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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

IMPROVE THE HEALTH OF THE COMMUNITIES WE SERVE

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 \$ 345,078,830 including grants of \$ 0) (Revenue \$ 387,768,807)

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 345,078,830

Part IV Checklist of Required Schedules

	Yes	No
1 Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? If "Yes," complete Schedule A 	1 Yes	
2 Is the organization required to complete Schedule B, Schedule of Contributors (see instructions)? 	2 Yes	
3 Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? If "Yes," complete Schedule C, Part I 	3	No
4 Section 501(c)(3) organizations. Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? If "Yes," complete Schedule C, Part II 	4 Yes	
5 Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? If "Yes," complete Schedule C, Part III 	5	No
6 Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? If "Yes," complete Schedule D, Part I 	6	No
7 Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas, or historic structures? If "Yes," complete Schedule D, Part II 	7	No
8 Did the organization maintain collections of works of art, historical treasures, or other similar assets? If "Yes," complete Schedule D, Part III 	8	No
9 Did the organization report an amount in Part X, line 21 for escrow or custodial account liability, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? If "Yes," complete Schedule D, Part IV 	9	No
10 Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? If "Yes," complete Schedule D, Part V 	10 Yes	
11 If the organization's answer to any of the following questions is "Yes," then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable		
a Did the organization report an amount for land, buildings, and equipment in Part X, line 10? If "Yes," complete Schedule D, Part VI 	11a Yes	
b Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VII 	11b	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	No
12a Did the organization obtain separate, independent audited financial statements for the tax year? If "Yes," complete Schedule D, Parts XI and XII 	12a Yes	
b Was the organization included in consolidated, independent audited financial statements for the tax year? If "Yes," and if the organization answered "No" to line 12a, then completing Schedule D, Parts XI and XII is optional 	12b Yes	
13 Is the organization a school described in section 170(b)(1)(A)(ii)? If "Yes," complete Schedule E	13	No
14a Did the organization maintain an office, employees, or agents outside of the United States?	14a Yes	
b Did the organization have aggregate revenues or expenses of more than \$10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at \$100,000 or more? If "Yes," complete Schedule F, Parts I and IV 	14b Yes	
15 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of grants or 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		No
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		No
23	Did the organization answer "Yes" to Part VII, Section A, line 3, 4, or 5 about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? <i>If "Yes," complete Schedule J</i>	23	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? <i>If "Yes," answer lines 24b through 24d and complete Schedule K. If "No," go to line 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	Yes	
29	Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i>	29		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i>	30		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i>	31		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i>	32		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? <i>If "Yes," complete Schedule R, Part I</i>	33		No
34	Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1</i>	34	Yes	
35a	Did the organization have a controlled entity within the meaning of section 512(b)(13)?	35a	Yes	
b	If 'Yes' to line 35a, did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? <i>If "Yes," complete Schedule R, Part V, line 2</i>	35b	Yes	
36	Section 501(c)(3) organizations. Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2</i>	36		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? <i>If "Yes," complete Schedule R, Part VI</i>	37		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11b and 19? Note. All Form 990 filers are required to complete Schedule O	38	Yes	

Part V

Statements Regarding Other IRS Filings and Tax Compliance

Check if Schedule O contains a response 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			1a	248				
b Enter the number of Forms W-2G included in line 1a Enter -0- if not applicable			1b	0				
c Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?			1c		Yes			
2a Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return			2a	3,212				
b If at least one is reported on line 2a, did the organization file all required federal employment tax returns? Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions)			2b					Yes
3a Did the organization have unrelated business gross income of \$1,000 or more during the year?			3a		Yes			
b If "Yes," has it filed a Form 990-T for this year? <i>If "No" to line 3b, provide an explanation in Schedule O</i>			3b		Yes			
4a At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?			4a		Yes			
b If "Yes," enter the name of the foreign country CJ See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts								
5a Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?			5a				No	
b Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?			5b				No	
c If "Yes," to line 5a or 5b, did the organization file Form 8886-T?			5c					
6a Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible as charitable contributions?			6a				No	
b If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?			6b					
7 Organizations that may receive deductible contributions under section 170(c).								
a Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?			7a				No	
b If "Yes," did the organization notify the donor of the value of the goods or services provided?			7b					
c Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?			7c				No	
d If "Yes," indicate the number of Forms 8282 filed during the year			7d					
e Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?			7e				No	
f Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?			7f				No	
g If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?			7g					
h If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?			7h					
8 Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations. Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?			8					
9 Sponsoring organizations maintaining donor advised funds.								
a Did the organization make any taxable distributions under section 4966?			9a					
b Did the organization make a distribution to a donor, donor advisor, or related person?			9b					
10 Section 501(c)(7) organizations. Enter								
a Initiation fees and capital contributions included on Part VIII, line 12			10a					
b Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities			10b					
11 Section 501(c)(12) organizations. Enter								
a Gross income from members or shareholders			11a					
b Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them)			11b					
12a Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041?			12a					
b If "Yes," enter the amount of tax-exempt interest received or accrued during the year			12b					
13 Section 501(c)(29) qualified nonprofit health insurance issuers.								
a Is the organization licensed to issue qualified health plans in more than one state? Note. See the instructions for additional information the organization must report on Schedule O			13a					
b Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans			13b					
c Enter the amount of reserves on hand			13c					
14a Did the organization receive any payments for indoor tanning services during the tax year?			14a				No	
b If "Yes," has it filed a Form 720 to report these payments? <i>If "No," provide an explanation in Schedule O</i>			14b					

Part VI

Governance, Management, and Disclosure

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

Check if Schedule O contains a response 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	15	
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	10	
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	Yes
5	Did the organization become aware during the year of a significant diversion of the organization's assets?	5	No
6	Did the organization have members or stockholders?	6	Yes
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?	7a	Yes
7b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	7b	Yes
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following		
8a	The governing body?	8a	Yes
8b	Each committee with authority to act on behalf of the governing body?	8b	Yes
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O	9	No

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

		Yes	No
10a	Did the organization have local chapters, branches, or affiliates?	10a	No
10b	If "Yes," did the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with the organization's exempt purposes?	10b	
11a	Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form?	11a	No
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	Yes

Section C. Disclosure

17	List the States with which a copy of this Form 990 is required to be filed CA , MD , NC
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 JIM GREGORY 100 EAST CARROLL STREET Salisbury, MD 21801 (410) 912-4979

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

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

Form **990** (2013)

Part VII

1b	Sub-Total	▼			
c	Total from continuation sheets to Part VII, Section A	▼			
d	Total (add lines 1b and 1c)	▼	7,731,914	0	838,579

2 Total number of individuals (including but not limited to those listed in Item 1) who received more than \$100,000 of reportable compensation from the organization. 195

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

Section B. Independent Contractors

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

(A) Name and business address	(B) Description of services	(C) Compensation
HORIZON CSA, 265 PIT RD MOORESVILLE NC 28115	BIOMEDICAL SERVICES	5,368,933
SLEEP WAVES INC, 873 BALTIMORE PIKE STE 345 KENNETT SQUARE PA 19348	SLEEP LAB SERVICES	2,688,000
SHERIDAN ANESTHESIA OF MD, PO BOX 452197 SUNRISE FL 33323	ANESTHESIA SERVICES	2,039,858
MAYO COLLABORATIVE SERVICES, PO BOX 9146 MINNEAPOLIS MN 55480	MEDICAL SERVICES	1,423,222
ASSOCIATES IN RADIATION MEDICINE, 4901 TESLA DR STE A BOWIE MD 20715	MEDICAL SERVICES	1,188,764

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 70

Part VIII

Statement of Revenue

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

			(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512-514
Contributions, Gifts, Grants and Other Similar Amounts	1a	Federated campaigns 1a				
	b	Membership dues 1b				
	c	Fundraising events 1c				
	d	Related organizations 1d	49,365			
	e	Government grants (contributions) 1e	57,000			
	f	All other contributions, gifts, grants, and similar amounts not included above 1f	369,678			
	g	Noncash contributions included in lines 1a-1f \$				
	h	Total. Add lines 1a-1f	476,043			
Program Service Revenue	2a	NET PATIENT SERVICES	621500	387,912,437	387,153,975	758,462
	b	AMBULATORY PHARMACY	900099	1,535,301		1,535,301
	c					
	d					
	e					
	f	All other program service revenue				
	g	Total. Add lines 2a-2f	389,447,738			
Other Revenue	3	Investment income (including dividends, interest, and other similar amounts)	5,265,925		-16,712	5,282,637
	4	Income from investment of tax-exempt bond proceeds	0			
	5	Royalties	0			
	6a	Gross rents	(i) Real 84,724	(ii) Personal		
	b	Less rental expenses	174,064			
	c	Rental income or (loss)	-89,340	0		
	d	Net rental income or (loss)	-89,340			-89,340
	7a	Gross amount from sales of assets other than inventory	(i) Securities 132,452,846	(ii) Other 274,140		
	b	Less cost or other basis and sales expenses	115,897,228	14,672		
	c	Gain or (loss)	16,555,618	259,468		
	d	Net gain or (loss)	16,815,086			16,815,086
	8a	Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18	a			
	b	Less direct expenses b				
	c	Net income or (loss) from fundraising events	0			
	9a	Gross income from gaming activities See Part IV, line 19	a			
	b	Less direct expenses b				
	c	Net income or (loss) from gaming activities	0			
	10a	Gross sales of inventory, less returns and allowances	a			
	b	Less cost of goods sold b				
	c	Net income or (loss) from sales of inventory	0			
		Miscellaneous Revenue	Business Code			
	11a	CAFETERIA	722210	614,832	614,832	
	b	MANAGEMENT FEES	561000	200,000		200,000
	c	ALL OTHER REVENUE	900099	3,797		3,797
	d	All other revenue				
	e	Total. Add lines 11a-11d	818,629			
	12	Total revenue. See Instructions	412,734,081	387,768,807	2,477,051	22,012,180

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.	0			
2	Grants and other assistance to individuals in the United States. See Part IV, line 22.	0			
3	Grants and other assistance to governments, organizations, and individuals outside the United States. See Part IV, lines 15 and 16.	0			
4	Benefits paid to or for members.	0			
5	Compensation of current officers, directors, trustees, and key employees.	1,944,218	1,750,018	189,731	4,469
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.	148,434,528	133,652,421	14,485,345	296,762
8	Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions).	9,811,906	8,831,836	957,519	22,551
9	Other employee benefits.	20,432,094	18,380,048	2,005,137	46,909
10	Payroll taxes.	10,029,358	9,138,101	874,306	16,951
11	Fees for services (non-employees):				
a	Management.	0			
b	Legal.	838,732		838,732	
c	Accounting.	206,385		206,385	
d	Lobbying.	26,423	26,423		
e	Professional fundraising services. See Part IV, line 17.	0			
f	Investment management fees.	1,367,593		1,367,593	
g	Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O).	39,061,276	25,290,362	13,729,107	41,807
12	Advertising and promotion.	422,925	273,824	148,648	453
13	Office expenses.	100,472,235	98,882,942	1,523,230	66,063
14	Information technology.	810,593	798,618	11,785	190
15	Royalties.	0			
16	Occupancy.	4,113,502	4,113,502		
17	Travel.	292,172	220,746	65,276	6,150
18	Payments of travel or entertainment expenses for any federal, state, or local public officials.	0			
19	Conferences, conventions, and meetings.	39,736	39,736		
20	Interest.	5,989,891	5,989,891		
21	Payments to affiliates.	0			
22	Depreciation, depletion, and amortization.	22,605,993	22,559,899	46,094	
23	Insurance.	1,809,171	326,949	1,482,222	
24	Other expenses. Itemize expenses not covered above (List miscellaneous expenses in line 24e. If line 24e amount exceeds 10% of line 25, column (A) amount, list line 24e expenses on Schedule O):				
a	BAD DEBTS	14,313,694	14,313,694		
b	DUES	508,264	168,480	339,076	708
c	OTHER EXPENSES	496,314	321,340	174,443	531
d					
e	All other expenses				
25	Total functional expenses. Add lines 1 through 24e.	384,027,003	345,078,830	38,444,629	503,544
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		653,349	1	1,991,438
	2	Savings and temporary cash investments		18,467,868	2	25,272,529
	3	Pledges and grants receivable, net		0	3	0
	4	Accounts receivable, net		36,976,172	4	38,407,998
	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		7,148,121	8	9,208,496
	9	Prepaid expenses and deferred charges		5,596,743	9	5,234,547
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a492,351,587			
	b	Less accumulated depreciation	10b289,015,241	207,842,491	10c	203,336,346
	11	Investments—publicly traded securities		176,347,198	11	209,601,997
	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		0	14	0
	15	Other assets See Part IV, line 11		72,481,719	15	92,822,538
	16	Total assets. Add lines 1 through 15 (must equal line 34)		525,513,661	16	585,875,889
Liabilities	17	Accounts payable and accrued expenses		20,131,916	17	16,261,817
	18	Grants payable		0	18	0
	19	Deferred revenue		0	19	0
	20	Tax-exempt bond liabilities		128,009,466	20	124,686,859
	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		30,000	24	15,000
	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		39,081,078	25	41,305,959
	26	Total liabilities. Add lines 17 through 25		187,252,460	26	182,269,635
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		312,179,653	27	375,152,248
	28	Temporarily restricted net assets		17,998,482	28	20,361,044
	29	Permanently restricted net assets		8,083,066	29	8,092,962
	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		338,261,201	33	403,606,254
	34	Total liabilities and net assets/fund balances		525,513,661	34	585,875,889

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	412,734,081
2	Total expenses (must equal Part IX, column (A), line 25)	2	384,027,003
3	Revenue less expenses Subtract line 2 from line 1	3	28,707,078
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	338,261,201
5	Net unrealized gains (losses) on investments	5	15,086,233
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	21,551,742
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	403,606,254

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 type="checkbox"/> Consolidated basis <input checked="" 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		

Additional Data

Software ID:
Software Version:
EIN: 52-0591628
Name: Peninsula Regional Medical Center

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

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
Margaret Naleppa President/CEO	40 0 1 0	X		X				1,313,451	0	133,270
Martin Neat Immediate Past Chairman	10 0 1 0	X						22,500	0	0
Herbert J Geary III Treasurer	1 0 1 0	X		X				0	0	0
Michael Crouch MD Board Member (07/13-10/13)	1 0 1 0	X						0	0	0
Murray K Hoy Board Member	1 0 1 0	X						0	0	0
Christjon J Huddleston MD Board Member	1 0 1 0	X						0	0	0
Cynthia Holloway Board Member (07/13-04/14)	1 0 1 0	X						0	0	0
Manon Keenan Board Member	1 0 1 0	X						0	0	0
DebORAH Abbott Secretary	1 0 1 0	X		X				0	0	0
Thomas Coates Board Member	1 0 1 0	X						0	0	0
Edward W Urban Board Member (07/13-10/13)	1 0 1 0	X						0	0	0
William McCain Chairman	1 0 1 0	X		X				7,500	0	0
Monty Sayler Vice-Chairman	1 0 1 0	X		X				0	0	0
Thomas Riccio MD Board Member	1 0 1 0	X						0	0	0
Timothy Benning Board Member (10/13-06/14)	1 0 1 0	X						0	0	0
Farouk A Sultani MD Board Member (7/13-10/13)	1 0 1 0	X						0	0	0
David Rommel Board Member (10/13-06/14)	1 0 2 0	X								
William Todd MD Board Member (01/14-06/14)	1 0 2 0	X						0	0	0
Ryan McLaughlin Board Member	1 0 1 0	X								
Lura Lunsford VP of Operations	40 0 0 0			X				432,792	0	88,602
Bruce I Ritchie CFO	40 0 0 0			X				475,610	0	113,542
CHARLES SILVIA JR MD VP - CHIEF MEDICAL OFFICER	40 0 0 0			X				439,319		41,855
MARY BETH D'AMICO VP PATIENT CARE SERVICES	40 0 0 0				X			213,504		34,386
SARA SCOTT VP PEOPLE & ORGANIZATION DEV	40 0 0 0				X			212,617		46,063
STEVEN LEONARD VP OPERATION OPTIMIZATION & IN	40 0 0 0				X			241,132		83,393

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

[illegible]

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 Peninsula Regional Medical Center	Employer identification number 52-0591628
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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

☐

A church, convention of churches, or association of churches described in **section 170(b)(1)(A)(i).**
- 2

☐

A school described in **section 170(b)(1)(A)(ii).** (Attach Schedule E)
- 3

☒

A hospital or a cooperative hospital service organization described in **section 170(b)(1)(A)(iii).**
- 4

☐

A medical research organization operated in conjunction with a hospital described in **section 170(b)(1)(A)(iii).** Enter the hospital's name, city, and state _____
- 5

☐

An organization operated for the benefit of a college or university owned or operated by a governmental unit described in **section 170(b)(1)(A)(iv).** (Complete Part II)
- 6

☐

A federal, state, or local government or governmental unit described in **section 170(b)(1)(A)(v).**
- 7

☐

An organization that normally receives a substantial part of its support from a governmental unit or from the general public described in **section 170(b)(1)(A)(vi).** (Complete Part II)
- 8

☐

A community trust described in **section 170(b)(1)(A)(vi)** (Complete Part II)
- 9

☐

An organization that normally receives (1) more than 33¹/₃% of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions—subject to certain exceptions, and (2) no more than 33¹/₃% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975 See **section 509(a)(2).** (Complete Part III)
- 10

☐

An organization organized and operated exclusively to test for public safety See **section 509(a)(4).**
- 11

☐

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

a

☐

Type I

b

☐

Type II

c

☐

Type III - Functionally integrated

d

☐

Type III - Non-functionally integrated
- e

☐

By checking this box, I certify that the organization is not controlled directly or indirectly by one or more disqualified persons other than foundation managers and other than one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2)
- f

☐

If the organization received a written determination from the IRS that it is a Type I, Type II, or Type III supporting organization, check this box
- g

☐

Since August 17, 2006, has the organization accepted any gift or contribution from any of the following persons?

(i)

A person who directly or indirectly controls, either alone or together with persons described in (ii) and (iii) below, the governing body of the supported organization?

(ii)

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

(iii)

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

☐

Provide the following information about the supported organization(s)

	Yes	No
11g(i)		
11g(ii)		
11g(iii)		

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

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 Peninsula Regional Medical Center	Employer identification number 52-0591628
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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 checked="" 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?		No	
	b Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		No	
	c Media advertisements?		No	
	d Mailings to members, legislators, or the public?		No	
	e Publications, or published or broadcast statements?		No	
	f Grants to other organizations for lobbying purposes?		No	
	g Direct contact with legislators, their staffs, government officials, or a legislative body?		No	
	h Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
	i Other activities?	Yes		26,423
	j Total Add lines 1c through 1i			26,423
	2a Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No	
b If "Yes," enter the amount of any tax incurred under section 4912				
c If "Yes," enter the amount of any tax incurred by organization managers under section 4912				
d If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?				

Part III-A

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

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

Part III-B

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

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

Part IV

Supplemental Information

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
OTHER ACTIVITIES	OTHER ACTIVITIES PART II-B, LINE 1I PENINSULA REGIONAL MEDICAL CENTER does not engage in any direct lobbying activities. The organization does not engage in any direct lobbying activities. The organization pays membership dues to Maryland Hospital Association (MHA) and the American Hospital Association (AHA). MHA and AHA engage in many support activities including lobbying and advocating for their member hospitals. The MHA and AHA reported that 62.2% and 23.65% of member dues were used for lobbying purposes and such, the organization has reported this amount on Schedule C Part IV as lobbying activities.

[illegible]

SCHEDULE D
(Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

▶ **Complete if the organization answered "Yes," to Form 990, Part IV, line 6, 7, 8, 9, 10, 11a, 11b, 11c, 11d, 11e, 11f, 12a, or 12b**
▶ **Attach to Form 990.** ▶ **See separate instructions.** ▶ **Information about Schedule D (Form 990) and its instructions is at www.irs.gov/form990.**

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization Peninsula Regional Medical Center	Employer identification number 52-0591628
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Part I

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

	(a) Donor advised funds	(b) Funds and other accounts
1	Total number at end of year	
2	Aggregate contributions to (during year)	
3	Aggregate grants from (during year)	
4	Aggregate value at end of year	
5	Did the organization inform all donors and donor advisors in writing that the assets held in donor advised funds are the organization's property, subject to the organization's exclusive legal control? <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

	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	39,054,428	34,734,107	34,191,392	28,295,999	25,231,843
b Contributions	500,000	6,448	12,685	105,500	206,865
c Net investment earnings, gains, and losses	6,781,222	4,624,939	801,060	6,047,698	3,074,487
d Grants or scholarships					
e Other expenditures for facilities and programs	41,210				
f Administrative expenses	321,549	311,066	271,030	257,805	217,196
g End of year balance	45,972,891	39,054,428	34,734,107	34,191,392	28,295,999

- 2

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

a

Board designated or quasi-endowment

50 750 %

b

Permanent endowment

49 100 %

c

Temporarily restricted endowment

0 150 %

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 | | 10,636,389 | | 10,636,389 |
| b Buildings | | 221,070,459 | 74,130,404 | 146,940,055 |
| c Leasehold improvements | | | | |
| d Equipment | | 246,787,457 | 208,194,459 | 38,592,998 |
| e Other | | 13,857,282 | 6,690,378 | 7,166,904 |
| Total. Add lines 1a through 1e (Column (d) must equal Form 990, Part X, column (B), line 10(c).) | | | | 203,336,346 |
- 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	414,842,531
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12		
a	Net unrealized gains on investments	2a	15,086,233
b	Donated services and use of facilities	2b	
c	Recoveries of prior year grants	2c	
d	Other (Describe in Part XIII)	2d	-11,460,825
e	Add lines 2a through 2d	2e	3,625,408
3	Subtract line 2e from line 1	3	411,217,123
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	1,367,593
b	Other (Describe in Part XIII)	4b	149,365
c	Add lines 4a and 4b	4c	1,516,958
5	Total revenue Add lines 3 and 4c. (This must equal Form 990, Part I, line 12)	5	412,734,081

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	382,484,109
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	174,064
e	Add lines 2a through 2d	2e	174,064
3	Subtract line 2e from line 1	3	382,310,045
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	1,367,593
b	Other (Describe in Part XIII)	4b	349,365
c	Add lines 4a and 4b	4c	1,716,958
5	Total expenses Add lines 3 and 4c. (This must equal Form 990, Part I, line 18)	5	384,027,003

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
Intended Use of Endowment Funds	Schedule D, Part V, Line 4 The organization's endowment funds are used for capital, patient services or educational purposes
RECONCILIATION OF REVENUE AND EXPENSES TO AUDITED FINANCIAL STATEMENTS	SCHEDULE D, PART XI, LINE 2D BAD DEBT EXPENSES \$(14,313,694) RENT EXPENSES 174,064 PARTNERSHIP K-1 INCOME - TAX DIFFERENCES 2,678,805 ----- \$(11,460,825) SCHEDULE D, PART XI, LINE 4B FOUNDATION CONTRIBUTIONS \$ 149,365 SCHEDULE D, PART XII, LINE 2D RENT EXPENSES \$ 174,064 SCHEDULE D, PART XII, LINE 4D FOUNDATION CONTRIBUTIONS \$ 149,365 MANAGEMENT FEES RECLASSED FROM EXPENSES 200,000 ----- ----- \$ 349,365

[illegible]

SCHEDULE F
(Form 990)

Department of the Treasury
Internal Revenue Service

Statement of Activities Outside the United States

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

► Attach to Form 990. ► See separate instructions.

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

OMB No 1545-0047

2013

Open to Public
Inspection

Name of the organization
Peninsula Regional Medical Center

Employer identification number
52-0591628

Part I

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

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

(a) Region	(b) Number of offices in the region	(c) Number of employees, agents, and independent contractors in region	(d) Activities conducted in region (by type) (e g , fundraising, program services, investments, grants to recipients located in the region)	(e) If activity listed in (d) is a program service, describe specific type of service(s) in region	(f) Total expenditures for and investments in region
(1) Central America and the Caribbean	1	1	INVESTMENTS		3,353,720
(2)					
(3)					
(4)					
(5)					
3a Sub-total	1	1			3,353,720
b Total from continuation sheets to Part I					
c Totals (add lines 3a and 3b)	1	1			3,353,720

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

1 (a) Name of organization	(b) IRS code section and EIN (if applicable)	(c) Region	(d) Purpose of grant	(e) Amount of cash grant	(f) Manner of cash disbursement	(g) Amount of non-cash assistance	(h) Description of non-cash assistance	(i) Method of valuation (book, FMV, appraisal, other)
(1)								
(2)								
(3)								
(4)								

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

Part III

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

(a) Type of grant or assistance	(b) Region	(c) Number of recipients	(d) Amount of cash grant	(e) Manner of cash disbursement	(f) Amount of non-cash assistance	(g) Description of non-cash assistance	(h) Method of valuation (book, FMV, appraisal, other)
(1)							
(2)							
(3)							
(4)							
(5)							
(6)							
(7)							
(8)							
(9)							
(10)							
(11)							
(12)							
(13)							
(14)							
(15)							
(16)							
(17)							
(18)							

Part IV Foreign Forms

- 1

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

☒ Yes ☐ No
- 2

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

☐ Yes ☒ No
- 3

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

☒ Yes ☐ No
- 4

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

☐ Yes ☒ No
- 5

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

☐ Yes ☒ No
- 6

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

☐ Yes ☒ No

Part V **Supplemental Information**

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

990 Schedule F, Supplemental Information

Return Reference	Explanation
ACTIVITIES PER REGION	Schedule F, Part IV THE AMOUNTS IN COLUMN F WERE DETERMINED USING AN ACCRUAL METHOD OF ACCOUNTING THE ENTIRE \$3,353,720 REPRESENTS A CAPTIVE INSURANCE INVESTMENT

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
Peninsula Regional Medical Center

Employer identification number
52-0591628

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 Yes	
b	If "Yes," did the organization make it available to the public?	5c	No
	Complete the following table using the worksheets provided in the Schedule H instructions Do not submit these worksheets with the Schedule H	6a Yes	
		6b Yes	

7

Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheet 1)			15,133,985		15,133,985	4 110 %
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 . .			15,133,985		15,133,985	4 110 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)		50,702	1,901,590	295,363	1,606,227	0 440 %
f Health professions education (from Worksheet 5)		354	500,816	28,079	472,737	0 130 %
g Subsidized health services (from Worksheet 6)		85,686	35,335,095	16,660,493	18,674,602	5 070 %
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)		3,425	132,129		132,129	0 040 %
j Total Other Benefits		140,167	37,869,630	16,983,935	20,885,695	5 680 %
k Total . Add lines 7d and 7j . .		140,167	53,003,615	16,983,935	36,019,680	9 790 %

Part III

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

	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1 Physical improvements and housing						
2 Economic development			198		198	
3 Community support			8,600		8,600	
4 Environmental improvements			137,587		137,587	
5 Leadership development and training for community members						
6 Coalition building			90,106		90,106	
7 Community health improvement advocacy						
8 Workforce development						
9 Other						
10 Total			236,491		236,491	

Part III

Bad 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?

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

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

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

1	Yes	No
2	14,313,694	
3		

Section B. Medicare

5 Enter total revenue received from Medicare (including DSH and IME)

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

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

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

5	229,438,037
6	217,060,260
7	12,377,777

Section C. Collection Practices

9a Did the organization have a written debt collection policy during the tax year?

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

9a	Yes	
9b	Yes	

Part IV

Management Companies and Joint Ventures (owned 10% or more by officers, directors, trustees, key employees, and physicians—see instructions)

(a) Name of entity	(b) Description of primary activity of entity	(c) Organization's profit % or stock ownership %	(d) Officers, directors, trustees, or key employees' profit % or stock ownership %	(e) Physicians' profit % or stock ownership %
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				

Schedule H (Form 990) 2013

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)
Peninsula Regional Medical Center

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 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 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>13</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	No
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.PENINSULA.ORG</u>		
b <input type="checkbox"/> Other website (list url)		
c <input checked="" type="checkbox"/> Available upon request from the hospital facility		
d <input checked="" 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 checked="" 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 checked="" 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?			17	No
If "Yes," check all actions in which the hospital facility or a third party engaged					
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 Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that requires the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under the hospital facility's financial assistance policy? If "No," indicate why	Yes	
a <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 checked="" 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 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		No
22 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		No

Section C. Supplemental Information for Part V, Section B. Provide descriptions required for Part V, Section B, lines 1j, 3, 4, 5d, 6i, 7, 10, 11, 12i, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22. If applicable, provide separate descriptions for each facility in a facility reporting group, designated by "Facility A," "Facility B," etc.

[illegible]

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? _____

Name and address	Type of Facility (describe)
1 _____	
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
Other Method used in determining eligibility for financial assistance	Schedule H, Part I, Line 3c N/A - Peninsula Regional Medical Center uses the FPG in determining eligibility for financial assistance Community Benefit Report Schedule H, Part I, Line 6a PENINSULA REGIONAL MEDICAL CENTER FILES ANNUALLY A COMMUNITY BENEFIT REPORT WITH THE STATE OF MARYLAND THE REPORT IS FILED WITH THE HSCRC (HEALTH SERVICES COST REVIEW COMMISSION) Executive Summary - Community Benefit Report - FY2014 Peninsula Regional's FY2014 Community Benefits Narrative Report which was submitted to the Health Services Cost Review Commission (HSCRC) is broken into three sections The report provides the types and scope of community benefit activities including our previously filed Community Health Needs Assessment & Implementation Plan From a review of the data, Peninsula Regional has identified several health priority areas and developed an implementation plan One area is Diabetes the other Obesity - our goal better manage diabetes and reduce obesity through creating awareness, education and management of these chronic diseases in our primary service area There is a team that meets quarterly to evaluate the implementation plan The Report is made up of the following six sections differentiated by blue paper This report is now entered electronically online through the internet (Note a printer friendly version is not available and page numbers sometimes do not follow sequential order throughout the entire report) 1) Section I - General Hospital Demographics and Characteristics 2) Section II - Community Health Needs Assessment 3) Section III- Community Benefit Administration 4) Section IV- Hospital Community Benefit Program and Initiatives 5) Section V- Physicians 6) Section VI- Appendices Last Page- Community Activities Summary The difference in total community benefit dollars comparing FY2013 to FY2014 FY 2013 - \$40,401,235 FY 2014 - \$35,900,136 Difference - \$ 4,501,099 Reduction of 4 5 Million is due to 1 Reduction in Charity Care of 3 4 Million 2 The other 1 1 Million reductions are due to a 336 plan through b Reduction in clinical interns pt, ot, st and predominately nursing

Form and Line Reference	Explanation
Financial Assistance and Certain Other Community Benefits at Cost	Schedule H, Part I, Line 7 Part I, Line 7, Column (F)- THE AMOUNT OF BAD DEBT EXPENSE EXCLUDED FROM THE DENOMINATOR IN THE COLUMN (F) PERCENTAGES IS \$14,313,694 LINE 7B COLUMN (C) & (F)- MARYLAND'S REGULATORY SYSTEM CREATES A UNIQUE PROCESS FOR HOSPITAL PAYMENT THAT DIFFERS FROM THE REST OF THE NATION THE HEALTH SERVICES COST REVIEW COMMISSION, (HSCRC) DETERMINES PAYMENT THROUGH A RATE-SETTING PROCESS AND ALL PAYORS, INCLUDING GOVERNMENTAL PAYORS, PAY THE SAME AMOUNT FOR THE SAME SERVICES DELIVERED AT THE SAME HOSPITAL MARYLAND'S UNIQUE ALL-PAYOR SYSTEM INCLUDES A METHOD FOR REFERENCING UNCOMPENSATED CARE IN EACH PAYORS' RATES, WHICH DOES NOT ENABLE MARYLAND HOSPITALS TO BREAKOUT ANY DIRECTED OFFSETTING REVENUE RELATED TO UNCOMPENSATED CARE COMMUNITY BENEFIT EXPENSES ARE EQUAL TO MEDICAID REVENUES IN MARYLAND, AS SUCH, THE NET EFFECT IS ZERO THE EXCEPTION TO THIS IS THE IMPACT ON THE HOSPITAL OF ITS SHARE OF THE MEDICAID ASSESSMENT IN RECENT YEARS, THE STATE OF MARYLAND HAS CLOSED FISCAL GAPS IN THE STATE MEDICAID BUDGET BY ASSESSING HOSPITALS THROUGH THE RATE-SETTING SYSTEM THE COST METHODOLOGY FOR CHARITY CARE AND CERTAIN OTHER COMMUNITY BENEFITS IS THE COST-TO-CHARGE RATIO USED FOR THE CHARITY CARE PROGRAMS AND DIRECT COST METHOD FOR THE OTHER BENEFITS/PROGRAMS

Form and Line Reference	Explanation
Methodology Used to esimated Bad Debt expense	<p>Schedule H, Part III, Lines 2 and 3 See response below to Line 4 regarding the methodology used by the organization regarding bad debt</p> <p>Bad Debt Footnote in the Audited Financial Statements</p> <p>Schedule H, Part III, Line 4 The Hospital provides services to patients in the Eastern Shore area of Maryland, Delaware and Virginia, the majority of whom are covered by third-party health insurance. The Hospital bills the insurer directly for services provided. Insurance coverage and financial information is obtained from patients upon admission when available. The Hospital's policy is to perform in-house collection procedures for approximately 85 days. A determination is made at that time as to what additional collection efforts to pursue. A provision for uncollectible accounts is recorded for amounts not yet written off, which are expected to become uncollectible. Discounts ranging from 2% to 6% of charges are given to Medicare, Medicaid and certain approved commercial health insurance and health maintenance organization programs for regulated services. Discounts in varying percentages are given for certain unregulated services. These major payors routinely review patient billings and deny payment for certain charges as medically unnecessary or as performed without appropriate preauthorization. Discounts and denials are recorded as reductions of net patient service revenue. Accounts receivable from these third-party payors have been adjusted to reflect the difference between charges and the estimated reimbursable amounts. Approximately 36% and 38%, respectively, of accounts receivable were due from the Medicare program as of June 30, 2014 and 2013, respectively. The Medicare and Medicaid reimbursement programs represent a substantial portion of the Hospital's revenues. The Hospital's operations are subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services and Medicare and Medicaid fraud and abuse.</p>

Form and Line Reference	Explanation
Medicare Costing Methodology	Schedule H, Part III, Line 8 MEDICARE ALLOWABLE COSTS WERE CALCULATED USING A COST TO CHARGE RATIO PENINSULA REGIONAL MEDICAL CENTER PROVIDES QUALITY MEDICAL SERVICES TO ALL PATIENTS REGARDLESS OF WHAT INSURANCE THEY HAVE APPROXIMATELY, 38% OF THE MEDICAL CENTER'S REVENUE IS ATTRIBUTABLE TO MEDICARE PATIENTS DURING THE YEAR ENDED JUNE 30, 2014

Form and Line Reference	Explanation
Collection Policy	Schedule H, Part III, Line 9B COLLECTION POLICIES ARE THE SAME FOR ALL PATIENTS IF A PATIENT NOTIFIES THE MEDICAL CENTER ABOUT THEIR INABILITY TO PAY, THE MEDICAL CENTER WILL SEND THEM THE CHARITY CARE AND FINANCIAL ASSISTANCE FORMS TO FILL OUT ONCE THE FORMS ARE COMPLETE AND RETURNED TO THE MEDICAL CENTER AND THE PATIENT QUALIFIES FOR FINANCIAL ASSISTANCE, THEN THE PATIENT'S ACCOUNT WILL BE REMOVED FROM COLLECTIONS AND THE ACCOUNT WILL BE WRITTEN OFF

Form and Line Reference	Explanation
Needs Assessment - Promotion of Community Health	<p>Schedule H, Part VI, Line 2 PENINSULA REGIONAL MEDICAL CENTER IN COOPERATION WITH THE WICOMICO, WORCESTER AND SOMERSET COUNTIES, HEALTH DEPARTMENTS, THE ATLANTIC GENERAL HOSPITAL AND THE EDWARD W MCCREADY MEMORIAL HOSPITAL, HAS BEEN CONDUCTING COMMUNITY HEALTH SURVEYS OF THE TRI-COUNTY AREA SINCE 1995 THESE SURVEYS, ADMINISTERED BY PROFESSIONAL RESEARCH CONSULTANTS (PRC) OF OMAHA, NEBRASKA WERE ADMINISTERED IN 1995, 2000, 2004 AND 2009 IN ADDITION TO THESE ADULT SURVEYS, A SEPARATE ADOLESCENT SURVEY WAS CONDUCTED IN 2000, 2005, AND 2010 RESULTS OF THESE SURVEYS ARE USED BY THE PARTICIPANTS TO ASSESS COMMUNITY HEALTH NEEDS AND PLAN FUTURE SERVICES OF PARTICULAR NOTE WAS THE DEVELOPMENT OF THE TRI-COUNTY DIABETES ALLIANCE, WHICH IS A COOPERATIVE VENTURE BETWEEN ALL THE PARTNERS AND COMMUNITY AGENCIES TO REDUCE THE INCIDENCES OF DIABETES IN THE TRI-COUNTY AREA OTHER OUTCOMES RESULTING FROM THE SURVEY FINDINGS INCLUDE SMOKING CESSATION PROGRAMS, OTHER EARLY DETECTION AND SCREENING PROGRAMS FOR HEART AND CANCER, AS WELL AS HEALTH PROMOTION AND EDUCATION WITH A FOCUS ON PREVENTION THE PRC COMMUNITY HEALTH ASSESSMENT IS A SYSTEMATIC, DATA-DRIVEN APPROACH TO DETERMINING THE HEALTH STATUS, BEHAVIORS AND NEEDS OF OUR COMMUNITY RESIDENTS SURVEY RESULTS ARE SHARED WITH THE COMMUNITY AND ARE POSTED TO THE PARTICIPANTS WEBSITES THIS COMMUNITY HEALTH ASSESSMENT SERVES AS A TOOL TOWARDS REACHING THE FOLLOWING THREE GOALS 1 TO IMPROVE RESIDENTS' HEALTH STATUS, INCREASE THEIR LIFE SPANS, AND ELEVATE THEIR OVERALL QUALITY OF LIFE 2 REDUCE THE HEALTH DISPARITIES AMONG RESIDENTS BY GATHERING DEMOGRAPHIC INFORMATION ALONG WITH HEALTH STATUS AND BEHAVIOR DATA 3 TO INCREASE ACCESSIBILITY TO PREVENTIVE SERVICES FOR ALL COMMUNITY RESIDENTS</p>

Form and Line Reference	Explanation
Patient Education of Eligibility for Assistance	<p>Schedule H, Part VI, Line 3 PENINSULA REGIONAL MEDICAL CENTER MAKES AVAILABLE TO ALL PATIENTS THE HIGHEST QUALITY OF MEDICAL CARE POSSIBLE WITHIN THE RESOURCES AVAILABLE IF A PATIENT IS UNABLE TO PAY DUE TO FINANCIAL RESOURCES, ALL EFFORTS WILL BE MADE TO HELP THE PATIENT OBTAIN ASSISTANCE THROUGH APPROPRIATE AGENCIES, OR, IF HELP IS NOT AVAILABLE, TO PROVIDE CARE AT REDUCED OR ZERO COST ONE OF PENINSULA REGIONAL'S OVERALL GUIDING PRINCIPLES IS THAT CONCERN OVER A HOSPITAL BILL SHOULD NEVER PREVENT ANY INDIVIDUAL FROM RECEIVING EMERGENCY HEALTH SERVICES THE MEDICAL CENTER WILL COMMUNICATE THIS MESSAGE CLEARLY TO PROSPECTIVE PATIENTS AND TO LOCAL COMMUNITY SERVICE AGENCIES AND MAKE IT CLEAR THAT EMERGENCY SERVICES WILL BE PROVIDED WITHOUT REGARD TO ABILITY TO PAY THE MEDICAL CENTER WILL ENSURE THAT AN EMERGENCY ADMISSION OR TREATMENT IS NOT DELAYED OR DENIED PENDING DETERMINATION OF COVERAGE OR REQUIREMENT FOR PREPAYMENT OR DEPOSIT THE MEDICAL CENTER WILL POST ADEQUATE NOTICE OF THE AVAILABILITY OF MEDICAL SERVICES, AND THE GENERAL OBLIGATION OF THE HOSPITAL TO PROVIDE CHARITY CARE PENINSULA REGIONAL'S "FINANCIAL ASSISTANCE POLICY" INCLUDES THE REQUIRED LANGUAGE OF DETERMINATION OF PROBABLE ELIGIBILITY WITHIN TWO BUSINESS DAYS ON PAGE 2, THE "FINANCIAL ASSISTANCE POLICY" STATES THAT UPON RECEIPT OF THE FINANCIAL ASSISTANCE REQUEST, THE REPRESENTATIVE WILL REVIEW INCOME AND ALL DOCUMENTATION THE PATIENT MUST BE NOTIFIED WITHIN TWO BUSINESS DAYS OF THEIR PROBABLE ELIGIBILITY IN ACCORDANCE WITH SECTION 1, 2 AND 3, PENINSULA REGIONAL PROVIDES PUBLIC NOTICE AND INFORMATION REGARDING ITS CHARITY CARE POLICY IN DELMARVA'S LARGEST PAPER "THE DAILY TIMES", POSTED SIGNS IN THE ADMISSION, BUSINESS OFFICE EMERGENCY ROOM AND OTHER MAJOR SERVICE AREAS OF THE MEDICAL CENTER, ADDITIONALLY INDIVIDUAL NOTICE IS PROVIDED TO EACH PERSON WHO SEEKS SERVICES IN THE MEDICAL CENTER AT THE TIME OF PRE-ADMISSION OR ADMISSION</p>

Form and Line Reference	Explanation
Community Information	<p>Schedule H, PART VI, LINE 4 PENINSULA REGIONAL IS LOCATED IN SALISBURY, MARYLAND THE HOSPITAL'S SERVICE AREA IS PREDOMINATELY RURAL AND COVERS 6 COUNTIES LOCATED IN THREE DIFFERENT STATES MARYLAND, DELAWARE AND VIRGINIA SOME OF THE UNIQUE HEALTHCARE CHARACTERISTICS OF THESE COUNTIES INCLUDE A HIGH PREVALENCE OF DIABETES WHICH IS APPROXIMATELY TWICE THAT OF THE STATE OF MARYLAND THERE IS A HIGHER INCIDENCE OF SKIN CANCER AND THE INCIDENCE RATE FOR HEART DISEASE IS STATISTICALLY SIGNIFICANTLY HIGHER THAN MARYLAND IN ADDITION, THE MEDIAN INCOME IS LOWER THAN THAT OF MARYLAND AND EDUCATIONAL ATTAINMENT LAGS BEHIND THE STATES AVERAGE THE MEDICAL CENTER'S PRIMARY SERVICE AREA IS COMPRISED OF THE MAJORITY OF ZIP CODES IN WICOMICO, WORCESTER, AND SOMERSET COUNTIES AS OF JUNE 30, 2013 THESE COUNTIES CONTRIBUTED APPROXIMATELY 77 PERCENT OF PENINSULA REGIONAL'S TOTAL DISCHARGES THE MEDICAL CENTER ALSO SERVICES DORCHESTER COUNTY, MARYLAND, THE SOUTHERN PORTION OF SUSSEX COUNTY, DELAWARE AND THE NORTHERN PORTION OF ACCOMACK COUNTY, VIRGINIA THESE COUNTIES COMPRISED AN ADDITIONAL 21 PERCENT OF THE MEDICAL CENTER'S TOTAL DISCHARGES DURING THE SAME TIME PERIOD</p> <p>PATIENTS DISCHARGED FROM THE FOLLOWING GEOGRAPHICAL AREAS AREA 2014 DISCHARGES % ----- WICOMICO 9,794 49 3% WORCESTER 3,338 16 8% SOMERSET 2,135 10 7% DORCHESTER, TALBOT, CAROLINE 618 3 1% DELAWARE 2,317 11 7% VIRGINIA 1,250 6 3% ALL OTHERS 431 2 1% ----- TOTAL 19,883 100 0% SOURCE PENINSULA REGIONAL MEDICAL CENTER, FINANCIAL AND STATISTICAL REPORT, JUNE 30, 2014 BETWEEN 2009 AND 2014, THE MEDICAL CENTER'S PRIMARY SERVICE AREA (WICOMICO, WORCESTER AND SOMERSET COUNTIES, MARYLAND) IS EXPECTED TO GROW 5 3 PERCENT OR SLIGHTLY MORE THAN 1 PERCENT PER YEAR MUCH OF THIS GROWTH WILL BE EXPERIENCED IN WICOMICO COUNTY AT A RATE OF 6 8 PERCENT FOLLOWED BY WORCESTER COUNTY AT 3 4 PERCENT AND SOMERSET COUNTY AT 3 3 PERCENT IN THE MEDICAL CENTER'S SECONDARY SERVICE AREA (DORCHESTER COUNTY, MARYLAND, SUSSEX COUNTY, DELAWARE, AND ACCOMACK COUNTY, VIRGINIA) THE POPULATION IS EXPECTED TO GROW 8 PERCENT OR 1 6 PERCENT PER YEAR OVER THE SAME TIME PERIOD MOST OF THIS GROWTH (10 2 PERCENT) IS EXPECTED TO OCCUR IN SUSSEX COUNTY, DELAWARE (10 2 PERCENT) IS EXPECTED TO OCCUR IN SUSSEX COUNTY, DELAWARE</p>

Form and Line Reference	Explanation
Promotion of Community Health	<p>Schedule H, Part VI, Line 5 PENINSULA REGIONAL MEDICAL CENTER IS COMMITTED TO THE HEALTH O F THE RURAL COMMUNITIES IT SERVES IN FY 2013, THE HOSPITAL'S CHARITY CARE INCREASED 19 3% (\$18,575,221 TO \$22,153,022) FROM THE PREVIOUS YEAR IN ADDITION, COMBINED CHARITY AND BA D DEBT FOR FY 2014 WAS \$14,313,694 THE HEALTH OF THE COMMUNITY IS THE HOSPITAL'S MISSION PROVIDING QUALITY HEALTHCARE AND EASE OF ACCESS FOR A RURAL POPULATION TO THAT END, THE H OSPITAL HAS ESTABLISHED 9 PRIMARY CARE PHYSICIAN SATELLITE OFFICES LOCATED STRATEGICALLY T HROUGHOUT THE SERVICE AREA THESE SATELLITE LOCATIONS ADDRESS THE SPECIFIC DISEASES THAT A RE INDIGENT TO THESE RURAL AREAS BASED ON THE INFORMATION GATHERED THROUGH THE MOST RECENT COMMUNITY HEALTH ASSESSMENT AND THE GUIDELINES SET FORTH IN HEALTHY PEOPLE 2010, THE FOL LOWING "HEALTH PRIORITIES" REPRESENT A SIGNIFICANT OPPORTUNITY FOR HEALTH IMPROVEMENT WHIC H ARE BEING ADDRESSED BY THE HOSPITAL, PHYSICIAN SATELLITE OFFICES AND THE COUNTY HEALTH D EPARTMENTS - DIABETES (AS A RESULT OF THE COMMUNITY HEALTH ASSESSMENT SURVEY, A TRI-COUNT Y DIABETES ALLIANCE WAS ESTABLISHED TO HELP EDUCATE, CREATE AWARENESS, AND IMPROVE THE HEA LTH OF PEOPLE WITH DIABETES AND THOSE AT RISK FOR DEVELOPING DIABETES) WWW TRIDIABETES ORG - HEART DISEASE & STROKE - NUTRITION - ACCESS TO HEALTH CARE SERVICES IN ADDITION TO THES E AREAS, THERE ARE MULTIPLE OTHER PRIORITIES AND CONTRIBUTING FACTORS THAT EACH PARTNER AS SESSSED IN CONJUNCTION WITH THIS SURVEY IN IDENTIFYING PRIORITIES FOR COMMUNITY ACTION AND DESIGNING STRATEGIES FOR IMPLEMENTATION, A NUMBER OF CRITERIA WERE APPLIED TO THE CONSIDERATION PROCESS, INCLUDING - IMPACT THE DEGREE TO WHICH THE ISSUE AFFECTS OR EXACERBATES OTHER QUALITY OF LIFE AND HEALTH-RELATED ISSUES - MAGNITUDE THE NUMBER OF PERSONS AFFECT ED, ALSO TAKING INTO ACCOUNT VARIANCE FROM BENCHMARK DATA AND YEAR 2010 TARGETS - SERIOUS NESS THE DEGREE TO WHICH THE PROBLEM LEADS TO DEATH, DISABILITY OR IMPAIRS ONE'S QUALITY OF LIFE - FEASIBILITY THE ABILITY OF ORGANIZATIONS TO REASONABLY IMPACT THE ISSUE, GIVEN AVAILABLE RESOURCES - CONSEQUENCES OF INACTION THE RISK OF EXACERBATING THE PROBLEM BY NOT ADDRESSING AT THE EARLIEST OPPORTUNITY EACH PARTNER WAS RESPONSIBLE FOR ENGAGING IN A CTIVITIES SPECIFIC TO THE GEOGRAPHY WITHIN WHICH THEY OPERATE EACH PARTNER USED THE RESUL TS OF THE SURVEY TO PLAN SCREENINGS AND/OR INTERVENTIONS TAILORED TO THE NEEDS OF THEIR PO PULATION PARTNERS SHARED PLANS AND COLLABORATED WHERE POSSIBLE IN ADDITION TO THE PROGRA MS ALREADY PRESENTED, A NUMBER OF OTHER INITIATIVES FROM THE COMMUNITY HEALTH SURVEY HAVE BEEN STARTED INCLUDING - UNDER THE PRIORITY AREA OF ACCESS TO CARE, ACCESS TO DENTAL SERV ICES, PARTICULARLY FOR CHILDREN WAS IDENTIFIED AS A RESULT, GRANTS AND GIFTS WERE RECEIVE D TO EXPAND DENTAL PROGRAMS AT THE LOCAL HEALTH DEPARTMENT - FOR HEART DISEASE, A STATE G RANT SUPPLIED THE MONEY TO DO WORK SITE WELLNESS PROGRAMS INCLUDING SCREENINGS - FOR CANC ER, MONEY FROM THE CIGARETTE RESTITUTION FUND WAS USED TO PROVIDE COLORECTAL SCREENINGS IN CLUDING PREVENTION, EDUCATION, DIAGNOSIS AND TREATMENT ADDITIONALLY, FUNDS WERE OBTAINED FROM A GRANT TO PROVIDE MAMMOGRAMS FOR LOW INCOME WOMEN - IN TERMS OF OBESITY, A THREE YE AR FEDERAL GRANT PROVIDED FUNDS TARGETED AT AFRICAN-AMERICAN FAMILIES TO PARTICIPATE IN A PROGRAM TO MAKE LIFESTYLE CHANGES, QUIT SMOKING, CONTROL THEIR BLOOD PRESSURE, EXERCISE (T HROUGH A WALKING PROGRAM) AND MEETINGS WITH A NUTRITIONIST TO MODIFY THEIR EATING BEHAVIOR - FOR SUBSTANCE ABUSE, A NEW SUBOXONE (A HEROIN ALTERNATIVE) CLINIC WAS ESTABLISHED WITH GREAT SUCCESS THIS IS THE ONLY SUCH CLINIC ON THE EASTERN SHORE - AND FINALLY, FOR MENT AL HEALTH CARE, A NEW CLINIC WHICH IS CO-LOCATED IN A PRIMARY CARE SITE EXPANDS CARE FOR M ENTAL HEALTH PATIENTS WITHOUT THE STIGMA OF BEING SEEN IN A MENTAL HEALTH CLINIC COMMUNIT Y FLU SHOTS THE MISSION OF THE MEDICAL CENTER IS TO "IMPROVE THE HEALTH OF THE COMMUNITIES WE SERVE " IN FISCAL YEAR 2014, THE MEDICAL CENTER PROVIDED 5,150 FLU SHOTS (BELOW COST, WE DID ASK FOR A DONATION) THROUGH A THREE DAY DRIVE-THRU FLU CAMPAIGN THE AMOUNT OF COMM UNITY BENEFIT PROVIDED WAS \$102,973 PENINSULA PARTNERS PENINSULA PARTNERS IS DESIGNED FOR INDIVIDUALS 55 AND OLDER AND IS A SPECIAL PROGRAM PROVIDED AS A SERVICE TO OUR COMMUNITY ABSOLUTELY FREE PENINSULA PARTNERS MEMBERS WILL LEARN TIPS ON HEALTHY LIVING, ATTEND SEMI NARS AND PARTICIPATE IN HEALTH SCREENINGS THIS PROGRAM PROVIDES - MONTHLY LIFESTYLE NEWS LETTER - FEATURING HEALTHY TIPS, IN DEPTH HEALTH ARTICLES, ETC - SAFE DRIVING CLASSES - H EALTH SCREENINGS - SOCIAL EVENTS - INPATIENT VISITS - SAFETY CLASSES - SEMINARS ON VARIOUS HEALTH TOPICS WAGNER WELLNESS VAN PENINSULA REGIONAL'S WAGNER WELLNESS VAN DELIVERS HEALT H CARE ASSESSMENTS AND EDUCATION TO RURAL LOCATIONS WITHIN THE HOSPITALS SERVICE AREA THE VAN HAS MULTIPLE USES AND MANY VENUES IT IS ON SITE AT LOCAL COMMUNITY OUTDOOR FESTIVALS WITH STAFF PROVIDING THE FOLLOWING SCREENINGS - BL</p>

Form and Line Reference	Explanation
Promotion of Community Health	<p>OOD PRESSURE, PULSE OXIMETRY, BODY FAT ANALYSIS, GRIP STRENGTH, AND VISION DURING FY2014 WE SCREENED 1,599 MEMBERS OF THE COMMUNITY WITH VARIED "AT RISK" LEVELS AT 58 LOCATIONS (THIS ONLY REPRESENTS OUR VAN PRESENCE AT MAJOR COMMUNITY INITIATIVES, AND DOES NOT REPRESE NT THE MULTITUDE OF COMMUNITY APPEARANCES MADE BY OTHER MEDICAL CENTER DEPARTMENTS AT HEAL TH FAIRS ON THE DELMARVA PENINSULA) IN OCTOBER 2008, IN AN EFFORT TO EXPAND OUR MOBILE SE RVICE TO THE AT-RISK AND UNDERSERVED POPULATIONS, PENINSULA REGIONAL MEDICAL CENTER FORMED A PARTNERSHIP WITH THE WICOMICO HEALTH DEPARTMENT TO OFFER DIABETES, STROKE AND HYPERTENS ION EDUCATION AND SCREENINGS TO THESE POPULATIONS (SITES RECOMMENDED BY THE HEALTH DEPARTM ENT) THIS PROGRAM CONTINUES TODAY OTHER INITIATIVES THE HOSPITAL AND ITS EMPLOYEES ALSO PARTICIPATE ON AN ANNUAL BASIS IN MANY CHARITABLE CAUSES THAT PROMOTE A HEALTHY LIFESTYLE AND OVERALL WELL-BEING OF THOSE IN THE COMMUNITY IN FY2013, HOSPITAL EMPLOYEES CONTRIBUTE D OVER \$106,000 TO THE UNITED WAY CAMPAIGN, IN ADDITION TO HAVING EMPLOYEES WALK AND PARTI CIPATE IN THE MARCH OF DIMES, HOSPITAL EMPLOYEES AND PHYSICIANS ALSO PARTICIPATED IN THE 2 011 WICOMICO COUNTY RELAY FOR LIFE THIS CANCER SURVIVOR'S RECEPTION HOSTED OVER 600 CANCE R SURVIVORS AND BRINGS HOPE TO THOSE SUFFERING EVERY YEAR HOSPITAL EMPLOYEES ARE ENGAGED IN COMMUNITY OUTREACH WHICH ARE VOLUNTEER TYPE SERVICES PROVIDED "OUTSIDE THE REALM OF NOR MAL HOSPITAL PATIENT CARE " THE HOSPITAL ENCOURAGES VOLUNTEERISM IN THE FOLLOWING AREAS - HEALTH SCREENINGS - HEALTH EDUCATION - SUPPORT GROUPS - PROGRAM SUPPORT - RESEARCH - FINA NCIAL CONTRIBUTIONS IN FY2014, 251,040 HOURS WERE GIVEN BY EMPLOYEEES AS AN EXAMPLE, THE H OSPITAL IS A COMMUNITY PARTNER WITH "THE WELLNESS COMMUNITY OF DELMARVA " THIS IS A NON-PR OFIT ORGANIZATION DEDICATED TO PROVIDING FREE EMOTIONAL SUPPORT, EDUCATION AND HOPE FOR PE OPLE AFFECTED BY CANCER AND THEIR LOVED ONES THE HOSPITAL'S EMPLOYEES VOLUNTARILY GIVE OF THEIR TIME AND TALENTS TO SUPPORT THIS TERRIFIC PROGRAM THE HOSPITAL ALSO PARTICIPATES I N THE "HEALTHIEST MARYLAND" INITIATIVE A RECENT PROGRAM LAUNCHED BY LT GOVERNOR BROWN, TH E ADMINISTRATION AND SECRETARY COLMERS THIS IS A STATEWIDE MOVEMENT TO CREATE A CULTURE O F WELLNESS - AN ENVIRONMENT WHERE THE HEALTHIEST CHOICE IS EASY MARYLAND RURAL HEALTHCARE ASSOCIATION IS ANOTHER AGENCY THAT PROMOTES THE DELIVERY OF RURAL HEALTH CARE, THEIR MISS ION STATEMENT IS TO ENHANCE THE HEALTH AND WELL BEING OF RURAL POPULATIONS IN MARYLAND TH ROUGH LEADERSHIP, EDUCATION, ADVOCACY AND COLLABORATION THE HOSPITAL IS REPRESENTED ON TH IS COMMITTEE AND IS COMMITTED TO FINDING SOLUTIONS TO PROVIDING THE MOST EFFICIENT AND EFF ECTIVE HEALTHCARE DELIVERY TO AN UNDERSERVED RURAL POPULATION THERE EXIST GEOGRAPHIC POCK ET S IN PENINSULA REGIONAL'S SERVICE AREA WHICH ARE FEDERALLY LISTED AS BEING UNDERSERVED BY HEALTHCARE PROVIDERS IN AN EFFORT TO ADDRESS THE RURAL POPULATIONS NEED FOR PROVIDERS, THE HOSPITAL HAS PARTNERED IN DEVELOPING HEALTHCARE PROGRAMS WITH LOCAL COLLEGES AND UNIVE RSITIES FOR EXAMPLE, THE HOSPITAL HAS COLLABORATED WITH UMES (UNIVERSITY OF MARYLAND EAST ERN SHORE) AND HAS MADE A 5 YEAR \$250,000 DOLLAR INVESTMENT IN THEIR PHYSICIAN ASSISTANT P ROGRAM THIS INVESTMENT WILL EXPAND THE HEALTHCARE EDUCATIONAL OPPORTUNITIES, AND IN THE FUTURE PROVIDE HEALTH CARE PROFESSIONALS AVAILABLE TO CARE FOR RESIDENTS IN OUR REGION THE RE CONTINUES TO BE ONGOING COLLABORATIONS WITH WOR-WIC COMMUNITY COLLEGE AND SALISBURY UNI VERSITY TO FURTHER DEVELOP HEALTHCARE PROGRAMS AND PROVIDERS TO MEET THE CHALLENGES OF 21S T CENTURY HEALTHCARE</p>

Form and Line Reference	Explanation
Affiliated Health Care System Roles	Schedule H, Part VI, Line 6 PENINSULA REGIONAL MEDICAL CENTER IS PART OF THE PENINSULA REGIONAL HEALTH SYSTEM THE SYSTEM INCLUDES A FOUNDATION AND FOR-PROFIT ENTITIES WITH INTERESTS IN VARIOUS HEALTH CARE JOINT VENTURES IN ADDITION TO THE COMMUNITY BENEFITS PROVIDED BY THE MEDICAL CENTER, THE HEALTH SYSTEM EVALUATES THE NEEDS OF THE COMMUNITY AND WILL PARTICIPATE IN COMMUNITY BENEFIT PROGRAMS AS NEEDED

Form and Line Reference	Explanation
Community Benefit Report State Filings	Schedule H, Part VI, Line 7 State(s) with which the organization files a community benefit report MARYLAND

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
Peninsula Regional Medical Center

Employer identification number
52-0591628

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 checked="" 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 checked="" 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>	Yes	
<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>	Yes	
<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><input checked="" type="checkbox"/> Compensation committee</div><div><input checked="" type="checkbox"/> Independent compensation consultant</div><div><input checked="" type="checkbox"/> Form 990 of other organizations</div><div><input checked="" type="checkbox"/> Written employment contract</div><div><input checked="" type="checkbox"/> Compensation survey or study</div><div><input checked="" type="checkbox"/> Approval by the board or compensation committee</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>		No
<div><div>b</div><div>Participate in, or receive payment from, a supplemental nonqualified retirement plan?</div></div>	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>		No
<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>		No
<div><div>b</div><div>Any related organization?</div></div> <div>If "Yes," to line 5a or 5b, describe in Part III</div>		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>	Yes	
<div><div>b</div><div>Any related organization?</div></div> <div>If "Yes," to line 6a or 6b, describe in Part III</div>	Yes	
<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>	Yes	
<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>		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>		

Part II Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees. Use duplicate copies if additional space is needed.

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

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

(A) Name and Title		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported as deferred in prior Form 990
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
See Additional Data Table								

Part III **Supplemental Information**

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
Supplemental nonqualified retirement plan	Schedule J, Part I, Line 4b PRMC has a non-qualified supplemental retirement plan This plan was approved by the Compensation Committee of the PRMC Board of Directors to supplement the executive's retirement income The supplemental retirement plan was developed based on an independent consultant report on market-based practices for supplemental retirement plans The percentage of final average pay, the requirements for vesting, participants, and pay-out provisions were established, reviewed, and approved by the compensation committee The contributions to the supplemental non-qualified retirement plan are included in schedule J, Part II, column C or in schedule J, Part I, column B(III) as part of deferred compensation The following individuals participated in this supplemental non-qualified retirement plan Margaret Naleppa \$76,923 Lura Lunsford \$40,000 Bruce I Ritchie \$40,000 Steven Leonard \$40,000 AMOUNTS REPORTED ON SCHEDULE J , PART II, COLUMN (B)(III) INCLUDE DEFERRED COMPENSATION AMOUNTS UNDER A BOARD OF TRUSTEES APPROVED EXECUTIVE COMPENSATION PLAN IN ACCORDANCE WITH SECTION 457(F) OF THE INTERNAL REVENUE CODE THESE AMOUNTS WERE DISTRIBUTED FROM A QUALIFIED RETIREMENT PLAN TRUSTEE ACCOUNT DUE TO VESTING FOR CEO, MARGARET NALEPPA, PRMC CONTRIBUTED \$250,000 WHICH APPRECIATED WITH INVESTMENT EARNINGS TO \$408,027 BETWEEN THE PERIOD 4/1/2008 AND 4/1/2013
Contingent Compensation	Schedule J, Part I, Lines 6a & 6b Officers and key employees of Peninsula Regional Medical Center are paid compensation determined by a number of variables including but not limited to individual goals as well as organization operational achievements in service, quality, safety, employee satisfaction, and cost The final determination of the contingent compensation amount is determined and approved by the board as part of the overall compensation review of officers and key employees During calendar year 2013, the following bonuses were paid Margaret Naleppa \$197,075 Lura Lunsford \$73,512 Bruce I Ritchie \$84,348 MARY BETH D'AMICO \$19,290 SARA SCOTT \$19,463 STEVEN LEONARD \$23,214 KAREN POISKER \$25,025 DANIEL MULVANNY \$28,623 CHARLES SILVIA JR, M D \$54,026
Non-Fixed Payments	Schedule J, Part I, Line 7 During calendar year 2013, the following retention and productivity bonuses were paid Andy Pierre, M D \$100,000 Jacek Malik, M D \$140,000 Daniel Daniels, M D \$258,237 Halim Charbel, M D \$296,324

Additional Data

Software ID:
Software Version:
EIN: 52-0591628
Name: Peninsula Regional 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				
Margaret Naleppa President/CEO	(i) (ii)	689,840 0	197,075 0	426,536 0	119,040 0	14,230 0	1,446,721 0	0 0
Lura Lunsford VP of Operations	(i) (ii)	355,382 0	73,512 0	3,898 0	75,642 0	12,960 0	521,394 0	0 0
Bruce I Ritchie CFO	(i) (ii)	387,364 0	84,348 0	3,898 0	92,341 0	21,201 0	589,152 0	0 0
Paul Zorsky MD Physician	(i) (ii)	714,632	0	1,218	11,111	15,172	742,133	0
Andy Pierre MD Physician	(i) (ii)	644,186	100,000	32,468	17,551	15,689	809,894	0
Jacek Malik MD Physician	(i) (ii)	648,233	140,000	1,218	24,064	10,987	824,502	0
Daniel Daniels MD Physician	(i) (ii)	438,615	258,237	27,661	13,355	11,067	748,935	0
Halim Charbel MD Physician	(i) (ii)	466,424	296,324	1,218	11,527	836	776,329	0
MARY BETH D'AMICO VP PATIENT CARE SERVICES	(i) (ii)	191,303	19,290	2,911	12,903	21,483	247,890	0
SARA SCOTT VP PEOPLE & ORGANIZATION DEV	(i) (ii)	192,639	19,463	515	28,591	17,472	258,680	0
STEVEN LEONARD VP OPERATION OPTIMIZATION & IN	(i) (ii)	214,020	23,214	3,898	59,347	24,046	324,525	0
KAREN POISKER VP POPULATION HEALTH	(i) (ii)	244,385	25,025	3,898	95,067	15,580	383,955	0
DANIEL MULVANNY VP - GENERAL COUNSEL	(i) (ii)	297,226	28,623	3,898	41,346	14,116	385,209	0
CHARLES SILVIA JR MD VP - CHIEF MEDICAL OFFICER	(i) (ii)	384,075	54,026	1,218	22,622	19,233	481,174	0

Schedule K
(Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Information on Tax Exempt Bonds

▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 24a. Provide descriptions, explanations, and any additional information in Part VI.
▶ Attach to Form 990. ▶ See separate instructions.
▶ 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
Peninsula Regional Medical Center

Employer identification number
52-0591628

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 EDUCATION FACILITY	52-0936091	574217WT8	02-09-2006	146,668,251	SEE PART VI		X		X		X

Part II Proceeds

		A		B		C		D	
1	Amount of bonds retired	154,822,905							
2	Amount of bonds legally defeased	0							
3	Total proceeds of issue	154,822,905							
4	Gross proceeds in reserve funds	11,127,422							
5	Capitalized interest from proceeds	0							
6	Proceeds in refunding escrows	0							
7	Issuance costs from proceeds	1,167,501							
8	Credit enhancement from proceeds	0							
9	Working capital expenditures from proceeds	0							
10	Capital expenditures from proceeds	100,184,165							
11	Other spent proceeds	0							
12	Other unspent proceeds	0							
13	Year of substantial completion	2009							
		Yes	No	Yes	No	Yes	No	Yes	No
14	Were the bonds issued as part of a current refunding issue?	X							
15	Were the bonds issued as part of an advance refunding issue?		X						
16	Has the final allocation of proceeds been made?	X							
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	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						
2	Are there any lease arrangements that may result in private business use of bond-financed property?		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							
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						
c	Are there any research agreements that may result in private business use of bond-financed property?	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							
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	0 900 %							
5	Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government	0 420 %							
6	Total of lines 4 and 5	1 320 %							
7	Does the bond issue meet the private security or payment test?	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						
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						
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							

Part IV

Arbitrage

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Has the issuer filed Form 8038-T?		X						
2	If "No" to line 1, did the following apply?								
a	Rebate not due yet?		X						
b	Exception to rebate?	X							
c	No rebate due?		X						
	If you checked "No rebate due" in line 2c, provide in Part VI the date the rebate computation was performed								
3	Is the bond issue a variable rate issue?		X						
4a	Has the organization or the governmental issuer entered into a qualified hedge with respect to the bond issue?	X							
b	Name of provider	MORGAN STANLEY							
c	Term of hedge	20 4							
d	Was the hedge superintegrated?		X						
e	Was the hedge terminated?	X							

Part IV

Arbitrage (Continued)

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
5a	Were gross proceeds invested in a guaranteed investment contract (GIC)?		X						
b	Name of provider	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						
7	Has the organization established written procedures to monitor the requirements of section 148?	X							

Part V

Procedures To Undertake Corrective Action

	A		B		C		D	
	Yes	No	Yes	No	Yes	No	Yes	No
	X							
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?								

Part VI

Supplemental Information. Provide additional information for responses to questions on Schedule K (see instructions).

Return Reference	Explanation
Description of Purpose	SCHEDULE K, PART I, COLUMN F THE PROCEEDS OF THE ISSUE, AFTER PAYMENT OF FINANCING COSTS, WERE USED PRIMARILY (I) TO FINANCE AND REFINANCE A PORTION OF THE COSTS OF CONSTRUCTION, RENOVATION, ACQUISITION AND EQUIPPING OF HEALTHCARE FACILITIES, (II) TO REFUND OUTSTANDING 1993 BONDS (ISSUED 10/28/93), (III) TO PAY A PORTION OF THE INTEREST ACCRUING ON THE SERIES 2006 BONDS FOR A PERIOD TO EXTEND TO JANUARY 1, 2009, AND (IV) TO PAY THE COUNTERPARTY A TERMINATION PAYMENT OF \$1,575 IN CONNECTION WITH A FORWARD STARTING INTEREST RATE EXCHANGE AGREEMENT ENTERED INTO ON AUGUST 9, 2005 AND UNWOUND ON JANUARY 24, 2006

Return Reference	Explanation
Capital Expenditures From Proceeds	SCHEDULE K, PART II, LINE 10 OF THE AMOUNT REPORTED ON PART II, LINE 10, \$12,281,895 IS CAPITALIZED INTEREST

Return Reference	Explanation
Date of Rebate Computation	Schedule K, Part IV, Line 2c The rebate computation was performed in August 2010

Schedule L
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Transactions with Interested Persons
▶ Complete if the organization answered "Yes" on Form 990, Part IV, lines 25a, 25b, 26, 27, 28a, 28b, or 28c, or Form 990-EZ, Part V, line 38a or 40b.
▶ Attach to Form 990 or Form 990-EZ. ▶ See separate instructions.
▶ Information about Schedule L (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
Peninsula Regional Medical Center

Employer identification number
52-0591628

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

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

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

2 Enter the amount of tax incurred by organization managers or disqualified persons during the year under section 4958 ▶ \$

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

Part II Loans to and/or From Interested Persons.

Complete if the organization answered "Yes" on Form 990-EZ, Part V, line 38a, or Form 990, Part IV, line 26, or if the organization reported an amount on Form 990, Part X, line 5, 6, or 22

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

Part III Grants or Assistance Benefitting Interested Persons.

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

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of assistance	(d) Type of assistance	(e) Purpose of assistance

Part IV Business Transactions Involving Interested Persons.

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

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
(1) William Todd MD	Trustee	97,771	Medical Staff Fees		No
(2) William Todd MD	Trustee	144,701	Emergency Room Services		No
(3) David Rommel	Trustee	879,379	Electrical/Mechanical Services		No
(4) Timothy Benning	Trustee	464,667	Pathology Services		No
(5) Christjon J Huddleston MD	Trustee	54,020	Medical Director Fees		No

Part V Supplemental Information

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

Return Reference	Explanation
DESCRIPTION OF TRANSACTIONS WITH INTERESTED PERSONS	SCHEDULE L, PART IV Each of the above-named trustees are owners of businesses which provide services to PRMC. The services provided were approved by independent members of the governing body and are charged at fair market value rates

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 Peninsula Regional Medical Center	Employer identification number 52-0591628
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Return Reference	Explanation
STATEMENT OF PROGRAM SERVICE ACCOMPLISHMENTS	<p>Form 990, Part III, Line 4 Peninsula Regional Medical Center is a not-for-profit 501(c)(3) non-stock corporation founded in 1897 to serve the health care needs of the community The Hospital's primary purpose is to provide the highest primary, secondary, and selected tertiary health care services to residents of and visitors to the Mid-Delmarva Peninsula in a competent, compassionate, and cost-effective manner designed to elicit a high degree of customer satisfaction The Hospital's mission is to improve the health of the communities we serve by providing quality medical care regardless of race, creed, sex, national origin, handicap, or age If a patient is unable to pay due to financial resources, efforts will be taken to assure care at an affordable cost, or obtained assistance through appropriate agencies on the patient's behalf Emergency services care will be provided to everyone regardless of ability to pay Peninsula Regional Medical Center served over 19,000 inpatients and provided more than 500,000 outpatient services during fiscal 2014 Food service provided more than 400,000 meals to patients and employees Although reimbursement for services rendered is critical to the operation and stability of Peninsula Regional Medical Center, it is recognized that not all individuals possess the ability to pay for essential medical services The Hospital, in keeping with the commitment to serve all members of the community, during fiscal 2014 provided -Charity and other allow ances totaling \$49,665,021 -Discounts to third party payors including government programs such as -Medicare and Medicaid \$49,134,776 -Write-off of uncollectible accounts \$14,313,694 -The total unreimbursed value of providing care to these patients is \$113,113,491 Also provided are many wellness programs, community education and free programs offered throughout the year based upon activities and services that Peninsula Regional Medical Center believes will serve a bona fide community health need Some of the programs are as follows -A variety of brochures are displayed in all hospital waiting areas to educate members of the community regarding programs and services -Participation in health fairs during FY 2014 in order to foster health education in the community -Being called upon to speak before community organizations on a variety of healthcare topics We provide childbirth preparation classes, exercise classes for prenatal and postpartum women and CPR classes -We provide assistance to educators through our work with student nurses, radiology, respiratory and laboratory technicians During FY 2014, Peninsula Regional Medical Center volunteers contributed over 41,000 hours toward the common purpose of servicing the health care of the community</p> <p>PROGRAM SERVICE ACTIVITY Form 990, Part III, Line 4a During FY 2014, Peninsula Regional Medical Center performed over 400 community outreach activities Specific examples of education and outreach programs, support groups, community health screenings, and fitness and wellness activities supported by Peninsula Regional Medical Center are as follows Community Educational and Outreach Programs - Labor & Delivery Tours (exclusive of Childbirth Class Tours) - CPR - Childbirth Preparation Classes - Refresher Course - Childbirth - Sibling Classes - Infant Care Classes - Grandparent Classes - Safe Sitter Program - Women's Health Education Support Groups - Diabetes Support Groups - Stroke Support Group - Head and Neck Cancer Support Group Events Community Screenings - Height/Weight, Blood Pressure - Skin Cancer Screenings - Oral, Head and Neck Cancer Screenings - Hearing Screenings - Flu Clinic Educational Exhibits - Diabetes Education - Trauma - Women's Health - Safe Sitter - Relay for Life Benefits - March of Dimes Walk America - United Way - Women Supporting Women Fitness/Exercise Programming - Cardiac Rehabilitation - Indoor Cycling and Weights - Women and Weight Training</p>

Return Reference	Explanation
Business Relationships	Form 990, Part VI, Line 2 Margaret Naleppa, Martin Neat, and Hugh McLaughlin are members of the board of directors of Peninsula Health Ventures, a wholly-owned taxable subsidiary of Peninsula Regional Health System

Return Reference	Explanation
Significant Changes to Governing Documents	<p>Form 990, Part VI, Line 4 The following changes were made to the organization's bylaws:</p> <ol style="list-style-type: none"> 1. In Article II Board of Trustees, Section 1 b Appointive Trustees: The President of the Junior Auxiliary Board President of PRMC was removed as one of the Ex Officio Trustees. d Limitations on Trustee Qualification: The revision in this section refers to the Chairman. This provision used to read: "The provision shall not prevent a Chairman from completing the second year of a two year term, or the third year of a three year term." Deleted - Or the third year of a three year term. 2. In Article III Officers, Section 2 Chairman: Removal of Chairman's term extension language. This revision used to read: "A Trustee must not serve as Chairman for more than two years during a continuous period of Board Membership, unless a 2/3 majority of the Board approves, and the Chairman accepts, a one (1) year extension of the Chairman's term." Deleted. Unless a 2/3 majority of the Board approves, and the Chairman accepts, a one (1) year extension of the Chairman's term was deleted. 3. In Article IV Committees, Section 1 Committees: Corporate Strategy & Planning Committee, and Contract Committee were added. 4. In Article IV Committees, Section 9 Contract Committee: Added new Section 9 defining Contract Committee and re-numbered. The Contract Committee reviews substantial contracts, determines that contracts align with Hospital's goals and mission, determines that contracts are consistent with Fair Market Value including review and access methodologies, makes recommendations to the Board of Trustees and the President regarding these matters. Meets on a monthly basis, as called by Chairman. Changed Signatory from Edward W. Urban to Debbie Abbott.

Return Reference	Explanation
Members or Stockholders	Form 990, Part VI, Line 6 Peninsula Regional Health System is the sole corporate member of the medical center

Return Reference	Explanation
Members or Stockholders Who May Elect	Form 990, Part VI, Line 7a In its capacity as the sole corporate member of the medical center, Peninsula Regional Health System has the ability to elect members of the medical center's governing body

Return Reference	Explanation
Decisions Subject to Approval	Form 990, Part VI, Line 7b As the sole corporate member, Peninsula Regional Health System has the ability to approve major expenditures and long term borrowings of the medical center

Return Reference	Explanation
Form 990 Review Process	Form 990, Part VI, Line 11b Oversight of the completion of the organization's Form 990 has been delegated to the Chief Financial Officer of Peninsula Regional Medical Center by the President of the organization once the Form 990 and all schedules have been prepared by the organization's independent tax services provider, they are reviewed by the President prior to filing. Further, a copy of the Form 990 is provided to all Board members prior to filing. The return is reviewed by the Audit/Finance Committee in conjunction with management and the organization's independent tax advisors from Grant Thornton LLP.

Return Reference	Explanation
Conflict of Interest Policy Monitoring & Enforcement	Form 990, Part VI, Line 12c The Board of Trustees are required to disclose annually, in writing, any and all interest which they or any immediate member of their family may have in any business entity which has or seeks a contractual or competitive relationship with the organization The Board has the authority to determine if a violation has occurred and whether any interest which should be disclosed should disqualify a director from participating in any specific Board discussion or Board membership All disclosures are reviewed by the organization's Chief Compliance Officer Any conflicts are presented to the Board If a person is conflicted, they will recuse themselves from all discussions and deliberations to which they would appear to be conflicted

Return Reference	Explanation
Process for Determining Compensation	Form 990, Part VI, Line 15a & 15b The organization uses a compensation committee to determine the compensation of the CEO/Executive Director and other key employees. The CEO of the organization has a written employment contract. The compensation committee uses an independent consultant, compensation surveys and other organization's Form 990 in the determination process. The members of the compensation committee are independent and rely on this comparability data when they discuss and determine the individual's compensation. Contemporaneous minutes of such discussions are kept and maintained in the organization's files.

Return Reference	Explanation
How Documents are Made Available to the Public	Form 990, Part VI, Line 19 The organization's governing documents, conflict of interest policy and financial statements are available to the public upon request to the public information office of Peninsula Regional Medical Center at 100 East Carroll Street, Salisbury, MD 21801

Return Reference	Explanation
Other Changes in Net Assets	Form 990, Part XI, Line 9 Pension Adjustment - FAS 158 \$ 12,083,867 Capital contribution 6,000,000 Transfer from Foundation for Capital Campaign 1,900,000 T/R Net assets released from restriction (1,069,715) Withdraw al from Adkins endow ment (41,210) Partnership K-1 Income not on books 2,678,805 Other Changes in Net Assets (5) ----- Total \$ 21,551,742

Return Reference	Explanation
FORM 990 PART IX LINE 11G	DESCRIPTION PHYSICIAN CONTRACTED SERVICES TOTAL FEES 8305520

Return Reference	Explanation
FORM 990 PART IX LINE 11G	DESCRIPTION TECHNICAL PROFESSIONAL FEES TOTAL FEES 7047472

Return Reference	Explanation
FORM 990 PART IX LINE 11G	DESCRIPTION REFERENCE LAB WORK TOTAL FEES 1764184

Return Reference	Explanation
FORM 990 PART IX LINE 11G	DESCRIPTION MEDICAL STAFF ADMINISTRATION TOTAL FEES 75000

Return Reference	Explanation
FORM 990 PART IX LINE 11G	DESCRIPTION CONTRACTED SERVICES TOTAL FEES 19644983

Return Reference	Explanation
FORM 990 PART IX LINE 11G	DESCRIPTION COLLECTION FEES TOTAL FEES 930945

Return Reference	Explanation
FORM 990 PART IX LINE 11G	DESCRIPTION TEMPORARY LABOR TOTAL FEES 991003

Return Reference	Explanation
FORM 990 PART IX LINE 11G	DESCRIPTION PEST CONTROL TOTAL FEES 25256

Return Reference	Explanation
FORM 990 PART IX LINE 11G	DESCRIPTION TRASH PICKUP TOTAL FEES 268792

Return Reference	Explanation
FORM 990 PART IX LINE 11G	DESCRIPTION EMPLOYEE MOVING TOTAL FEES 8121

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
Peninsula Regional Medical Center

Employer identification number
52-0591628

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
(1) Peninsula Regional Medical Center Fdn 100 East Carroll Street Salisbury, MD 21801 52-1851935	Fundraising	MD	501(c)(3)	11 TYPE I	PRHS		No
(2) Peninsula Regional Health System (PRHS) 100 East Carroll Street Salisbury, MD 21801 52-2132761	Parent	MD	501(c)(3)	11 TYPE II	NA		No
(3) Peninsula General Hospital INS Trust 100 East Carroll Street Salisbury, MD 21801 52-6321234	Insurance	MD	501(c)(3)	11 TYPE III	PRHS		No

Part III

Identification of Related Organizations Taxable as a Partnership

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income(related, unrelated, excluded from tax under sections 512- 514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproporionate allocations?		(i) Code V-UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
							Yes	No		Yes	No	
(1) Delmarva Surg Ctr 641 S Salisbury Salisbury, MD 21801 52-2251436	Healthcare	MD	PHV		0	0						0 %

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) Peninsula Health Ventures (PHV) 100 East Carroll Street Salisbury, MD 21801 52-2250012	P'SHIP INV	MD	PRHS	C Corp	0	0	0 %		No
(2) PRLTC Inc 100 East Carroll Street Salisbury, MD 21801 52-2190588	LT Care	MD	PHV	C Corp	0	0			No
(3) Delmarva Peninsula Insurance Company PO Box 1159 Grand Cayman KY1-1102 CJ 98-1110617	Insurance	CJ	PRMC	C corp	0	17,985,407	100 000 %	Yes	

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

1b

1c

1d

1e

1f

1g

1h

1i

1j

1k

1l

1m

1n

1o

1p

1q

1r

1s

No

No

No

No

No

No

No

No

No

No

No

Yes

Yes

Yes

Yes

No

Yes

Yes

Yes

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
(1) PENINSULA REGIONAL MEDICAL CENTER FOUNDATION	N,O,Q	419,460	FMV
(2) PENINSULA REGIONAL MEDICAL CENTER FOUNDATION	M,S	2,049,365	FMV
(3) PENINSULA HEALTH VENTURES	L	200,000	FMV
(4) Delmarva Peninsula Insurance Company	R	3,082,729	FMV

Schedule R (Form 990) 2013

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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Peninsula Regional Medical Center
EIN: 52-0591628

Attachment To Form 926, Part III

Following is additional information as requested by Regulations §1.6038B-1(c) and Temporary Regulations § 1.6038B-1T(c)(5) and 1.6038B-1T(d)

Regulation §1.6038B-1T(c)(1): Transferor:

Peninsula Regional Medical Center
EIN 52-0591628
100 East Carroll Street
Salisbury, MD 21801-5493

Regulation §1.6038B-1T(c)(2): Transferee:

- (i) Delmarva Peninsula Insurance Company
P O Box 1159
Grand Cayman KY1-1102
Cayman Islands

Incorporated in the Cayman Islands

- (ii) Insurance premiums received from related parties considered to be deemed contributions to capital of the above corporation occurred on various dates throughout the year. The total amount of these deemed contributions was \$3,082,729.

Regulation §1.6038B-1T(c)(3): Consideration received:

Nothing was received in consideration in exchange for deemed cash contributions to capital of \$3,082,729. The taxpayer owned 100% of the stock of the transferee corporation both before and after these transfers.

Regulation §1.6038B-1T(c)(4): Property Transferred:

Cash in the amount of \$3,082,729 (US Dollars)

Regulation §1.6038B-1T(c)(5): Transfer of foreign branch with previously deducted losses:

Not applicable

Regulation §1.6038B-1T(c)(6): Application of IRC §367(a)(5):

Not applicable

CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

Peninsula Regional Health System, Inc.
Years Ended June 30, 2014 and 2013
With Report of Independent Auditors

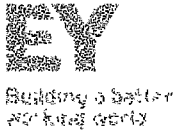
Exhibit 99.1



Peninsula Regional Health System, Inc.
Consolidated Financial Statements and Supplementary Information
Years Ended June 30, 2014 and 2013

Contents

Report of Independent Auditors.....	1
Consolidated Financial Statements	
Consolidated Balance Sheets	3
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Consolidated Statements of Cash Flows.....	7
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Report of Independent Auditors

The Board of Trustees
Peninsula Regional Health System, Inc.

We have audited the accompanying consolidated financial statements of Peninsula Regional Health System, Inc. (the “Health System”), which comprise the consolidated balance sheets as of June 30, 2014 and 2013, and the related consolidated statements of operations and changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

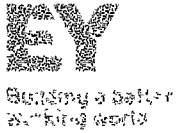
Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of certain subsidiaries and joint ventures of both Peninsula Health Ventures, Inc. (Health Ventures) and Peninsula Regional Medical Center (the “Hospital”), both of which are wholly-owned subsidiaries of the Health System. Three of the entities, Delmarva Peninsula Insurance Company (DPIC) (2014 only), Delmarva Surgery Center, LLC, (Delmarva) and Peninsula Imaging, LLC (Imaging), reflect total assets constituting 4.8% in 2014 and 2.8% in 2013 and total revenues constituting 1.2% in 2014 and 1.1% in 2013 of the related consolidated totals. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for DPIC (2014 only), Delmarva and Imaging, is based solely on the reports of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Health System’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not



for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, based on our audits and the reports of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Peninsula Regional Health System, Inc. at June 30, 2014 and 2013, and the results of its operations and changes in net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Supplementary Information

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

Ernst & Young LLP

September 19, 2014

Peninsula Regional Health System, Inc.

Consolidated Balance Sheets

(In Thousands)

	June 30	
	2014	2013
Assets		
Current assets:		
Cash and cash equivalents	\$ 32,593	\$ 29,289
Short-term investments	4,899	4,757
Accounts receivable, less allowance for uncollectible accounts (2014 – \$7,927; 2013 – \$7,497)	39,019	37,253
Inventories	9,502	7,416
Prepays	5,284	6,487
Total current assets	91,297	85,202
 Long-term investments	 204,703	 171,591
 Board-designated investments	 22,224	 18,941
 Assets limited as to use:		
Debt service reserve fund	9,267	9,245
Donor-restricted fund	28,610	26,045
Self-insurance fund	17,152	13,154
	55,029	48,444
 Property and equipment, net	 207,174	 211,756
 Unamortized financing costs, net of accumulated amortization (2014 – \$765; 2013 – \$667)	 2,208	 2,313
Other assets	21,688	10,162
Total assets	\$ 604,323	\$ 548,409

	June 30	
	2014	2013
Liabilities and net assets		
Current liabilities:		
Current portion of long-term debt	\$ 3,257	\$ 3,124
Current portion of accrued self-insured liabilities	2,495	2,395
Accounts payable	16,506	20,380
Accrued liabilities	14,942	14,287
Advances from third-party payors	9,221	8,054
Total current liabilities	46,421	48,240
Long-term debt, net	123,364	126,903
Other liabilities	14,648	14,344
Total liabilities	184,433	189,487
Net assets:		
Unrestricted	389,370	330,740
Temporarily restricted	20,361	17,999
Permanently restricted	8,093	8,083
Peninsula Regional Health System, Inc net assets	417,824	356,822
Minority interest	2,066	2,100
Total net assets	419,890	358,922
 Total liabilities and net assets	 \$ 604,323	 \$ 548,409

See accompanying notes

Peninsula Regional Health System, Inc.

Statements of Operations and Changes in Net Assets

(In Thousands)

	Year Ended June 30	
	2014	2013
Unrestricted revenue and other support:		
Net patient service revenue	\$ 388,802	\$ 379,456
Provision for bad debts	(14,368)	(15,608)
Net patient service revenue less provision for bad debts	374,434	363,848
Other operating revenue	5,802	6,453
Total unrestricted revenue and other support	380,236	370,301
Operating expenses:		
Salaries and wages	150,202	149,254
Supplies and other expenses	154,219	156,767
Employee benefits	40,428	40,044
Depreciation	22,921	22,254
Interest	6,130	6,248
Total operating expenses	373,900	374,567
Income (loss) from operations	6,336	(4,266)
Nonoperating income:		
Investment income	24,710	15,708
Basic swap income	—	644
Total nonoperating income	24,710	16,352
Excess of unrestricted revenue and other support over expenses	31,046	12,086
Minority interest in loss of controlled subsidiaries	34	6
Excess of unrestricted revenue and other support over expenses attributable to Peninsula Regional Health System, Inc.	31,080	12,092

(continued)

Peninsula Regional Health System, Inc.

Statements of Operations and Changes in Net Assets (continued)

(In Thousands)

	Year Ended June 30	
	2014	2013
Unrestricted net assets:		
Excess of unrestricted revenue and other support over expenses attributable to Peninsula Regional Health System, Inc.	\$ 31,080	\$ 12,092
Net assets released from restrictions used for capital expenditures	1,900	269
Unrealized gains on investments	13,566	8,145
Pension adjustment	12,084	5,145
Other	—	(73)
Increase in unrestricted net assets	58,630	25,578
Temporary restricted net assets:		
Donations	1,036	1,264
Net realized gains on investments	1,862	1,002
Unrealized gains on investments	1,513	1,112
Net assets released from restrictions	(2,049)	(633)
Increase in temporarily restricted net assets	2,362	2,745
Permanently restricted net assets:		
Net realized gains on investments	5	9
Unrealized gains on investments	5	3
Increase in permanently restricted net assets	10	12
Increase in net assets	61,002	28,335
Net assets at beginning of year	356,822	328,487
Net assets at end of year	\$ 417,824	\$ 356,822

See accompanying notes

Peninsula Regional Health System, Inc.

Statements of Cash Flows

(In Thousands)

	Year Ended June 30	
	2014	2013
Operating activities		
Change in net assets	\$ 61,002	\$ 28,335
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation of property and equipment	22,921	22,254
Amortization of original issue premium	(283)	(292)
Amortization of intangible assets	107	102
Gain on sale of property and equipment	(14)	(193)
Net unrealized gain on investments	(15,079)	(7,233)
Net realized gain on investments	(17,790)	(10,721)
Non-cash change in donor-restricted fund	—	1,406
Proceeds from restricted contributions and realized (gains) losses on restricted investments	(2,898)	998
Minority interest in earnings of controlled subsidiaries	(34)	(6)
Changes in operating assets and liabilities		
Accounts receivable	(967)	2,959
Inventories and other assets	(13,200)	1,269
Accounts payable and accrued liabilities	(3,219)	1,384
Accrued self-insured and other liabilities	402	(5,984)
Advances from third-party payors	1,166	(1,903)
Net cash provided by operating activities	32,114	32,375
Investing activities		
Purchase of investments	(136,140)	(127,851)
Proceeds from sales of investments	132,994	127,362
Purchase of property and equipment	(18,360)	(29,588)
Proceeds from disposal of assets	30	—
Change in assets limited as to use	(7,108)	(2,734)
Net cash used in investing activities	(28,584)	(32,811)
Financing activities		
Proceeds from restricted contributions and realized gains (losses) on restricted investments	2,898	(998)
Repayments of long-term debt	(3,124)	(2,996)
Net cash used in financing activities	(226)	(3,994)
Net increase (decrease) in cash and cash equivalents	3,304	(4,430)
Cash and cash equivalents at beginning of year	29,289	33,719
Cash and cash equivalents at end of year	\$ 32,593	\$ 29,289

See accompanying notes

Peninsula Regional Health System, Inc.

Notes to Consolidated Financial Statements (In Thousands)

June 30, 2014

1. Organization and Mission

Peninsula Regional Health System, Inc. (the Health System) serves as the parent company to Peninsula Regional Medical Center (the Hospital), Peninsula Regional Medical Center Foundation, Inc. (the Foundation) and Peninsula Health Ventures, Inc. (Health Ventures). The Health System is a not-for-profit Maryland membership corporation established to manage the integrated delivery of health care services to the community. The Health System is the sole corporate member of the Hospital and the Foundation. In its capacity as sole corporate member, the Health System will appoint trustees, approve major expenditures and approve long-term borrowings.

The Hospital is a not-for-profit, nonstock corporation founded in 1897 to serve the health care needs of its region. Primary service areas include the Maryland counties of Wicomico, Somerset and Worcester, southern Delaware and the northern Eastern Shore of Virginia. The Hospital's mission is to improve the health care of the community by providing exceptional quality primary, secondary, and selected tertiary health care services to patients in a competent and compassionate manner, designed to elicit a high degree of customer satisfaction. The Hospital provides services regardless of race, creed, sex, national origin, handicap, or age. In May 2013, Delmarva Peninsula Insurance Company (DPIC) was formed as a wholly owned subsidiary of the Hospital. DPIC was formed as a captive insurer to provide professional and general liability insurance.

The Foundation is a not-for-profit, nonstock corporation organized to raise contributions exclusively for the benefit of charitable, educational, medical, and scientific purposes for the Hospital.

Health Ventures is a for-profit corporation organized for the purpose of owning, developing, operating and investing in health care enterprises on the Delmarva Peninsula. The Health System owns all of the outstanding shares of common stock of Health Ventures.

2. Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of the Health System and all wholly owned subsidiaries, principally the Hospital, the Foundation and Health Ventures. Additionally, the Health System has consolidated a 55%-owned affiliate, Delmarva Surgery Center, LLC, and recorded a minority interest liability equal to the remaining ownership interest.

Peninsula Regional Health System, Inc.

Notes to Consolidated Financial Statements (continued) (In Thousands)

2. Significant Accounting Policies (continued)

Use of Estimates

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

Fair Value of Financial Instruments

The carrying amounts of financial instruments, including cash and cash equivalents, accounts receivable, accounts payable, and advances from third-party payors, approximate fair value given the short-term nature of these financial instruments.

Cash and Cash Equivalents

Cash and cash equivalents include surplus operating funds invested in money market funds and highly liquid corporate, U.S. government and agency obligations, all with maturities of less than three months when purchased.

Investments and Investment Income

Investments are carried at fair value. All such investments are considered available for sale and are classified as current or noncurrent assets based on management's intention as to use. Short-term investments represent investments with contractual maturities within one year and current investments in money market funds which have been designated for long-term investment purposes. Assets limited as to use by donor restriction are recorded at fair value at the date of donation and changes in fair value are recognized in the period in which the change occurs. Investment income from all unrestricted investments is reported as nonoperating income. Investment income on investments of restricted assets is added to or deducted from the appropriate restricted net assets when restricted as to use by the donor.

Peninsula Regional Health System, Inc.

Notes to Consolidated Financial Statements (continued) (In Thousands)

2. Significant Accounting Policies (continued)

The value of securities sold is based on the specific identification method.

The Health System periodically evaluates whether any declines in the fair value of investments are other than temporary. This evaluation consists of a review of several factors, including but not limited to: length of time and extent that a security has been in an unrealized loss position; the existence of an event that would impair the issuer's future earnings potential; the near-term prospects for recovery of the market value of a security; and the intent and ability of the Health System to hold the security until the market value recovers. Realized gains or losses are included in nonoperating (expense) income in the accompanying consolidated statements of operations and changes in net assets. Declines in fair value below cost that are deemed to be other than temporary would be recorded as realized losses within nonoperating (expense) income. Based on its evaluation, the Health System has recorded no other-than-temporary impairments for the years ended June 30, 2014 and 2013.

Accounts Receivable and Contractual Allowances

The Health System, through its member companies, provides services to patients in the Eastern Shore area of Maryland, Delaware and Virginia, the majority of whom are covered by third-party health insurance. The Health System bills the insurer directly for services provided.

Insurance coverage and financial information is obtained from patients upon admission when available. The Health System's policy is to perform in-house collection procedures for approximately 85 days. A determination is made at that time as to what additional collection efforts to pursue. A provision for uncollectible accounts is recorded for amounts not yet written off, which are expected to become uncollectible.

Discounts ranging from 2% to 6% of charges are given to Medicare, Medicaid and certain approved commercial health insurance and health maintenance organization programs for regulated services. Discounts in varying percentages are given for certain unregulated services. These major payors routinely review patient billings and deny payment for certain charges as medically unnecessary or as performed without appropriate preauthorization. Discounts and denials are recorded as reductions of net patient service revenue. Revenue and accounts receivable from these third-party payors have been adjusted to reflect the difference between charges and the estimated reimbursable amounts.

Peninsula Regional Health System, Inc.

Notes to Consolidated Financial Statements (continued) (In Thousands)

2. Significant Accounting Policies (continued)

Approximately 39% and 38% of accounts receivable were due from the Medicare program as of June 30, 2014 and 2013, respectively.

The Medicare and Medicaid reimbursement programs represent a substantial portion of the Health System's revenues. The Health System's operations are subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services and Medicare, and Medicaid fraud and abuse.

Over the past several years, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs, together with the imposition of fines and penalties, as well as repayments for patient services previously billed. Compliance with fraud and abuse standards and other government regulations can be subject to future government review and interpretation. Also, future changes in federal and state reimbursement funding mechanisms and related government budgeting constraints could have an adverse effect on the Health System.

Inventories

Inventories consist of supplies. Inventories of supplies are carried at lower of cost or market, using the first-in, first-out method.

Other Assets

Other assets primarily include a consolidated 55%-owned affiliate, Delmarva Surgery Center, LLC. The Hospital also has a 50% non-controlling interest in each of the following entities, which are accounted for as equity method investments: Peninsula Imaging, LLC, AHP Delmarva, LLP, Genesis Healthcare, Peninsula-NRH Regional Rehabilitation, LLC, Peninsula Home Care, LLC, and Peninsula Home Care at Nanticoke. Additionally, other assets includes a prepaid pension asset, and a reinsurance receivable asset.

Peninsula Regional Health System, Inc.

Notes to Consolidated Financial Statements (continued) (In Thousands)

2. Significant Accounting Policies (continued)

Assets Limited as to Use

Assets limited as to use primarily include assets held by trustees under indenture agreements, assets held by trustees under irrevocable self-insurance trust agreements and assets, including pledges receivable, whose use has been limited by the donor of the underlying funds. Amounts required to meet current liabilities have been classified in the consolidated balance sheets as current assets.

Board-Designated Investments

Board-designated investments include assets set aside by the Board of Trustees for future capital improvements and expansion. The Board of Trustees retains control of these assets and may, at its discretion, subsequently use them for other purposes.

Property and Equipment

Property and equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

Gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted donations. Absent explicit donor stipulations about how long those assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Unamortized Financing Costs

Financing costs incurred in issuing the Maryland Health and Higher Educational Facilities Authority Project and Refunding Revenue Bonds have been capitalized and are being amortized using the straight-line method over the life of the bonds, which approximates the effective interest method. The amount amortized is recorded as an operating expense.

Peninsula Regional Health System, Inc.

Notes to Consolidated Financial Statements (continued) (In Thousands)

2. Significant Accounting Policies (continued)

Estimated Self-Insurance Liabilities and Workers' Compensation

The provision for estimated professional liability claims, general liability claims, and workers' compensation claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported.

Pension Benefits

Pension benefits are recorded in accordance with ASC No. 715, *Compensation – Retirement Benefits*, which requires the recognition of the funded status of pension plans within the accompanying consolidated balance sheets. As of June 30, 2014 the funded status of the pension plan has been recorded within other assets. As of June 30, 2013, the funded status of the pension plan has been recorded within other long-term liabilities.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the Health System has been limited by donors to a specific time period or purpose. Temporarily restricted net assets are to be used for capital purposes and other health care services.

Permanently restricted net assets have been restricted by donors to be maintained by the Health System in perpetuity.

Net Patient Service Revenue

Net patient service revenue is reported at the estimated realizable amounts from patients, third-party payors and others for services rendered. During 2014 and 2013, approximately 48% and 48% of net patient service revenue was received under the Medicare program, 13% and 13% from CareFirst Blue Cross Blue Shield, 33% and 31% from contracts with other third parties, and 7% and 8% from other sources, respectively.

Peninsula Regional Health System, Inc.

Notes to Consolidated Financial Statements (continued) (In Thousands)

2. Significant Accounting Policies (continued)

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

	Year Ended June 30	
	2014	2013
Gross patient service revenue	\$ 496,169	\$ 490,809
Revenue deductions:		
Charity care	16,369	22,153
Contractual and other allowances	90,998	89,200
Net patient service revenue	388,802	379,456
Less: Provision for bad debts	14,368	15,608
Net patient service revenue less bad debts	\$ 374,434	\$ 363,848

The Health System employs physicians in several hospital-based specialties. The Health System bills for the services provided by these physicians. Net physician revenue is recognized when the services are provided and recorded at the estimated net realizable amount based on the contractual arrangements with third-party payors and the expected payments from the third-party payors and the patients. The difference between the billed charges and the estimated net realizable amounts are recorded as a reduction in physician revenue when the services are provided. For the years ended June 30, 2014 and 2013, the Health System recorded \$26,497 and \$25,337 of net physician revenue, respectively. At June 30, 2014 and 2013, approximately \$717 and \$1,199, respectively, of net physician accounts receivable are included in accounts receivable in the accompanying consolidated balance sheets.

Patient accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectability of accounts receivable, the Health System analyzes its past history and identifies trends for each of its major payer sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management regularly reviews data about these major payer sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. For receivables associated with services provided to patients who have third-party coverage, the Health System analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary. For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Health

Peninsula Regional Health System, Inc.

Notes to Consolidated Financial Statements (continued) (In Thousands)

2. Significant Accounting Policies (continued)

System records a provision for bad debts in the period of service on the basis of its past experience. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts. The Health System has not changed its charity care or uninsured discount policies during fiscal years 2014 or 2013.

Other Operating Revenue

The American Recovery and Reinvestment Act of 2009 provides for Medicare and Medicaid incentive payments for eligible hospitals and professionals that implement and achieve meaningful use of certified electronic health record (EHR) technology. For Medicare and Medicaid EHR incentive payments, the Hospital uses a gain contingency accounting method to recognize the revenues. Under this accounting policy, EHR incentive payments are recognized as revenue upon the completion of the meaningful use period and completion of the related 12-month cost report. Accordingly, the Hospital recognized approximately \$3,905 of EHR revenues for the year ended June 30, 2014 and \$4,066 for the year ended June 30, 2013. This is based on cost report data which is subject to audit by CMS or its intermediaries, and the amounts recognized are subject to change.

These amounts are included in other operating revenue in the statements of operations. The Hospital's attestation of compliance with the meaningful use criteria is subject to audit by the federal government or its designee. The recognition of revenues is based on management's best estimate. Any subsequent changes in the recognition of the revenue will impact the results of operations in the period in which they occur.

Charity Care

The Health System provided care to patients who met certain criteria under its charity care policy, without charge or at amounts less than its approved rates. Because the Health System did not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. The amounts written off as charity care for 2014 and 2013, were \$12,957 and \$17,833, respectively. These amounts represent direct and indirect charity care costs, which are calculated using the Health System's cost to charge ratio. The state of Maryland rate system includes components within the rates to partially compensate Health Systems for uncompensated care.

Peninsula Regional Health System, Inc.

Notes to Consolidated Financial Statements (continued) (In Thousands)

2. Significant Accounting Policies (continued)

Donor-Restricted Gifts

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

Investment Income

Investment income primarily includes income from short-term and long-term investments, board-designated investments and investments within assets limited as to use. In addition, investment income is also recorded for certain equity method investments that are included within other assets.

The components of investment income are as follows:

	Year Ended June 30	
	2014	2013
Interest and dividend income	\$ 3,697	\$ 3,657
Realized gains, net	15,343	8,084
Income earned on equity method investments	5,423	3,623
Other	247	344
Total	<u>\$ 24,710</u>	<u>\$ 15,708</u>

Peninsula Regional Health System, Inc.

Notes to Consolidated Financial Statements (continued) (In Thousands)

2. Significant Accounting Policies (continued)

Income Taxes

The Health System is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code.

Performance Indicator

The performance indicator for the Health System is excess of unrestricted revenue and other support over expenses, which includes all changes in unrestricted net assets except for changes in unrealized gains and losses on investments, pension adjustments in accordance with ASC No. 958-715 – *Not for Profit Entities – Compensation – Retirement Benefits* and net assets released from restrictions for property acquisitions.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2014-09 *Revenue from Contracts with Customers (Topic 606)*. This guidance is intended to improve and converge with international standards the financial reporting requirements for revenue from contracts with customers. It will be effective for fiscal year 2019 and early adoption is permitted beginning in fiscal year 2018. We have not yet determined the impact from adoption of this new accounting pronouncement on our financial statements.

Peninsula Regional Health System, Inc.

Notes to Consolidated Financial Statements (continued)
(In Thousands)

3. Property and Equipment

A summary of property and equipment follows:

	Estimated Useful Lives	June 30 2014	2013
Land	–	\$ 11,385	\$ 11,385
Land improvements	20	13,997	13,996
Buildings and improvements	15 – 40	208,614	207,096
Fixed equipment	20	34,115	34,115
Movable equipment	7 – 10	215,498	206,487
		<u>483,609</u>	<u>473,079</u>
Less accumulated depreciation		(292,497)	(270,004)
		<u>191,112</u>	<u>203,075</u>
Construction in progress		16,062	8,681
Property and equipment, net		<u>\$ 207,174</u>	<u>\$ 211,756</u>

As of June 30, 2014, the Hospital was committed to building and equipment purchases totaling approximately \$1,301.

4. Other Liabilities

The components of other liabilities are as follows:

	June 30 2014	2013
Long-term benefit obligation	\$ –	\$ 2,986
Self-insurance obligations	13,819	10,921
Other	829	437
Total	<u>\$ 14,648</u>	<u>\$ 14,344</u>

Peninsula Regional Health System, Inc.

Notes to Consolidated Financial Statements (continued)
(In Thousands)

5. Long-Term Debt

Long-term debt consists of the following:

	June 30	
	2014	2013
Maryland Health and Higher Educational Facilities Authority Revenue Bonds Series 2006:		
Serial bonds with interest rates ranging from 3.50% to 5.00% and effective rates ranging from 3.49% to 4.67% due in various annual amounts on July 1 of each year from 2007 through 2021 and 2027	\$ 27,810	\$ 30,850
5.00% term bonds with effective rate of 4.44% due July 1, 2026	24,635	24,635
5.00% term bonds with effective rate of 4.63% due July 1, 2036	69,505	69,505
Property acquisition note:		
5.50% due March 1 of each year from 2007 to 2015	15	30
Building and equipment collateral loans:		
7.68% fixed rate due monthly from 2007 to 2012 and 4.40% fixed rate due monthly from 2012 to 2022	1,919	1,987
	123,884	127,007
Less: Current portion of Maryland Health and Higher Educational Facilities Authority Series 2006 serial bonds	3,170	3,040
Less: Property acquisition note	15	15
Less: Current portion of building and equipment collateral loans	72	69
	120,627	123,883
Original issue premium	2,737	3,020
Long-term debt, less current portion	\$ 123,364	\$ 126,903

Peninsula Regional Health System, Inc.

Notes to Consolidated Financial Statements (continued) (In Thousands)

5. Long-Term Debt (continued)

On February 9, 2006, the Maryland Health and Higher Educational Facilities Authority (MHHEFA) authorized the issuance of \$142,910 aggregate principal amount of Revenue Bonds (Series 2006 Bonds) at a premium of \$5,333. The proceeds of the issue, after payment of financing costs, were used primarily: (i) to finance and refinance a portion of the costs of construction, renovation, acquisition and equipping of the 2006 Project; (ii) to refund outstanding 1993 bonds; (iii) to pay a portion of the interest accruing on the Series 2006 Bonds for a period to extend to January 1, 2009; and (iv) to pay the Counterparty a termination payment of \$1,575 in connection with a forward starting interest rate exchange agreement entered into on August 9, 2005, and unwound on January 24, 2006.

Under the terms of the 2006 project and refunding revenue bonds, the Hospital is required to maintain certain deposits with a trustee. Such deposits are included within assets limited as to use. The revenue note indenture also places limits on the incurrence of additional borrowings and requires that the Hospital satisfy certain measures of financial performance as long as the notes are outstanding.

The Hospital is required to make semiannual payments to the trustee sufficient to meet the annual debt service requirements of the refunding bond issue for the succeeding year. Annual sinking fund installments for the term bonds range from \$3,690 on July 1, 2027, to \$8,820 at maturity. The premium on the Series 2006 Bonds is being amortized over the life of the bonds using the effective interest method.

As security for the debt service requirements of the Series 2006 Bonds, the MHHEFA has a first lien and claim on all receipts of the Hospital. The terms of the indenture agreement restrict the Hospital's ability to create additional indebtedness and its use of the facilities, and require the Hospital to maintain stipulated insurance coverage and a rate structure in each year sufficient to meet certain rate covenant requirements.

On March 1, 2006, the Hospital entered into a promissory note for the acquisition of property in the amount of \$135 (\$15 outstanding at June 30, 2014). The interest rate is 5.50% with principal and interest due annually through 2015.

Peninsula Regional Health System, Inc.

Notes to Consolidated Financial Statements (continued) (In Thousands)

5. Long-Term Debt (continued)

On June 1, 2012, Delmarva Surgery Center, LLC (the Company), a 55% owned subsidiary of Health Ventures, entered into a fixed rate loan agreement with BB&T Bank in the amount of \$2,059 (\$1,919 outstanding at June 30, 2014), with fixed monthly payments through June 1, 2022.

Scheduled principal repayments on long-term debt for the years ending June 30 are as follows:

2015	\$ 3,257
2016	3,406
2017	3,574
2018	3,752
2019	3,941
2020 and thereafter	105,954
	<u>\$ 123,884</u>

Fair values of long-term debt are estimated using discounted cash flow analyses, based on current incremental borrowing rates for similar types of borrowing arrangements.

The fair value of the Health System's long-term debt outstanding as of June 30, 2014 and 2013, was \$127,675 and \$130,912, respectively.

Total interest paid for fiscal years 2014 and 2013, was \$6,081 and \$6,195, respectively.

6. Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

	June 30	
	2014	2013
Health care services:		
Capital purposes	\$ 15,044	\$ 12,988
Patient services	4,324	4,124
Educational purposes	993	887
	<u>\$ 20,361</u>	<u>\$ 17,999</u>

Peninsula Regional Health System, Inc.

Notes to Consolidated Financial Statements (continued)
(In Thousands)

6. Temporarily and Permanently Restricted Net Assets (continued)

Permanently restricted net assets are restricted to:

	June 30	
	2014	2013
Investments to be held in perpetuity, the income from which is expendable to support health care services	\$ 8,093	\$ 8,083

The Foundation initiated a major fundraising campaign for capital funds during fiscal year 2005 to support the Hospital's capital plans that include expansion and modernization of facilities. The Foundation has raised approximately \$14,629 as of June 30, 2014, which includes net pledges receivable present valued at approximately \$988. There were two large donations that represent approximately 67% and 19%, respectively, of the net pledges receivable at year-end. The Foundation expects to receive payment of all pledges by 2025. Additionally, during 2011, the Foundation launched a fundraising campaign to support the Operating Room expansion. This campaign has raised \$2,644 as of June 30, 2014 which includes net pledges receivable present valued at \$513. Pledges receivable are included in assets limited as to use in the accompanying balance sheets.

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

2015	\$ 627
2016 – 2019	741
2020 and thereafter	515
	<u>1,883</u>
Less:	
Impact of discounting of pledges receivable to net present value	158
Allowance for uncollectible pledges	224
Net pledges receivable, capital campaign	<u>1,501</u>
Other pledges receivable	2
Total pledges receivable	<u><u>\$ 1,503</u></u>

Peninsula Regional Health System, Inc.

Notes to Consolidated Financial Statements (continued) (In Thousands)

7. Functional Expenses

The Health System considers health care services and management and general to be its primary functional categories for purposes of expense classification. Depreciation and interest costs are included in health care services. The Health System's operating expenses by functional classification are as follows:

	Year Ended June 30	
	2014	2013
Health care services	\$ 336,855	\$ 339,353
Management and general	37,045	35,214
Total	<u>\$ 373,900</u>	<u>\$ 374,567</u>

8. Malpractice Insurance Costs, Self-Insured Professional Liability and Workers Compensation

Effective July 1, 2013, Delmarva Peninsula Insurance Captive (DPIC) was formed in the Cayman Islands as a captive insurer to provide general and professional liability insurance. DPIC is a wholly-owned subsidiary of Peninsula Regional Medical Center. Effective July 1, 2013, under a loss portfolio transfer agreement ("LPT"), DPIC assumed the Medical Professional Liability ("MPL") and General Liability ("GL") coverage previously included under PRMC's self-insurance plan for incidents occurring between March 1, 1986, and June 30, 2013, for MPL and for occurrences between March 1, 2004 and June 30, 2013 for GL, on a claims occurrence basis. The policy provides MPL coverage limits varying from \$1 million to \$2 million each and every medical incident, with policy aggregates varying from \$3 million to \$8 million. The policy provides GL coverage limits of \$1 million per occurrence and \$3 million policy aggregates. This policy is retrospectively rated. DPIC is fully insured by commercial carriers in excess of the coverage limits discussed above up to \$25 million per claim and in the aggregate. In the prior year the Hospital was self-insured, but it did not use a captive entity. As of June 30, 2014 and 2013, the accrued self-insured professional liability losses have been discounted at 0% for both years. As of June 30, 2014 and 2013, respectively, \$12,503 and \$10,170 have been reserved for professional liability loss contingencies, including excess coverage. A related reinsurance receivable of \$3,664 and \$0 has been recorded in Other Assets as of June 30, 2014 and June 30, 2013 respectively.

Peninsula Regional Health System, Inc.

Notes to Consolidated Financial Statements (continued) (In Thousands)

8. Malpractice Insurance Costs, Self-Insured Professional Liability and Workers Compensation (continued)

Effective July 1, 2013, DPIC provides excess umbrella liability coverage on a mature claims-made basis with a retroactive date of March 1, 2005. The excess medical professional liability tower follows form of the underlying primary MPL coverage providing a total of \$25 million limits of liability. The umbrella liability coverage provides \$25 million limits of liability excess of scheduled underlying coverages including the primary GL coverage. The excess umbrella liability coverage is 100% reinsured with Darwin for the first \$10 million limit and OneBeacon for the second \$15 million limit.

The Hospital is self-insured for workers' compensation up to an annual limit of \$500 per occurrence. The Hospital carries an excess liability insurance policy for workers' compensation claims above this limit. As of June 30, 2014 and 2013, respectively, \$3,600 and \$3,104 have been reserved for workers' compensation loss contingencies.

9. Investments

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

Fair values of all investments, including short-term investments, long-term investments, board-designated investments, and assets limited to use are based on quoted market prices and/or prices obtained from a third party using other market data for the same or comparable instruments and transactions in establishing the prices. Assets limited as to use also include the Foundation's temporarily restricted net assets which primarily consist of pledges receivable. Certain long-term pledges receivable have been discounted.

Peninsula Regional Health System, Inc.

Notes to Consolidated Financial Statements (continued) (In Thousands)

9. Investments (continued)

Fair value of investments and certain assets limited as to use held by the Health System is summarized as follows:

	June 30	
	2014	2013
Investments:		
Cash and cash equivalents	\$ 12,924	\$ 21,243
U.S. treasury securities	11,835	9,637
Corporate bonds	56,783	44,463
Mortgage-backed securities	23,914	31,849
Equity securities	176,759	142,649
Other (including pledges receivable held at the Foundation)	4,640	3,070
Total	<u>\$ 286,855</u>	<u>\$ 252,911</u>

ASC No. 320, *Investments – Debt and Equity Securities*, provides guidance on the recognition and presentation of other-than-temporary impairments. In addition, additional disclosures are required related to other-than-temporary impairments. Under this revised guidance, if a debt security is in an unrealized loss position and the Health System has the intent to sell the debt security, or it is more likely than not that the Health System will have to sell the debt security before recovery of its amortized cost basis, the decline in value is deemed to be other-than-temporary and is recorded to other-than-temporary impairment losses recognized in the performance indicator in the consolidated statements of operations. For impaired debt securities that the Health System does not intend to sell or it is more likely than not that the Health System will not have to sell such securities, but the Health System expects that it will not fully recover the amortized cost basis, the credit component of the other-than-temporary impairment is recognized in other-than-temporary impairment losses recognized in income in the consolidated statements of operations and the non-credit component of the other-than-temporary impairment is recognized as a change in unrestricted net assets.

Peninsula Regional Health System, Inc.

Notes to Consolidated Financial Statements (continued) (In Thousands)

9. Investments (continued)

The credit component of other-than-temporary impairment is determined by comparing the net present value of projected future cash flows with the amortized cost basis of the debt security. The net present value is calculated by discounting the best estimate of projected future cash flows at the effective interest rate implicit in the debt security at the date of acquisition. Cash flow estimates are driven by assumptions regarding probability of default, including changes in credit ratings, and estimates regarding timing and amount of recoveries associated with a default. Furthermore, unrealized losses entirely caused by non-credit-related factors related to debt securities for which the Health System expects to fully recover the amortized cost basis continue to be recognized as an unrealized loss on investments within the changes in unrestricted net assets.

The following table shows the gross unrealized losses and fair value of the Health System's investments with unrealized losses that are not deemed to be other than temporarily impaired, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at June 30, 2014 and 2013:

	Fair Value < 1 year	Unrealized Losses < 1 year	Fair Value > 1 year	Unrealized Losses > 1 year	Total Unrealized Losses
June 30, 2014					
U.S. Treasury	\$ 829	\$ 1	\$ 8,153	\$ 233	\$ 234
Mortgage-backed securities	3,953	58	8,838	372	430
Corporate bonds	4,878	47	6,219	215	262
Equity securities	14,670	894	749	52	946
Total investments	<u>\$ 24,330</u>	<u>\$ 1,000</u>	<u>\$ 23,959</u>	<u>\$ 872</u>	<u>\$ 1,872</u>
June 30, 2013					
U.S. Treasury	\$ 6,165	\$ 112	\$ 1,666	\$ 35	\$ 147
Mortgage-backed securities	12,405	303	3,788	161	464
Corporate bonds	21,863	679	1,675	91	770
Equity securities	15,176	1,047	1,680	112	1,159
Total investments	<u>\$ 55,609</u>	<u>\$ 2,141</u>	<u>\$ 8,809</u>	<u>\$ 399</u>	<u>\$ 2,540</u>

Peninsula Regional Health System, Inc.

Notes to Consolidated Financial Statements (continued) (In Thousands)

10. Group Purchasing Organization Initial Public Offering

The Hospital has participated and owned equity in the Premier Limited Partnership (Premier) which has served as a group purchasing organization for many years. This participation provides purchasing contract rates and rebates the System would not be able to obtain on its own. The Hospital accounts for its investment in Premier using the equity method of accounting.

During the year ended June 30, 2014, Premier restructured from a privately held company to a public company in an initial public offering (IPO) and several financial transactions have occurred with those holding equity in Premier before the IPO, including the System. As a result, the System received a cash payment of approximately \$1.6 million in exchange for 16% of its previous ownership in Premier. In addition, in exchange for the extension of the group purchasing contract, the System received partial ownership of the new public Company (the Class B units).

The Hospital recognized a gain of approximately \$1.5 million on the sale of its 16% interest and that is presented in investment income in the accompanying financial statements. The System received 337,447 Class B units that are earned in 7 separate tranches over an 85 month period ending October 31, 2020. The opportunity will exist in the future for these Class B units to be converted to the Premier public company stock. Prior to vesting, the Class B units may be transferred or sold with the approval of Premier. During the year ended June 30, 2014, the System recognized approximately \$1.0 million related to Tranche 1 of the Class B units. This amount is recorded as an investment on the accompanying balance sheet and was recognized as a reduction of supplies expense in the accompanying statement of operations as the value of the Class B shares is tied to the group purchasing contract and is considered a vendor incentive.

11. Fair Value Measurements

ASC No. 820, *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under ASC No. 820 are described below:

Peninsula Regional Health System, Inc.

Notes to Consolidated Financial Statements (continued) (In Thousands)

11. Fair Value Measurements (continued)

- Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Health System has the ability to access.
- Level 2 – Inputs to the valuation methodology include:
 - Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets or liabilities in inactive markets;
 - Inputs other than quoted prices that are observable for the asset or liability;
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

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

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

Peninsula Regional Health System, Inc.

Notes to Consolidated Financial Statements (continued)
(In Thousands)

11. Fair Value Measurements (continued)

The following table presents the Health System's assets and liabilities measured at fair value, aggregated by level in the fair value hierarchy within which those measurements fall:

Assets at Fair Value as of June 30, 2014				
	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents	\$ 12,924	\$ —	\$ —	\$ 12,924
U.S. government securities	11,835	—	—	11,835
Corporate bonds	—	56,783	—	56,783
Mortgage-backed securities	—	23,914	—	23,914
Equity securities	176,759	—	—	176,759
Other	3,137	—	1,503	4,640
Total assets	<u>\$ 204,655</u>	<u>\$ 80,697</u>	<u>\$ 1,503</u>	<u>\$ 286,855</u>

Assets at Fair Value as of June 30, 2013				
	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents	\$ 21,243	\$ —	\$ —	\$ 21,243
U.S. government securities	9,637	—	—	9,637
Corporate bonds	—	44,463	—	44,463
Mortgage-backed securities	—	31,849	—	31,849
Equity securities	142,649	—	—	142,649
Other	1,035	—	2,035	3,070
Total assets	<u>\$ 174,564</u>	<u>\$ 76,312</u>	<u>\$ 2,035</u>	<u>\$ 252,911</u>

The fair values of securities are determined by third-party service providers utilizing various methods dependent upon the specific type of investment. Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Where significant inputs, including benchmark yields, broker-dealer quotes, issuer spreads, bids, offers, the LIBOR curve and measures of volatility, are used by these third-party dealers or independent pricing services to determine fair values, the securities are classified within Level 2.

Peninsula Regional Health System, Inc.

Notes to Consolidated Financial Statements (continued) (In Thousands)

11. Fair Value Measurements (continued)

Long-term pledges receivable, which are measured at fair value on a non-recurring basis, are discounted to net present value upon receipt using an appropriate risk-free discount rate based on the term of the receivable. Pledges receivable are recorded net of an allowance for uncollectible pledges. The following table provides a reconciliation of the beginning and ending balances of pledges receivable at fair value that used significant unobservable inputs (Level 3):

	Year Ended June 30	
	2014	2013
Pledges receivable		
Balance at July 1	\$ 2,035	\$ 2,326
New pledges	—	337
Collections on pledges	(622)	(682)
Write-off of pledges	(4)	(16)
Changes in reserves	94	70
Balance at June 30	<u>\$ 1,503</u>	<u>\$ 2,035</u>

12. Pension Plan

The Health System has a cash balance-type defined benefit pension plan covering substantially all of its employees. The Plan benefits are based on years of service and the employees' compensation during the last five years of covered employment. The Health System's funding policy is to make sufficient contributions to the Plan to comply with the minimum funding provisions of the Employee Retirement Income Security Act. Contributions are intended to provide not only for benefits attributed to service to date but also for those expected to be earned in the future.

The Peninsula Regional Medical Center Pension Plus Plan (the Plan) provides annual allocations to a participant's hypothetical account. When a participant retires, the participant has the choice to receive a lump-sum distribution equal to the value of the hypothetical account or to receive an annuity based on the value of the hypothetical account.

Peninsula Regional Health System, Inc.

Notes to Consolidated Financial Statements (continued)
(In Thousands)

12. Pension Plan (continued)

Prior to January 1, 2009, the Plan provided three different allocations: (i) a service-related allocation, (ii) an age-related allocation, and (iii) a matching allocation. Both the service-related allocation and the age-related allocation were determined by multiplying a participant's annual compensation by a certain percentage. The matching allocation operated to provide an annual allocation in the Plan based on the participant's contribution to the Health System's 403(b) Plan.

The IRS issued new regulations that were effective as of January 1, 2009. The new regulations prohibited a pension plan from providing a matching allocation based on a participant's contributions to a different plan. The Plan provided a matching allocation based on a participant's contribution to a 403(b) Plan. In order to comply with the new tax law requirements, the Plan was amended effective as of December 31, 2008, to eliminate future matching allocations in the Plan. At the same time, the Health System adopted a 403(b) plan effective as of January 1, 2009, and provided a replacement matching contribution in the 403(b) plan.

Peninsula Regional Health System, Inc.

Notes to Consolidated Financial Statements (continued)
(In Thousands)

12. Pension Plan (continued)

The following provides a reconciliation of the changes in fair value of the Plans' assets and projected benefit obligations, and the Plans' funded status:

	2014	2013
Accumulated benefit obligation	\$ 99,255	\$ 97,810
Projected benefit obligation, beginning of year	\$ 107,740	\$ 101,641
Service cost	4,941	4,846
Interest cost	4,177	4,006
Actuarial loss	4,642	1,599
Settlements paid	(14,200)	(4,119)
Benefits paid	(324)	(233)
Projected benefit obligation, end of year	106,976	107,740
Fair value of plan assets, beginning of year	104,754	92,529
Actual gain on plan assets	16,772	10,577
Employer contributions	6,000	6,000
Settlements paid	(14,200)	(4,119)
Benefits paid	(324)	(233)
Fair value of plan assets, end of year	113,002	104,754
Fair value of plan assets greater than/(less than) projected benefit obligation	\$ 6,026	\$ (2,986)
Prepaid/(Accrued) pension cost recorded in the balance sheets	\$ 6,026	\$ (2,986)

Peninsula Regional Health System, Inc.

Notes to Consolidated Financial Statements (continued)
(In Thousands)

12. Pension Plan (continued)

Components of net periodic benefit cost are as follows:

	Year Ended June 30	
	2014	2013
Service cost	\$ 4,942	\$ 4,844
Interest cost	4,176	4,006
Expected return on plan assets	(6,998)	(7,051)
Amortization of prior service credit	(126)	(126)
Recognized net actuarial loss	3,225	3,343
Settlement loss	3,853	—
Net periodic benefit cost	<u>\$ 9,072</u>	<u>\$ 5,016</u>

During the year ended June 30, 2014, a partial settlement of the Plan's defined benefit obligation was recognized. Since the settlement was more than minor, ASC 715 requires that a pro rata amount of the net loss in accumulated unrestricted net assets is charged to excess of unrestricted revenues and other support over expenses based on the proportion of the projected benefit obligation settled to the total projected benefit obligation. The settlement has been recognized and measured as of both April 30, 2014 (settlement date) and June 30, 2014. As of June 30, 2014, the Group determined that a settlement had occurred and recognized a loss of \$3,853 that was recorded within Employee Benefits expense line item in the consolidated statements of operations and changes in net assets.

Net amount recognized in unrestricted net assets that have not been recognized in net periodic benefit cost are as follows:

	2014	2013
Net actuarial loss	\$ 26,828	\$ 39,038
Prior service credit	(315)	(441)
Total recognized in unrestricted net assets	<u>\$ 26,513</u>	<u>\$ 38,597</u>

Peninsula Regional Health System, Inc.

Notes to Consolidated Financial Statements (continued)
(In Thousands)

12. Pension Plan (continued)

The estimated net actuarial loss and prior service credit for the Plan that will be amortized from unrestricted net assets into net periodic benefit cost over the next fiscal year are \$2,729 and \$(126), respectively.

Weighted average assumptions used to determine projected benefit obligations and net periodic benefit costs at June 30 were as follows:

	2014	2013
Projected benefit obligation		
Discount rate	3.50%	4.15%
Rates of increase in compensation levels:		
Age:		
<30	5.00%	5.00%
30<44	4.00%	4.00%
45=<	3.00%	3.00%
 Net periodic benefit cost		
Discount rate	3.60%	4.00%
Expected long-term return on plan assets	7.00%	7.25%
Rate of increase in compensation levels:		
Age:		
<30	5.00%	5.00%
30<44	4.00%	4.00%
45=<	3.00%	3.00%

Peninsula Regional Health System, Inc.

Notes to Consolidated Financial Statements (continued) (In Thousands)

12. Pension Plan (continued)

The defined benefit pension plan asset allocation as of the measurement date and the target asset allocation, presented as a percentage of total plan assets, were as follows:

	2014	2013	Target Allocation
Debt securities	27%	29%	25%-40%
Equity securities	71	68	45%-75%
Cash and cash equivalents	2	3	1%-10%
Total	100%	100%	

The Health System's defined benefit plan invests in a diversified mix of traditional asset classes. Investments in U.S. equity securities and fixed income securities are made to maximize long-term results while recognizing the need for adequate liquidity to meet ongoing benefit and administrative obligations. Risk tolerance of unexpected investment and actuarial outcomes is continually evaluated by understanding the pension plan's liability characteristics. This is performed through forecasting and assessing ranges of investment outcomes over short-term and long-term horizons, and by assessing the Health System's financial condition and its future potential obligations from both the pension and general operational requirements. Complementary investment styles, such as growth and value equity investing techniques, are utilized by the Health System's investment advisors to further improve portfolio and operational risk characteristics. Equity investments, both active and passively managed, are used primarily to increase overall plan returns. Fixed income investments provide diversification benefits and liability hedging attributes that are desirable, especially in falling interest rate environments.

Asset allocations and investment performance are formally reviewed at regularly scheduled meetings of the Health System's Financial Resources Committee.

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

Peninsula Regional Health System, Inc.

Notes to Consolidated Financial Statements (continued)
(In Thousands)

12. Pension Plan (continued)

The fair value of the Health System's pension plan assets as of June 30, 2014 and 2013, by asset category (see Note 10, *Fair Value Measurements* for a description of the asset categories) are as follows:

June 30, 2014				
	Level 1	Level 2	Level 3	Total
Assets				
Investments at fair value:				
Cash and cash equivalents	\$ 2,771	\$ —	\$ —	\$ 2,771
U.S. Treasuries	6,281	—	—	6,281
Government sponsored mortgage-backed securities	—	7,887	—	7,887
Corporate debt securities	—	15,865	—	15,865
Publically traded equity securities	79,848	—	—	79,848
Other	305	—	—	350
Total investments	\$ 89,250	\$ 23,752	\$ —	\$ 113,002

June 30, 2013				
	Level 1	Level 2	Level 3	Total
Assets				
Investments at fair value:				
Cash and cash equivalents	\$ 3,318	\$ —	\$ —	\$ 3,318
U.S. Treasuries	5,069	—	—	5,069
Government sponsored mortgage-backed securities	—	7,161	—	7,161
Corporate debt securities	—	17,829	—	17,829
Publically traded equity securities	70,591	417	—	71,008
Other	369	—	—	369
Total investments	\$ 79,347	\$ 25,407	\$ —	\$ 104,754

Peninsula Regional Health System, Inc.

Notes to Consolidated Financial Statements (continued) (In Thousands)

12. Pension Plan (continued)

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

U S Treasuries: the fair value is determined by an active price for an identical security in an observable market.

Corporate debt securities and government sponsored mortgage-backed securities: the fair value is estimated using quoted prices for similar assets in active markets or quoted prices for identical or similar assets in non-active markets (few transactions, limited information, non-current prices, and high variability over time).

Money market funds: the carrying value of these money market funds approximates fair value as the maturities are less than three months.

Publically traded equity securities: the fair value is determined by market quotes for an identical security in an observable market.

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

Cash Flows

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows for the years ending June 30:

2015	\$	9,082
2016		8,801
2017		8,669
2018		8,798
2019		8,998
2020 – 2024		42,278

Peninsula Regional Health System, Inc.

Notes to Consolidated Financial Statements (continued) (In Thousands)

12. Pension Plan (continued)

The Hospital intends to make voluntary contributions to the defined benefit pension plan for the year ending June 30, 2015. Since the plan is 106% funded as of June 30, 2014, there are no regulatory funding requirements for fiscal year 2015. Accordingly, the amount to be funded has not yet been determined.

13. Commitments and Contingencies

Agreement with the Office of Inspector General

The Health System received several subpoenas from the Office of Inspector General of the U.S. Department of Health and Human Services (OIG), requiring the production of certain documents related to claims for physician health care services provided by a former Medical Staff Member. These subpoenas were issued in connection with a civil investigation being conducted by the U.S. Attorney's Office for the District of Maryland. In January 2011, the Health System reached a tentative "Agreement in Principle", which was ultimately approved by the U.S. Department of Justice, the OIG, the Office of Personnel Management (OPM), and the state of Maryland in August 2011, to resolve all remaining potential civil claims arising out of the Health System's medical services to patients of the physician. The Health System reached this agreement without admitting liability in order to avoid the expense and uncertainty of litigation and to allow the Health System to move forward. In this regard and consistent with the settlement, an amount of \$1.8 million was paid in June 2011. The settlement also includes a five year Corporate Integrity Agreement that will require the Health System to establish and/or enhance various compliance processes and also have several independent peer review reports completed on an annual basis.

Operating Leases

The Company leases certain of its operating facilities and equipment. These leases, which expire through 2028, generally require the Company to pay all maintenance, property tax and insurance costs.

Peninsula Regional Health System, Inc.

Notes to Consolidated Financial Statements (continued) (In Thousands)

13. Commitments and Contingencies (continued)

At June 30, 2014, aggregate amounts of future minimum payments under operating leases were as follows:

2015	\$	2,029
2016		1,688
2017		1,484
2018		1,351
2019		1,222
2020 – Beyond		7,113

Rent expense is recognized on a straight-line basis over the terms of the leases. Rent expense was \$1,915 and \$2,161 for the years ended June 30, 2013 and 2014, respectively.

Other

The Health System has been named as a defendant in various lawsuits arising from the performance of its normal activities. In the opinion of the Health System's management, after discussion with legal counsel, the amount, if any, of the Health System's ultimate liability under these lawsuits will not have a material adverse effect on the financial position of the Health System.

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

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

Peninsula Regional Health System, Inc.

Notes to Consolidated Financial Statements (continued) (In Thousands)

13. Commitments and Contingencies (continued)

established protocols to respond to RAC requests and payment denials. Payment recoveries resulting from RAC reviews are appealable through administrative and judicial processes, and we intend to pursue the reversal of adverse determinations where appropriate. In addition to overpayments that are not reversed on appeal, we will incur additional costs to respond to requests for records and pursue the reversal of payment denials. As of June 30, 2014 and 2013, the Health System has recorded an estimated reserve regarding the Medicare overpayments. In the opinion of the Health System's management, the ultimate settlement of this matter will not have a material adverse effect on the financial position of the Health System.

As part of a national investigation, the Health System is working on a data request by the Department of Justice (DOJ) regarding the Medicare programs coverage guidelines for the implantation of implantable cardioverter defibrillators (ICD's). As of June 30, 2014, no case or demand for payment has been initiated by DOJ or Centers for Medicare and Medicaid Services (CMS). The Health System is currently in the process of preparing a response to the DOJ data request. The Health System does not believe the settlement of this matter will have a material adverse effect on the entity's financial statements.

The Health System filed self-disclosures to CMS, reporting technical violations of the self-referral regulations (referred to as Stark). As of June 30, 2014, the Health System does not believe the settlements of these issues will have a material adverse effect on the entity's financial statements.

14. Maryland Health Services Cost Review Commission

Certain Hospital charges are subject to review and approval by the Maryland Health Services Cost Review Commission (HSCRC). Hospital management has filed the required forms with the Commission and believes the Hospital to be in compliance with Commission requirements.

Through June 2014, the current rate of reimbursement for principally all inpatient services and certain other services to patients under the Medicare and Medicaid programs is based on an agreement between the Centers for Medicare and Medicaid Services and the Commission. This agreement is based upon a waiver from Medicare prospective payment system reimbursement principles granted to the State of Maryland under Section 1814(b) of the Social Security Act and will continue as long as the rate of increase for costs per hospital inpatient admission in Maryland is below the national average.

Peninsula Regional Health System, Inc.

Notes to Consolidated Financial Statements (continued) (In Thousands)

14. Maryland Health Services Cost Review Commission (continued)

Beginning fiscal year 2014, the Hospital entered into an agreement with the HSCRC to participate in the Global Budgeted Revenue (GBR) program. GBR methodology encourages hospitals to focus on population health strategies by establishing a fixed annual revenue cap for each GBR hospital. The agreement is evergreen in nature and covers both regulated inpatient and outpatient revenues.

Under GBR, hospital revenue is known at the beginning of each fiscal year. Annual Revenue is calculated from a base year and is adjusted annually for inflation, infrastructure requirements, population changes, performance in quality-based programs and changes in levels of uncompensated care. Revenue may also be adjusted annually for market levels and shifts of services to unregulated services.

As of January 2014, the Centers for Medicare and Medicaid Services approved a modernized waiver that will be in place as long as Maryland hospitals commit to achieving significant quality improvements, limits on all-payer per capita hospital growth and limits on annual Medicare per capita hospital cost growth to a rate lower than the national annual per capita growth rate.

The Commission's rate-setting methodology for hospital service centers consists of establishing an acceptable unit rate for defined inpatient and outpatient service centers within the hospital. The actual average unit charge for each service center is compared to the approved rate month and annually. Overcharges and undercharges due to either patient volume or price variances, adjusted for penalties where applicable, are applied to decrease (in the case of overcharges) or increase (in the case of undercharges) future approved rates on an annual basis. The Hospital overcharged by \$336, as of June 30, 2014, which is within the allowable corridor as specified in the GBR Agreement.

The timing of the HSCRC's rate adjustments for the Hospital could result in an increase or reduction in rates due to the variances and penalties described above in a year subsequent to the year in which such items occur, and there is at least a possibility that the amounts may be material. The Hospital's policy is to record revenue based on actual charges for services to patients in the year in which the services are performed. The Hospital recognizes unbilled revenue for in-house patients.

Peninsula Regional Health System, Inc.

Notes to Consolidated Financial Statements (continued)

(In Thousands)

14. Maryland Health Services Cost Review Commission (continued)

Previously, under the HSCRC rate-setting system, the Hospital's inpatient charges were subject to an inpatient charge per case target (the Charge Per Case Target). Under the charge per case target methodology, the Hospital monitored its average charge per case compared to HSCRC case mix adjusted targets on a monthly basis. The Charge Per Case (CPC) Target was adjusted annually for inflation, case mix changes, and other factors.

15. Subsequent Events

The Health System has evaluated subsequent events through September 19, 2014, the date the financial statements were issued.

Supplementary Information

Peninsula Regional Health System, Inc.

Consolidating Balance Sheet
(In Thousands)

June 30, 2014

	Peninsula Regional Medical Center	Peninsula Regional Medical Center Foundation, Inc.	Peninsula Health Ventures, Inc.	Peninsula Regional Health System, Inc.	Eliminations	Consolidated
Assets						
Current assets						
Cash and cash equivalents	\$ 27,265	\$ 1,169	\$ 4,144	\$ 15	\$ –	\$ 32,593
Short-term investments	4,899	–	–	–	–	4,899
Accounts receivable, less allowance for uncollectible accounts	38,408	–	611	–	–	39,019
Inventories	9,208	–	294	–	–	9,502
Prepays and other	5,235	–	49	–	–	5,284
Total current assets	85,015	1,169	5,098	15	–	91,297
Long-term investments	204,703	–	–	422,671	(422,671)	204,703
Board-designated investments	22,224	–	–	–	–	22,224
Assets limited as to use						
Debt service reserve fund	9,267	–	–	–	–	9,267
Donor-restricted fund	28,610	4,862	–	–	(4,862)	28,610
Self-insurance fund	17,152	–	–	–	–	17,152
Total assets limited as to use	55,029	4,862	–	–	(4,862)	55,029
Property and equipment, net	203,336	–	3,838	–	–	207,174
Unamortized financing costs, net of accumulated amortization	2,156	–	52	–	–	2,208
Other assets	13,413	–	8,275	–	–	21,688
Total assets	\$ 585,876	\$ 6,031	\$ 17,263	\$ 422,686	\$ (427,533)	\$ 604,323

Peninsula Regional Health System, Inc.

Consolidating Balance Sheet (continued)
(In Thousands)

June 30, 2014

	Peninsula Regional Medical Center	Peninsula Regional Medical Center Foundation, Inc.	Peninsula Health Ventures, Inc.	Peninsula Regional Health System, Inc.	Eliminations	Consolidated
Liabilities and net assets						
Current liabilities						
Current portion of long-term debt	\$ 3,185	\$ —	\$ 72	\$ —	\$ —	\$ 3,257
Current portion of accrued self-insured liabilities	2,495	—	—	—	—	2,495
Accounts payable	16,262	—	244	—	—	16,506
Accrued liabilities	14,942	—	—	—	—	14,942
Advances from third-party payors	9,221	—	—	—	—	9,221
Total current liabilities	46,105	—	316	—	—	46,421
Long-term debt, net	121,517	—	1,847	—	—	123,364
Other liabilities	14,648	—	—	—	—	14,648
Total liabilities	182,270	—	2,163	—	—	184,433
Net assets						
Unrestricted	375,152	1,169	13,034	389,371	(389,357)	389,369
Temporarily restricted	20,361	4,862	—	25,222	(30,083)	20,362
Permanently restricted	8,093	—	—	8,093	(8,093)	8,093
Peninsula Regional Health System, Inc net assets	403,606	6,031	13,034	422,686	(427,533)	417,824
Minority interest	—	—	2,066	—	—	2,066
Total net assets	403,606	6,031	15,100	422,686	(427,533)	419,890
Total liabilities and net assets	\$ 585,876	\$ 6,031	\$ 17,263	\$ 422,686	\$ (427,533)	\$ 604,323

Peninsula Regional Health System, Inc.

Consolidating Statement of Operations

(In Thousands)

Year Ended June 30, 2014

	Peninsula Regional Medical Center	Peninsula Regional Medical Center Foundation, Inc.	Peninsula Health Ventures, Inc.	Peninsula Regional Health System, Inc.	Eliminations	Consolidated
Unrestricted revenue and other support						
Net patient service revenue	\$ 384.385	\$ –	\$ 4.417	\$ –	\$ –	\$ 388.802
Provision for bad debts	(14.313)	–	(55)	–	–	(14.368)
Net patient service revenue less provision for bad debts	370.072	–	4.362	–	–	374.434
Other operating revenue	5.789	–	13	–	–	5.802
Net assets released from restrictions	–	2.049	–	–	(2.049)	–
Total unrestricted revenue and other support	375.861	2.049	4.375	–	(2.049)	380.236
Operating expenses						
Salaries and wages	150.202	–	–	–	–	150.202
Supplies and other expenses	148.819	2	5.398	–	–	154.219
Employee benefits	40.428	–	–	–	–	40.428
Depreciation	22.685	–	236	–	–	22.921
Interest	6.036	–	94	–	–	6.130
Contributions to Hospital	–	2.049	–	–	(2.049)	–
Total operating expenses	368.170	2.051	5.728	–	(2.049)	373.900
Income (loss) from operations	7.691	(2)	(1.353)	–	–	6.336
Nonoperating income						
Investment income	21.729	151	2.830	–	–	24.710
	21.729	151	2.830	–	–	24.710
Excess of unrestricted revenue and other support over expenses	29.420	149	1.477	–	–	31.046
Minority interest in loss (earnings) of controlled subsidiaries	–	–	34	–	–	34
Excess of unrestricted revenue and other support over expenses attributable to PRHS, Inc	\$ 29.420	\$ 149	\$ 1.511	\$ –	\$ –	\$ 31.080

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