

Return of Organization Exempt From Income Tax

OMB No. 1545-0047

Form **990**

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except private foundations)

2013

Department of the Treasury
Internal Revenue Service

▶ Do not enter Social Security numbers on this form as it may be made public.
▶ Information about Form 990 and its instructions is at www.irs.gov/form990.

Open to Public Inspection

A For the 2013 calendar year, or tax year beginning 07/01, 2013, and ending 06/30, 2014

B Check if applicable: <input type="checkbox"/> Address change <input type="checkbox"/> Name change <input type="checkbox"/> Initial return <input type="checkbox"/> Terminated <input type="checkbox"/> Amended return <input type="checkbox"/> Application pending	C Name of organization FREDERICK MEMORIAL HOSPITAL, INC. Doing Business As			D Employer identification number 52-0591612
	Number and street (or P.O. box if mail is not delivered to street address) Room/suite 400 WEST SEVENTH STREET		E Telephone number (240) 566-3300	
	City or town, state or province, country, and ZIP or foreign postal code FREDERICK, MD 21701			G Gross receipts \$ <u>355,127,718.</u>
	F Name and address of principal officer: THOMAS A. KLEINHANZL 400 WEST SEVENTH STREET FREDERICK, MD 21701			H(a) Is this a group return for subordinates? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No H(b) Are all subordinates included? <input type="checkbox"/> Yes <input type="checkbox"/> No If "No," attach a list. (see instructions)
I Tax-exempt status: <input checked="" type="checkbox"/> 501(c)(3) <input type="checkbox"/> 501(c) () ◀ (insert no.) <input type="checkbox"/> 4947(a)(1) or <input type="checkbox"/> 527				
J Website: ▶ WWW.FMH.ORG				
K Form of organization: <input type="checkbox"/> Corporation <input type="checkbox"/> Trust <input type="checkbox"/> Association <input type="checkbox"/> Other ▶				
L Year of formation: 1897			M State of legal domicile: MD	

Part I Summary

Activities & Governance	1	Briefly describe the organization's mission or most significant activities: <u>TO CONTRIBUTE TO THE HEALTH AND WELL-BEING OF AREA RESIDENTS BY PROVIDING QUALITY HEALTHCARE IN A CARING, COST EFFICIENT, SAFE AND CONVENIENT MANNER.</u>		
	2	Check this box <input type="checkbox"/> if the organization discontinued its operations or disposed of more than 25% of its net assets.		
	3	Number of voting members of the governing body (Part VI, line 1a)	3	18.
	4	Number of independent voting members of the governing body (Part VI, line 1b)	4	13.
	5	Total number of individuals employed in calendar year 2013 (Part V, line 2a)	5	2,795.
	6	Total number of volunteers (estimate if necessary)	6	716.
	7a	Total unrelated business revenue from Part VIII, column (C), line 12	7a	-12,372.
7b	Net unrelated business taxable income from Form 990-T, line 34	7b	-12,372.	
Revenue			Prior Year	Current Year
	8	Contributions and grants (Part VIII, line 1h)	1,286,310.	3,113,985.
	9	Program service revenue (Part VIII, line 2g)	339,333,256.	319,339,606.
	10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	4,654,109.	5,486,185.
	11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	-463,760.	-705,559.
	12	Total revenue - add lines 8 through 11 (must equal Part VIII, column (A), line 12)	344,809,915.	327,234,217.
Expenses	13	Grants and similar amounts paid (Part IX, column (A), lines 1-3)	100,000.	100,000.
	14	Benefits paid to or for members (Part IX, column (A), line 4)	0	0
	15	Salaries, other compensation, employee benefits (Part IX, column (A), lines 5-10)	180,677,969.	160,554,877.
	16a	Professional fundraising fees (Part IX, column (A), line 11e)	48,000.	48,000.
	16b	Total fundraising expenses (Part IX, column (D), line 25) ▶ 795,247.		
	17	Other expenses (Part IX, column (A), lines 11a-11d, 11f-24e)	159,527,803.	158,991,207.
	18	Total expenses. Add lines 13-17 (must equal Part IX, column (A), line 25)	340,353,772.	319,694,084.
19	Revenue less expenses. Subtract line 18 from line 12	4,456,143.	7,540,133.	
Net Assets or Fund Balances			Beginning of Current Year	End of Year
	20	Total assets (Part X, line 16)	443,861,280.	459,957,008.
	21	Total liabilities (Part X, line 26)	256,998,009.	258,708,711.
22	Net assets or fund balances. Subtract line 21 from line 20	186,863,271.	201,248,297.	

Part II Signature Block

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here	Signature of officer MICHELLE K MAHAN	Date SR VP AND CFO		
	Type or print name and title			
Paid Preparer Use Only	Print/Type preparer's name JENNIFER L LYNCH	Preparer's signature 	Date 05/12/15	Check <input type="checkbox"/> if self-employed PTIN P01255855
	Firm's name ▶ ERNST & YOUNG U.S. LLP		Firm's EIN ▶ 34-656596	
	Firm's address ▶ 111 MONUMENT CIRCLE, SUITE 4000 INDIANAPOLIS, IN 46204		Phone no. 317-681-7000	

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

For Paperwork Reduction Act Notice, see the separate instructions. Form **990** (2013)

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:

ATTACHMENT 1

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 \$ 34,290,312. including grants of \$ 100,000.) (Revenue \$ 51,740,058.)

ATTACHMENT 2

4b (Code:) (Expenses \$ 36,381,570. including grants of \$ 0) (Revenue \$ 55,912,366.)

ATTACHMENT 3

4c (Code:) (Expenses \$ 23,543,606. including grants of \$ 0) (Revenue \$ 34,593,501.)

ATTACHMENT 4

4d Other program services (Describe in Schedule O.)

(Expenses \$ 182,611,137. including grants of \$ 0) (Revenue \$ 178,571,996.)

4e Total program service expenses 276,826,625.

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)? <i>If "Yes," complete Schedule A</i>	X	
2 Is the organization required to complete <i>Schedule B, Schedule of Contributors</i> (see instructions)?	X	
3 Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? <i>If "Yes," complete Schedule C, Part I</i>		X
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? <i>If "Yes," complete Schedule C, Part II</i>	X	
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? <i>If "Yes," complete Schedule C, Part III</i>		X
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? <i>If "Yes," complete Schedule D, Part I</i>		X
7 Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas, or historic structures? <i>If "Yes," complete Schedule D, Part II</i>		X
8 Did the organization maintain collections of works of art, historical treasures, or other similar assets? <i>If "Yes," complete Schedule D, Part III</i>		X
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? <i>If "Yes," complete Schedule D, Part IV</i>		X
10 Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? <i>If "Yes," complete Schedule D, Part V</i>	X	
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? <i>If "Yes," complete Schedule D, Part VI</i>	X	
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? <i>If "Yes," complete Schedule D, Part VII</i>		X
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? <i>If "Yes," complete Schedule D, Part VIII</i>	X	
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? <i>If "Yes," complete Schedule D, Part IX</i>		X
e Did the organization report an amount for other liabilities in Part X, line 25? <i>If "Yes," complete Schedule D, Part X</i>	X	
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)? <i>If "Yes," complete Schedule D, Part X</i>		X
12a Did the organization obtain separate, independent audited financial statements for the tax year? <i>If "Yes," complete Schedule D, Parts XI and XII</i>		X
b Was the organization included in consolidated, independent audited financial statements for the tax year? <i>If "Yes," and if the organization answered "No" to line 12a, then completing Schedule D, Parts XI and XII is optional</i>	X	
13 Is the organization a school described in section 170(b)(1)(A)(ii)? <i>If "Yes," complete Schedule E</i>		X
14a Did the organization maintain an office, employees, or agents outside of the United States?		X
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? <i>If "Yes," complete Schedule F, Parts I and IV</i>	X	
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? <i>If "Yes," complete Schedule F, Parts II and IV</i>		X
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? <i>If "Yes," complete Schedule F, Parts III and IV</i>		X
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? <i>If "Yes," complete Schedule G, Part I (see instructions)</i>	X	
18 Did the organization report more than \$15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? <i>If "Yes," complete Schedule G, Part II</i>		X
19 Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? <i>If "Yes," complete Schedule G, Part III</i>		X
20a Did the organization operate one or more hospital facilities? <i>If "Yes," complete Schedule H</i>	X	
b If "Yes" to line 20a, did the organization attach a copy of its audited financial statements to this return?	X	

Part IV Checklist of Required Schedules (continued)

		Yes	No
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>	X	
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>		X
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>	X	
24 a	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>	X	
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?		X
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?		X
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?		X
25 a	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>		X
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>		X
26	Did the organization report any amount on Part X, line 5, 6, or 22 for receivables from or payable to any current or former officers, directors, trustees, key employees, highest compensated employees, or disqualified persons? If so, complete Schedule L, Part II.		X
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>		X
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>		X
b	A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV.</i>		X
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>		X
29	Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i>	X	
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>		X
31	Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I.</i>		X
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>		X
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>	X	
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>	X	
35 a	Did the organization have a controlled entity within the meaning of section 512(b)(13)?	X	
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>	X	
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>		X
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>		X
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	X	

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

Table with columns for line number, description, and Yes/No boxes. Includes sections for backup withholding, employee reporting, foreign accounts, prohibited transactions, and charitable contributions.

Part VI Governance, Management, and Disclosure For each "Yes" response to lines 2 through 7b below, and for a "No" response to line 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 [X]

Section A. Governing Body and Management

Table with 3 columns: Question, Yes, No. Rows include: 1a (18), 1b (13), 2 (X), 3 (X), 4 (X), 5 (X), 6 (X), 7a (X), 7b (X), 8a (X), 8b (X), 9 (X).

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

Table with 3 columns: Question, Yes, No. Rows include: 10a (X), 10b (X), 11a (X), 12a (X), 12b (X), 12c (X), 13 (X), 14 (X), 15a (X), 15b (X), 16a (X), 16b (X).

Section C. Disclosure

- 17 List the states with which a copy of this Form 990 is required to be filed MD,
18 Section 6104 requires an organization to make its Forms 1023 (or 1024 if applicable), 990, and 990-T (Section 501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply.
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: MICHELLE K. MAHAN 400 WEST SEVENTH STREET FREDERICK, MD 21701 240-566-3350

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

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

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

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

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

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

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

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional trustee	Officer	Key employee	Highest compensated employee	Former			
(1) GREGORY P. DORMITZER DIRECTOR	2.00 0	X						0	0	0
(2) BERNARD GOUIN DIRECTOR	2.00 5.00	X						0	0	0
(3) THEODORE LUCK DIRECTOR	2.00 0	X						0	0	0
(4) J. FREDERICK, MANNING DIRECTOR	2.00 5.00	X						0	0	0
(5) P. GREGORY RAUSCH, MD CHAIR, FMH DEVELOPMENT COUNCIL	6.00 0	X						0	0	0
(6) E. JAMES REINSCH VICE CHAIRMAN	2.00 5.00	X		X				0	0	0
(7) ANNE HERBERT ROLLINS CHAIRMAN OF THE BOARD	6.00 5.00	X		X				0	0	0
(8) NEIL WARAVDEKAR, MD CHIEF OF STAFF	10.00 0	X		X			64,044.	0	0	0
(9) REV. ROGER W. WILMER, JR. DIRECTOR	2.00 0	X					1,200.	0	0	0
(10) ADRIANE WODEY DIRECTOR	2.00 5.00	X		X			0	0	0	0
(11) SHAWN WOLF DIRECTOR	2.00 0	X					0	0	0	0
(12) RAVI YALAMANCHILI VICE CHIEF OF STAFF	6.00 0	X					74,919.	0	0	0
(13) CORNELIUS FAY DIRECTOR	2.00 0	X					0	0	0	0
(14) TERRENCE MCPHERSON DIRECTOR	2.00 0	X					0	0	0	0

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

(A) Name and title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional trustee	Officer	Key employee	Highest compensated employee	Former			
15) LAURA MELIA DIRECTOR	2.00 0	X					0	0	0	
16) DONNA TISDALE DIRECTOR	2.00 0	X					0	0	0	
17) THOMAS A. KLEINHANZL PRESIDENT AND CEO	40.00 5.00	X		X			792,072.	0	184,505.	
18) GERRIT SCHIPPER, MD (BEG10/1/13) DIRECTOR	2.00 0	X					4,666.	0	0	
19) JOHN MOLESWORTH, DO (END9/30/13) PAST CHIEF OF STAFF	2.00 5.00	X					2,000.	0	0	
20) JOHN R. VERBUS SR VP AND COO	40.00 4.00			X			424,866.	0	56,369.	
21) GERALD WINNAN, MD SECRETARY AND TREASURER	4.00 5.00			X			0	0	0	
22) MICHELLE K. MAHAN SR VP AND CFO	40.00 1.00			X			428,706.	0	61,785.	
23) JENNIFER G. TEETER AVP PAYOR CONTRACTING	40.00 0				X		182,680.	0	23,727.	
24) SHIRLEY B. THOMPSON (END12/31/1) INTERIM SR VP PATIENT CARE	20.00 0				X		212,548.	0	8,065.	
25) JIM R. WILLIAMS VP BUSINESS DEVELOPMENT AND PR	40.00 0				X		219,680.	0	26,003.	
1b Sub-total							140,163.	0	0	
c Total from continuation sheets to Part VII, Section A							7,198,759.	0	760,326.	
d Total (add lines 1b and 1c)							7,338,922.	0	760,326.	

2 Total number of individuals (including but not limited to those listed above) who received more than \$100,000 of reportable compensation from the organization **▶ 149**

	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>		X
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>	X	
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>		X

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
ATTACHMENT 5		

2 Total number of independent contractors (including but not limited to those listed above) who received more than \$100,000 in compensation from the organization **▶ 53**

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

(A) Name and title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional trustee	Officer	Key employee	Highest compensated employee	Former			
26) MANUAL A. CASIANO VP MEDICAL STAFF	40.00 0				X		392,311.	0	62,557.	
27) CHERYL L. CIOFFI VP CHIEF NURSING OFFICER	40.00 0				X		168,809.	0	23,810.	
28) KENNETH R. COFFEY II VP CHIEF DEVELOPMENT OFFICER	40.00 0				X		202,430.	0	27,802.	
29) JAMES S. GRISSOM AVP OF MEDICAL AFFAIRS	20.00 0				X		149,792.	0	14,040.	
30) HANNAH R. JACOBS VP-FINANCE	40.00 0				X		184,661.	0	11,421.	
31) ROSE A. LABRIOLA(END 6/30/13) FORMER SR VP PATIENT CARE	20.00 0				X		113,068.	0	9,724.	
32) RACHEL I. MANDEL AVP MEDICAL AFFAIRS	20.00 0				X		140,572.	0	4,799.	
33) MARY B. MANN AVP PATIENT CARE SERVICES	40.00 0				X		164,401.	0	15,125.	
34) TERRY P. O'MALLEY VP HUMAN RESOURCES	40.00 0				X		220,257.	0	44,948.	
35) DAVID J. QUIRKE VP CHIEF INFORMATION OFFICER	40.00 0				X		302,300.	0	45,969.	
36) CRAIG F. ROSENDALE VP ANCILLARY SERVICES	40.00 0				X		196,155.	0	23,806.	
1b Sub-total										
c Total from continuation sheets to Part VII, Section A										
d Total (add lines 1b and 1c)										

2 Total number of individuals (including but not limited to those listed above) who received more than \$100,000 of reportable compensation from the organization ► 149

	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>		X
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>	X	
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>		X

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

2 Total number of independent contractors (including but not limited to those listed above) who received more than \$100,000 in compensation from the organization ►

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

(A) Name and title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional trustee	Officer	Key employee	Highest compensated employee	Former			
(37) DONALD R. SCHILLING VP AMBULATORY SERVICES	40.00 0				X			204,712.	0	18,493.
(38) LUCY A. SHAMASH(END5/6/13) VP SERVICE LINE DEVELOPMENT &	40.00 0				X			91,498.	0	13,023.
(39) MARK S. SOBERMAN PHYSICIAN	40.00 5.00					X		528,944.	0	20,634.
(40) PAUL N CHOMIAK PHYSICIAN	40.00 5.00					X		445,144.	0	17,356.
(41) MARK G. GOLDSTEIN PHYSICIAN	40.00 2.00					X		448,233.	0	25,532.
(42) SUSAN BAHL PHYSICIAN	40.00 0					X		458,371.	0	8,601.
(43) KIMBIZ TAJKARIMI PHYSICIAN	40.00 0					X		519,883.	0	12,232.
1b Sub-total										
c Total from continuation sheets to Part VII, Section A										
d Total (add lines 1b and 1c)										

2 Total number of individuals (including but not limited to those listed above) who received more than \$100,000 of reportable compensation from the organization **▶** 149

	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>		X
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>	X	
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>		X

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

2 Total number of independent contractors (including but not limited to those listed above) who received more than \$100,000 in compensation from the organization **▶**

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						
	e Government grants (contributions) . .	1e						
	f All other contributions, gifts, grants, and similar amounts not included above . .	1f	3,113,985.					
	g Noncash contributions included in lines 1a-1f: \$		395,261.					
	h Total. Add lines 1a-1f			3,113,985.				
Program Service Revenue	Business Code							
	2a <u>INPATIENT REVENUE</u>		624110	148,407,184.	148,407,184.			
	b <u>OUTPATIENT REVENUE</u>		621410	164,823,605.	164,823,605.			
	c <u>TRANSCRIPTION SERVICES</u>		561110	5,333.	5,333.			
	d <u>GROUP PURCHASING -PREMIER</u>		525990	1,331,739.	1,344,111.	-12,372.		
	e <u>HITECH AND MEDICAL HOME</u>		621610	1,746,830.	1,746,830.			
	f All other program service revenue			3,024,915.	3,024,915.			
	g Total. Add lines 2a-2f			319,339,606.				
Other Revenue	3 Investment income (including dividends, interest, and other similar amounts)			2,451,910.			2,451,910.	
	4 Income from investment of tax-exempt bond proceeds . . .			0				
	5 Royalties			0				
	6a Gross rents	(i) Real	505,808.					
		(ii) Personal						
		b Less: rental expenses						
		c Rental income or (loss)		505,808.				
	d Net rental income or (loss)			505,808.			505,808.	
	7a Gross amount from sales of assets other than inventory	(i) Securities	30,927,776.					
		(ii) Other						
		b Less: cost or other basis and sales expenses		27,778,501.	115,000.			
		c Gain or (loss)		3,149,275.	-115,000.			
	d Net gain or (loss)			3,034,275.			3,034,275.	
	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 <u>CAFETERIA AND COFFEE SHOP</u>		722511	1,123,173.	1,123,173.				
b <u>MT. AIRY LLC MGMT FEE</u>		541610	210,770.	210,770.				
c <u>LOSSES ON INT RATE SWAP</u>		900099	-2,545,310.			-2,545,310.		
d All other revenue								
e Total. Add lines 11a-11d			-1,211,367.					
12 Total revenue. See instructions			327,234,217.	320,685,921.	-12,372.	3,446,683.		

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 X

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	100,000.	100,000.		
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	5,482,072.		5,482,072.	
6 Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)	121,690,678.	110,426,159.	10,940,231.	324,288.
7 Other salaries and wages	0			
8 Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions)	7,818,414.	6,777,508.	1,023,278.	17,628.
9 Other employee benefits	16,254,504.	14,113,715.	2,094,852.	45,937.
10 Payroll taxes	9,309,209.	7,914,068.	1,365,830.	29,311.
11 Fees for services (non-employees):				
a Management	13,535,504.	11,616,036.	1,919,468.	
b Legal	553,593.	3,190.	550,403.	
c Accounting	315,168.		315,168.	
d Lobbying	0			
e Professional fundraising services. See Part IV, line 17.	48,000.			48,000.
f Investment management fees	380,468.		380,468.	
g Other. (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O.)	32,935,403.	28,194,832.	4,690,247.	50,324.
12 Advertising and promotion	1,019,466.	16,031.	821,172.	182,263.
13 Office expenses	6,217,533.	5,608,151.	540,652.	68,730.
14 Information technology	4,516,816.	4,516,816.		
15 Royalties	0			
16 Occupancy	4,051,251.	3,272,284.	778,967.	
17 Travel	99,157.	48,319.	50,838.	
18 Payments of travel or entertainment expenses for any federal, state, or local public officials	0			
19 Conferences, conventions, and meetings	231,775.	112,745.	118,622.	408.
20 Interest	4,871,768.	4,564,846.	297,178.	9,744.
21 Payments to affiliates	0			
22 Depreciation, depletion, and amortization	23,523,947.	16,280,123.	7,231,349.	12,475.
23 Insurance	3,038,080.	138,710.	2,899,370.	
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 <u>SUPPLIES & COGS</u>	63,701,278.	63,123,092.	572,047.	6,139.
b -----				
c -----				
d -----				
e All other expenses -----				
25 Total functional expenses. Add lines 1 through 24e	319,694,084.	276,826,625.	42,072,212.	795,247.
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)	0			

Part X Balance Sheet

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

		(A) Beginning of year		(B) End of year
Assets	1 Cash - non-interest-bearing	0	1	-1,993.
	2 Savings and temporary cash investments	28,057,371.	2	22,569,583.
	3 Pledges and grants receivable, net	3,096,450.	3	4,157,674.
	4 Accounts receivable, net	47,300,345.	4	46,287,447.
	5 Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees. Complete Part II of Schedule L	27,063.	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	4,482,254.	8	4,404,908.
	9 Prepaid expenses and deferred charges	2,489,828.	9	3,587,161.
	10a Land, buildings, and equipment: cost or other basis. Complete Part VI of Schedule D	10a 437,096,227.		
	b Less: accumulated depreciation	10b 243,169,449.	198,212,653.	10c 193,926,778.
	11 Investments - publicly traded securities	109,102,873.	11	125,355,049.
	12 Investments - other securities. See Part IV, line 11	0	12	0
	13 Investments - program-related. See Part IV, line 11	44,193,211.	13	53,191,184.
	14 Intangible assets	0	14	0
	15 Other assets. See Part IV, line 11	6,899,232.	15	6,479,217.
16 Total assets. Add lines 1 through 15 (must equal line 34)	443,861,280.	16	459,957,008.	
Liabilities	17 Accounts payable and accrued expenses	37,177,122.	17	37,913,916.
	18 Grants payable	0	18	0
	19 Deferred revenue	0	19	0
	20 Tax-exempt bond liabilities	170,158,976.	20	168,029,382.
	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	174,471.	23	61,797.
	24 Unsecured notes and loans payable to unrelated third parties	0	24	0
	25 Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24). Complete Part X of Schedule D	49,487,440.	25	52,703,616.
	26 Total liabilities. Add lines 17 through 25	256,998,009.	26	258,708,711.
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	180,519,608.	27	193,375,608.
	28 Temporarily restricted net assets	5,367,486.	28	6,896,512.
	29 Permanently restricted net assets	976,177.	29	976,177.
	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	186,863,271.	33	201,248,297.
	34 Total liabilities and net assets/fund balances	443,861,280.	34	459,957,008.

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	327,234,217.
2	Total expenses (must equal Part IX, column (A), line 25)	2	319,694,084.
3	Revenue less expenses. Subtract line 2 from line 1	3	7,540,133.
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	186,863,271.
5	Net unrealized gains (losses) on investments	5	10,196,254.
6	Donated services and use of facilities	6	0
7	Investment expenses	7	0
8	Prior period adjustments	8	0
9	Other changes in net assets or fund balances (explain in Schedule O)	9	-3,351,361.
10	Net assets or fund balances at end of year. Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	201,248,297.

Part XII Financial Statements and Reporting

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

- 1** Accounting method used to prepare the Form 990: Cash Accrual Other _____
If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O.
- 2a** Were the organization's financial statements compiled or reviewed by an independent accountant?
If "Yes," check a box below to indicate whether the financial statements for the year were compiled or reviewed on a separate basis, consolidated basis, or both:
 Separate basis Consolidated basis Both consolidated and separate basis
- b** Were the organization's financial statements audited by an independent accountant?
If "Yes," check a box below to indicate whether the financial statements for the year were audited on a separate basis, consolidated basis, or both:
 Separate basis Consolidated basis Both consolidated and separate basis
- c** If "Yes" to line 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant?
If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O.
- 3a** As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133?
- b** If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits.

	Yes	No
2a		X
2b	X	
2c	X	
3a		X
3b		

SCHEDULE A
(Form 990 or 990-EZ)

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.

OMB No. 1545-0047

2013

Open to Public Inspection

Department of the Treasury
Internal Revenue Service

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

Name of the organization FREDERICK MEMORIAL HOSPITAL, INC.	Employer identification number 52-0591612
----------------------------------------------------------------------	-----------------------------------------------------

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

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

- 1 A church, convention of churches, or association of churches described in **section 170(b)(1)(A)(i)**.
- 2 A school described in **section 170(b)(1)(A)(ii)**. (Attach Schedule E.)
- 3 A hospital or a cooperative hospital service organization described in **section 170(b)(1)(A)(iii)**.
- 4 A medical research organization operated in conjunction with a hospital described in **section 170(b)(1)(A)(iii)**. Enter the hospital's name, city, and state: _____
- 5 An organization operated for the benefit of a college or university owned or operated by a governmental unit described in **section 170(b)(1)(A)(iv)**. (Complete Part II.)
- 6 A federal, state, or local government or governmental unit described in **section 170(b)(1)(A)(v)**.
- 7 An organization that normally receives a substantial part of its support from a governmental unit or from the general public described in **section 170(b)(1)(A)(vi)**. (Complete Part II.)
- 8 A community trust described in **section 170(b)(1)(A)(vi)**. (Complete Part II.)
- 9 An organization that normally receives: (1) more than 33 1/3 % of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions - subject to certain exceptions, and (2) no more than 33 1/3 % of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975. See **section 509(a)(2)**. (Complete Part III.)
- 10 An organization organized and operated exclusively to test for public safety. See **section 509(a)(4)**.
- 11 An organization organized and operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2). See **section 509(a)(3)**. Check the box that describes the type of supporting organization and complete lines 11e through 11h.
 - a Type I b Type II c Type III-Functionally integrated d Type III-Non-functionally integrated
- e By checking this box, I certify that the organization is not controlled directly or indirectly by one or more disqualified persons other than foundation managers and other than one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2).
- f If the organization received a written determination from the IRS that it is a Type I, Type II, or Type III supporting organization, check this box
- g Since August 17, 2006, has the organization accepted any gift or contribution from any of the following persons?
 - (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?

	Yes	No
11g(i)		
 - (ii) A family member of a person described in (i) above?

	Yes	No
11g(ii)		
 - (iii) A 35% controlled entity of a person described in (i) or (ii) above?

	Yes	No
11g(iii)		
- h Provide the following information about the supported organization(s).

(i) Name of supported organization	(ii) EIN	(iii) Type of organization (described on lines 1-9 above or IRC section (see instructions))	(iv) Is the organization in col. (i) listed in your governing document?		(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	
(A)									
(B)									
(C)									
(D)									
(E)									
Total									

For Paperwork Reduction Act Notice, see the Instructions for Form 990 or 990-EZ. Schedule A (Form 990 or 990-EZ) 2013

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

Table with 7 columns: (a) 2009, (b) 2010, (c) 2011, (d) 2012, (e) 2013, (f) Total. Rows include: 1 Gifts, grants, contributions, and membership fees received; 2 Tax revenues levied for the organization's benefit; 3 The value of services or facilities furnished by a governmental unit; 4 Total. Add lines 1 through 3; 5 The portion of total contributions by each person; 6 Public support. Subtract line 5 from line 4.

Section B. Total Support

Table with 7 columns: (a) 2009, (b) 2010, (c) 2011, (d) 2012, (e) 2013, (f) Total. Rows include: 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; 10 Other income. Do not include gain or loss from the sale of capital assets; 11 Total support. Add lines 7 through 10; 12 Gross receipts from related activities; 13 First five years. If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a section 501(c)(3) organization, check this box and stop here.

Section C. Computation of Public Support Percentage

Table with 3 columns: Line number, Description, and Percentage. Rows include: 14 Public support percentage for 2013; 15 Public support percentage from 2012 Schedule A; 16a 33 1/3% support test - 2013; b 33 1/3% support test - 2012; 17a 10%-facts-and-circumstances test - 2013; b 10%-facts-and-circumstances test - 2012; 18 Private foundation.

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

Section A. Public Support

Calendar year (or fiscal year beginning in) ►	(a) 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 section 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).

Schedule of Contributors

2013

▶ **Attach to Form 990, Form 990-EZ, or Form 990-PF.**
 ▶ Information about Schedule B (Form 990, 990-EZ, or 990-PF) and its instructions is at www.irs.gov/form990.

Name of the organization FREDERICK MEMORIAL HOSPITAL, INC.	Employer identification number 52-0591612
----------------------------------------------------------------------	-----------------------------------------------------

Organization type (check one):

Filers of:

Section:

Form 990 or 990-EZ

501(c)(3) () (enter number) organization

4947(a)(1) nonexempt charitable trust **not** treated as a private foundation

527 political organization

Form 990-PF

501(c)(3) exempt private foundation

4947(a)(1) nonexempt charitable trust treated as a private foundation

501(c)(3) taxable private foundation

Check if your organization is covered by the **General Rule** or a **Special Rule**.

Note. Only a section 501(c)(7), (8), or (10) organization can check boxes for both the General Rule and a Special Rule. See instructions.

General Rule

For an organization filing Form 990, 990-EZ, or 990-PF that received, during the year, \$5,000 or more (in money or property) from any one contributor. Complete Parts I and II.

Special Rules

For a section 501(c)(3) organization filing Form 990 or 990-EZ that met the 33 1/3 % support test of the regulations under sections 509(a)(1) and 170(b)(1)(A)(vi) and received from any one contributor, during the year, a contribution of the greater of (1) \$5,000 or (2) 2% of the amount on (i) Form 990, Part VIII, line 1h, or (ii) Form 990-EZ, line 1. Complete Parts I and II.

For a section 501(c)(7), (8), or (10) organization filing Form 990 or 990-EZ that received from any one contributor, during the year, total contributions of more than \$1,000 for use *exclusively* for religious, charitable, scientific, literary, or educational purposes, or the prevention of cruelty to children or animals. Complete Parts I, II, and III.

For a section 501(c)(7), (8), or (10) organization filing Form 990 or 990-EZ that received from any one contributor, during the year, contributions for use *exclusively* for religious, charitable, etc., purposes, but these contributions did not total to more than \$1,000. If this box is checked, enter here the total contributions that were received during the year for an *exclusively* religious, charitable, etc., purpose. Do not complete any of the parts unless the **General Rule** applies to this organization because it received *nonexclusively* religious, charitable, etc., contributions of \$5,000 or more during the year ▶ \$ _____

Caution. An organization that is not covered by the General Rule and/or the Special Rules does not file Schedule B (Form 990, 990-EZ, or 990-PF), but it **must** answer "No" on Part IV, line 2, of its Form 990; or check the box on line H of its Form 990-EZ or on its Form 990-PF, Part I, line 2, to certify that it does not meet the filing requirements of Schedule B (Form 990, 990-EZ, or 990-PF).

Name of organization **FREDERICK MEMORIAL HOSPITAL, INC.**

Employer identification number
52-0591612

Part I Contributors (see instructions). Use duplicate copies of Part I if additional space is needed.

(a) No.	(b) Name, address, and ZIP + 4	(c) Total contributions	(d) Type of contribution
1	----- ----- -----	\$ 10,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
2	----- ----- -----	\$ 10,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
3	----- ----- -----	\$ 10,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
4	----- ----- -----	\$ 16,600.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
5	----- ----- -----	\$ 25,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
6	----- ----- -----	\$ 5,060.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)

Name of organization **FREDERICK MEMORIAL HOSPITAL, INC.**

Employer identification number
52-0591612

Part I Contributors (see instructions). Use duplicate copies of Part I if additional space is needed.

(a) No.	(b) Name, address, and ZIP + 4	(c) Total contributions	(d) Type of contribution
7	----- ----- -----	\$ 10,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
8	----- ----- -----	\$ 31,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
9	----- ----- -----	\$ 250,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
10	----- ----- -----	\$ 10,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
11	----- ----- -----	\$ 10,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
12	----- ----- -----	\$ 5,100.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)

Name of organization **FREDERICK MEMORIAL HOSPITAL, INC.**

Employer identification number
52-0591612

Part I Contributors (see instructions). Use duplicate copies of Part I if additional space is needed.

(a) No.	(b) Name, address, and ZIP + 4	(c) Total contributions	(d) Type of contribution
13	----- ----- -----	\$ 10,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
14	----- ----- -----	\$ 5,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
15	----- ----- -----	\$ 5,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
16	----- ----- -----	\$ 25,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
17	----- ----- -----	\$ 10,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
18	----- ----- -----	\$ 24,943.	Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input checked="" type="checkbox"/> (Complete Part II for noncash contributions.)

Name of organization **FREDERICK MEMORIAL HOSPITAL, INC.**

Employer identification number
52-0591612

Part I Contributors (see instructions). Use duplicate copies of Part I if additional space is needed.

(a) No.	(b) Name, address, and ZIP + 4	(c) Total contributions	(d) Type of contribution
19	----- ----- -----	\$ 10,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
20	----- ----- -----	\$ 30,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
21	----- ----- -----	\$ 25,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
22	----- ----- -----	\$ 10,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
23	----- ----- -----	\$ 15,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
24	----- ----- -----	\$ 5,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)

Name of organization **FREDERICK MEMORIAL HOSPITAL, INC.**

Employer identification number
52-0591612

Part I Contributors (see instructions). Use duplicate copies of Part I if additional space is needed.

(a) No.	(b) Name, address, and ZIP + 4	(c) Total contributions	(d) Type of contribution
25	----- ----- -----	\$ ----- 10,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
26	----- ----- -----	\$ ----- 11,008.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
27	----- ----- -----	\$ ----- 100,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
28	----- ----- -----	\$ ----- 15,059.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
29	----- ----- -----	\$ ----- 5,036.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
30	----- ----- -----	\$ ----- 5,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)

Name of organization **FREDERICK MEMORIAL HOSPITAL, INC.**

Employer identification number
52-0591612

Part I Contributors (see instructions). Use duplicate copies of Part I if additional space is needed.

(a) No.	(b) Name, address, and ZIP + 4	(c) Total contributions	(d) Type of contribution
31	----- ----- -----	\$ 10,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
32	----- ----- -----	\$ 5,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
33	----- ----- -----	\$ 5,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
34	----- ----- -----	\$ 25,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
35	----- ----- -----	\$ 10,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
36	----- ----- -----	\$ 14,700.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)

Name of organization **FREDERICK MEMORIAL HOSPITAL, INC.**

Employer identification number
52-0591612

Part I Contributors (see instructions). Use duplicate copies of Part I if additional space is needed.

(a) No.	(b) Name, address, and ZIP + 4	(c) Total contributions	(d) Type of contribution
37	----- ----- -----	\$ 10,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
38	----- ----- -----	\$ 50,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
39	----- ----- -----	\$ 10,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
40	----- ----- -----	\$ 7,650.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
41	----- ----- -----	\$ 6,300.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
42	----- ----- -----	\$ 5,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)

Name of organization **FREDERICK MEMORIAL HOSPITAL, INC.**

Employer identification number
52-0591612

Part I Contributors (see instructions). Use duplicate copies of Part I if additional space is needed.

(a) No.	(b) Name, address, and ZIP + 4	(c) Total contributions	(d) Type of contribution
43	----- ----- -----	\$ 7,295.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
44	----- ----- -----	\$ 10,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
45	----- ----- -----	\$ 10,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
46	----- ----- -----	\$ 1,000,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
47	----- ----- -----	\$ 15,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
48	----- ----- -----	\$ 10,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)

Name of organization **FREDERICK MEMORIAL HOSPITAL, INC.**

Employer identification number
52-0591612

Part I Contributors (see instructions). Use duplicate copies of Part I if additional space is needed.

(a) No.	(b) Name, address, and ZIP + 4	(c) Total contributions	(d) Type of contribution
49	----- ----- -----	\$ 6,500.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
50	----- ----- -----	\$ 25,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
51	----- ----- -----	\$ 10,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
52	----- ----- -----	\$ 10,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
53	----- ----- -----	\$ 15,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
54	----- ----- -----	\$ 10,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)

Name of organization **FREDERICK MEMORIAL HOSPITAL, INC.**

Employer identification number
52-0591612

Part I Contributors (see instructions). Use duplicate copies of Part I if additional space is needed.

(a) No.	(b) Name, address, and ZIP + 4	(c) Total contributions	(d) Type of contribution
55	----- ----- -----	\$ 10,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
56	----- ----- -----	\$ 5,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
57	----- ----- -----	\$ 10,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
58	----- ----- -----	\$ 5,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
59	----- ----- -----	\$ 100,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
60	----- ----- -----	\$ 20,500.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)

Name of organization **FREDERICK MEMORIAL HOSPITAL, INC.**

Employer identification number
52-0591612

Part I Contributors (see instructions). Use duplicate copies of Part I if additional space is needed.

(a) No.	(b) Name, address, and ZIP + 4	(c) Total contributions	(d) Type of contribution
61	----- ----- -----	\$ 10,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
62	----- ----- -----	\$ 10,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
63	----- ----- -----	\$ 10,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
64	----- ----- -----	\$ 98,342.	Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input checked="" type="checkbox"/> (Complete Part II for noncash contributions.)
65	----- ----- -----	\$ 5,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
66	----- ----- -----	\$ 10,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)

Name of organization FREDERICK MEMORIAL HOSPITAL, INC.	Employer identification number 52-0591612
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Part I **Contributors** (see instructions). Use duplicate copies of Part I if additional space is needed.

(a) No.	(b) Name, address, and ZIP + 4	(c) Total contributions	(d) Type of contribution
67	----- ----- -----	\$ 100,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
68	----- ----- -----	\$ 22,600.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
69	----- ----- -----	\$ 10,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
70	----- ----- -----	\$ 5,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
71	----- ----- -----	\$ 56,500.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
72	----- ----- -----	\$ 5,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)

Name of organization **FREDERICK MEMORIAL HOSPITAL, INC.**

Employer identification number
52-0591612

Part I Contributors (see instructions). Use duplicate copies of Part I if additional space is needed.

(a) No.	(b) Name, address, and ZIP + 4	(c) Total contributions	(d) Type of contribution
73	----- ----- -----	\$ 25,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
74	----- ----- -----	\$ 7,500.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
75	----- ----- -----	\$ 10,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
76	----- ----- -----	\$ 10,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
77	----- ----- -----	\$ 5,054.	Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input checked="" type="checkbox"/> (Complete Part II for noncash contributions.)
78	----- ----- -----	\$ 15,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)

Name of organization FREDERICK MEMORIAL HOSPITAL, INC.	Employer identification number 52-0591612
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Part I Contributors (see instructions). Use duplicate copies of Part I if additional space is needed.

(a) No.	(b) Name, address, and ZIP + 4	(c) Total contributions	(d) Type of contribution
79	----- ----- -----	\$ 191,575.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
80	----- ----- -----	\$ 75,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
81	----- ----- -----	\$ 39,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
82	----- ----- -----	\$ 40,000.	Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input checked="" type="checkbox"/> (Complete Part II for noncash contributions.)
83	----- ----- -----	\$ 10,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
84	----- ----- -----	\$ 10,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)

Name of organization **FREDERICK MEMORIAL HOSPITAL, INC.**

Employer identification number
52-0591612

Part I Contributors (see instructions). Use duplicate copies of Part I if additional space is needed.

(a) No.	(b) Name, address, and ZIP + 4	(c) Total contributions	(d) Type of contribution
85	----- ----- -----	\$ 20,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
86	----- ----- -----	\$ 25,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
87	----- ----- -----	\$ 10,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
88	----- ----- -----	\$ 10,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
89	----- ----- -----	\$ 10,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
90	----- ----- -----	\$ 6,600.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)

Name of organization **FREDERICK MEMORIAL HOSPITAL, INC.**

Employer identification number
52-0591612

Part I Contributors (see instructions). Use duplicate copies of Part I if additional space is needed.

(a) No.	(b) Name, address, and ZIP + 4	(c) Total contributions	(d) Type of contribution
91	----- ----- -----	\$ ----- 5,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
92	----- ----- -----	\$ ----- 226,923.	Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input checked="" type="checkbox"/> (Complete Part II for noncash contributions.)
93	----- ----- -----	\$ ----- 7,454.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
94	----- ----- -----	\$ ----- 7,500.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
95	----- ----- -----	\$ ----- 5,250.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
96	----- ----- -----	\$ ----- 5,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)

Name of organization FREDERICK MEMORIAL HOSPITAL, INC.	Employer identification number 52-0591612
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Part I **Contributors** (see instructions). Use duplicate copies of Part I if additional space is needed.

(a) No.	(b) Name, address, and ZIP + 4	(c) Total contributions	(d) Type of contribution
97	----- ----- -----	\$ ----- 10,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
98	----- ----- -----	\$ ----- 10,400.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
99	----- ----- -----	\$ ----- 5,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
100	----- ----- -----	\$ ----- 10,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
	----- ----- -----	\$ -----	Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
	----- ----- -----	\$ -----	Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)

Name of organization **FREDERICK MEMORIAL HOSPITAL, INC.**

Employer identification number

52-0591612

Part II **Noncash Property** (see instructions). Use duplicate copies of Part II if additional space is needed.

(a) No. from Part I	(b) Description of noncash property given	(c) FMV (or estimate) (see instructions)	(d) Date received
18	STOCK	\$ 24,943.	12/24/2013
64	STOCK	\$ 98,342.	11/27/2013
77	STOCK	\$ 5,054.	10/25/2013
82	STOCK	\$ 40,000.	12/15/2013
92	STOCK	\$ 226,923.	12/23/2013
---	---	\$ ---	---

Name of organization **FREDERICK MEMORIAL HOSPITAL, INC.**

Employer identification number
52-0591612

Part III Exclusively religious, charitable, etc., individual contributions to section 501(c)(7), (8), or (10) organizations that total more than \$1,000 for the year. Complete columns (a) through (e) and the following line entry.

For organizations completing Part III, enter the total of *exclusively* religious, charitable, etc., contributions of **\$1,000 or less** for the year. (Enter this information once. See instructions.) ▶ \$ _____

Use duplicate copies of Part III if additional space is needed.

(a) No. from Part I	(b) Purpose of gift	(c) Use of gift	(d) Description of how gift is held
-----	----- ----- -----	----- ----- -----	----- ----- -----

(e) Transfer of gift	
Transferee's name, address, and ZIP + 4	Relationship of transferor to transferee
----- ----- -----	----- ----- -----

(a) No. from Part I	(b) Purpose of gift	(c) Use of gift	(d) Description of how gift is held
-----	----- ----- -----	----- ----- -----	----- ----- -----

(e) Transfer of gift	
Transferee's name, address, and ZIP + 4	Relationship of transferor to transferee
----- ----- -----	----- ----- -----

(a) No. from Part I	(b) Purpose of gift	(c) Use of gift	(d) Description of how gift is held
-----	----- ----- -----	----- ----- -----	----- ----- -----

(e) Transfer of gift	
Transferee's name, address, and ZIP + 4	Relationship of transferor to transferee
----- ----- -----	----- ----- -----

(a) No. from Part I	(b) Purpose of gift	(c) Use of gift	(d) Description of how gift is held
-----	----- ----- -----	----- ----- -----	----- ----- -----

(e) Transfer of gift	
Transferee's name, address, and ZIP + 4	Relationship of transferor to transferee
----- ----- -----	----- ----- -----

SCHEDULE C
(Form 990 or 990-EZ)

Political Campaign and Lobbying Activities

OMB No. 1545-0047

2013

Open to Public Inspection

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.**

Department of the Treasury
Internal Revenue Service

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 organization FREDERICK MEMORIAL HOSPITAL, INC.	Employer identification number 52-0591612
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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? Yes No
- 4a Was a correction made? Yes No
- b If "Yes," describe in Part IV.

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

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

(a) Name	(b) Address	(c) EIN	(d) Amount paid from filing organization's funds. If none, enter -0-.	(e) Amount of political contributions received and promptly and directly delivered to a separate political organization. If none, enter -0-.
(1)	-----			
(2)	-----			
(3)	-----			
(4)	-----			
(5)	-----			
(6)	-----			

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

Schedule C (Form 990 or 990-EZ) 2013

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 border="1" style="width: 100%;"> <thead> <tr> <th style="text-align: left;">If the amount on line 1e, column (a) or (b) is:</th> <th style="text-align: left;">The lobbying nontaxable amount is:</th> </tr> </thead> <tbody> <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> </tbody> </table>		If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:	Not over \$500,000	20% of the amount on line 1e.	Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000.	Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000.	Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000.	Over \$17,000,000	\$1,000,000.		
If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:														
Not over \$500,000	20% of the amount on line 1e.														
Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000.														
Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000.														
Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000.														
Over \$17,000,000	\$1,000,000.														
g	Grassroots nontaxable amount (enter 25% of line 1f)														
h	Subtract line 1g from line 1a. If zero or less, enter -0-														
i	Subtract line 1f from line 1c. If zero or less, enter -0-														
j	If there is an amount other than zero on either line 1h or line 1i, did the organization file Form 4720 reporting section 4911 tax for this year?		<input type="checkbox"/> Yes <input type="checkbox"/> No												

4-Year Averaging Period Under Section 501(h)

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

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

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

Table with 3 main columns: Description, (a) Yes/No, and (b) Amount. Rows include questions about lobbying activities and their amounts.

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

Table with 3 columns: Question, Yes, No. Rows include questions about dues, lobbying expenditures, and carryover.

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."

Table with 3 columns: Question, Yes, No. Rows include questions about dues, non-deductible lobbying expenditures, and carryover.

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.

SCHEDULE C PART II-B LINE 1 I
LOBBYING ACTIVITIES
EXPENSE IS A PORTION OF DUES PAID TO THE AMERICAN HOSPITAL ASSOCIATION,
MARYLAND HOSPITAL ASSOCIATION, NATIONAL ASSOCIATION FOR HOME CARE AND
NATIONAL HOSPICE AND PALLIATIVE CARE ORGANIZATION.

Part IV Supplemental Information *(continued)*

SCHEDULE D (Form 990)

Supplemental Financial Statements

OMB No. 1545-0047

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.

2013

Department of the Treasury Internal Revenue Service

Attach to Form 990.

Open to Public Inspection

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

Name of the organization

FREDERICK MEMORIAL HOSPITAL, INC.

Employer identification number

52-0591612

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.

Table with 2 columns: (a) Donor advised funds, (b) Funds and other accounts. Rows include: 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... Yes No, 6 Did the organization inform all grantees... Yes No.

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

Table with 2 columns: Held at the End of the Tax Year. Rows include: 1 Purpose(s) of conservation easements (checkboxes for land, habitat, open space, historic area, historic structure), 2 Complete lines 2a through 2d if the organization held a qualified conservation contribution... 2a Total number of conservation easements, 2b Total acreage restricted by conservation easements, 2c Number of conservation easements on a certified historic structure, 2d Number of conservation easements included in (c) acquired after 8/17/06, 3 Number of conservation easements modified, transferred, released, extinguished, or terminated, 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.

Table with 2 columns: \$, \$, \$, \$. Rows include: 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.

Schedule D (Form 990) 2013

JSA 3E1268 2.000

Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets (continued)

3 Using the organization's acquisition, accession, and other records, check any of the following that are a significant use of its collection items (check all that apply):

- a Public exhibition
- b Scholarly research
- c Preservation for future generations
- d Loan or exchange programs
- e Other _____

4 Provide a description of the organization's collections and explain how they further the organization's exempt purpose in Part XIII.

5 During the year, did the organization solicit or receive donations of art, historical treasures, or other similar assets to be sold to raise funds rather than to be maintained as part of the organization's collection? Yes No

Part IV Escrow and Custodial Arrangements. Complete if the organization answered "Yes" to Form 990, Part IV, line 9, or reported an amount on Form 990, Part X, line 21.

1a Is the organization an agent, trustee, custodian or other intermediary for contributions or other assets not included on Form 990, Part X? Yes No

b If "Yes," explain the arrangement in Part XIII and complete the following table:

	Amount
c Beginning balance	1c
d Additions during the year	1d
e Distributions during the year	1e
f Ending balance	1f

2a Did the organization include an amount on Form 990, Part X, line 21? Yes No

b If "Yes," explain the arrangement in Part XIII. Check here if the explanation has been provided in Part XIII.

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

	(a) Current year	(b) Prior year	(c) Two years back	(d) Three years back	(e) Four years back
1a Beginning of year balance	976,177.	976,177.	976,177.	976,177.	976,177.
b Contributions					
c Net investment earnings, gains, and losses					
d Grants or scholarships					
e Other expenditures for facilities and programs					
f Administrative expenses					
g End of year balance	976,177.	976,177.	976,177.	976,177.	976,177.

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

- a Board designated or quasi-endowment %
- b Permanent endowment 100.0000 %
- c Temporarily restricted endowment %

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

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

	Yes	No
(i) unrelated organizations		X
(ii) related organizations		X

b If "Yes" to 3a(ii), are the related organizations listed as required on Schedule R?

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		2,421,745.		2,421,745.
b Buildings		203,180,867.	70,628,176.	132,552,691.
c Leasehold improvements		22,379,716.	16,738,918.	5,640,798.
d Equipment		208,676,076.	155,802,355.	52,873,721.
e Other		437,823.		437,823.
Total. Add lines 1a through 1e. (Column (d) must equal Form 990, Part X, column (B), line 10(c).)				193,926,778.

Part VII Investments - Other Securities.

Complete if the organization answered "Yes" to Form 990, Part IV, line 11b. See Form 990, Part X, line 12.

(a) Description of security or category (including name of security)	(b) Book value	(c) Method of valuation: Cost or end-of-year market value
(1) Financial derivatives		
(2) Closely-held equity interests		
(3) Other _____		
(A) _____		
(B) _____		
(C) _____		
(D) _____		
(E) _____		
(F) _____		
(G) _____		
(H) _____		
Total. (Column (b) must equal Form 990, Part X, col. (B) line 12.) ▶		

Part VIII Investments - Program Related.

Complete if the organization answered "Yes" to Form 990, Part IV, line 11c. See Form 990, Part X, line 13.

(a) Description of investment	(b) Book value	(c) Method of valuation: Cost or end-of-year market value
(1) ASSETS LIMITED AS TO USE	22,628,816.	FMV
(2) INVESTMENTS IN SUBSIDIARIES	17,461,368.	FMV
(3) INTERCOMANY RECEIVABLES	13,101,000.	FMV
(4)		
(5)		
(6)		
(7)		
(8)		
(9)		
Total. (Column (b) must equal Form 990, Part X, col. (B) line 13.) ▶	53,191,184.	

Part IX Other Assets.

Complete if the organization answered "Yes" to Form 990, Part IV, line 11d. See Form 990, Part X, line 15.

(a) Description	(b) Book value
(1)	
(2)	
(3)	
(4)	
(5)	
(6)	
(7)	
(8)	
(9)	
Total. (Column (b) must equal Form 990, Part X, col. (B) line 15.) ▶	

Part X Other Liabilities.

Complete if the organization answered "Yes" to Form 990, Part IV, line 11e or 11f. See Form 990, Part X, line 25.

1. (a) Description of liability	(b) Book value
(1) Federal income taxes	
(2) ADVANCES FROM THIRD PARTIES	8,546,450.
(3) INTEREST RATE SWAP CONTRACT	11,238,356.
(4) PENSION LIABILITY	16,602,420.
(5) MALPRACTICE INSURANCE LIABILITY	3,344,000.
(6) CAPITAL LEASE OBLIGATIONS	3,881,029.
(7) OTHER LIABILITIES	6,318,181.
(8) INTER COMPANY LIABILITIES	2,773,180.
(9)	
Total. (Column (b) must equal Form 990, Part X, col. (B) line 25.) ▶	52,703,616.

2. Liability for uncertain tax positions. In Part XIII, provide the text of the footnote to the organization's financial statements that reports the organization's liability for uncertain tax positions under FIN 48 (ASC 740). Check here if the text of the footnote has been provided in Part XIII

Part XI Reconciliation of Revenue per Audited Financial Statements With Revenue per Return.

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

Table with 5 main rows and sub-rows (a-e) for adjustments. Columns include descriptions, sub-headers (2a-2d, 4a-4b), and totals (1, 2e, 3, 4c, 5).

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.

Table with 5 main rows and sub-rows (a-e) for adjustments. Columns include descriptions, sub-headers (2a-2d, 4a-4b), and totals (1, 2e, 3, 4c, 5).

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.

SCHEDULE D, PART V, LINE 4

INTENDED USE OF ENDOWMENT FUNDS

ENDOWMENT FUNDS ARE USED FOR HEALTH CARE SERVICES.

Part XIII Supplemental Information *(continued)*

**SCHEDULE F
(Form 990)**

Statement of Activities Outside the United States

OMB No. 1545-0047

2013

Open to Public Inspection

Department of the Treasury
Internal Revenue Service

- ▶ Complete if the organization answered "Yes" on 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.

Name of the organization

Employer identification number

FREDERICK MEMORIAL HOSPITAL, INC.

52-0591612

Part I **General Information on Activities Outside the United States.** Complete if the organization answered "Yes" on 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/CARIBBEAN	1.		INVESTMENTS		12,222,022.
(2) CENTRAL AMERICA/CARIBBEAN	1.		PROGRAM SERVICES	SELF-INSURANCE	2,693,156.
(3)					
(4)					
(5)					
(6)					
(7)					
(8)					
(9)					
(10)					
(11)					
(12)					
(13)					
(14)					
(15)					
(16)					
(17)					
3a Sub-total	2.				14,915,178.
b Total from continuation sheets to Part I					
c Totals (add lines 3a and 3b)	2.				14,915,178.

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

Schedule F (Form 990) 2013

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Part II **Grants and Other Assistance to Organizations or Entities Outside the United States.** Complete if the organization answered "Yes" on 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)									
(5)									
(6)									
(7)									
(8)									
(9)									
(10)									
(11)									
(12)									
(13)									
(14)									
(15)									
(16)									

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" on 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**

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

SCHEDULE G
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Name of the organization

FREDERICK MEMORIAL HOSPITAL, INC.

Supplemental Information Regarding Fundraising or Gaming Activities

Complete if the organization answered "Yes" to Form 990, Part IV, lines 17, 18, or 19, or if the organization entered more than \$15,000 on Form 990-EZ, line 6a.

▶ Attach to Form 990 or Form 990-EZ.

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

OMB No. 1545-0047

2013

Open to Public Inspection

Employer identification number

52-0591612

Part I

Fundraising Activities. Complete if the organization answered "Yes" to Form 990, Part IV, line 17. Form 990-EZ filers are not required to complete this part.

1 Indicate whether the organization raised funds through any of the following activities. Check all that apply.

- a Mail solicitations
- b Internet and email solicitations
- c Phone solicitations
- d In-person solicitations
- e Solicitation of non-government grants
- f Solicitation of government grants
- g Special fundraising events

- 2a** Did the organization have a written or oral agreement with any individual (including officers, directors, trustees or key employees listed in Form 990, Part VII) or entity in connection with professional fundraising services? **Yes** **No**
- b** If "Yes," list the ten highest paid individuals or entities (fundraisers) pursuant to agreements under which the fundraiser is to be compensated at least \$5,000 by the organization.

(i) Name and address of individual or entity (fundraiser)	(ii) Activity	(iii) Did fundraiser have custody or control of contributions?		(iv) Gross receipts from activity	(v) Amount paid to (or retained by) fundraiser listed in col. (i)	(vi) Amount paid to (or retained by) organization
		Yes	No			
1 PRIDE PHILANTHROPY	DEV CNSL SRVCS		X		48,000.	
2						
3						
4						
5						
6						
7						
8						
9						
10						
Total					48,000.	

3 List all states in which the organization is registered or licensed to solicit contributions or has been notified it is exempt from registration or licensing.

MD,

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

		(a) Event #1	(b) Event #2	(c) Other events	(d) Total events
		(event type)	(event type)	(total number)	(add col. (a) through col. (c))
Revenue	1 Gross receipts				
	2 Less: Contributions				
	3 Gross income (line 1 minus line 2)				
Direct Expenses	4 Cash prizes				
	5 Noncash prizes				
	6 Rent/facility costs				
	7 Food and beverages				
	8 Entertainment				
	9 Other direct expenses				
	10 Direct expense summary. Add lines 4 through 9 in column (d) ▶				
	11 Net income summary. Subtract line 10 from line 3, column (d) ▶				

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

		(a) Bingo	(b) Pull tabs/instant bingo/progressive bingo	(c) Other gaming	(d) Total gaming (add col. (a) through col. (c))
Revenue	1 Gross revenue				
Direct Expenses	2 Cash prizes				
	3 Noncash prizes				
	4 Rent/facility costs				
	5 Other direct expenses				
	6 Volunteer labor	<input type="checkbox"/> Yes _____ % <input type="checkbox"/> No	<input type="checkbox"/> Yes _____ % <input type="checkbox"/> No	<input type="checkbox"/> Yes _____ % <input type="checkbox"/> No	
	7 Direct expense summary. Add lines 2 through 5 in column (d) ▶				
	8 Net gaming income summary. Subtract line 7 from line 1, column (d) ▶				

9 Enter the state(s) in which the organization operates gaming activities: _____
a Is the organization licensed to operate gaming activities in each of these states? Yes No
b If "No," explain: _____

10 a Were any of the organization's gaming licenses revoked, suspended or terminated during the tax year? Yes No
b If "Yes," explain: _____

- 11 Does the organization operate gaming activities with nonmembers? Yes No
- 12 Is the organization a grantor, beneficiary or trustee of a trust or a member of a partnership or other entity formed to administer charitable gaming? Yes No
- 13 Indicate the percentage of gaming activity operated in:

a The organization's facility	13a	%
b An outside facility	13b	%
- 14 Enter the name and address of the person who prepares the organization's gaming/special events books and records:

Name ▶ _____

Address ▶ _____

- 15 a Does the organization have a contract with a third party from whom the organization receives gaming revenue? Yes No
- b If "Yes," enter the amount of gaming revenue received by the organization ▶ \$ _____ and the amount of gaming revenue retained by the third party ▶ \$ _____.
- c If "Yes," enter name and address of the third party:

Name ▶ _____

Address ▶ _____

16 Gaming manager information:

Name ▶ _____

Gaming manager compensation ▶ \$ _____

Description of services provided ▶ _____

- Director/officer
- Employee
- Independent contractor

17 Mandatory distributions:

- a Is the organization required under state law to make charitable distributions from the gaming proceeds to retain the state gaming license? Yes No
- b Enter the amount of distributions required under state law to be distributed to other exempt organizations or spent in the organization's own exempt activities during the tax year ▶ \$ _____

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

**SCHEDULE H
(Form 990)**

Hospitals

OMB No. 1545-0047

2013

Open to Public Inspection

▶ **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.**

Department of the Treasury
Internal Revenue Service

Name of the organization

FREDERICK MEMORIAL HOSPITAL, INC.

Employer identification number

52-0591612

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	X	
1b If "Yes," was it a written policy?	X	
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 free care: <input type="checkbox"/> 100% <input type="checkbox"/> 150% <input checked="" type="checkbox"/> 200% <input type="checkbox"/> Other _____ %	X	
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 _____ %	X	
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"?	X	
5a Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	X	
5b If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?	X	
5c 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?		X
6a Did the organization prepare a community benefit report during the tax year?	X	
6b If "Yes," did the organization make it available to the public?	X	

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)			10,752,167.		10,752,167.	3.36
b Medicaid (from Worksheet 3, column a)			30,078,569.	26,064,929.	4,013,640.	1.26
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d Total Financial Assistance and Means-Tested Government Programs			40,830,736.	26,064,929.	14,765,807.	4.62
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			2,399,426.	686,720.	1,712,706.	.54
f Health professions education (from Worksheet 5)			50,053.		50,053.	.02
g Subsidized health services (from Worksheet 6)			14,548,107.	920,568.	13,627,539.	4.26
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)						
j Total. Other Benefits			16,997,586.	1,607,288.	15,390,298.	4.82
k Total. Add lines 7d and 7j.			57,828,322.	27,672,217.	30,156,105.	9.44

Part II 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						
3 Community support						
4 Environmental improvements						
5 Leadership development and training for community members						
6 Coalition building						
7 Community health improvement advocacy						
8 Workforce development						
9 Other						
10 Total						

Part III Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

	Yes	No
1 Did the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No. 15?		X
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.		

Section B. Medicare

5 Enter total revenue received from Medicare (including DSH and IME)	5	122,969,588.
6 Enter Medicare allowable costs of care relating to payments on line 5	6	110,141,082.
7 Subtract line 6 from line 5. This is the surplus (or shortfall)	7	12,828,506.
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: <input type="checkbox"/> Cost accounting system <input checked="" type="checkbox"/> Cost to charge ratio <input type="checkbox"/> Other		

Section C. Collection Practices

9a Did the organization have a written debt collection policy during the tax year?	9a	X
b If "Yes," did the organization's collection policy that applied to the largest number of its patients during the tax year contain provisions on the collection practices to be followed for patients who are known to qualify for financial assistance? Describe in Part VI	9b	X

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

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

Part V Facility Information

Section A. Hospital Facilities

(list in order of size, from largest to smallest - see instructions)

How many hospital facilities did the organization operate during the tax year? 1

Name, address, primary website address, and state license number

1 FREDERICK MEMORIAL HOSPITAL
400 WEST SEVENTH STREET
FREDERICK MD 21701

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
X	X					X			

Part V Facility Information (continued)

Section B. Facility Policies and Practices

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

Name of hospital facility or facility reporting group FREDERICK MEMORIAL HOSPITAL

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) _____

Community Health Needs Assessment (Lines 1 through 8c are optional for tax years beginning on or before March 23, 2012)

		Yes	No
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):	X	
a	<input checked="" type="checkbox"/> A definition of the community served by the hospital facility		
b	<input checked="" type="checkbox"/> Demographics of the community		
c	<input checked="" type="checkbox"/> Existing health care facilities and resources within the community that are available to respond to the health needs of the community		
d	<input checked="" type="checkbox"/> How data was obtained		
e	<input checked="" type="checkbox"/> The health needs of the community		
f	<input checked="" type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups		
g	<input checked="" type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet the community health needs		
h	<input checked="" type="checkbox"/> The process for consulting with persons representing the community's interests		
i	<input type="checkbox"/> Information gaps that limit the hospital facility's ability to assess the community's health needs		
j	<input type="checkbox"/> Other (describe in Section C)		
2	Indicate the tax year the hospital facility last conducted a CHNA: 20 <u>1</u> <u>2</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 Section C how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	X	
4	Was the hospital facility's CHNA conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Section C		X
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):	X	
a	<input checked="" type="checkbox"/> Hospital facility's website (list url): <u>WWW.FMH.ORG</u>		
b	<input type="checkbox"/> Other website (list url): _____		
c	<input checked="" type="checkbox"/> Available upon request from the hospital facility		
d	<input type="checkbox"/> Other (describe in Section C)		
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 Section C)		
7	Did the hospital facility address all of the needs identified in its most recently conducted CHNA? If "No," explain in Section C which needs it has not addressed and the reasons why it has not addressed such needs	X	
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)?		X
8b	If "Yes" to line 8a, did the organization file Form 4720 to report the section 4959 excise tax?		
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 FREDERICK MEMORIAL HOSPITAL

		Yes	No
Did the hospital facility have in place during the tax year a written financial assistance policy that:			
9	Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	X	
10	Used federal poverty guidelines (FPG) to determine eligibility for providing <i>free</i> care? If "Yes," indicate the FPG family income limit for eligibility for free care: <u>2</u> <u>0</u> <u>0</u> % If "No," explain in Section C the criteria the hospital facility used.	X	
11	Used FPG to determine eligibility for providing <i>discounted</i> care? If "Yes," indicate the FPG family income limit for eligibility for discounted care: <u>3</u> <u>0</u> <u>0</u> % If "No," explain in Section C the criteria the hospital facility used.	X	
12	Explained the basis for calculating amounts charged to patients? If "Yes," indicate the factors used in determining such amounts (check all that apply):	X	
a	<input checked="" type="checkbox"/> Income level		
b	<input type="checkbox"/> Asset level		
c	<input checked="" type="checkbox"/> Medical indigency		
d	<input type="checkbox"/> Insurance status		
e	<input type="checkbox"/> Uninsured discount		
f	<input type="checkbox"/> Medicaid/Medicare		
g	<input checked="" type="checkbox"/> State regulation		
h	<input type="checkbox"/> Residency		
i	<input type="checkbox"/> Other (describe in Section C)		
13	Explained the method for applying for financial assistance?	X	
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):	X	
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 on request		
g	<input type="checkbox"/> Other (describe in Section C)		
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?	X	
16	Check all of the following actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the individual's eligibility under the facility's FAP:		
a	<input type="checkbox"/> Reporting to credit agency		
b	<input type="checkbox"/> Lawsuits		
c	<input type="checkbox"/> Liens on residences		
d	<input type="checkbox"/> Body attachments		
e	<input type="checkbox"/> Other similar actions (describe in Section C)		
17	Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the individual's eligibility under the facility's FAP? If "Yes," check all actions in which the hospital facility or a third party engaged:		X
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) FREDERICK MEMORIAL HOSPITAL

- 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:	X	
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 Section C)		
d	<input type="checkbox"/> Other (describe in Section C)		

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

20	Indicate how the hospital facility determined, during the tax year, the maximum amounts that can be charged to FAP-eligible individuals for emergency or other medically necessary care.			
a	<input type="checkbox"/> The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged			
b	<input type="checkbox"/> The hospital facility used the average of its three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged			
c	<input type="checkbox"/> The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged			
d	<input checked="" type="checkbox"/> Other (describe in Section C)			
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 Section C.			X
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 Section C.			X

Part V Facility Information (continued)

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.

SCHEDULE H, PART V, SECTION B, LINE 3

INPUT FROM COMMUNITY REPRESENTATIVES

SEVEN FOCUS GROUPS INCLUDING THIRTY EIGHT (38) REPRESENTATIVES FROM GOVERNMENT AGENCIES, AREA NONPROFITS AND PROFESSIONAL SERVICE PROVIDERS GATHERED TO PROVIDE THEIR ASSESSMENTS OF FREDERICK COUNTY'S HUMAN NEEDS, RELATIVE TO AVAILABLE SERVICES, AND GAPS IN SERVICE PROVISION.

INDIVIDUALS WHO WERE INVITED TO ATTEND BUT WERE UNABLE TO DO SO WERE INTERVIEWED BY PHONE. EIGHT KEY INFORMANT INTERVIEWS WERE CONDUCTED WITH CURRENT AND FORMER ELECTED OFFICIALS, CIVIC LEADERS, AND REPRESENTATIVES FROM UNITED WAY OF FREDERICK COUNTY, FREDERICK COUNTY JUDICIARY, AND FREDERICK COUNTY PUBLIC SCHOOLS. A SURVEY WAS CONDUCTED POLLING 111 SERVICE PROVIDERS TO COLLECT INFORMATION ABOUT AVAILABLE SERVICES. THE SURVEY INCLUDED AN OPEN-RESPONSE QUESTION: "IN YOUR PROFESSIONAL OPINION, WHAT ARE THE TOP THREE UNMET NEEDS IN ALL OF FREDERICK COUNTY?" RESPONSES TO THE SURVEY WERE RECEIVED FROM 167 PROGRAMS, WHICH REPRESENTED THE MAJORITY OF THE LARGEST PROVIDERS OF HUMAN NEEDS SERVICES. THE RESPONSES TO THE QUESTION WERE USED AS PART OF THE HUMAN NEEDS ASSESSMENT PORTION OF THE ANALYSIS.

A FOCUS GROUP COMPRISED OF 15 INDIVIDUALS WHO WERE RECIPIENTS OF FREDERICK COUNTY HUMAN SERVICES PROGRAMS INCLUDING SERVICES FOR PEOPLE WHO ARE HOMELESS, FREE CLINIC PATIENTS, AND CONSUMERS OF SOUP KITCHENS AND FOOD PROGRAMS, WAS CONDUCTED. PARTICIPANTS WERE ASKED ABOUT THEIR DAILY NEEDS, PROGRAMS THAT HAVE HELPED THEM AND WHY, THEIR UNMET NEEDS, AND THE NEEDS OF COMMUNITY YOUTH. COMMUNITY FOUNDATION LEADERS WHO PARTICIPATED IN UNITED WAY OF FREDERICK COUNTY'S STRATEGIC PLANNING

Part V Facility Information (continued)

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.

PROCESS CONTRIBUTED THEIR NOTES, WHICH ALSO WERE USED IN GAUGING COMMUNITY HUMAN NEEDS. A SURVEY OF THE GENERAL PUBLIC WAS CONDUCTED ASKING RESPONDENTS TO RANK UNMET NEEDS IN THE COMMUNITY FOUNDATION'S THREE CORE STRATEGIC AREAS: HEALTH, YOUTH, AND BASIC HUMAN NEEDS. ONE HUNDRED AND FOURTEEN RESPONSES WERE RECEIVED, WITH THE SURVEY'S AVAILABILITY REPORTED IN LOCAL PRINT MEDIA, ON THE COMMUNITY FOUNDATION'S WEBSITE, THROUGH EMAIL BLASTS, AND SOCIAL MEDIA.

THE PRIMARY SOURCE DATA WAS SUPPLEMENTED BY THIRD PARTY FOCUS GROUPS AND SURVEYS, MOST NOTABLY THOSE OF UNITED WAY OF FREDERICK COUNTY AND THE FREDERICK COUNTY LOCAL MANAGEMENT BOARD. THE REPORT ALSO INCLUDES A PRELIMINARY AGGREGATION OF SERVICE DELIVERY ISSUES RAISED BY KEY LOCAL PARTICIPANTS IN THE ASSESSMENT, AS WELL AS SUGGESTED QUANTIFIABLE INDICATORS FOR DISCUSSION BY THE COMMUNITY FOUNDATION AND COMMUNITY PARTNERS OF HOW TO MEASURE PROGRESS AND IMPACT. THE QUALITATIVE ANALYSIS OF NEEDS, SUPPLY OF SERVICES, AND GAPS IN SERVICES RELIED TO A LARGE EXTENT ON THE KNOWLEDGE AND OPINIONS OF FREDERICK COUNTY "EXPERTS," INDIVIDUALS WHO HAVE LONG EXPERIENCE IN DELIVERING HUMAN SERVICES IN FREDERICK COUNTY OR WHO ARE CURRENTLY OR IN THE PAST HELD ELECTED OR APPOINTED POLICY MAKING POSITIONS.

SCHEDULE H, PART V, SECTION B, LINE 7

WHILE FREDERICK MEMORIAL HOSPITAL HAS RESPONDED TO NEARLY ALL OF THE IDENTIFIED COMMUNITY HEALTH CARE NEEDS FROM THE 2012 CHNA, THE ONE GOAL THAT HAS NOT YET BEEN MET IS TO INCREASE ACCESS TO DENTAL CARE FOR THE RESIDENTS OF FREDERICK COUNTY. AS OF JUNE 2014, FMH WAS STILL IN

Part V Facility Information (continued)

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.

COLLABORATION WITH UNIVERSITY OF MARYLAND TO PARTNER ON THIS INITIATIVE AND TO DETERMINE A LOCATION OF A FACILITY WITH PROXIMITY TO FMH EMERGENCY SERVICES. THE PROJECT HAD BEEN DELAYED BUT IS NOW SCHEDULED TO LAUNCH IN JANUARY 2016 TO PROVIDE ACUTE DENTAL CARE TO THE UNDERSERVED & UNINSURED RESIDENTS OF FREDERICK COUNTY.

SCHEDULE H, PART V, SECTION B, LINE 18E

OTHER EFFORTS MADE BEFORE INITIATING COLLECTIONS ACTIONS PATIENTS WITH BALANCES GREATER THAN \$10,000 RECEIVE A SPECIAL LETTER STATING THEY MAY QUALIFY FOR CHARITY AND REQUESTS THAT THEY CONTACT THE HOSPITAL.

SCHEDULE H, PART V, SECTION B, LINE 20D

OTHER METHOD FOR DETERMINING MAXIMUM CHARGED AMOUNT MARYLAND'S HSCRC DETERMINES RATES CHARGED.

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? 16

Name and address	Type of Facility (describe)
1 FMH KLINE HOSPICE HOUSE 7000 KIMMEL ROAD MT AIRY MD 21771	INPATIENT HOSPICE PATIENT FACILITY
2 MT AIRY HEALTH SERVICES 1502 SOUTH MAIN STREET MT AIRY MD 21771	OUTPATIENT HEALTH SERVICE FACILITY
3 PARKVIEW MEDICAL GROUP MT AIRY 1502 SOUTH MAIN STREET MT AIRY MD 21771	PHYSICIAN PRACTICE
4 PARKVIEW MEDICAL GROUP MYERSVILLE 3000-D VENTRIE COURT MYERSVILLE MD 21773	PHYSICIAN PRACTICE
5 PARKVIEW MEDICAL GROUP FREDERICK 1564 OPPOSSUMTOWN PIKE FREDERICK MD 21702	PHYSICIAN PRACTICE
6 FMH REGIONAL CANCER CARE THERAPY CTR 501 WEST SEVENTH STREET FREDERICK MD 21701	OUTPATIENT CANCER TREATMENT CENTER
7 FMH ROSEHILL 1562 OPPOSSUMTOWN PIKE FREDERICK MD 21701	OUTPATIENT HEALTH SERVICE FACILITY
8 UNION BRIDGE FAMILY PRACTICE 104 NORTH MAIN STREET UNION BRIDGE MD 21701	PHYSICIAN PRACTICE
9 FMH HOME HEALTH SERVICES 605 EAST CHURCH STREET FREDERICK MD 21701	HOME HEALTH NURSING ORGANIZATION
10 HOSPICE OF FREDERICK COUNTY 516 TRAIL AVENUE FREDERICK MD 21702	HOSPICE CARE ORGANIZATION

Schedule H (Form 990) 2013

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 FMH ROSE HILL REHAB SERVICES 1562 OPPOSSUMTOWN PIKE FREDERICK MD 21702	PHYSICAL REHABILITATION CLINIC
2 FMH CRESTWOOD 7211 BANK COURT FREDERICK MD 21703	OUTPATIENT HEALTH SERVICE FACILITY
3 FMH WELLNESS CENTER 5500 BUCKEYSTOWN PIKE FREDERICK MD 21702	HEALTH SERVICES CENTER
4 FMH ECHO AND VASCULAR LAB 1560 OPPOSSUMTOWN PIKE FREDERICK MD 21702	HEALTH SERVICES CENTER
5 FMH URBANA 3430 WORTHINGTON BLVD FREDERICK MD 21704	OUTPATIENT HEALTH SERVICE FACILITY
6 FMH IMMEDIATE CARE 850 OAK STREET FREDERICK MD 21702	WALK-IN CLINIC
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.

SCHEDULE H, PART I

SUPPLEMENTAL INFORMATION

FOR THE LAST 30 YEARS, MARYLAND HOSPITALS HAVE MET THEIR COMMUNITY BENEFIT OBLIGATIONS IN A UNIQUE MANNER THAT BUILDS THE COSTS OF UNCOMPENSATED CARE (CHARITY CARE AND PATIENT BAD DEBT) AND GRADUATE MEDICAL EDUCATION INTO THE RATES THAT HOSPITALS ARE REIMBURSED BY ALL PAYORS. THE SYSTEM IS BASED IN FEDERAL AND STATE LAW AND BENEFITS ALL MARYLAND RESIDENTS, INCLUDING THOSE IN NEED OF FINANCIAL ASSISTANCE TO PAY THEIR HOSPITAL BILLS.

MARYLAND IS THE ONLY STATE IN WHICH ALL PAYORS (GOVERNMENTALLY-INSURED, COMMERCIALY-INSURED, OR SELF-PAY) ARE CHARGED THE SAME PRICE FOR SERVICES AT ANY GIVEN HOSPITAL.

UNDER THIS SYSTEM, MARYLAND HOSPITALS ARE REGULATED BY A STATE AGENCY, KNOWN AS THE HEALTH SERVICES COST REVIEW COMMISSION (HSCRC), THAT IS REQUIRED TO:

-PUBLICLY DISCLOSE INFORMATION ON THE COST AND FINANCIAL POSITION OF

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.

HOSPITALS;

-REVIEW AND APPROVE HOSPITAL RATES;

-COLLECT INFORMATION DETAILING TRANSACTIONS BETWEEN HOSPITALS AND FIRMS

WITH WHICH THEIR TRUSTEES HAVE A FINANCIAL INTEREST; AND,

-MAINTAIN THE SOLVENCY OF EFFICIENT AND EFFECTIVE HOSPITALS.

SINCE 2000, THE RATE SETTING COMMISSION HAS HAD ITS OWN FRAMEWORK FOR REPORTING HOSPITALS' COMMUNITY BENEFITS AND ISSUING A REPORT ANNUALLY REGARDING HOSPITALS' COMMUNITY BENEFIT TOTALS. THAT REPORT IS AVAILABLE ON [TTP://WWW.HSCRC.STATE.MD.US/](http://WWW.HSCRC.STATE.MD.US/) BECAUSE OF THIS UNIQUE STRUCTURE MARYLAND HOSPITALS' COMMUNITY BENEFITS NUMBERS WILL NOT COMPARE WITH THE REST OF THE NATION'S HOSPITALS. HOWEVER, MARYLAND HOSPITALS MEET OR EXCEED THE COMMUNITY BENEFIT STANDARD ESTABLISHED BY THE IRS IN 1969. ADDITIONAL DETAIL ILLUSTRATING THIS CAN BE FOUND WITHIN THIS SCHEDULE H REPORT.

Part VI Supplemental Information

Provide the following information.

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- 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.
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SCHEDULE H, PART I, LINE 3C

CRITERIA FOR DETERMINING ELIGIBILITY FOR FREE OR DISCOUNTED CARE

IN ADDITION TO USING FPG TO DETERMINE FREE AND DISCOUNTED CASE, PATIENTS MAY RECEIVE ADDITIONAL FINANCIAL ASSISTANCE IF THEIR BILL IS 25% OR MORE OF THEIR ANNUAL INCOME. EVERY INPATIENT OR OUTPATIENT WHO ACCUMULATES \$10,000 OR MORE IN CHARGES RECEIVES A VISIT FROM A FINANCIAL COUNSELOR ALONG WITH A FINANCIAL ASSISTANCE APPLICATION. WE ALSO MAIL THESE PATIENTS ANOTHER FINANCIAL ASSISTANCE APPLICATION WITH A COVER LETTER STATING THAT DUE TO THE BALANCE OF THEIR BILL, THEY MAY QUALIFY FOR FINANCIAL ASSISTANCE.

SCHEDULE H, PART I, LINE 7

COST-TO-CHARGE RATIO

AMOUNTS WERE CALCULATED USING THE COST-TO-CHARGE RATIO DERIVED FROM WORKSHEET 2.

SCHEDULE H, PART III, LINE 2

VALUATION OF BAD DEBT EXPENSE

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.
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- 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.
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BAD DEBT VALUATION WAS CALCULATED USING THE COST-TO-CHARGE RATIO DERIVED FROM WORKSHEET 2. WE ESTIMATE APPROXIMATELY 7.5% OF BAD DEBT EXPENSE IS ATTRIBUTABLE TO PATIENTS ELIGIBLE UNDER OUR FINANCIAL ASSISTANCE POLICY. THIS ESTIMATE HAS BEEN REDUCED FROM 10% REPORTED PREVIOUSLY AS WE CONTINUE EFFORTS TO QUALIFY PATIENTS FOR FREE OR REDUCED CARE.

SCHEDULE H, PART III, LINE 4

TEXT OF BAD DEBT EXPENSE FOOTNOTE

THE SYSTEM'S POLICY IS TO WRITE OFF ALL PATIENT ACCOUNTS THAT HAVE BEEN IDENTIFIED AS UNCOLLECTIBLE. AN ALLOWANCE FOR DOUBTFUL ACCOUNTS IS RECORDED FOR ACCOUNTS NOT YET WRITTEN OFF THAT ARE ANTICIPATED TO BECOME UNCOLLECTIBLE. INSURANCE COVERAGE AND CREDIT INFORMATION ARE OBTAINED FROM PATIENTS WHEN AVAILABLE. NO COLLATERAL IS OBTAINED FOR ACCOUNTS RECEIVABLE.

SCHEDULE H, PART III, LINE 8

MEDICARE COSTING METHODOLOGY

MEDICARE PS&R REPORTS USED AS SOURCE OF COSTS AND PAYMENTS.

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.
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- 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.

SCHEDULE H, PART III, LINE 9B

COLLECTION PRACTICES TO THOSE QUALIFYING FOR FINANCIAL ASSISTANCE
 PATIENTS WHO QUALIFY FOR CHARITY CARE OR FINANCIAL ASSISTANCE ARE
 SPECIFICALLY EXCLUDED FROM THE COLLECTION PROCESS.

SCHEDULE H, PART VI, NEEDS ASSESSMENT

NEEDS ASSESSMENT

THE 2013 FREDERICK COUNTY HEALTH ASSESSMENT IS A DATA DRIVEN APPROACH TO
 DETERMINING THE HEALTH STATUS OF FREDERICK COMMUNITY RESIDENTS BY
 CAPTURING AND COMPARING STATISTICAL INFORMATION FROM THREE INDEPENDENT
 COMMUNITY-BASED HEALTH FOCUSED AND HUMAN NEEDS DRIVEN ORGANIZATION:

- THE FREDERICK COMMUNITY FOUNDATION'S HUMAN NEEDS ASSESSMENT CONDUCTED
 IN AUGUST OF 2011,
- THE LOCAL HEALTH IMPROVEMENT PLAN (L-HIP) PRIORITIES SUMMIT CONDUCTED
 IN OCTOBER OF 2011, AND
- FREDERICK MEMORIAL HOSPITAL'S UTILIZATION DATA FOR THE EMERGENCY ROOM,
 INPATIENT ADMISSIONS AND OUTPATIENT SERVICE PROVISION.

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.
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THE FMH DATA SERVED AS AN EVIDENCE-BASED CONFIRMATION OF THE OTHER TWO STUDIES' FINDINGS. THE COMPARATIVE ASSESSMENT FINDINGS WERE ADDITIONALLY VERIFIED USING THE CURRENT DATA FROM THE STATE HEALTH IMPROVEMENT PLAN. IN ADDITION, THE ASSESSMENT USES THE MOST CURRENT STATISTICAL INFORMATION AVAILABLE FROM A VARIETY OF RESOURCES INCLUDING THE MARYLAND HEALTH SERVICES COST REVIEW COMMISSION, THE MARYLAND BEHAVIORAL RISK FACTOR SURVEILLANCE SYSTEM, THE MARYLAND DEPARTMENT OF HEALTH AND MENTAL HYGIENE, THE US CENSUS AND OTHER STATE AND FEDERAL AGENCIES.

THE 2013 COMMUNITY HEALTH ASSESSMENT PROVIDES THE INFORMATION THAT THE FREDERICK COUNTY HEALTH DEPARTMENT, FREDERICK REGIONAL HEALTH SYSTEM, THE FREDERICK COUNTY HEALTH CARE COALITION AND PARTNER GRASS-ROOTS AGENCIES AND ORGANIZATIONS NEED TO IDENTIFY ISSUES OF GREATEST CONCERN. DECISIONS TO COMMIT RESOURCES TO THOSE AREAS IDENTIFIED IN THIS COMPARATIVE STUDY WILL ENSURE THAT OUR COLLECTIVE EFFORTS HAVE THE GREATEST IMPACT ON OUR COMMUNITY'S HEALTH STATUS.

PROJECT GOALS

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.
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- 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.

THE 2013 FREDERICK COUNTY HEALTH ASSESSMENT WILL SERVE AS A RESOURCE AND TOOL FOR REACHING THREE GOALS:

- TO IMPROVE THE HEALTH STATUS OF FREDERICK COUNTY RESIDENTS, ELEVATE THEIR OVERALL QUALITY OF LIFE, AND INCREASE THEIR LIFE SPANS. QUALITY OF LIFE ISSUES REMAIN AN IMPORTANT COMPONENT OF THE PLAN AS ALL AGREE THAT THE MEASURE OF OUR COMMUNITY'S HEALTH GOES BEYOND ADDRESSING PHYSICAL, DENTAL, MENTAL AND BEHAVIORAL HEALTH NEEDS.
- TO IDENTIFY THE SOCIO-ECONOMIC FACTORS WHICH HAVE HISTORICALLY HAD A NEGATIVE IMPACT ON OUR RESIDENTS' HEALTH. BY IDENTIFYING POPULATION SEGMENTS THAT ARE MOST AT-RISK FOR VARIOUS DISEASES AND INJURIES WE WILL, AS A COMMUNITY, BE BETTER POSITIONED TO ADDRESS HEALTH DISPARITIES.
- TO PROVIDE MORE ACCESSIBLE PREVENTIVE SERVICES TO ASSIST COMMUNITY PARTNERS IN IMPROVING THE HEALTH STATUS OF FREDERICK COUNTY RESIDENTS, AND TO HELP US AS A COMMUNITY KEEP THE COSTS OF PROVIDING CARE FOR LATE-STAGE DISEASE IN CHECK. LATE-STAGE DISEASE IN CHECK.

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.
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SCHEDULE H, PART VI, PATIENT EDUCATION

PATIENT EDUCATION

FREDERICK MEMORIAL HOSPITAL POSTS ITS CHARITY CARE POLICY AND FINANCIAL ASSISTANCE CONTACT INFORMATION IN ADMISSION AREAS, THE FMH EMERGENCY DEPARTMENT, AND IN ALL OF OUR SATELLITE FACILITIES IN AREAS WHERE ELIGIBLE PATIENTS ARE LIKELY TO PRESENT. FMH PROVIDES A SUMMARY OF THE CHARITY CARE POLICY AND FINANCIAL ASSISTANCE CONTACT INFORMATION TO ALL PATIENTS AT THE TIME OF ADMISSION TO THE HOSPITAL. FMH ADMISSIONS PERSONNEL DISCUSS THE AVAILABILITY OF VARIOUS GOVERNMENT BENEFITS SUCH AS MEDICAID OR STATE PROGRAMS WITH PATIENTS AND/OR THEIR FAMILY MEMBERS, AND THEY ASSIST PATIENTS WITH QUALIFICATION FOR THE PROGRAMS. FREDERICK MEMORIAL HOSPITAL INCREASED ITS EFFORTS TO PROVIDE FINANCIAL ASSISTANCE TO ITS PATIENTS THROUGH A VARIETY OF INITIATIVES. FMH INCREASED ITS FINANCIAL ASSISTANCE FOR CATASTROPHIC SITUATIONS. IN OUR PROGRAM, PATIENTS MAY RECEIVE FINANCIAL ASSISTANCE IF THEIR BILL IS 25% OR MORE OF THEIR ANNUAL INCOME. IN FY11 A FINANCIAL COUNSELOR MET WITH PATIENTS WHO HAD NO INSURANCE THE DAY AFTER ADMISSION TO EXPLAIN OUR FINANCIAL ASSISTANCE PROGRAM AND THE STATE'S MEDICAL ASSISTANCE PROGRAM.

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.
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BECAUSE THE MEETING WITH THE PATIENT WAS EARLY IN THEIR STAY, THE PATIENT'S ACCUMULATED CHARGES TYPICALLY DID NOT REACH A CATASTROPHIC STAGE. THEREFORE, WE HAD PATIENTS WHO LEFT THE HOSPITAL WITHOUT A DETAILED CATASTROPHIC FINANCIAL ASSISTANCE DISCUSSION AND WITHOUT A FINANCIAL ASSISTANCE APPLICATION. NOW, EVERY INPATIENT OR OUTPATIENT WHO ACCUMULATES \$10,000 OR MORE IN CHARGES WILL RECEIVE A SECOND VISIT FROM A FINANCIAL COUNSELOR ALONG WITH A FINANCIAL ASSISTANCE APPLICATION. ALSO, WE MAIL THESE PATIENTS ANOTHER FINANCIAL ASSISTANCE APPLICATION WITH A COVER LETTER STATING THAT DUE TO THE BALANCE OF THEIR BILL, THEY MAY QUALIFY FOR FINANCIAL ASSISTANCE.

SCHEDULE H, PART VI, COMMUNITY INFORMATION

COMMUNITY INFORMATION

IN THE YEAR ENDED JUNE 30, 2014, FREDERICK MEMORIAL HOSPITAL ADMITTED 18,614 PATIENTS. THE FMH EMERGENCY DEPARTMENT TREATED 74,079 PATIENTS. THE HOSPITAL IS THE ONLY HOSPITAL LOCATED IN ITS PRIMARY SERVICE AREA AND THE ONLY HOSPITAL WITHIN A 25-MILE RADIUS OF THE CITY OF FREDERICK.

Part VI Supplemental Information

Provide the following information.

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APPROX. 10% OF ALL COUNTY RESIDENTS LACK HEALTH INSURANCE AND 9% ARE MEDICAID RECIPIENTS. FMH DEFINES ITS PRIMARY SERVICE AREA AS FREDERICK COUNTY, MARYLAND, WHICH ACCOUNTED FOR APPROXIMATELY 60% OF FMH'S DISCHARGES IN FISCAL YEAR 2013. THE HOSPITAL IS THE ONLY HOSPITAL LOCATED IN ITS PRIMARY SERVICE AREA AND THE ONLY HOSPITAL WITHIN A 25-MILE RADIUS OF THE CITY OF FREDERICK.

MT. AIRY

THE MOUNT AIRY AREA IS PREDOMINANTLY WHITE (92.1%), WITH SMALLER HISPANIC OR LATINO (4.7%), AFRICAN AMERICAN (2.4%) AND ASIAN (2.2%) POPULATIONS. THE MEDIAN AGE IS 36, WITH APPROXIMATELY 20% OF THE POPULATION IN EACH OF TWO RANGES: 5-14 AND 40-49 YEARS OF AGE. ABOUT 10% OF ALL RESIDENTS ARE AGE 62 OR OLDER. THE POPULATION IS 51.5% FEMALE AND 48.5% MALE. 79% OF MOUNT AIRY RESIDENTS LIVE IN FAMILY HOUSEHOLDS (A HOUSEHOLDER AND ONE OR MORE OTHER PEOPLE RELATED BY BIRTH, MARRIAGE, OR ADOPTION). 86.9% OF THE HOUSING UNITS ARE OWNER-OCCUPIED. THE POVERTY LEVEL IN MOUNT AIRY IS 5.3%, WELL BELOW THE STATE-WIDE RATE OF 12.0%. LIFE EXPECTANCY IS ABOVE THE STATE AVERAGE AT 80.1%. CANCER AND HEART DISEASE (INCLUDING STROKE)

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RATE HIGHEST IN TERMS OF CAUSES OF DEATH AND YEARS OF POTENTIAL LIFE LOST. ABOUT 5.0% OF THE RESIDENTS IN THIS AREA LIVE WITH CHRONIC HEART DISEASE, JUST 1.3% HAVE HAD A STROKE, AND 28.5% HAVE BEEN TOLD THEY HAVE HIGH BLOOD PRESSURE. 6.1% HAVE BEEN DIAGNOSED WITH SKIN CANCER AND ANOTHER 6.8% HAVE BEEN DIAGNOSED WITH ANOTHER FORM OF CANCER.

THURMONT

THURMONT'S POPULATION IS FAIRLY EVENLY DISTRIBUTED IN TERMS OF AGE, WITH THE LARGEST COHORT (18%) IN THE 40-49 AGE BRACKET. RESIDENTS ARE 95.8% WHITE, 2.4% HISPANIC OR LATINO, AND 1% AFRICAN AMERICAN. NEARLY 16% OF THURMONT'S POPULATION IS AGE 62 OR OLDER. SIMILARLY TO MOUNT AIRY, THE POPULATION IS 48.4% MALE AND 51.6% FEMALE. 72% OF THURMONT RESIDENTS LIVE IN FAMILY HOUSEHOLDS, WITH 74.7% OF HOUSING UNITS OCCUPIED BY THE PROPERTY OWNER. 7.2% OF RESIDENTS IN THE AREA EARN INCOME BELOW THE POVERTY LEVEL. AGAIN, CANCER AND HEART DISEASE (INCLUDING STROKE) RATE HIGHEST IN TERMS OF CAUSES OF DEATH AND YEARS OF POTENTIAL LIFE LOST. ABOUT 4.6% OF RESIDENTS IN THIS AREA SUFFER FROM CHRONIC HEART DISEASE, 4.1% HAVE HAD A STROKE, AND 24.7% HAVE BEEN TOLD THEY HAVE HIGH BLOOD

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- 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.

PRESSURE. 6.8% HAVE BEEN DIAGNOSED WITH SKIN CANCER AND ANOTHER 8.1% HAVE BEEN DIAGNOSED WITH ANOTHER FORM OF CANCER.

FREDERICK CITY AND SUBURBS

FREDERICK CITY AND ITS IMMEDIATE SUBURBS ARE MORE RACIALLY DIVERSE THAN EITHER THURMONT OR MT. AIRY, WITH WHITE (63.9%), AFRICAN AMERICAN (18.6%), HISPANIC OR LATINO (14.4%) AND ASIAN (5.8%) GROUPS ACCOUNTING FOR THE LARGEST PERCENTAGES. RESIDENTS ARE EVENLY DISTRIBUTED IN TERMS OF AGE, WITH THE LARGEST GROUP (17%) APPEARING IN THE 25-34 AGE BRACKET. THE POPULATION IS 48.2% MALE AND 51.8% FEMALE. JUST 60.5% OF THIS AREA'S RESIDENTS LIVE IN FAMILY HOUSEHOLDS, WITH A RELATIVELY EVEN SPLIT BETWEEN OWNER-OCCUPIED (57.6%) AND RENTER-OCCUPIED (42.4%) HOUSING. 12.1% OF RESIDENTS IN THIS AREA LIVE BELOW THE POVERTY LEVEL, WHICH IS JUST ABOVE THE STATE AVERAGE OF 12.0%. AS IN THE OTHER TWO AREAS DESCRIBED, CANCER AND HEART DISEASE (INCLUDING STROKE) RATE HIGHEST IN TERMS OF CAUSES OF DEATH AND YEARS OF POTENTIAL LIFE LOST. 6.5% OF THE RESIDENTS IN THIS AREA LIVE WITH CHRONIC HEART DISEASE, 3.1% HAVE SUFFERED A STROKE, AND 30.2% HAVE BEEN TOLD THEY HAVE HIGH BLOOD

Part VI Supplemental Information

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- 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.

PRESSURE. 4.0% REPORT BEING DIAGNOSED WITH SKIN CANCER AND ANOTHER 4.5%
HAVE BEEN DIAGNOSED WITH ANOTHER FORM OF CANCER.

SCHEDULE H, PART VI, PROMOTION OF COMMUNITY

PROMOTION OF COMMUNITY HEALTH

THE COMMUNITY NEEDS HEALTH ASSESSMENT IDENTIFIED LUNG DISEASE AS FOCUS
NEED: CAMP YESUCAN IS A DAY-LONG EVENT FOR CHILDREN WITH ASTHMA. THE
GOAL OF THE CAMP IS TO REMIND CHILDREN WITH ASTHMA THAT THEY CAN SAFELY
ENJOY SPORTS AND MANY OTHER OUTDOOR ACTIVITIES WITHOUT FEARING THE ONSET
OF AN ASTHMA ATTACK.

EIGHT CHILDREN PARTICIPATED IN THIS YEAR'S EVENT. UNDER THE WATCHFUL
SUPERVISION OF HIGHLY SKILLED NURSES, RESPIRATORY THERAPISTS AND
CERTIFIED ASTHMA EDUCATORS - THE CAMPERS LEARNED HOW ASTHMA ATTACKS START
AND HOW THEY CAN BE AVOIDED. THEY WERE TAUGHT HOW TO TAKE THEIR
MEDICATIONS APPROPRIATELY AND WHAT TO DO TO MANAGE THE ONSET OF AN
ATTACK. SEVERAL ACTIVITIES MADE THE LEARNING EASY AND DEMONSTRATED TO
THE CHILDREN THAT THEY CAN PARTICIPATE IN SPORTS WITHOUT FEAR OF AN
ASTHMA ATTACK. GAMES HIGHLIGHTED HOW THE LUNGS WORK AND WHAT HAPPENS

Part VI Supplemental Information

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INTERNALLY DURING AN ASTHMA ATTACK. RUNNING BETWEEN EDUCATIONAL GOALS WITH MAKE-SHIFT AIRWAYS CREATED A FUN AND SAFE COMPETITION. OUR FREDERICK COUNTY RESCUE SQUAD BROUGHT AN AMBULANCE AND EXPLAINED TO THE CHILDREN THE VARIOUS FEATURES OF THE AMBULANCE. THE CHILDREN WERE ALLOWED TO WALK AROUND IN THE AMBULANCE AND APPROPRIATELY PLAY WITH THE FEATURES WHICH WILL HELP DISPEL FEAR OF OUR EMERGENCY RESCUE VEHICLES IN CASE THEY FIND THEMSELVES IN AN EMERGENCY SITUATION IN THE FUTURE.

THE PARTICIPANTS IN THIS YEAR'S CAMP YESUCAN WERE ALL WELL KNOWN TO THE RESPIRATORY THERAPY STAFF AND TO THE NURSES AND PHYSICIANS IN THE FMH EMERGENCY DEPARTMENT. EACH OF THE CHILDREN HAD LOGGED NUMEROUS REPEAT VISITS TO THE ED DUE AN EXACERBATION OF THEIR ASTHMA SYMPTOMS. IN FY14, THE EMERGENCY DEPARTMENT STAFF IN CONJUNCTION WITH RESPIRATORY THERAPY RECORDED THE INCIDENCE OF THESE PATIENTS REQUIRING EMERGENCY INTERVENTION DUE TO AN ASTHMA ATTACK OR AN EXACERBATION OF SYMPTOMS. THE FMH PULMONARY COMMUNITY OUTREACH PROGRAM WILL CONTINUE WITH CAMP YESUCAN AND THE OTHER PROGRAMS, EVENTS AND EDUCATIONAL OPPORTUNITIES TO INFORM THE COMMUNITY ABOUT PRACTICING GOOD LUNG HEALTH AND CONTROLLING ENVIRONMENTAL

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TRIGGERS.

THE COMMUNITY NEEDS HEALTH ASSESSMENT IDENTIFIED HEART DISEASE AS FOCUS
 NEED: STROKE WORKSHOPS WERE PROVIDED TO THOSE COMMUNITIES IN OUR SERVICE
 AREA WHERE THE INCIDENCE OF HEART AND VASCULAR DISEASE ARE MORE PREVALENT
 WITH THE GOAL OF INCREASING AWARENESS ABOUT THE SIGNS AND SYMPTOMS OF
 STROKE. CHRONIC DISEASE MANAGEMENT: HEART DISEASE
 -FMH DATA SHOWS THAT THE PREPONDERANCE OF HEART DISEASE STRIKES WHITE
 MEN, 65 + YEARS OF AGE. THE COHORT ACCOUNTS FOR 49% (1,628) OF THE 3,206
 HEART PATIENTS ADMITTED TO FMH IN FY 2012.
 -THE AFRICAN AMERICAN COMMUNITY IS IMPACTED BY A GREATER DEGREE AS
 MEASURED BY PERCENTAGE OF THAT RACE'S POPULATION IN FREDERICK.
 -IN FY 2012, THE TOTAL NUMBER OF CASES (INPATIENT AND OUTPATIENT) WITH
 THE DIAGNOSIS OF HEART DISEASE OR A DISEASE OF THE CIRCULATORY SYSTEM
 EQUALED 28, 467.
 -SIX PERCENT OF THE FREDERICK COUNTY POPULATION SUFFERS FROM CHRONIC
 HEART DISEASE.

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STROKE WORKSHOPS

STROKE WORKSHOPS WERE PROVIDED TO THOSE COMMUNITIES IN OUR SERVICE AREA WHERE THE INCIDENCE OF HEART AND VASCULAR DISEASE ARE MORE PREVALENT WITH THE GOAL OF INCREASING AWARENESS ABOUT THE SIGNS AND SYMPTOMS OF STROKE. THE DIRECTOR OF THE FMH STROKE PROGRAM ATTENDED A NUMBER OF COMMUNITY MEETINGS AND EVENT TO EDUCATED ATTENDEES ABOUT THE RISK FACTORS ASSOCIATED WITH CARDIOVASCULAR DISEASE. ATTENDEES ARE GIVEN INFORMATION ON RISK FACTORS AND STEPS THEY CAN TAKE RIGHT AWAY TO CHANGE THEIR OWN RISK FOR STROKE. BECAUSE THE ONSET OF CORONARY ARTERY DISEASE, VASCULAR DISEASE AND THE PREDILECTION TO ATHEROSCLEROSIS ALL HAVE A GENETIC COMPONENT, IT IS DIFFICULT TO ASCERTAIN WHAT IMPACT, IF ANY, A FOCUSED AWARENESS CAMPAIGN ABOUT THE SIGNS AND SYMPTOMS OF STROKE MAY HAVE ON A GIVEN POPULATION. AN IMMEDIATE EVALUATION TOOL WAS USED TO ASSESS WHETHER THE ATTENDEES LEARNED AND RETAINED SOME OF THE PERTINENT INFORMATION PRESENTED IN THE WORKSHOPS. AT THE CONCLUSION OF THE WORKSHOPS, APPROXIMATELY NINETY-EIGHT (98%) PERCENT OF THE ATTENDEES ARE ABLE TO NAME AND IDENTIFY STROKE SIGNS AND

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SYMPTOMS AND KNOW WHAT TO DO IN CASE THEY, OR SOMEONE THEY KNOW, ARE HAVING A STROKE. FMH WILL CONTINUE TO OFFER FREE STROKE WORKSHOPS TO THE CITIZENS OF FREDERICK COUNTY TO INCREASE AWARENESS AND PROVIDE DETAILS ON STROKE CARE AND PREVENTION. EFFORTS WILL FOCUS EVEN MORE SPECIFICALLY IN THOSE UNDERSERVED COMMUNITIES IN WHICH THE INCIDENCE OF CARDIOVASCULAR DISEASE IS HIGHEST IN FREDERICK COUNTY.

THE COMMUNITY NEEDS HEALTH ASSESSMENT IDENTIFIED LUNG DISEASE AS FOCUS NEED: ACCESS TO CARE: PRENATAL CARE. THE FMH PRENATAL CENTER PROVIDES PRENATAL CARE FOR FREDERICK COUNTY RESIDENTS WHO ARE UNDERINSURED OR UNINSURED AND WHO MAY BE UNABLE TO OBTAIN PRENATAL CARE FROM PRIVATE OBSTETRICIANS. MANY OF THE WOMEN IN THE PRENATAL CENTER'S PROGRAMS ARE HIGH-RISK MATERNITY PATIENTS, WHO PRESENT WITH MEDICAL CONDITIONS THAT MAY POSE SIGNIFICANT MATERNAL AND INFANT RISK. FMH PRENATAL CENTER PRACTITIONERS ARE CERTIFIED NURSE MIDWIVES, UNDER THE SUPERVISION OF DR. EDWIN CHEN, MEDICAL DIRECTOR FOR THE PRENATAL CENTER, AND DR. WAYNE KRAMER, A MATERNAL FETAL MEDICINE SPECIALIST WITH MID MARYLAND PERINATOLOGY ASSOCIATES, WHO ARE ABLE TO DIAGNOSE AND TREAT NORMAL

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PREGNANCIES AS WELL AS HIGH RISK PREGNANCIES. PNC MEDICAL ASSISTANTS, AND A CERTIFIED SPANISH INTERPRETER COMPLETE THE STAFF MEMBERS IN THE PRENATAL CENTER WHICH IS UNDER THE UMBRELLA OF WOMEN'S AND CHILDREN'S SERVICES SUPERVISED BY A MASTERS PREPARED NURSING DIRECTOR. ACCESS TO THE FMH PRENATAL CENTER IS PRIMARILY FROM SELF-REFERRALS, AS WELL AS REFERRALS FROM FREDERICK COUNTY HEALTH DEPARTMENT (FCHD), AND MISSION OF MERCY. THIS INITIATIVE WAS IMPLEMENTED AFTER THE FIRST FCHD HEALTH NEEDS ASSESSMENT DEMONSTRATED THAT THERE WERE SIGNIFICANT UNMET NEEDS FOR PRENATAL CARE. THE FMH AUXILIARY CONTRIBUTED SIGNIFICANT FUNDS FOR THE FIRST FOUR YEARS OF THE PNC. FMH LEADERSHIP IS COMMITTED TO THE CONTINUATION OF THE PNC DUE TO THE SIGNIFICANT IMPROVEMENT IN ACCESS TO PRENATAL CARE AND IMPROVEMENTS IN INFANT MORTALITY STATISTICS FOR FREDERICK COUNTY.

THE GOAL OF THE PRENATAL CENTER IS TO HAVE HEALTHY MOTHERS AND HEALTHY NEWBORNS. OUR SUCCESS IS ASSESSED BY THE NUMBER AND PERCENTAGE OF WOMEN WHO HAVE HAD EIGHT OR MORE PRENATAL VISITS AND DELIVERED A NEWBORN WHO WEIGHS AT LEAST 2500 GRAMS. THERE WERE 315 NEW MATERNITY PATIENTS WHO HAD 2737 OUTPATIENT PRENATAL VISITS IN 2014. THE PNC ALSO MEASURES

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PATIENT SATISFACTION AND REGULARLY ACHIEVES AVERAGE SCORES BETWEEN 95-98%. THERE WERE 175 MATERNITY PATIENTS WHO RECEIVED AT LEAST 8 PRENATAL CARE VISITS AND WHO DELIVERED BABIES OF HEALTHY BIRTH WEIGHT (2500 GRAMS OR ABOVE). OF THOSE WOMEN WHO HAD AT LEAST 8 PRENATAL CARE VISITS 97% DELIVERED BABIES OF HEALTHY BIRTH WEIGHT. IN MARYLAND, FREDERICK COUNTY HAD THE 5TH LOWEST PERCENTAGE OF BABIES BORN WEIGHING LESS THAN 2,500 GRAMS IN 2012 AND THE 4TH LOWEST INFANT MORTALITY RATE PER 1,000 LIVE BIRTHS IN 2012 (DHMH MOST RECENT STATE WIDE STATISTICS ARE FROM 2012). THE FREDERICK REGIONAL HEALTH SYSTEM WILL CONTINUE TO FUND OPERATIONS OF THE FMH PRENATAL CENTER THROUGH OUR COMMITMENT TO SERVING OUR COMMUNITY AND OUR POPULATION HEALTH INITIATIVES. TOTAL DIRECT OPERATING EXPENSES FOR PNC STAFF, SUPPLIES, PROVIDERS AND HIGH RISK CONSULTANTS EXCEED \$335,000 ANNUALLY.

THE COMMUNITY NEEDS HEALTH ASSESSMENT IDENTIFIED LUNG DISEASE AS FOCUS NEED: ACCESS TO CARE: CARE MANAGEMENT. ONE OF THE MAIN REASONS FOR HOSPITAL RE-ADMISSION IS THE FACT THAT DISCHARGED PATIENTS HAVE HISTORICALLY RECEIVED LITTLE OR NO GUIDANCE RELATIVE TO FOLLOW-UP VISITS

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WITH PHYSICIANS, FILLING AND TAKING THEIR PRESCRIBED MEDICATIONS, MAKING APPOINTMENTS FOR REHABILITATION, ETC. PATIENTS IDENTIFIED AS HIGH ED UTILIZERS, AND/OR PATIENTS RETURNING TO THE HOSPITAL WITHIN 30 DAYS OF DISCHARGE, MEET WITH EITHER AN RN OR SOCIAL WORK CASE MANAGEMENT IN AN EFFORT TO UNDERSTAND WHY A PATIENT HAS RETURNED AFTER DISCHARGE AND OR HAS FREQUENT VISITS TO THE EMERGENCY ROOM. THE RESULTS OVERWHELMINGLY SUPPORTED THE NEED TO ESTABLISH A PLAN FOR ACCESS TO; MEDICATIONS, FOLLOW UP PHYSICIAN APPOINTMENTS, TRANSPORTATION, AND OTHER MEDICAL/SOCIAL SUPPORT IN THE COMMUNITY.

CARE TRANSITIONS

012 WITH 1,038 PATIENTS RECEIVING INTERVENTIONS FROM OUR CARE TRANSITIONS RN AND 470 PATIENTS RECEIVING SOME INTERVENTION FROM A CARE TRANSITION PHARMACIST. THROUGH THE WORK OF OUR CARE TRANSITIONS TEAM PATIENTS RECEIVE MORE FOCUSED DISEASE MANAGEMENT EDUCATION, AND INTENSIVE TRANSITION PLANNING, WHICH OFTEN INCLUDES FINANCIAL SUPPORT FOR MEDICATIONS, FOLLOW UP PHYSICIAN APPOINTMENTS, TRANSPORTATION AND VARIOUS OTHER MEDICAL AND SOCIAL SUPPORT SERVICES IN THE COMMUNITY. AS THE TEAM

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OF CARE TRANSITIONS NURSES, SOCIAL WORKERS AND PHARMACIST WORKS CLOSELY WITH PATIENTS WHO HAVE BEEN IDENTIFIED AS HIGH RISK FOR READMISSION A GREAT DEAL OF TIME AND ENERGY IS SPENT WORKING WITH PATIENTS AND CAREGIVERS TO ESTABLISH A POST DISCHARGE PLAN. THIS INCLUDES DISCUSSING AFFORDABILITY AND ACCESS TO THE NECESSARY SERVICES. IF THE CARE TRANSITION TEAM, OR CASE MANAGER, IDENTIFIES THE NEED FOR FINANCIAL ASSISTANCE ARRANGEMENTS ARE MADE DIRECTLY WITH THE POST-ACUTE PROVIDER TO ENSURE THE PATIENT WILL HAVE THE NECESSARY ACCESS TO SERVICE WITHOUT CONCERN FOR COST. COLLABORATIVE PARTNERSHIPS HAVE ESTABLISHED WITH THE COMMUNITY TO ENSURE SERVICES ARE PROVIDED AND APPROPRIATE CHARGES COVERED BY THE CARE TRANSITIONS PROGRAM.

THE EFFECTIVENESS OF THE INTERVENTIONS IS EVALUATED ON A DAILY BASIS BY TRACKING THE RECIDIVISM RATES OF PATIENTS RETURNING TO THE ED AND OR THE HOSPITAL FOR ACUTE CARE. ADDITIONALLY, SUCCESS IS MEASURED THRU OUR PATIENT SATISFACTION WITH THE DISCHARGE PROCESS, WHICH ALMOST SIMULTANEOUSLY WITH THE PROGRAM PATIENT SATISFACTION MOVED FROM THE "78TH" PERCENTILE TO THE 85TH AND HAS NOT DROPPED SINCE. THE CARE TRANSITIONS TEAM SERVED 1,792 PATIENTS DURING FY 14. APPROXIMATELY 30% OF

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PATIENTS REQUIRED SOME TYPE OF FINANCIAL ASSISTANCE TO ENSURE POST DISCHARGE COMPLIANCE WITH THE PLAN OF CARE, INCLUDING TRANSPORTATION, PRESCRIPTION ASSISTANCE AND ASSISTANCE WITH FOLLOW UP MEDICAL MANAGEMENT/CARE. THE CARE TRANSITIONS INITIATIVE IS ONGOING WITH NO END DATE.

\$24,746 WAS SPENT PROVIDING POST-ACUTE SERVICES TO MEET INDIVIDUAL PATIENT NEEDS.

AN IDENTIFIED BUT UNMET NEED IS MENTAL HEALTH. MENTAL HEALTH TODAY AN ESTIMATED 22.1% OF ADULTS IN AMERICA - ABOUT ONE IN FIVE - SUFFER FROM A DIAGNOSABLE MENTAL DISORDER IN ANY GIVEN YEAR. IN ADDITION, FOUR OF THE TEN LEADING CAUSES OF DISABILITY ARE MENTAL DISORDERS. WHILE FREDERICK COUNTY'S RATE OF EMERGENCY DEPARTMENT VISITS RELATED TO BEHAVIORAL HEALTH PER 100,000 POPULATION IS LESS THAN THE MARYLAND HEALTHY COMMUNITIES TARGET OF 5,028, IT REMAINS A SIGNIFICANT - AND GROWING - PROBLEM IN THE COUNTY. THE FREDERICK COUNTY FIGURE FOR 2010 WAS 3,725 PER 100,000 POPULATION. IN 2011 THE FIGURE GREW TO 4,422. THAT IS AN INCREASE OF 84% PER 100,000 POPULATION. FREDERICK MEMORIAL HOSPITAL PROVIDES BEHAVIORAL

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HEALTH CARE TO PATIENTS WHO COME TO THE HOSPITAL FOR HELP. BECAUSE WE ARE HOSPITAL-BASED, WE OFFER A FULL CONTINUUM OF SERVICES. OUR HIGHLY SPECIALIZED TEAM CONSISTS OF BOARD CERTIFIED PSYCHIATRISTS, CLINICAL NURSES, MENTAL HEALTH ASSOCIATES, CLINICAL NURSE SPECIALISTS, PHYSICAL THERAPISTS, OCCUPATIONAL THERAPISTS AND CLINICAL SOCIAL WORKERS. ADDRESSING THE COMMUNITY'S BEHAVIORAL HEALTH NEEDS IS AN IMPORTANT AND URGENTLY NEEDED FACET OF CARE THAT IS MISSING IN FREDERICK COUNTY. WHILE FMH RECOGNIZES THIS ISSUE MUST BE ADDRESSED MOVING FORWARD, THE ORGANIZATION WILL NOT BE ABLE TO RESPOND IN THE NEAR TERM BECAUSE OF FACILITY CONSTRAINTS AND THE LACK OF THE INFRASTRUCTURE NECESSARY TO SUSTAIN THE KINDS OF PROGRAMS THAT WOULD MAKE AN IMPACT IN THIS AREA. UNTIL WE ARE GIVEN PERMISSION BY THE HSCRC TO EXPAND INPATIENT BED CAPACITY, AND THE ECONOMIC ENVIRONMENT IS SUCH THAT FUNDS WILL BE AVAILABLE FOR THE NECESSARY CONSTRUCTION, FMH WILL CONTINUE TO PARTICIPATE IN THE COUNTY'S ONGOING NEEDS ASSESSMENT PROCESS, AND SUPPORT WITH IN-KIND SERVICES AND DOLLARS THOSE AGENCIES BETTER POSITIONED TO IMMEDIATELY MANAGE THE NEAR CRISIS CONDITIONS OUR COMMUNITY IS CURRENTLY EXPERIENCING. FREDERICK MEMORIAL HOSPITAL IS EXPLORING AN OPPORTUNITY TO

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PARTNER WITH WAY STATION TO OPEN A PRIMARY CARE AND MENTAL HEALTH CLINIC IN FREDERICK COUNTY. THE GOAL OF THE PATIENT HEALTH HOME PROGRAM WILL BE TO REDUCE HEALTHCARE COSTS ASSOCIATED WITH THE CLIENTS SERVED WHILE IMPROVING THE OVERALL HEALTH STATUS OF THE COMMUNITY.

FMH HAS DEVELOPED A STRATEGIC PHYSICIAN MANPOWER PLAN THAT PROVIDES FOR THE RECRUITMENT OF PRIMARY CARE PHYSICIANS, AND THOSE PHYSICIANS PRACTICING IN SPECIALTY AND SUBSPECIALTY CARE FOR WHICH THERE WILL BE INCREASED NEED MOVING FORWARD. ADULT PRIMARY CARE: THE PHYSICIAN MANPOWER PLAN CALLS FOR THE INCREMENTAL INCREASE OF 5 TO 6 ADULT PRIMARY CARE PRACTITIONERS PLUS 4 EXTENDERS (PHYSICIAN ASSISTANTS, NURSE PRACTITIONERS) WITHIN A 2 YEAR TIME FRAME. THE PLACEMENT OF THE PHYSICIANS HAS BEEN RESEARCHED AND ANALYZED TO ENSURE THE EQUITABLE GEOGRAPHIC DISTRIBUTION OF PRIMARY CARE WITHIN FREDERICK COUNTY MEDICAL SPECIALTY CARE: AS THE CAPABILITIES OF FREDERICK REGIONAL HEALTH SYSTEM EXPAND IN RESPONSE TO DEMAND AND MORE EDUCATED CONSUMER NEEDS/WANTS, FREDERICK COUNTY WILL REQUIRE AN INFLUX OF SPECIALTY AND SUB-SPECIALTY PRACTICES TO PROVIDE ADVANCED MODALITY CARE. THE PHYSICIAN MANPOWER PLAN

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- 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.

HAS MAPPED OUT SUPPLY AND DEMAND TO THE YEAR 2016, AND PROVIDED A RECRUITMENT ROAD MAP FOR SPECIALTY PHYSICIAN PRACTICES.

SCHEDULE H, PART VI, AFFILIATED HEALTH CARE

AFFILIATED HEALTH CARE SYSTEM

FREDERICK MEMORIAL HOSPITAL, INC. ("FMH") IS A PRIVATE, NON-STOCK, NOT-FOR-PROFIT 501 (C) (3) MARYLAND CORPORATION ORGANIZED IN 1897. AS OF JULY 1, 2011, FREDERICK REGIONAL HEALTH SYSTEM BECAME THE PARENT CORPORATION UNDER WHICH THE ENTITIES DESCRIBED BELOW EXIST AND OPERATE. FREDERICK REGIONAL HEALTH SYSTEM IS GOVERNED BY A SIXTEEN MEMBER BOARD OF DIRECTORS. THE BOARD MEETS MONTHLY, WITH ELECTION OF OFFICERS AND MEMBERS OCCURRING AT THE SEPTEMBER MEETING. MUCH OF THE BOARD'S WORK IS ACCOMPLISHED THROUGH STANDING COMMITTEES, INCLUDING THE EXECUTIVE, FINANCE, GOVERNANCE, EXECUTIVE COMPENSATION, JOINT CONFERENCE (WITH MEDICAL STAFF), PLANNING, AND HOSPITAL PERFORMANCE REVIEW COMMITTEES.

FREDERICK MEMORIAL HOSPITAL IS A 298-BED ACUTE CARE HOSPITAL LOCATED IN FREDERICK, MARYLAND, APPROXIMATELY 50 MILES WEST OF BALTIMORE AND 45

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.

MILES NORTHWEST OF WASHINGTON D. C. THE HOSPITAL OPENED IN 1902 AND IS CURRENTLY THE ONLY ACUTE CARE HOSPITAL IN FREDERICK COUNTY AND THE ONLY ACUTE CARE HOSPITAL WITHIN A 25-MILE RADIUS OF THE CITY OF FREDERICK.

THE MAIN CAMPUS OF THE HOSPITAL IS LOCATED ON AN APPROXIMATELY 15.85-ACRE SITE IN FREDERICK, MARYLAND. THE TOTAL SQUARE FOOTAGE OF THE HOSPITAL IS APPROXIMATELY 596, 000 SQUARE FEET. FMH'S HOSPITAL-BASED AND OFF-SITE OUTPATIENT SERVICES ACCOUNT FOR OVER 350,000 VISITS ANNUALLY. ITS CONTINUUM OF CARE SERVICES INCLUDES A 20-BED SKILLED NURSING UNIT, AND HOME HEALTH SERVICES, WHICH MAKES APPROXIMATELY 35,000 VISITS PER YEAR. IN ADDITION, HOSPITAL-BASED HOSPICE SERVICES HANDLE APPROXIMATELY 15,000 VISITS PER YEAR.

FREDERICK REGIONAL HEALTH SYSTEM IS THE PARENT CORPORATION FOR MONOCACY HEALTH PARTNERS, A PHYSICIAN LED ENTERPRISE COMPOSED OF THE FOLLOWING HEALTH SYSTEM OWNED PRACTICES FREDERICK REGIONAL HEALTH SYSTEM PROVIDES A FULL RANGE OF ACUTE CARE SERVICES INCLUDING: MEDICINE, SURGERY, OBSTETRICS, GYNECOLOGY, PEDIATRICS, INTENSIVE CARE, CORONARY CARE,

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.

INTERVENTIONAL CARDIOLOGY, PRIMARY STROKE PROGRAM, WOUND CARE, JOINT REPLACEMENT PROGRAM, CYBERKNIFE RADIOSURGERY CENTER, PSYCHIATRIC CARE, MEDICAL FITNESS, WELLNESS PROGRAM/CENTER AND EMERGENCY SERVICES. IN ADDITION, THE HEALTH SYSTEM PROVIDES A COMPREHENSIVE RANGE OF OUTPATIENT SERVICES, INCLUDING: EMERGENCY MEDICINE, OUTPATIENT SURGERY, HOME HEALTH, RADIATION THERAPY, MRI, PET AND CT SCANNING, MEDICAL ONCOLOGY, AND COMPREHENSIVE WOMEN'S SERVICES.

THROUGH THE SATELLITE LOCATIONS AND OUTPATIENT CENTERS, THE HEALTH SYSTEM PROVIDES: URGENT CARE, LABORATORY, DIAGNOSTIC RADIOLOGY, AMBULATORY SURGERY, VASCULAR IMAGING, REHABILITATION SERVICES, PAIN AND PALLIATIVE CARE.

CHRONIC DISEASE MANAGEMENT: BREAST CANCER

-FMH DATA SHOWS THAT CANCER STRIKES WHITE WOMEN, 65 + YEARS OF AGE. THAT COHORT ACCOUNTS FOR 55% (329) OF THE 596 PATIENTS ADMITTED TO FMH IN FY2012 WITH A CANCER DIAGNOSIS.

-CAUCASIANS ARE IMPACTED BY A GREATER DEGREE AS MEASURED BY PERCENTAGE OF THAT RACE'S POPULATION IN FREDERICK.

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.
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- 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.

-IN FY 2012, THE TOTAL NUMBER OF CASES (INPATIENT AND OUTPATIENT) WITH THE DIAGNOSIS OF NEOPLASM EQUALED 14,761.

-EIGHT PERCENT OF THE FREDERICK COUNTY POPULATION IS CURRENTLY LISTED IN THE FMH CANCER REGISTRY.

BREAST CANCER IS THE MOST PREVALENT SITE OF CANCER DIAGNOSED AND TREATED AT FMH. IN 2012, THE TOTAL NUMBER OF BREAST CANCER PATIENTS AT FMH WAS 211, OR 25.5% OF THE TOTAL NUMBER OF CANCER PATIENTS DIAGNOSED AND TREATED AT FMH. THIS REPRESENTS AN 18% INCREASE IN VOLUMES FROM THE TOTAL SEEN IN 2011. THE INCREASE IN VOLUME IS EVIDENCE THAT THE HOSPITAL'S AWARENESS AND EDUCATIONAL PROGRAMS ARE WORKING WELL, ESPECIALLY GIVEN THE FACT THAT ANALYSIS OF STAGE AT DIAGNOSIS SHOWS THE LARGEST PROPORTION - 41% - ARE DIAGNOSED AT STAGE I.

THE 9TH ANNUAL BREAST CANCER SYMPOSIUM

THE THEME FOR THIS FREE AND OPEN TO THE PUBLIC EVENT WAS "CELEBRATING LIFE AND EMBRACING CHALLENGES: HAND IN HAND IN HOPE." DR. SUSAN BAHL, MEDICAL DIRECTOR OF THE CENTER FOR BREAST CARE DISCUSSED THE ADVANTAGES OF THE FMH MULTIDISCIPLINARY BREAST CANCER CLINIC AND THE FMH HIGH RISK

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.

CLINIC; DR. MEREDITH WERNICK, RADIATION ONCOLOGIST, DISCUSSED RECENT
 ADVANCES IN RADIATION TREATMENT FOR BREAST CANCER; DR. LAWRENCE WICKERHAM
 DISCUSSED MEASURING YOUR RISK FOR BREAST CANCER. 120 WOMEN ATTENDED THE
 EVENT.
 THE PURPOSE OF THESE OUTREACH EFFORTS IS TO INFLUENCE A WOMAN'S DECISION
 TO PRACTICE MONTHLY BREAST SELF-EXAMINATIONS, BE EXAMINED YEARLY BY A
 HEALTH CARE PROVIDER, HAVE A YEARLY MAMMOGRAM AS INDICATED BY SCREENING
 PROTOCOLS. THE OVERARCHING GOAL IS TO DECREASE THE INCIDENCE OF
 LATE-STAGE BREAST CANCER DIAGNOSIS IN FREDERICK COUNTY. OVER THE PAST 5
 YEARS, THE FMH CANCER REGISTRY HAS RECORDED AN INCREASE IN THE NUMBER OF
 BREAST CANCERS DIAGNOSED IN STAGE I AND STAGE II. GIVEN THE FAVORABLE
 OUTCOMES AS MEASURED BY THE NUMBER OF BREAST CANCER PATIENTS PRESENTING
 IN THE EARLY STAGES OF THE DISEASE, FMH PLANS TO CONTINUE HOSTING THE
 BREAST CANCER SYMPOSIUM FOR MANY YEARS TO COME.

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.
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- 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.

SCHEDULE H, PART VI, STATE FILING

MARYLAND

**SCHEDULE I
(Form 990)**

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

OMB No. 1545-0047

2013

**Open to Public
Inspection**

Department of the Treasury
Internal Revenue Service

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

▶ Attach to Form 990.

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

Name of the organization

FREDERICK MEMORIAL HOSPITAL, INC.

Employer identification number

52-0591612

Part I General Information on Grants and Assistance

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

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

1 (a) Name and address of organization or government	(b) EIN	(c) IRC section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
(1) FREDERICK COMMUNITY COLLEGE 7932 OPOSSUMTOWN PIKE FREDERICK, MD 21702	52-0743590	501(C)(3)	100,000.				SUPPORT OF ALLIED HEALTH PROGRAM
(2) -----							
(3) -----							
(4) -----							
(5) -----							
(6) -----							
(7) -----							
(8) -----							
(9) -----							
(10) -----							
(11) -----							
(12) -----							

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

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

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

Schedule I (Form 990) (2013)

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

(a) Type of grant or assistance	(b) Number of recipients	(c) Amount of cash grant	(d) Amount of non-cash assistance	(e) Method of valuation (book, FMV, appraisal, other)	(f) Description of non-cash assistance
1					
2					
3					
4					
5					
6					
7					

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

PROCEEDURES FOR MONITORING THE USE OF GRANTS

THE HOSPITAL PROVIDES FUNDING TO A LOCAL COMMUNITY COLLEGE (501(C)(3) IN AN EFFORT TO ENHANCE ITS ALLIED HEALTH PROGRAM. THROUGH THIS PROGRAM A FORMAL EDUCATION FORUM IS ESTABLISHED RESULTING IN FULLY ACCREDITED PROGRAMS THAT MEET THE HOSPITAL'S NEEDS.

**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

FREDERICK MEMORIAL HOSPITAL, INC.

Employer identification number

52-0591612

Part I Questions Regarding Compensation

1a Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a. Complete Part III to provide any relevant information regarding these items.

- | | |
|--------------------------------------------------------------------|-----------------------------------------------------------------------------------|
| <input type="checkbox"/> First-class or charter travel | <input type="checkbox"/> Housing allowance or residence for personal use |
| <input type="checkbox"/> Travel for companions | <input type="checkbox"/> Payments for business use of personal residence |
| <input type="checkbox"/> Tax indemnification and gross-up payments | <input checked="" type="checkbox"/> Health or social club dues or initiation fees |
| <input type="checkbox"/> Discretionary spending account | <input type="checkbox"/> Personal services (e.g., maid, chauffeur, chef) |

b If any of the boxes on 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

2 Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all directors, trustees, and officers, including the CEO/Executive Director, regarding the items checked in line 1a?

3 Indicate which, if any, of the following the filing organization used to establish the compensation of the organization's CEO/Executive Director. Check all that apply. Do not check any boxes for methods used by a related organization to establish compensation of the CEO/Executive Director, but explain in Part III.

- | | |
|-------------------------------------------------------------------------|-------------------------------------------------------------------------------------|
| <input checked="" type="checkbox"/> Compensation committee | <input type="checkbox"/> Written employment contract |
| <input checked="" type="checkbox"/> Independent compensation consultant | <input checked="" type="checkbox"/> Compensation survey or study |
| <input type="checkbox"/> Form 990 of other organizations | <input checked="" type="checkbox"/> Approval by the board or compensation committee |

4 During the year, did any person listed in Form 990, Part VII, Section A, line 1a, with respect to the filing organization or a related organization:

- a** Receive a severance payment or change-of-control payment?
 - b** Participate in, or receive payment from, a supplemental nonqualified retirement plan?
 - c** Participate in, or receive payment from, an equity-based compensation arrangement?
- If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III.

Only section 501(c)(3) and 501(c)(4) organizations must complete lines 5-9.

5 For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of:

- a** The organization?
 - b** Any related organization?
- If "Yes" to line 5a or 5b, describe in Part III.

6 For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of:

- a** The organization?
 - b** Any related organization?
- If "Yes" to line 6a or 6b, describe in Part III.

7 For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III

8 Were any amounts reported in Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in Regulations section 53.4958-4(a)(3)? If "Yes," describe in Part III

9 If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53.4958-6(c)?

	Yes	No
1b	X	
2	X	
4a		X
4b	X	
4c		X
5a		X
5b		X
6a		X
6b		X
7		X
8		X
9		

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

Schedule J (Form 990) 2013

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

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

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

(A) Name and Title		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported as deferred in prior Form 990
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
1 MARK S. SOBERMAN PHYSICIAN	(i)	502,817.	25,095.	1,032.	5,298.	15,336.	549,578.	0
	(ii)	0	0	0	0	0	0	0
2 JENNIFER G. TEETER AVP PAYOR CONTRACTING	(i)	161,440.	19,998.	1,242.	11,018.	12,709.	206,407.	0
	(ii)	0	0	0	0	0	0	0
3 SHIRLEY B. THOMPSON (END) INTERIM SR VP PATIENT CARE	(i)	185,690.	20,000.	6,858.	0	8,065.	220,613.	0
	(ii)	0	0	0	0	0	0	0
4 JOHN R. VERBUS SR VP AND COO	(i)	350,449.	72,095.	2,322.	47,616.	8,753.	481,235.	0
	(ii)	0	0	0	0	0	0	0
5 JIM R. WILLIAMS VP BUSINESS DEVELOPMENT AND PR	(i)	193,330.	22,786.	3,564.	13,041.	12,962.	245,683.	0
	(ii)	0	0	0	0	0	0	0
6 MANUAL A. CASIANO VP MEDICAL STAFF	(i)	321,503.	68,486.	2,322.	46,440.	16,117.	454,868.	0
	(ii)	0	0	0	0	0	0	0
7 PAUL N CHOMIAK PHYSICIAN	(i)	406,085.	38,507.	552.	11,309.	6,047.	462,500.	0
	(ii)	0	0	0	0	0	0	0
8 CHERYL L. CIOFFI VP CHIEF NURSING OFFICER	(i)	149,403.	19,316.	90.	8,758.	15,052.	192,619.	0
	(ii)	0	0	0	0	0	0	0
9 KENNETH R. COFFEY II VP CHIEF DEVELOPMENT OFFICER	(i)	176,401.	23,707.	2,322.	12,152.	15,650.	230,232.	0
	(ii)	0	0	0	0	0	0	0
10 MARK G. GOLDSTEIN PHYSICIAN	(i)	246,903.	201,114.	216.	10,434.	15,098.	473,765.	0
	(ii)	0	0	0	0	0	0	0
11 JAMES S. GRISSOM AVP OF MEDICAL AFFAIRS	(i)	135,239.	13,383.	1,170.	7,285.	6,755.	163,832.	0
	(ii)	0	0	0	0	0	0	0
12 HANNAH R. JACOBS VP-FINANCE	(i)	163,014.	21,107.	540.	9,218.	2,203.	196,082.	0
	(ii)	0	0	0	0	0	0	0
13 THOMAS A. KLEINHANZL PRESIDENT AND CEO	(i)	575,212.	212,603.	4,257.	168,150.	16,355.	976,577.	452,082.
	(ii)	0	0	0	0	0	0	0
14 SUSAN BAHL PHYSICIAN	(i)	347,309.	110,846.	216.	6,250.	2,351.	466,972.	0
	(ii)	0	0	0	0	0	0	0
15 KIMBIZ TAJKARIMI PHYSICIAN	(i)	519,481.	162.	240.	0	12,232.	532,115.	0
	(ii)	0	0	0	0	0	0	0
16 MICHELLE K. MAHAN SR VP AND CFO	(i)	353,041.	73,343.	2,322.	46,569.	15,216.	490,491.	0
	(ii)	0	0	0	0	0	0	0

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

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

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

(A) Name and Title		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported as deferred in prior Form 990
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
1 MARY B. MANN AVP PATIENT CARE SERVICES	(i)	146,086.	17,073.	1,242.	9,544.	5,581.	179,526.	0
	(ii)	0	0	0	0	0	0	0
2 TERRY P. O'MALLEY VP HUMAN RESOURCES	(i)	189,135.	24,264.	6,858.	32,020.	12,928.	265,205.	0
	(ii)	0	0	0	0	0	0	0
3 DAVID J. QUIRKE VP CHIEF INFORMATION OFFICER	(i)	246,350.	55,140.	810.	34,877.	11,092.	348,269.	0
	(ii)	0	0	0	0	0	0	0
4 CRAIG F. ROSENDALE VP ANCILLARY SERVICES	(i)	170,651.	21,940.	3,564.	11,724.	12,082.	219,961.	0
	(ii)	0	0	0	0	0	0	0
5 DONALD R. SCHILLING VP AMBULATORY SERVICES	(i)	180,582.	21,808.	2,322.	5,508.	12,985.	223,205.	0
	(ii)	0	0	0	0	0	0	0
6	(i)							
	(ii)							
7	(i)							
	(ii)							
8	(i)							
	(ii)							
9	(i)							
	(ii)							
10	(i)							
	(ii)							
11	(i)							
	(ii)							
12	(i)							
	(ii)							
13	(i)							
	(ii)							
14	(i)							
	(ii)							
15	(i)							
	(ii)							
16	(i)							
	(ii)							

Part III Supplemental Information

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

FORM 990, SCHEDULE J, PART I, LINE 1A

COMPENSATION PROVIDED BY ORG LISTED IN FORM 990, PART VII, SECTION A
FREDERICK MEMORIAL HOSPITAL HOLDS TWO CORPORATE MEMBERSHIPS TO A LOCAL
GOLF/COUNTRY CLUB THAT ARE USED BY THE CHIEF EXECUTIVE OFFICER AND THE
CHIEF FUND DEVELOPMENT OFFICER OF THE HOSPITAL. WHILE THE MAJORITY OF THE
FEES ASSOCIATED WITH THE CLUB DUES, ETC. IS BUSINESS RELATED, GENERAL
PERSONAL USE EXPENSES ARE REIMBURSED BACK TO THE HOSPITAL BY THESE
INDIVIDUALS AS NEEDED.

FORM 990, SCHEDULE J, PART I, LINE 4B

PAYMENT FROM A SUPPLEMENTAL NONQUALIFIED RETIREMENT PLAN
FREDERICK MEMORIAL HOSPITAL HAS ONE 457(F) NON-QUALIFIED DEFERRED
COMPENSATION PLAN FOR CERTAIN MEMBERS OF SENIOR MANAGEMENT. UNDER THE
PLAN, THEY MAY CONTRIBUTE AMOUNTS FROM THEIR COMPENSATION TO THE PLAN AND
MAY RECEIVE A DISCRETIONARY EMPLOYER CONTRIBUTION. EMPLOYEES ARE FULLY
VESTED IN ALL EMPLOYEE CONTRIBUTIONS TO THE PLAN. VESTING IN EMPLOYER
CONTRIBUTIONS OCCURS IN ACCORDANCE WITH THE UNDERLYING PLAN DOCUMENTS.
ALL ASSETS OF THE PLAN ARE HELD IN A SEPARATE TRUST. TOTAL HOSPITAL
CONTRIBUTIONS TO THIS PLAN WERE \$313,000 FOR THE YEAR.

**SCHEDULE K
(Form 990)**

Supplemental Information on Tax-Exempt Bonds

OMB No. 1545-0047

2013

**Open to Public
Inspection**

▶ **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.**

Department of the Treasury
Internal Revenue Service

Name of the organization

FREDERICK MEMORIAL HOSPITAL, INC.

Employer identification number

52-0591612

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) Pooled financing	
						Yes	No	Yes	No	Yes	No
A MARYLAND HEALTH & HIGHER EDU FACILITIES AUTH 2012A	52-0936091	574218LY7	12/05/2012	96,240,000.	SEE PART VI		X		X		X
B MARYLAND HEALTH & HIGHER EDU FACILITIES AUTH 2012B	52-0936091		12/05/2012	70,020,000.	SEE PART VI		X		X		X
C											
D											

Part II Proceeds

	A		B		C		D	
1 Amount of bonds retired	68,293,488.		70,020,000.					
2 Amount of bonds legally defeased								
3 Total proceeds of issue	108,345,805.		70,690,852.					
4 Gross proceeds in reserve funds								
5 Capitalized interest from proceeds	1,648,756.							
6 Proceeds in refunding escrows			320,948.					
7 Issuance costs from proceeds	1,203,561.		349,253.					
8 Credit enhancement from proceeds								
9 Working capital expenditures from proceeds								
10 Capital expenditures from proceeds	14,450,568.							
11 Other spent proceeds								
12 Other unspent proceeds	22,749,432.							
13 Year of substantial completion	2014		2012					
	Yes	No	Yes	No	Yes	No	Yes	No
14 Were the bonds issued as part of a current refunding issue?	X		X					
15 Were the bonds issued as part of an advance refunding issue?		X		X				
16 Has the final allocation of proceeds been made?		X		X				
17 Does the organization maintain adequate books and records to support the final allocation of proceeds?		X		X				

Part III Private Business Use

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

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

Part III Private Business Use (Continued)		FREDERICK MEMORIAL HOSPITAL							
		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
3a	Are there any management or service contracts that may result in private business use of bond-financed property?	X		X					
b	If "Yes" to line 3a, does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts relating to the financed property?	X		X					
c	Are there any research agreements that may result in private business use of bond-financed property?	X		X					
d	If "Yes" to line 3c, does the organization routinely engage bond counsel or other outside counsel to review any research agreements relating to the financed property?	X		X					
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 ▶		%	.2100	%		%		%
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 ▶	.6300	%	.0500	%		%		%
6	Total of lines 4 and 56300	%	.2600	%		%		%
7	Does the bond issue meet the private security or payment test?		X		X				
8a	Has there been a sale or disposition of any of the bond-financed property to a non-governmental person other than a 501(c)(3) organization since the bonds were issued?		X		X				
b	If "Yes" to line 8a, enter the percentage of bond-financed property sold or disposed of		%		%		%		%
c	If "Yes" to line 8a, was any remedial action taken pursuant to Regulations sections 1.141-12 and 1.145-2?								
9	Has the organization established written procedures to ensure that all nonqualified bonds of the issue are remediated in accordance with the requirements under Regulations sections 1.141-12 and 1.145-2?	X		X					

Part IV Arbitrage		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Has the issuer filed Form 8038-T, Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate?		X		X				
2	If "No" to line 1, did the following apply?								
a	Rebate not due yet?	X		X					
b	Exception to rebate?								
c	No rebate due?								
	If you checked "No rebate due" in line 2c, provide in Part VI the date the rebate computation was performed								
3	Is the bond issue a variable rate issue?		X	X					
4a	Has the organization or the governmental issuer entered into a qualified hedge with respect to the bond issue?		X	X					
b	Name of provider			UBS AG STAMFORD					
c	Term of hedge			3.804					
d	Was the hedge superintegrated?				X				
e	Was the hedge terminated?				X				

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

DESCRIPTION OF TAX EXEMPT BONDS

SCHEDULE K PART I COLUMN F

MARYLAND HEALTH & HIGHER ED AUTHORITY 2012A: FINANCE 2012 PROJECT AND
CURRENT REFUND 2002 BONDS WHICH FUNDED THE 2002 PROJECT.

MARYLAND HEALTH & HIGHER ED AUTHORITY 2012B: REFUND THE 2008 SERIES BONDS
WHICH WERE USED TO FINANCE THE 2006 AND PRIOR PROJECTS.

SCHEDULE K, PART II, LINE 3

DIFFERENCE BETWEEN ISSUE PRICE AND TOTAL PROCEEDS

MARYLAND HEALTH & HIGHER ED AUTHORITY 2012A: ORIGINAL ISSUE PREMIUM OF
\$3,989,854 AND PREVIOUSLY TRUSTEED HELD FUNDS OF \$8,115,951.

MARYLAND HEALTH & HIGHER ED AUTHORITY 2012B: PREVIOUSLY TRUSTEED HELD
FUNDS OF \$670,852

SCHEDULE K PART III LINE 9

MANAGEMENT PRACTICES AND PROCEDURES

THE ORGANIZATION HAS POLICIES AND PROCEDURES IN PLACE TO ENSURE TAX
EXEMPT BOND POST ISSUANCE COMPLIANCE, WRITTEN POLICIES WERE CREATED AND
ADOPTED DURING THE TAX YEAR.

**SCHEDULE M
(Form 990)**

Noncash Contributions

OMB No. 1545-0047

2013

**Open To Public
Inspection**

Department of the Treasury
Internal Revenue Service

- ▶ Complete if the organizations answered "Yes" on Form 990, Part IV, lines 29 or 30.
- ▶ Attach to Form 990.
- ▶ Information about Schedule M (Form 990) and its instructions is at www.irs.gov/form990.

Name of the organization

FREDERICK MEMORIAL HOSPITAL, INC.

Employer identification number

52-0591612

Part I Types of Property

	(a) Check if applicable	(b) Number of contributions or items contributed	(c) Noncash contribution amounts reported on Form 990, Part VIII, line 1g	(d) Method of determining noncash contribution amounts
1 Art - Works of art				
2 Art - Historical treasures				
3 Art - Fractional interests				
4 Books and publications				
5 Clothing and household goods				
6 Cars and other vehicles				
7 Boats and planes				
8 Intellectual property				
9 Securities - Publicly traded	X	13 .	395,261 .	FAIR MARKET VALUE
10 Securities - Closely held stock				
11 Securities - Partnership, LLC, or trust interests				
12 Securities - Miscellaneous				
13 Qualified conservation contribution - Historic structures				
14 Qualified conservation contribution - Other				
15 Real estate - Residential				
16 Real estate - Commercial				
17 Real estate - Other				
18 Collectibles				
19 Food inventory				
20 Drugs and medical supplies				
21 Taxidermy				
22 Historical artifacts				
23 Scientific specimens				
24 Archeological artifacts				
25 Other ▶ (_____)				
26 Other ▶ (_____)				
27 Other ▶ (_____)				
28 Other ▶ (_____)				

29 Number of Forms 8283 received by the organization during the tax year for contributions for which the organization completed Form 8283, Part IV, Donee Acknowledgement **29**

	Yes	No
30 a During the year, did the organization receive by contribution any property reported in Part I, lines 1-28, that it must hold for at least three years from the date of the initial contribution, and which is not required to be used for exempt purposes for the entire holding period?		X
b If "Yes," describe the arrangement in Part II.		
31 Does the organization have a gift acceptance policy that requires the review of any non-standard contributions?	X	
32 a Does the organization hire or use third parties or related organizations to solicit, process, or sell noncash contributions?		X
b If "Yes," describe in Part II.		
33 If the organization did not report an amount in column (c) for a type of property for which column (a) is checked, describe in Part II.		

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

Schedule M (Form 990) (2013)

JSA

3E1298 1.000

Part II **Supplemental Information.** Complete this part to provide the information required by Part I, lines 30b, 32b, and 33, and whether the organization is reporting in Part I, column (b), the number of contributions, the number of items received, or a combination of both. Also complete this part for any additional information.

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 990-EZ or to provide any additional information.
▶ Attach to Form 990 or 990-EZ.**

OMB No. 1545-0047

2013

**Open to Public
Inspection**

Name of the organization

FREDERICK MEMORIAL HOSPITAL, INC.

Employer identification number

52-0591612

FORM 990, PART VI, LINE 6

MEMBERS OR STOCKHOLDERS

THE SOLE MEMBER OF THE ORGANIZATION IS FREDERICK REGIONAL HEALTH SYSTEM.

FORM 990, PART VI, LINE 7A

POWER TO ELECT OR APPOINT MEMBERS

THE SOLE MEMBER, FREDERICK REGIONAL HEALTH SYSTEM, HAS THE POWER TO
APPOINT THE PRESIDENT/CEO AND THE DIRECTORS OF FREDERICK MEMORIAL
HOSPITAL.

FORM 990, PART VI, LINE 7B

DECISIONS RESERVED TO MEMBERS OR STOCKHOLDERS

THE MEMBER, FREDERICK REGIONAL HEALTH SYSTEM, MUST APPROVE THE INCURRENCE
OF DEBT IF SUCH DEBT EXCEEDS A CERTAIN AMOUNT TO BE DESIGNATED BY THE
MEMBER, CAPITAL EXPENDITURES EXCEEDING A CERTAIN AMOUNT TO BE DESIGNATED
BY THE MEMBER, THE DECISION TO DISSOLVE OR LIQUIDATE, THE CREATION OF A
SUBSIDIARY, AND AMENDMENTS TO THE BYLAWS.

FORM 990, PART VI, LINE 11B

PROCESS USED TO REVIEW THE FORM 990

THE 990 IS PREPARED IN CONJUNCTION WITH OUTSIDE TAX ACCOUNTANTS AND
REVIEWED BY UPPER MANAGEMENT PRIOR TO PROVIDING A COPY TO THE BOARD.
A COPY OF FORM 990 IS PROVIDED TO ALL MEMBERS OF THE BOARD PRIOR TO
FILING.

Name of the organization FREDERICK MEMORIAL HOSPITAL, INC.	Employer identification number 52-0591612
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FORM 990, PART VI, LINE 12C

MONITORING AND ENFORCEMENT OF COMPLIANCE WITH CONFLICT OF INTEREST
POLICY

THE FREDERICK MEMORIAL HOSPITAL, INC. BOARD OF DIRECTORS IS COMMITTED TO MEETING ITS FIDUCIARY RESPONSIBILITIES AND MAINTAINING ITS DUTY OF LOYALTY TO THE HOSPITAL AND THE COMMUNITY IT SERVES. TO THIS END, THE BOARD WILL EXERCISE VIGILANCE IN IDENTIFYING ANY CONFLICTS OF INTEREST. THE BOARD WILL ALSO MAINTAIN TRANSPARENCY AND OBJECTIVITY IN MAKING DECISIONS ABOUT CONFLICTS OF INTEREST SO THAT THE ORGANIZATION'S MISSION IS ALWAYS THE FIRST PRIORITY. THE CHAIRPERSON (OR VICE CHAIRPERSON IF THE CHAIR IS INVOLVED) WILL NOTIFY ALL DIRECTORS OF A REPORTED CONFLICT OF INTEREST AND DECIDE WHETHER TO TAKE THE MATTER TO THE FULL BOARD TO DECIDE WHETHER A CONFLICT EXISTS AND, IF SO, WHAT ACTION TO TAKE, OR WILL REFER THE MATTER TO THE GOVERNANCE COMMITTEE FOR AN IN-DEPTH EXAMINATION, SUMMARY, AND RECOMMENDATION PRIOR TO A FULL BOARD DISCUSSION AND DECISION. IF TIME IS OF THE ESSENCE, THE CHAIRPERSON OR VICE CHAIRPERSON WILL TAKE THE MATTER TO THE EXECUTIVE COMMITTEE FOR DISCUSSION AND A DECISION, AND WILL THEN NOTIFY THE FULL BOARD. WHERE A CONFLICT OF INTEREST HAS BEEN IDENTIFIED, THE BOARD MEMBER SHALL NOT VOTE OR BE PRESENT FOR THE DISCUSSION OR THE VOTE REGARDING THE TRANSACTION AT THE FULL BOARD, EXECUTIVE COMMITTEE, OR GOVERNANCE COMMITTEE MEETINGS, EXCEPT TO ANSWER QUESTIONS THAT MAY BE ASKED OF HIM OR HER. TO PREVENT ACTUAL OR PERCEIVED INFLUENCE ON THE BOARD'S DECISION, THE CONFLICTED MEMBER IS PROHIBITED, AFTER INITIAL DISCLOSURE, FROM DISCUSSING THE CONFLICT OF INTEREST EITHER FORMALLY OR INFORMALLY WITH FELLOW DIRECTORS OR WITH MEMBERS OF THE MANAGEMENT. THERE WILL BE AN ANNUAL REVIEW OF ALL BOARD

Name of the organization FREDERICK MEMORIAL HOSPITAL, INC.	Employer identification number 52-0591612
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MEMBERS AND OFFICERS TRANSACTIONS PREPARED BY THE ADMINISTRATION AND REVIEWED BY THE GOVERNANCE COMMITTEE AND THE FULL BOARD OF DIRECTORS. AT THAT TIME, ALL DIRECTORS WILL BE REMINDED OF THE IRS INTERMEDIATE SANCTIONS REGULATION THAT ESTABLISHES EXCISE TAXES AS A SANCTION AGAINST ADMINISTRATORS AND DIRECTORS OF TAX-EXEMPT ORGANIZATIONS WHO PARTICIPATE IN 'EXCESS BENEFIT TRANSACTIONS' (E.G., UNREASONABLY HIGH EMPLOYMENT COMPENSATION OR BUSINESS DEALS).

FORM 990, PART VI, LINE 15

PROCESS FOR DETERMINING COMPENSATION

THE EXECUTIVE COMPENSATION PROGRAM IS DESIGNED TO CARRY OUT THE HEALTH SYSTEM MISSION, TO ACHIEVE THE CHARITABLE PURPOSE, TO ATTRACT, RETAIN, MOTIVATE AND REWARD EXECUTIVE MANAGEMENT, AND TO MAINTAIN A COMPETITIVE POSITION WITH PEER ORGANIZATIONS IN THE REGION. OVERSIGHT OF THE EXECUTIVE COMPENSATION PROGRAM IS PROVIDED BY THE EXECUTIVE COMPENSATION COMMITTEE OF THE BOARD, COMPOSED OF THE BOARD CHAIRMAN, VICE CHAIRMAN, IMMEDIATE PRECEDING CHAIRMAN, CHAIRMAN OF THE FINANCE COMMITTEE AND THE CHAIRMAN OF THE GOVERNANCE COMMITTEE. THE EXECUTIVE COMPENSATION PHILOSOPHY OF THE BOARD PROVIDES FOR BASE COMPENSATION AT THE 50TH TO 60TH PERCENTILE OF OUR PEER GROUP. IN ADDITION TO THE BOARD'S COMPENSATION COMMITTEE, WE UTILIZED AN EXTERNAL INDEPENDENT CONSULTANT AND MARKET SURVEYS FOR ALL EXECUTIVE MANAGEMENT COMPENSATION. THE PRESIDENT AND CEO HAVE A WRITTEN EMPLOYMENT CONTRACT.

FORM 990, PART VI, LINE 19

PROCESS FOR MAKING DOCUMENTS AVAILABLE TO THE PUBLIC

Name of the organization FREDERICK MEMORIAL HOSPITAL, INC.	Employer identification number 52-0591612
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GOVERNING DOCUMENTS AND THE CONFLICT OF INTEREST POLICY ARE AVAILABLE UPON REQUEST. FREDERICK MEMORIAL HOSPITAL, INC. CONSOLIDATED ANNUAL AUDITED FINANCIAL STATEMENTS ARE AVAILABLE AT WWW.FMH.ORG.

FORM 990, PART XI, LINE 9

OTHER CHANGES IN NET ASSETS OR FUND BALANCES

UNREALIZED GAIN ON INTEREST RATE SWAP:	389,007
PENSION ADJUSTMENT:	(3,738,295)
OTHER CHANGES IN NET ASSETS:	(2,073)

	(3,351,361).

ATTACHMENT 1

FORM 990, PART III, LINE 1 - ORGANIZATION'S MISSION

THE MISSION OF FREDERICK MEMORIAL HOSPITAL, INC. IS TO CONTRIBUTE TO THE HEALTH AND WELL-BEING OF AREA RESIDENTS BY PROVIDING QUALITY HEALTH CARE IN A CARING, COST EFFICIENT, SAFE AND CONVENIENT MANNER THROUGH A COORDINATED PROGRAM OF PREVENTION, DIAGNOSIS AND TREATMENT, REHABILITATION, AND SUPPORT.

ATTACHMENT 2

FORM 990, PART III - PROGRAM SERVICE, LINE 4A

INPATIENT MEDICAL/SURGICAL

IN FY2014, FREDERICK MEMORIAL HOSPITAL'S INPATIENT MEDICAL-SURGICAL DEPARTMENTS PROVIDED QUALITY, PATIENT-CENTERED CARE, REGARDLESS OF ABILITY TO PAY, TO APPROXIMATELY 22,924 INPATIENTS AND OBSERVATION PATIENTS. MAJOR MEDICAL AND SURGICAL SERVICES INCLUDE CARDIOLOGY, CONGESTIVE HEART FAILURE,

Name of the organization FREDERICK MEMORIAL HOSPITAL, INC.	Employer identification number 52-0591612
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ATTACHMENT 2 (CONT'D)

POST-CARDIAC CATHETERIZATION, CENTER FOR CHEST PAIN, HEMODIALYSIS, PERITONEAL DIALYSIS, NEUROLOGY, NEUROSURGERY, PULMONOLOGY, ONCOLOGY, ORTHOPEDICS, GENERAL MEDICINE AND SURGICAL CARE. INPATIENT CARE IS SUPPORTED BY A TEAM OF BOARD-CERTIFIED PHYSICIAN HOSPITALISTS. THE FMH JOINT WORKS PROGRAM WITH IT'S UNITEDHEALTH PREMIUM TOTAL JOINT REPLACEMENT SPECIALTY CENTER DESIGNATION IN RECOGNITION OF QUALITY CARE, SERVING APPROXIMATELY XXX PATIENTS IN 2014. IN ADDITION, FMH IS DESIGNATED AS A PRIMARY STROKE CENTER BY THE MARYLAND INSTITUTE OF EMERGENCY MEDICAL SERVICE SYSTEMS (MIEMSS) AND IS RECOGNIZED WITH THE STROKE CENTER GOLD PERFORMANCE AWARD BY THE AMERICAN HEART ASSOCIATION. OUR BARIATRIC SURGICAL PROGRAM IS GAINED ACCREDITATION BY THE AMERICAN SOCIETY FOR METABOLIC AND BARIATRIC SURGERY AS A BARIATRIC SURGERY CENTER OF EXCELLENCE. IN ADDITION TO THE PROGRAM SERVICES EXPENSE LISTED HERE, FMH INCURRED \$42.1 MILLION OF GENERAL AND ADMINISTRATIVE EXPENSES IN MEETING THE HEALTH NEEDS OF OUR PRIMARY SERVICE AREA.

ATTACHMENT 3FORM 990, PART III - PROGRAM SERVICE, LINE 4B

PERIOPERATIVE SERVICES

FREDERICK MEMORIAL HOSPITAL'S PERIOPERATIVE SERVICES PROVIDED HIGH QUALITY CARE TO 12,796 SURGICAL AND ENDOSCOPY PATIENTS IN FISCAL YEAR 2014. PROCEDURES WERE PERFORMED IN OUR STATE OF THE ART FACILITY WHICH INCLUDES A DEDICATED IMAGING ROOM FOR VASCULAR AND OTHER PROCEDURES. WE HAVE PARTICIPATED IN THE SCIP QUALITY

Name of the organization FREDERICK MEMORIAL HOSPITAL, INC.	Employer identification number 52-0591612
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ATTACHMENT 3 (CONT'D)

IMPROVEMENT PROJECT FOR CONTINUAL IMPROVEMENTS IN CARE FOLLOWING EVIDENCE BASED MEDICINE. WE TRACKED OUR PATIENT SATISFACTION THROUGH PRESS GANEY TO BENCHMARK OUR RESULTS TO THE NATIONAL DATA BASE. IN ADDITION TO THE PROGRAM SERVICES EXPENSE LISTED HERE, FMH INCURRED \$42.1 MILLION OF GENERAL AND ADMINISTRATIVE EXPENSES IN MEETING THE HEALTH NEEDS OF OUR PRIMARY SERVICE AREA.

ATTACHMENT 4

FORM 990, PART III - PROGRAM SERVICE, LINE 4C

ONCOLOGY

FMH'S ONCOLOGY PROGRAM PROVIDES INTEGRATED, MULTIDISCIPLINARY, PATIENT CENTERED CANCER CARE FOR PATIENTS WITH MALIGNANCIES, REGARDLESS OF ABILITY TO PAY. SERVICES INCLUDE MEDICAL ONCOLOGY CONSULTATIONS, CHEMOTHERAPY, RADIATION ONCOLOGY CONSULTATIONS AND TREATMENT AND SURGICAL ONCOLOGY CONSULTATIONS AND TREATMENT. WE OFFER COORDINATED MULTIDISCIPLINARY CLINICS FOR PATIENTS WITH CANCERS OF THE LUNG, BREAST AND PROSTATE. INTEGRATED PALLIATIVE CARE AND HOSPICE SERVICES, BOTH INPATIENT AND OUTPATIENT ARE AVAILABLE FOR PATIENTS WITH ADVANCED MALIGNANCIES. SUPPORT SERVICES INCLUDE NUTRITION, PATIENT NAVIGATION AND SOCIAL WORK, AS WELL AS OTHER FORMS OF PSYCHOSOCIAL SUPPORT. FOR THOSE WITH ADDITIONAL FINANCIAL NEED, FINANCIAL COUNSELORS AND A PATIENT ASSISTANCE FUND ARE AVAILABLE. THE PROGRAM TREATS APPROXIMATELY 800 NEWLY DIAGNOSED CANCERS PER YEAR AND ALSO HAS A COMMUNITY OUTREACH PROGRAM THAT INCLUDES EDUCATION AND SCREENING. THE

Name of the organization FREDERICK MEMORIAL HOSPITAL, INC.	Employer identification number 52-0591612
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ATTACHMENT 4 (CONT'D)

PROGRAM IS ACCREDITED BY THE AMERICAN COLLEGE OF SURGEONS
COMMISSION ON CANCER. IN ADDITION TO THE PROGRAM SERVICES EXPENSE
LISTED HERE, FMH INCURRED \$42.1 MILLION OF GENERAL AND
ADMINISTRATIVE EXPENSES IN MEETING THE HEALTH NEEDS OF OUR PRIMARY
SERVICE AREA.

ATTACHMENT 5990, PART VII- COMPENSATION OF THE FIVE HIGHEST PAID IND. CONTRACTORS

<u>NAME AND ADDRESS</u>	<u>DESCRIPTION OF SERVICES</u>	<u>COMPENSATION</u>
TX:TEAM REHAB INC 4625 EAST STOP 11 ROAD INDIANAPOLIS, IN 46237	REHAB SERVICES	6,471,643.
PRIME DOC OF FREDERICK PA PO BOX 7568 ASHEVILLE, NC 28802	PHYSICIAN SERVICES	2,156,808.
QUEST DIAGNOSTICS 12436 COLLECTIONS CENTER DRIVE CHICAGO, IL 60693	DIAGNOSTIC SERVICES	1,502,049.
INTEGRATED MEDICAL SYSTEMS INT'L PO BOX 2725 COLUMBUS, GA 31902-2725	MANAGEMENT SERVICES	1,153,697.
SLEEPMED / DIGITRACE CARE SERVICES 200 CORPORATE PLACE PEABODY, MA 11960	MEDICAL SERVICES	1,087,779.

**SCHEDULE R
(Form 990)**

Related Organizations and Unrelated Partnerships

OMB No. 1545-0047

2013

**Open to Public
Inspection**

Department of the Treasury
Internal Revenue Service

- ▶ **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.**

Name of the organization

FREDERICK MEMORIAL HOSPITAL, INC.

Employer identification number

52-0591612

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
(1) EMMITSBURG PROPERTIES, LLC 52-1910823 400 WEST SEVENTH STREET FREDERICK, MD 21701	HOLDINGINVEST	MD	-3,119.	401,430.	FMH
(2) -----					
(3) -----					
(4) -----					
(5) -----					
(6) -----					

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) HOSPICE OF FREDERICK COUNTY, INC 52-1164513 400 WEST SEVENTH STREET FREDERICK, MD 21701	HOSPICE CARE	MD	501(C)(3)	9	FRHS	X	
(2) FREDERICK REGIONAL HEALTH SYSTEM, INC 45-4133096 400 WEST SEVENTH STREET FREDERICK, MD 21701	HEALTH SYSTEM	MD	501(C)(3)	11B	N/A		X
(3) MONOCACY HEALTH PARTNERS 45-3007639 400 WEST SEVENTH STREET FREDERICK, MD 21701	PHYSICIAN ORG	MD	501(C)(3)	9	FRHS	X	
(4) -----							
(5) -----							
(6) -----							
(7) -----							

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

Schedule R (Form 990) 2013

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproportionate allocations?		(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) -----												
(2) -----												
(3) -----												
(4) -----												
(5) -----												
(6) -----												
(7) -----												

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) FREDERICK HEALTH SERVICES CORPORATION 52-1851661 400 WEST SEVENTH STREET FREDERICK, MD 21701	MANAGEMENT CO.	MD	FMH	C CORP	136,000.	11,462,000.	100.0000	X	
(2) FREDERICK SURGICAL SERVICES CORPORATION 52-1642334 400 WEST SEVENTH STREET FREDERICK, MD 21701	HOLDING COMPANY	MD	FHSC	C CORP	453,304.	2,045,899.	100.0000	X	
(3) MONOCACY INSURANCE LTD 98-1011570 PO BOX 1159 KY1-1102 GRAND CAYMAN,	INSURANCE	CJ	FRHS	C CORP					X
(4) -----									
(5) -----									
(6) -----									
(7) -----									

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.

	Yes	No
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	X	
b Gift, grant, or capital contribution to related organization(s)		X
c Gift, grant, or capital contribution from related organization(s)		X
d Loans or loan guarantees to or for related organization(s)		X
e Loans or loan guarantees by related organization(s)		X
f Dividends from related organization(s)		X
g Sale of assets to related organization(s)	X	
h Purchase of assets from related organization(s)		X
i Exchange of assets with related organization(s)		X
j Lease of facilities, equipment, or other assets to related organization(s)		X
k Lease of facilities, equipment, or other assets from related organization(s)	X	
l Performance of services or membership or fundraising solicitations for related organization(s)		X
m Performance of services or membership or fundraising solicitations by related organization(s)		X
n Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)	X	
o Sharing of paid employees with related organization(s)	X	
p Reimbursement paid to related organization(s) for expenses	X	
q Reimbursement paid by related organization(s) for expenses	X	
r Other transfer of cash or property to related organization(s)	X	
s Other transfer of cash or property from related organization(s)	X	

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) HOSPICE OF FREDERICK COUNTY, INC.	N	869,394.	FMV
(2) FREDERICK HEALTH SERVICES CORP	A	104,985.	FMV
(3) MONOCACY HEALTH PARTNERS LLC	G	3,730,695.	DIRECT COSTING
(4) MONOCACY HEALTH PARTNERS LLC	Q	9,334,633.	DIRECT COSTING
(5) MONOCACY HEALTH PARTNERS LLC	O	5,472,911.	DIRECT COSTING
(6) MONOCACY HEALTH PARTNERS LLC	S	5,000,000.	CASH

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.

	Yes	No
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	1a	
b Gift, grant, or capital contribution to related organization(s)	1b	
c Gift, grant, or capital contribution from related organization(s)	1c	
d Loans or loan guarantees to or for related organization(s)	1d	
e Loans or loan guarantees by related organization(s)	1e	
f Dividends from related organization(s)	1f	
g Sale of assets to related organization(s)	1g	
h Purchase of assets from related organization(s)	1h	
i Exchange of assets with related organization(s)	1i	
j Lease of facilities, equipment, or other assets to related organization(s)	1j	
k Lease of facilities, equipment, or other assets from related organization(s)	1k	
l Performance of services or membership or fundraising solicitations for related organization(s)	1l	
m Performance of services or membership or fundraising solicitations by related organization(s)	1m	
n Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)	1n	
o Sharing of paid employees with related organization(s)	1o	
p Reimbursement paid to related organization(s) for expenses	1p	
q Reimbursement paid by related organization(s) for expenses	1q	
r Other transfer of cash or property to related organization(s)	1r	
s Other transfer of cash or property from related organization(s)	1s	

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) MONOCACY HEALTH PARTNERS LLC	R	1,104,470.	FMV
(2) FREDERICK REGIONAL HEALTH SYSTEM INC	R	100,000.	CASH
(3) FREDERICK REGIONAL HEALTH SYSTEM INC	Q	314,220.	DIRECT COSTING
(4) FREDERICK HEALTH SERVICES CORP	K	748,607.	FMV
(5) FREDERICK HEALTH SERVICES CORP	O	1,196,523.	FMV
(6) FREDERICK HEALTH SERVICES CORP	P	451,554.	DIRECT COSTING

Part VI Unrelated Organizations Taxable as a Partnership Complete if the organization answered "Yes" on Form 990, Part IV, line 37.

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

(a) Name, address, and EIN of entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Predominant income (related, unrelated, excluded from tax under section 512-514)	(e) Are all partners section 501(c)(3) organizations?		(f) Share of total income	(g) Share of end-of-year assets	(h) Disproportionate allocations?		(i) Code V-UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
				Yes	No			Yes	No		Yes	No	
(1) -----													
(2) -----													
(3) -----													
(4) -----													
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(15) -----													
(16) -----													

Part VII **Supplemental Information**

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

CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

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

Ernst & Young LLP



Building a better
working world

Frederick Regional Health System, Inc. and Subsidiaries

Consolidated Financial Statements
and Supplementary Information

Years Ended June 30, 2014 and 2013

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Report of Independent Auditors

The Board of Directors
Frederick Regional Health System, Inc. and Subsidiaries

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Frederick Regional Health System, Inc. and Subsidiaries at June 30, 2014 and 2013, and the consolidated results of their operations and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating details appearing in conjunction with the consolidated financial statements are presented for purposes of additional analysis and are 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 financial statements. The information has been subjected to the auditing procedures applied in the audits 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 financial statements as a whole.

Ernst + Young LLP

October 21, 2014

Frederick Regional Health System, Inc. and Subsidiaries

Consolidated Balance Sheets
(In Thousands)

	June 30	
	2014	2013
Assets		
Current assets:		
Cash and cash equivalents	\$ 33,668	\$ 33,193
Patient receivables, net	47,109	46,925
Other receivables	1,843	1,557
Inventory	4,405	4,482
Prepaid expenses	3,692	2,578
Assets limited as to use	4,033	3,263
Promises to give, net	711	571
Total current assets	<u>95,461</u>	92,569
Net property and equipment	199,089	203,925
Other assets:		
Assets limited as to use	19,546	23,478
Investments – donor restricted	3,705	3,247
Promises to give, net	3,447	2,525
Long-term investments	132,552	114,110
Other investments	3,489	3,257
Debt issuance costs, net	1,510	1,533
Other assets	5,739	4,232
Total other assets	<u>169,988</u>	152,382
Total assets	<u><u>\$ 464,538</u></u>	<u><u>\$ 448,876</u></u>

	June 30	
	2014	2013
Liabilities and net assets		
Current liabilities:		
Current maturities of long-term debt and capital lease obligations	\$ 5,697	\$ 4,310
Accounts payable	20,767	18,814
Accrued expenses	20,561	19,350
Advances from third-party payors	8,546	8,762
Other current liabilities	4,693	3,277
Total current liabilities	<u>60,264</u>	<u>54,513</u>
Long-term liabilities, net of current portion:		
Long-term debt and capital lease obligations	166,275	172,128
Interest rate swap contract	11,238	11,627
Accrued pension expense	16,602	12,161
Other long-term liabilities	19,972	16,838
Total long-term liabilities, net of current portion	<u>214,087</u>	<u>212,754</u>
Total liabilities	<u>274,351</u>	<u>267,267</u>
Net assets:		
Unrestricted	182,314	175,266
Temporarily restricted	6,897	5,367
Permanently restricted	976	976
Total net assets	<u>190,187</u>	<u>181,609</u>
Total liabilities and net assets	<u>\$ 464,538</u>	<u>\$ 448,876</u>

See accompanying notes.

Frederick Regional Health System, Inc. and Subsidiaries

Consolidated Statements of Operations

(In Thousands)

	June 30	
	2014	2013
Unrestricted revenue and other support:		
Net patient service revenue	\$ 345,364	\$ 347,423
Provision for bad debts	(11,402)	(12,402)
Net patient service revenue less provision for bad debts	<u>333,962</u>	<u>335,021</u>
Other operating revenues	10,757	12,890
Gifts, bequests, and contributions	2,241	1,783
Net assets released from restriction used for operations	132	273
Total unrestricted revenue and other support	<u>347,092</u>	<u>349,967</u>
Operating expenses:		
Salaries and wages	147,591	148,560
Employee benefits	38,027	40,120
Professional fees	12,978	12,629
Cost of goods sold	56,343	54,485
Supplies	9,357	10,519
Contract services	36,927	35,298
Other	11,985	11,802
Utilities	4,272	4,067
Insurance	3,821	3,536
Depreciation and amortization	25,852	21,229
Interest	4,874	4,557
Total operating expenses	<u>352,027</u>	<u>346,802</u>
Operating (loss) income	<u>(4,935)</u>	<u>3,165</u>
Other income gain (loss), net:		
(Loss) gain on sale of assets	(116)	251
Loss on extinguishment of debt	-	(3,063)
Investment gain, net	6,161	4,834
Change in unrealized gains on trading securities, net	10,744	4,379
Realized and unrealized (losses) gains on interest rate swap contract, net	(2,156)	2,321
Other nonoperating income, net	944	294
Total other income, net	<u>15,577</u>	<u>9,016</u>
Excess of unrestricted revenue and other support over expenses	<u>10,642</u>	<u>12,181</u>
Other changes in unrestricted net assets:		
Pension adjustment	(3,738)	13,534
Released from restriction used to purchase capital	144	119
Increase (decrease) in unrestricted net assets	<u>\$ 7,048</u>	<u>\$ 25,834</u>

See accompanying notes.

Frederick Regional Health System, Inc. and Subsidiaries

Consolidated Statements of Changes in Net Assets

(In Thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets, June 30, 2012	\$ 149,432	\$ 5,141	\$ 976	\$ 155,549
Excess of unrestricted revenue and other support over expenses	12,181	-	-	12,181
Pension adjustment	13,534	-	-	13,534
Released from restriction used to purchase capital	119	(119)	-	-
Assets released from restrictions	-	(273)	-	(273)
Restricted gifts, bequests, and contributions	-	618	-	618
Changes in net assets	<u>25,834</u>	<u>226</u>	<u>-</u>	<u>26,060</u>
Net assets, June 30, 2013	175,266	5,367	976	181,609
Excess of unrestricted revenue and other support over expenses	10,642	-	-	10,642
Pension adjustment	(3,738)	-	-	(3,738)
Released from restriction used to purchase capital	144	(144)	-	-
Assets released from restrictions	-	(132)	-	(132)
Restricted gifts, bequests, and contributions	-	1,806	-	1,806
Changes in net assets	<u>7,048</u>	<u>1,530</u>	<u>-</u>	<u>8,578</u>
Net assets, June 30, 2014	<u>\$ 182,314</u>	<u>\$ 6,897</u>	<u>\$ 976</u>	<u>\$ 190,187</u>

See accompanying notes.

Frederick Regional Health System, Inc. and Subsidiaries

Consolidated Statements of Cash Flows (In Thousands)

	Year Ended June 30	
	2014	2013
Operating activities		
Change in net assets	\$ 8,578	\$ 26,060
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Loss on advance refunding of debt	–	3,063
Depreciation of property and equipment	25,852	21,229
Amortization of original issue discount, premium, and bond issue costs	(68)	28
Equity in earnings of joint ventures	(232)	(165)
Loss (gain) loss on sale of property and equipment	116	(251)
Change in unrealized gains on trading securities, net	(10,744)	(4,379)
Proceeds from realized (gains) on investments – trading	(3,436)	(1,640)
Increase in investments – trading	(4,720)	(7,534)
Decrease in assets limited as to use – trading, net	–	–
Proceeds from restricted contributions	(276)	(392)
Change in pledges receivable	(1,062)	41
Realized and unrealized losses (gains) in interest rate swap, net	2,156	(2,321)
Change in operating assets and liabilities:		
Receivables, patient, and other	(470)	3,251
Other assets	(1,507)	(807)
Inventories and prepaids	(1,037)	86
Accounts payable	1,953	(2,788)
Accrued expenses	1,207	(1,279)
Accrued pension expense	4,441	(14,207)
Advances from third-party payors	(216)	(1,303)
Other short-term liabilities	1,420	294
Other long-term liabilities	3,134	3,205
Net cash provided by operating activities	25,089	20,191
Investing activities		
Decrease (increase) in assets limited as to use, non-trading, net	3,162	(15,562)
Realized losses on interest rate swap contract	(2,545)	(2,564)
Purchases of property and equipment	(21,132)	(29,626)
Net proceeds from sale of assets	–	577
Net cash used in investing activities	(20,515)	(47,175)
Fundraising and financing activities		
Proceeds from restricted contributions	276	392
Repayments of long-term debt	(9,305)	(4,357)
Extinguishment of debt	–	(136,755)
Deferred financing costs paid	(70)	(1,569)
Proceeds from borrowings	5,000	170,250
Net cash provided by (used in) fundraising and financing activities	(4,099)	27,961
Net increase in cash and cash equivalents	475	977
Cash and cash equivalents at the beginning of the year	33,193	32,216
Cash and cash equivalents at the end of the year	\$ 33,668	\$ 33,193
Supplemental disclosures		
New capital lease obligation	\$ –	\$ 989
Cash paid for interest	\$ 5,421	\$ 4,478

See accompanying notes.

Frederick Regional Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Dollars in Thousands)

June 30, 2014

1. Organization and Mission

On June 28, 2011, the Frederick Memorial Hospital, Inc. (FMH) Board of Directors approved a corporate restructuring which included the creation of a non-profit 501(c)(3) parent corporation known as Frederick Regional Health System, Inc. (the System). Additionally two other non-profit entities were organized, Monocacy Insurance, LTD (MIL) and Monocacy Health Partners, LLC (MHP), both of which are 100% owned by the System. The reorganization was effective as of July 1, 2011, and had no impact on the comparability of the overall consolidated operating results. FMH is a wholly owned subsidiary of the System. MIL is a Cayman Islands domiciled single parent captive to provide a flexible risk financing structure to meet the needs of the System. MHP serves as a physician enterprise, providing governance, management and support functions for employed physicians which were previously part of FMH. MIL became operational October 1, 2013, as reflected in the accompanying consolidated financial statements. The System is a not-for-profit parent corporation formed on June 23, 2011, to be exempt from income tax under Section 501(a) of the Internal Revenue Code (the Code) as an organization described in Section 501(c)(3) whereby only unrelated business income as defined by Section 512(a)(1) of the Code, is subject to federal income tax. The System has received a determination letter from the Internal Revenue Service (IRS) stating that it is exempt from federal income taxes under Section 501(c) of the Code.

FMH is a not-for-profit hospital, exempt from federal income tax under Section 501(a) of the Code as an organization described in Section 501(c)(3) whereby only unrelated business income as defined by Section 512(a)(1) of the Code, is subject to federal income tax. The System is located in Frederick, Maryland, and provides health care services primarily to residents of Frederick County. FMH has received a determination letter from the IRS stating that they are exempt from federal income taxes under Section 501(c) of the Code.

MIL is a Cayman Islands domiciled single parent captive incorporated on May 24, 2011, and holds an Unrestricted Class B insurance license issued under Section 7(2) of the Cayman Island Insurance Law. MIL directly provides primary medical professional liability and primary general liability coverage to the System.

Frederick Regional Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

1. Organization and Mission (continued)

MHP serves as a physician enterprise, providing governance, management, and support functions for employed physicians. MHP is a not-for-profit corporation, formed on June 23, 2011, and operational as of October 1, 2013, exempt from income tax under Section 501(a) of the Code as an organization described in Section 501(c)(3) whereby only unrelated business income as defined by Section 512(a)(1) of the Code, is subject to federal income tax. MHP has received a determination letter from the IRS stating that they are exempt from federal income taxes under Section 501(c) of the Code.

Frederick Health Services Corporation (FHSC) is a Maryland for-profit corporation, all of the stock of which is owned by the System. FHSC is subject to federal and state income taxes. No provision for income taxes has been recorded for 2014 or 2013 due to the availability of net operating loss carryforwards. During the year ended June 30, 2014, FHSC recorded a net deferred tax asset of \$807, which is presented in other assets on the balance sheet and as other nonoperating income, net, in the statement of operations.

2. Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements include the accounts and transactions of the System and its wholly owned subsidiaries: FMH, MIL, FHSC, and MHP.

FMH has two wholly owned subsidiaries: Hospice of Frederick County, Inc. (HFC) and Emmitsburg Properties, LLC, both of which have been consolidated with FMH into the System in the accompanying consolidated financial statements. HFC, an independent 501(c)(3) organization controlled by FMH, operates as a fundraising organization for the benefit of hospice services and operates the Kline Hospice House. Emmitsburg Properties, LLC contains funds held as collateral on the outstanding Emmitsburg loans.

FHSC has three wholly owned subsidiaries: Rosehill of Frederick, LLC and Corporate Occupational Health Solutions, LLC, which are for-profit limited liability companies, and Frederick Surgical Services Corporation, all of which have been consolidated with FHSC into the System in the accompanying consolidated financial statements.

The accompanying consolidated financial statements include the accounts of the System and its wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Frederick Regional Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

2. Significant Accounting Policies (continued)

Donor-Restricted Gifts

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets if restricted for capital or reported in the statements of operations as net assets released from restrictions if restricted for operating purposes. Donations received with no restrictions and donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying consolidated statements of operations as other operating revenues.

Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments with an original maturity of three months or less. Those cash and money market funds which are classified as long-term investments are excluded from cash and cash equivalents.

Patient Receivables and Allowances

The System's policy is to write off all patient accounts that have been identified as uncollectible. An allowance for doubtful accounts is recorded for accounts not yet written off that are anticipated to become uncollectible. Insurance coverage and credit information are obtained from patients when available. No collateral is obtained for accounts receivable.

When determining the allowance, the System considers the collectability of accounts based on past experience, taking into account contractually due amounts from third-party payors and current collection trends on third-party and self-pay receivables. Self-pay receivables include both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill. Credit risks are assessed based on historical write-offs, net of recoveries, as well as an analysis of the aged accounts receivable balances with allowances generally increasing as the receivable ages. The analysis of receivables is performed monthly, and the allowances are adjusted accordingly.

Frederick Regional Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

2. Significant Accounting Policies (continued)

Inventory

Inventory is stated at the lower of cost or market. Cost is determined using the first-in, first-out method.

Cost of Goods Sold

Cost of goods sold consists primarily of drugs, medical supplies, and surgical implants used in the care and treatment of patients.

Investments and Assets Limited as to Use

The fair values of individual investments are based on quoted market prices of individual securities or investments or estimated amounts using quoted market prices of similar investments. Private equity investments are carried at cost and hedge funds are accounted for using the equity method. Realized and unrealized investment return from all unrestricted investments and assets limited as to use are included in the consolidated statements of operations as part of nonoperating gains and losses. Investment income (loss) on investments of temporarily and permanently restricted assets is added to or deducted from the appropriate restricted fund balance if the income is restricted. The cost of securities sold is based on the specific-identification method. Investments are classified as either current or noncurrent based on maturity dates and availability for current operations.

Substantially all of the System's investment portfolio (excluding certain assets limited as to use) is classified as trading, with unrealized gains and losses included in excess of unrestricted revenue and other support over expenses. Certain trustee assets that are included in assets limited as to use are classified as other than trading. These assets primarily consist of funds held under trust arrangements related to unreleased bond proceeds.

Frederick Regional Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

2. Significant Accounting Policies (continued)

Investment Risk and Uncertainties

The System invests in professionally managed portfolios that contain corporate bonds, United States government obligations, municipal obligations, asset-backed securities, marketable equity securities, hedge funds, and money market funds. Such investments are exposed to various risks, such as interest rate, market, and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the financial statements.

Property and Equipment

Property and equipment are carried at historical cost. Items acquired by gift are recorded at fair value at the time of acquisition. Depreciation is recorded on the straight-line method over the estimated useful lives of the depreciable assets. Leasehold improvements are amortized using the straight-line method over the shorter of the lease term, or the estimated useful lives of the assets.

Valuation of Long-Lived Assets

The System accounts for the valuation of long-lived assets under Accounting Standards Codification 360-10-45, *Accounting for the Impairment or Disposal of Long-Lived Assets*. This guidance requires that long-lived assets and certain identifiable intangible assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less costs to sell.

Frederick Regional Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

2. Significant Accounting Policies (continued)

Debt Issuance Costs

Debt issuance costs related to the Series 2002 and Series 2008 Maryland Health and Higher Educational Facilities Authority (MHHEFA) Bonds were written off as a component of loss on extinguishment of debt during the year ended June 30, 2013, as the result of retirement due to the refinancing of debt. Debt issuance costs related to the Series 2012 MHHEFA Bonds are being amortized over the life of the debt using the effective interest method.

Patient Service Revenue and Allowances

The System has agreements with third-party payors that provide for payments to the System for patient services at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated adjustments under reimbursement agreements with third-party payors. Estimated adjustments are accrued in the period the related services are rendered and adjusted in future periods as final settlements are determined.

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

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 System uses a grant accounting method to recognize the revenues. Under this accounting policy, EHR incentive payments are recognized as other operating revenue when attestation that the EHR meaningful use criteria for the required period of time was demonstrated. Accordingly, the System recognized \$1,541 of EHR revenues for the year ended June 30, 2014, composed of \$129 of Medicaid revenues and \$1,412 of Medicare revenues. EHR revenues for the year ended June 30, 2013, were \$3,067, of which \$454 was Medicaid and \$2,613 was Medicare.

Frederick Regional Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

2. Significant Accounting Policies (continued)

These amounts are included in other operating revenues in the accompanying consolidated statements of operations. The System's attestation of compliance with the meaningful use criteria is subject to audit by the federal government or its designee. The recognition of 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.

Performance Indicator

The performance indicator is the excess of unrestricted revenue and other support over expenses. Changes in unrestricted net assets, consistent with industry practice, includes pension adjustments and net assets released from restriction for capital purposes.

Fair Value of Financial Instruments

The carrying amounts reported on the accompanying consolidated balance sheets for cash and cash equivalents, other receivables, accounts payable, accrued expenses, and advances from third-party payors approximate their fair values. The fair value of the System's notes receivable, revenue bond notes, and other long-term debt approximate the carrying amounts, based on loans with similar terms and average maturities.

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 results could differ from those estimates.

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.

Frederick Regional Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

3. Patient Receivables and Patient Service Revenue

Patient receivables consist of the following at June 30:

	<u>2014</u>	<u>2013</u>
Gross patient receivables	\$ 68,811	\$ 63,736
Less estimated uncollectible accounts and contractual allowances	<u>(21,702)</u>	<u>(16,811)</u>
Net patient receivables	<u>\$ 47,109</u>	<u>\$ 46,925</u>

Patient service revenue consists of the following for the years ended June 30:

	<u>2014</u>	<u>2013</u>
Inpatient charges	\$ 183,608	\$ 193,849
Outpatient charges	<u>264,405</u>	<u>246,668</u>
Gross charges	<u>448,013</u>	<u>440,517</u>
Less contractual and other allowances	<u>(88,127)</u>	<u>(83,063)</u>
Less charity care	<u>(14,522)</u>	<u>(10,031)</u>
Net patient service revenue	<u>345,364</u>	<u>347,423</u>
Less provision for bad debts	<u>(11,402)</u>	<u>(12,402)</u>
Net patient service revenue less provision for bad debts	<u>\$ 333,962</u>	<u>\$ 335,021</u>

The System provides care to patients who meet certain criteria under its charity care policy. The System charges at its established rates but waives all or a portion of reimbursement. Because the System does not pursue collection of amounts determined to qualify as charity care, these revenues are not reported as net patient service revenue. Using the cost to charge ratio to approximate cost, charity care provided for the years ended June 30, 2014 and 2013 was \$10,973 and \$7,605, respectively. The state of Maryland rate system includes components within the rates to partially compensate hospitals for uncompensated care.

Frederick Regional Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

4. Assets Limited as to Use

A summary of assets which are limited as to use substantially for debt service and self-insurance at June 30 is as follows:

	<u>2014</u>	<u>2013</u>
Current:		
Principal, interest and other – bonds	\$ 3,083	\$ 3,181
Loss escrow account	950	82
	<u>\$ 4,033</u>	<u>\$ 3,263</u>
Noncurrent:		
Construction funds	\$ 18,305	\$ 22,750
Deferred compensation trusts	1,241	728
	<u>\$ 19,546</u>	<u>\$ 23,478</u>

The assets which are limited as to use consists of the following at June 30:

	<u>2014</u>	<u>2013</u>
Current:		
Cash and money market accounts	\$ 3,083	\$ 3,181
Mutual funds	950	82
	<u>\$ 4,033</u>	<u>\$ 3,263</u>
Noncurrent:		
Cash and money market accounts	\$ 2,886	\$ 10,904
Agency securities	15,440	11,860
Equity securities	985	578
Mutual funds	235	136
	<u>\$ 19,546</u>	<u>\$ 23,478</u>

The noncurrent assets limited as to use mutual funds are primarily invested in cash and short-duration debt securities.

Frederick Regional Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

5. Promises to Give

Promises to give are discounted and are due as follows at June 30:

	<u>2014</u>	<u>2013</u>
Less than one year	\$ 837	\$ 672
One to five years	2,558	1,906
More than five years	<u>2,217</u>	<u>1,517</u>
	5,612	4,095
Less discounting and allowance for uncollectible promises	<u>1,454</u>	999
Total promises to give, net	4,158	3,096
Less current portion of promises to give, net	<u>711</u>	<u>571</u>
	<u>\$ 3,447</u>	<u>\$ 2,525</u>

Promises to give include \$1,080 related to charitable remainder trusts. This net amount represents the excess of the fair value of the related trust accounts over the net present value of the annuities to be paid out of the trust to the named beneficiaries over their estimated life expectancy.

6. Investments

Long-term investments represent unrestricted investments and unrestricted income earned on unrestricted, temporarily restricted, and permanently restricted investments.

Donor-restricted investments are designated by the donors for expenses relating to capital projects, replacement or improvement of existing assets, or to cover the cost of services rendered as charity care and other programs.

Frederick Regional Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

6. Investments (continued)

Long-term and donor-restricted investments consist of the following at June 30:

	2014		2013	
	Cost	Fair Value	Cost	Fair Value
Cash and cash equivalents	\$ 6,187	\$ 6,187	\$ 5,423	\$ 5,423
U.S. government obligations	5,101	5,111	5,182	5,129
Corporate obligations	3,400	3,543	3,707	3,742
Mortgage-backed securities	3,237	3,284	2,765	2,795
Equity securities	31,582	42,932	28,087	33,033
Mutual funds	55,143	58,350	51,224	51,129
	<u>\$ 104,650</u>	<u>\$ 119,407</u>	<u>\$ 96,388</u>	<u>\$ 101,251</u>

Fair value of investments carried at cost at June 30:

	2014		2013	
	Cost	Fair Value	Cost	Fair Value
Private equity and alternative investments	\$ 2,220	\$ 3,304	\$ 2,317	\$ 3,073
	<u>\$ 2,220</u>	<u>\$ 3,304</u>	<u>\$ 2,317</u>	<u>\$ 3,073</u>

The System is invested in a hedge fund that is accounted for under the equity method of accounting, which approximates fair value. The carrying value of the fund was \$14,630 and \$13,789 as of June 30, 2014 and 2013, respectively. Valuation of this equity investment is primarily based on financial data supplied by the underlying investee fund. The System has the ability to liquidate this investment on a quarterly basis. The System must provide notice of intent to redeem its shares 65 days prior to the redemption date. Within 45 days of the redemption date, 90% of the redemption value will be returned to the System with the balance payable 30 days after the receipt of the fund's annual audited financial statements. Value may be based on historical cost, appraisals, or other estimates that require varying degrees of judgment. The historic cost of these investments was \$11,500 and \$11,500 as of June 30, 2014 and 2013, respectively.

The private equity investments are shown at cost on the accompanying consolidated financial statements.

Frederick Regional Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

6. Investments (continued)

Investments are allocated as follows at June 30:

	<u>2014</u>	<u>2013</u>
Investment allocation:		
Unrestricted long-term investments	\$ 132,552	\$ 114,110
Donor-restricted investments	3,705	3,247
	<u>\$ 136,257</u>	<u>\$ 117,357</u>

Investment income, including income from short-term investments, for the years ended June 30, are as follows:

	<u>2014</u>	<u>2013</u>
Unrestricted:		
Net realized gains	\$ 3,442	\$ 1,752
Interest and dividends, net of investment expense	2,258	2,460
Income from joint ventures	461	622
	<u>\$ 6,161</u>	<u>\$ 4,834</u>

Investment expense was \$416 and \$467 for the fiscal years ended June 30, 2014 and 2013, respectively.

Other investments consist of the following at June 30:

	<u>Carrying Value</u>		<u>Income</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Premier Class B	\$ 662	\$ —	\$ —	\$ —
Joint ventures	2,827	3,257	461	622
	<u>\$ 3,489</u>	<u>\$ 3,257</u>	<u>\$ 461</u>	<u>\$ 622</u>

Frederick Regional Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

6. Investments (continued)

Investments in joint ventures are accounted for using the equity method, unless otherwise noted, at June 30, and are as follows:

	Entity	Interest %	2014	2013
Colonial Regional Alliance	FMH	14.3%	\$ 30	\$ 30
Carroll Occupational Health, LLC	FHSC	25.0	66	40
Comp Claim Management, LLC	FHSC	50.0	32	3
Open MRI of Frederick, LLC	FHSC	50.0	117	105
Glade Valley Nursing and Rehabilitation Center, Inc.	FMH	–	–	423
Premier Purchasing Partners (cost method)	FMH	–	392	490
Mt. Airy Health Services, LLC	FMH	50.0	47	262
Mt. Airy Med-Services, LLC	FHSC	50.0	200	–
Mt. Airy Plaza, LLC	FHSC	50.0	(103)	(212)
Frederick Surgical Center, LLC	FHSC	34.7	2,046	2,116
			<u>\$ 2,827</u>	<u>\$ 3,257</u>

Group Purchasing Organization Initial Public Offering

The System 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 System accounts for its investment in Premier on the cost 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 \$1.1 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).

Frederick Regional Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

6. Investments (continued)

The System recognized a gain of approximately \$1.0 million on the sale of its 16% interest which is presented in other operating income in the accompanying consolidated financial statements. The System received 233,669 Class B units that are earned in seven 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 \$0.7 million related to Tranche 1 of the Class B units. This amount is recorded as an investment on the accompanying consolidated balance sheets and was recognized as a reduction of supplies expense in the accompanying consolidated statements of operations as the value of the Class B shares is tied to the group purchasing contract and is considered a vendor incentive.

7. Fair Value Measurements

Assets and liabilities recorded at fair value in the accompanying consolidated balance sheets are categorized based upon the level of judgment associated with the inputs used to measure their fair value.

FASB guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., the exit price) in an orderly transaction between market participants at the measurement date, emphasizing that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, the FASB establishes a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

Frederick Regional Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

7. Fair Value Measurements (continued)

The Level inputs, as defined by FASB guidance for fair value measurements and disclosures, are as follows:

- Level 1 – Inputs utilize unadjusted quoted prices in active markets for identical assets or liabilities that the System has the ability to access at the measurement date.
- Level 2 – Inputs are inputs other than quoted prices included in Level 1 that are observable for the assets or liabilities, either directly or indirectly. Level 2 inputs may include quoted prices for similar assets and liabilities in active markets, as well as inputs that are observable for the assets or liabilities (other than quoted prices), such as interest rates, foreign exchange rates, and yield curves that are observable at commonly quoted intervals.
- Level 3 – Inputs are unobservable inputs for the assets or liabilities, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

Frederick Regional Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

7. Fair Value Measurements (continued)

The determination of the fair value level within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The System's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the assets or liabilities. The following tables present the System's assets and liabilities measured at fair value on a recurring basis, aggregated by the level in the fair value hierarchy within which those measurements fall, as of June 30:

	Fair Value Measurements at Reporting Date Using			
	Fair Value at June 30, 2014	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Assets				
Cash and cash equivalents	\$ 45,857	\$ 45,857	\$ –	\$ –
Equity securities	43,928	43,928	–	–
U.S. government obligations	5,112	–	5,112	–
Agency securities	15,439	–	15,439	–
Corporate and other bonds	3,543	–	3,543	–
Mutual funds	59,526	59,526	–	–
Mortgage-backed securities	3,284	–	3,284	–
Private equity and alternative investments	3,304	–	–	3,304
Contributions receivable	4,158	–	–	4,158
Total assets	<u>\$ 184,151</u>	<u>\$ 149,311</u>	<u>\$ 27,378</u>	<u>\$ 7,462</u>
Liabilities				
Interest rate swap liability	\$ (11,238)	\$ –	\$ (11,238)	\$ –
Total liabilities	<u>\$ (11,238)</u>	<u>\$ –</u>	<u>\$ (11,238)</u>	<u>\$ –</u>

Frederick Regional Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

7. Fair Value Measurements (continued)

	Fair Value Measurements at Reporting Date Using			
	Fair Value at June 30, 2013	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Assets				
Cash and cash equivalents	\$ 52,698	\$ 52,698	\$ –	\$ –
Equity securities	33,611	33,611	–	–
U.S. government obligations	5,129	–	5,129	–
Agency securities	11,860	–	11,860	–
Corporate and other bonds	3,742	–	3,742	–
Mutual funds	51,347	51,347	–	–
Mortgage-backed securities	2,795	–	2,795	–
Private equity and alternative investments	3,073	–	–	3,073
Contributions receivable	3,096	–	–	3,096
Total assets	\$ 167,351	\$ 137,656	\$ 23,526	\$ 6,169
Liabilities				
Interest rate swap liability	\$ (11,627)	\$ –	\$ (11,627)	\$ –
Total liabilities	\$ (11,627)	\$ –	\$ (11,627)	\$ –

The fair value of the System's trading securities is 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. Private equity and alternative investments are carried at cost. Hedge fund investments are carried under the equity method of accounting.

Frederick Regional Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

7. Fair Value Measurements (continued)

Assets utilizing Level 1 inputs include exchange-traded equity securities and equity and fixed income mutual funds. Assets and liabilities utilizing Level 2 inputs include U.S. government securities, corporate bonds, mortgage-backed securities, and interest rate swaps. Assets utilizing Level 3 inputs are contributions receivable and private equity and alternative investments.

Interest Rate Swap

The System entered into an interest rate swap agreement in conjunction with the issuance of variable rate bonds. The swap contract is valued using models based on readily observable market parameters for all substantial terms of the contract. The fair market value of the swap agreement is included as interest rate swap contract in the accompanying consolidated balance sheets. The fair market value calculation includes a credit valuation adjustment as required of \$700 and \$763 reducing the interest rate swap agreement liability position on June 30, 2014 and 2013, respectively. The change in the fair market value of the swap agreement is included in excess of unrestricted revenue and other support over expenses, as the swap is not designated as an effective hedge.

Credit exposure associated with non-performance by the counterparty to the derivative instrument is generally limited to the uncollateralized fair value of the asset related to instruments recognized in the balance sheets.

Other

Assets utilizing Level 3 inputs are contributions receivable and private equity investments. Contributions receivable are recorded net of allowance for uncollectible pledges and discounted to net present value. The present value of estimated future cash flows using a discount rate commensurate with the risks involved is an appropriate measure of fair value for unconditional promises to give cash and is considered Level 3. The private equity and alternative investments are carried at cost of \$1,837 and \$2,317 on the accompanying consolidated financial statements on June 30, 2014 and 2013, respectively.

Frederick Regional Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

7. Fair Value Measurements (continued)

The following table provides a reconciliation of the beginning and ending balances of items measured at fair value on a recurring basis in the previous table that used significant unobservable inputs (Level 3):

	Contributions Receivable	Private Equity and Alternative Investments	Total
Balance at June 30, 2012	\$ 3,137	\$ 1,554	\$ 4,691
Purchases, issuances, and settlements	(41)	1,519	1,478
Balance at June 30, 2013	3,096	3,073	6,169
Purchases, issuances, and settlements	1,062	231	1,293
Balance at June 30, 2014	\$ 4,158	\$ 3,304	\$ 7,462

8. Property and Equipment

Property and equipment consist of the following at June 30:

	Estimated Useful Lives	2014	2013
Land	–	\$ 3,734	\$ 3,734
Land improvements	08 – 20 years	1,225	1,225
Buildings	20 – 40 years	210,514	190,273
Fixed equipment	10 – 20 years	16,594	16,449
Movable equipment	03 – 20 years	193,486	186,277
Leasehold improvements	05 – 20 years	24,806	21,907
		450,359	419,865
Less accumulated depreciation	–	254,370	229,331
		195,989	190,534
Construction in process, renovations, and deposits	–	3100	13,391
		\$ 199,089	\$ 203,925

Frederick Regional Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

8. Property and Equipment (continued)

Construction in progress consists of the System's building renovations. As these projects are completed, the related assets are transferred out of construction in progress and into the appropriate asset category and are depreciated over the applicable useful lives.

Capitalized computer software, net of accumulated amortization, as of June 30, 2014 and 2013 was \$9,278 and \$10,333, respectively. Amortization of computer software was \$2,267 for fiscal year 2014. There was no amortization of computer software in fiscal year 2013.

The net book value of assets under capital lease arrangements totaled \$3,854 and \$5,907 as of June 30, 2014 and 2013, respectively. Depreciation expense related to assets under capital lease arrangements was \$1,807 and \$2,092 for the fiscal years ended June 30, 2014 and 2013, respectively.

9. Long-Term Debt

Long-term debt consists of the following as of June 30:

	2014	2013
MHHEFA Series 2012A Bonds	\$ 99,099	\$ 100,139
MHHEFA Series 2012B Bonds	68,930	70,020
Note payable – Emmitsburg	62	175
Capital lease obligations	3,881	6,104
	171,972	176,438
Less current maturities	5,697	4,310
	\$ 166,275	\$ 172,128

Series 2012A MHHEFA Revenue Bonds

In December 2012, the System obtained a loan of \$96,240 in MHHEFA Revenue Bonds, Frederick Memorial Hospital Issue, Series 2012A. The MHHEFA Series 2012A Bonds were issued to refund all of the MHHEFA Series 2002 Bonds and to finance a portion of certain construction and equipment costs of the System. The Series 2012A Bonds were issued with a premium of \$3,990, which is being amortized over the life of the bonds. The accumulated amortization was \$251 at June 30, 2014. The annual interest rate on the bond loan ranges between 3% and 5% over the term of the bond. Interest is payable semiannually on each January 1 and July 1, through July 1, 2038.

Frederick Regional Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

9. Long-Term Debt (continued)

Series 2012A Bonds maturing on or after July 1, 2023, are subject to redemption prior to maturity beginning on July 1, 2022, at the option of the authority at the principal amount of the Series 2012A Bonds to be redeemed plus accrued interest thereon to the date set for redemption.

Under the provisions of the bond agreement, the System has granted to the authority a security interest in all receipts now owned and hereafter acquired. The Series 2012A Bonds are secured ratably with the Series 2012B Bonds. The fair value of the Series 2012A MHHEFA Revenue Bonds is estimated based on the quoted market prices for the same or similar issues. The fair value of the 2012A Bonds as of June 30, 2014, is estimated at \$93,555.

There is no debt service reserve requirement associated with the Series 2012A Bonds.

The bond agreement contains certain financial covenants.

Series 2012B MHHEFA Revenue Bonds

In December 2012, the System obtained a loan of \$70,020 in MHHEFA Revenue Bonds, Frederick Memorial Hospital Issue, Series 2012B. The MHHEFA Series 2012B Bonds were issued to refund all of the MHHEFA Series 2008 Bonds. Upon settlement of the bonds, MHHEFA and the obligated group entered into a financing agreement with Branch Banking and Trust (BB&T) whereby BB&T became the initial purchaser of the 2012B Bonds. The interest rate on the bonds is based on an index floating rate determined by BB&T equal to the applicable percentage multiplied by LIBOR plus the applicable spread plus the TEFRA adjustment, if any. Interest on the bonds is paid monthly and averaged 1.33% through June 30, 2014.

Series 2012B Bonds are subject to redemption at the option of the authority at the principal amount of the Series 2012B Bonds to be redeemed plus accrued interest to the date set for redemption. The Series 2012B Bonds, which mature on July 1, 2035, are secured ratably with the Series 2012A Bonds. The System is required to make annual payments to BB&T sufficient to meet the annual debt service requirements of the refunding bond issue for the succeeding year. Annual sinking fund installments for the 2012B bonds range from \$1,090 on July 1, 2013, to \$4,855 on July 1, 2028.

There is no debt service reserve requirement associated with the Series 2012B Bonds.

The bond agreement contains certain financial covenants.

Frederick Regional Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

9. Long-Term Debt (continued)

Note Payable – Emmitsburg

In December 1994, the System acquired a 100% interest in Emmitsburg Properties. In accordance with the terms of the purchase agreement, the System executed two notes payable to the former owners aggregating \$1,219. The notes are payable in monthly installments of principal and interest of \$10, bear interest at 8%, and are due December 31, 2015.

Capital Lease Obligations

As of June 30, 2014, the System has entered into certain capital lease obligations to secure major medical diagnostic equipment. Future payments under these obligations are as follows:

Years ending June 30:	
2015	\$ 2,095
2016	1,371
2017	530
2018	23
2019	—
Total payments	<u>4,019</u>
Less interest payments	<u>138</u>
Total lease obligations, principal	3,881
Less current portion	<u>1,997</u>
Long-term obligations under capital leases	<u><u>\$ 1,884</u></u>

Frederick Regional Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

9. Long-Term Debt (continued)

Debt service requirements on long-term debt and capital lease obligations, excluding original issue premium on bonds at June 30, 2014, of \$3,739 is as follows:

	<u>Principal</u>
Years ending June 30:	
2015	\$ 5,697
2016	5,103
2017	4,429
2018	4,087
2019	4,405
Thereafter	<u>144,510</u>
	<u>\$ 168,231</u>

On September 9, 2013, the System entered into a \$20,000 revolving line of credit with a lending institution for the purpose of funding short-term working capital needs. The line of credit bears a variable interest rate of one-month LIBOR plus 1.5% per annum, adjusted monthly. All outstanding principal and interest must be repaid within two years of closing. There must not be any outstanding principal balance for at least 30 consecutive days during each year the line of credit is available. The System took a \$5,000 draw upon closing. There is no outstanding balance on this line of credit on June 30, 2014.

10. Interest Rate Swap Contract

The System records its derivatives as assets or liabilities at fair value. A derivative is typically defined as an instrument, whose value is derived from an underlying instrument, index or rate, has a notional amount, requires little or no initial investment, and can be net settled. The System participates in an interest rate swap contract that is considered a derivative financial instrument.

In conjunction with the issuance of the Series 2008 Bonds, the System modified its interest rate swap contract with a third party to a notional amount of \$72,160 which reduces annually by an amount equal to the sinking fund installment due on the 2008 Bonds until maturity of July 1, 2035. The notional amount is \$68,930 on June 30, 2014. The swap agreement remains in effect after the issuance of the 2012 Series Bonds. The System is exposed to credit loss in the event of

Frederick Regional Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

10. Interest Rate Swap Contract (continued)

nonperformance by the counterparty to the interest rate swap contract. However, the System does not anticipate nonperformance by the counterparty. Under the swap contract, the System pays interest at a fixed rate of 3.0804% per annum and receives interest at a variable rate equal to 0.0067% of the one-month London Interbank Offered Rate (LIBOR) (0.1524% as of June 30, 2014). The swap contract requires payments to be made or received monthly. The fair value of the swap contract was a liability of \$11,238 and \$11,627 at June 30, 2014 and 2013, respectively.

The System accrued net payments under its interest rate swap program of \$2,545 and \$2,564 during fiscal years 2014 and 2013, respectively. These amounts are included within realized and unrealized (losses) gains on interest rate swap contract, net in the accompanying consolidated statements of operations and investing activities in the accompanying consolidated statement of cash flows.

The interest rate swap contract is not designated as an effective cash flow hedge. The System's objectives of entering into the interest rate swap contract include limiting or hedging variable interest rate payments, to achieve lower overall borrowing costs than a comparable unhedged fixed rate borrowing, to alter the pattern of debt service payments, and to improve asset/liability matching. Changes in the fair value of the derivative financial instrument are recognized in the consolidated statements of operations as a component of other loss. The carrying value of the System's derivative financial instrument approximates fair value. The interest rate swap contract is valued using models based on readily observable market parameters for all substantial terms of the contract.

Credit exposure associated with non-performance by the counterparties to derivative instruments is generally limited to the uncollateralized fair value of the asset related to instruments recognized in the consolidated balance sheets. The System attempts to mitigate the risk of non-performance by selecting counterparties with high credit ratings and monitoring their creditworthiness.

Frederick Regional Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

10. Interest Rate Swap Contract (continued)

The System's derivative agreements do not contain any credit support provisions that require it to post collateral if there are declines in the derivative value or its credit rating.

Balance Sheet Location	Fair Value	
	2014	2013
Asset derivatives		
Derivatives not designated as hedging instruments:		
Interest rate contracts	\$ —	\$ —
Liability derivatives		
Long-term liabilities	\$ 11,238	\$ 11,627
Total derivatives not designated as hedging instruments	<u>\$ 11,238</u>	<u>\$ 11,627</u>

A summary of the effect of the non-hedging derivatives on the System's income statement for the year ended June 30, 2014, is as follows:

Type of Non-Hedging Derivatives	Income Statement	
	Location of (Loss) Gain Recognized	Derivative (Loss) Gain Recognized
Interest rate swap contract – realized losses	Other loss	\$ (2,545)
Interest rate swap contract – unrealized gains	Other gain	<u>389</u>
Total		<u>\$ (2,156)</u>

Frederick Regional Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

10. Interest Rate Swap Contract (continued)

A summary of the effect of the non-hedging derivatives on the System's income statement for the year ended June 30, 2013, is as follows:

Type of Non-Hedging Derivatives	Income Statement Location of Loss Recognized	Derivative Loss Recognized
Interest rate swap contract – realized losses	Other loss	\$ (2,564)
Interest rate swap contract – unrealized losses	Other loss	4,885
Total		<u>\$ 2,321</u>

11. Employee Benefit Plans

The System has a defined benefit pension plan that covers substantially all employees. The System's funding policy is to make a minimum annual contribution equal to net periodic pension cost for the plan year as determined by its actuary. The System uses a measurement date of June 30 to determine plan assets and benefit obligations. Effective June 30, 2007, the System approved a curtailment of the plan. The curtailment is such that participants will no longer accrue benefits under the plan and no new participants will be accepted. Current participant accounts will not receive any service credits or increases in benefits for post curtailment compensation increases beyond June 30, 2007; however, the System will make annual contributions to the plan in accordance with actuarially determined amounts to meet future accumulated benefit obligations under the frozen plan. Effective July 1, 2007, a modified defined contribution plan (403b) was implemented as described below.

Frederick Regional Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

11. Employee Benefit Plans (continued)

The following provides a reconciliation of the changes in fair value of the plan's assets and projected benefit obligations, and the plan's funded status based on a June 30, 2014 and 2013, measurement date:

	<u>2014</u>	<u>2013</u>
	<i>(In Thousands)</i>	
Accumulated benefit obligation	<u>\$ 84,128</u>	<u>\$ 74,887</u>
Change in projected benefit obligation:		
Projected benefit obligation at beginning of year	\$ 74,887	\$ 84,407
Service cost	495	495
Interest cost	3,763	3,503
Actuarial loss (gain)	7,485	(11,618)
Benefits paid	<u>(2,502)</u>	<u>(1,900)</u>
Projected benefit obligation at end of year	<u>84,128</u>	<u>74,887</u>
Change in plan assets:		
Fair value of plan assets at beginning of year	62,726	58,039
Actual return on plan assets	6,133	2,921
Employer contribution	1,169	3,666
Benefits paid	<u>(2,502)</u>	<u>(1,900)</u>
Fair value of plan assets at end of year	<u>67,526</u>	<u>62,726</u>
Funded status	<u>(16,602)</u>	<u>(12,161)</u>
Net amount recognized	<u>\$ (16,602)</u>	<u>\$ (12,161)</u>

Frederick Regional Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

11. Employee Benefit Plans (continued)

The discount rate actuarial assumption was changed from 5.10% to 4.47% resulting in an \$7,800 increase in the projected benefit obligation as of June 30, 2014.

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

	June 30	
	2014	2013
Net actuarial loss	\$ 20,104	\$ 16,314
Prior service cost	288	340
Total recognized in unrestricted net assets	<u>\$ 20,392</u>	<u>\$ 16,654</u>

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

	June 30	
	2014	2013
Discount rate	4.47%	5.10%
Rate of compensation increase	N/A	N/A

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

	Year Ended June 30	
	2014	2013
Discount rate	5.10%	4.20%
Expected return on plan assets	5.75%	6.50%
Rate of compensation increase	N/A	N/A

Frederick Regional Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

11. Employee Benefit Plans (continued)

Net periodic pension cost included the following components:

	<u>2014</u>	<u>2013</u>
Service cost	\$ 495	\$ 495
Interest cost	3,763	3,503
Expected return on plan assets	(3,603)	(3,860)
Amortization of prior service cost	52	51
Unrecognized net actuarial loss	1,166	2,803
Net periodic pension cost	<u>\$ 1,873</u>	<u>\$ 2,992</u>

The estimated net loss that is expected to be amortized from other changes in unrestricted net assets into net periodic benefit cost for the year ending June 30, 2015, is \$52.

The System determines the expected long-term rate of return on plan assets by taking into consideration the historical returns of various asset classes and the types of investments the plan is expected to hold.

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

	<u>2014</u>	<u>2013</u>
Equity securities	30.0%	25.9%
Debt securities	—	54.5
Cash	54.0	3.8
Hedge funds	16.0	15.8
Total	<u>100.0%</u>	<u>100.0%</u>

The plan assets are recorded at fair value and are categorized based upon the level of judgment associated with the inputs used to measure their fair value.

Frederick Regional Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

11. Employee Benefit Plans (continued)

FASB guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., the exit price) in an orderly transaction between market participants at the measurement date, emphasizing that fair value is market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, the FASB establishes a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy). The Level inputs, as defined by FASB guidance for fair value measurements and disclosures, are as follows:

- Level 1 – Inputs utilize unadjusted quoted prices in active markets for identical assets or liabilities that the System has the ability to access at the measurement date.
- Level 2 – Inputs are inputs other than quoted prices included in Level 1 that are observable for the assets or liabilities, either directly or indirectly. Level 2 inputs may include quoted prices for similar assets and liabilities in active markets, as well as inputs that are observable for the assets or liabilities (other than quoted prices), such as interest rates, foreign exchange rates, and yield curves that are observable at commonly quoted intervals.
- Level 3 – Inputs are unobservable inputs for the assets or liabilities, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

The determination of the fair value level within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

Frederick Regional Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

11. Employee Benefit Plans (continued)

The System's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the assets or liabilities. The following tables present the plan's assets and liabilities measured at fair value on a recurring basis, aggregated by the level in the fair value hierarchy within which those measurements fall, as of June 30:

	Fair Value Measurements at Reporting Date Using			
	Fair Value at June 30, 2014	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Assets				
Cash and cash equivalents	\$ 36,676	\$ 36,676	\$ -	\$ -
Equity securities	20,197	20,197	-	-
Fixed income mutual funds	-	-	-	-
Hedge funds and other alternative	10,653	-	-	10,653
Total assets	<u>\$ 67,526</u>	<u>\$ 56,873</u>	<u>\$ -</u>	<u>\$ 10,653</u>

	Fair Value Measurements at Reporting Date Using			
	Fair Value at June 30, 2013	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Assets				
Cash and cash equivalents	\$ 2,351	\$ 2,351	\$ -	\$ -
Equity securities	16,235	16,235	-	-
Fixed income mutual funds	34,206	34,206	-	-
Hedge funds and other alternative	9,934	-	-	9,934
Total assets	<u>\$ 62,726</u>	<u>\$ 52,792</u>	<u>\$ -</u>	<u>\$ 9,934</u>

Frederick Regional Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

11. Employee Benefit Plans (continued)

The following table provides a reconciliation of the beginning and ending balances of items measured at fair value on a recurring basis in the previous table that used significant unobservable inputs (Level 3):

	<u>Hedge Funds</u>	<u>Total</u>
Balance at June 30, 2012	\$ 9,603	\$ 9,603
Purchases, issuances, and settlements	331	331
Balance at June 30, 2013	9,934	9,934
Purchases, issuances, and settlements	719	719
Balance at June 30, 2014	<u>\$ 10,653</u>	<u>\$ 10,653</u>

The fair value of the plan's trading securities is 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. Assets utilizing Level 1 inputs include exchange-traded equity securities and equity and fixed income mutual funds. Assets utilizing Level 3 inputs are hedge funds.

The hedge fund is accounted for at fair value which has been estimated using the net asset value per share of the fund as of June 30, 2014. The plan has the ability to liquidate this investment on a quarterly basis. The Plan must provide notice of intent to redeem its shares 65 days prior to the redemption date. Within 45 days of the redemption date, 90% of the redemption value will be returned to the plan with the balance payable 30 days after the receipt of the fund's annual audited financial statements.

Assets of the plan are invested in a manner consistent with fiduciary standards of the Employee Retirement Income Security Act of 1974; namely, (a) the safeguards and diversity to which a prudent investor would adhere must be present, and (b) all transactions undertaken on behalf of the plan must be for the sole interest of plan participants and beneficiaries, to provide benefits in a prudent manner. Investment objectives of the plan also include:

- Achieve an annualized total return that equals or exceeds the actuarial target
- Preserve the value of the plan's assets

Frederick Regional Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

11. Employee Benefit Plans (continued)

- Diversify assets sufficiently, and, in accordance with modern portfolio theory, avoid large specific risks (losses) and minimize the volatility of the portfolio
- Provide sufficient liquidity to plan benefit payment outflows and meet the plan's requirements

The strategic target asset allocation for the plan is 23% in equities, 62% in fixed income securities, 10% in hedge funds, and 5% real estate.

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

2015	\$	2,481
2016		2,581
2017		2,821
2018		3,069
2019		3,345
2020–2024		20,507

The System also has a tax-deferred annuity savings (403b) plan available to substantially all employees. In conjunction with the curtailment of the defined benefit pension plan, the System modified the (403b) plan effective July 1, 2007. Under the terms of the modified plan, every eligible employee receives a base contribution of 2.5% of earnings. The System will match 50.0% to 70.0% on employee contributions up to 5.0% of employee earnings depending on years of service. In addition, certain employees are eligible for transition credits based on age and years of service to the System. The System's contribution for base matching and transition credits totaled \$5,499 and \$6,120 for fiscal years 2014 and 2013, respectively.

The System is partially self-insured against employee medical claims. Plan expenses include claims paid and a provision for claims incurred but not reported. As of June 30, 2014 and 2013 the System has recorded a liability for claims incurred but not reported of \$1,669 and \$2,008, respectively. The program has an annual aggregate stop-loss provision of \$500 per employee.

Frederick Regional Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

11. Employee Benefit Plans (continued)

In December 2005, the System adopted two non-qualified deferred compensation plans with an effective date of December 15, 2004, for certain members of executive management. Under the plans, participating employees may contribute amounts from their compensation to the plan and may receive a discretionary employer contribution. Employees are fully vested in all employee contributions to the plans. Vesting in employer contributions occurs in accordance with the underlying plan documents. All assets of the plans are held in separate trusts. Total contributions by the System to the plans were \$313 and \$349 for the years ended June 30, 2014 and 2013, respectively.

12. Concentration of Credit Risk

The System has funds on deposit with financial institutions in excess of amounts insured by the Federal Deposit Insurance Corporation. The System grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors (in percentages) at June 30, was as follows:

	2014	2013
Medicare	24%	29%
Medicaid	20	14
Blue Cross	16	14
HMOs and PPOs	20	18
Commercial insurance and other third-party payors	7	7
Patients	13	18
	100%	100%

Frederick Regional Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

13. Functional Expenses

The System and its subsidiaries provide general health care services to residents within its geographic location. Expenses related to providing these services are as follows:

	<u>2014</u>	<u>2013</u>
Health care services	\$ 305,764	\$ 303,663
General and administrative	46,263	43,139
	<u>\$ 352,027</u>	<u>\$ 346,802</u>

14. Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purposes or periods at June 30:

	<u>2014</u>	<u>2013</u>
Health care services:		
Buildings and equipment	\$ 2,440	\$ 2,163
Restricted by time only	3,627	2,493
Education programs	407	398
Indigent care and research	423	313
	<u>\$ 6,897</u>	<u>\$ 5,367</u>

Permanently restricted net assets consist of investments to be held in perpetuity, the income from which is expendable for:

	<u>2014</u>	<u>2013</u>
General health care services (reported as operating income)	\$ 971	\$ 971
Specific health care services (reported as temporarily restricted income)	5	5
	<u>\$ 976</u>	<u>\$ 976</u>

During 2014 and 2013, net assets were released from donor restrictions by incurring expenses or capital expenditures satisfying the restricted purposes in the amounts of \$276 and \$392, respectively.

Frederick Regional Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

15. Contingencies

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

FMH was insured for professional liability under an occurrence-based policy through June 30, 2005. Effective July 1, 2005, FMH established an irrevocable self-insurance trust to set aside funds to cover future professional liability claims. The initial funding to the trust was \$1,500. Total disbursements from the fund for a covered loss by one or more persons as a result of any one occurrence were not to exceed \$1,000 and \$3,000 in the aggregate in any one fiscal year. The funded balance of the trust was \$6,984 at June 30, 2011. Concurrently, FMH purchased excess umbrella coverage through a commercial carrier with a per-occurrence and aggregate limit of \$10,000 per policy period.

As of July 1, 2011, MIL, a single parent captive, was created to provide a flexible risk financing structure to meet the needs of the System's organization. MIL coverage limits are \$1,000 per incident and \$5,000 in the aggregate in any one fiscal year on a mature claims-made basis retroactive to July 1, 2005. Commercial general liability is covered under the captive program for \$1,000 per incident on a claims-made basis retroactive to July 1, 2005, as well.

As of June 30, 2012, MIL assumed the FMH Professional Liability and Comprehensive General Liability coverage previously included under the self-insurance trust for incidents occurring between July 1, 2005 and June 30, 2011, that were reported to FMH prior to June 30, 2011. The policy for this period provides limits of \$1,000 per medical incident with a \$3,000 annual aggregate limit. The FMH self-insurance trust was fully liquidated as of June 30, 2012.

There are known claims and incidents that could result in the assertion of additional claims, as well as claims from unknown incidents that could be asserted arising from services provided to patients. Effective July 1, 2011, the System adopted ASU 2010-23, *Measuring Charity for Disclosure*, which clarified that a health care entity should not net insurance recoveries against a related claim liability. The System maintains reserves including excess coverage, in the amount of \$13,652, at June 30, 2014, and \$11,743 at June 30, 2013, and a related reinsurance receivable of \$4,698 at June 30, 2014, and \$3,903 at June 30, 2013. The System employs an independent actuary to estimate the ultimate settlement of such claims.

Frederick Regional Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

15. Contingencies (continued)

These reserves are recorded on an undiscounted basis at June 30, 2014 and 2013. In management's opinion, the amounts recorded provide an adequate reserve for loss contingencies. However, changes in circumstances affecting professional liability claims could cause these estimates to change by material amounts in the short term.

16. Commitments

Operating Leases

The System and its subsidiaries lease facilities under various operating leases, the last of which expires in 2030. The System has various options to renew the leases. The System also leases equipment under various operating leases. Rent expense under all operating leases was \$4,355 and \$3,822 for 2014 and 2013, respectively. Future minimum payments under non-cancelable operating leases are as follows:

Years ending June 30:	
2015	\$ 3,407
2016	3,275
2017	2,842
2018	2,772
2019	2,766
Thereafter	23,276
	<u>\$ 38,338</u>

Workers' Compensation

The System is self-insured against workers' compensation claims, up to \$500 per occurrence, and has excess insurance coverage of \$1,000 per occurrence. Expenses include claims paid and a provision for claims incurred but not reported.

Frederick Regional Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

16. Commitments (continued)

Supply Chain Management Agreement

The System has a master service agreement with a vendor to provide supply chain management functions. This agreement contains certain purchase volume commitments.

Letter of Credit

The System has a letter of credit issued by a lending institution in the amount of \$1,377. This letter of credit is renewed on an annual basis and is required by the state of Maryland as collateral for unemployment benefits.

17. Regulatory Environment

Medicare and Medicaid

The Medicare and Medicaid reimbursement programs represent a substantial portion of the System's revenues. The 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 System.

Frederick Regional Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

17. Regulatory Environment (continued)

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

State of Maryland Health Services Cost Review Commission

Certain hospital charges are subject to review and approval by the Maryland Health Services Cost Review Commission (HSCRC or the Commission). 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.

Beginning in fiscal year 2014, the System 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.

Frederick Regional Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

17. Regulatory Environment (continued)

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-payor 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 System overcharged by \$1,575, as of June 30, 2014, which is within the allowable corridor as specified in the GBR Agreement. For the year ended June 30, 2013, the System exceeded the allowable target by \$2,471.

The timing of the HSCRC's rate adjustments for the System 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 System'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.

Previously, under the HSCRC rate-setting system, the System'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 Target was adjusted annually for inflation, case mix changes, and other factors.

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

Frederick Regional Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

17. Regulatory Environment (continued)

The HSCRC established an uncompensated care fund whereby certain hospitals are required to contribute to the fund to help cover the costs associated with uncompensated care for all Maryland hospitals equitably. The System's contribution to the fund was \$4,193 and \$5,260 for the years ended June 30, 2014 and 2013, respectively.

18. Subsequent Events

The System has evaluated subsequent events for the year ended June 30, 2014 through October 21, 2014, the date these financial statements were issued.

On July 7, 2014, Frederick Memorial Hospital, Meritus Health, and Western Maryland Health System established Trivergent Health Alliance (THA), the parent company to Trivergent Health Alliance MSO (MSO). The MSO is a managed services organization that provides regional healthcare services. The purpose of the MSO is to increase operational efficiencies, reduce costs, and enhance the quality of care by focusing efforts in the following areas: human resources, information technology, laboratory services, materials management, pharmacy services, and revenue cycle. Frederick Memorial Hospital contributed working capital of \$100 to THA and \$900 to the MSO for a 33% ownership interest.

No other significant subsequent events were noted that would require recognition or disclosure at this time.

Supplementary Information

Frederick Regional Health System, Inc. and Subsidiaries

Supplementary Consolidating Balance Sheet (Dollars in Thousands)

June 30, 2014

	Frederick Regional Health System, Inc.	Frederick Memorial Hospital, Inc. Consolidated	Monocacy Insurance LTD	Monocacy Health Partners LLC	Frederick Health Services Corporation	Elimination	Frederick Regional Health System, Inc. Consolidated
Assets							
Current assets:							
Cash and cash equivalents	\$ 43	\$ 22,793	\$ 453	\$ 6,071	\$ 4,308	\$ –	\$ 33,668
Patient receivables, net	–	44,540	–	1,871	698	–	47,109
Other receivables	–	1,843	–	–	–	–	1,843
Inventory	–	4,405	–	–	–	–	4,405
Prepaid expenses	–	3,587	17	–	88	–	3,692
Assets limited as to use	–	3,083	950	–	–	–	4,033
Promises to give, net	–	711	–	–	–	–	711
Total current assets	43	80,962	1,420	7,942	5,094	–	95,461
Net property and equipment	–	194,729	–	1,157	3,203	–	199,089
Other assets:							
Assets limited as to use	–	19,546	–	–	–	–	19,546
Investments – donor restricted	–	3,705	–	–	–	–	3,705
Promises to give, net	–	3,447	–	–	–	–	3,447
Long-term investments	–	125,001	7,551	–	–	–	132,552
Other investments	206,816	17,461	–	–	2,358	(223,146)	3,489
Debt issuance costs, net	–	1,510	–	–	–	–	1,510
Other assets	–	4,969	3,430	–	807	(3,467)	5,739
Intercompany receivables	–	13,101	–	–	–	(13,101)	–
Total other assets	206,816	188,740	10,981	–	3,165	(239,714)	169,988
Total assets	\$ 206,859	\$ 464,431	\$ 12,401	\$ 9,099	\$ 11,462	\$ (239,714)	\$ 464,538

Frederick Regional Health System, Inc. and Subsidiaries

Supplementary Consolidating Balance Sheet (continued)

(Dollars in Thousands)

	Frederick Regional Health System, Inc.	Frederick Memorial Hospital, Inc. Consolidated	Monocacy Insurance LTD	Monocacy Health Partners LLC	Frederick Health Services Corporation	Elimination	Frederick Regional Health System, Inc. Consolidated
Liabilities and net assets							
Current liabilities:							
Current maturities of long-term debt and capital lease obligations	\$ -	\$ 5,697	\$ -	\$ -	\$ -	\$ -	\$ 5,697
Accounts payable	4	20,472	-	227	301	(237)	20,767
Accrued expenses	-	17,506	58	2,297	700	-	20,561
Advances from third-party payors	-	8,546	-	-	-	-	8,546
Loans payable, affiliates	-	-	-	-	3,245	(3,245)	-
Other current liabilities	-	2,778	1,915	-	-	-	4,693
Total current liabilities	4	54,999	1,973	2,524	4,246	(3,482)	60,264
Long-term liabilities, net of current portion:							
Long-term debt and capital lease obligations	-	166,275	-	-	-	-	166,275
Interest rate swap contract	-	11,238	-	-	-	-	11,238
Accrued pension expense	-	16,602	-	-	-	-	16,602
Other long-term liabilities	-	9,664	10,308	-	-	-	19,972
Intercompany liabilities	353	-	-	12,748	-	(13,101)	-
Total long-term liabilities, net of current portion	353	203,779	10,308	12,748	-	(13,101)	214,087
Total liabilities	357	258,778	12,281	15,272	4,246	(16,583)	274,351
Net assets:							
Unrestricted	206,502	197,780	120	(6,173)	7,216	(223,131)	182,314
Temporarily restricted	-	6,897	-	-	-	-	6,897
Permanently restricted	-	976	-	-	-	-	976
Total net assets	206,502	205,653	120	(6,173)	7,216	(223,131)	190,187
Total liabilities and net assets	\$ 206,859	\$ 464,431	\$ 12,401	\$ 9,099	\$ 11,462	\$ (239,714)	\$ 464,538

Frederick Regional Health System, Inc. and Subsidiaries

Supplementary Consolidating Statement of Operations (Dollars in Thousands)

Year Ended June 30, 2014

	Frederick Regional Health System, Inc.	Frederick Memorial Hospital, Inc.	Monocacy Insurance LTD	Monocacy Health Partners LLC	Frederick Health Services Corporation	Elimination	Frederick Regional Health System, Inc. Consolidated
Net patient service revenue	\$ —	\$ 324,099	\$ —	\$ 16,602	\$ 4,786	\$ (123)	\$ 345,364
Provision for bad debts	—	(10,665)	—	(744)	7	—	(11,402)
Net patient service revenue less provision for bad debts	—	313,434	—	15,858	4,793	(123)	333,962
Other operating revenue	—	7,856	2,100	1,186	3,990	(4,375)	10,757
Gifts, bequests and contributions	—	2,241	—	—	—	—	2,241
Net assets released from restrictions	—	132	—	—	—	—	132
Total unrestricted revenue and other support	—	323,663	2,100	17,044	8,783	(4,498)	347,092
Operating expenses:							
Salaries and contract labor	—	128,378	—	15,177	4,258	(222)	147,591
Employee benefits	—	33,828	—	3,238	997	(36)	38,027
Professional fees	56	12,631	134	104	65	(12)	12,978
Cost of goods sold	—	54,835	—	758	750	—	56,343
Supplies	4	9,318	—	108	—	(73)	9,357
Contract services	253	35,590	—	1,697	631	(1,244)	36,927
Other	1	10,396	54	1,275	1,034	(775)	11,985
Utilities	—	4,063	—	112	133	(36)	4,272
Insurance	—	3,038	2,323	482	78	(2,100)	3,821
Depreciation and amortization	—	23,584	—	266	2,002	—	25,852
Interest	—	4,872	—	—	107	(105)	4,874
Total operating expenses	314	320,533	2,511	23,217	10,055	(4,603)	352,027
Operating income	(314)	3,130	(411)	(6,173)	(1,272)	105	(4,935)

Frederick Regional Health System, Inc. and Subsidiaries

Supplementary Consolidating Statement of Operations (continued)

(Dollars in Thousands)

	Frederick Regional Health System, Inc.	Frederick Memorial Hospital, Inc.	Monocacy Insurance LTD	Monocacy Health Partners LLC	Frederick Health Services Corporation	Elimination	Frederick Regional Health System, Inc. Consolidated
Other income (loss):							
Gain (loss) on sale of assets	\$ -	\$ (115)	\$ -	\$ -	\$ (1)	\$ -	\$ (116)
Loss on extinguishment of debt	-	-	-	-	-	-	-
Investment income (loss)	-	5,544	46	-	676	(105)	6,161
Change in unrealized gains (losses) on trading securities, net	-	10,379	365	-	-	-	10,744
Realized and unrealized gains (losses) on interest rate swap contract, net	-	(2,156)	-	-	-	-	(2,156)
Other nonoperating	-	211	-	-	733	-	944
Total other income (loss)	-	13,863	411	-	1,408	(105)	15,577
Excess of unrestricted revenue and other support over expenses	(314)	16,993	-	(6,173)	136	-	10,642
Other changes in unrestricted net assets:							
Additional minimum pension adjustment	-	(3,738)	-	-	-	-	(3,738)
Released from restriction used to purchase capital	-	144	-	-	-	-	144
Other changes in unrestricted net assets	-	-	-	-	-	-	-
Total other changes in unrestricted net assets	-	(3,594)	-	-	-	-	(3,594)
Increase in unrestricted net assets	\$ (314)	\$ 13,399	\$ -	\$ (6,173)	\$ 136	\$ -	\$ 7,048

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