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Part III

Statement of Program Service Accomplishments

Check if Schedule O contains a response or note to any line in this Part III

☐ Yes ☒ No

1

Briefly describe the organization’s mission

UPPER CHESAPEAKE MEDICAL CENTER IS DEDICATED TO MAINTAINING AND IMPROVING THE HEALTH OF THE PEOPLE IN ITS COMMUNITIES THROUGH AN INTEGRATED HEALTH DELIVERY SYSTEM THAT PROVIDES HIGH QUALITY CARE TO ALL UCMC IS COMMITTED TO SERVICE EXCELLENCE AS IT OFFERS A BROAD RANGE OF HEALTH CARE SERVICES, TECHNOLOGY AND FACILITIES UCMC WORKS COLLABORATIVELY WITH ITS COMMUNITIES AND OTHER HEALTH ORAGNIZATIONS TO SERVE AS A RESOURCE FOR HEALTH PROMOTION AND EDUCATION

2

Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ?

☐ Yes ☒ No

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

3

Did the organization cease conducting, or make significant changes in how it conducts, any program services?

☐ Yes ☒ No

If "Yes," describe these changes on Schedule O

4

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

4a

(Code) (Expenses \$ 192,038,300 including grants of \$ 13,758,160) (Revenue \$ 255,761,011)

SEE SCHEDULE O

4b

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

4c

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

4d





















Other program services (Describe in Schedule O)

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

4e

Total program service expenses ▶ 192,038,300

Part IV Checklist of Required Schedules

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

Part IV

Checklist of Required Schedules (continued)

21	Did the organization report more than \$5,000 of grants or other assistance to any domestic organization or government 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 or 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	Yes	
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 25a</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	Did the organization report any amount on Part X, line 5, 6, or 22 for receivables from or payables to any current or former officers, directors, trustees, key employees, highest compensated employees, or disqualified persons? <i>If so, 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		No
29	Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i> . . .	29		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i>	30		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i>	31		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i>	32		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? <i>If "Yes," complete Schedule R, Part I</i>	33		No
34	Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, 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		No
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		
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 or note to any line in this Part V

		Yes	No
1a	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable.		
1b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.		
1c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	Yes	
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return.		
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?		No
3b	If "Yes," has it filed a Form 990-T for this year? If "No" to line 3b, 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)?		No
b	If "Yes," enter the name of the foreign country: _____ See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.		
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?		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 or note to any line 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	21	
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	19	
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	2	Yes
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person?	3	No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	4	No
5	Did the organization become aware during the year of a significant diversion of the organization's assets?	5	No
6	Did the organization have members or stockholders?	6	Yes
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?	7a	No
7b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	7b	No
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following		
8a	The governing body?	8a	Yes
8b	Each committee with authority to act on behalf of the governing body?	8b	Yes
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O	9	No

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

		Yes	No
10a	Did the organization have local chapters, branches, or affiliates?	10a	No
10b	If "Yes," did the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with the organization's exempt purposes?	10b	
11a	Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form?	11a	Yes
11b	Describe in Schedule O the process, if any, used by the organization to review 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	Yes
16b	If "Yes," did the organization follow a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and take steps to safeguard the organization's exempt status with respect to such arrangements?	16b	No

Section C. Disclosure

17	List the States with which a copy of this Form 990 is required to be filed▶MD
18	Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply. <input type="checkbox"/> Own website <input type="checkbox"/> Another's website <input checked="" type="checkbox"/> Upon request <input type="checkbox"/> 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 ▶JOSEPH E HOFFMAN III 520 UPPER CHESAPEAKE DRIVE BEL AIR,MD 21014 (443) 643-1000

Part VII

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

Check if Schedule O contains a response or note to any line 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) ROGER E SCHNEIDER MD CHAIRMAN/DIRECTOR	1 0 2 5	X		X				0	0	0
(2) James Lambdin VICE CHAIRMAN/DIRECTOR	1 0 2 5	X		X				0	0	0
(3) ADELE WILZACK SECRETARY/DIRECTOR	1 0 2 5	X		X				0	0	0
(4) Richard P Street Jr VMD Treasurer/Director	1 0 2 5	X		X				0	0	0
(5) LYLE E SHELTON PRESIDENT/CEO/DIRECTOR	5 0 50 0	X		X				0	1,287,691	81,383
(6) WILLIAM B ALLEN PHD DIRECTOR	5 1 0	X						0	0	0
(7) John W Ashworth III Director/UMMS Board Rep	5 1 0	X						0	0	0
(8) JASON BIRNBAUM MD DIRECTOR	5 1 0	X						0	0	0
(9) John H Cain Director	5 1 0	X						0	0	0
(10) Robert Chrenck Director/UMMS Board Rep	5 1 0	X						0	0	0
(11) MELINDA L CRAIG DIRECTOR	5 1 0	X						0	0	0
(12) FRANKLIN J HAJEK DIRECTOR	5 1 0	X						0	0	0
(13) ROBERT J JIRSA DIRECTOR	5 1 5	X						0	0	0
(14) M Scot Kaufman DIRECTOR	5 1 5	X						0	0	0
(15) BRYAN E KELLY DIRECTOR	5 1 5	X						0	0	0
(16) ANNE W KINSLEY DIRECTOR	5 1 5	X						0	0	0
(17) Andrew Klein DIRECTOR	5 1 5	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) DONALD W MATHIS DIRECTOR	5 1 5	X						0	0	0
(19) Angela Poppe Ries MD DRCTOR/MED DIR-PALLIATIVE CARE	5 0 45 0	X						0	138,117	18,590
(20) WILLIAM J WARD JR DIRECTOR	5 1 5	X						0	0	0
(21) Albert J A Young DIRECTOR	5 1 0	X						0	0	0
(22) Joseph E Hoffman III SR VP/CFO	5 0 50 0			X				0	620,604	78,358
(23) Joyce Fox VP - Patient SVCS/CNO	20 0 20 0				X			0	284,054	49,558
(24) Roy H Phillips Physician	50 0					X		0	265,972	49,158
(25) Olufunmilayo Onobrakpeya Physician	50 0					X		0	235,974	49,198
(26) Angela M Kaitis Physician/DIR PHARMA SERVICES	50 0					X		0	140,213	43,241
(27) Gail L Judd Peroperative SrvcS Bus Dir	50 0					X		0	134,859	36,466
(28) Lori J Wilson Asst VP - Patient Services	50 0					X		0	145,486	8,955
1b Sub-Total										
c Total from continuation sheets to Part VII, Section A										
d Total (add lines 1b and 1c)								0	3,252,970	414,907

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▶82

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

Section B. Independent Contractors

1	Complete this table for your five highest compensated independent contractors that received more than \$100,000 of compensation from the organization Report compensation for the calendar year ending with or within the organization's tax year		
	(A) Name and business address	(B) Description of services	(C) Compensation
	NORTHERN CHESAPEAKE ANESTHESIA ASSO, PO BOX 89 BEL AIR MD 21014	PHYSICIAN FEES	2,059,119
	BRAIN AND SPINE SPECIALISTS PA, 206 SOUTH HAYS STREET BEL AIR MD 21014	PHYSICIAN FEES	504,187
	ROCK GLENN COMMERCIAL LLC, 101 N MAIN STREET suite B BEL AIR MD 21014	OFFICE RENT	401,733
	BEL AIR CENTER FOR PLASTICHand Sur, PO BOX 845 BEL AIR MD 210140845	PHYSICIAN FEES	347,442
	KPMG LLP, 111 SOUTH CALVERT ST BALTIMORE MD 21202	AUDIT FEES	333,162
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 ▶28		

Part VIII

Statement of Revenue

Check if Schedule O contains a response or note to any line in this Part VIII

				(A)	(B)	(C)	(D)	
				Total revenue	Related or exempt function revenue	Unrelated business revenue	Revenue excluded from tax under sections 512-514	
Contributions, Gifts, Grants and Other Similar Amounts	1a	Federated campaigns . . .	1a					
	b	Membership dues	1b					
	c	Fundraising events	1c					
	d	Related organizations	1d	7,601,117				
	e	Government grants (contributions)	1e					
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	0				
	g	Noncash contributions included in lines 1a-1f \$						
	h	Total. Add lines 1a-1f			7,601,117			
Program Service Revenue			Business Code					
	2a	NET PATIENT SERVICE REVENUE	621110	253,739,313	253,739,313			
	b	SPINE CENTER/ENDOCRINOLOGY	621110	199,873	199,873			
	c	POST REHAB FITNESS	621110	1,320	1,320			
	d							
	e							
	f	All other program service revenue						
	g	Total. Add lines 2a-2f			253,940,506			
Other Revenue	3	Investment income (including dividends, interest, and other similar amounts)		42,502			42,502	
	4	Income from investment of tax-exempt bond proceeds		0				
	5	Royalties		0				
	6a	(i) Real		(ii) Personal				
		1,470,574						
		3,051,071						
		-1,580,497		0				
	d	Net rental income or (loss)		-1,580,497			-1,580,497	
	7a	(i) Securities		(ii) Other				
		402,464		16,519				
		402,464		16,519				
	d	Net gain or (loss)		418,983			418,983	
	8a	Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18						
		a						
	b	Less direct expenses		b				
	c	Net income or (loss) from fundraising events			0			
	9a	Gross income from gaming activities See Part IV, line 19						
		a						
	b	Less direct expenses		b				
	c	Net income or (loss) from gaming activities			0			
	10a	Gross sales of inventory, less returns and allowances		a				
	a							
b	Less cost of goods sold		b					
c	Net income or (loss) from sales of inventory			0				
	Miscellaneous Revenue		Business Code					
11a	INCENTIVE PMTS- ELECTRONIC HLTH RECORDS		900099	1,820,505	1,820,505			
b	CAFETERIA/VENDING		900099	1,201,742			1,201,742	
c	PARKING GARAGE		900099	224,372			224,372	
d	All other revenue			459,231			459,231	
e	Total. Add lines 11a-11d			3,705,850				
12	Total revenue. See Instructions			264,128,461	255,761,011		766,333	

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 or note to any line 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.	13,728,955	13,728,955		
2	Grants and other assistance to individuals in the United States. See Part IV, line 22.	29,205	29,205		
3	Grants and other assistance to governments, organizations, and individuals outside the United States. See Part IV, lines 15 and 16.	0			
4	Benefits paid to or for members.	0			
5	Compensation of current officers, directors, trustees, and key employees.	0			
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B).	0			
7	Other salaries and wages.	87,096,363	64,699,029	22,397,334	
8	Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions).	6,326,604	4,699,681	1,626,923	
9	Other employee benefits.	6,341,987	4,711,108	1,630,879	
10	Payroll taxes.	7,667,560	5,695,803	1,971,757	
11	Fees for services (non-employees):				
a	Management.	1,780,360		1,780,360	
b	Legal.	0			
c	Accounting.	4,725		4,725	
d	Lobbying.	0			
e	Professional fundraising services. See Part IV, line 17.	0			
f	Investment management fees.	0			
g	Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O).	15,474,078	8,920,783	6,553,295	
12	Advertising and promotion.	656,507	975	655,532	
13	Office expenses.	63,635,995	59,984,883	3,651,112	
14	Information technology.	0			
15	Royalties.	0			
16	Occupancy.	4,696,507	671,914	4,024,593	
17	Travel.	25,723	11,892	13,831	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials.	0			
19	Conferences, conventions, and meetings.	94,492	31,807	62,685	
20	Interest.	4,359,730	3,238,600	1,121,130	
21	Payments to affiliates.	5,069,367	595,024	4,474,343	
22	Depreciation, depletion, and amortization.	12,800,202	9,508,556	3,291,646	
23	Insurance.	3,131,253	2,326,033	805,220	
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	MANAGEMENT FEES - UCHS	8,772,095		8,772,095	
b	REPAIRS & MAINTENANCE	3,107,188	907,278	2,199,910	
c	BAD DEBT	12,072,108	12,072,108		
d	DUES	371,900	17,907	353,993	
e	All other expenses	-5,522,605	186,759	-5,709,364	
25	Total functional expenses. Add lines 1 through 24e.	251,720,299	192,038,300	59,681,999	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 <input type="checkbox"/> if following SOP 98-2 (ASC 958-720).				

Part X

Balance Sheet

Check if Schedule O contains a response or note to any line in this Part X

				(A)		(B)
				Beginning of year		End of year
Assets	1	Cash—non-interest-bearing		18,587,894	1	22,349,642
	2	Savings and temporary cash investments		0	2	0
	3	Pledges and grants receivable, net		0	3	0
	4	Accounts receivable, net		27,904,096	4	26,360,350
	5	Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L		0	5	0
	6	Loans and other receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions) Complete Part II of Schedule L		0	6	0
	7	Notes and loans receivable, net		0	7	0
	8	Inventories for sale or use		5,804,000	8	0
	9	Prepaid expenses and deferred charges		1,191,840	9	7,431,191
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a297,153,791			
	b	Less accumulated depreciation	10b97,038,099	176,483,251	10c	200,115,692
	11	Investments—publicly traded securities		41,528,964	11	41,931,427
	12	Investments—other securities See Part IV, line 11		0	12	0
	13	Investments—program-related See Part IV, line 11		0	13	0
	14	Intangible assets		223,518	14	62,899
	15	Other assets See Part IV, line 11		81,687,211	15	223,430,538
	16	Total assets. Add lines 1 through 15 (must equal line 34)		353,410,774	16	521,681,739
Liabilities	17	Accounts payable and accrued expenses		30,580,356	17	18,298,981
	18	Grants payable		0	18	0
	19	Deferred revenue		0	19	0
	20	Tax-exempt bond liabilities		162,519,495	20	189,751,044
	21	Escrow or custodial account liability Complete Part IV of Schedule D		0	21	0
	22	Loans and other payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons Complete Part II of Schedule L		0	22	0
	23	Secured mortgages and notes payable to unrelated third parties		0	23	0
	24	Unsecured notes and loans payable to unrelated third parties		0	24	0
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24) Complete Part X of Schedule D		67,859,894	25	46,118,953
	26	Total liabilities. Add lines 17 through 25		260,959,745	26	254,168,978
Net Assets or Fund Balances	Organizations that follow SFAS 117 (ASC 958), check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.					
	27	Unrestricted net assets		81,060,106	27	106,122,761
	28	Temporarily restricted net assets		11,390,923	28	161,390,000
	29	Permanently restricted net assets		0	29	0
	Organizations that do not follow SFAS 117 (ASC 958), check here <input type="checkbox"/> and complete lines 30 through 34.					
	30	Capital stock or trust principal, or current funds			30	
	31	Paid-in or capital surplus, or land, building or equipment fund			31	
	32	Retained earnings, endowment, accumulated income, or other funds			32	
	33	Total net assets or fund balances		92,451,029	33	267,512,761
	34	Total liabilities and net assets/fund balances		353,410,774	34	521,681,739

Part XI Reconciliation of Net Assets

Check if Schedule O contains a response or note to any line in this Part XI

1	Total revenue (must equal Part VIII, column (A), line 12)	1	264,128,461
2	Total expenses (must equal Part IX, column (A), line 25)	2	251,720,299
3	Revenue less expenses Subtract line 2 from line 1	3	12,408,162
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	92,451,029
5	Net unrealized gains (losses) on investments	5	-34,829
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	162,688,399
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	267,512,761

Part XII Financial Statements and Reporting

Check if Schedule O contains a response or note to any line in this Part XII

		Yes	No
1	Accounting method used to prepare the Form 990 <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Accrual <input type="checkbox"/> Other If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O		
2a	Were the organization's financial statements compiled or reviewed by an independent accountant? 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 <input type="checkbox"/> Separate basis <input type="checkbox"/> Consolidated basis <input type="checkbox"/> Both consolidated and separate basis		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 <input type="checkbox"/> Separate basis <input checked="" type="checkbox"/> Consolidated basis <input type="checkbox"/> Both consolidated and separate basis	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	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?		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		

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.**
▶ **Information about Schedule A (Form 990 or 990-EZ) and its instructions is at**
www.irs.gov/form990.

OMB No 1545-0047

2013

Open to Public
Inspection

Name of the organization UPPER CHESAPEAKE MEDICAL CENTER	Employer identification number 52-1253920
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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	<input type="checkbox"/>	A church, convention of churches, or association of churches described in section 170(b)(1)(A)(i).
2	<input type="checkbox"/>	A school described in section 170(b)(1)(A)(ii). (Attach Schedule E)
3	<input checked="" type="checkbox"/>	A hospital or a cooperative hospital service organization described in section 170(b)(1)(A)(iii).
4	<input type="checkbox"/>	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	<input type="checkbox"/>	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	<input type="checkbox"/>	A federal, state, or local government or governmental unit described in section 170(b)(1)(A)(v).
7	<input type="checkbox"/>	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	<input type="checkbox"/>	A community trust described in section 170(b)(1)(A)(vi) (Complete Part II)
9	<input type="checkbox"/>	An organization that normally receives (1) more than 33 ¹ / ₃ % of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions—subject to certain exceptions, and (2) no more than 33 ¹ / ₃ % of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975 See section 509(a)(2). (Complete Part III)
10	<input type="checkbox"/>	An organization organized and operated exclusively to test for public safety See section 509(a)(4).
11	<input type="checkbox"/>	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 <input type="checkbox"/> Type I b <input type="checkbox"/> Type II c <input type="checkbox"/> Type III - Functionally integrated d <input type="checkbox"/> Type III - Non-functionally integrated
e	<input type="checkbox"/>	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	<input type="checkbox"/>	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	<input type="checkbox"/>	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	<input type="checkbox"/>	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									

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) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(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) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(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 2013 (line 6, column (f) divided by line 11, column (f))	14		
15 Public support percentage for 2012 Schedule A, Part II, line 14	15		
16a 33 1/3% support test—2013. 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—2012. 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—2013. 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—2012. 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 IIISupport 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) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(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) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(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 2013 (line 8, column (f) divided by line 13, column (f))	15	
16 Public support percentage from 2012 Schedule A, Part III, line 15	16	

Section D. Computation of Investment Income Percentage		
17 Investment income percentage for 2013 (line 10c, column (f) divided by line 13, column (f))	17	
18 Investment income percentage from 2012 Schedule A, Part III, line 17	18	
19a 33 1/3% support tests—2013. 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—2012. 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.** 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

Return Reference	Explanation	
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SCHEDULE C

(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Political Campaign and Lobbying Activities

For Organizations Exempt From Income Tax Under section 501(c) and section 527
▶ **Complete if the organization is described below.** ▶ **Attach to Form 990 or Form 990-EZ.**
▶ **See separate instructions.** ▶ **Information about Schedule C (Form 990 or 990-EZ) and its instructions is at *www.irs.gov/form990*.**

OMB No 1545-0047

2013

Open to Public Inspection

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

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

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

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

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

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

Name of the organization UPPER CHESAPEAKE MEDICAL CENTER	Employer identification number 52-1253920
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Part I-A Complete if the organization is exempt under section 501(c) or is a section 527 organization.

1	Provide a description of the organization's direct and indirect political campaign activities in Part IV	
2	Political expenditures	▶ \$
3	Volunteer hours	

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

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

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

1	Enter the amount directly expended by the filing organization for section 527 exempt function activities	▶ \$
2	Enter the amount of the filing organization's funds contributed to other organizations for section 527 exempt function activities	▶ \$
3	Total exempt function expenditures Add lines 1 and 2 Enter here and on Form 1120-POL, line 17b	▶ \$
4	Did the filing organization file Form 1120-POL for this year?	<input type="checkbox"/> Yes <input type="checkbox"/> No
5	Enter the names, addresses and employer identification number (EIN) of all section 527 political organizations to which the filing organization made payments For each organization listed, enter the amount paid from the filing organization's funds Also enter the amount of political contributions received that were promptly and directly delivered to a separate political organization, such as a separate segregated fund or a political action committee (PAC) If additional space is needed, provide information in Part IV	

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

Part II-A

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

- A
- Check ☐ if the filing organization belongs to an affiliated group (and list in Part IV each affiliated group member's name, address, EIN, expenses, and share of excess lobbying expenditures)
- B
- Check ☐ if the filing organization checked box A and "limited control" provisions apply

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

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

Lobbying Expenditures During 4-Year Averaging Period					
Calendar year (or fiscal year beginning in)	(a) 2010	(b) 2011	(c) 2012	(d) 2013	(e) Total
2a Lobbying nontaxable amount					
b Lobbying ceiling amount (150% of line 2a, column(e))					
c Total lobbying expenditures					
d Grassroots nontaxable amount					
e Grassroots ceiling amount (150% of line 2d, column (e))					
f Grassroots lobbying expenditures					

Part II-B

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

For each "Yes" response to lines 1a through 1i below, provide in Part IV a detailed description of the lobbying activity.		(a)		(b)
		Yes	No	Amount
1 During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of a Volunteers? b Paid staff or management (include compensation in expenses reported on lines 1c through 1i)? c Media advertisements? d Mailings to members, legislators, or the public? e Publications, or published or broadcast statements? f Grants to other organizations for lobbying purposes? g Direct contact with legislators, their staffs, government officials, or a legislative body? h Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means? i Other activities? j Total Add lines 1c through 1i				
		No		
		No		
		No		
		No		
		No		
		No		
		No		
		No		
		Yes		9,450
				9,450
2a Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No		
b If "Yes," enter the amount of any tax incurred under section 4912				
c If "Yes," enter the amount of any tax incurred by organization managers under section 4912				
d If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?		No		

Part III-A

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

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

Part III-B

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

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

Part IV

Supplemental Information

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

Return Reference	Explanation
SCHEDULE C, PART II-B, LINE 1I	LOBBYING EXPENSES IN THE AMOUNT OF \$9,450 FOR 12/31/13 REPRESENT A PORTION OF THE DUES PAID TO MARYLAND HOSPITAL ASSOCIATION. THESE ASSOCIATIONS ALLOCATE A PORTION OF MEMBER DUES TO LOBBYING ACTIVITY.

Part IV

[illegible]

SCHEDULE D
(Form 990)

Supplemental Financial Statements

OMB No 1545-0047

2013

Open to Public Inspection

Department of the Treasury
Internal Revenue Service

▶ 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. ▶ Information about Schedule D (Form 990) and its instructions is at www.irs.gov/form990.

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

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

	(a) Donor advised funds	(b) Funds and other accounts
1	Total number at end of year	
2	Aggregate contributions to (during year)	
3	Aggregate grants from (during year)	
4	Aggregate value at end of year	
5	Did the organization inform all donors and donor advisors in writing that the assets held in donor advised funds are the organization's property, subject to the organization's exclusive legal control? <div><input type="checkbox"/> Yes <input type="checkbox"/> No</div>	
6	Did the organization inform all grantees, donors, and donor advisors in writing that grant funds 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? <div><input type="checkbox"/> Yes <input type="checkbox"/> No</div>	

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

1

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

☐ Preservation of land for public use (e g , recreation or 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

▶ \$ _____

For Paperwork Reduction Act Notice, see the Instructions for Form 990.

Cat No 52283D

Schedule D (Form 990) 2013

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

Yes

No

4

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

Part VI Land, Buildings, and Equipment. Complete if the organization answered 'Yes' to Form 990, Part IV, line 11a. See Form 990, Part X, line 10.

Description of property	(a) Cost or other basis (investment)	(b)Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land		6,948,000		6,948,000
b Buildings		140,159,837	38,197,398	101,962,439
c Leasehold improvements		8,498,390	1,754,546	6,743,844
d Equipment		53,378,222	40,446,049	12,932,173
e Other		88,169,342	16,640,106	71,529,236
Total. Add lines 1a through 1e (Column (d) must equal Form 990, Part X, column (B), line 10(c).)				200,115,692

Schedule D (Form 990) 2013

Part XI

Reconciliation of Revenue per Audited Financial Statements With Revenue per Return

Complete if the organization answered 'Yes' to Form 990, Part IV, line 12a.

1	Total revenue, gains, and other support per audited financial statements	1	404,032,039
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12		
a	Net unrealized gains on investments	2a	-34,829
b	Donated services and use of facilities	2b	
c	Recoveries of prior year grants	2c	
d	Other (Describe in Part XIII)	2d	136,887,336
e	Add lines 2a through 2d	2e	136,852,507
3	Subtract line 2e from line 1	3	267,179,532
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	-3,051,071
c	Add lines 4a and 4b	4c	-3,051,071
5	Total revenue Add lines 3 and 4c. (This must equal Form 990, Part I, line 12)	5	264,128,461

Part XII

Reconciliation of Expenses per Audited Financial Statements With Expenses per Return.

Complete if the organization answered 'Yes' to Form 990, Part IV, line 12a.

1	Total expenses and losses per audited financial statements	1	228,970,307
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	3,051,071
e	Add lines 2a through 2d	2e	3,051,071
3	Subtract line 2e from line 1	3	225,919,236
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	25,801,063
c	Add lines 4a and 4b	4c	25,801,063
5	Total expenses Add lines 3 and 4c. (This must equal Form 990, Part I, line 18)	5	251,720,299

Part XIII

Supplemental Information

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.

Return Reference	Explanation
PART X, QUESTION 2	Upper Chesapeake Medical Center accounts for tax provisions in accordance with FASB Interpretation No. 48 (FIN 48), Accounting for Uncertainty in Income Taxes, included in ASC Subtopic 740-10, Income Taxes - Overall, which clarifies the accounting for uncertainty in tax provisions. FIN 48 requires that Upper Chesapeake Medical Center recognize the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs.
SCHEDULE D, PART XI	LINE 2D - OTHER REVENUE ON BOOKS NOT ON RETURN: Reclass-provision for BAD DEBT \$ (12,072,108); MINIMUM PENSION LIABILITY 8,968,327; Unrealized Gain/(Loss) On Swap 3,720,072; Economic Interest in UCH Legacy Funding, Inc. 150,000,000; Reclass-Grant to UC Medical Service (13,426,146); Reclass-Grant to UC Properties (149,503); Reclass-Grant to UC Res Hospice House (153,306). ----- Total Line 2d \$ 136,887,336. LINE 4B - OTHER REVENUE ON RETURN NOT ON BOOKS: RECLASS-RENTAL EXPENSES \$ (3,051,071).
SCHEDULE D, PART XII	LINE 2D - OTHER EXPENSES INCLUDED ON BOOKS NOT ON RETURN: RECLASS-RENTAL EXPENSES \$ 3,051,071. LINE 4B - OTHER EXPENSES INCLUDED ON RETURN NOT ON BOOKS: Reclass-provision for BAD DEBT \$ 12,072,108; Reclass-Grant to UC Medical Service 13,426,146; Reclass-Grant to UC Properties 149,503; Reclass-Grant to UC Res Hospice House 153,306. ----- Total Line 4b \$ 25,801,063.

[illegible]

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.
► Information about Schedule H (Form 990) and its instructions is at *www.irs.gov/form990*.

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
UPPER CHESAPEAKE MEDICAL CENTER

Employer identification number
52-1253920

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 <input checked="" type="checkbox"/> Applied uniformly to all hospital facilities <input type="checkbox"/> Applied uniformly to most hospital facilities <input type="checkbox"/> 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 <input type="checkbox"/> 100% <input type="checkbox"/> 150% <input checked="" type="checkbox"/> 200% <input type="checkbox"/> 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 <input type="checkbox"/> 200% <input type="checkbox"/> 250% <input checked="" type="checkbox"/> 300% <input type="checkbox"/> 350% <input type="checkbox"/> 400% <input type="checkbox"/> Other _____ % 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	No
b	If "Yes," did the organization make it available to the public?	5c	
	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)			18,408,513		18,408,513	7 680 %
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 . .			18,408,513		18,408,513	7 680 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			1,473,506	133,631	1,339,874	0 560 %
f Health professions education (from Worksheet 5)			1,663,615		1,663,615	0 690 %
g Subsidized health services (from Worksheet 6)			3,274,736		3,274,736	1 370 %
h Research (from Worksheet 7)			237,670		237,670	0 100 %
i Cash and in-kind contributions for community benefit (from Worksheet 8)			130,832		130,832	0 050 %
j Total Other Benefits			6,780,359	133,631	6,646,727	2 770 %
k Total. Add lines 7d and 7j . .			25,188,872	133,631	25,055,240	10 450 %

Part IICommunity 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						
2Economic development						
3Community support			69,047	31,500	37,547	
4Environmental improvements			5,909		5,909	
5Leadership development and training for community members			1,747		1,747	
6Coalition building			27,052		27,052	
7Community health improvement advocacy						
8Workforce development			2,327		2,327	
9Other						
10Total			106,082	31,500	74,582	

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

12,072,108

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

2,573,281

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

101,888,326

6

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

6

96,535,239

7

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

7

5,353,087

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				

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, primary website address, and state license number

		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
	See Additional Data Table										

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)

UPPER CHESAPEAKE MEDICAL CENTER INC

Name of hospital facility or facility reporting group

If reporting on Part V, Section B for a single hospital facility 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 <input checked="" type="checkbox"/> A definition of the community served by the hospital facility		
b <input checked="" type="checkbox"/> Demographics of the community		
c <input checked="" type="checkbox"/> Existing health care facilities and resources within the community that are available to respond to the health needs of the community		
d <input checked="" type="checkbox"/> How data was obtained		
e <input checked="" type="checkbox"/> The health needs of the community		
f <input checked="" type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups		
g <input checked="" type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet the community health needs		
h <input checked="" type="checkbox"/> The process for consulting with persons representing the community's interests		
i <input type="checkbox"/> Information gaps that limit the hospital facility's ability to assess the community's health needs		
j <input type="checkbox"/> Other (describe in Part VI)		
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 persons who represent the broad interests 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 <input checked="" type="checkbox"/> Hospital facility's website (list url) <u>WWW.UMUCH.ORG</u>		
b <input type="checkbox"/> Other website (list url) _____		
c <input checked="" type="checkbox"/> Available upon request from the hospital facility		
d <input type="checkbox"/> 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 as of the end of the tax year)		
a <input checked="" type="checkbox"/> Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA		
b <input checked="" type="checkbox"/> Execution of the implementation strategy		
c <input checked="" type="checkbox"/> Participation in the development of a community-wide plan		
d <input checked="" type="checkbox"/> Participation in the execution of a community-wide plan		
e <input checked="" type="checkbox"/> Inclusion of a community benefit section in operational plans		
f <input checked="" type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the CHNA		
g <input checked="" type="checkbox"/> Prioritization of health needs in its community		
h <input checked="" type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community		
i <input type="checkbox"/> Other (describe in Part VI)		
7 Did the hospital facility address all of the needs identified in its most recently conducted CHNA? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs	7	No
8a Did the organization incur an excise tax under section 4959 for the hospital facility's failure to conduct a CHNA as required by section 501(r)(3)?	8a	No
b If "Yes" to line 8a, did the organization file Form 4720 to report the section 4959 excise tax?	8b	
c If "Yes" to line 8b, what is the total amount of section 4959 excise tax the organization reported on Form 4720 for all of its hospital facilities? \$ _____		

Part V

Facility Information (continued)

Financial Assistance Policy		Yes	No
9	Did the hospital facility have in place during the tax year a written financial assistance policy that Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	9	Yes
10	Used federal poverty guidelines (FPG) to determine eligibility for providing free care? If "Yes," indicate the FPG family income limit for eligibility for free care 200 % If "No," explain in Part VI the criteria the hospital facility used	10	Yes
11	Used FPG to determine eligibility for providing discounted care? If "Yes," indicate the FPG family income limit for eligibility for discounted care 300 % 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	<input checked="" type="checkbox"/> Income level		
b	<input checked="" type="checkbox"/> Asset level		
c	<input checked="" type="checkbox"/> Medical indigency		
d	<input type="checkbox"/> Insurance status		
e	<input type="checkbox"/> Uninsured discount		
f	<input type="checkbox"/> Medicaid/Medicare		
g	<input checked="" type="checkbox"/> State regulation		
h	<input type="checkbox"/> Residency		
i	<input type="checkbox"/> 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	<input checked="" type="checkbox"/> The policy was posted on the hospital facility's website		
b	<input checked="" type="checkbox"/> The policy was attached to billing invoices		
c	<input checked="" type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms		
d	<input checked="" type="checkbox"/> The policy was posted in the hospital facility's admissions offices		
e	<input checked="" type="checkbox"/> The policy was provided, in writing, to patients on admission to the hospital facility		
f	<input checked="" type="checkbox"/> The policy was available upon request		
g	<input type="checkbox"/> Other (describe in Part VI)		
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 individual's eligibility under the facility's FAP		
a	<input type="checkbox"/> Reporting to credit agency		
b	<input type="checkbox"/> Lawsuits		
c	<input type="checkbox"/> Liens on residences		
d	<input type="checkbox"/> Body attachments		
e	<input type="checkbox"/> Other similar actions (describe in Section C)		
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 individual's eligibility under the facility's FAP? If "Yes," check all actions in which the hospital facility or a third party engaged	17	No
a	<input type="checkbox"/> Reporting to credit agency		
b	<input type="checkbox"/> Lawsuits		
c	<input type="checkbox"/> Liens on residences		
d	<input type="checkbox"/> Body attachments		
e	<input type="checkbox"/> Other similar actions (describe in Section C)		

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 individuals regarding the individuals' bills
- d

☒

Documented its determination of whether individuals were eligible for financial assistance under the hospital facility's financial assistance policy
- e

☐

Other (describe in Section C)

Policy Relating to Emergency Medical Care

	Yes	No
19	Yes	
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		
a	<input type="checkbox"/>	
The hospital facility did not provide care for any emergency medical conditions		
b	<input type="checkbox"/>	
The hospital facility's policy was not in writing		
c	<input type="checkbox"/>	
The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)		
d	<input type="checkbox"/>	
Other (describe in Part VI)		

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	<input type="checkbox"/>	
The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged		
b	<input type="checkbox"/>	
The hospital facility used the average of its three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged		
c	<input type="checkbox"/>	
The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged		
d	<input checked="" type="checkbox"/>	
Other (describe in Part VI)		
21		No
During the tax year, did the hospital facility charge any FAP-eligible individual 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		
22		No
During the tax year, did the hospital facility charge any FAP-eligible individual an amount equal to the gross charge for any service provided to that individual?		
If "Yes," explain in Part VI		

Part V

Facility Information (continued)

Section D. 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? 1

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

Part VI

Supplemental Information

Provide the following information

- 1
- Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7, Part II and Part III, lines 2, 3, 4, 8 and 9b
- 2
- Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any CHNAs 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

Form and Line Reference	Explanation
PART III, SECTION A, LINES 2-4 BAD DEBT EXPENSE	The Hospital grants credit to patients, substantially all of whom are local residents. The Hospital generally does not require collateral or other security in extending credit, however, the Hospital routinely obtains assignment of (or are otherwise entitled to receive) patients' benefits receivable under their health insurance programs, plans or policies. Please refer to Footnote 15 Charity Care and Other Deductions from Revenue for the description regarding the Organization's bad debt expense.
PART III, SECTION B, LINE 8 COMMUNITY BENEFIT AND SHORTFALL	The Hospital did not have a Medicare shortfall.

Form and Line Reference	Explanation
PART III, SECTION C, LINE 9B FAP AND COLLECTION PROCESS	IT IS THE POLICY OF THE HOSPITAL TO ATTEMPT TO COLLECT PAYMENT FOR ALL SERVICES RENDERED TO PATIENTS IN THE MOST EFFICIENT AND PATIENT FRIENDLY MANNER THE HOSPITAL IS COMMITTED TO PROVIDE FINANCIAL ASSISTANCE TO PERSONS WHO HAVE HEALTH CARE NEEDS AND ARE UNINSURED, UNDERINSURED, INELIGIBLE FOR GOVERNMENT PROGRAMS, OR OTHERWISE UNABLE TO PAY FOR MEDICALLY NECESSARY CARE BASED ON INDIVIDUAL FINANCIAL SITUATION THE HOSPITAL WILL FIRST ATTEMPT TO COLLECT PAYMENT FROM THE PATIENT'S INSURANCE COMPANY IN THE EVENT THE PATIENT HAS NO INSURANCE OR LIMITED INSURANCE COVERAGE, THE HOSPITAL WILL ATTEMPT TO QUALIFY THE PATIENT FOR THE MARYLAND MEDICAL ASSISTANCE PROGRAM AND/OR THE HOSPITAL'S FINANCIAL ASSISTANCE POLICY THE HOSPITAL'S FINANCIAL ASSISTANCE POLICY'S PROCEDURES ARE AS FOLLOWS -FINANCIAL ASSISTANCE IS MADE AVAILABLE TO ALL OF UPPER CHESAPEAKE HEALTH'S CUSTOMERS -APPLICATIONS ARE PROVIDED TO EVERY UNINSURED PATIENT AND UPON REQUEST -NOTICES OF AVAILABILITY ARE AT ALL PATIENT ACCESS POINTS, BILLING OFFICES AND CASHIER'S STATIONS -NOTICE OF AVAILABILITY PROVIDED TO PATIENTS ON PATIENTS BILLS AND BEFORE DISCHARGE -FREE CARE IS AVAILABLE TO PATIENTS IN HOUSEHOLDS BETWEEN 0 PERCENT AND 200 PERCENT OF FEDERAL POVERTY LEVEL -REDUCED COST CARE IS AVAILABLE TO UNINSURED PATIENTS BETWEEN 200 PERCENT AND 300 PERCENT OF FEDERAL POVERTY LEVEL -INTEREST FREE PAYMENT PLANS ARE AVAILABLE TO UNINSURED PATIENTS WITH INCOME BETWEEN 200 PERCENT AND 500 PERCENT OF FEDERAL POVERTY LEVEL -FINANCIAL ASSISTANCE DETERMINATION APPEAL PROCESS IN PLACE -MEDICAL HARDSHIP / CATASTROPHIC CARE POLICY IN PLACE PATIENTS WHO ARE LEFT WITH A BALANCE AFTER ALL INSURANCES HAVE BEEN PURSUED AND FINANCIAL ASSISTANCE HAS BEEN OFFERED - THEIR ACCOUNTS WILL BE HANDLED IN THE FOLLOWING MANNER -THE ORGANIZATION WILL REFER THESE ACCOUNTS TO ITS EARLY-OUT VENDOR THIS EARLY-OUT VENDOR IS NOT A COLLECTION AGENCY, IT IS AN EXTENSION OF THE HOSPITAL'S PATIENT ACCOUNTING OFFICE -THE EARLY-OUT VENDOR WILL FACILITATE THE NEGOTATION OF SELF-PAY NO-INTEREST PAYMENT ARRANGEMENTS THROUGH A SERIES OF LETTERS AND PHONE CALLS -AN INITIAL NOTICE WILL BE SENT TO THE PATIENT'S GUARANTOR PROVIDING OPTIONS FOR RESOLUTION IF GUARANTOR IS UNABLE TO PAY THE BALANCE IN FULL, AN ATTEMPT WILL BE MADE TO HAVE THE BALANCE RESOLVED WITHIN 3 TO 6 MONTHS THE MINIMUM PAYMENT GUIDELINES REQUIRE THE ACCOUNT BALANCE BE PAID IN 12 MONTHS WITH A MINIMUM PAYMENT OF FIFTY DOLLARS THERE IS EXCEPTIONS FOR CANCER CENTER PATIENTS -IF A VALID ADDRESS AND OR PHONE NUMBER IS LISTED A TOTAL OF 3 LETTERS AND 3 PHONE CALL ATTEMPTS WILL BE MADE ON ACCOUNTS THAT HAVE NOT BEEN PAID IN FULL OR WHERE AN APPROVED PAYMENT ARRANGEMENT HAS NOT BEEN MADE DAY 15 TO 30 ONE PHONE CALL CAMPAIGN WILL BE MADE, DAY 68 TO 80 IF ACCOUNT HAS NOT BEEN PAID IN FULL OR HAS NOT BEEN SET UP ON AN APPROVED PAYMENT PLAN, THE EARLY-OUT VENDOR WILL RECOMMEND THAT THE ACCOUNT BE PLACED WITH A COLLECTION AGENCY -ACCOUNTS MAINTAINED UNDER AN APPROVED PAYMENT ARRANGEMENT WILL RECEIVE MONTHLY STATEMENTS 30 DAYS PRIOR TO THE PAYMENT DUE DATE AS A LAST RESORT, ACCOUNTS THAT ARE FORWARDED TO A COLLECTION AGENCY, HAVE THE FOLLOWING PROCEDURES -TWO COLLECTION AGENCIES ARE EMPLOYED BY THE HOSPITAL, EACH RECEIVING APPROXIMATELY FIFTY PERCENT OF THE ACCOUNT (BASED ON THE FIRST LETTER OF THE LAST NAME OF EACH PATIENT) ACCOUNTS PLACED WITH ONE OF THE COLLECTION AGENCIES ARE CLASSIFIED AS BAD DEBTS AND REMOVED FROM ACCOUNTS RECEIVABLE - AFTER THE INITIAL PLACEMENT WITH A COLLECTION AGENCY, AN INITIAL NOTICE WILL BE SENT TO THE GUARANTOR ADVISING THAT THE AGENCY HAS BEEN CONTRACTED TO MANAGE THE ACCOUNT AND THE NOTICE WILL PROVIDE THE GUARANTOR WITH OPTIONS FOR RESOLUTION IN RARE CASES, ACCOUNTS MAY WARRANT LEGAL ACTION ONCE AN ACCOUNT HAS MET THE FOLLOWING CRITERIA, THE ACCOUNT IS CLOSED BY THE COLLECTION AGENCY AS UNCOLLECTIBLE AND FORWARDED BACK TO PATIENT ACCOUNTING FOR REVIEW TO ESTABLISH GROUNDS FOR LEGAL ACTION THIS ONLY OCCURS AFTER ALL EFFORTS TO RESOLVE THE DEBT HAVE BEEN EXHAUSTED CRITERIA THE DEBT IS VALID, THE ACCOUNT IS EQUAL TO OR GREATER THAN 120 DAYS OLD, PATIENTS REFUSES TO ACKNOWLEDGE THE DEBT, UPON REVIEW AND INVESTIGATION, THE HOSPITAL HAS DETERMINED THAT LIQUID ASSETS ARE AVAILABLE, AND THE HOSPITAL'S VP OF FINANCE MUST AUTHORIZE LEGAL ACTION
PART VI, LINE 2 NEEDS ASSESSMENT	Every three years a Community Health Assessment Survey/Plan is performed

Form and Line Reference	Explanation
PART VI, LINE 3 PATIENT EDUCATION OF ELIGIBILITY FOR ASSISTANCE	<p>The Hospital displays signs at every registration point, the patient accounting office, on all patient bills, and other key patient access areas informing the patients about the availability of the various financial and medical assistance programs. A patient billing and financial assistance information sheet will be provided before discharge and will be available to all patients upon request. The Hospital offers every self-pay patient or any patient who inquires the financial assistance informational packet and application. The cover sheet for the financial assistance packet also includes information on obtaining Medical Assistance. In addition, the Hospital has a financial counselor that visits the self-pay patient in the emergency department or in the patient's room to discuss what is available to them. The Hospital also employs a medical assistance advocacy company to assist the hospital's patients get medical assistance. Determination for financial assistance eligibility is based on assets, income and family size. A few items to note as follows - liquid assets greater than \$15,000 for individuals, and \$25,000 for families will disqualify the patient for 100% assistance - equity of \$150,000 in a primary residence will be excluded from the calculation for determination of financial assistance - retirement assets will not be used for determination of financial assistance - there is special qualifications for non-citizens/non-residents of the United States. Patients may also be considered for presumptive financial assistance eligibility with proof of enrollment in one of the programs listed below - active medical assistance pharmacy coverage - special low income medicare beneficiary coverage - primary adult care coverage - homelessness - medical assistance and medicare managed care patients - maryland public health system emergency petition patients - participating in women, infants and children program - supplemental nutritional assistance program - eligibility for other state or local assistance programs - deceased with no known estate - eligibility for state only medical assistance program - households with children in the free or reduced lunch program - low income household energy assistance program - self-administered drugs - medical assistance spenddown amounts</p>
PART VI, LINE 4 COMMUNITY INFORMATION	<p>The service area of the Upper Chesapeake Health System, which includes Upper Chesapeake Medical Center, consists of the northeast part of Maryland, including Harford County, western Cecil County and portion of Baltimore County. This service area is located at the apex of the Chesapeake Bay and is spread across 536 square miles. It contains, among others, the cities and towns of Havre de Grace, Aberdeen, Bel Air, Fallston, and Edgewood. The service area enjoys a diverse economic base, ranging from concentrations in service, manufacturing, distribution, and retail, to Federal government employment. Harford Community College provides a local venue for advanced education and Harford County's proximity to Baltimore gives it access to nationally recognized universities which help provide a skilled workforce. The Service Area is served by Interstate 95, Amtrak and freight rail lines along the busy east-coast transportation corridor between New York and Washington, DC. In 2010, the Service Area had a total population of 244,826 people with historical annual growth rates of approximately 1.8% per year. This growth has been characterized by an influx of young families seeking suburban environment in which to live and is complemented by a growth in businesses and other services that follow young, middle class families. In 2010, the Service Area had an estimated 90,218 households with a median family income of \$76,808. 91% of the service area's adults over the age of 25 are high school graduates or higher, 30% achieved bachelor's degrees or higher. The service area's growth and geographic location explain its ability to attract major east-coast distribution center and industry, which have provided additional employment opportunities in the service area.</p>

Form and Line Reference	Explanation
PART VI, LINE 5 PROMOTION OF COMMUNITY HEALTH	Monies spent for hospital and community preparedness for hazardous accidents, natural disasters, and coalition building in the community
PART VI, LINE 6 AFFILIATED HEALTH CARE SYSTEM	Upper Chesapeake Medical Center, Inc (UCMC) is one hospital in an "Affiliated Health Care System" that includes a second hospital, Harford Memorial Hospital, Inc (HMH), a physician services organization (Upper Chesapeake Medical Services, Inc), a property holding company (Upper Chesapeake Properties, Inc), a hospice residence (Upper Chesapeake Residential Hospice House, Inc & Hospice of Harford County LLC) and a for-profit venture with investments in private imaging services (Upper Chesapeake Health Ventures, Inc) The "System" provides a broad range of community health care services, including preventive, ambulatory, acute and hospice services, through an integrated health care delivery system in Harford County and parts of Baltimore and Cecil Counties, in northeast Maryland UCMC and HMH are the only hospitals in Harford County, Maryland UCMC offers acute care services, including intensive care, emergency and other outpatient services, and has the only acute care maternity services in Harford County

Form and Line Reference	Explanation
PART VI, LINE 7 STATE FILING OF COMMUNITY BENEFIT REPORT	The Health Services Cost Review Commission, the State agency that regulates hospital rates in Maryland, requires a Community Benefit Report to be filed annually

Schedule I
(Form 990)

Department of the Treasury
Internal Revenue Service

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

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

▶ Information about Schedule I (Form 990) and its instructions is at www.irs.gov/form990.

OMB No 1545-0047

2013

Open to Public
Inspection

Name of the organization
UPPER CHESAPEAKE MEDICAL CENTER

Employer identification number
52-1253920

Part I

General Information on Grants and Assistance

- 1

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

☒ Yes ☐ No
- 2

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

Part II

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

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
(1) UPPER CHESAPEAKE PROPERTIES 520 UPPER CHESAPEAKE DRIVE BEL AIR, MD 21014	52-1907237	501(C)(2)	149,503				GENERAL SUPPORT
(2) UPPER CHESAPEAKE MEDICAL SERVICES 520 UPPER CHESAPEAKE DRIVE BEL AIR, MD 21014	52-1501734	501(C)(3)	13,426,146				PHYSICIAN PRACTICE SUPPORT
(3) UPPER CHESAPEAKE HOSPICE HOUSE 520 UPPER CHESAPEAKE DRIVE BEL AIR, MD 21014	26-0737028	501(C)(3)	153,306				GENERAL SUPPORT

2

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

2

3

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

1

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
(1) SCHOLARSHIPS TO STUDY IN THE MEDICAL FIELD	18	27,493			

Part IV

Supplemental Information. Provide the information required in Part I, line 2, Part III, column (b), and any other additional information.

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

Schedule J
(Form 990)

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, line 23.
▶ Attach to Form 990. ▶ See separate instructions.

▶ Information about Schedule J (Form 990) and its instructions is at www.irs.gov/form990.

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
UPPER CHESAPEAKE MEDICAL CENTER

Employer identification number
52-1253920

Part I

Questions Regarding Compensation

	Yes	No
<div><div>1a</div><div>Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a Complete Part III to provide any relevant information regarding these items</div><div><div><div><input type="checkbox"/> First-class or charter travel</div><div><input type="checkbox"/> Travel for companions</div><div><input type="checkbox"/> Tax idemnification and gross-up payments</div><div><input type="checkbox"/> Discretionary spending account</div></div><div><div><input type="checkbox"/> Housing allowance or residence for personal use</div><div><input type="checkbox"/> Payments for business use of personal residence</div><div><input type="checkbox"/> Health or social club dues or initiation fees</div><div><input type="checkbox"/> Personal services (e g , maid, chauffeur, chef)</div></div></div></div>		
<div><div>b</div><div>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</div></div>	1b	
<div><div>2</div><div>Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all directors, trustees, officers, including the CEO/Executive Director, regarding the items checked in line 1a?</div></div>	2	
<div><div>3</div><div>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</div><div><div><div><input type="checkbox"/> Compensation committee</div><div><input type="checkbox"/> Independent compensation consultant</div><div><input type="checkbox"/> Form 990 of other organizations</div></div><div><div><input type="checkbox"/> Written employment contract</div><div><input type="checkbox"/> Compensation survey or study</div><div><input type="checkbox"/> Approval by the board or compensation committee</div></div></div></div>		
<div><div>4</div><div>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</div></div>		
<div><div>a</div><div>Receive a severance payment or change-of-control payment?</div></div>	4a	No
<div><div>b</div><div>Participate in, or receive payment from, a supplemental nonqualified retirement plan?</div></div>	4b	Yes
<div><div>c</div><div>Participate in, or receive payment from, an equity-based compensation arrangement?</div></div> <div>If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III</div>	4c	No
<div><div></div><div>Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.</div></div>		
<div><div>5</div><div>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</div></div>		
<div><div>a</div><div>The organization?</div></div>	5a	No
<div><div>b</div><div>Any related organization?</div></div> <div>If "Yes," to line 5a or 5b, describe in Part III</div>	5b	No
<div><div>6</div><div>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</div></div>		
<div><div>a</div><div>The organization?</div></div>	6a	No
<div><div>b</div><div>Any related organization?</div></div> <div>If "Yes," to line 6a or 6b, describe in Part III</div>	6b	No
<div><div>7</div><div>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</div></div>	7	No
<div><div>8</div><div>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</div></div>	8	No
<div><div>9</div><div>If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53 4958-6(c)?</div></div>	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) LYLE E SHELDON PRESIDENT/CEO/DIRECTOR	(i)	0	0	0	0	0	0	
	(ii)	539,669	288,074	459,948	55,799	25,584	1,369,074	
(2) Angela Poppe Ries MD DRCTOR/MED DIR-PALLIATIVE CARE	(i)	0	0	0	0	0	0	
	(ii)	138,009	0	108	18,005	585	156,707	
(3) Joseph E Hoffman III SR VP/CFO	(i)	0	0	0	0	0	0	
	(ii)	313,531	150,656	156,417	53,250	25,108	698,962	
(4) Roy H Phillips Physician	(i)	0	0	0	0	0	0	
	(ii)	212,447	52,000	1,525	29,485	19,673	315,130	
(5) Olufunmilayo Onobrakpeya Physician	(i)	0	0	0	0	0	0	
	(ii)	189,952	40,000	6,022	24,141	25,057	285,172	
(6) Angela M Kaitis Physician/DIR PHARMA SERVICES	(i)	0	0	0	0	0	0	
	(ii)	125,611	12,684	1,918	33,038	10,203	183,454	
(7) Gail L Judd Perioperative Srvc's Bus Dir	(i)	0	0	0	0	0	0	
	(ii)	125,667	8,499	693	15,049	21,417	171,325	
(8) Lori J Wilson Asst VP - Patient Services	(i)	0	0	0	0	0	0	
	(ii)	129,100	16,160	226	1,484	7,471	154,441	
(9) Joyce Fox VP - Patient SVC'S/CNO	(i)	0	0	0	0	0	0	
	(ii)	191,267	47,646	45,141	46,319	3,239	333,612	

Part III Supplemental Information

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.

Return Reference	Explanation
SCHEDULE J, PART I, QUESTION 3	THIS ORGANIZATION DOES NOT DIRECTLY PAY THE CHIEF EXECUTIVE OFFICER. ALL COMPENSATION TO THE CEO REPORTED ON PART VII OF THE FORM 990 WAS PAID BY A RELATED ORGANIZATION, UPPER CHESAPEAKE HEALTH SYSTEM. UPPER CHESAPEAKE HEALTH SYSTEM UNDERTAKES A THOROUGH PROCESS TO ENSURE THAT THE EXECUTIVE COMPENSATION IT PAYS TO ITS TOP MANAGEMENT OFFICIALS IS REASONABLE GIVEN THE MARKET IN WHICH THE ORGANIZATION OPERATES. UPPER CHESAPEAKE HEALTH SYSTEM CHECKS THE FOLLOWING BOXES FOR SCHEDULE J, PART I, QUESTION 3 ON ITS FORM 990: <input type="checkbox"/> COMPENSATION COMMITTEE WRITTEN EMPLOYMENT CONTRACT <input type="checkbox"/> INDEPENDENT COMPENSATION CONSULTANT <input type="checkbox"/> COMPENSATION SURVEY OR STUDY <input type="checkbox"/> APPROVAL BY THE BOARD OF COMPENSATION COMMITTEE
SCHEDULE J, PART I, QUESTION 4B	THE ORGANIZATION MADE INTERNAL REVENUE CODE SECTION 457F PLAN CONTRIBUTIONS TO THE FOLLOWING MEMBERS OF SENIOR LEADERSHIP WHO ARE LISTED ON THE ORGANIZATION'S FORM 990, PART VII, SECTION A, LINE 1A. THE OFFICERS AND KEY EMPLOYEES LISTED BELOW HAVE VESTED IN THE PLAN IN A PRIOR YEAR, THEREFORE, THE CONTRIBUTION TO THE PLAN IS REPORTED AS TAXABLE COMPENSATION AND REPORTED ON SCHEDULE J, PART II, COLUMN (B)(III), OTHER REPORTABLE COMPENSATION: LYLE E. SHELDON \$285,657; JOSEPH E. HOFFMAN III \$45,896; JAMES J. HURSEY \$22,440; DEAN C. KASTER \$16,197; JOHN K. LYNCH \$22,565.

Additional Data

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

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				
LYLE E SHELDON PRESIDENT/CEO/DIRECTOR	(i)	0	0	0	0	0	0	
	(ii)	539,669	288,074	459,948	55,799	25,584	1,369,074	
Angela Poppe Ries MD DRCTOR/MED DIR- PALLIATIVE CARE	(i)	0	0	0	0	0	0	
	(ii)	138,009	0	108	18,005	585	156,707	
Joseph E Hoffman III SR VP/CFO	(i)	0	0	0	0	0	0	
	(ii)	313,531	150,656	156,417	53,250	25,108	698,962	
Roy H Phillips Physician	(i)	0	0	0	0	0	0	
	(ii)	212,447	52,000	1,525	29,485	19,673	315,130	
Olufunmilayo Onobrakpeya Physician	(i)	0	0	0	0	0	0	
	(ii)	189,952	40,000	6,022	24,141	25,057	285,172	
Angela M Kaitis Physician/DIR PHARMA SERVICES	(i)	0	0	0	0	0	0	
	(ii)	125,611	12,684	1,918	33,038	10,203	183,454	
Gail L Judd Perioperative Srvc's Bus Dir	(i)	0	0	0	0	0	0	
	(ii)	125,667	8,499	693	15,049	21,417	171,325	
Lori J Wilson Asst VP - Patient Services	(i)	0	0	0	0	0	0	
	(ii)	129,100	16,160	226	1,484	7,471	154,441	
Joyce Fox VP - Patient SVCS/CNO	(i)	0	0	0	0	0	0	
	(ii)	191,267	47,646	45,141	46,319	3,239	333,612	

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.
▶ Information about Schedule K (Form 990) and its instructions is at www.irs.gov/form990.

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
UPPER CHESAPEAKE MEDICAL CENTER

Employer identification number
52-1253920

Part I

Bond Issues

(a) Issuer name	(b) Issuer EIN	(c) CUSIP #	(d) Date issued	(e) Issue price	(f) Description of purpose	(g) Defeased		(h) On behalf of issuer		(i) Pool financing	
						Yes	No	Yes	No	Yes	No
A Maryland Health & Higher Ed Facilities Authority	52-0936091	5742172P9	08-08-2008	46,473,000	Refi existing debt-series 2008C		X		X		X
B Maryland Health & Higher Ed Facilities Authority	52-0936091		10-01-2011	42,000,000	capital projects-series 2011A		X		X		X
C Maryland Health & Higher Ed Facilities Authority	52-0936091		12-01-2011	49,749,000	refi existing debt-series 2011B		X		X		X
D Maryland Health & Higher Ed Facilities Authority	52-0936091		12-01-2011	49,749,000	refi existing debt-series 2011C		X		X		X

Part II

Proceeds

		A		B		C		D	
1	Amount of bonds retired	45,465,000		0		51,912,000		48,787,200	
2	Amount of bonds legally defeased	0		0		0		0	
3	Total proceeds of issue	49,220,640		50,000,000		49,749,000		49,749,000	
4	Gross proceeds in reserve funds	2,109,965		0		0		0	
5	Capitalized interest from proceeds	0		0		0		0	
6	Proceeds in refunding escrows	0		0		0		0	
7	Issuance costs from proceeds	0		0		0		0	
8	Credit enhancement from proceeds	0		0		0		0	
9	Working capital expenditures from proceeds	0		0		0		0	
10	Capital expenditures from proceeds	0		0		0		0	
11	Other spent proceeds	0		0		0		0	
12	Other unspent proceeds	0		0		0		0	
13	Year of substantial completion	2008		2013		2000		2000	
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?	X		X		X		X	
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?	X		X		X		X	
4	Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government	0 %		0 %		0 %		0 %	
5	Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government								
6	Total of lines 4 and 5								
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?		X		X		X		X
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?								
b	Exception to rebate?								
c	No rebate due?								
	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	0		0		0			
c	Term of hedge								
d	Was the hedge superintegrated?								
e	Was the hedge terminated?								

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		
b	Name of provider	0		0		0		0	
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
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. Provide additional information for responses to questions on Schedule K (see instructions).

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

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.
▶ Information about Schedule O (Form 990 or 990-EZ) and its instructions is at
www.irs.gov/form990.

OMB No 1545-0047

2013

Open to Public
Inspection

Name of the organization UPPER CHESAPEAKE MEDICAL CENTER	Employer identification number 52-1253920
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Return Reference	Explanation
PART VI, SECTION A, GOVERNING BODY & MANAGEMENT, QUESTION 2	FAMILY OR BUSINESS RELATIONSHIP LYLE E SHELDON AND JOSEPH E HOFFMAN III ARE OFFICERS IN THE SAME BUSINESS ENTITIES THE SAME BUSINESS ENTITIES ARE THE FOR-PROFT CORPORATIONS OR PARTNERSHIPS THAT ARE RELATED TO THIS FILING ENTITY PLEASE SEE FORM 990, SCHEDULE R

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

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

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

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

Return Reference	Explanation
PART VI, SECTION C, DISCLOSURE, QUESTION 19	DOCUMENTS AVAILABLE TO THE PUBLIC THE ORGANIZATION WILL MAKE THE FOLLOWING DOCUMENTS AVAILABLE TO THE PUBLIC UPON REQUEST ARTICLES OF INCORPORATION, BY LAWS, CONFLICT OF INTEREST POLICY, AND AUDITED FINANCIAL STATEMENTS

Return Reference	Explanation
LINE 2A - PROGRAM	GROSS PATIENT REVENUE \$ 292,154,458 LESS ALLOWANCES & CHARITY POLICIES (38,415,145)
SERVICE REVENUE	----- NET PATIENT REVENUE \$ 253,739,313

Return Reference	Explanation
PART XI, LINE 8, OTHER CHANGES IN NET ASSETS	UNREALIZED GAIN(LOSS) ON SWAP \$ 3,720,072 MINIMUM PENSION LIABILITY 8,968,327 Economic Interest in UCH Legacy Funding, Inc 150,000,000 ----- TOTAL \$162,688,399

Return Reference	Explanation
PART III, PROGRAM SERVICE ACCOMPLISHMENTS	<p>TO PROVIDE HEALTHCARE SERVICES TO PATIENTS REGARDLESS OF THEIR ABILITY TO PAY FOR SUCH SERVICES FOR MORE THAN 90 YEARS, UPPER CHESAPEAKE HEALTH HAS BEEN PROVIDING COMPREHENSIVE, HIGH QUALITY HEALTHCARE. ITS TWO HOSPITALS, HARFORD MEMORIAL HOSPITAL AND UPPER CHESAPEAKE MEDICAL CENTER OFFER SOME OF THE AREA'S MOST ADVANCED INPATIENT AND OUTPATIENT SERVICES SO THAT PATIENTS CAN ENJOY THE SUPERIOR WELLNESS RESOURCES A HEALTHY LIFESTYLE NEEDS, WITHOUT LEAVING THEIR NEIGHBORHOOD. UPPER CHESAPEAKE HEALTH SYSTEM IS A COMMUNITY-BASED, NON-PROFIT HEALTH SYSTEM LOCATED IN HARFORD COUNTY, MARYLAND. OUR VISION IS BASED ON CREATING THE HEALTHIEST COMMUNITY IN MARYLAND. BUILDING ON THAT VISION, WE HAVE A STRONG COMMITMENT TO SERVICE EXCELLENCE. SO MUCH SO THAT IT HAS BECOME PART OF THE FABRIC OF THE HEALTHCARE EXPERIENCE AT UPPER CHESAPEAKE HEALTH. UPPER CHESAPEAKE HEALTH SYSTEM HAS OVER 2,500 PHYSICIANS AND HEALTHCARE PROFESSIONALS WHO ARE DELIVERING CARE FOR THE MIND, BODY, AND SPIRIT IN SETTINGS FROM OFFICES, TO OUTPATIENT CENTERS, TO HOSPITALS, TO SHOPPING CENTERS, TO BUSINESSES, AND TO HOMES. UPPER CHESAPEAKE MEDICAL CENTER IS A MEMBER OF THE UPPER CHESAPEAKE HEALTH SYSTEM. UPPER CHESAPEAKE MEDICAL CENTER IS AN ACUTE CARE, NON-PROFIT FACILITY OFFERING A FULL COMPLEMENT OF MEDICAL, DIAGNOSTIC AND EMERGENCY CARE SERVICES. THE HOSPITAL IS FULLY ACCREDITED BY THE JOINT COMMISSION ON THE ACCREDITATION OF HEALTHCARE ORGANIZATIONS (JCAHO). THIS PREMIER HEALTH CARE FACILITY INCORPORATES SEVERAL TRENDS THAT REFLECT HOW HEALTH CARE IS CHANGING, INCLUDING REORIENTATION TOWARDS OUTPATIENT CARE, MORE ACUTELY ILL PATIENTS IN THE HOSPITAL AND FLEXIBILITY FOR GROWTH AND CHANGE TO MEET OUR COMMUNITY'S FUTURE HEALTH CARE NEEDS. LOCATED ON THE MEDICAL CAMPUS IS THE UPPER CHESAPEAKE MEDICAL CENTER WITH 194 ACUTE CARE BEDS. ADJACENT TO THE MEDICAL CENTER IS THE AMBULATORY CARE CENTER OF HARFORD COUNTY, CONTAINING PHYSICIAN OFFICES, OUTPATIENT IMAGING AND LABORATORY PROCEDURES, OUTPATIENT PRE-ASSESSMENT TESTING AND ASSESSMENT, UPPER CHESAPEAKE CARDIOVASCULAR INSTITUTE, AND THE ADMINISTRATIVE OFFICES OF UPPER CHESAPEAKE HEALTH. ALSO LOCATED NEXT TO THE MEDICAL CENTER, IS A PRE-EXISTING MEDICAL OFFICE BUILDING WITH PHYSICIAN OFFICES AND OTHER HEALTHCARE RELATED SERVICES, A PARKING GARAGE AND A SECOND MEDICAL OFFICE BUILDING WHICH INCLUDES OUTPATIENT SERVICES AND PHYSICIAN OFFICES. HARFORD MEMORIAL HOSPITAL AND UPPER CHESAPEAKE MEDICAL CENTER MAINTAIN CHARITY CARE PROGRAMS AND, IN ADDITION, CONDUCT MANY COMMUNITY OUTREACH AND COMMUNITY BUILDING ACTIVITIES INCLUDING - COMMUNITY HEALTH EDUCATION PROGRAMS WHICH INCLUDE NEWBORN BABY CARE, SITTING SAFETY PROGRAM, INFANT CPR, INFANT SAFETY, STOP SMOKING CLASS, KIDS SAFETY CLASS, AND PRENATAL BREAST FEEDING CLASS - SUPPORT GROUPS INCLUDING BREAST FEEDING SUPPORT, BREAST CANCER AWARENESS GROUPS, PERINATAL BEREAVEMENT, ASTHMA SUPPORT GROUP, WIDOW AND WIDOWERS SUPPORT GROUP, GRIEF SUPPORT GROUP, PROSTATE CANCER SUPPORT GROUP, AMPUTEE NETWORK, BRAIN INJURY SUPPORT GROUP, STROKE CLUB, LUPUS SUPPORT GROUP, AND OTHERS - HEALTH SCREENINGS INCLUDING SCREENINGS FOR OSTEOPOROSIS, CARDIAC PROBLEMS, BLOOD PRESSURE, AND OTHER ISSUES - FREE AND MOBILE CLINIC</p>

SCHEDULE R
(Form 990)

Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

▶ Complete if the organization answered "Yes" on Form 990, Part IV, line 33, 34, 35b, 36, or 37.
▶ Attach to Form 990. ▶ See separate instructions.
▶ Information about Schedule R (Form 990) and its instructions is at www.irs.gov/form990.

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
UPPER CHESAPEAKE MEDICAL CENTER

Employer identification number
52-1253920

Part I Identification of Disregarded Entities Complete if the organization answered "Yes" on Form 990, Part IV, line 33.					
(a) Name, address, and EIN (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" on Form 990, Part IV, line 34 because it had one or more related tax-exempt organizations during the tax year.							
(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled entity?	
						Yes	No
See Additional Data Table							

Part III

Identification of Related Organizations Taxable as a Partnership

Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related organizations treated as a partnership during the tax year.

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

Part IV

Identification of Related Organizations Taxable as a Corporation or Trust

Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related organizations treated as a corporation or trust during the tax year.

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of- year assets	(h) Percentage ownership	(i) Section 512 (b)(13) controlled entity?	
								Yes	No
(1) UPPER CHESAPEAKE HEALTH VENTURES INC 520 UPPER CHESAPEAKE DRIVE BEL AIR, MD 21014 52-2031264	MISC SERVICES	MD	NA	C CORP					
(2) UPPER CHESAPEAKE MED OFFICE BLDG INC 520 UPPER CHESAPEAKE DRIVE BEL AIR, MD 21014 52-1946829	REAL ESTATE	MD	NA	C CORP					
(3) UPPER CHESAPEAKE MGMT SVCS ORG INC 520 UPPER CHESAPEAKE DRIVE BEL AIR, MD 21014 52-1946025	MANAGEMENT SRvcs	MD	NA	C CORP					
(4) UC MEDICAL CENTER LAND CONDOMINIUM INC 520 UPPER CHESAPEAKE DRIVE BEL AIR, MD 21014 77-0674478	REAL ESTATE	MD	NA	C CORP					
(5) UPPER CHESAPEAKE INSURANCE COMPANY LTD PO BOX 1109 GRAND CAYMAN, CAYMAN ISLANDS KY1-1102 CJ 98-0468438	CAPTIVE INSURance	CJ	NA	LTD					

Part V

Transactions With Related Organizations

Complete if the organization answered "Yes" on Form 990, Part IV, line 34, 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		No
1e		No
1f		
1g		No
1h		No
1i		No
1j		No
1k		No
1l		No
1m	Yes	
1n		No
1o		No
1p		No
1q	Yes	
1r		No
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 related organization	(b) Transaction type (a-s)	(c) Amount involved	(d) Method of determining amount involved

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

[illegible]

Part VII

Supplemental Information

Provide additional information for responses to questions on Schedule R (see instructions)

Return Reference	Explanation
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Additional Data

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

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512 (b)(13) controlled entity?	
						Yes	No
(1) UNIV OF MD UPPER CHESAPEAKE HLTH SYSTEM 520 UPPER CHESAPEAKE DRIVE BEL AIR, MD 21014 52-1398513	HLTHCARE SVCS	MD	501(c)(3)	11C,III-FI	NA		No
(1) UPPER CHESAPEAKE HEALTH FOUNDATION INC 520 UPPER CHESAPEAKE DRIVE BEL AIR, MD 21014 52-1398507	FIN SUPPORT	MD	501(c)(3)	11A	UCHS		No
(2) UPPER CHESAPEAKE MEDICAL SERVICES INC 520 UPPER CHESAPEAKE DRIVE BEL AIR, MD 21014 52-1501734	PHYSICIAN SVC	MD	501(c)(3)	9	UCHSUMMS VN		No
(3) HARFORD MEMORIAL HOSPITAL INC 520 UPPER CHESAPEAKE DRIVE BEL AIR, MD 21014 52-0591484	HOSPITAL CARE	MD	501(c)(3)	3	UCHSUMMS VN		No
(4) UPPER CHESAPEAKE PROPERTIES INC 520 UPPER CHESAPEAKE DRIVE BEL AIR, MD 21014 52-1907237	TITLE HOLDING	MD	501(c)(2)	N/A	UCHSUMMS VN		No
(5) UPPER CHESAPEAKEST JOE'S HOME CARE INC 520 UPPER CHESAPEAKE DRIVE BEL AIR, MD 21014 52-1229742	HOSPICE CARE	MD	501(c)(3)	9	UCHSUMMS VN		No
(6) UPPER CHESAPKE RESIDENTIAL HOSPICE HOUSE 520 UPPER CHESAPEAKE DRIVE BEL AIR, MD 21014 26-0737028	HOSPICE CARE	MD	501(c)(3)	7	UCHSUMMS VN		No
(7) HEALTHY HARFORD INC 2027 PULASKI HWY SUITE 215 HAVRE DE GRACE, MD 21078 52-1944325	HEALTH INIATV	MD	501(c)(3)	7	NA		No



**UNIVERSITY OF MARYLAND UPPER CHESAPEAKE
HEALTH SYSTEM, INC. AND SUBSIDIARIES**

Consolidated Financial Statements
and Consolidating Schedules

December 31, 2013 and 2012

(With Independent Auditors' Report Thereon)

**UNIVERSITY OF MARYLAND UPPER CHESAPEAKE
HEALTH SYSTEM, INC. AND SUBSIDIARIES**

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

Independent Auditors' Report

The Board of Directors
University of Maryland Upper Chesapeake Health System, Inc

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of University of Maryland Upper Chesapeake Health System, Inc and Subsidiaries (the Corporation), which comprise the consolidated balance sheets as of December 31, 2013 and 2012, and the related consolidated statements of operations, changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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



Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of University of Maryland Upper Chesapeake Health System, Inc. and subsidiaries, as of December 31, 2013 and 2012, and the results of their operations, changes in their net assets and their cash flows for the years then ended, in accordance with U S generally accepted accounting principles

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KPMG LLP

April 25, 2014

**UNIVERSITY OF MARYLAND UPPER CHESAPEAKE
HEALTH SYSTEM, INC. AND SUBSIDIARIES**

Consolidated Balance Sheets

December 31, 2013 and 2012

(In thousands)

Assets	2013	2012
Current assets		
Cash and cash equivalents	\$ 47,780	44,921
Current portion of assets held by trustee (notes 3 and 9)	2,992	2,563
Board designated and other investments (note 3)	56,629	53,656
Patient accounts receivable, less allowance for doubtful accounts of \$20,696 and \$22,882 as of December 31, 2013 and 2012, respectively (notes 4 and 15)	40,882	46,022
Prepaid expenses and other current assets	20,651	23,271
Total current assets	168,934	170,433
Assets held by trustee, less current portion (notes 3 and 9)	4,002	4,044
Board designated and other investments (note 3)	58,443	50,544
Investments in and advances to affiliates (note 6)	3,051	—
Property, plant and equipment, net (notes 5 and 9)	246,957	224,484
Economic interest in net assets of UCH Legacy Funding Corporation (note 1)	150,000	—
Pension asset (note 12)	4,754	—
Other assets (note 7)	12,440	16,265
Total assets	\$ 648,581	465,770
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 14,900	23,696
Accrued salaries, benefits and other (notes 12 and 13)	41,530	45,531
Line of credit (note 8)	—	1,200
Current portion of long-term debt and capital leases (notes 9 and 16)	4,661	2,980
Advances from third-party payors	7,565	7,522
Total current liabilities	68,656	80,929
Long-term debt and capital leases, less current portion (notes 9 and 16)	215,495	186,499
Other long-term liabilities (notes 2, 9 and 16)	37,636	46,058
Pension liability (note 12)	—	9,703
Total liabilities	321,787	323,189
Net assets		
Unrestricted – controlling interest (note 17)	169,096	31,299
Unrestricted – noncontrolling interest (note 17)	—	97,696
Total unrestricted	169,096	128,995
Temporarily restricted (note 10)	156,422	12,310
Permanently restricted (note 11)	1,276	1,276
Total net assets	326,794	142,581
Total liabilities and net assets	\$ 648,581	465,770

See accompanying notes to consolidated financial statements

**UNIVERSITY OF MARYLAND UPPER CHESAPEAKE
HEALTH SYSTEM, INC. AND SUBSIDIARIES**

Consolidated Statements of Operations

Years ended December 31, 2013 and 2012

(In thousands)

	<u>2013</u>	<u>2012</u>
Unrestricted revenues, gains and other support		
Patient service revenue (net of contractual allowances and discounts) (notes 4, 13 and 15)	\$ 384,257	379,584
Provision for bad debts (note 15)	(23,926)	(22,908)
Net patient service revenue	360,331	356,676
Other	11,904	17,560
Total unrestricted revenues, gains and other support	372,235	374,236
Expenses (note 18)		
Salaries	165,385	159,340
Employee benefits (notes 12 and 13)	35,494	38,285
Supplies and other operating expenses	141,301	147,495
Depreciation and amortization (notes 5 and 7)	18,452	16,218
Interest (notes 7 and 9)	5,742	5,417
Total expenses	366,374	366,755
Operating income	5,861	7,481
Nonoperating income		
Investment income (note 3)	10,264	7,363
Change in the fair value of and settlement payments on derivative instruments	3,720	(4,056)
Equity in income of joint ventures (note 6)	411	689
Other	(111)	347
Nonoperating income	14,284	4,343
Excess of revenues over expenses	20,145	11,824
Pension related changes other than net periodic pension cost (note 12)	12,812	(954)
Contributions	796	919
Net assets released from restrictions for purchase of property and equipment	6,348	—
Increase in unrestricted net assets	\$ 40,101	11,789

See accompanying notes to consolidated financial statements

**UNIVERSITY OF MARYLAND UPPER CHESAPEAKE
HEALTH SYSTEM, INC. AND SUBSIDIARIES**

Consolidated Statements of Changes in Net Assets

Years ended December 31, 2013 and 2012

(In thousands)

	Unrestricted net assets	Temporarily restricted net assets	Permanently restricted net assets	Total
Balance at December 31, 2011	\$ 117,206	8,684	1,276	127,166
Excess of revenues over expenses	11,824	—	—	11,824
Pension – related changes other than net periodic pension cost	(954)	—	—	(954)
Contributions	919	5,510	—	6,429
Net assets released from restrictions in satisfaction of donor requirements	—	(1,969)	—	(1,969)
Net unrealized gains on investments	—	85	—	85
Increase in net assets	<u>11,789</u>	<u>3,626</u>	<u>—</u>	<u>15,415</u>
Balance at December 31, 2012	<u>128,995</u>	<u>12,310</u>	<u>1,276</u>	<u>142,581</u>
Excess of revenues over expenses	20,145	—	—	20,145
Pension – related changes other than net periodic pension cost	12,812	—	—	12,812
Contributions	796	151,375	—	152,171
Net assets released from restrictions in satisfaction of donor requirements	—	(1,083)	—	(1,083)
Net assets released from restrictions for purchase of property and equipment	6,348	(6,348)	—	—
Net unrealized gains on investments	—	168	—	168
Increase in net assets	<u>40,101</u>	<u>144,112</u>	<u>—</u>	<u>184,213</u>
Balance at December 31, 2013	<u>\$ 169,096</u>	<u>156,422</u>	<u>1,276</u>	<u>326,794</u>

See accompanying notes to consolidated financial statements

**UNIVERSITY OF MARYLAND UPPER CHESAPEAKE
HEALTH SYSTEM, INC. AND SUBSIDIARIES**

Consolidated Statements of Cash Flows

Years ended December 31, 2013 and 2012

(In thousands)

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities		
Increase in net assets	\$ 184,213	15,415
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation and amortization	18,323	16,114
Equity in income of joint ventures	(411)	(689)
Amortization of bond discount	33	31
Amortization of deferred financing costs	129	104
Provision for bad debts	23,926	22,908
Net realized unrealized gain on securities	(10,432)	(7,448)
Unrealized (gain) loss on interest rate swaps	(7,602)	234
Pension – related changes other than net periodic pension cost	(12,812)	954
Contributions for purchase of property, plant and equipment	(796)	(919)
Changes in operating assets and liabilities		
Increase in patient accounts receivable	(18,786)	(26,254)
Decrease (increase) in prepaid expenses and other current assets	2,620	(4,707)
(Decrease) increase in accounts payable and accrued expenses	(15,658)	2,966
Decrease in pension liability	(1,645)	(1,451)
(Decrease) increase in other long-term liabilities	(820)	106
Increase in third party advances	43	689
Decrease (increase) in other assets	3,191	(232)
Increase in economic interest in net assets of UCH Legacy Funding Corporation	(150,000)	—
Net cash provided by operating activities	<u>13,516</u>	<u>17,821</u>
Cash flows from investing activities		
Property, plant and equipment additions, net	(32,706)	(34,444)
Purchases of assets held by trustee, board designated, and other investments, net	(827)	42
Investment in joint venture	(2,640)	—
Sale of joint venture	—	1,901
Net cash used in investing activities	<u>(36,173)</u>	<u>(32,501)</u>
Cash flows from financing activities		
Proceeds from borrowing	29,102	18,340
Repayment of long term debt	(3,182)	(2,685)
Repayment of line of credit	(1,200)	—
Contributions for purchase of property, plant and equipment	796	919
Net cash provided by financing activities	<u>25,516</u>	<u>16,574</u>
Net increase in cash and cash equivalents	2,859	1,894
Cash and cash equivalents, beginning of year	44,921	43,027
Cash and cash equivalents, end of year	<u>\$ 47,780</u>	<u>44,921</u>
Supplemental information		
Capital additions accrued but not paid	\$ 2,861	2,914
Noncash financing obligation – capital lease	4,724	—

See accompanying notes to consolidated financial statements

**UNIVERSITY OF MARYLAND UPPER CHESAPEAKE
HEALTH SYSTEM, INC. AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 2013 and 2012

(Dollars in thousands)

(1) Organization, Background and Members' Equity

Upper Chesapeake Health System, Inc. (UCHS or the Corporation) is a Maryland nonprofit, nonstock membership corporation organized for charitable purposes to coordinate activities of healthcare facilities and other corporate bodies whose purposes include the provision of services or financial assistance to healthcare facilities. UCHS is the sole member of Upper Chesapeake Health Foundation, Inc. (UCHF), Upper Chesapeake Insurance Company, Ltd. (the Captive) and Upper Chesapeake Land Trust, Ltd. (UCLT).

On December 6, 2013, University of Maryland Medical System (UMMS) assumed the remaining 51% interest in the UCHS/UMMS Venture, LLC (the Venture) and a 100% interest in UCHS, UCHF, UCLT, and the Captive to become the sole member of UCHS and its subsidiaries. In accordance with the Amended and Restated Affiliation agreement, UMMS transferred \$150,000 to the UCH Legacy Funding Corporation, which is restricted for the benefit of UCHS. Effective on the date of the transaction, UCHS was renamed University of Maryland Upper Chesapeake Health System, Inc. UMMS's total interest in the Venture was 49% for the year ended December 31, 2012.

In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958 *Not-for-Profit Entities*, the Corporation has recognized an economic interest in the net assets of the UCH Legacy Funding Corporation as the funds transferred by UMMS were restricted for the benefit of UCHS.

The Venture is the sole member or sole shareholder of the common stock of each of the following entities (the Controlled Group):

Maryland nonprofit, nonstock membership corporations:

- Harford Memorial Hospital, Inc. (HMH)
- Upper Chesapeake Medical Center, Inc. (UCMC)
- Upper Chesapeake Medical Services, Inc. (UCMS)
- Upper Chesapeake Properties, Inc. (UCP)
- Upper Chesapeake Residential Hospice House (UCRHH)
- Hospice of Harford County, LLC (HHC)

For-profit corporations:

- Upper Chesapeake Health Ventures, Inc. (UCHV)
- Upper Chesapeake Medical Center Land Condominium, Inc. (UCMC Condo)

The following entities are subsidiaries of UCMS:

- Upper Chesapeake Cardiology, LLC
- Upper Chesapeake Critical Care Associates, LLC
- Upper Chesapeake Endocrinology Associates, LLC
- Upper Chesapeake Rehabilitation Services, LLC
- Upper Chesapeake Surgical Associates, LLC
- Upper Chesapeake Primary Care, LLC
- Upper Chesapeake Women's Care, LLC
- Upper Chesapeake Orthopedics, LLC
- Upper Chesapeake Oncology, LLC
- Upper Chesapeake Radiation Oncology, LLC

**UNIVERSITY OF MARYLAND UPPER CHESAPEAKE
HEALTH SYSTEM, INC. AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 2013 and 2012

(Dollars in thousands)

The boards of directors of the Venture and of each member of the Controlled Group are comprised of common board members. UCMC and HMH comprise approximately 90% of the Venture's revenues.

(2) Summary of Significant Accounting Policies

(a) Cash Equivalents

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

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

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

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

The Corporation holds investments in funds which under U.S. generally accepted accounting principles are considered alternative investments totaling \$4.984 and \$3.051 as of December 31, 2013 and 2012, respectively. The funds utilize various types of global and emerging market debt and equity securities and derivative instruments in their investment strategies. Alternative investments are recorded under the equity method of accounting.

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

Investment income including unrealized gains and losses, realized gains and losses on investment sales, and interest and dividends is recorded on the accrual basis and is reported as nonoperating gains or losses in the excess of revenues over expenses in the accompanying consolidated statements of operations unless the income or loss is restricted by the donor or law. Investment income and net gains that are restricted by the donor are recorded as a component of changes in temporarily or permanently restricted net assets, in accordance with donor imposed restrictions. Realized gains and losses are determined based on the specific security's original purchase price.

(c) Derivative Instruments and Hedging Activities

The Corporation accounts for derivatives and hedging activities in accordance with ASC Topic 815, *Derivatives and Hedging*, which requires entities to recognize all derivative instruments as either assets or liabilities in the consolidated balance sheets at their respective fair values.

**UNIVERSITY OF MARYLAND UPPER CHESAPEAKE
HEALTH SYSTEM, INC. AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 2013 and 2012

(Dollars in thousands)

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

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

In all situations in which hedge accounting is discontinued and the derivative is retained, the Corporation continues to carry the derivative at its fair value on the consolidated balance sheets and recognize any subsequent changes in its fair value in excess of revenues over expenses. For the years ended December 31, 2013 and 2012, hedge accounting has been discontinued for all swaps held by the Corporation.

(d) *Patient Accounts Receivable*

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

The Corporation grants credit to patients, substantially all of whom are local residents. The Corporation generally does not require collateral or other security in extending credit, however, it routinely obtains assignment of (or are otherwise entitled to receive) patients' benefits receivable under its health insurance programs, plans or policies.

(e) *Inventories*

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

(f) *Property, Plant, and Equipment*

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

Land improvements	3–20 years
Buildings	20–40 years
Equipment	5–20 years

**UNIVERSITY OF MARYLAND UPPER CHESAPEAKE
HEALTH SYSTEM, INC. AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 2013 and 2012

(Dollars in thousands)

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

Gains and losses on disposal or sale of long-lived assets are recorded as a component of operating income in the consolidated statements of operations.

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

The Corporation entered into an agreement during 2007 to lease space in Medical Office Building II (MOB II), which opened during 2008 and is on the campus of UCMC. A nonaffiliated entity developed, owns and operates the MOB II. The Corporation determined that due to certain structural elements installed by the Corporation during construction of the space being leased, the Corporation is required to be treated, for accounting purposes, as the "owner" of the MOB II in accordance with FASB ASC Subtopic 840-40, *Leases – Sale-Leaseback Transactions*. The asset and financing obligation will be reflected on the Corporation's consolidated balance sheets until completion of the lease term, when they will be removed from the Corporation's consolidated financial statements. At December 31, 2013, the recorded amount for the asset is \$10,853 and the related liability is \$11,420, which are included in buildings and other long-term liabilities, respectively.

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

2014	\$	969
2015		998
2016		1,028
2017		1,059
2018 (Expiration year)		<u>720</u>
Total future minimum financing obligation payments		4,774
Less interest		<u>2,756</u>
Present value of future minimum financing obligation payments	\$	<u><u>2,018</u></u>

**UNIVERSITY OF MARYLAND UPPER CHESAPEAKE
HEALTH SYSTEM, INC. AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 2013 and 2012

(Dollars in thousands)

(g) *Deferred Financing Costs*

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

(h) *Bond Discount*

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

(i) *Malpractice Claims*

Costs of malpractice claims, which are subject to deductible provisions of the Corporations' insurance programs are accrued when the incidents occur that give rise to the claims, if it can be determined that a liability is probable and the amount can be reasonably estimated (note 13)

(j) *Donor-Restricted Gifts*

Unconditional promises to give cash and other assets to the Corporation are reported at fair value at the date the promise is received. Donor-restricted gifts whose restrictions are met within the same year as received are reported as unrestricted gifts in the accompanying consolidated statements of operations. Conditional promises to give and indications to give are reported at fair value at the date the gift is received.

(k) *Net Patient Service Revenue*

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

Outpatient service revenue is recorded using the established HSCRC unit rates for hospital based outpatient services.

Patient service revenue of the Corporation, excluding the Hospitals, is recorded based upon agreed-upon rates with the third-party payors.

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

**UNIVERSITY OF MARYLAND UPPER CHESAPEAKE
HEALTH SYSTEM, INC. AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 2013 and 2012

(Dollars in thousands)

The Health Information Technology for Economic and Clinical Health (HITECH) Act that was enacted as part of the American Recovery and Reinvestment Act of 2009 was signed into law in February 2009. In the context of the HITECH Act, certain healthcare entities must implement a certified Electronic Health Record (EHR) in an effort to promote the adoption and "meaningful use" of health information technology (HIT). Understanding the strategic importance of an EHR system, the Hospitals invested in a certified EHR system prior to the HITECH Act. The HITECH Act includes significant monetary incentives meant to encourage the adoption of an EHR system. During 2013 and 2012, the Hospitals recognized incentive payments totaling approximately \$3,735 and \$5,400, respectively, which are included in other operating revenue in the consolidated statements of operations.

(l) *Charity Care*

The Corporation provides care to patients who meet certain criteria under their charity care policy without charge or at amounts less than their established rates. Because the facilities do not pursue the collection of amounts determined to qualify as charity care, those amounts are not reported as revenue (note 15).

(m) *Investments in Affiliates*

Investments in affiliates are accounted for under the equity method of accounting (note 6).

(n) *Tax Status*

UCMC, HMM, UCSJHC, UCRHH and UCMS have received determination letters from the Internal Revenue Service (IRS) recognizing them as federal income tax exempt under Section 501(c)(3) of the Internal Revenue Code. UCP is a title holding company and has received a determination letter from the IRS recognizing it as federal income tax exempt status under Section 501(c)(2) of the Internal Revenue Code. UCHS/UMMS Venture, LLC is a limited liability company not subject to entity level tax. The income earned by the Venture is taxable to the owners of the joint venture to the extent that it constitutes unrelated business income to UCHS and UMMS, the tax exempt members of the Venture. UCHV and UCMC Condo are organized as for-profit entities, are subject to federal income taxes, which are recorded under ASC Topic 740, *Income Taxes*. Accordingly, for those entities, income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The Venture recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs.

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The consolidated results of the Corporation include no income tax expense for the year ended December 31, 2013 and 2012

A reconciliation of tax expense (benefit) for the Corporation's taxable subsidiaries computed at the statutory federal and state rates on income from operations before income taxes to actual income tax expense is as follows

	<u>2013</u>	<u>2012</u>
Tax provision computed at statutory rate	\$ 104	2,838
Increase (reduction) in income taxes resulting from		
State tax, net of federal benefits	14	386
Change in the beginning of the year balance		
of the valuation allowance for deferred tax		
assets allocated to income tax expense	<u>(118)</u>	<u>(3,224)</u>
Income tax expense (benefit)	<u>\$ —</u>	<u>—</u>

Significant components of deferred income tax assets and liabilities as of December 31, 2013 and 2012 are as follows

	<u>2013</u>	<u>2012</u>
Deferred tax assets		
Net operating loss carry forwards	\$ 6,025	6,143
Other (alternative minimum tax credit)	<u>23</u>	<u>23</u>
Total gross deferred tax assets	6,048	6,166
Less valuation allowance	<u>(6,048)</u>	<u>(6,166)</u>
Net deferred tax assets	<u>\$ —</u>	<u>—</u>

UCHV and UCMC Condo have combined net operating loss carry forwards for federal and state purposes of approximately \$15,602, which will expire through 2031. The annual utilization of these net operating loss carry forwards is subject to certain limitations under the Internal Revenue Code.

Deferred income taxes reflect the net effect of net operating loss carry forwards and the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for income tax purposes. The valuation allowance for net deferred tax assets was \$6,048 and \$6,166 for the years ended December 31, 2013 and 2012, respectively. Net deferred tax assets have been fully reserved as of December 31, 2013 and 2012.

The Corporation accounts for income taxes in accordance with ASC Topic 740, *Income Taxes*, (FIN 48, *Accounting for Uncertainty in Income Taxes*, and Interpretation of FASB Statement 109).

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which recognizes the impact of an uncertain tax position in its consolidated financial statements if that position is more likely than not to be sustained on audit, based on the technical merits of the position

(o) *Nonoperating Income*

Other activities that are largely unrelated to the Corporation's primary mission are recorded as nonoperating income and include investment income, equity in income of joint ventures, and change in the fair value and settlement payments on derivative instruments

(p) *Impairment of Long-Lived Assets*

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

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

In estimating the future cash flows for determining whether an asset is impaired and if expected future cash flows used in measuring assets are impaired, the Corporation groups the assets at the lowest level for which there are identifiable cash flows independent of other groups of assets. If such assets are impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Based on management's evaluation, no long-lived assets were identified as impaired for the years ended December 31, 2013 and 2012.

(q) *Excess of Revenues over Expenses*

The consolidated statements of operations include excess of revenues over expenses. Changes in unrestricted net assets that are excluded from excess of revenues over expenses, consistent with industry practice, include contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets), and pension related changes other than net periodic pension cost.

(r) *Use of Estimates*

The preparation of the consolidated financial statements in conformity with U.S. generally accepted accounting principles generally requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the

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date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(s) *Temporarily and Permanently Restricted Net Assets*

Temporarily restricted net assets are subject to donor-imposed stipulations that may or will be met either by actions of the Corporation and/or the passage of time. Permanently restricted net assets are subject to donor-imposed stipulations that they be maintained permanently by the Corporation. Generally, the donors of these assets permit the Corporation to use all or part of the income earned on related investments for general or specific purposes.

(t) *Pledges Receivable*

Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in interest and dividend income.

(u) *Employee Pension Plan*

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

The Corporation accounts for the defined benefit pension plan in accordance with ASC Topic 715-20, *Compensation – Retirement Benefits – Defined Benefit Plans – General* (ASC 715), which requires the recognition of the overfunded or underfunded status of a defined benefit pension plan as an asset or liability in the consolidated balance sheets and to recognize any changes in that funded status through unrestricted net assets. Additionally, ASC 715 requires the measurement date for plan assets and liabilities to coincide with the employer's year end and to disclose in the notes to the consolidated financial statements additional information about certain effects on net periodic benefit cost for the next fiscal year that arise from delayed recognition of the gains or losses, prior service costs or credits, and transition asset or obligation.

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(v) Fair Value Measurements

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

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

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

Assets held by trustee, board designated and other investments stated at fair value, include the following as of December 31:

	<u>2013</u>	<u>2012</u>
Board-designated and other investments	\$ 113,796	102,924
Funds held by the trustee	6,994	6,607
Donor-restricted	1,276	1,276
	<u>\$ 122,066</u>	<u>110,807</u>

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Board-designated, other investments and donor-restricted investments, carried at fair value or under the equity method consist of the following as of December 31

	2013		2012	
Cash and cash equivalents	\$	14,742	13%	\$ 12,073 11%
Common and preferred stock and mutual funds		54,399	47	44,837 43
Corporate bonds and U S government obligations		36,528	32	34,068 33
Mortgage-backed and asset-backed securities		4,419	4	10,171 10
Alternative investments		4,984	4	3,051 3
	\$	<u>115,072</u>	<u>100%</u>	\$ <u>104,200</u> <u>100%</u>

As described in note 9, funds held by the trustee as of December 31, 2013 and 2012 are limited as to use under the Third Supplemental Bond Resolution and Supplemental Master Loan Agreement and the Amended and Restated Master Loan Agreement, respectively. Funds held by the trustee, which consist of cash and U S government agency obligations, are stated at fair value and include the following funds as of December 31

	2013	2012
Debt service fund	\$ 2,992	2,563
Debt service reserve fund	4,002	4,044
Total funds held by trustee	\$ <u>6,994</u>	<u>6,607</u>

The debt service fund has been established to secure the payment of principal and interest due on the Series 2008 Revenue Bonds (note 9). The debt service reserve fund has been established to provide for future deficiencies, if any, in various bond repayment terms established by the Amended and Restated Master Loan Agreement. If the balance in the debt service reserve fund falls below the minimum requirement as a result of investment losses or withdrawals relating to deficiencies in other specified funds, the Corporation will be required to make equal monthly payments to the trustee to restore the amount on deposit therein to the minimum required amount within a twenty-four month period. No requirement to make such payments existed as of December 31, 2013 or 2012.

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Investment income related to assets held by trustee, board designated, and other investments are comprised of the following for the years ended December 31

	<u>2013</u>	<u>2012</u>
Interest and dividends, net	\$ 987	972
Gain on sale of investments, net	1,497	2,846
Unrealized gain on investments, net	7,990	3,651
Unrealized loss on trustee held funds	(42)	(21)
Total investment income	<u>\$ 10,432</u>	<u>7,448</u>

(4) Patient Accounts Receivable and Business Concentrations

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

	<u>2013</u>	<u>2012</u>
Medicare	\$ 17,966	19,137
Medicaid	2,382	2,291
Commercial insurance and HMOs	23,633	28,987
Blue Cross	6,373	7,389
Self-pay and others	11,224	11,100
	61,578	68,904
Less allowance for estimated uncollectibles	20,696	22,882
Patient accounts receivable, net	<u>\$ 40,882</u>	<u>46,022</u>

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

	<u>2013</u>	<u>2012</u>
Medicare	43%	41%
Medicaid	2	2
Commercial insurance and HMOs	34	36
Blue Cross	15	16
Self-pay and others	6	5
	<u>100%</u>	<u>100%</u>

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(5) Property, Plant, and Equipment

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

	2013	2012
Land	\$ 21,761	21,761
Land improvements	8,148	8,355
Buildings	231,982	186,977
Leasehold improvements	3,378	3,373
Equipment	159,793	140,218
	<u>425,062</u>	<u>360,684</u>
Less accumulated depreciated	183,265	165,447
	<u>241,797</u>	<u>195,237</u>
Construction in process	5,160	29,247
	<u><u>\$ 246,957</u></u>	<u><u>224,484</u></u>

Depreciation expense for the years ended December 31, 2013 and 2012 was \$17,818 and \$15,463, respectively

During the year ended December 31, 2013, the Corporation entered into a capital lease for pieces of equipment in the amount of \$4,724, which is included within equipment. Accumulated depreciation related to the equipment was \$337 as of December 31, 2013.

(6) Investments in and Advances to Affiliates

The Corporation had investments in and advances to the following joint ventures as of December 31

Joint ventures	Business purpose	2013		2012	
		Percentage ownership	Balance	Percentage ownership	Balance
Upper Chesapeake Health Imaging, LLC	Imaging center	—%	\$ —	—%	\$ —
Advanced Upper Chesapeake Health Center, LLC	Imaging center	10	3,051	—	—
			<u>\$ 3,051</u>		<u>\$ —</u>

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Equity in income of joint ventures consists of following for the years ended December 31

	<u>2013</u>	<u>2012</u>
Upper Chesapeake Health Imaging, LLC	\$ —	689
Advanced/Upper Chesapeake Health Center, LLC	411	—
	<u>\$ 411</u>	<u>689</u>

UCHV formed a joint venture, Upper Chesapeake Health Imaging, LLC (UCHIC), with American Radiology Services, Inc whereby each member owned 50% of the joint venture. On October 1, 2012, UCHV sold its remaining share in the joint venture.

In February 2013, UCHV entered into a joint venture, Advanced/Upper Chesapeake Health, LLC, with Advanced Imaging Partners, Inc. whereby UCHV purchased a 10% interest in the joint venture for \$2.640

(7) Other Assets

Other assets consist of the following as of December 31

	<u>2013</u>	<u>2012</u>
Deferred financing costs, net	\$ 1.026	1.155
Pledges receivable, net	8.445	10.555
Insurance receivables (note 13)	6.547	8.767
Other	642	997
	<u>16.660</u>	<u>21.474</u>
Less current portion of pledges receivable	4.220	5.209
	<u>\$ 12.440</u>	<u>16.265</u>

The Corporation incurred costs of \$462 and \$881 related to the issuance of the Series 2008C and 2011 A, B, and C bonds, respectively. Accumulated amortization amounted to \$317 and \$188 at December 31, 2013 and 2012, respectively.

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During 2011, UCHF commenced a capital campaign to raise money to make capital improvements at UCMC. The net present value of all pledges receivable included in prepaid expenses and other current assets and other assets at December 31, 2013 and 2012 totaled \$10.893 and \$12.674, respectively, less an allowance for uncollectible pledges of \$2.448 and \$2.119, respectively. The payment terms of the net present value of pledges receivable as of December 31, 2013 are as follows:

2014	\$	6,381
2015		1,842
2016		1,579
2017		1,136
2018 and thereafter		1,103
		<hr/>
Gross pledges receivable		12,041
Less:		
Unamortized discount (3%)		1,148
Allowance for uncollectible pledges		2,448
		<hr/>
Net pledges receivable		8,445
Less:		
Pledges receivable, current		4,220
		<hr/>
Pledges receivable, long-term	\$	<u><u>4,225</u></u>

(8) Line of Credit

The Corporation had an unsecured discretionary line of credit agreement, set to expire in May 2014, with a bank that permitted the Corporation to borrow up to \$7,500 at LIBOR plus 125 basis points. There was no outstanding balance at December 31, 2012. The Corporation suspended the agreement with the bank in December 2013.

The Corporation had an additional unsecured discretionary line of credit agreement with a bank that permitted the Corporation to borrow up to \$3,500 at the greater of LIBOR plus 250 basis points or 4% (4% at December 31, 2012). The amount outstanding under this agreement was \$1,200 as of December 31, 2012. The Corporation paid the outstanding balance and suspended the agreement with the bank in December 2013.

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(9) Long-Term Debt and Capital Lease Obligations

Long-term debt and capital lease obligations consist of the following as of December 31

	<u>2013</u>	<u>2012</u>
Hospital revenue bonds		
Series 2008 C (due January 1, 2038)	\$ 51,530	52,470
Series 2011A (due January 1, 2043)	50,000	50,000
Series 2011B (due January 1, 2040)	57,310	58,330
Series 2011C (due January 1, 2040)	57,310	58,330
Capital lease	<u>4,521</u>	<u>—</u>
	220,671	219,130
Less amounts not drawn on Series 2011A	<u>—</u>	<u>29,102</u>
	220,671	190,028
Less bond discount	<u>515</u>	<u>549</u>
	220,156	189,479
Less current portion	<u>4,661</u>	<u>2,980</u>
	<u>\$ 215,495</u>	<u>186,499</u>

The Series 2008C Bonds are fixed rate term bonds obtained pursuant to the Amended and Restated Master Loan Agreement dated August 1, 2008 (the Master Loan Agreement) through the Maryland Health and Higher Educational Facilities Authority (the Authority or MHHEFA), which bear interest at 5.8% at December 31, 2013 and 2012. The Series 2008C Bonds were issued at a discount of \$706. Accumulated amortization amounted to \$190 and \$157 at December 31, 2013 and 2012, respectively. The loan principal is payable annually on January 1 and the loan interest is payable to a trustee semiannually.

The Series 2008 Bonds are subject to mandatory annual sinking fund requirements. The 2014 sinking fund installment amount is \$955. Sinking fund payments vary in increasing amounts from \$995 to \$3,750, with the final installment of \$3,750 due in 2038.

On October 1, 2011, the Obligated Group (HMH and UCMC) entered into a Financing Agreement with MHHEFA and a lender for up to \$50,000 of tax exempt Revenue Bonds, Series 2011A. The bonds are designated to support a capital project on the campus of UCMC, and bond proceeds are drawn upon as construction progresses. There was \$50,000 and \$20,898 drawn on the Series 2011A bonds as of December 31, 2013 and 2012, respectively. The Series 2011A bonds bear interest at 3.67% through October 31, 2021, and thereafter at LIBOR plus an applicable spread which is based on prevailing bond rates for similarly rated bonds. Principal payments on the Series 2011A bonds are due in annual installments on January 1 ranging from \$935 in 2014 to \$2,695 in 2043 with a mandatory purchase in 2021 at its par amount, unless the bank and Obligated Group agree to an extension.

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On December 1, 2011, MHHEFA issued \$59,225 of tax exempt Revenue Bonds, Series 2011B on behalf of the Obligated Group. Bond proceeds were loaned to the Obligated Group pursuant to a First Supplemental Indenture of Trust and Supplemental Loan Agreement. The Series 2011B bonds bear interest at LIBOR plus 1.15%, subject to prevailing rates on bond spreads. The interest rate at December 31, 2013 was 1.28%. The bond proceeds were used to refund the Series 2008B and a portion of the Series 2008A. Principal payments on the Series 2011B bonds are due in monthly installments ranging from \$90 in 2014 to \$430 in 2040 with a mandatory purchase in 2021 at its par value, unless the bank and the Obligated Group agree to an extension.

On December 1, 2011, MHHEFA issued \$59,225 of tax exempt Revenue Bonds, Series 2011C on behalf of the Obligated Group. Bond proceeds were loaned to the Obligated Group pursuant to a First Supplemental Indenture of Trust and Supplemental Loan Agreement. The Series 2011C bonds bear interest at LIBOR plus 0.95%, subject to prevailing rates on bond spreads. The interest rate at December 31, 2013 was 1.08%. The bond proceeds were used to refund the Series 2008A. Principal payments on the Series 2011C bonds are due in monthly installments ranging from \$90 in 2014 to \$410 in 2039 with a mandatory purchase in 2017 at its par value, unless the bank and the Obligated Group agree to an extension.

Annual principal maturities of long-term liabilities, sinking fund payments, and capital lease obligations at December 31, 2013 are as follows (based on mandatory purchases):

2014	\$	4.661
2015		4.847
2016		5.048
2017		58.092
2018		4.240
Thereafter		143.783
	\$	<u>220.671</u>

Prior to December 6, 2013, the Obligated Group was jointly and severally liable under the Master Loan Agreement. Pursuant to the Master Loan Agreement, the Obligated Group was required to maintain certain funds on deposit with the trustee as described in note 3. As security for the performance of their obligations under the Master Loan Agreement, the Obligated Group has granted the Authority a security interest in its revenues.

Subsequent to December 6, 2013, the Obligated Group joined the UMMS Obligated Group pursuant to the Third Supplemental Bond Resolution and Supplemental Master Loan Agreement (Supplemental Loan Agreement). The Series 2008C and Series 2011A, B, and C bonds are now governed by the Supplemental Loan Agreement.

The UMMS Obligated Group is subject to certain qualitative and quantitative financial covenants as defined in the UMMS Master Loan Agreement, as long as the bonds are outstanding. The UMMS Obligated Group is in compliance with the debt covenants as of December 31, 2013.

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Interest payments were \$5.741 and \$4.829 for the years ended December 31, 2013 and 2012, respectively.

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

A derivative instrument (interest rate swap) was entered into in conjunction with the 2007 Series Bond issuance, with a notional amount of \$113.875 as of December 31, 2013 at a fixed rate of 3.915% and a floating rate of 67% of one-month LIBOR. The purpose of the swap is to convert variable rate debt to fixed rate debt. The unrealized gain (loss) of \$9.541 and \$(1.411) is included in nonoperating income for the years ended December 31, 2013 and 2012, respectively. The fair value of the interest rate swap was approximately \$(23.169) and \$(32.710) as of December 31, 2013 and 2012, respectively, and is included in other long-term liabilities.

On December 6, 2013, in connection with the transaction discussed in note 1, the interest rate swap agreement for UCHS was revised into a new agreement with the same terms and original confirmation between UMMS and the swap counterparty. UMMS has allocated the liability of \$23.169 to the Corporation as of December 31, 2013. The new agreement requires collateral postings by UCHS in the amount of the net liability position of the interest rate swap, which is guaranteed by UMMS. UMMS posted collateral on the Corporation's behalf in the amount of \$23.169 as of December 31, 2013.

A derivative instrument (basis swap) was entered into in 2006 with a notional amount of \$90.695 as of December 31, 2013. Accordingly, the unrealized (loss) gain of \$(1.939) and \$1.177 is included in nonoperating income for the years ended December 31, 2013 and 2012, respectively. The fair value of the basis swap was approximately \$(1.858) and \$80 as of December 31, 2013 and 2012, respectively, and is included in other long-term liabilities. There is no collateral requirement associated with the basis swap.

Settlement payments for the years ended December 31, 2013 and 2012 of \$(3.882) and \$(3.822), respectively, are included in change in the fair value and settlement payments on derivatives instruments.

(10) Temporarily Restricted Net Assets

Temporarily restricted net assets of \$156.422 and \$12.310 as of December 31, 2013 and 2012, respectively, are restricted primarily as the economic interest in the net assets of UCH Legacy Funding Corporation, pledges on the capital campaign, nursing education at HMH and certain healthcare programs and capital projects at HMH and UCMC.

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(11) Permanently Restricted Net Assets

Permanently restricted net assets are restricted to investment in perpetuity, the income from which is expendable for equipment purchases for HMH and to support charity care provided by HMH. Permanently restricted net assets, stated at fair value, are as follows as of December 31, 2013 and 2012:

Brown Memorial Fund	\$ 1,121
Cecil/Harford Continuous Supporting Fund	71
Mitchell Continuous Supporting Fund	3
Benjamin Harmon Fund	27
Edward J. Hill Memorial Fund	54
	<hr/>
	\$ 1,276

(12) Employee Benefit Plans

(a) Defined Contribution Plan

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

For the years ended December 31, 2013 and 2012, the Corporation's expense related to the defined contribution plan was approximately \$4,092 and \$4,244, respectively, and is included in employee benefits in the consolidated statements of operations.

(b) Defined Benefit Plan

The Corporation participates in a noncontributory defined benefit pension plan (the Plan) covering substantially all employees of HMH, UCMC, UCHF, UCHS, and UCSJHC who have completed six months of employment and attained the age of twenty and a half years. The Corporation makes annual contributions to the Plan equal to the minimum funding requirement pursuant to ERISA regulations. UCHS is the Plan sponsor and elected to freeze the defined benefit plan on December 31, 2005.

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The following tables set forth the changes in the projected benefit obligation, the changes in the Plan's assets, the Plan's funded status and amounts recognized in the Corporation's consolidated financial statements as of December 31

	2013	2012
Projected benefit obligation, at beginning of year	\$ 71,539	63,132
Actual benefit payments	(2,053)	(1,931)
Loss due to differences between actual and assumed experience	(7,790)	7,072
Interest cost	3,148	3,266
Projected benefit obligation, at end of year	<u>64,844</u>	<u>71,539</u>
Fair value of plan assets, at beginning of year	61,836	52,932
Contributions	3,615	4,199
Actual benefit payments	(2,053)	(1,931)
Return on plan assets	6,200	6,636
Fair value of plan assets, at end of year	<u>69,598</u>	<u>61,836</u>
Funded status	<u>\$ 4,754</u>	<u>(9,703)</u>
	2013	2012
Amounts recognized in unrestricted net assets		
Net actuarial loss	\$ (19,144)	(31,949)
Prior service cost	(16)	(23)
Accumulated amount in net assets	<u>\$ (19,160)</u>	<u>(31,972)</u>

The estimated amounts that will be amortized from unrestricted net assets into net periodic pension cost in fiscal year ending December 31, 2014 are as follows

Net actuarial loss	\$ 1,741
Prior service cost	<u>8</u>
	<u>\$ 1,749</u>

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The components of net periodic pension cost for the years ended December 31 are as follows

	<u>2013</u>	<u>2012</u>
Interest cost	\$ 3,149	3,266
Expected return on plan assets	(4,729)	(4,051)
Amortization of loss	3,542	3,524
Net amortization and deferral	<u>8</u>	<u>8</u>
Net periodic pension cost	<u>\$ 1,970</u>	<u>2,747</u>

Actuarial assumptions used were as follows

	<u>2013</u>	<u>2012</u>
Assumptions used to determine annual pension expense		
Discount rate	4.48%	5.27%
Expected return on plan assets	7.50	7.50
Rate of compensation increase	N/A	N/A
Assumptions used to determine end-of-year liabilities		
Discount rate	5.37%	4.48%
Expected return on plan assets	7.50	7.50
Rate of compensation increase	N/A	N/A

Salary increases are not applicable to 2013 and 2012 because the Plan was frozen on December 31, 2005.

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

The investment objective of the Plan is to produce a rate of return as determined by the Plan actuary. The Plan is diversified into equities, fixed income obligations and cash and cash equivalents, so as to provide a reasonable assurance that no single security or class of securities will have a disproportionate impact on the Plan's rate of return. Equity securities are targeted at 60% with a range from 20% to 60%. Fixed income obligations and cash equivalents are targeted at 40% with a range from 40% to 80%. Periodic rebalancing takes place to maintain the desired allocation. Management may change these allocations at its discretion, although such changes are likely to occur infrequently.

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The Plan's asset allocation as of December 31, 2013 and 2012, by asset category, is as follows

	<u>2013</u>	<u>2012</u>
Asset category		
Cash and equivalents	2%	4%
Common/preferred stock and mutual funds	41	57
Government bonds	27	9
Corporate bonds	30	30
Total	<u>100%</u>	<u>100%</u>

The following tables present the Plan's assets measured at fair value as of December 31, 2013 and 2012

		<u>2013</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
		<u>Total</u>		
Assets				
Cash and cash equivalents	\$	1,688	—	—
Common/preferred stock		18,641	—	—
Equity mutual funds and exchange traded funds		9,714	—	—
U S agency Mortgage-backed and asset-backed securities		177	—	—
Corporate bonds		20,907	—	—
U S government obligations		18,134	—	—
Municipal bonds		337	—	—
Total assets	\$	<u>69,598</u>	<u>—</u>	<u>69,598</u>

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	2012			
	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents	\$ 2,540	—	—	2,540
Common/preferred stock	21,780	—	—	21,780
Equity mutual funds and exchange traded funds	13,460	—	—	13,460
U S agency Mortgage-backed and asset-backed securities	232	—	—	232
Corporate bonds	18,320	—	—	18,320
U S government obligations	5,008	—	—	5,008
Municipal bonds	496	—	—	496
Total assets	\$ 61,836	—	—	61,836

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

The Corporation expects to contribute \$4,000 to the Plan in 2014.

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

Fiscal year	Expected benefit payments
2014	\$ 2.687
2015	2.972
2016	3.240
2017	3.459
2018	3.664
2019–2023	21.037

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(13) Certain Significant Risks and Uncertainties

(a) *Regulation and Reimbursement*

The Corporation provides healthcare services primarily through two general acute care hospitals. The Corporation and other healthcare providers in Maryland are subject to certain inherent risks, including the following:

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

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

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

The healthcare industry is also subject to numerous laws and regulations from federal, state and local governments, and the government has aggressively increased enforcement of Medicare and Medicaid anti-fraud and abuse laws. The Corporation's compliance with these laws and regulations is subject to periodic governmental review, which could result in enforcement actions unknown or unasserted at this time. Noncompliance with such laws and regulations could result in repayments of amounts improperly reimbursed, substantial monetary fines, civil and criminal penalties, and exclusion from Medicare and Medicaid programs.

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

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As a result of recently enacted and pending federal health care reform legislation, substantial changes are anticipated in the U S healthcare system. Such legislation includes numerous provisions affecting the delivery of healthcare services, the financing of healthcare costs, reimbursement to healthcare providers and the legal obligations of health insurers, providers and employers. These provisions are currently slated to take effect at specified times over the next decade. This federal healthcare reform legislation did not affect the 2013 or 2012 consolidated financial statements.

(b) Malpractice

Claims alleging malpractice have been asserted against the Corporation and are currently in various stages of litigation. Additional claims may be asserted arising from services provided to patients through December 31, 2013.

On October 1, 2005, the Corporation entered into an insurance agreement whereby the malpractice claims for HMH, UCMC, and certain related employees are being administered through an offshore captive insurance company (Upper Chesapeake Insurance Company, Ltd. or the Captive) domiciled in the Cayman Islands, which is wholly owned by UCHS. The Captive is managed by HSBC, a management company based in the Cayman Islands. The Corporation incurred premiums for claims-made insurance policies of \$4,943 and \$3,997 for the years ended December 31, 2013 and 2012, respectively. Retention limits on which the Captive assumes the risk of loss are based on an annual occurrence basis of \$1,000 per occurrence and \$6,000 in the aggregate.

The Corporation's accrued claims liability for unpaid professional and general liability claims totaled \$14,159 and \$15,186 as of December 31, 2013 and 2012, respectively. These amounts include claims that are expected to be reimbursed from highly rated third party insurance carriers and, accordingly, the Corporation has recorded a receivable of \$6,547 and \$8,767 as of December 31, 2013 and 2012, respectively, which are recorded in accrued salaries, benefits, and other in the accompanying consolidated balance sheets.

In addition, the Corporation has accrued \$3,431 and \$3,222 as of December 31, 2013 and 2012, respectively, for claims that are incurred but not reported. These balances are recorded in accrued salaries, benefits, and other in the accompanying consolidated balance sheets.

In the opinion of management based upon information provided by their advisors, estimated malpractice costs accrued as of December 31, 2013 are adequate to provide for potential losses resulting from pending or threatened litigation or for losses incurred but not reported.

Other subsidiaries of the Corporation are covered by independent commercial insurance policies.

(c) Welfare Benefit Plan

The Corporation provides a welfare benefit plan. The purpose of this plan is to provide eligible employees and their dependents with coverage for hospital and medical expenses on a self-insured basis, subject to risk retention limits, and to provide dental and vision benefits pursuant to specified insurance policies and contracts. An estimate for incurred but not reported health insurance claims of

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\$1,841 and \$1,719 has been accrued and recorded in accrued salaries, benefits and other in the accompanying consolidated balance sheets as of December 31, 2013 and 2012, respectively

(d) *Workers' Compensation*

The Corporation participates in a self-insured plan for workers' compensation claims. Stop-loss coverage has been purchased through a commercial carrier for claims in excess of \$600. Accrued claims of \$2,517 and \$2,913 include estimates for incidents incurred but not reported and are included in accrued salaries, benefits and other in the accompanying consolidated balance sheets as of December 31, 2013 and 2012, respectively. The Corporation maintains a surety bond in the amount of \$4,200 and a letter of credit in the amount of \$1,680 to secure payments on the outstanding workers' compensation claims as required by the State of Maryland Workers' Compensation Commission.

(e) *Unemployment*

The Corporation maintains a letter of credit in the amount of \$1,255 for the purpose of securing unemployment benefit payments as required by the State of Maryland.

(f) *Litigation*

From time to time the Corporation is involved in litigation and regulatory investigations arising in the course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the Corporation's future financial position or results from operations.

(g) *Asset Retirement Obligation*

The Corporation has recorded an Asset Retirement Obligation (ARO) for asbestos removal. The liability is recognized at its net present value with a corresponding increase to the carrying amount of the long-lived asset to which the ARO relates. The estimated asbestos removal costs are \$1,189 and \$1,212 as of December 31, 2013 and 2012, respectively, and are included in other long term liabilities. During 2013 there were payments made of \$41 related to asbestos removal, along with annual accretion of \$18.

(h) *Physician Contracts*

The Corporation has several employment contracts with physicians which cannot be terminated without cause extending through 2018 with a total commitment of \$36,945 subject to productivity requirements, maintaining professional credentials, and other general employment matters for each physician. The Corporation has additional physician employment contracts which are cancelable without cause.

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(Dollars in thousands)

(14) Leases

The Corporation has several operating lease agreements for office space, computer and medical equipment, office machines and vehicles. Total rent expense under these leases was approximately \$4,190 and \$4,020 for the years ended December 31, 2013 and 2012, respectively.

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

2014	\$	2,803
2015		2,008
2016		597
2017		43
2018 and thereafter		—
	\$	<u>5,451</u>

(15) Charity Care and Other Deductions from Revenue

The Corporation provides care to patients regardless of their ability to pay. In identifying charity care, the Corporation assesses the patient's ability to pay, utilizing generally recognized poverty income levels for the community, and identifies certain cases where incurred charges are considered to be beyond the patient's ability to pay. The Corporation maintains records to identify and monitor the level of charity care it provides. These records reflect the amount of charges foregone under its charity care policy and amounted to approximately \$9,753 and \$8,076 for the years ended December 31, 2013 and 2012, respectively. The total direct and indirect costs to provide care amounted to approximately \$7,171 and \$6,025 for the years ended December 31, 2013 and 2012, respectively.

In addition to the direct charity care noted above, all patients covered by the Medicare, Medicaid and other third-party payors' programs are accepted. These programs reimburse the Corporation at less than the established charges for services provided to recipients. The difference between the charges for these services and the related reimbursement amounts for these and other third-party payors are as follows for the years ended December 31:

	<u>2013</u>	<u>2012</u>
Medicare	\$ 39,271	37,088
Medicaid	1,977	1,402
Other third-party payors	<u>20,632</u>	<u>21,035</u>
	\$ <u>61,880</u>	<u>59,525</u>

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

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Patient accounts receivable are reduced by an allowance for bad debts. In evaluating the collectability of accounts receivable, the Corporation analyzes historical collections and write-offs and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for bad debts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for bad debts. For receivables associated with services provided to patients who have third-party coverage, the Corporation analyzes contractually due amounts and provides an allowance for bad debts, allowance for contractual adjustments, provision for bad debts, and contractual adjustments on accounts for which the third-party payor has not yet paid or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely. For receivables associated with self-pay patients or with balances remaining after the third-party coverage has already paid, the Corporation records a significant provision for bad debts in the period of service on the basis of its historical collections, which indicates that many patients ultimately do not pay the portion of their bill for which they are financially responsible. The difference between the discounted rates and the amounts collected after all reasonable collection efforts have been exhausted is charged off against the allowance for bad debts.

	<u>2013</u>	<u>2012</u>
Beginning allowance and contractals	\$ (22,882)	(20,940)
Plus provision for bad debt	(23,926)	(22,908)
Less bad debt write-offs and contractals	26,112	20,966
Ending allowance and contractals	<u>\$ (20,696)</u>	<u>(22,882)</u>

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

(16) Fair Value of Financial Instruments

(a) Fair Value of Financial Instruments

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

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

Cash and cash equivalents, accounts receivable, due from affiliates, other assets, line of credit, accounts payable, advances from third-party payors, accrued expenses, and intercompany amounts

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(Dollars in thousands)

The carrying amounts, at face value or cost plus accrued interest, approximate fair value because of the short maturity of these instruments

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

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

(b) Long-Term Debt

The Series 2008 C and Series 2011 A, B, and C bonds bear interest at variable and fixed rates and at December 31, 2013 had a fair value of \$218,439. The fair value of the outstanding debt at December 31, 2012 was \$195,877.

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

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(Dollars in thousands)

(c) Fair Value Hierarchy

The following tables present assets and liabilities that are measured at fair value on a recurring basis as of December 31, 2013 and 2012

		2013			
		Level 1	Level 2	Level 3	Total
Assets					
Cash and cash equivalents	\$	15,931	—	—	15,931
Common/preferred stock		30,860	—	—	30,860
Equity mutual funds and exchange traded funds		23,539	—	—	23,539
U S agency Mortgage-backed and asset-backed securities		10,224	—	—	10,224
Corporate bonds		25,866	—	—	25,866
U S government obligations		9,334	—	—	9,334
Municipal bonds		1,328	—	—	1,328
Total assets	\$	<u>117,082</u>	<u>—</u>	<u>—</u>	<u>117,082</u>
Liabilities					
Derivative instruments	\$	—	25,027	—	25,027
		2012			
		Level 1	Level 2	Level 3	Total
Assets					
Cash and cash equivalents	\$	12,146	—	—	12,146
Common/preferred stock		21,934	—	—	21,934
Equity mutual funds and exchange traded funds		25,080	—	—	25,080
U S agency Mortgage-backed and asset-backed securities		14,251	—	—	14,251
Corporate bonds		27,761	—	—	27,761
U S government obligations		5,246	—	—	5,246
Municipal bonds		1,338	—	—	1,338
Total assets	\$	<u>107,756</u>	<u>—</u>	<u>—</u>	<u>107,756</u>
Liabilities					
Derivative instruments	\$	—	32,630	—	32,630

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(Dollars in thousands)

The Corporation's accounting policy is to recognize transfers between levels of the fair value hierarchy on the date of the event or change in circumstances that caused the transfer. There were no significant transfers into or out of Level 1 or Level 2 for the year ended December 31, 2013.

(17) Non-Controlling Interest

Effective January 1, 2010, UCHS adopted new accounting guidance (applied retroactively to January 1, 2009) that requires a not-for-profit reporting entity to account for and present noncontrolling interests in a consolidated subsidiary as a separate component of the appropriate class of consolidated net assets (equity). The following table presents a reconciliation of the changes in consolidated unrestricted net assets attributable to UCHS's controlling interest and noncontrolling interest, including amounts such as the performance indicator and other changes in unrestricted net assets as of and for the year ended December 31, 2012.

	Unrestricted net assets- controlling interest	Unrestricted net assets- noncontrolling interest	Total unrestricted net assets
Balance as of December 31, 2011	\$ 25,207	91,999	117,206
Excess of revenues over expenses	6,440	5,384	11,824
Other changes, net	(348)	313	(35)
Decrease in unrestricted net assets	6,092	5,697	11,789
Balance as of December 31, 2012	\$ <u>31,299</u>	<u>97,696</u>	<u>128,995</u>

As discussed in note 1, UMMS became the sole member of UCHS on December 6, 2013, eliminating the noncontrolling interest in unrestricted net assets for the year ended December 31, 2013.

(18) Functional Expenses

The Corporation provides general healthcare services to residents within its geographic locations through two general acute care hospitals. The expenses of the Corporation related to providing these services, based on management's estimates of expense allocations, are as follows for the years ended December 31:

	<u>2013</u>	<u>2012</u>
Healthcare services	\$ 304,115	302,646
General and administrative	62,259	64,109
	\$ <u>366,374</u>	<u>366,755</u>

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(Dollars in thousands)

(19) Subsequent Events

The Corporation evaluated all events and transactions that occurred after December 31, 2013 and through April 25, 2014, the date the consolidated financial statements were issued. The Corporation did not have any material recognizable subsequent events during this period.

CONSOLIDATING SCHEDULES

**UNIVERSITY OF MARYLAND UPPER CHESAPEAKE
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Consolidating Balance Sheet Information

December 31, 2013

(In thousands)

Assets	UCHS/UMMS Venture, LLC and Subsidiaries	Upper Chesapeake				Consolidating eliminations	Consolidated
		Health Foundation, Inc.	Insurance Company, Ltd.	Health System, Inc.	Land Trust LTD		
Current assets							
Cash and cash equivalents	\$ 39,370	185	8,094	125	—	—	47,780
Current portion of assets held by trustee	2,002	—	—	—	—	—	2,002
Board designated and other investments	41,932	14,097	—	—	—	—	56,029
Patient accounts receivable, net	40,882	—	—	—	—	—	40,882
Prepaid expenses and other current assets	12,262	4,220	4,080	80	—	—	20,651
Total current assets	137,444	19,102	12,174	214	—	—	168,934
Due from affiliates	15,110	—	—	—	—	(15,110) (a)	—
Assets held by trustee, less current portion	4,002	—	—	—	—	—	4,002
Board designated and other investments	57,167	1,270	—	—	—	—	58,437
Investments in and advances to affiliates	3,051	—	—	—	—	—	3,051
Property, plant and equipment, net	241,053	5	—	2,574	3,325	—	246,957
Economic interest in net assets of UCH Legacy Funding Corporation	101,390	—	—	—	—	(11,390) (b)	150,000
Pension asset	4,754	—	—	—	—	—	4,754
Other assets	1,471	4,422	0,547	—	—	—	12,440
Total assets	\$ 625,442	24,805	18,721	2,788	3,325	(20,500)	648,581
Liabilities and Net Assets							
Current liabilities							
Accounts payable	\$ 14,732	—	38	130	—	—	14,900
Accrued salaries, benefits and other	22,906	—	17,488	1,130	—	—	41,530
Line of credit	—	—	—	—	—	—	—
Current portion of long-term debt and capital leases	4,001	—	—	—	—	—	4,001
Advances from third-party payors	7,505	—	—	—	—	—	7,505
Total current liabilities	49,864	—	17,526	1,260	—	—	68,650
Due to affiliates	—	7,440	—	4,221	3,383	(15,044) (a)	—
Long-term debt and capital leases, less current portion	215,405	—	—	—	—	—	215,405
Other long-term liabilities	37,035	—	—	1	—	—	37,036
Pension liability	—	—	—	—	—	—	—
Total liabilities	302,904	7,440	17,526	5,488	3,383	(15,044)	321,787
Net assets (deficit)							
Unrestricted – controlling interest	101,058	0,007	1,195	(2,700)	(58)	(00)	100,090
Unrestricted – noncontrolling interest	—	—	—	—	—	—	—
Total unrestricted	101,058	0,007	1,195	(2,700)	(58)	(00)	100,090
Temporarily restricted	101,390	0,422	—	—	—	(11,390) (b)	150,422
Permanently restricted	—	1,270	—	—	—	—	1,270
Total net assets (deficit)	322,448	17,305	1,195	(2,700)	(58)	(11,450)	320,794
Total liabilities and net assets	\$ 625,442	24,805	18,721	2,788	3,325	(20,500)	648,581
Consolidating eliminations:							
(a) Eliminate intercompany receivables and payables							
(b) Eliminate economic interest in net assets of related entity							

See accompanying independent auditors' report.

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Consolidating Balance Sheet Information for
UCHS UMMIS Venture, LLC

December 31, 2013

(In thousands)

Assets	Harford Memorial Hospital, Inc.	Upper Chesapeake Medical Center, Inc.	Upper Chesapeake				Hospice of Harford County, LLC	Consolidating eliminations	Consolidated
			Properties, Inc.	Health Ventures, Inc.	Medical Services, Inc.	Residential Hospice House, Inc.			
Current assets									
Cash and cash equivalents	\$ 16,869	22,349	14	—	141	3	—	—	39,376
Current portion of assets held by trustee	479	2,513	—	—	—	—	—	—	2,992
Board designated and other investments	—	41,932	—	—	—	—	—	—	41,932
Patient accounts receivable, net	9,380	26,360	—	—	5,138	4	—	—	40,882
Prepaid expenses and other current assets	4,244	7,431	6	—	576	5	—	—	12,262
Total current assets	30,972	100,585	20	—	5,855	12	—	—	137,444
Due from affiliates	—	51,915	—	—	—	—	—	(36,805) (a)	15,110
Assets held by trustee, less current portion	640	3,362	—	—	—	—	—	—	4,002
Board designated and other investment	56,705	—	—	—	—	—	462	—	57,167
Investments in and advances to affiliates	—	—	—	3,051	—	—	—	—	3,051
Property, plant, and equipment, net	36,396	200,116	118	32	1,651	2,560	180	—	241,053
Economic interest in net assets of UCH Legacy Funding Corporation	—	161,390	—	—	—	—	—	—	161,390
Pension asset	1,426	3,328	—	—	—	—	—	—	4,754
Other assets	103	986	—	285	97	—	—	—	1,471
Total assets	\$ 126,242	521,682	138	3,368	7,603	2,572	642	(36,805)	625,442
Current liabilities									
Accounts payable	\$ 8,208	5,033	—	—	1,491	—	—	—	14,732
Accrued salaries, benefits, and other	9,340	13,265	1	—	300	—	—	—	22,906
Line of credit	—	—	—	—	—	—	—	—	—
Current portion of long-term debt and capital leases	497	4,164	—	—	—	—	—	—	4,661
Advances from third-party payors	1,797	5,768	—	—	—	—	—	—	7,565
Total current liabilities	19,842	28,230	1	—	1,791	—	—	—	49,864
Due to affiliates	29,340	—	14	1,321	5,661	469	—	(36,805) (a)	—
Long-term debt and capital leases, less current portion	26,004	189,491	—	—	—	—	—	—	215,495
Other long-term liabilities	1,188	36,447	—	—	—	—	—	—	37,635
Pension liability	—	—	—	—	—	—	—	—	—
Total liabilities	76,374	254,168	15	1,321	7,452	469	—	(36,805)	302,994
Members' equity	49,868	267,514	123	2,047	151	2,103	642	—	322,448
Total liabilities and members' equity	\$ 126,242	521,682	138	3,368	7,603	2,572	642	(36,805)	625,442
Consolidating eliminations									
(a) Eliminate intercompany receivables and payables									

See accompanying independent auditors' report

UNIVERSITY OF MARYLAND UPPER CHESAPEAKE
HEALTH SYSTEM, INC. AND SUBSIDIARIES

Consolidating Statement of Operations Information

Year ended December 31, 2013

(In thousands)

	UCHS/UMMS Venture, LLC and Subsidiaries	Upper Chesapeake Health Foundation, Inc.	Upper Chesapeake Insurance Company, Ltd.	Upper Chesapeake Health System, Inc.	Upper Chesapeake Land Trust LTD	Consolidating eliminations	Total
Unrestricted revenues, gains and other support							
Patient service revenue (net of contractual allowances and discounts)	\$ 384,257	—	—	—	—	—	384,257
Provision for bad debts	(23,926)	—	—	—	—	—	(23,926)
Net patient service revenue	360,331	—	—	—	—	—	360,331
Other	8,789	1,270	2,711	15,891	—	(16,757) (a)	11,904
Total unrestricted revenues, gains and other support	369,120	1,270	2,711	15,891	—	(16,757)	372,235
Expenses							
Salaries	154,782	772	—	9,831	—	—	165,385
Employee benefits	33,030	—	—	2,464	—	—	35,494
Supplies and other operating expenses	149,773	505	2,714	3,884	19	(15,594) (a)	141,301
Depreciation and amortization	18,017	1	—	434	—	—	18,452
Interest	5,742	—	—	—	—	—	5,742
Total expenses	361,344	1,278	2,714	16,613	19	(15,594)	366,374
Operating income (loss)	7,776	(8)	(3)	(722)	(19)	(1,163)	5,861
Nonoperating (loss) income							
Investment income	7,808	2,456	—	—	—	—	10,264
Change in the fair value and settlement payments on derivative instruments	3,720	—	—	—	—	—	3,720
Equity in earnings of affiliates	411	—	—	—	—	—	411
Other	(115)	—	3	1	—	—	(111)
Nonoperating income	11,824	2,456	3	1	—	—	14,284
Excess (deficiency) of revenues over expenses	\$ 19,600	2,448	—	(721)	(19)	(1,163)	20,145
Consolidating eliminations							
(a) Eliminate intercompany revenues and expenses							

See accompanying independent auditors' report

**UNIVERSITY OF MARYLAND UPPER CHESAPEAKE
HEALTH SYSTEM, INC. AND SUBSIDIARIES**

Consolidating Statement of Operations Information for
UC HS UMMS Venture, LLC

Year ended December 31, 2013

(In thousands)

	Harford Memorial Hospital, Inc.	Upper Chesapeake Medical Center, Inc.	Upper Chesapeake				Hospice of Harford County, LLC	Consolidating eliminations	Consolidated
			Properties, Inc.	Health Ventures, Inc.	Medical Services, Inc.	Residential Hospice House, Inc.			
Operating activities									
Unrestricted revenues, gains and other support									
Patient service revenue (net of contractual allowances and discounts)	\$ 89,856	253,740	—	—	40,368	293	—	—	384,257
Provision for bad debts	(9,046)	(12,072)	—	—	(2,776)	(32)	—	—	(23,926)
Net patient service revenue	80,810	241,668	—	—	37,592	261	—	—	360,331
Other	2,932	5,581	1	—	3,612	165	—	(3,502) (a)	8,789
Total unrestricted revenues, gains and other support	83,742	247,249	1	—	41,204	426	—	(3,502)	369,120
Expenses									
Salaries	38,069	87,007	—	—	29,101	515	—	—	154,782
Employee benefits	8,899	20,336	—	—	3,715	80	—	—	33,030
Supplies and other operating expenses	27,156	104,377	148	105	21,364	125	—	(3,502) (a)	149,773
Depreciation and amortization	4,102	12,800	26	—	940	149	—	—	18,017
Interest	1,332	4,361	—	—	49	—	—	—	5,742
Total expenses	79,558	228,971	174	105	55,169	869	—	(3,502)	361,344
Operating income (loss)	4,184	18,278	(173)	(105)	(13,965)	(443)	—	—	7,776
Nonoperating income (loss)									
Investment income	7,340	402	—	—	—	—	66	—	7,808
Change in the fair value and settlement payments on derivative instruments	—	3,720	—	—	—	—	—	—	3,720
Equity in earnings of affiliates	—	—	—	411	—	—	—	—	411
Other	—	—	—	—	(115)	—	—	—	(115)
Nonoperating income (loss)	7,340	4,122	—	411	(115)	—	66	—	11,824
Excess (deficiency) of revenues over expenses	\$ 11,524	22,400	(173)	306	(14,080)	(443)	66	—	19,600
Consolidating eliminations									
(a) Eliminate intercompany revenues and expenses									

See accompanying independent auditors' report