAR TO ASSIST IN KEEPING THE CLINIC OPEN AND OPERATIONAL IN FISCAL 2013, THERE WERE 4,388 MEDICAL VISITS AND 756 DENTAL VISITS AT THE OUTREACH CENTER THE HOSPITAL HAS DOCTOR ON-CALL ROTATIONS IN EVERY SPECIALTY FOR WHICH THERE MAY BE AN EMERGENCY OR INPATIENT NEED ON-CALL COVERAGE IS PROVIDED TO ALL PATIENTS REGARDLESS OF INSURANCE STATUS THERE ARE NO GAPS IN AVAILABILITY OF ANY SPECIALTY FOR UNINSURED OR UNDERSERVED PATIENTS IN ADDITION, THE HOSPITAL HAS HOSPITALIST PROGRAMS IN MEDICINE, PEDIATRICS, GENERAL SURGERY, OBSTETRICS AND AN INTENSIVIST PROGRAM THESE PHYSICIANS PROVIDE 24-HOUR IN-HOUSE COVERAGE FOR EACH OF THESE AREAS FOR ALL PATIENTS REGARDLESS OF INSURANCE STATUS THE HOSPITAL ALSO PROVIDES SPECIALTY PROGRAMS FOR THORACIC SURGERY, NEONATAL OPHTHALMOLOGY, GYN ONCOLOGY, PALLIATIVE CARE, NEUROLOGY/STROKE, WOMEN'S PELVIC HEALTH, SURGICAL ONCOLOGY, AND THE BREAST CENTER THE HOSPITAL AND MANY OF ITS PHYSICIANS SUPPORT THE ANNE ARUNDEL COUNTY HEALTH DEPARTMENT'S REACH PROGRAM (RESIDENTS ACCESS TO A COALITION OF HEALTH), WHICH OFFERS ACCESS TO AFFORDABLE HEALTH SERVICES FOR LOW-INCOME UNINSURED INDIVIDUALS IN ANNE ARUNDEL COUNTY THE HOSPITAL CONTINUES ITS "GREEN INITIATIVE" PROGRAM IN ORDER TO IMPROVE AND PROTECT THE HEALTH OF STAFF AND THE COMMUNITY BY IMPLEMENTING ENVIRONMENTALLY FRIENDLY INITIATIVES THE NEWLY CONSTRUCTED HOSPITAL PAVILION SOUTH TOWER IS THE FIRST 24/7 HOSPITAL TO BE LEED GOLD CERTIFIED VARIOUS PROGRAMS UNDER THIS INITIATIVE INCLUDE BATTERY RECYCLING, REUSABLE SHARPS CONTAINERS, REPROCESSING TO REDUCE MEDICAL WASTE, AND USE OF GREEN SEAL CERTIFIED CLEANERS THE HOSPITAL EMPLOYS A SUSTAINABILITY MANAGER AS PART OF THIS PROGRAM THE HOSPITAL ALSO HAS A DISASTER PREPAREDNESS COORDINATOR THAT IS RESPONSIBLE TO PROVIDE STAFF TRAINING, COORDINATE DISASTER DRILLS, AND KEEP THE HOSPITAL'S DISASTER PREPAREDNESS SUPPLY INVENTORY UP TO DATE HOSPITAL EMPLOYEES HAVE COMPLETED FEMA EMERGENCY PREPARATION COURSES TO BETTER COLLABORATE WITH OTHER COUNTY SERVICE PROVIDERS TO BETTER SERVE THE COMMUNITY THESE STAFF MEMBERS PARTICIPATED IN A NUMBER OF COLLABORATIVE PLANNING MEETINGS AND DRILLS WITH DESIGNATED COUNTY SERVICES AND FIRST RESPONDERS COMMUNITY ACCESS IS ALWAYS AVAILABLE THROUGH THE HOSPITAL'S ASK-A-NURSE PROGRAM CALLED ASKAAMC THE ASK-A-NURSE PROGRAM PROVIDES THE COMMUNITY AROUND THE CLOCK TELEPHONE ACCESS TO REGISTERED NURSES EACH YEAR, THE HEALTH SYSTEM'S COMMUNITY HEALTH AND WELLNESS DEPARTMENT PARTNERS WITH THE ANNAPOLIS AND ANNE ARUNDEL COUNTY COALITION TO END HOMELESSNESS IN ORGANIZING THE COUNTY'S ANNUAL HOMELESS RESOURCE DAY THIS YEAR MORE THAN 22 COUNTY SERVICE PROVIDERS ATTENDED AND MORE THAN 550 OF THE AREAS HOMELESS WERE ASSISTED IN OBTAINING ACCESS TO NEEDED HEALTH AND HUMAN SERVICES AAMC NURSES MANAGED A TRIAGE TABLE COMPLETING HEALTH DATABASES, BLOOD PRESSURE SCREENINGS, MEDICATION RECONCILIATION AND EDUCATION, ALONG WITH DENTAL, VISION AND SOCIAL SERVICES REFERRALS

Identifier	ReturnReference	Explanation
		PART VI, LINE 6 THE HEALTH SYSTEM'S PHYSICIAN ENTERPRISE, LLC ENTITY OPENED THE COMMUNITY HEALTH CENTER (CHC) IN JANUARY 2011 THE CHC IS DESIGNED TO BE A "PATIENT-CENTERED MEDICAL HOME" WHERE A TEAM OF HEALTH PROFESSIONALS PROVIDES CONTINUOUS, COMPREHENSIVE, AND COORDINATED CARE THROUGHOUT THE PATIENT'S LIFETIME OUR TEAM MEETS THE NEEDS OF THE UNINSURED AND UNDERINSURED BY PROVIDING ACCESS TO AFFORDABLE PRIMARY HEALTH CARE SERVICES THE CENTER IS CONVENIENTLY LOCATED ON LOCAL BUS ROUTES, AND REDUCES EMERGENCY ROOM VISITS BY PROVIDING MEDICAL SERVICES WITH AN EMPHASIS ON EARLY INTERVENTION AND DISEASE PREVENTION THE CHC EMPLOYS 11 STAFF,MADE UP OF 3 PROVIDERS AND 8 STAFF MEMBERS,6 OF WHOM ARE BILINGUAL THE CHC HAS HANDLED OVER 8,200 VISITS THE LAST YEAR, 38 9% OF WHICH WAS TO SPANISH SPEAKING PATIENTS AT A COST TO THE HEALTH SYSTEM OF \$282,108 IN JANUARY 2013 AAMC PARTNERED WITH THE HOUSING AUTHORITY OF THE CITY OF ANNAPOLIS, THE CITY OF ANNAPOLIS, THE ANNE ARUNDEL COUNTY DEPARTMENT OF HEALTH AND THE ANNE ARUNDEL COUNTY DEPARTMENT OF AGING AND DISABILITIES TO FORM THE ANNAPOLIS COMMUNITY HEALTH PARTNERSHIP THIS PARTNERSHIP OBTAINED THE DESIGNATION OF THE STATE'S FIRST HEALTH ENTERPRISE ZONE (HEZ) AND IS FOCUSING ON A MEDICALLY UNDERSERVED NEIGHBORHOOD WITH HIGH RATES OF EMERGENCY ROOM UTILIZATION, HOSPITAL ADMISSIONS, READMISSIONS AND A LARGE VOLUME OF MEDICAL 911 CALLS THROUGH HEZ FUNDING, THE PARTNERSHIP ESTABLISHED A NEW PATIENT-CENTERED MEDICAL OFFICE WITHIN THE MORRIS H BLUM SENIOR APARTMENTS BUILDING THE MEDICAL OFFICE IS SITUATED IN THE COMMUNITY IT IS MEANT TO SERVE AND IS EASILY ACCESSIBLE BY FOOT OR PUBLIC TRANSPORTATION ONE PHYSICIAN WITH A FULL COMPLEMENT OF SUPPORT STAFF WILL BE ON SITE 40 HOURS A WEEK TO PROVIDE COMPREHENSIVE PRIMARY CARE TO THE ENTIRE NEIGHBORHOOD AND WILL BE INTEGRATED WITH THE AAMC ELECTRONIC MEDICAL RECORDS SYSTEM THIS NEIGHBORHOOD CLINIC IS A PART OF PHYSICIAN ENTERPRISES, LLC, UNDER THE AAMC COMMUNITY CLINICS LLC ORGANIZATION AND OPENED ITS DOORS IN NOVEMBER 2013 ADDITIONAL COMMUNITY BENEFIT EXPENSES INCURRED BY AFFILIATED ENTITIES WITHIN THE HEALTH SYSTEM INCLUDE RESEARCH EXPENSE - \$1,082,718 INCURRED BY ANNE ARUNDEL HEALTH SYSTEM RESEARCH INSTITUTE, INC SUBSIDIZED HEALTH SERVICES - \$1,917,080 INCURRED BY ANNE ARUNDEL HEALTH CARE SERVICES, INC CHARITY CARE AND EDUCATION - \$170,446 INCURRED BY ANNE ARUNDEL GENERAL TREATMENT SERVICES, INC PHYSICIAN SUBSIDIES - \$50,000 INCURRED BY ANNE ARUNDEL HEALTHCARE ENTERPRISES, INC WHEN CONSIDERING THE ADDITIONAL EXPENSE OF COMMUNITY BENEFIT ACTIVITIES PROVIDED BY AFFILIATED ENTITIES IN COMBINATION WITH THE COST REPORTED AT PART I, LINE 7, TOTAL COMMUNITY BENEFIT EXPENSE AS A PERCENTAGE OF AAMC EXPENSES WOULD INCREASE TO 7 15%
REPORTS FILED WITH STATES	PART VI, LINE 7	MD

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

OMB No 1545-0047

2012

Open to Public Inspection

Department of the Treasury
Internal Revenue Service

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

Name of the organization

ANNE ARUNDEL MEDICAL CENTER INC

Employer identification number

52-1169362

Part I General Information on Grants and Assistance

- 1 Does the organization maintain records to substantiate the amount of the grants or assistance, the grantees' eligibility for the grants or assistance, and the selection criteria used to award the grants or assistance? ☒ Yes ☐ No
- 2 Describe in Part IV the organization's procedures for monitoring the use of grant funds in the United States

Part II **Grants and Other Assistance to Governments and Organizations in the United States.** Complete if the organization answered "Yes" to Form 990, Part IV, line 21, for any recipient that received more than \$5,000. Part II can be duplicated if additional space is needed.

[illegible]

- | | | |
|----------|---|----------|
| 2 | Enter total number of section 501(c)(3) and government organizations listed in the line 1 table | 1 |
| 3 | Enter total number of other organizations listed in the line 1 table | 0 |

Part III

Grants and Other Assistance to Individuals in the United States. Complete if the organization answered "Yes" to Form 990, Part IV, line 22.
Part III can be duplicated if additional space is needed.

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

Part IV

Supplemental Information.

Complete this part to provide the information required in Part I, line 2, Part III, column (b), and any other additional information

Identifier	Return Reference	Explanation
SCHEDULE I, PART I, LINE 2		ANNE ARUNDEL MEDICAL CENTER, INC GIVES CONTRIBUTIONS TO FUND THE OPERATIONS OF PHYSICIAN ENTERPRISE, LLC IN ORDER TO FULFILL ITS EXEMPT PURPOSE OF ENHANCING THE COMPREHENSIVE HEALTH CARE IT PROVIDES TO THE LOCAL AND REGIONAL COMMUNITY AAMC MONITORS THE USE OF THESE FUNDS THROUGH BOARD MEETINGS AND THROUGH THE REVIEW OF THE ENTITY'S FINANCIAL INFORMATION

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 ANNE ARUNDEL MEDICAL CENTER INC	Employer identification number 52-1169362
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Part I	Questions Regarding Compensation		Yes	No
1a	Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a Complete Part III to provide any relevant information regarding these items			
	☐ First-class or charter travel ☐ Travel for companions ☐ Tax idemnification and gross-up payments ☐ Discretionary spending account ☐ Housing allowance or residence for personal use ☐ Payments for business use of personal residence ☒ Health or social club dues or initiation fees ☐ 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 ☒ Independent compensation consultant ☐ Form 990 of other organizations ☒ Written employment contract ☒ Compensation survey or study ☒ 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? If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III	4c		No
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? If "Yes," to line 5a or 5b, describe in Part III	5b		No
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? If "Yes," to line 6a or 6b, describe in Part III	6b		No
7	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III	7		No
8	Were any amounts reported in Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in 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				
(1)VICTORIA BAYLESS PRESIDENT	(i)	554,660	248,405	66,304	142,839	14,619	1,026,827	0
	(ii)	0	0	0	0	0	0	0
(2)ROBERT REILLY CFO	(i)	298,944	106,747	37,749	30,267	21,412	495,119	0
	(ii)	0	0	0	0	0	0	0
(3)MITCHELL SCHWARTZ MD CHIEF MEDICAL OFFICER	(i)	388,918	146,886	36,210	43,610	15,901	631,525	0
	(ii)	0	0	0	0	0	0	0
(4)SHERRY PERKINS CHIEF OPERATING OFFICER	(i)	324,796	120,250	36,777	27,751	828	510,402	0
	(ii)	0	0	0	0	0	0	0
(5)ADRIAN PARK SURGERY DIVISION CHAIR	(i)	496,329	85,000	18,087	33,916	14,576	647,908	0
	(ii)	0	0	0	0	0	0	0
(6)JOSEPH D MOSER MD SENIOR VP OF MEDICAL AFFAIRS	(i)	311,253	90,600	56,333	8,714	29,128	496,028	851
	(ii)	0	0	0	0	0	0	0
(7)GEORGE SAMARAS MD MEDICINE DIVISION CHAIR	(i)	288,682	120,000	15,240	0	17,667	441,589	0
	(ii)	0	0	0	0	0	0	0
(8)HENRY SOBEL MD WOMEN'S & CHILDREN'S DIVISION CHAIR	(i)	292,744	60,000	10,074	32,877	20,872	416,567	0
	(ii)	0	0	0	0	0	0	0
(9)PATRICIA CZAPP MD CLINICAL INTEGRATION CHAIR	(i)	240,880	80,000	661	32,094	0	353,635	0
	(ii)	0	0	0	0	0	0	0

Part III Supplemental Information

Complete this part to provide the information, explanation, or descriptions required for Part I, lines 1a, 1b, 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
	PART I, LINE 1A	VICTORIA BAYLESS' EMPLOYMENT CONTRACT PROVIDES FOR SOCIAL CLUB DUES. THE DUES ARE INCLUDED AS PART OF HER COMPENSATION PACKAGE AND ARE INCLUDED IN HER 2012 FORM W-2.
	PART I, LINE 4B	PART I, LINE 4B: THE FOLLOWING PARTICIPATED IN THE ORGANIZATION'S 457(F) PLAN: VICTORIA BAYLESS \$137,839; PATRICIA CZAPP \$25,632; JOSEPH MOSER \$1,214; ADRIAN PARK \$28,916; SHERRY PERKINS \$27,751; ROBERT REILLY \$25,267; MITCHELL SCHWARTZ, M.D. \$38,610; HENRY SOBEL \$27,877.

Software ID:
Software Version:
EIN: 52-1169362
Name: ANNE ARUNDEL MEDICAL CENTER 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				
VICTORIA BAYLESS	(i) (ii)	554,660 0	248,405 0	66,304 0	142,839 0	14,619 0	1,026,827 0	0 0
ROBERT REILLY	(i) (ii)	298,944 0	106,747 0	37,749 0	30,267 0	21,412 0	495,119 0	0 0
MITCHELL SCHWARTZ MD	(i) (ii)	388,918 0	146,886 0	36,210 0	43,610 0	15,901 0	631,525 0	0 0
SHERRY PERKINS	(i) (ii)	324,796 0	120,250 0	36,777 0	27,751 0	828 0	510,402 0	0 0
ADRIAN PARK	(i) (ii)	496,329 0	85,000 0	18,087 0	33,916 0	14,576 0	647,908 0	0 0
JOSEPH D MOSER MD	(i) (ii)	311,253 0	90,600 0	56,333 0	8,714 0	29,128 0	496,028 0	851 0
GEORGE SAMARAS MD	(i) (ii)	288,682 0	120,000 0	15,240 0	0 0	17,667 0	441,589 0	0 0
HENRY SOBEL MD	(i) (ii)	292,744 0	60,000 0	10,074 0	32,877 0	20,872 0	416,567 0	0 0
PATRICIA CZAPP MD	(i) (ii)	240,880 0	80,000 0	661 0	32,094 0	0 0	353,635 0	0 0

Schedule K (Form 990) Department of the Treasury Internal Revenue Service	Supplemental Information on Tax Exempt Bonds ▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 24a. Provide descriptions, explanations, and any additional information in Part VI. ▶ Attach to Form 990. ▶ See separate instructions.					OMB No 1545-0047					
						2012					
	Name of the organization ANNE ARUNDEL MEDICAL CENTER INC					Employer identification number 52-1169362					

Part I

Bond Issues

(a) Issuer name	(b) Issuer EIN	(c) CUSIP #	(d) Date issued	(e) Issue price	(f) Description of purpose	(g) Defeased		(h) On behalf of issuer		(i) Pool financing	
						Yes	No	Yes	No	Yes	No
A MARYLAND HEALTH AND HIGHER EDUCATION FACILITIES AUTHORITY	52-0936091	5742173U7	01-29-2009	115,182,636	FINANCE ACQUISITION/CONSTRUCT /RENOVATION/EQUIP OF NEW & EXISTING FACILITIES		X		X		X
B MARYLAND HEALTH AND HIGHER EDUCATION FACILITIES AUTHORITY	52-0936091	5742173V5	02-19-2009	60,000,000	FINANCE ACQUISITION/CONSTRUCT /RENOVATION/EQUIP OF NEW & EXISTING FACILITIES		X		X		X
C MARYLAND HEALTH AND HIGHER EDUCATION FACILITIES AUTHORITY	52-0936091	5742176G5	02-03-2010	83,903,060	FINANCE ACQUISITION/CONSTRUCT NEW TOWER GARAGE EXPANSION,REFUND 2004B BOND		X		X		X
D MARYLAND HEALTH AND HIGHER EDUCATION FACILITIES AUTHORITY	52-0936091	574218LP6	11-01-2012	80,370,836	FINANCE ACQUISITION/REFUND 1998 AND 2004A BONDS		X		X		X

Part II

Proceeds

		A		B		C		D	
1	Amount of bonds retired								
2	Amount of bonds legally defeased								
3	Total proceeds of issue	115,182,636		60,000,000		83,903,060		80,370,836	
4	Gross proceeds in reserve funds	6,463,135		3,741,749		1,870,961			
5	Capitalized interest from proceeds								
6	Proceeds in refunding escrows	73,583,333				73,583,333		80,370,836	
7	Issuance costs from proceeds	2,246,062		1,098,549		1,448,767		1,147,195	
8	Credit enhancement from proceeds	332,092		332,092					
9	Working capital expenditures from proceeds								
10	Capital expenditures from proceeds	90,739,290		54,621,192		5,979,272			
11	Other spent proceeds	15,734,149							
12	Other unspent proceeds	206,417		206,417		829,464			
13	Year of substantial completion	2010		2011		2011		2012	
14	Were the bonds issued as part of a current refunding issue?	Yes	No	Yes	No	Yes	No	Yes	No
			X		X	X		X	
15	Were the bonds issued as part of an advance refunding issue?		X		X		X	X	
16	Has the final allocation of proceeds been made?	X			X		X	X	
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	X		X		X		X	

Part III

Private Business Use

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

Part III Private Business Use (Continued)

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
3a	Are there any management or service contracts that may result in private business use of bond-financed property?		X		X		X		X
b	If "Yes" to line 3a, does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts relating to the financed property?								
c	Are there any research agreements that may result in private business use of bond-financed property?		X		X		X		X
d	If "Yes" to line 3c, does the organization routinely engage bond counsel or other outside counsel to review any research agreements relating to the financed property?								
4	Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government	0 00000%		0 00000%		0 00000%		0 00000%	
5	Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government	0 00000%		0 00000%		0 00000%		0 00000%	
6	Total of lines 4 and 5	0 00000%		0 00000%		0 00000%		0 00000%	
7	Does the bond issue meet the private security or payment test?		X		X		X		X
8a	Has there been a sale or disposition of any of the bond financed property to a nongovernmental person other than a 501(c)(3) organization since the bonds were issued?		X		X		X		X
b	If "Yes" to line 8a, enter the percentage of bond-financed property sold or disposed of	%		%		%		%	
c	If "Yes" to line 8a, was any remedial action taken pursuant to Regulations sections 1 141-12 and 1 145-2?								
9	Has the organization established written procedures to ensure that all nonqualified bonds of the issue are remediated in accordance with the requirements under Regulations sections 1 141-12 and 1 145-2?	X		X		X		X	

Part IV Arbitrage

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Has the issuer filed Form 8038-T?		X		X		X		X
2	If "No" to line 1, did the following apply?								
a	Rebate not due yet?		X		X	X		X	
b	Exception to rebate?		X		X		X		X
c	No rebate due?	X		X			X		X
If you checked "No rebate due" in line 2c, provide in Part VI the date the rebate computation was performed									
3	Is the bond issue a variable rate issue?		X	X			X		X
4a	Has the organization or the governmental issuer entered into a qualified hedge with respect to the bond issue?		X	X			X		X
b	Name of provider	CITIBANK		CITIBANK					
c	Term of hedge	39 700000000000		39 700000000000					
d	Was the hedge superintegrated?		X		X				
e	Was a hedge terminated?		X		X				

Part IV

Arbitrage (Continued)

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
5a	Were gross proceeds invested in a guaranteed investment contract (GIC)?		X		X		X		X
b	Name of provider								
c	Term of GIC								
d	Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?								
6	Were any gross proceeds invested beyond an available temporary period?		X		X		X		X
7	Has the organization established written procedures to monitor the requirements of section 148?	X		X		X		X	

Part V

Procedures To Undertake Corrective Action

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Has the organization established written procedures to ensure that violations of federal tax requirements are timely identified and corrected through the voluntary closing agreement program if self-remediation is not available under applicable regulations?	X		X		X		X	

Part VI

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

Identifier	Return Reference	Explanation
SCHEDULE K PART IV, ARBITRAGE, LINE 2C	DATE REBATE COMPUTATION PERFORMED	ISSUER NAME MARYLAND HEALTH AND HIGHER EDUCATION FACILITIES AUTHORITY DATE THE REBATE COMPUTATION WAS PERFORMED 07/01/2013 ISSUER NAME MARYLAND HEALTH AND HIGHER EDUCATION FACILITIES AUTHORITY DATE THE REBATE COMPUTATION WAS PERFORMED 07/01/2013

Schedule L
(Form 990 or 990-EZ)

Transactions with Interested Persons

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
ANNE ARUNDEL MEDICAL CENTER INC

Employer identification number

52-1169362

Part I

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

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

1	(a) Name of disqualified person	(b) 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?		(e) Original principal amount	(f) Balance due	(g) In default?		(h) Approved by board or committee?	(i) Written agreement?	
			To	From			Yes	No		Yes	No
Total ▶ \$											

Part III

Grants or Assistance Benefitting Interested Persons.

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

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of 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) MARYLAND INPATIENT CARE SPECIALISTS INC	BUSINESS	243,950	INPATIENT MEDICAL CARE FOR ORTHOPEDIC SURGERY PATIENTS - DR MITCHELL IS A BOARD MEMBER OF THE ANNE ARUNDEL MEDICAL CENTER (AAMC) HE HAS AN OWNERSHIP INTEREST IN MARYLAND INPATIENT CARE SPECIALISTS, INC		No
(2) DOCTORS EMERGENCY SERVICE PA	BUSINESS	288,524	EMERGENCY PEDIATRIC CARE - DR GUMMERSON IS A BOARD MEMBER OF THE ANNE ARUNDEL MEDICAL CENTER (AAMC) HE HAS AN OWNERSHIP INTEREST IN DOCTORS EMERGENCY SERVICE, P A		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
ANNE ARUNDEL MEDICAL CENTER INC

Employer identification number
52-1169362

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION A, LINE 6	
	FORM 990, PART VI, SECTION A, LINE 7A	THE SOLE STOCKHOLDER OF THE ORGANIZATION IS THE ANNE ARUNDEL HEALTH SYSTEM, INC ("AAHS"), A SECTION 501(C)(3) ENTITY THAT SERVES AS THE PARENT CORPORATION OF THE INTEGRATED HEALTH SYSTEM. AAHS HAS THE EXPRESS POWER AND RESPONSIBILITY TO ELECT AND REMOVE THE BOARD OF DIRECTORS AND OFFICERS OF THE CORPORATION.
	FORM 990, PART VI, SECTION A, LINE 7B	THE SOLE STOCKHOLDER OF THE ORGANIZATION IS THE ANNE ARUNDEL HEALTH SYSTEM, INC ("AAHS"), A SECTION 501(C)(3) ENTITY THAT SERVES AS THE PARENT CORPORATION OF THE INTEGRATED HEALTH SYSTEM. AAHS HAS THE EXPRESS POWER AND RESPONSIBILITY TO APPROVE DECISIONS OF THE BOARD OF DIRECTORS.
	FORM 990, PART VI, SECTION B, LINE 11	THE BOARD HAS ASSIGNED RESPONSIBILITY FOR THE DETAILED REVIEW OF THE FORM 990 TO THE FINANCE AND AUDIT COMMITTEE OF ANNE ARUNDEL HEALTH SYSTEM, INC (PARENT). THE FINANCE AND AUDIT COMMITTEE REVIEWS THE FORM 990 AND PROVIDES SUMMARY INFORMATION TO THE FULL BOARD. THE FORM 990 IS MADE AVAILABLE TO THE FULL BOARD FOR REVIEW PRIOR TO ITS FILING AT A BOARD MEETING.
	FORM 990, PART VI, SECTION B, LINE 12C	THE ORGANIZATION REQUIRES THAT EACH MEMBER OF THE BOARD REVIEW THE ORGANIZATION'S CONFLICT OF INTEREST POLICY ON AN ANNUAL BASIS AND RETURN AN ACKNOWLEDGEMENT OF RECEIPT AND DISCLOSE OF ANY POTENTIAL CONFLICTS OF INTEREST. THE BOARD, MANAGEMENT AND THE ACCOUNTS PAYABLE FUNCTION MONITOR TRANSACTIONS FOR POTENTIAL EXCESS BENEFIT TRANSACTIONS/PRIVATE INJUREMENT.
	FORM 990, PART VI, SECTION B, LINE 15	ANNE ARUNDEL MEDICAL CENTER'S EXECUTIVE COMPENSATION COMMITTEE DETERMINES THE PRESIDENT AND CHIEF EXECUTIVE OFFICER'S COMPENSATION FOLLOWING THE IRC SECTION 4958 REBUTTABLE PRESUMPTION TEST. ALL OTHER COMPENSATION IS DETERMINED THROUGH CONSULTATION WITH AN INDEPENDENT OUTSIDE COMPENSATION CONSULTING FIRM.
	FORM 990, PART VI, SECTION C, LINE 19	THE ORGANIZATION'S GOVERNING DOCUMENTS, CONFLICT OF INTEREST POLICY AND FINANCIAL STATEMENTS ARE RETAINED IN THE FINANCE OFFICE AND ARE AVAILABLE FOR PUBLIC INSPECTION UPON REQUEST. FORM 990 IS AVAILABLE BY REQUEST TO THE FINANCIAL SERVICES OFFICE OR CAN BE OBTAINED ONLINE AT WWW.GUIDESTAR.ORG.
CHANGES IN NET ASSETS OR FUND BALANCES	FORM 990, PART XI, LINE 9	CHANGE IN BENEFICIAL INTEREST IN AAMC FOUNDATION, INC. 904,614. ADDITIONAL PAID IN CAPITAL - COTTAGE INSURANCE COMPANY, LTD 3,680,000. TRANSFER FROM AAMC FOUNDATION, INC. TO AAMC, INC. 3,075,904. CHANGE IN ACCRUED PENSION LIABILITY 2,993,000. REALIZED AND UNREALIZED LOSSES FOR CONTRACTS UNDER SFAS 133 23,533,000. CHANGE IN INVESTMENT IN SUBSIDIARIES ON THE EQUITY METHOD 6,165,914. UNREALIZED LOSS FROM INVESTMENT IN PREMIER PURCHASING LP -88,384. LOSSES ON EXTINGUISHMENT OF DEBT -3,561,404. FOUNDATION TRANSFER FOR PPE ITEMS 647,170. LOSS ON PENSION SETTLEMENTS -2,963,210.
	FORM 990, PAGE 12, PART XII, LINE 2C	THIS PROCESS HAS NOT CHANGED FROM THE PRIOR YEAR.
	FORM 990, PAGE 2, PART III, LINE 4A - CONTINUED	IN THE SUMMER OF 2009, AAMC MADE A COMMITMENT TO FURTHER SERVE BREAST PATIENTS IN THE REGION BY OPENING A NEW, EXPANDED BREAST CENTER UNDER THE UMBRELLA OF THE DECESARIS CANCER INSTITUTE, AND ADDING A THIRD FELLOWSHIP-TRAINED BREAST SURGEON TO THE CARE TEAM. THE CANCER INSTITUTE OFFERS A WIDE RANGE OF SUPPORT GROUPS TO PATIENTS AS A SOURCE OF COMFORT, ENCOURAGEMENT AND INFORMATION, AND AS A WAY TO CONNECT WITH OTHERS WHO KNOW WHAT THE PATIENTS ARE GOING THROUGH AS A PATIENT, FAMILY MEMBER OR CAREGIVER. SOME OF OUR SUPPORT GROUPS INCLUDE: GENERAL CANCER SUPPORT GROUP, MONTHLY LUNG CANCER SUPPORT GROUP, MOVING FORWARD, A MONTHLY MEETING FOR WOMEN DIAGNOSED WITH BREAST CANCER WITHIN THE LAST TWO YEARS, SISTER TO SISTER, PROVIDING SPECIALIZED SUPPORT FOR AFRICAN-AMERICAN WOMEN, AND SURVIVORS OFFERING SUPPORT, WHERE BREAST CANCER SURVIVORS ARE TRAINED TO PROVIDE ONE-ON-ONE MENTORING TO NEWLY DIAGNOSED PATIENTS THROUGH THEIR FIRST YEAR OF TREATMENT. EMERGENCY SERVICES: THE AAMC EMERGENCY ROOM IS ONE OF THE BUSIEST IN THE AREA, SERVING MORE THAN 95,000 PATIENTS EACH YEAR. AAMC'S EMERGENCY DEPARTMENT EMPLOYS TRAINED PHYSICIANS, PHYSICIAN ASSISTANTS, AND NURSE PRACTITIONERS WHO ARE ON DUTY 24 HOURS A DAY, SEVEN DAYS A WEEK, AND SPECIALISTS ARE ON CALL FOR CONSULTATION. AAMC'S EMERGENCY DEPARTMENT INCLUDES: - EMERGENCY TRAINED NURSES AND MEDICAL TECHNICIANS WHO PROVIDE CARE AND MONITOR PATIENT CONDITIONS THROUGHOUT THE EPISODE OF CARE. ALL PATIENTS ARE TRIAGED AND ASSIGNED A PRIORITY BASED ON THE ASSESSED MEDICAL NEED. THOSE PATIENTS WITH MORE SERIOUS CONDITIONS ARE GENERALLY TREATED IN THE MAIN ED AREA. WHILE PATIENTS WITH LESS SEVERE OR MINOR CONDITIONS ARE TREATED IN THE RAPID CLINICAL EVALUATION AND INTERMEDIATE CARE AREAS. THE DEPARTMENT HAS THIRTY-THREE MAIN SIDE BEDS AND TEN INTERMEDIATE CARE BEDS. ADDITIONALLY, THERE IS A TEN-BED AREA FOR HOLDING PATIENTS WAITING FOR ADMISSION. A PRIVATE SIX-BED AREA IS AVAILABLE FOR PATIENTS WITH MENTAL HEALTH PROBLEMS. - SUTURING AND SPLINTING AND CASTING SERVICES AVAILABLE FOR MINOR TRAUMA. HIGH-LEVEL TRAUMA PATIENTS ARE STABILIZED AND TRANSFERRED TO NEARBY TRAUMA CENTERS. THE HOSPITAL IS CHEST PAIN CERTIFIED AND HAS A VERY ROBUST CARDIAC PROGRAM INCLUDING RAPID STABILIZATION AND TRANSFER TO THE CATH LAB WHEN INDICATED. ALSO, STROKE CERTIFIED AND EQUIPPED TO MANAGE PATIENTS ARRIVING WITH ACUTE STROKE SYMPTOMS. - X-RAY SERVICES AVAILABLE WITHIN THE ED TO EXPEDITE DIAGNOSIS AND TREATMENT. INCLUDE TWO RADIOLOGY ROOMS AND A STATE-OF-THE-ART CT SCANNER. NEW TECHNOLOGY ALLOWS X-RAYS TO BE TRANSMITTED ELECTRONICALLY, ENABLING THE ED DOCTORS, SPECIALISTS, AND PRIMARY CARE PHYSICIANS TO VIEW X-RAYS AND OTHER DIAGNOSTIC TESTS ON A COMPUTER WITHIN MINUTES OF BEING TAKEN. - HOSPITALISTS AND INTENSIVISTS (DOCTORS SPECIALLY TRAINED IN CRITICAL CARE AND INPATIENT CARE) ADMIT PATIENTS TO THE ACUTE CARE PAVILION ONCE THE DETERMINATION IS MADE THAT FURTHER MEDICAL AND NURSING ARE NEEDED. - MENTAL HEALTH ASSESSMENT AND PLACEMENT SERVICES ARE PROVIDED BY LICENSED MENTAL HEALTH CLINICIANS. - DOMESTIC VIOLENCE ASSESSMENT AND SUPPORT SERVICES ARE PROVIDED BY TRAINED COUNSELORS. PATIENT ADVOCATES AND VOLUNTEERS ARE AVAILABLE TO ASSIST FAMILIES WITH PERSONAL NEEDS AND COMFORT CARE. COMMUNITY HEALTH EDUCATION AND SUPPORT COMMUNITY HEALTH EDUCATION SERVICES ENCOURAGE HEALTHY LIFESTYLES AND DISEASE PREVENTION. IN MOST CASES, AAMC PROVIDED THESE SERVICES AT MINIMAL OR NO COST. THE FOLLOWING SERVICES WERE OFFERED IN FY13: INDIVIDUAL NUTRITION COUNSELING WITH REGISTERED DIETITIANS WAS PROVIDED AT A NOMINAL COST. IN FY13, AAMC DIETITIANS SPENT MORE THAN 567 HOURS IN INDIVIDUAL DIETARY CONSULTATIONS. APPROXIMATELY 500 ADDITIONAL HOURS BY THE NUTRITIONAL STAFF WERE SPENT PROVIDING EDUCATIONAL SEMINARS AND/OR TALKS TO THE COMMUNITY VIA HEALTH FAIRS AND/OR SPECIAL REQUESTS BY SENIOR/CORPORATE ORGANIZATIONS. AAMC PHYSICIANS, PHARMACISTS, REGISTERED NURSES, DIETITIANS AND OTHER PROFESSIONALS VOLUNTEER THEIR TIME AND EXPERTISE TO PROVIDE UP-TO-DATE INFORMATION ON DISEASE PREVENTION AND OTHER HEALTH-RELATED ISSUES THROUGH FREE SEMINARS AND PROGRAMS. THESE PROGRAMS, DESIGNED TO MEET THE HEALTH NEEDS OF THE COMMUNITY AND COORDINATED BY THE DEPARTMENTS OF PUBLIC RELATIONS AND COMMUNITY HEALTH AND WELLNESS, ARE OFFERED TO LOCAL CLUBS, SCHOOLS, CORPORATIONS, CIVIC ORGANIZATIONS AND THE GENERAL PUBLIC. CLASS TOPICS ARE BASED ON COMMUNITY HEALTH ASSESSMENTS, RESULTS OF CUSTOMER INTEREST SURVEYS, FOCUS GROUPS, AND FEEDBACK PROVIDED ON PROGRAM EVALUATIONS. TOPICS INCLUDE PROSTATE CANCER, CARDIAC RISK, VASCULAR DISEASE, BACK CARE, BREAST CANCER, ARTHRITIS, PAIN MANAGEMENT, REFLUX DISEASE, DIABETES AND MENOPAUSE. MORE THAN 30,000 PEOPLE PARTICIPATE IN AAMC CLASSES AND SPECIAL EDUCATION EVENTS EACH YEAR. MOST CLASSES WERE OFFERED AT A BREAK-EVEN COST OR A LOSS TO THE MEDICAL CENTER. IN FEBRUARY 2013, AAMC OPENED THE JAMES AND SYLVIA EARL SIMULATION TO ADVANCE INNOVATION AND LEARNING CENTER (SAIL). THIS FACILITY IS DEDICATED TO THE ADVANCEMENT AND PRACTICE OF MEDICINE THROUGH RESEARCH, TRAINING AND INNOVATION DESIGNED TO IMPROVE SURGICAL AND MEDICAL PROCEDURES AND OUTCOMES FOR PATIENTS. THIS TYPE OF TRAINING IS TYPICALLY ONLY AVAILABLE IN MAJOR ACADEMIC MEDICAL CENTERS AND INCLUDES SOPHISTICATED LIFE-LIKE TECHNOLOGY FEATURING HIGH-FIDELITY MANNEQUINS THAT SIMULATE REAL-LIFE MEDICAL SITUATIONS. PARTICIPANTS INCLUDED SURGEONS, RESIDENTS, MED STUDENTS, NURSES, EMERGENCY MEDICAL TECHNICIANS, MILITARY PERSONNEL AND ALLIED HEALTH PROFESSIONALS. ALSO IN FEBRUARY 2013, AAMC OPENED THE HACKERMAN-PATZ HOSPITALITY HOUSE. THIS HOME-LIKE LODGING FACILITY IS DESIGNED TO MEET THE NEEDS OF PATIENTS AND THEIR FAMILIES SO THEY MAY STAY CLOSE TO THE HOSPITAL WHERE LOVED ONES RECEIVE TREATMENT. THE FACILITY HOUSES 20 PRIVATE GUEST ROOMS AS WELL AS A GREAT ROOM, FULLY FURNISHED KITCHEN AND PLAYROOM.
	FORM 990, PAGE 3, PART IV, LINE 10	FUNDS ARE HELD IN AN ENDOWMENT AND ARE REPORTED ON THE FORM 990 FOR THE ANNE ARUNDEL MEDICAL CENTER FOUNDATION. THE FOUNDATION PROVIDES THESE FUNDS TO THE AFFILIATED ANNE ARUNDEL ENTITIES, INCLUDING ANNE ARUNDEL MEDICAL CENTER, IN ORDER TO FURTHER THE EXEMPT PURPOSE OF THE HEALTH SYSTEM.
	FORM 990, PAGE 9, PART VIII, LINE 11	PAYROLL AND BENEFITS FOR ALL OFFICERS, DIRECTORS AND EMPLOYEES OF THE CONSOLIDATED GROUP KNOWN AS ANNE ARUNDEL HEALTH SYSTEM, INC. IS ADMINISTERED THROUGH ANNE ARUNDEL MEDICAL CENTER, INC. (AAMC). AAMC SUBSEQUENTLY BILLS EACH ENTITY FOR THE AMOUNT OF WAGE AND BENEFIT EXPENSE INCURRED BY THEM. THIS IS REPORTED ON THE FORM 990 AS "MANAGEMENT SERVICES" ON PAGE 9.

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
ANNE ARUNDEL MEDICAL CENTER INC

Employer identification number
52-1169362

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

Part III

Identification of Related Organizations Taxable as a Partnership (Complete if the organization answered "Yes" 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) Disproporionate allocations?		(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
							Yes	No		Yes	No	
(1) MEDICAL OFFICE LLC 2001 MEDICAL PARKWAY ANNAPOLIS, MD 21401 20-2290229	COMMERCIAL REAL ESTATE LEASING	MD	N/A									
(2) ANNAPOLIS EXCHANGE LOT IV LLC 2001 MEDICAL PARKWAY ANNAPOLIS, MD 21401 52-2020156	COMMERCIAL REAL ESTATE LEASING	MD	N/A									
(3) ANNAPOLIS EXCHANGE LOT V LLC 2001 MEDICAL PARKWAY ANNAPOLIS, MD 21401 52-2020157	COMMERCIAL REAL ESTATE LEASING	MD	N/A									
(4) KENT ISLAND MEDICAL ARTS LLC 2001 MEDICAL PARKWAY ANNAPOLIS, MD 21401 26-0623450	COMMERCIAL REAL ESTATE LEASING	MD	N/A									
(5) BLUE BUILDING LLC 2001 MEDICAL PARKWAY ANNAPOLIS, MD 21401 26-3525250	COMMERCIAL REAL ESTATE LEASING	MD	N/A									

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
(1) ANNE ARUNDEL HEALTH CARE ENTERPRISES INC 2001 MEDICAL PARKWAY ANNAPOLIS, MD 21401 52-1646304	MEDICAL SERVICES	MD	N/A	C					No
(2) PAVILION PARK INC 2001 MEDICAL PARKWAY ANNAPOLIS, MD 21401 52-1890034	REAL ESTATE LEASING	MD	N/A	C					No
(3) COTTAGE INSURANCE COMPANY LTD PO BOX 10233 GRAND CAYMAN CJ KY1- 110 CJ 98-0461499	CAPTIVE INSURER - PROFESSIONAL LIABILITY INSURANCE	CJ	ANNE ARUNDEL MEDICAL CENTER INC	C	3,173,708	35,532,403	100 000 %	Yes	

Part V

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

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

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

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

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

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

e Loans or loan guarantees by related organization(s)

f Dividends from related organization(s)

g Sale of assets to related organization(s)

h Purchase of assets from related organization(s)

i Exchange of assets with related organization(s)

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

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

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

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

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

o Sharing of paid employees with related organization(s)

p Reimbursement paid to related organization(s) for expenses

q Reimbursement paid by related organization(s) for expenses

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

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

Yes

No

1a

No

1b

Yes

1c

Yes

1d

Yes

1e

No

1f

No

1g

No

1h

No

1i

No

1j

Yes

1k

Yes

1l

No

1m

No

1n

No

1o

No

1p

Yes

1q

Yes

1r

Yes

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			

Schedule R (Form 990) 2012

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

[illegible]

Software ID:

Software Version:

EIN: 52-1169362

Name: ANNE ARUNDEL MEDICAL CENTER 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	
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--> 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
ANNE ARUNDEL HEALTHCARE ENTERPRISES INC	J	91,692	FMV
MEDICAL OFFICE LLC	J	170,139	FMV
BLUE BUILDING LLC	J	859,500	FMV
KENT ISLAND MEDICAL ARTS LLC	K	156,580	FMV
MEDICAL OFFICE LLC	K	981,775	FMV
BLUE BUILDING LLC	K	3,054,454	FMV
ANNE ARUNDEL HEALTH CARE ENTERPRISES INC	P	77,319	FMV
ANNE ARUNDEL HEALTH CARE ENTERPRISES INC	Q	222,252	FMV
ANNE ARUNDEL HEALTH CARE SERVICES INC	Q	6,947,980	FMV
ANNE ARUNDEL GENERAL TREATMENT SERVICES INC	Q	3,760,553	FMV
MEDICAL OFFICE LLC	Q	308,770	FMV
COTTAGE INSURANCE COMPANY LTD	Q	4,087,000	FMV
PHYSICIAN ENTERPRISE LLC	B	11,117,379	FMV
ANNE ARUNDEL MEDICAL CENTER FOUNDATION INC	C	2,485,566	FMV
ANNE ARUNDEL HEALTH SYSTEM RESEARCH INSTITUTE INC	J	94,079	FMV
PHYSICIAN ENTERPRISE LLC	P	176,004	FMV
ANNE ARUNDEL MEDICAL CENTER FOUNDATION INC	Q	1,049,417	FMV
ANNE ARUNDEL HEALTH SYSTEM RESEARCH INSTITUTE INC	Q	1,433,979	FMV
ANNE ARUNDEL REAL ESTATE HOLDING CO INC	Q	19,176	FMV
BLUE BUILDING LLC	Q	7,200	FMV
KENT ISLAND MEDICAL ARTS LLC	Q	7,200	FMV
ANNAPOLIS EXCHANGE LOT IV	K	148,395	FMV
COTTAGE INSURANCE COMPANY LTD	C	125,000	FMV

TY 2012 Recognize Income Under Temporary Regulations Statement

Name: ANNE ARUNDEL MEDICAL CENTER INC

EIN: 52-1169362

Statement: REGULATION SECTION 1.6038B-1T(C)(1): TRANSFEROR: ANNE ARUNDEL MEDICAL CENTER, INC. EIN: 52-1169362 2001 MEDICAL PARKWAY, SUITE 550 ANNAPOLIS, MD 21401REGULATION SECTION 1.6038B-1T(C)(2): TRANSFEREE: (I.): COTTAGE INSURANCE COMPANY, LTD. P.O. BOX 10233 GRAND CAYMAN KY1-1002, CAYMAN ISLANDS INCORPORATED IN THE CAYMAN ISLANDS (II.): INSURANCE PREMIUMS RECEIVED FROM RELATED PARTIES CONSIDERED TO BE DEEMED CONTRIBUTIONS TO CAPITAL OF THE ABOVE CORPORATION OCCURRED ON JULY 17, 2012.THE TOTAL AMOUNT OF THIS DEEMED CONTRIBUTION WAS \$4,087,000.REGULATION SECTION 1.6038B-1T(C)(3): CONSIDERATION RECEIVED: NOTHING WAS RECEIVED IN CONSIDERATION IN EXCHANGE FOR DEEMED CASH CONTRIBUTIONS TO CAPITAL OF \$4,087,000. THE TAXPAYER OWNED 100% OF THE STOCK OF THE TRANSFEREE CORPORATION BOTH BEFORE AND AFTER THESE TRANSFERS.REGULATION SECTION 1.6038B-1T(C) (4): PROPERTY TRANSFERRED: CASH IN THE AMOUNT OF \$4,087,000 (US DOLLARS)REGULATION SECTION 1.6038B-1T(C) (5): TRANSFER OF FOREIGN BRANCH WITH PREVIOUSLY DED

TY 2012 Earnings and Profits Other Adjustments Statement

Name: ANNE ARUNDEL MEDICAL CENTER INC

EIN: 52-1169362

Description	Amount
RELATED PARTY PREMIUMS	-4,087,000
RELATED PARTY CLAIMS PAID	1,857,180
MOVEMENT IN PREPAID EXPENSES	-62

TY 2012 Itemized Other Current Assets Schedule**Name:** ANNE ARUNDEL MEDICAL CENTER INC**EIN:** 52-1169362

Corporation Name	Corporation EIN	Other Current Assets Description	Beginning Amount	Ending Amount
COTTAGE INSURANCE COMPANY LTD	98-0461499	INTEREST RECEIVABLE	30,430	24,616
		OUTSTANDING CLAIMS RESERVES RECOVERABLE	8,730,000	9,413,000
		PREPAID EXPENSES	5,731	5,793
		ESCROW ACCOUNT	76,370	10,927

TY 2012 Other Deductions Schedule**Name:** ANNE ARUNDEL MEDICAL CENTER INC**EIN:** 52-1169362

Description	Foreign Amount (should only be used when attached to 5471 Schedule C Line 16)	Amount
UNDERWRITING EXPENSES		2,212,433
PROFESSIONAL FEES		104,300
MANAGEMENT FEES		42,500
TRAVEL AND MEETING EXPENSES		34,503
INVESTMENT MANAGEMENT FEES		12,329
GOVERNMENT FEES		11,718
MISCELLANEOUS EXPENSES		1,753
RISK MANAGEMENT GRANT		125,000

TY 2012 Itemized Other Investments Schedule**Name:** ANNE ARUNDEL MEDICAL CENTER INC**EIN:** 52-1169362

Corporation Name	Corporation EIN	Other Investments Description	Beginning Amount	Ending Amount
COTTAGE INSURANCE COMPANY LTD	98-0461499	EQUITY MUTUAL FUNDS	6,579,952	5,267,076
		FIXED INCOME MUTUAL FUNDS	13,551,037	12,429,004
		EXCHANGE TRADED FUNDS	4,264,356	4,236,704
		MULTI-STRATEGY FUND	0	1,425,812

TY 2012 Itemized Other Liabilities Schedule**Name:** ANNE ARUNDEL MEDICAL CENTER INC**EIN:** 52-1169362

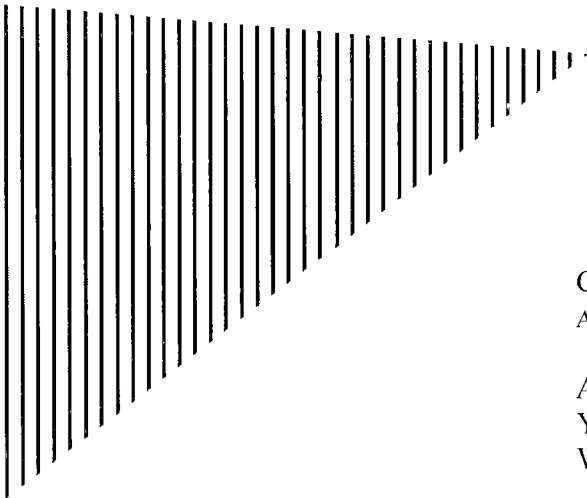
Corporation Name	Corporation EIN	Other Liabilities Description	Beginning Amount	Ending Amount
COTTAGE INSURANCE COMPANY LTD	98-0461499	PROVISION FOR ADVERSE CLAIMS DEVELOPMENT	18,216,438	20,536,480
		PROVISION FOR REPORTED CLAIMS	2,215,079	1,361,625
		DIVIDENDS PAYABLE	5,000,000	4,000,000
		AMOUNT DUE TO PARENT	320,000	0

TY 2012 Paid-In or Capital Surplus Reconciliation Statement

Name: ANNE ARUNDEL MEDICAL CENTER INC

EIN: 52-1169362

Description	Beginning Amount	Ending Amount
ADDITIONAL PAID-IN CAPITAL BALANCE AS OF JUNE 30, 2013	2,143,021	2,143,021
CASH CONTRIBUTION FROM PARENT		320,000



CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

Anne Arundel Health System, Inc. and Subsidiaries
Years Ended June 30, 2013 and 2012
With Report of Independent Auditors

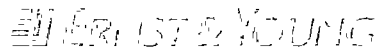
Ernst & Young LLP



Anne Arundel Health System, Inc. and Subsidiaries
Consolidated Financial Statements and Supplementary Information
Years Ended June 30, 2013 and 2012

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Report of Independent Auditors

Board of Trustees of
Anne Arundel Health System, Inc.

We have audited the accompanying consolidated financial statements of Anne Arundel Health System, Inc. (a Maryland not-for-profit corporation) and subsidiaries, 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.

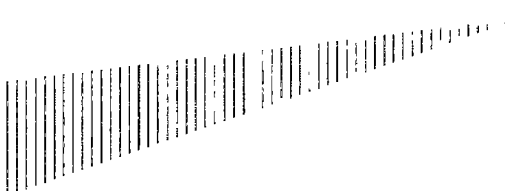
Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity 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 financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of Cottage Insurance Company, Ltd., a wholly-owned subsidiary, which statements reflect total assets of \$35,532,000 and \$35,909,000 as of June 30, 2013 and 2012, respectively, and net loss after elimination of intercompany revenues of \$1,158,000 and \$1,652,000, respectively, for the years then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Cottage Insurance Company, Ltd., is based solely on the report of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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, based on our audits and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Anne Arundel Health System, Inc. and subsidiaries as of June 30, 2013 and 2012, and the consolidated results of their operations, changes in their net assets and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Supplementary Information

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

Ernst & Young LLP

October 18, 2013

Anne Arundel Health System, Inc. and Subsidiaries

Consolidated Balance Sheets

	June 30	
	2013	2012
Assets		
Current assets:		
Cash and cash equivalents	\$ 42,228,000	\$ 21,890,000
Short-term investments	2,335,000	2,845,000
Current portion of assets whose use is limited	17,556,000	9,621,000
Patient receivables, less allowance for uncollectible accounts of \$16,351,000 and \$15,264,000, respectively	77,812,000	60,781,000
Current portion of pledges receivable, net	5,480,000	4,706,000
Inventories, at lower of cost or market	8,316,000	8,506,000
Prepaid expenses and other current assets	9,831,000	10,388,000
Total current assets	<u>163,558,000</u>	<u>118,737,000</u>
Property and equipment	789,480,000	769,409,000
Less accumulated depreciation and amortization	<u>(294,580,000)</u>	<u>(260,041,000)</u>
Net property and equipment	<u>494,900,000</u>	<u>509,368,000</u>
Other assets:		
Investments	224,037,000	203,618,000
Investments in joint ventures	8,215,000	5,418,000
Pledges receivable, net of current portion and net of allowance for uncollectible pledges of \$724,000 and \$745,000, respectively	7,672,000	9,936,000
Assets whose use is limited	59,861,000	71,850,000
Deferred debt issue costs, net of accumulated amortization of \$1,040,000 and \$2,348,000, respectively	6,428,000	7,435,000
Restricted collateral for interest rate swap contracts	49,775,000	78,505,000
Other assets	11,749,000	11,883,000
Total assets	<u>\$ 1,026,195,000</u>	<u>\$ 1,016,750,000</u>

	June 30	
	2013	2012
Liabilities and net assets		
Current liabilities:		
Accounts payable	\$ 22,251,000	\$ 24,814,000
Accrued salaries, wages, and benefits	30,528,000	29,584,000
Other accrued expenses	22,536,000	21,933,000
Current portion of long-term debt and capital lease obligations	8,232,000	9,192,000
Advances from third-party payors	21,453,000	26,357,000
Total current liabilities	105,000,000	111,880,000
Long-term debt and capital lease obligations, less current portion and unamortized original issue discount	412,514,000	418,574,000
Interest rate swap contracts	53,002,000	82,797,000
Accrued pension liability	30,604,000	35,459,000
Other long-term liabilities	21,236,000	19,172,000
Total liabilities	622,356,000	667,882,000
Net assets:		
Unrestricted	372,543,000	318,413,000
Temporarily restricted	19,867,000	18,893,000
Permanently restricted	11,429,000	11,562,000
Total net assets	403,839,000	348,868,000
 Total liabilities and net assets	 <u>\$ 1,026,195,000</u>	 <u>\$ 1,016,750,000</u>

See accompanying notes.

Anne Arundel Health System, Inc. and Subsidiaries

Consolidated Statements of Operations and Changes in Net Assets

	Year Ended June 30	
	2013	2012
Operating revenue:		
Net patient service revenue	\$ 572,102,000	\$ 550,889,000
Provision for bad debts	(26,563,000)	(23,554,000)
Net patient service revenue less provision for bad debts	545,539,000	527,335,000
Other operating revenue	26,883,000	27,683,000
Total operating revenue	572,422,000	555,018,000
Operating expenses:		
Salaries and wages	244,818,000	225,497,000
Employee benefits	42,067,000	43,823,000
Medical supplies and drugs	119,323,000	116,079,000
Purchased services	93,960,000	89,249,000
Professional fees	16,436,000	15,766,000
Depreciation and amortization	35,768,000	35,636,000
Interest	17,226,000	18,226,000
Total operating expenses	569,598,000	544,276,000
Operating income	2,824,000	10,742,000
Other income (loss):		
Investment income, net	13,758,000	7,845,000
(Loss) income from joint ventures and other, net	(1,341,000)	1,333,000
Loss on extinguishment of debt	(3,561,000)	—
Change in unrealized gains (losses) on trading securities, net	7,797,000	(4,345,000)
Realized and unrealized gains (losses) on interest rate swap contracts, net	23,533,000	(50,654,000)
Total other income (loss), net	40,186,000	(45,821,000)
Revenues and gains in excess of (less than) expenses	\$ 43,010,000	\$ (35,079,000)

Anne Arundel Health System, Inc. and Subsidiaries

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

	Year Ended June 30	
	2013	2012
Unrestricted net assets		
Revenues and gains in excess of (less than) expenses	\$ 43,010,000	\$ (35,079,000)
Pension liability adjustment	2,993,000	(21,608,000)
Net assets released from restrictions used for purchase of property and equipment	3,076,000	4,018,000
Transfers and other, net	5,051,000	1,740,000
Increase (decrease) in unrestricted net assets	54,130,000	(50,929,000)
Temporarily restricted net assets		
Contributions and pledges	7,439,000	6,752,000
Change in net unrealized gains and losses on investments	987,000	(1,291,000)
Temporarily restricted investment income	364,000	375,000
Net assets released from restrictions	(8,310,000)	(7,552,000)
Transfers and other, net	494,000	526,000
Increase (decrease) in temporarily restricted net assets	974,000	(1,190,000)
Permanently restricted net assets		
Contributions for endowment funds	45,000	44,000
Transfers of interest income and other, net	(178,000)	(191,000)
Decrease in permanently restricted net assets	(133,000)	(147,000)
Increase (decrease) in net assets	54,971,000	(52,266,000)
Net assets at beginning of year	348,868,000	401,134,000
Net assets at end of year	\$ 403,839,000	\$ 348,868,000

See accompanying notes

Anne Arundel Health System, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

	Year Ended June 30	
	2013	2012
Operating activities		
Increase (decrease) in net assets	\$ 54,971,000	\$ (52,266,000)
Adjustments to reconcile increase (decrease) in net assets to net cash from operating activities.		
Change in net unrealized gains and losses on investments	(8,784,000)	5,636,000
Realized and unrealized (gains) losses on interest rate swap contracts, net	(23,533,000)	50,654,000
Pension liability adjustment	(2,993,000)	21,543,000
Equity in earnings of joint ventures and other	(297,000)	(369,000)
Distributions received from joint ventures	763,000	157,000
Restricted contributions and pledges, net	(7,484,000)	(6,796,000)
Loss on extinguishment of debt	3,561,000	—
Depreciation and amortization	35,768,000	35,636,000
Restricted investment income	(364,000)	(375,000)
Increase in investments – trading	(11,125,000)	(2,030,000)
Decrease in assets whose use is limited, net – trading	1,512,000	4,273,000
Net change in operating assets and liabilities	(22,580,000)	(6,947,000)
Net cash from operating activities	<u>19,415,000</u>	<u>49,116,000</u>
Investing activities		
Purchases of property and equipment	(22,874,000)	(23,085,000)
Decrease in assets whose use is limited - other-than-trading	2,542,000	7,615,000
Investment in West County, LLC	(3,262,000)	(1,919,000)
Change in collateralization and payments on interest rate swaps	22,744,000	(41,701,000)
Net cash from investing activities	<u>(850,000)</u>	<u>(59,090,000)</u>
Financing and fundraising activities		
Net proceeds from issuance of Series 2012 Revenue Bonds	80,371,000	—
Draws on line of credit	5,790,000	25,948,000
Repayments of long-term debt and capital lease obligations	(8,185,000)	(8,922,000)
Repayment of line of credit	(5,790,000)	(27,476,000)
Extinguishment of Series 1998 Revenue Bonds	(57,470,000)	—
Extinguishment of Series 2004A Revenue Bonds	(21,300,000)	—
Payments for deferred financing costs	(981,000)	(17,000)
Restricted contributions received and other	8,974,000	8,578,000
Restricted income received	364,000	375,000
Net cash from financing and fundraising activities	<u>1,773,000</u>	<u>(1,514,000)</u>
Net increase (decrease) in cash and cash equivalents	20,338,000	(11,488,000)
Cash and cash equivalents at beginning of year	21,890,000	33,378,000
Cash and cash equivalents at end of year	<u>\$ 42,228,000</u>	<u>\$ 21,890,000</u>

Anne Arundel Health System, Inc. and Subsidiaries

Consolidated Statements of Cash Flows (continued)

	Year Ended June 30	
	2013	2012
Changes in operating assets and liabilities		
(Increase) decrease in operating assets		
Patient receivables, net	\$ (17,031,000)	\$ 668,000
Inventories	190,000	(468,000)
Prepaid expenses and other	1,200,000	(2,643,000)
Other assets	(1,221,000)	(5,112,000)
	<u>(16,862,000)</u>	<u>(7,555,000)</u>
(Decrease) increase in operating liabilities		
Accounts payable	(2,563,000)	(1,233,000)
Accrued salaries, wages, and benefits	944,000	3,559,000
Other accrued expenses	603,000	2,571,000
Advances from third-party payors	(4,904,000)	4,304,000
Other long-term liabilities	202,000	(8,593,000)
	<u>(5,718,000)</u>	<u>608,000</u>
Net change in operating assets and liabilities	<u>\$ (22,580,000)</u>	<u>\$ (6,947,000)</u>
Supplemental disclosures		
Cash paid for interest	<u>\$ 17,661,000</u>	<u>\$ 17,884,000</u>

See accompanying notes

Anne Arundel Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2013

1. Organization and Basis of Presentation

Anne Arundel Health System, Inc. (the Parent or the System) is a Maryland not-for-profit corporation. The Parent has the following wholly owned subsidiaries: Anne Arundel Medical Center, Inc. (the Hospital) and its subsidiaries, Anne Arundel Health Care Services, Inc. (HCS), and Anne Arundel General Treatment Services, Inc. (GTS); Anne Arundel Medical Center Foundation, Inc. (the Foundation); Anne Arundel Health Care Enterprises, Inc. (HCE); Physician Enterprise, LLC (PE) and its subsidiaries, Anne Arundel Physician Group, LLC (AAPG) and Orthopedic Physicians of Annapolis (OPA); Anne Arundel Real Estate Holding Company, Inc. (the Real Estate Company) and its subsidiaries, Pavilion Park, Inc. (PPI), Annapolis Exchange, LLC, and Blue Building, LLC; Anne Arundel Health System Research Institute, Inc. (RI); and Cottage Insurance Company, Ltd. (Cottage). The accompanying consolidated financial statements include the accounts of the Parent and its wholly owned subsidiaries (collectively, the Group). All significant intercompany accounts and transactions have been eliminated in consolidation.

The Real Estate Company and PPI own a 42.84% interest in Kent Island Medical Arts, LLC (KIMA), a limited liability company that owns and operates a medical office building. PPI is the managing member of KIMA and has substantive participation rights in KIMA. The financial statements of KIMA are consolidated in the accompanying consolidated financial statements. The non-controlling interest in KIMA was 57.16% as of June 30, 2013 and 2012. This interest was \$935,000 and \$1,072,000 at June 30, 2013 and 2012, respectively, and is included within unrestricted net assets in the accompanying consolidated balance sheets.

2. Summary of Significant Accounting Policies

Cash and Cash Equivalents

Cash and cash equivalents include cash held in checking and savings accounts, money market accounts, and short-term certificates of deposit with original maturities of 90 days or less. Cash balances, and collateral held by a counterparty, are principally uninsured and are subject to normal credit risks. At June 30, 2013 and 2012, and at various times during the year, the System maintained cash-in-bank balances in excess of the \$250,000 federally insured limits.

Anne Arundel Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Derivative Instruments

On April 25, 2003, the Hospital entered into two interest rate swap derivative contracts to reduce the risk of changing interest rates. On May 10, 2006, the Hospital entered into a forward variable-to-fixed interest rate swap agreement with an effective date of November 1, 2008. This contract was also entered into in an effort to reduce the risk of variable interest rate debt and has a term through July 1, 2048. Under Accounting Standards Codification (ASC) 815, *Derivatives and Hedging*, the Hospital has recognized its derivative instruments as either assets or liabilities in the accompanying consolidated balance sheets at fair value. As these derivative instruments are not designated as hedges, the unrealized gain or loss on these contracts has been recognized in the accompanying consolidated statements of operations and changes in net assets as realized and unrealized gains (losses) on interest rate swap contracts, net. The fair market values of the derivative instruments include a credit valuation adjustment (CVA) as required by ASC 820, *Fair Value Measurements and Disclosures* (ASC 820). When applying the CVA, the valuation of the variable-to-fixed interest rate swap contract was decreased by \$428,000 and \$703,000 as of June 30, 2013 and June 30, 2012, respectively.

In April 2013, the Hospital's variable-to-variable interest rate swap contract and fixed-to-variable interest rate swap contracts matured. The gain recorded at maturity of these contracts was not significant.

A summary of the Hospital's derivative instruments and related activity at June 30, 2013 and 2012, and for the years then ended is as follows:

Description of Derivative Instrument	2013	
	Fair Value Asset (Liability)	Change in Unrealized Gain (Loss)
Variable-to-variable interest rate swap contract	\$ —	\$ 18,000
Fixed-to-variable interest rate swap contract	—	(920,000)
Variable-to-fixed interest rate swap contract	(53,002,000)	29,777,000
	<u>\$ (53,002,000)</u>	<u>\$ 28,875,000</u>

Anne Arundel Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

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

At June 30, 2013 and 2012, the net termination value (i.e., mark-to-market value) of the derivative instruments totaled \$55,237,000 and \$83,505,000, respectively. The interest rate swap asset amount is included in the other assets line item in the accompanying consolidated balance sheets.

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

During fiscal 2013, the Hospital paid net payments under its interest rate swap program of \$5,342,000. In fiscal 2012, the Hospital paid net payments under its interest rate swap program of \$5,130,000. These amounts are included within realized and unrealized gains (losses) on interest rate swap contracts, net in the accompanying consolidated statements of operations and changes in net assets and investing activities in the accompanying consolidated statements of cash flows.

Under the derivative contracts, the Hospital must transfer collateral for the benefit of the counterparty to the extent that the termination values exceed certain limits. The Hospital's collateral requirement for the benefit of the counterparty was approximately \$49,775,000 and \$78,505,000 at June 30, 2013 and 2012, respectively, for the derivatives. The ongoing mark-to-market values and resulting collateral requirements of the Hospital's interest rate swap contracts are subject to variability based on market factors (primarily changes in interest rates). Collateral requirements under these interest rate swap contracts are excluded from unrestricted cash and investments for purposes of determining the System's compliance with its liquidity covenants under its Maryland Health and Higher Educational Facilities Authority (MHHEFA) revenue

Anne Arundel Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

bond agreements and its derivative agreements. Collateral amounts are included in noncurrent assets in the accompanying consolidated balance sheets. Due to the timing of settlement with the financial institution, \$1,067,000 of collateral was due to the financial institution and \$424,000 was owed back to the Group at June 30, 2013 and 2012, respectively. These amounts are included in other accrued expenses and prepaid expenses and other current assets in the accompanying consolidated balance sheets as of June 30, 2013 and 2012, respectively, and are reflected within investing activities in the accompanying consolidated statements of cash flows. The collateral requirement as of October 14, 2013, was \$42,851,000.

Assets Whose Use is Limited and Investments

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

The fair values of publicly traded securities and mutual funds are based on quoted market prices of individual securities or investments or estimated amounts using quoted market prices of similar investments. Hedge fund investments, some of which are structured that the System holds limited partnership interests, are stated at fair value as estimated in an unquoted market. Valuations of these investments, and therefore the System's holdings may be determined by the investment manager or general partner and for "fund of funds" investments are primarily based on financial data supplied by the underlying investee funds. Values may be based on historical cost, appraisals or other estimates that require varying degrees of judgment. Investment income or loss from all unrestricted investments is included in the accompanying consolidated statements of operations and changes in net assets as part of other income.

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

All investment balances are principally uninsured and subject to normal credit risk. Investments are classified as either current or noncurrent based on maturity dates and availability for current operations. Investments included in noncurrent other assets consist of board-designated investment funds of \$222,335,000 and \$202,035,000 as of June 30, 2013 and 2012, respectively. Based on the System's investment policy, such amounts could be liquidated, at the discretion of the Board, to satisfy short-term requirements.

Anne Arundel Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

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

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

Patient Receivables and Allowances

The Group's policy is to write off all patient accounts that have been identified as uncollectible. An allowance for doubtful accounts is recorded for accounts not yet written off that are anticipated to become uncollectible in future periods. When determining the allowance, the policy considers the probability of recoverability of accounts based on past experience, taking into account current collection trends. Credit risks are assessed based on historical write-offs, net of recoveries, as well as an analysis of the aged accounts receivable balances with allowances generally increasing as the receivable ages. The analysis of receivables is performed monthly, and the allowances are adjusted accordingly.

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

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

Inventories

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

Property and Equipment

Property and equipment are stated at cost. Included in computers and software are capitalized labor costs of \$10,267,000 and \$7,922,000 as of June 30, 2013 and 2012, respectively. Depreciation and amortization, including amortization of assets recorded under capital leases, are recorded on the straight-line method over the estimated useful lives of the assets.

Anne Arundel Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

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

	Estimated Useful Lives	June 30 2013	2012
Land	—	\$ 13,151,000	\$ 13,151,000
Land improvements	20 years	22,016,000	22,003,000
Buildings and improvements	20-40 years	466,610,000	457,268,000
Fixed equipment	5-20 years	8,594,000	8,629,000
Leasehold improvements	5-10 years	48,661,000	43,280,000
Movable equipment	7-10 years	174,408,000	168,716,000
Computers and software	3-5 years	54,604,000	50,436,000
Construction-in-progress	—	1,436,000	5,926,000
		<u>\$ 789,480,000</u>	<u>\$ 769,409,000</u>

Construction-in-progress consists of direct costs associated with hospital department renovations, certain leasehold improvements, and smaller capital projects. As these projects are completed, the related assets are transferred out of construction-in-progress and into the appropriate asset category and are depreciated over the applicable useful lives.

Investments in Joint Ventures

The System accounts for its investments in joint ventures using the equity method of accounting. During 2011, the Real Estate Company and another party formed West County, LLC, a joint venture that owns and operates a medical office building which opened in December 2012. The Real Estate Company has a 50% interest in this joint venture, with each owner contributing \$7,397,000 and \$4,135,000 as of June 30, 2013 and 2012, respectively.

Deferred Debt Issuance Costs

Administrative, legal, financing, underwriting discount and other miscellaneous expenses that were incurred in connection with debt financings were deferred and are being amortized over the lives of the bond issues using the effective interest method. The amortization expense of deferred debt issue costs was \$376,000 and \$433,000 for the years ended June 30, 2013 and 2012, respectively.

Anne Arundel Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Temporarily and Permanently Restricted Net Assets

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

Net Patient Service Revenue

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

During 2013 and 2012, approximately 36% and 35% of net patient service revenue was received under the Medicare program, 23% and 23% from Blue Cross, 35% and 36% from contracts with other third parties, and 6% and 6% from other sources, respectively.

The following table sets forth the detail of net patient service revenue:

	Year Ended June 30	
	2013	2012
Gross patient service revenue	\$ 743,163,000	\$ 707,863,000
Revenue deductions:		
Charity care	9,527,000	7,217,000
Contractual and other allowances	161,533,000	149,757,000
Net patient service revenue	572,103,000	550,889,000
Less: Provision for bad debts	26,564,000	23,554,000
Net patient service revenue less provision for bad debts	\$ 545,539,000	\$ 527,335,000

Anne Arundel Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Patient accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectibility of accounts receivable, the Hospital analyzes its past history and identifies trends to estimate the appropriate allowance for doubtful accounts and provision for bad debts. For receivables associated with services provided to patients who have third-party coverage, the Hospital analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary. For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Hospital records a provision for bad debts in the period of service on the basis of its past experience. The difference between the approved rates and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts. The Hospital has not changed its charity care or uninsured discount policies during fiscal years 2013 or 2012.

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

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

The Group employs physicians in several hospital-based specialties (including, but not limited to, obstetrics, intensive care, and hospitalists). Net physician revenue is recognized when the services are provided and recorded at the estimated net realizable amount based on the contractual arrangements with third-party payors and the expected payments from the third-party payors and the patients. The difference between the billed charges and the estimated net realizable amounts are recorded as a reduction in physician revenue when the services are provided. The System recognized net physician revenue of approximately \$63,593,000 and \$52,242,000 for the years ended June 30, 2013 and 2012, respectively. At June 30, 2013 and 2012, approximately \$5,351,000 and \$4,806,000, respectively, of net physician accounts receivable are included in patient receivables in the accompanying consolidated balance sheets.

Anne Arundel Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Charity Care

The Group provides charity care to patients who meet certain criteria established under its charity care guidelines. Because members of the Group do not pursue the collection of amounts determined to qualify as charity care, they are not reported as revenue in the accompanying consolidated statements of operations and changes in net assets. The direct and indirect costs associated with providing this care are \$7,383,000 and \$5,633,000 for the years ended June 30, 2013 and 2012, respectively. These costs are calculated by applying a ratio of operating expenses less bad debt expense over gross patient charges to the charity care provided at established rates. The state of Maryland rate system includes components within the rates to partially compensate hospitals for uncompensated care.

Other Operating Revenue

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

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

For Medicare and Medicaid EHR incentive payments, the Hospital utilizes a grant accounting model to recognize these revenues. Under this accounting policy, EHR incentive payments were recognized as revenues when attestation that the EHR meaningful use criteria for the required period of time was demonstrated. The System recognized \$1,518,000 and \$4,911,000 of EHR revenue for the years ended June 30, 2013 and 2012, respectively. These amounts are included in other operating revenue in the accompanying consolidated statements of operations and changes in net assets.

Anne Arundel Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

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

Donations and Bequests

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

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

2014	\$ 5,789,000
2015 – 2018	6,655,000
2019 and thereafter	<u>1,707,000</u>
Less:	
Impact of discounting pledges receivable to net present value	(275,000)
Allowance for uncollectible pledges	<u>(724,000)</u>
Net pledges receivable	<u>\$ 13,152,000</u>

Pledges receivable are discounted using rates between 0.1% and 2.7%.

Anne Arundel Health System, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Revenues and Gains in Excess of (Less than) Expenses

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

Income Tax Status

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

HCE and PPI are subject to federal and state income taxes. No provision for income taxes has been recorded for fiscal 2013 and 2012, as these companies and PE do not have taxable income or current tax liabilities. Deferred tax assets (consisting principally of net operating loss carryforwards) are not significant and are not considered to be realizable, given the operations of these entities.

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

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

Under the requirements of ASC 740, *Income Taxes*, tax-exempt organizations could be required to record an obligation as the result of a tax position they have historically taken on various tax exposure items. The Group has determined that it does not have any uncertain tax positions through June 30, 2013.

Anne Arundel Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Use of Estimates

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

Recent Accounting Pronouncements

In July 2011, the Financial Accounting Standards Board (FASB) issued ASU 2011-07, *Health Care Entities' Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities (a consensus of the FASB Emerging Issues Task Force)*, which provides guidance on the presentation and disclosure of patient service revenue, provisions for bad debts, and the allowance for doubtful accounts for certain health care entities. This guidance changes the presentation of the statement of operations by reclassifying the provision for bad debts associated with patient service revenue from an operating expense to a deduction from patient service revenue (net of contractual allowances and discounts). Additionally, the guidance requires enhanced disclosures about the policies for recognizing revenue and assessing bad debts, as well as qualitative and quantitative information about changes in the allowance for doubtful accounts. The adoption of this guidance resulted in a change in the presentation of the consolidated statement of operations and resulted in additional disclosures related to revenue recognition policies and the allowance for doubtful accounts.

3. Regulatory Environment

Medicare and Medicaid

The Medicare and Medicaid reimbursement programs represent a substantial portion of the Group's revenues. The Group's operations are subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services and Medicare and Medicaid fraud and abuse. Over the past several years, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from

Anne Arundel Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

3. Regulatory Environment (continued)

government health care programs, together with the imposition of fines and penalties, as well as repayments for patient services previously billed. Compliance with fraud and abuse standards and other government regulations can be subject to future government review and interpretation. Also, future changes in federal and state reimbursement funding mechanisms and related government budgeting constraints could have an adverse effect on the Group.

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

HSCRC

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

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

Anne Arundel Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

3. Regulatory Environment (continued)

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

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

Historically, case mix change has been measured by comparing the current fiscal year to the prior fiscal year using rebased weights. In fiscal year 2013, the HSCRC attempted to implement a case mix lag. As such, the FY 2012 base case mix period was compared to the CY 2012 measurement period. In June 2013, the HSCRC reversed its decision and reinstated real time case mix (FY 2013 compared to FY 2012). As a result, the Hospital experienced a greater than expected case mix decline which resulted in an overcharge of approximately \$6.7 million at June 30, 2013. The Hospital was in a net undercharge position of approximately \$4.1 million at June 30, 2012. The Hospital's rates are adjusted in subsequent periods for the over or under charge.

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

Anne Arundel Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

4. Investments

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

	June 30	
	2013	2012
Assets whose use is limited:		
Endowment assets:		
Cash and cash equivalents	\$ 799,000	\$ 802,000
Equity mutual funds	10,302,000	9,064,000
Fixed income mutual funds	3,828,000	4,027,000
	<u>14,929,000</u>	<u>13,893,000</u>
Amounts held by trustee:		
Cash and cash equivalents	12,617,000	19,090,000
U.S. Government obligations	23,782,000	21,345,000
	<u>36,399,000</u>	<u>40,435,000</u>
Amounts held by Cottage Insurance Company, Ltd., a captive insurance subsidiary:		
Cash and cash equivalents	2,730,000	2,748,000
Equity mutual funds	6,896,000	7,933,000
Fixed income mutual funds	15,037,000	16,462,000
Hedge funds	1,426,000	—
	<u>26,089,000</u>	<u>27,143,000</u>
Total assets whose use is limited	77,417,000	81,471,000
Less current portion	17,556,000	9,621,000
	<u>\$ 59,861,000</u>	<u>\$ 71,850,000</u>

Anne Arundel Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

4. Investments (continued)

	June 30	
	2013	2012
Amounts held by counterparty as collateral for interest rate swap:		
Cash and cash equivalents	\$ 49,775,000	\$ 78,505,000
	<u>\$ 49,775,000</u>	<u>\$ 78,505,000</u>
Amounts held by trustee are broken down as follows:		
Bond indenture	\$ 36,399,000	\$ 40,435,000
Other investments:		
Cash and cash equivalents	\$ 2,341,000	\$ 2,854,000
Equity mutual funds	104,246,000	99,702,000
Fixed income mutual funds	108,488,000	103,907,000
Hedge funds	11,297,000	—
	<u>226,372,000</u>	<u>206,463,000</u>
Less short-term investments	2,335,000	2,845,000
Investments	<u>\$ 224,037,000</u>	<u>\$ 203,618,000</u>

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

	June 30	
	2013	2012
Income:		
Interest income, net	\$ 8,478,000	\$ 6,115,000
Realized gains, net	5,280,000	1,730,000
	<u>\$ 13,758,000</u>	<u>\$ 7,845,000</u>
Change in unrealized gains (losses) on trading securities, net	<u>\$ 7,797,000</u>	<u>\$ (4,345,000)</u>

Anne Arundel Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

5. Fair Value Measurements

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

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

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

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

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

Anne Arundel Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

5. Fair Value Measurements (continued)

The following tables present the fair value hierarchy for the Group's financial assets and liabilities measured at fair value on a recurring basis at June 30, 2013 and 2012:

		Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
	Total	Level 1	Level 2	Level 3
June 30, 2013				
Assets:				
Cash and cash equivalents	\$ 42,228,000	\$ 32,728,000	\$ 9,500,000	\$ —
Trading securities and other assets whose use is limited:				
Cash and cash equivalents	18,487,000	12,617,000	5,870,000	—
Equity funds	121,444,000	114,548,000	6,896,000	—
Fixed income funds	127,353,000	112,316,000	15,037,000	—
U.S. obligation funds	23,782,000	—	23,782,000	—
Hedge funds	12,723,000	—	12,723,000	—
Total	303,789,000	239,481,000	64,308,000	—
Collateral for interest rate swap:				
Cash and cash equivalents	49,775,000	49,775,000	—	—
Total assets	<u>\$395,792,000</u>	<u>\$ 321,984,000</u>	<u>\$ 73,808,000</u>	<u>\$ —</u>
Liabilities:				
Derivative instruments	\$ (53,002,000)	\$ —	\$ (53,002,000)	\$ —
Total liabilities	<u>\$ (53,002,000)</u>	<u>\$ —</u>	<u>\$ (53,002,000)</u>	<u>\$ —</u>

Anne Arundel Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

5. Fair Value Measurements (continued)

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

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

The Group's Level 2 securities primarily consist of U.S. government-sponsored entities bonds and money market funds. The Group determines the estimated fair value for these Level 2 securities using the following methods: quoted prices for similar assets/liabilities in active markets, quoted prices for identical or similar assets in non-active markets (few transactions, limited information, non-current prices, high variability over time), inputs other than quoted prices that are observable for the asset/liability (e.g., interest rates, yield curves volatilities, default rates, etc.), and inputs that are derived principally from or corroborated by other observable market data. The System's hedge funds are also considered Level 2 investments as the System has the ability to redeem its investment with the investee at net asset value per share (or its equivalent) at the measurement date.

Anne Arundel Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

5. Fair Value Measurements (continued)

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

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

	Year Ended June 30	
	2013	2012
Pledges receivable:		
Balance at July 1	\$ 14,642,000	\$ 16,424,000
New pledges	4,081,000	4,182,000
Collections on pledges	(5,357,000)	(5,968,000)
Write-off of pledges	(235,000)	(103,000)
Changes in reserves	21,000	107,000
Balance at June 30	<u>\$ 13,152,000</u>	<u>\$ 14,642,000</u>

Anne Arundel Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

6. Long-Term Debt and Lines of Credit

Long-term debt consists of the following:

	Interest Rate	Maturity Dates	June 30	
			2013	2012
Maryland Health and Higher Educational Facilities Authority Revenue Bonds – Series 2012	2.0 – 5.0%	2013 – 2034	\$ 73,625,000	\$ –
Maryland Health and Higher Educational Facilities Authority Revenue Bonds – Series 2010	4.0 – 5.0%	2011 – 2040	81,220,000	82,830,000
Maryland Health and Higher Educational Facilities Authority Revenue Bonds – Series 2009A	4.0 – 6.75%	2013 – 2040	118,815,000	120,000,000
Maryland Health and Higher Educational Facilities Authority Revenue Bonds – Series 2009B	Variable	2041 – 2044	60,000,000	60,000,000
Maryland Health and Higher Educational Facilities Authority Revenue Bonds – Series 2004A	2.0 – 5.0%	2006 – 2035	–	21,880,000
Maryland Health and Higher Educational Facilities Authority Revenue Bonds – Series 1998	4.2 – 5 25%	2003 – 2033	–	58,980,000
2008 term loan from a bank	Variable	2018	50,654,000	52,556,000
Kent Island term loan from a bank	Variable	2015	7,833,000	8,173,000
Bank line of credit	Variable	2014	–	–
2008 construction loan from a bank	Variable	2018	26,579,000	27,576,000
			418,726,000	431,995,000
Less current portion of long-term debt			7,432,000	8,122,000
Less unamortized original issue (premium) discount			(1,130,000)	6,052,000
Long-term debt			\$ 412,424,000	\$ 417,821,000

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

Anne Arundel Health System, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)

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

Principal payments due under all debt instruments as of June 30, 2013, are as follows:

2014	\$ 7,432,000
2015	8,508,000
2016	8,741,000
2017	15,408,000
2018	9,033,000
Thereafter	<u>369,604,000</u>
	<u>\$ 418,726,000</u>

Series 2012 Revenue Bonds

In October 2012, the Hospital entered into a loan agreement with MHHEFA for the issuance of \$73,625,000 of Series 2012 Revenue Bonds (referred to as the 2012 Bonds). The proceeds of the 2012 Bonds were used to repay the Series 2004A Bonds and the Series 1998 Bonds previously provided by the Authority. The bonds being refinanced were originally obtained to finance a new replacement hospital (1998 Bonds) and to finance major renovations to the Hospital's Cancer Center and land acquisition (2004A Bonds). The 2012 Bonds provide for annual principal payments each July 1, from 2013 through 2034. Interest is payable semi-annually on each July 1 and January 1, beginning July 1, 2010. The 2012 Bonds bear stated interest at rates of 2.00% to 5.00%, and were issued at a premium of \$6,746,000. The effective annual interest rate for the 2012 Bonds for the year ended June 30, 2013 was 2.46%.

The provisions of the 2012 Bonds, together with the 2010 Bonds, 2009 Bonds, 2004 Bonds, and the 1998 Bonds, require the Parent and subsidiaries to comply with certain covenants on an annual basis, including a debt service coverage requirement, a debt to capitalization requirement, and a liquidity requirement.

Anne Arundel Health System, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)

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

Series 2010 Revenue Bonds

In February 2010, the Hospital entered into a loan agreement with MHHEFA for the issuance of \$85,410,000 of Series 2010 Revenue Bonds (referred to as the 2010 Bonds). The proceeds of the 2010 Bonds were used to repay the Series 2004B Bonds and Dedicated Financing previously provided by the Authority and are being used to finance the expansion of the parking garage for the Hospital's acute care pavilion. The 2010 Bonds provide for annual principal payments each July 1, from 2011 through 2040. Interest is payable semi-annually on each July 1 and January 1, beginning July 1, 2010. The 2010 Bonds bear stated interest at rates of 3.00% to 5.00%, and were issued at an original issue discount of \$1,507,000. The effective annual interest rates for the 2010 Bonds for the years ended June 30, 2013 and 2012, were 4.85% and 4.86%, respectively.

Series 2009 Revenue Bonds

In January 2009, the Hospital entered into a loan agreement with MHHEFA for the issuance of \$120,000,000 Series 2009A Revenue Bonds (the 2009A Bonds) and in February 2009, \$60,000,000 Series 2009B Revenue Bonds (the 2009B Bonds) (collectively referred to as the 2009 Bonds). The proceeds of the 2009 Bonds are being used to finance a portion of the costs of construction of an eight-story patient care building, two new parking garages, and certain costs relating to the issuance. The 2009A Bonds provide for annual principal payments each July 1, from 2012 through 2039. Interest is payable semi-annually on each July 1 and January 1, beginning July 1, 2009. The 2009B Bonds provide for annual principal payments each July 1, from 2040 through 2043. Interest is payable semi-annually on each July 1 and January 1, beginning July 1, 2009. The 2009A Bonds bear stated interest at rates of 4.00% to 6.75%. The 2009A Bonds were issued at an original issue discount of \$4,817,000. The effective annual interest rates for the 2009A Bonds for the years ended June 30, 2013 and 2012, were 6.71% and 6.64%, respectively. The 2009B Bonds bear interest at variable rates, as set forth in the loan agreement. The maximum interest rate is 12% for the 2009B Bonds. The effective annual interest rates for the 2009B Bonds for the years ended June 30, 2013 and 2012, were 0.19% and 0.17%, respectively. The principal and interest payments on the Series 2009B Bonds are secured by a letter of credit equal to the original principal of the bonds plus an amount equal to 40 days' interest thereon, calculated at the maximum rate. The current letter of credit expires in May 2016. Under certain circumstances, the Hospital would need to fully redeem the 2009B Bonds upon expiration of the letter of credit, unless a conforming replacement letter of credit was secured prior to such expiration. The Hospital, the Parent, and HCS are members of the obligated group for the 2009 Bonds.

Anne Arundel Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

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

Series 2004 Revenue Bonds

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

In October 2012, the 2004A Bonds were extinguished through the advance refunding financed by proceeds from the 2012 Bonds. The hospital paid a prepayment penalty of approximately \$1,500,000 to extinguish the 2004A Bonds. The remaining unamortized deferred financing costs and premium totaling \$853,000 were written off upon extinguishment of the 2004A Bonds and together with the prepayment penalty are recorded as a loss on extinguishment of debt in the accompanying consolidated statements of operations and changes in net assets for the year ended June 30, 2013.

Series 1998 Revenue Bonds

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

In October 2012, the 1998 Bonds were extinguished through an advance refunding financed by the proceeds from the 2012 Bonds. The remaining unamortized deferred financing costs and discount totaling \$1,208,000 were written off upon extinguishment of the 1998 Bonds and recorded as a loss on the extinguishment of debt in the accompanying consolidated statements of the operations and changes in net assets for the year ended June 30, 2013.

Anne Arundel Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

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

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

	June 30	
	2013	2012
Debt service funds	\$ 14,829,000	\$ 16,131,000
Debt service reserve funds	20,534,000	20,864,000
Construction fund and capitalized interest fund	1,036,000	3,440,000
	<u>\$ 36,399,000</u>	<u>\$ 40,435,000</u>

Bank Line of Credit and Term Loan

The Hospital maintains a line of credit with a bank providing available credit of \$30,000,000. The agreement with the bank is reviewed for renewal on February 28 of each year. Interest on any borrowings accrues at the One Month London Interbank Offered Rate (LIBOR) plus 1.5%. At June 30, 2013 and 2012, the Group has no balance on the line of credit.

On October 23, 2008, the Real Estate Company secured a term loan in the amount of \$55,000,000 with a bank. The proceeds from the term loan were used to refinance line of credit proceeds and fund certain construction costs related to a medical office building. The loan bears interest at a variable rate, based on the LIBOR Market Index Rate plus 1.25%. The term loan has a final maturity of November 5, 2018. The effective annual interest rates for the years ended June 30, 2013 and 2012, were 1.48% and 1.52%, respectively.

2008 Construction Loan

On October 23, 2008, the Real Estate Company entered into a construction loan in the amount of \$30,000,000 with a bank to fund the construction of a medical office building. The loan was issued under the same loan agreement as the term loan discussed in the immediately preceding paragraph. The debt is secured by the medical office building. Interest only is due during the construction period at a rate equal to the LIBOR Market Index Rate plus 1.25%. The loan converted to a term loan after the completion of the construction in July 2009. The term loan provides for monthly principal and interest payments and has a final maturity of November 5, 2018. The effective annual interest rates for the years ended June 30, 2013 and 2012, were 1.48% and 1.52%, respectively.

Anne Arundel Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

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

Kent Island Term Loan

In August 2007, KIMA entered into a construction loan agreement with a bank in the amount of \$9,000,000 that would convert to a term loan after the completion of the construction. The proceeds were used to construct a medical office building. The debt is secured by the medical office building. Interest only was due during the construction period at a rate of the 30-day LIBOR rate plus 1.0%. The construction was completed in June 2008. The term loan provides for monthly principal and interest payments and has a final maturity of June 2015. The effective annual interest rates for the years ended June 30, 2013 and 2012, were 1.08% and 1.11%, respectively.

7. Capital Lease Obligations

The Group has entered into capital lease agreements for certain medical equipment and software at a cost of \$7,432,000 as of June 30, 2013 and 2012. Accumulated amortization on these assets was \$5,257,000 and \$4,075,000 as of June 30, 2013 and 2012, respectively. Future payments under these capital lease obligations are as follows:

2014	\$ 825,000
2015	90,000
Total payments	<u>915,000</u>
Less amount deemed to represent interest	<u>(25,000)</u>
	890,000
Less current portion	<u>(800,000)</u>
	<u>\$ 90,000</u>

Anne Arundel Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

8. Pension Plan and Thrift Plan

The Hospital has a qualified noncontributory, defined benefit pension plan (the Plan) that covers substantially all employees. The Group's policy is to fund pension costs as determined by its actuary. Adopted by the Board of Trustees on June 11, 2009, and effective September 1, 2009, the Hospital amended the Plan to freeze future benefit accruals, and participants have not earned any additional benefits under the Plan since that date. However, subsequent to September 1, 2009, participants have continued to vest in benefits they have earned through September 1, 2009. The frozen benefit balance for the participants will only accrue interest credits until the participants' benefit commencement dates. FASB ASC 715, *Compensation – Retirement Benefits* (ASC 715) requires the Group to recognize the funded status (i.e., the difference between the fair value of plan assets and the projected benefit obligations) of its pension plan on its consolidated balance sheet, with a corresponding adjustment to unrestricted net assets. The pension liability adjustment to unrestricted net assets represents the change in net unrecognized actuarial losses and unrecognized prior service costs which have not yet been recognized as part of revenues and gains in excess of (less than) expenses. These amounts are subsequently recognized as net periodic pension cost pursuant to the Group's historical accounting policy for amortizing such amounts.

During the year ended June 30, 2013, a partial settlement of the Plan's defined benefit obligation was recognized. Since the settlement was more than minor, ASC 715 requires that a pro rata amount of the net loss in accumulated unrestricted net assets is charged to excess of revenues over expenses based on the proportion of the projected benefit obligation settled to the total projected benefit obligation. The settlement has been recognized and measured as of June 30, 2013. As of June 30, 2013, the Group determined that a settlement had occurred and recognized a loss of \$2,963,000 that was recorded within (loss) income from joint ventures and other, net in the consolidated statements of operations and changes in net assets.

Anne Arundel Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

8. Pension Plan and Thrift Plan (continued)

During the year ended June 30, 2013, an error was identified in the calculation of the discount rate which resulted in the understatement of the unfunded liability in the prior year financial statements. The impact to the prior year statements was determined to be immaterial and the correction was recorded in the current year as an actuarial loss. The reconciliation of the beginning and ending balances of the projected benefit obligation and the fair value of plan assets for the years ended June 30, 2013 and 2012, and the accumulated benefit obligation at June 30, 2013 and 2012, is as follows:

	June 30	
	2013	2012
Accumulated benefit obligation	<u><u>\$ 112,402,000</u></u>	<u><u>\$ 111,955,000</u></u>
Change in projected benefit obligation:		
Projected benefit obligation at beginning of year	\$ 111,955,000	\$ 96,341,000
Service cost	—	—
Interest cost	4,653,000	5,473,000
Actuarial loss	3,293,000	14,625,000
Benefits paid	(984,000)	(4,484,000)
Settlements paid	(6,515,000)	—
Projected benefit obligation at end of year	<u><u>112,402,000</u></u>	<u><u>111,955,000</u></u>
Change in plan assets:		
Fair value of plan assets at beginning of year	76,496,000	76,725,000
Actual return on plan assets	8,336,000	(1,445,000)
Employer contribution	4,465,000	5,700,000
Benefits paid	(984,000)	(4,484,000)
Settlements paid	(6,515,000)	—
Fair value of plan assets at end of year	<u><u>81,798,000</u></u>	<u><u>76,496,000</u></u>
Net liability recognized	<u><u>\$ (30,604,000)</u></u>	<u><u>\$ (35,459,000)</u></u>

Anne Arundel Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

8. Pension Plan and Thrift Plan (continued)

	June 30	
	2013	2012
Net amounts recognized in the consolidated balance sheets consist of:		
Accrued pension costs	<u><u>\$ (30,604,000)</u></u>	<u><u>\$ (35,459,000)</u></u>
Amounts recognized in accumulated unrestricted net assets that have not been recognized in net periodic benefit cost (credit) consist of:		
Net actuarial loss	<u><u>\$ 51,123,000</u></u>	<u><u>\$ 54,116,000</u></u>

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

	June 30	
	2013	2012
Discount rate	4.45%	4.25%
Rate of compensation increase	N/A	N/A

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

	Year Ended June 30	
	2013	2012
Discount rate	4.25%	5.80%
Expected return on plan assets	7.50%	7.75%
Rate of compensation increase	N/A	N/A

Anne Arundel Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

8. Pension Plan and Thrift Plan (continued)

Net periodic pension benefit cost (credit) included the following components:

	June 30	
	2013	2012
Service cost	\$ —	\$ —
Interest cost	4,653,000	5,473,000
Expected return on plan assets	(6,063,000)	(6,074,000)
Amortization of prior service cost	—	—
Recognized net actuarial loss	1,066,000	583,000
Loss recognized from partial settlement of projected benefit obligation	2,963,000	—
Net periodic benefit cost (credit)	\$ 2,619,000	\$ (18,000)

The estimated net loss for the defined benefit pension plans that will be amortized from unrestricted net assets into net periodic benefit credit over the next fiscal year is \$1,138,000.

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

The Hospital's target asset allocation percentages as of June 30, 2013, were as follows: 19% large cap domestic stocks, 8% small cap domestic stocks, 22% international stocks, 6% emerging market stocks, 5% exchange-traded notes, and 40% U.S. investment grade bonds.

Anne Arundel Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

8. Pension Plan and Thrift Plan (continued)

The following tables present the fair value hierarchy of assets of the defined benefit pension plan at June 30, 2013 and 2012, respectively:

		Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
	Total	Level 1	Level 2	Level 3
June 30, 2013				
Assets:				
Cash and cash equivalents	\$ 850,000	\$ —	\$ 850,000	\$ —
Mutual funds:				
Equity	24,254,000	24,254,000	—	—
Government bonds	30,007,000	30,007,000	—	—
International equity	22,163,000	22,163,000	—	—
Exchange traded notes	4,524,000	4,524,000	—	—
Total	<u>\$ 81,798,000</u>	<u>\$ 80,948,000</u>	<u>\$ 850,000</u>	<u>\$ —</u>

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

Anne Arundel Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

8. Pension Plan and Thrift Plan (continued)

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

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

The Hospital does not have any regulatory contribution requirements; however, the Hospital currently intends to make voluntary contributions to the defined benefit pension plan of \$9,526,500 in fiscal 2014.

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

2014	\$ 6,530,000
2015	6,884,000
2016	6,567,000
2017	6,056,000
2018	6,395,000
2018–2023	37,652,000

In addition to the noncontributory, defined benefit pension plan, the Hospital also offers an employee thrift plan. Participation in the plan is voluntary. Substantially all full-time employees of the Hospital are eligible to participate. Employees may elect to contribute a minimum of 1% of compensation, and a maximum amount as determined by Sections 403(b) and 415 of the Internal Revenue Code. Any employee making contributions to the plan is entitled to a Hospital contribution that will match the employee contribution at the rate of 50% to 75%, depending on the number of years of service, up to a maximum of 4% of qualified compensation. Matching contributions under this thrift plan were \$2,681,000 and \$2,556,000 in fiscal years 2013 and 2012, respectively.

Anne Arundel Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

9. Concentrations of Credit Risk

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

	June 30	
	2013	2012
Medicare	34%	27%
Medicaid	3	5
Blue Cross	20	23
Commercial, HMO, PPO and other	27	30
Patients	16	15
	100%	100%

10. Malpractice Insurance Costs and Self-Insured Professional Liability

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

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

Anne Arundel Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

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

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

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

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

The provision for estimated professional liability claims, general liability claims, and workers' compensation claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported. As of June 30, 2013 and 2012, the balance for outstanding claims reserves recorded at Cottage is \$21,898,000 and \$20,432,000, respectively. The remaining tail liability for claims incurred but not reported is \$6,365,000 and \$6,529,000 as of June 30, 2013 and 2012, with \$5,132,000 of the 2013 liability, and \$5,326,000 of the 2012 liability recorded at the Hospital. The remainder of the liability is recorded at PE. The Group has employed an independent actuary to estimate the ultimate settlement of such claims. In management's opinion, the amounts recorded provide an adequate reserve for loss contingencies. However, changes in circumstances affecting professional liability claims could cause these estimates to change by material amounts in the short term.

Anne Arundel Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

11. Commitments and Contingencies

Operating Leases

Various members of the Group have operating leases for storage space, equipment, and offices. During 2013 and 2012, rent expense on these leases was approximately \$9,695,000 and \$7,077,000, respectively. Future minimum annual rental payments under noncancelable operating leases, which expire through 2019, are as follows:

2014	\$ 7,920,000
2015	5,753,000
2016	4,687,000
2017	2,758,000
2018	2,445,000
Thereafter	3,821,000
	<u>\$ 27,384,000</u>

Contracted Construction Commitments

Members of the Group have future construction commitments with outside contractors for various projects totaling \$616,000 and \$2,324,000 as of June 30, 2013 and 2012, respectively.

Contingencies

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

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

Anne Arundel Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

11. Commitments and Contingencies (continued)

protocols to respond to RAC requests and payment denials. Payment recoveries resulting from RAC reviews are appealable through administrative and judicial processes, and we intend to pursue the reversal of adverse determinations where appropriate. In addition to overpayments that are not reversed on appeal, we will incur additional costs to respond to requests for records and pursue the reversal of payment denials. As of June 30, 2013 and 2012, the Group has recorded an estimated reserve regarding the Medicare overpayments. In the opinion of the Group's management, the ultimate settlement of this matter will not have a material adverse effect on the financial position of the Group.

12. Functional Expenses

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

	<u>2013</u>	<u>2012</u>
Health care services	\$ 482,612,000	\$ 455,166,000
General and administrative	<u>86,986,000</u>	<u>89,110,000</u>
	<u>\$ 569,598,000</u>	<u>\$ 544,276,000</u>

13. Fair Value of Financial Instruments

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

Investments and Assets Whose Use Is Limited

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

Anne Arundel Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

13. Fair Value of Financial Instruments (continued)

Pledges Receivable

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

Long-Term Debt

Fair values of the Group's fixed rate long-term debt are established using discounted cash flow analyses, based on the Group's current incremental borrowing rates for similar types of borrowing arrangements. The carrying amount of the Group's variable rate long-term debt approximates fair value. The estimated fair value of all long-term debt at June 30, 2013 and 2012, was approximately \$442,890,000 and \$460,940,000, respectively.

14. Temporarily Restricted Net Assets

At June 30, 2013 and 2012, temporarily restricted net assets are restricted for use, as follows:

	<u>2013</u>	<u>2012</u>
Hospital capital additions	\$ 12,215,000	\$ 14,003,000
Hospital operating programs	7,652,000	4,890,000
	<u>\$ 19,867,000</u>	<u>\$ 18,893,000</u>

15. Subsequent Events

The Group has evaluated the impact of subsequent events through October 18, 2013, representing the date at which the consolidated financial statements were issued.

Supplementary Information

Anne Arundel Health System, Inc. and Subsidiaries

Supplementary Consolidating Balance Sheet

June 30, 2013

	Anne Arundel Health System, Inc.	Anne Arundel Medical Center, Inc. and Subsidiaries	Anne Arundel Medical Center, Inc.	Anne Arundel Health Care Enterprises, Inc.	Anne Arundel Real Estate Holding Company, Inc. and Subsidiaries	AAHS Research Institute, Inc.	Physician Enterprise, LLC	Medical Center Foundation, Inc.	Consolidating and Eliminating Entries	Consolidated
									Company, Ltd	
Assets										
Current assets										
Cash and cash equivalents	\$ 475,000	\$ 35,620,000	\$ 6,000	\$ 1,398,000	\$ -	\$ 13,000	\$ 201,000	\$ -	\$ -	\$ 42,225,000
Short-term investments	-	1,240,000	-	-	-	-	-	-	-	2,335,000
Current portion of assets whose use is limited	-	14,826,000	-	-	-	-	-	-	-	17,556,000
Patent receivables, net	-	72,461,000	-	-	-	-	5,351,000	-	-	77,812,000
Current portion of pledges receivable, net	-	-	-	-	-	-	-	-	-	5,480,000
Inventories	-	8,204,000	112,000	-	-	-	-	-	-	8,316,000
Prepaid expenses and other current assets	-	52,209,000	1,379,000	1,164,000	30,000	5,000	-	-	-	9,851,000
Total current assets	475,000	184,560,000	1,497,000	2,562,000	2,760,000	18,000	5,552,000	6,000	(40,962,000)	163,538,000
Property and equipment	-	644,864,000	11,256,000	133,079,000	-	69,000	-	212,000	-	789,480,000
Less accumulated depreciation and amortization	-	(350,346,000)	(6,703,000)	(37,274,000)	-	(47,000)	-	(210,000)	-	(294,580,000)
Net property and equipment	-	294,518,000	4,553,000	95,805,000	-	22,000	-	2,000	-	494,800,000
Other assets										
Investments	-	222,335,000	-	-	-	-	-	1,702,000	-	224,037,000
Investments in joint ventures	-	-	818,000	7,397,000	-	-	-	-	-	8,215,000
Pledges receivable, net	-	-	-	-	-	-	-	7,672,000	-	7,672,000
Assets whose use is limited	-	22,269,000	-	-	-	-	-	14,233,000	-	59,861,000
Deferred debt issue costs, net	-	6,107,000	-	321,000	-	-	-	-	-	6,428,000
Beneficial interest in net assets of VAMC Foundation, Inc.	-	31,716,000	-	-	-	-	-	-	(31,716,000)	-
Restricted collateral for interest rate swap contract	-	49,775,000	-	-	-	-	-	-	-	49,775,000
Investment in subsidiaries and other assets	405,400,000	17,413,000	-	-	-	-	1,224,000	332,000	(420,033,000)	11,749,000
Total assets	\$ 405,875,000	\$ 928,693,000	\$ 6,868,000	\$ 106,085,000	\$ 3,552,000	\$ 40,000	\$ 6,776,000	\$ 35,039,000	\$ (4,000,000)	\$ 1,026,165,000

Anne Arundel Health System, Inc. and Subsidiaries

Supplementary Consolidating Balance Sheet (continued)

June 30, 2013

	Anne Arundel Health System, Inc.	Anne Arundel Medical Center, Inc. and Subsidiaries	Anne Arundel Health Care Enterprises, Inc.	Anne Arundel Real Estate Holding Company, Inc. and Subsidiaries	AAHS Research Institute, Inc.	Physician Enterprise, LLC	Anne Arundel Medical Center Foundation, Inc.	Consolidating and Eliminating Entries	Consolidated
								Cottage Insurance Company, Ltd	
Liabilities and net assets									
Current liabilities									
Accounts payable	\$ —	\$ 20,060,000	\$ 8,311,000	\$ 414,000	\$ 4,067,000	\$ 4,201,000	\$ 26,903,000	\$ (4,000,000)	\$ 22,251,000
Accrued salaries, wages and benefits	—	25,441,000	1,026,000	—	—	—	4,061,000	—	30,528,000
Other accrued expenses	—	17,565,000	13,000	1,056,000	3,316,000	—	—	—	22,536,000
Current portion of long-term debt and capital lease obligations	—	4,935,000	—	3,817,000	—	—	—	—	8,232,000
Advances from third-party payors	—	21,453,000	—	—	—	—	—	—	21,453,000
Total current liabilities	—	89,454,000	9,350,000	5,287,000	7,383,000	4,201,000	30,964,000	(4,000,000)	105,000,000
Long-term debt and capital lease obligations									
Less current portion and unamortized original issue discount	—	330,744,000	—	86,968,000	—	—	—	—	412,514,000
Interest rate swap contract	—	55,002,000	—	—	—	—	—	—	55,002,000
Accrued pension liabilities	—	30,604,000	—	—	—	—	2,654,000	—	30,604,000
Other long-term liabilities	—	—	—	11,435,000	18,582,000	—	—	(11,435,000)	21,256,000
Total liabilities	—	505,804,000	9,350,000	103,690,000	25,965,000	4,201,000	33,618,000	(4,000,000)	622,536,000
Net assets									
Unrestricted	372,577,000	393,593,000	(2,482,000)	2,305,000	9,567,000	(4,161,000)	(26,842,000)	—	372,543,000
Temporarily restricted	19,867,000	19,867,000	—	—	—	—	—	—	19,867,000
Permanently restricted	11,429,000	11,429,000	—	—	—	—	—	—	11,429,000
Total net assets	403,873,000	424,889,000	(2,482,000)	2,305,000	9,567,000	(4,161,000)	(26,842,000)	—	405,839,000
Total liabilities and net assets	\$ 403,873,000	\$ 928,693,000	\$ 6,868,000	\$ 106,085,000	\$ 35,532,000	\$ 40,000	\$ 6,776,000	\$ (4,000,000)	\$ 1,028,195,000

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

	Anne Arundel Health System, Inc	Anne Arundel Medical Center, Inc and Subsidaries	Anne Arundel Health Care Enterprises, Inc	Anne Arundel Real Estate Holding Company, Inc Subsidaries	Cottage Insurance Company, Ltd	AARHS Research Institute, Inc	Physician Enterprise, LLC	Medical Center Foundation, Inc	Consolidating and Eliminating Entries		
									Cottage Insurance Company, Ltd	Other Subsidaries	Consolidated
Operating revenue	\$ -	\$ 508,569,000	\$ -	\$ -	\$ -	\$ -	\$ 63,593,000	\$ -	\$ -	\$ -	\$ 572,102,000
Net patient service revenue	-	(22,606,000)	-	-	-	-	(3,957,000)	-	-	-	(26,563,000)
Provision for bad debts	-	-	-	-	-	-	-	-	-	-	-
Net patient service revenue less provision for bad debts	-	485,903,000	-	-	-	-	59,636,000	-	-	-	545,539,000
Other operating revenue	1,276,000	15,468,000	22,186,000	19,236,000	4,087,000	1,384,000	16,825,000	-	(4,332,000)	(49,247,000) ^{(1)(b)}	26,883,000
Total operating revenue	1,276,000	501,371,000	22,186,000	19,236,000	4,087,000	1,384,000	76,461,000	-	(4,332,000)	(49,247,000)	572,422,000
Operating expenses	\$ -	\$ 186,518,000	\$ 15,052,000	\$ -	\$ -	\$ 1,175,000	\$ 43,248,000	\$ 861,000	\$ -	(2,036,000) ^{(1)(a)}	\$ 244,818,000
Salaries and wages	-	36,073,000	2,170,000	-	-	-	259,000	189,000	-	(449,000) ^{(1)(b)}	42,067,000
Employee benefits	-	116,517,000	56,000	2,000	-	17,000	3,825,000	10,000	-	-	119,323,000
Medical supplies and drugs	1,275,000	93,627,000	4,005,000	9,895,000	2,532,000	387,000	31,945,000	1,246,000	(4,332,000)	(46,620,000) ^{(1)(a)}	93,960,000
Purchased services	-	15,419,000	-	-	-	7,000	1,065,000	-	-	(55,000) ^{(1)(a)}	16,436,000
Professional fees	-	29,963,000	1,240,000	4,554,000	-	10,000	-	1,000	-	-	35,768,000
Depreciation and amortization	-	15,973,000	-	1,340,000	-	-	-	-	-	(87,000) ^{(1)(a)}	17,226,000
Interest	-	-	-	-	-	-	-	-	-	-	-
Total operating expenses	1,275,000	494,090,000	22,523,000	15,791,000	2,532,000	1,855,000	82,804,000	2,307,000	(4,332,000)	(49,247,000)	569,598,000
Operating income (loss)	1,000	7,281,000	(337,000)	3,445,000	1,555,000	(471,000)	(6,343,000)	(2,307,000)	-	-	2,824,000
Other income (loss)	-	-	-	-	-	-	-	-	-	-	-
Investment income, net	-	11,847,000	-	34,000	1,806,000	-	-	71,000	-	-	13,758,000
Income (Loss) from joint ventures and other, net	46,007,000	(1,669,000)	190,000	138,000	-	-	-	-	-	(46,007,000) ^{(1)(a)}	(1,341,000)
Loss on extinguishment of debt	-	(3,561,000)	-	-	-	-	-	-	-	-	(3,561,000)
Change in unrealized gains (losses) on trading securities, net	-	7,911,000	-	-	(187,000)	-	-	73,000	-	-	7,797,000
Realized and unrealized losses on interest rate swap contracts, net	-	23,533,000	-	-	-	-	-	-	-	-	23,533,000
Total other income, net	46,007,000	38,061,000	190,000	172,000	1,619,000	-	-	144,000	-	(46,007,000)	40,186,000
Revenues and gains in excess of (less than) expenses	\$ 46,008,000	\$ 45,342,000	\$ (147,000)	\$ 3,617,000	\$ 3,174,000	\$ (471,000)	\$ (6,343,000)	\$ (2,163,000)	\$ -	\$ (46,007,000)	\$ 43,010,000

Anne Arundel Medical Center, Inc. and Subsidiaries

Supplementary Consolidating Balance Sheet

June 30, 2013

	Anne Arundel Medical Center, Inc.	Anne Arundel Health Care Services, Inc.	Anne Arundel General Treatment Services, Inc.	Consolidating and Eliminating Entries	Consolidated
Assets					
Current assets					
Cash and cash equivalents	\$ 26,120,000	\$ 9,499,000	\$ 1,000	\$ —	\$ 35,620,000
Short-term investments	1,240,000	—	—	—	1,240,000
Current portion of assets whose use is limited	14,826,000	—	—	—	14,826,000
Patient receivables, net	68,059,000	3,844,000	558,000	—	72,461,000
Inventories	8,204,000	—	—	—	8,204,000
Due from affiliates, net	45,003,000	32,147,000	335,000	(32,482,000) ⁽¹⁾	45,003,000
Prepaid expenses and other current assets	7,174,000	31,000	1,000	—	7,206,000
Total current assets	170,626,000	45,521,000	895,000	(32,482,000)	184,560,000
Property and equipment	610,202,000	28,774,000	5,888,000	—	644,864,000
Less accumulated depreciation and amortization	(224,389,000)	(22,814,000)	(3,143,000)	—	(250,346,000)
Net property and equipment	385,813,000	5,960,000	2,745,000	—	394,518,000
Other assets:					
Investments	222,335,000	—	—	—	222,335,000
Assets whose use is limited	22,269,000	—	—	—	22,269,000
Deferred debt issue costs, net	6,107,000	—	—	—	6,107,000
Beneficial interest in net assets of					
Anne Arundel Medical Center Foundation, Inc.	31,716,000	—	—	—	31,716,000
Notes receivable from affiliate	5,198,000	—	—	—	5,198,000
Restricted collateral for interest rate swap contract	49,775,000	—	—	—	49,775,000
Investments in subsidiaries and other assets, net	65,580,000	28,000	—	(53,393,000) ⁽²⁾	12,215,000
Total assets	\$ 959,419,000	\$ 51,509,000	\$ 3,640,000	\$ (85,875,000)	\$ 928,693,000

Anne Arundel Medical Center, Inc. and Subsidiaries

Supplementary Consolidating Balance Sheet (continued)

June 30, 2013

	Anne Arundel Medical Center, Inc.	Anne Arundel Health Care Services, Inc.	Anne Arundel General Treatment Services, Inc.	Consolidating and Eliminating Entries	Consolidated
Liabilities and net assets					
Current liabilities:					
Accounts payable	\$ 18,304,000	\$ 1,735,000	\$ 21,000	\$ —	\$ 20,060,000
Accrued salaries, wages, and benefits	25,441,000	—	—	—	25,441,000
Other accrued expenses	17,565,000	—	—	—	17,565,000
Current portion of long-term debt and capital lease obligations	4,935,000	—	—	—	4,935,000
Intercompany payables	32,482,000	—	—	(32,482,000) ⁽¹⁾	—
Advances from third-party payors	21,453,000	—	—	—	21,453,000
Total current liabilities	120,180,000	1,735,000	21,000	(32,482,000)	89,454,000
Long-term debt and capital lease obligations, less current portion and unamortized original issue discount	330,744,000	—	—	—	330,744,000
Interest rate swap contract	53,002,000	—	—	—	53,002,000
Accrued pension liability	30,604,000	—	—	—	30,604,000
Total liabilities	534,530,000	1,735,000	21,000	(32,482,000)	503,804,000
Net assets:					
Unrestricted	393,593,000	49,774,000	3,619,000	(53,393,000) ⁽²⁾	393,593,000
Temporarily restricted	19,867,000	—	—	—	19,867,000
Permanently restricted	11,429,000	—	—	—	11,429,000
Total net assets	424,889,000	49,774,000	3,619,000	(53,393,000)	424,889,000
Total liabilities and net assets	\$ 959,419,000	\$ 51,509,000	\$ 3,640,000	\$ (85,875,000)	\$ 928,693,000

Anne Arundel Medical Center, Inc. and Subsidiaries

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

Year Ended June 30, 2013

	Anne Arundel Medical Center, Inc.	Anne Arundel Health Care Services, Inc.	Anne Arundel General Treatment Services, Inc.	Consolidating and Eliminating Entries	Consolidated
Operating revenue					
Net patient service revenue	\$ 471,230,000	\$ 32,041,000	\$ 5,238,000	\$ —	\$ 508,509,000
Provision for bad debts	(19,751,000)	(2,571,000)	(284,000)	—	(22,606,000)
Net patient service revenue less provision for bad debts	451,479,000	29,470,000	4,954,000	—	485,903,000
Other operating revenue	26,036,000	60,000	81,000	(10,709,000) ⁽³⁾	15,468,000
Total operating revenue	477,515,000	29,530,000	5,035,000	(10,709,000)	501,371,000
Operating expenses					
Salaries and wages	186,518,000	5,370,000	3,028,000	(8,398,000) ⁽³⁾	186,518,000
Employee benefits	36,074,000	1,181,000	666,000	(1,848,000) ⁽³⁾	36,073,000
Medical supplies and drugs	115,094,000	1,195,000	283,000	(55,000) ⁽³⁾	116,517,000
Purchased services	85,749,000	7,692,000	594,000	(408,000) ⁽³⁾	93,627,000
Professional fees	8,621,000	6,751,000	47,000	—	15,419,000
Depreciation and amortization	28,371,000	1,441,000	151,000	—	29,963,000
Interest	15,973,000	—	—	—	15,973,000
Total operating expenses	476,400,000	23,630,000	4,769,000	(10,709,000)	494,090,000
Operating income	1,115,000	5,900,000	266,000	—	7,281,000
Other income (loss):					
Investment income, net	11,847,000	—	—	—	11,847,000
Income (loss) from joint venture and other, net	4,497,000	—	—	(6,166,000) ⁽⁵⁾	(1,669,000)
Loss on extinguishment of debt	(3,561,000)	—	—	—	(3,561,000)
Change in unrealized gains on trading securities, net	7,911,000	—	—	—	7,911,000
Realized and unrealized losses on interest rate swap contracts, net	23,533,000	—	—	—	23,533,000
Total other income (loss), net	44,227,000	—	—	(6,166,000)	38,061,000
Revenues and gains in excess of (less than) expenses	\$ 45,342,000	\$ 5,900,000	\$ 266,000	\$ (6,166,000)	\$ 45,342,000

Anne Arundel Health System, Inc. and Subsidiaries

Supplementary Description of Consolidating and Eliminating Entries

1. To eliminate intercompany payables/receivables.
2. To eliminate investment in subsidiaries and related net asset accounts.
3. To eliminate intercompany income/expense generated from management fees, staffing contracts, captive insurance premiums, and operating leases.
4. To eliminate intercompany notes.
5. To eliminate income of wholly owned subsidiaries.
6. To eliminate intercompany revenue/expense for interest and other miscellaneous transactions.
7. To eliminate the Hospital's beneficial interest in Anne Arundel Medical Center Foundation, Inc.

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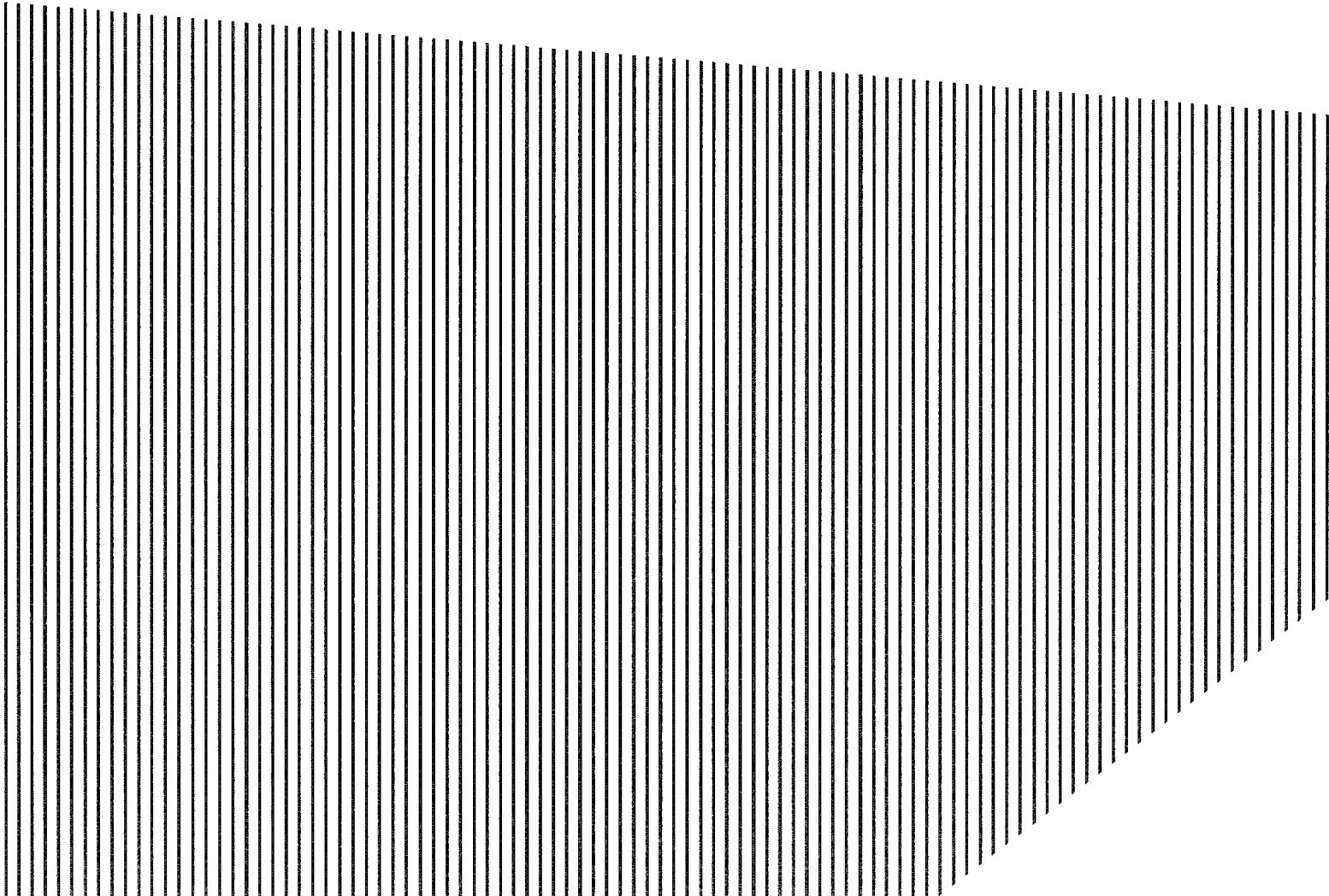
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MEMORANDUM

TO: Sandy Huffer
Director- Financial Operations
Anne Arundel Health System

FROM: Darci Landvick
Stratford Fidelity

DATE: December 9, 2011

RE: Anne Arundel Health System Executive Benefit Plan
Loan Regime - Survivor Benefits
Loan Regime Non-recourse Split Dollar Filing Requirement

Enclosed please find a participant memo(s) and four Representation Regarding Non-recourse Split Dollar Loan Forms for the participant(s) referenced on the following page.

The IRS requires that a copy of the representation form be attached to both the employee's and employer's Federal income tax return (or applicable tax documents) for any year in which the employer pays a premium under the survivor arrangement.

Please have a corporate officer sign all of the representation form documents on behalf of the organization (as employer) and forward to the appropriate participant for their signature (as employee), along with the enclosed memo of instruction. The participant should also sign all documents, keep two of the signed documents and return the other two to your attention. You will each attach one original representation form to your Federal income tax return (or applicable tax documents) and retain one signed copy for your records.

Once complete, please sign the enclosed certification form (certifying that you have forwarded the documents to the appropriate individuals listed) and return it in the envelope provided.

If questions arise, please don't hesitate to contact me at (877) 815-6366.

Thank you!

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

Employee

Martin "Chip" L. Doordan
Name
4908 Sudleys Choice Lane

Harwood, MD 20776-

Social Security Number _____

Employer

Anne Arundel Health System
Name
2001 Medical Parkway

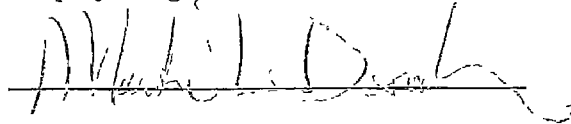
Annapolis, MD 21401

52-1169362
Employer Identification Number

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

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

Employee Signature:



Date: 1/14/12

Employer Signature:

By Victoria W. Bayless
Its President & Chief Executive Officer
Date: Anne Arundel Health System

SIGN TWO COPIES OF THIS FORM - SEE BELOW

Note: Current IRS regulations require the following:

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