

May 11, 2016

Anne Arundel Medical Center, Inc.  
2001 Medical Parkway  
Annapolis, MD 21401  
Attention: Mr. Robert Reilly

Dear Bob:

Enclosed are the organization's 2014 Exempt Organization returns. The paper filed return(s) should be signed, dated, and mailed, as indicated.

Specific filing instructions are as follows.

**FORM 990 RETURN:**

This return has been prepared for electronic filing. If you wish to have it transmitted electronically to the IRS, please sign, date, and return Form 8879-EO to our office. We will then submit the electronic return to the IRS. Do not mail a paper copy of the return to the IRS. Return Form 8879-EO to us by May 16, 2016.

**FORM 990-T RETURN:**

No amount is due on Form 990-T.

Please sign and mail on or before May 16, 2016.

Mail to:  
Department of the Treasury  
Internal Revenue Service Center  
Ogden, UT 84201-0027

The Maryland Form 500 should be mailed on or before May 15, 2016 to:

Comptroller of Maryland  
Revenue Administration Division  
Annapolis, MD 21411-0001

A copy of the Form 990 must also be mailed with your Maryland filings on or before May 15, 2016 to:

Charitable Organizations Division  
Office of the Secretary of State  
State House  
Annapolis, MD 21401

Maryland requires the attachment of a board list including home addresses. Please include this information with your Maryland filing.

The North Carolina Form CD-405 should be mailed on or before May 15, 2016 to:

NCDOR

P.O. Box 25000  
Raleigh, NC 27640-0500

No payment is required with this return when filed.

If you are required to mail a tax return or payment voucher, we recommend that you use certified mailing envelopes with postmarked receipts for timely filing. However, please note that you must add the appropriate postage before mailing.

We have prepared the returns from information you furnished to us without verification. Upon examination of the returns by taxing authorities, requests may be made for underlying data. We therefore recommend that you preserve all records which you may be called upon to produce in connection with such an examination.

We have provided you tax advice in connection with the preparation of your U.S. federal tax return and associated tax planning services we have furnished. This advice is not intended or written to be used by any taxpayer for the purpose of avoiding penalties that may be imposed on the taxpayer by the Internal Revenue Service, and it cannot be used by any taxpayer for such purpose.

A copy of the return is enclosed for your files. We suggest that you retain this copy indefinitely.

We sincerely appreciate the opportunity to serve you. Please contact us if you have any questions concerning the tax returns.

Very Truly Yours,

Lori S. Burghauser

# TAX RETURN FILING INSTRUCTIONS

FORM 990

**FOR THE YEAR ENDING**

June 30, 2015

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**Prepared For:**

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

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**Prepared By:**

SC&H TAX & ADVISORY SERVICES, LLC  
910 RIDGEBROOK ROAD  
SPARKS, MD 21152

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**Amount Due or Refund:**

Not applicable

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**Make Check Payable To:**

Not applicable

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**Mail Tax Return and Check (if applicable) To:**

Not applicable

---

**Return Must be Mailed On or Before:**

Not applicable

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**Special Instructions:**

This return has been prepared for electronic filing. If you wish to have it transmitted electronically to the IRS, please sign, date, and return Form 8879-EO to our office. We will then submit the electronic return to the IRS. Do not mail a paper copy of the return to the IRS. Return Form 8879-EO to us by May 16, 2016

# TAX RETURN FILING INSTRUCTIONS

FORM 990-T

**FOR THE YEAR ENDING**

June 30, 2015

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**Prepared For:**

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

---

**Prepared By:**

SC&H TAX & ADVISORY SERVICES, LLC  
910 RIDGEBROOK ROAD  
SPARKS, MD 21152

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**Amount Due or Refund:**

No amount is due.

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**Make Check Payable To:**

No amount is due.

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**Mail Tax Return and Check (if applicable) To:**

Department of the Treasury  
Internal Revenue Service Center  
Ogden, UT 84201-0027

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**Return Must be Mailed On or Before:**

May 16, 2016

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**Special Instructions:**

The return should be signed and dated.

Form **8879-EO**

# IRS e-file Signature Authorization for an Exempt Organization

OMB No. 1545-1878

For calendar year 2014, or fiscal year beginning JUL 1, 2014, and ending JUN 30, 2015

# 2014

Department of the Treasury  
Internal Revenue Service

▶ **Do not send to the IRS. Keep for your records.**

▶ **Information about Form 8879-EO and its instructions is at [www.irs.gov/form8879eo](http://www.irs.gov/form8879eo).**

Name of exempt organization

Employer identification number

**ANNE ARUNDEL MEDICAL CENTER, INC.**

**52-1169362**

Name and title of officer

**ROBERT REILLY  
CFO**

## Part I Type of Return and Return Information (Whole Dollars Only)

Check the box for the return for which you are using this Form 8879-EO and enter the applicable amount, if any, from the return. If you check the box on line **1a, 2a, 3a, 4a, or 5a**, below, and the amount on that line for the return being filed with this form was blank, then leave line **1b, 2b, 3b, 4b, or 5b**, whichever is applicable, blank (do not enter -0-). But, if you entered -0- on the return, then enter -0- on the applicable line below. **Do not** complete more than 1 line in Part I.

<b>1a</b> Form 990 check here ▶ <input checked="" type="checkbox"/>	<b>b Total revenue</b> , if any (Form 990, Part VIII, column (A), line 12) .....	<b>1b</b> <u>525,994,562.</u>
<b>2a</b> Form 990-EZ check here ▶ <input type="checkbox"/>	<b>b Total revenue</b> , if any (Form 990-EZ, line 9) .....	<b>2b</b> _____
<b>3a</b> Form 1120-POL check here ▶ <input type="checkbox"/>	<b>b Total tax</b> (Form 1120-POL, line 22) .....	<b>3b</b> _____
<b>4a</b> Form 990-PF check here ▶ <input type="checkbox"/>	<b>b Tax based on investment income</b> (Form 990-PF, Part VI, line 5) .....	<b>4b</b> _____
<b>5a</b> Form 8868 check here ▶ <input type="checkbox"/>	<b>b Balance Due</b> (Form 8868, Part I, line 3c or Part II, line 8c) .....	<b>5b</b> _____

## Part II Declaration and Signature Authorization of Officer

Under penalties of perjury, I declare that I am an officer of the above organization and that I have examined a copy of the organization's 2014 electronic return and accompanying schedules and statements and to the best of my knowledge and belief, they are true, correct, and complete. I further declare that the amount in Part I above is the amount shown on the copy of the organization's electronic return. I consent to allow my intermediate service provider, transmitter, or electronic return originator (ERO) to send the organization's return to the IRS and to receive from the IRS (a) an acknowledgement of receipt or reason for rejection of the transmission, (b) the reason for any delay in processing the return or refund, and (c) the date of any refund. If applicable, I authorize the U.S. Treasury and its designated Financial Agent to initiate an electronic funds withdrawal (direct debit) entry to the financial institution account indicated in the tax preparation software for payment of the organization's federal taxes owed on this return, and the financial institution to debit the entry to this account. To revoke a payment, I must contact the U.S. Treasury Financial Agent at 1-888-353-4537 no later than 2 business days prior to the payment (settlement) date. I also authorize the financial institutions involved in the processing of the electronic payment of taxes to receive confidential information necessary to answer inquiries and resolve issues related to the payment. I have selected a personal identification number (PIN) as my signature for the organization's electronic return and, if applicable, the organization's consent to electronic funds withdrawal.

**Officer's PIN: check one box only**

I authorize SC&H TAX & ADVISORY SERVICES, LLC to enter my PIN 69362  
ERO firm name Enter five numbers, but do not enter all zeros

as my signature on the organization's tax year 2014 electronically filed return. If I have indicated within this return that a copy of the return is being filed with a state agency(ies) regulating charities as part of the IRS Fed/State program, I also authorize the aforementioned ERO to enter my PIN on the return's disclosure consent screen.

As an officer of the organization, I will enter my PIN as my signature on the organization's tax year 2014 electronically filed return. If I have indicated within this return that a copy of the return is being filed with a state agency(ies) regulating charities as part of the IRS Fed/State program, I will enter my PIN on the return's disclosure consent screen.

Officer's signature ▶ \_\_\_\_\_ Date ▶ \_\_\_\_\_

## Part III Certification and Authentication

**ERO's EFIN/PIN.** Enter your six-digit electronic filing identification number (EFIN) followed by your five-digit self-selected PIN.

**52410221031**

do not enter all zeros

I certify that the above numeric entry is my PIN, which is my signature on the 2014 electronically filed return for the organization indicated above. I confirm that I am submitting this return in accordance with the requirements of **Pub. 4163**, Modernized e-File (MeF) Information for Authorized IRS e-file Providers for Business Returns.

ERO's signature ▶ SC&H TAX & ADVISORY SERVICES, LLC Date ▶ 05/11/16

**ERO Must Retain This Form - See Instructions  
Do Not Submit This Form To the IRS Unless Requested To Do So**

**Return of Organization Exempt From Income Tax**  
Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except private foundations)

**2014**  
Open to Public Inspection

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](http://www.irs.gov/form990).

**A** For the 2014 calendar year, or tax year beginning **JUL 1, 2014** and ending **JUN 30, 2015**

<b>B</b> Check if applicable:  <input type="checkbox"/> Address change <input type="checkbox"/> Name change <input type="checkbox"/> Initial return <input type="checkbox"/> Final return/terminated <input type="checkbox"/> Amended return <input type="checkbox"/> Application pending	<b>C</b> Name of organization <b>ANNE ARUNDEL MEDICAL CENTER, INC.</b> Doing business as Number and street (or P.O. box if mail is not delivered to street address) Room/suite <b>2001 MEDICAL PARKWAY</b> City or town, state or province, country, and ZIP or foreign postal code <b>ANNAPOLIS, MD 21401</b> <b>F</b> Name and address of principal officer: <b>ROBERT REILLY</b> <b>SAME AS C ABOVE</b>	<b>D</b> Employer identification number <b>52-1169362</b> <b>E</b> Telephone number <b>(443) 481-6554</b> <b>G</b> Gross receipts \$ <b>526,366,065.</b> <b>H(a)</b> Is this a group return for subordinates? ..... <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <b>H(b)</b> Are all subordinates included? <input type="checkbox"/> Yes <input type="checkbox"/> No If "No," attach a list. (see instructions) <b>H(c)</b> Group exemption number ▶
<b>I</b> 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		
<b>J</b> Website: ▶ <b>WWW.AAHS.ORG</b>		
<b>K</b> Form of organization: <input checked="" type="checkbox"/> Corporation <input type="checkbox"/> Trust <input type="checkbox"/> Association <input type="checkbox"/> Other ▶		<b>L</b> Year of formation: <b>1902</b> <b>M</b> State of legal domicile: <b>MD</b>

**Part I Summary**

	<b>1</b>	Briefly describe the organization's mission or most significant activities: <b>TO ENHANCE THE COMPREHENSIVE HEALTH CARE WE PROVIDE TO THE LOCAL AND REGIONAL COMMUNITY WE SERVE.</b>			
	<b>2</b>	Check this box <input type="checkbox"/> if the organization discontinued its operations or disposed of more than 25% of its net assets.			
<b>Activities &amp; Governance</b>	<b>3</b>	Number of voting members of the governing body (Part VI, line 1a) .....	<b>3</b>	<b>17</b>	
	<b>4</b>	Number of independent voting members of the governing body (Part VI, line 1b) .....	<b>4</b>	<b>15</b>	
	<b>5</b>	Total number of individuals employed in calendar year 2014 (Part V, line 2a) .....	<b>5</b>	<b>3879</b>	
	<b>6</b>	Total number of volunteers (estimate if necessary) .....	<b>6</b>	<b>600</b>	
	<b>7a</b>	Total unrelated business revenue from Part VIII, column (C), line 12 .....	<b>7a</b>	<b>7,399,520.</b>	
	<b>7b</b>	Net unrelated business taxable income from Form 990-T, line 34 .....	<b>7b</b>	<b>-1,170,765.</b>	
	<b>Revenue</b>	<b>8</b>	Contributions and grants (Part VIII, line 1h) .....	<b>1,982,537.</b>	<b>1,985,016.</b>
<b>9</b>		Program service revenue (Part VIII, line 2g) .....	<b>462,877,567.</b>	<b>484,508,629.</b>	
<b>10</b>		Investment income (Part VIII, column (A), lines 3, 4, and 7d) .....	<b>9,988,353.</b>	<b>15,526,871.</b>	
<b>11</b>		Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e) .....	<b>17,336,824.</b>	<b>23,974,046.</b>	
<b>12</b>		Total revenue - add lines 8 through 11 (must equal Part VIII, column (A), line 12) .....	<b>492,185,281.</b>	<b>525,994,562.</b>	
<b>Expenses</b>		<b>13</b>	Grants and similar amounts paid (Part IX, column (A), lines 1-3) .....	<b>10,581,654.</b>	<b>16,294,490.</b>
		<b>14</b>	Benefits paid to or for members (Part IX, column (A), line 4) .....	<b>0.</b>	<b>0.</b>
		<b>15</b>	Salaries, other compensation, employee benefits (Part IX, column (A), lines 5-10) .....	<b>224,320,749.</b>	<b>231,989,214.</b>
		<b>16a</b>	Professional fundraising fees (Part IX, column (A), line 11e) .....	<b>0.</b>	<b>0.</b>
		<b>b</b>	Total fundraising expenses (Part IX, column (D), line 25) ▶ <b>0.</b>		
		<b>17</b>	Other expenses (Part IX, column (A), lines 11a-11d, 11f-24e) .....	<b>237,131,737.</b>	<b>237,725,162.</b>
		<b>18</b>	Total expenses. Add lines 13-17 (must equal Part IX, column (A), line 25) .....	<b>472,034,140.</b>	<b>486,008,866.</b>
<b>19</b>	Revenue less expenses. Subtract line 18 from line 12 .....	<b>20,151,141.</b>	<b>39,985,696.</b>		
<b>Net Assets or Fund Balances</b>	<b>20</b>	Total assets (Part X, line 16) .....	<b>926,527,862.</b>	<b>935,343,910.</b>	
	<b>21</b>	Total liabilities (Part X, line 26) .....	<b>501,849,202.</b>	<b>546,789,955.</b>	
	<b>22</b>	Net assets or fund balances. Subtract line 21 from line 20 .....	<b>424,678,660.</b>	<b>388,553,955.</b>	

**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.

<b>Sign Here</b>	Signature of officer <b>ROBERT REILLY, CFO</b> Type or print name and title	Date			
<b>Paid Preparer Use Only</b>	Print/Type preparer's name <b>LORI S. BURGHAUSER</b>	Preparer's signature <b>LORI S. BURGHAUSER</b>	Date <b>05/11/16</b>	Check if self-employed <input type="checkbox"/>	PTIN <b>P00370694</b>
	Firm's name ▶ <b>SC&amp;H TAX &amp; ADVISORY SERVICES, LLC</b>	Firm's EIN ▶ <b>20-5991824</b>			
	Firm's address ▶ <b>910 RIDGEBROOK ROAD SPARKS, MD 21152</b>	Phone no. (410) 403-1500			

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

Part III Statement of Program Service Accomplishments

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

1 Briefly describe the organization's mission: AS A CHARITABLE ORGANIZATION, ANNE ARUNDEL MEDICAL CENTER'S ("AAMC") MISSION IS TO ENHANCE THE HEALTH OF THE PEOPLE IT SERVES AND AAMC'S VISION IS "LIVING HEALTHIER TOGETHER" WITH THE COMMUNITY. IN ADDITION TO TRADITIONAL PATIENT SERVICES LIKE DIAGNOSIS, TREATMENT AND

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 [X] 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 [X] 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 \$ 417,109,569. including grants of \$ 16,294,490. ) (Revenue \$ 495,664,889. ) INPATIENT

THE AAMC WOMEN'S AND CHILDREN'S CENTER OFFERS MULTIGENERATIONAL PROGRAMS TO SUPPORT A WOMAN FROM THE TIME SHE BEGINS GYNECOLOGICAL CARE THROUGH THE CHILDBEARING YEARS AND BEYOND. WE OFFER THE MOST COMPREHENSIVE WOMEN'S SERVICES; ALL-INCLUSIVE MATERNITY, NEWBORN AND PEDIATRIC CARE; ADVANCED TREATMENTS FOR ANY HEALTH CHALLENGES WOMEN AND THEIR FAMILIES MAY ENCOUNTER; AND EXTENSIVE SCREENING, PREVENTION AND WELLNESS PROGRAMS TO HELP THEM LEAD LONGER, HEALTHIER AND MORE FULFILLING LIVES.

AAMC IS KNOWN FOR EXCELLENCE IN OBSTETRICAL SERVICES, AND WE OFFER MOMS

4b (Code: ) (Expenses \$ including grants of \$ ) (Revenue \$ )

4c (Code: ) (Expenses \$ including grants of \$ ) (Revenue \$ )

4d Other program services (Describe in Schedule O.) (Expenses \$ including grants of \$ ) (Revenue \$ )

4e Total program service expenses 417,109,569.

**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> ?	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 <b>Section 501(c)(3) organizations.</b> 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</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
<b>21</b> Did the organization report more than \$5,000 of grants or other assistance to any domestic organization or domestic government on Part IX, column (A), line 1? <i>If "Yes," complete Schedule I, Parts I and II</i> .....	<b>21</b> X	
<b>22</b> Did the organization report more than \$5,000 of grants or other assistance to or for domestic individuals on Part IX, column (A), line 2? <i>If "Yes," complete Schedule I, Parts I and III</i> .....	<b>22</b>	X
<b>23</b> 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> .....	<b>23</b> X	
<b>24a</b> 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> .....	<b>24a</b> X	
<b>b</b> Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception? .....	<b>24b</b>	X
<b>c</b> Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds? .....	<b>24c</b>	X
<b>d</b> Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year? .....	<b>24d</b>	X
<b>25a Section 501(c)(3), 501(c)(4), and 501(c)(29) organizations.</b> 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> .....	<b>25a</b>	X
<b>b</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> .....	<b>25b</b>	X
<b>26</b> Did the organization report any amount on Part X, line 5, 6, or 22 for receivables from or payables to any current or former officers, directors, trustees, key employees, highest compensated employees, or disqualified persons? <i>If "Yes," complete Schedule L, Part II</i> .....	<b>26</b>	X
<b>27</b> 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> .....	<b>27</b>	X
<b>28</b> 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):		
<b>a</b> A current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i> .....	<b>28a</b>	X
<b>b</b> A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i> .....	<b>28b</b>	X
<b>c</b> 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> .....	<b>28c</b>	X
<b>29</b> Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i> .....	<b>29</b>	X
<b>30</b> Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i> .....	<b>30</b>	X
<b>31</b> Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i> .....	<b>31</b>	X
<b>32</b> 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> .....	<b>32</b>	X
<b>33</b> 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> .....	<b>33</b>	X
<b>34</b> 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> .....	<b>34</b> X	
<b>35a</b> Did the organization have a controlled entity within the meaning of section 512(b)(13)? .....	<b>35a</b> X	
<b>b</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> .....	<b>35b</b> X	
<b>36 Section 501(c)(3) organizations.</b> Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2</i> .....	<b>36</b>	X
<b>37</b> 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> .....	<b>37</b>	X
<b>38</b> Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11b and 19? <b>Note.</b> All Form 990 filers are required to complete Schedule O .....	<b>38</b> 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 question number, description, and Yes/No checkboxes. Includes rows for backup withholding (1a-1c), employee reporting (2a-2b), unrelated business income (3a-3b), foreign accounts (4a-4b), prohibited tax shelter transactions (5a-5c), annual gross receipts (6a-6b), deductible contributions (7a-7h), sponsoring organizations (8-9), and section 501(c)(7), (12), (11), (12a), (13), and (14a-14b).

**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

**Section A. Governing Body and Management**

		Yes	No
<b>1a</b>	Enter the number of voting members of the governing body at the end of the tax year If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain in Schedule O.		
	1a	17	
<b>b</b>	Enter the number of voting members included in line 1a, above, who are independent		
	1b	15	
<b>2</b>	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?		X
<b>3</b>	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors, or trustees, or key employees to a management company or other person?		X
<b>4</b>	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?		X
<b>5</b>	Did the organization become aware during the year of a significant diversion of the organization's assets?		X
<b>6</b>	Did the organization have members or stockholders?	X	
<b>7a</b>	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?	X	
<b>b</b>	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	X	
<b>8</b>	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following:		
<b>a</b>	The governing body?	X	
<b>b</b>	Each committee with authority to act on behalf of the governing body?	X	
<b>9</b>	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O		X

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

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

**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.  
 Own website     Another's website     Upon request     Other (explain in Schedule O)
- 19** Describe in Schedule O whether (and if so, how) the organization made its governing documents, conflict of interest policy, and financial statements available to the public during the tax year.
- 20** State the name, address, and telephone number of the person who possesses the organization's books and records: **SANDRA HUFFER - (443) 481-6554**  
**2001 MEDICAL PARKWAY, ANNAPOLIS, MD 21401**

**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 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) EDWARD GOSSELIN CHAIRMAN	1.00 2.00	X		X				0.	0.	0.
(2) GARY JOBSON VICE CHAIRMAN	1.00 2.00	X		X				0.	0.	0.
(3) MAULIK JOSHI, M.D. SECRETARY	1.00 1.00	X		X				0.	0.	0.
(4) LEISA C. RUSSELL TREASURER	1.00 1.00	X		X				0.	0.	0.
(5) JASON GROVES ASSISTANT SECRETARY	1.00 2.00	X		X				0.	0.	0.
(6) ALAN J. HYATT ASSISTANT TREASURER	1.00 1.00	X		X				0.	0.	0.
(7) VICTORIA BAYLESS PRESIDENT AND CEO	40.00 9.00	X		X			1,112,163.	0.	181,261.	
(8) GEORGE K. ANDERSON, M.D. BOARD MEMBER	1.00 1.00	X						0.	0.	0.
(9) JOHN BELCHER BOARD MEMBER	1.00 1.00	X						0.	0.	0.
(10) JAMES CHAMBERS BOARD MEMBER	1.00 1.00	X						0.	0.	0.
(11) PATRICIA DARROW-SMITH BOARD MEMBER	1.00 1.00	X						0.	0.	0.
(12) JAMES ELLERSON BOARD MEMBER	1.00 1.00	X						0.	0.	0.
(13) CARLESA FINNEY BOARD MEMBER	1.00 1.00	X						0.	0.	0.
(14) KEN GUMMERSON, M.D. BOARD MEMBER	1.00 2.00	X					72,000.	0.	0.	
(15) DOUG MITCHELL, M.D. BOARD MEMBER	1.00 2.00	X						0.	0.	0.
(16) SHERRY MORRISSETTE BOARD MEMBER	1.00 2.00	X						0.	0.	0.
(17) THEODORE PINCUS BOARD MEMBER	1.00 2.00	X						0.	0.	0.

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

(A) Name and title	(B) Average hours per week (list any hours for related organizations below line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional trustee	Officer	Key employee	Highest compensated employee	Former			
(18) ROBERT REILLY CFO	40.00 6.00			X			660,617.	0.	46,650.	
(19) MITCHELL SCHWARTZ, M.D. CHIEF MEDICAL OFFICER	20.00 24.00				X		794,763.	0.	79,874.	
(20) SHERRY PERKINS CHIEF OPERATING OFFICER	40.00 2.00				X		634,361.	0.	35,077.	
(21) BARBARA BALDWIN VP AND CIO	40.00 0.00				X		401,950.	0.	37,933.	
(22) JENNIFER HARRINGTON VP SUPPORT & CLINICAL SERVICES	40.00 0.00				X		347,176.	0.	38,548.	
(23) PATRICIA CZAPP, MD CLINICAL INTEGRATION CHAIR	40.00 2.00					X	427,268.	0.	22,923.	
(24) JOSEPH D. MOSER, M.D. SENIOR VP OF MEDICAL AFFAIRS	40.00 0.00					X	452,007.	0.	43,331.	
(25) GEORGE SAMARAS, MD MEDICINE DIVISION CHAIR	40.00 0.00					X	445,970.	0.	26,832.	
(26) ADRIAN PARK SURGERY DIVISION CHAIR	40.00 1.00					X	749,194.	0.	60,856.	
<b>1b Sub-total</b>							6,097,469.	0.	573,285.	
<b>c Total from continuation sheets to Part VII, Section A</b>							438,225.	0.	40,248.	
<b>d Total (add lines 1b and 1c)</b>							6,535,694.	0.	613,533.	

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 **256**

	Yes	No
3 Did the organization list any former officer, director, or trustee, key employee, or highest compensated employee on line 1a? If "Yes," complete Schedule J for such individual	3	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? If "Yes," complete Schedule J for such individual	4	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? If "Yes," complete Schedule J for such person	5	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
ANNAPOLIS ASTHMA PULMONARY SLEEP SPECIALIST 2000 MEDICAL PARKWAY, SUITE 607, ANNAPOLIS,	CRITICAL CARE SERVICES	2,596,804.
CONIFER VALUE-BASED CARE, LLC 1596 WHITEHALL ROAD, ANNAPOLIS, MD 21409	MEDICAL PLAN SERVICES	1,517,005.
FOTHERINGILL & WADE, LLC 1 OLYMPIC PLACE, TOWSON, MD 21204	LEGAL SERVICES	1,138,426.
PA & ASSOCIATES HEALTHCARE, 9515 DEERECO RD, SUITE 301, TIMONIUM, MD 21030	SPEND MANAGEMENT CONSULTANTS	1,104,962.
QUEST DIAGNOSTICS INC (MD), 1901 SULPHUR SPRING ROAD, BALTIMORE, MD 21227	LABORATORY TESTING SERVICES	969,952.

2 Total number of independent contractors (including but not limited to those listed above) who received more than \$100,000 of compensation from the organization **41**

SEE PART VII, SECTION A CONTINUATION SHEETS



**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	
<b>Contributions, Gifts, Grants and Other Similar Amounts</b>	<b>1 a</b> Federated campaigns .....	<b>1a</b>					
	<b>b</b> Membership dues .....	<b>1b</b>					
	<b>c</b> Fundraising events .....	<b>1c</b>					
	<b>d</b> Related organizations .....	<b>1d</b>	1,985,016.				
	<b>e</b> Government grants (contributions) .....	<b>1e</b>					
	<b>f</b> All other contributions, gifts, grants, and similar amounts not included above .....	<b>1f</b>					
	<b>g</b> Noncash contributions included in lines 1a-1f: \$ .....						
	<b>h Total.</b> Add lines 1a-1f .....		1,985,016.				
<b>Program Service Revenue</b>	<b>2 a</b> ANCILLIARY SERVICES .....	<b>Business Code</b> 621500	371,715,408.	364,991,372.	6,724,036.		
	<b>b</b> ADMISSION/ROOM CHARGES .....	621990	73,218,699.	73,218,699.			
	<b>c</b> EMERGENCY ROOM CHARGES .....	621990	39,179,007.	39,179,007.			
	<b>d</b> PATIENT EDUCATION/MISC .....	624100	395,515.	395,515.			
	<b>e</b> .....						
	<b>f</b> All other program service revenue .....						
	<b>g Total.</b> Add lines 2a-2f .....		484,508,629.				
<b>Other Revenue</b>	<b>3</b> Investment income (including dividends, interest, and other similar amounts) .....		15,526,871.		17,265.	15,509,606.	
	<b>4</b> Income from investment of tax-exempt bond proceeds .....						
	<b>5</b> Royalties .....						
	<b>6 a</b> Gross rents .....	(i) Real	1,405,392.				
		(ii) Personal					
		<b>b</b> Less: rental expenses .....		200,650.			
	<b>c</b> Rental income or (loss) .....		1,204,742.				
	<b>d</b> Net rental income or (loss) .....		1,204,742.			1,204,742.	
	<b>7 a</b> Gross amount from sales of assets other than inventory .....	(i) Securities					
		(ii) Other					
		<b>b</b> Less: cost or other basis and sales expenses .....					
	<b>c</b> Gain or (loss) .....						
	<b>d</b> Net gain or (loss) .....						
	<b>8 a</b> Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c). See Part IV, line 18 .....	<b>a</b>	218,481.				
		<b>b</b> Less: direct expenses .....		170,853.			
<b>c</b> Net income or (loss) from fundraising events .....			47,628.			47,628.	
<b>9 a</b> Gross income from gaming activities. See Part IV, line 19 .....	<b>a</b>						
	<b>b</b> Less: direct expenses .....						
	<b>c</b> Net income or (loss) from gaming activities .....						
<b>10 a</b> Gross sales of inventory, less returns and allowances .....	<b>a</b>						
	<b>b</b> Less: cost of goods sold .....						
	<b>c</b> Net income or (loss) from sales of inventory .....						
<b>Miscellaneous Revenue</b>		<b>Business Code</b>					
<b>11 a</b> MANAGEMENT SERVICES .....		812900	16,033,199.	15,589,418.	443,781.		
	<b>b</b> CAFETERIA .....		722210	4,154,169.		4,154,169.	
	<b>c</b> ANSWERING/PAGING SERVICE .....		812900	214,438.	214,438.		
	<b>d</b> All other revenue .....		900099	2,319,870.	2,290,878.	28,992.	
	<b>e Total.</b> Add lines 11a-11d .....			22,721,676.			
<b>12 Total revenue.</b> See instructions. ....			525,994,562.	495,664,889.	7,399,520.	20,945,137.	

**Part IX Statement of Functional Expenses**

Section 501(c)(3) and 501(c)(4) organizations must complete all columns. All other organizations must complete column (A).

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

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.	(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
<b>1</b> Grants and other assistance to domestic organizations and domestic governments. See Part IV, line 21	16,294,490.	16,294,490.		
<b>2</b> Grants and other assistance to domestic individuals. See Part IV, line 22				
<b>3</b> Grants and other assistance to foreign organizations, foreign governments, and foreign individuals. See Part IV, lines 15 and 16				
<b>4</b> Benefits paid to or for members				
<b>5</b> Compensation of current officers, directors, trustees, and key employees	4,442,373.	3,998,136.	444,237.	
<b>6</b> Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)				
<b>7</b> Other salaries and wages	191,666,601.	165,856,600.	25,810,001.	
<b>8</b> Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions)	3,024,038.	2,607,561.	416,477.	
<b>9</b> Other employee benefits	18,733,899.	16,221,699.	2,512,200.	
<b>10</b> Payroll taxes	14,122,303.	12,230,644.	1,891,659.	
<b>11</b> Fees for services (non-employees):				
<b>a</b> Management				
<b>b</b> Legal	1,994,939.		1,994,939.	
<b>c</b> Accounting	168,052.		168,052.	
<b>d</b> Lobbying	133,175.		133,175.	
<b>e</b> Professional fundraising services. See Part IV, line 17				
<b>f</b> Investment management fees	150,000.		150,000.	
<b>g</b> Other. (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Sch. O.)	37,821,190.	19,339,059.	18,482,131.	
<b>12</b> Advertising and promotion	1,824,691.	1,157,929.	666,762.	
<b>13</b> Office expenses	15,374,577.	11,715,889.	3,658,688.	
<b>14</b> Information technology	6,795,051.	8,034.	6,787,017.	
<b>15</b> Royalties				
<b>16</b> Occupancy	10,531,372.	7,641,406.	2,889,966.	
<b>17</b> Travel	869,008.	572,832.	296,176.	
<b>18</b> Payments of travel or entertainment expenses for any federal, state, or local public officials				
<b>19</b> Conferences, conventions, and meetings	950,590.	542,408.	408,182.	
<b>20</b> Interest	13,310,101.	13,310,101.		
<b>21</b> Payments to affiliates				
<b>22</b> Depreciation, depletion, and amortization	29,097,303.	29,097,303.		
<b>23</b> Insurance	2,372,066.	2,134,859.	237,207.	
<b>24</b> 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.)				
<b>a</b> <b>MEDICAL SUPPLIES</b>	113,590,320.	113,585,641.	4,679.	
<b>b</b> <b>DUES, BOOKS, AND SUBSCR</b>	2,165,191.	325,180.	1,840,011.	
<b>c</b> <b>TEMPORARY AGENCY</b>	577,536.	469,798.	107,738.	
<b>d</b> _____				
<b>e</b> All other expenses _____				
<b>25</b> <b>Total functional expenses.</b> Add lines 1 through 24e	486,008,866.	417,109,569.	68,899,297.	0.
<b>26</b> <b>Joint costs.</b> Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation.				

Check here  if following SOP 98-2 (ASC 958-720)

**Part X Balance Sheet**

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

		(A) Beginning of year		(B) End of year
<b>Assets</b>	<b>1</b> Cash - non-interest-bearing .....		<b>1</b>	
	<b>2</b> Savings and temporary cash investments .....	31,613,036.	<b>2</b>	59,842,561.
	<b>3</b> Pledges and grants receivable, net .....		<b>3</b>	
	<b>4</b> Accounts receivable, net .....	58,859,714.	<b>4</b>	50,708,827.
	<b>5</b> Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees. Complete Part II of Schedule L .....		<b>5</b>	
	<b>6</b> 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 instr). Complete Part II of Sch L .....		<b>6</b>	
	<b>7</b> Notes and loans receivable, net .....		<b>7</b>	
	<b>8</b> Inventories for sale or use .....	8,030,207.	<b>8</b>	8,033,349.
	<b>9</b> Prepaid expenses and deferred charges .....	4,315,958.	<b>9</b>	4,136,746.
	<b>10a</b> Land, buildings, and equipment: cost or other basis. Complete Part VI of Schedule D .....	<b>10a</b> 627,705,737.		
	<b>b</b> Less: accumulated depreciation .....	<b>10b</b> 275,594,214.		
	<b>11</b> Investments - publicly traded securities .....	368,972,041.	<b>10c</b>	352,111,523.
	<b>12</b> Investments - other securities. See Part IV, line 11 .....	241,566,662.	<b>11</b>	241,065,465.
	<b>13</b> Investments - program-related. See Part IV, line 11 .....	74,519,886.	<b>12</b>	84,711,848.
	<b>14</b> Intangible assets .....		<b>13</b>	
	<b>15</b> Other assets. See Part IV, line 11 .....		<b>14</b>	
<b>16</b> <b>Total assets.</b> Add lines 1 through 15 (must equal line 34) .....	138,650,358.	<b>15</b>	134,733,591.	
	926,527,862.	<b>16</b>	935,343,910.	
<b>Liabilities</b>	<b>17</b> Accounts payable and accrued expenses .....	79,532,242.	<b>17</b>	87,130,166.
	<b>18</b> Grants payable .....		<b>18</b>	
	<b>19</b> Deferred revenue .....		<b>19</b>	
	<b>20</b> Tax-exempt bond liabilities .....	330,509,803.	<b>20</b>	347,120,002.
	<b>21</b> Escrow or custodial account liability. Complete Part IV of Schedule D .....		<b>21</b>	
	<b>22</b> 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 .....		<b>22</b>	
	<b>23</b> Secured mortgages and notes payable to unrelated third parties .....	89,828.	<b>23</b>	0.
	<b>24</b> Unsecured notes and loans payable to unrelated third parties .....		<b>24</b>	
	<b>25</b> 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 .....		<b>25</b>	
	<b>26</b> <b>Total liabilities.</b> Add lines 17 through 25 .....	91,717,329.	<b>26</b>	112,539,787.
	501,849,202.	<b>26</b>	546,789,955.	
<b>Net Assets or Fund Balances</b>	<b>Organizations that follow SFAS 117 (ASC 958), check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.</b>			
	<b>27</b> Unrestricted net assets .....	396,746,891.	<b>27</b>	363,056,368.
	<b>28</b> Temporarily restricted net assets .....	16,634,481.	<b>28</b>	14,365,410.
	<b>29</b> Permanently restricted net assets .....	11,297,288.	<b>29</b>	11,132,177.
	<b>Organizations that do not follow SFAS 117 (ASC 958), check here <input type="checkbox"/> and complete lines 30 through 34.</b>			
	<b>30</b> Capital stock or trust principal, or current funds .....		<b>30</b>	
	<b>31</b> Paid-in or capital surplus, or land, building, or equipment fund .....		<b>31</b>	
	<b>32</b> Retained earnings, endowment, accumulated income, or other funds .....		<b>32</b>	
	<b>33</b> Total net assets or fund balances .....	424,678,660.	<b>33</b>	388,553,955.
	<b>34</b> Total liabilities and net assets/fund balances .....	926,527,862.	<b>34</b>	935,343,910.

**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	525,994,562.
2	Total expenses (must equal Part IX, column (A), line 25)	2	486,008,866.
3	Revenue less expenses. Subtract line 2 from line 1	3	39,985,696.
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	424,678,660.
5	Net unrealized gains (losses) on investments	5	
6	Donated services and use of facilities	6	
7	Investment expenses	7	
8	Prior period adjustments	8	
9	Other changes in net assets or fund balances (explain in Schedule O)	9	-76,110,401.
10	Net assets or fund balances at end of year. Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	388,553,955.

**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
1		
2a		X
2b	X	
2c	X	
3a		X
3b		

Form 990 (2014)



**Part II Support Schedule for Organizations Described in Sections 170(b)(1)(A)(iv) and 170(b)(1)(A)(vi)**

(Complete only if you checked the box on line 5, 7, or 8 of Part I or if the organization failed to qualify under Part III. If the organization fails to qualify under the tests listed below, please complete Part III.)

**Section A. Public Support**

Calendar year (or fiscal year beginning in) ►	(a) 2010	(b) 2011	(c) 2012	(d) 2013	(e) 2014	(f) Total
<b>1</b> Gifts, grants, contributions, and membership fees received. (Do not include any "unusual grants.") .....						
<b>2</b> Tax revenues levied for the organization's benefit and either paid to or expended on its behalf .....						
<b>3</b> The value of services or facilities furnished by a governmental unit to the organization without charge .....						
<b>4 Total.</b> Add lines 1 through 3 .....						
<b>5</b> The portion of total contributions by each person (other than a governmental unit or publicly supported organization) included on line 1 that exceeds 2% of the amount shown on line 11, column (f) .....						
<b>6 Public support.</b> Subtract line 5 from line 4.						

**Section B. Total Support**

Calendar year (or fiscal year beginning in) ►	(a) 2010	(b) 2011	(c) 2012	(d) 2013	(e) 2014	(f) Total
<b>7</b> Amounts from line 4 .....						
<b>8</b> Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources .....						
<b>9</b> Net income from unrelated business activities, whether or not the business is regularly carried on .....						
<b>10</b> Other income. Do not include gain or loss from the sale of capital assets (Explain in Part VI.) .....						
<b>11 Total support.</b> Add lines 7 through 10						
<b>12</b> Gross receipts from related activities, etc. (see instructions) .....					12	
<b>13 First five years.</b> 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 <b>stop here</b> .....						<input type="checkbox"/>

**Section C. Computation of Public Support Percentage**

<b>14</b> Public support percentage for 2014 (line 6, column (f) divided by line 11, column (f)) .....	14	%
<b>15</b> Public support percentage from 2013 Schedule A, Part II, line 14 .....	15	%
<b>16a 33 1/3% support test - 2014.</b> If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and <b>stop here.</b> The organization qualifies as a publicly supported organization .....		<input type="checkbox"/>
<b>b 33 1/3% support test - 2013.</b> If the organization did not check a box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and <b>stop here.</b> The organization qualifies as a publicly supported organization .....		<input type="checkbox"/>
<b>17a 10% -facts-and-circumstances test - 2014.</b> If the organization did not check a box on line 13, 16a, or 16b, and line 14 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and <b>stop here.</b> Explain in Part VI how the organization meets the "facts-and-circumstances" test. The organization qualifies as a publicly supported organization .....		<input type="checkbox"/>
<b>b 10% -facts-and-circumstances test - 2013.</b> If the organization did not check a box on line 13, 16a, 16b, or 17a, and line 15 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and <b>stop here.</b> Explain in Part VI how the organization meets the "facts-and-circumstances" test. The organization qualifies as a publicly supported organization .....		<input type="checkbox"/>
<b>18 Private foundation.</b> If the organization did not check a box on line 13, 16a, 16b, 17a, or 17b, check this box and see instructions .....		<input type="checkbox"/>

**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) 2010	(b) 2011	(c) 2012	(d) 2013	(e) 2014	(f) Total
<b>1</b> Gifts, grants, contributions, and membership fees received. (Do not include any "unusual grants.") .....						
<b>2</b> 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 .....						
<b>3</b> Gross receipts from activities that are not an unrelated trade or business under section 513 .....						
<b>4</b> Tax revenues levied for the organization's benefit and either paid to or expended on its behalf .....						
<b>5</b> The value of services or facilities furnished by a governmental unit to the organization without charge .....						
<b>6 Total.</b> Add lines 1 through 5 .....						
<b>7a</b> Amounts included on lines 1, 2, and 3 received from disqualified persons .....						
<b>b</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 .....						
<b>c</b> Add lines 7a and 7b .....						
<b>8 Public support.</b> (Subtract line 7c from line 6.)						

**Section B. Total Support**

Calendar year (or fiscal year beginning in) ►	(a) 2010	(b) 2011	(c) 2012	(d) 2013	(e) 2014	(f) Total
<b>9</b> Amounts from line 6 .....						
<b>10a</b> Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources .....						
<b>b</b> Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975 .....						
<b>c</b> Add lines 10a and 10b .....						
<b>11</b> Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on .....						
<b>12</b> Other income. Do not include gain or loss from the sale of capital assets (Explain in Part VI.) .....						
<b>13 Total support.</b> (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**

<b>15</b> Public support percentage for 2014 (line 8, column (f) divided by line 13, column (f)) .....	<b>15</b>	%
<b>16</b> Public support percentage from 2013 Schedule A, Part III, line 15 .....	<b>16</b>	%

**Section D. Computation of Investment Income Percentage**

<b>17</b> Investment income percentage for 2014 (line 10c, column (f) divided by line 13, column (f)) .....	<b>17</b>	%
<b>18</b> Investment income percentage from 2013 Schedule A, Part III, line 17 .....	<b>18</b>	%

**19a 33 1/3% support tests - 2014.** 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 - 2013.** 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 Supporting Organizations**

(Complete only if you checked a box on line 11 of Part I. If you checked 11a of Part I, complete Sections A and B. If you checked 11b of Part I, complete Sections A and C. If you checked 11c of Part I, complete Sections A, D, and E. If you checked 11d of Part I, complete Sections A and D, and complete Part V.)

**Section A. All Supporting Organizations**

	Yes	No
<b>1</b> Are all of the organization's supported organizations listed by name in the organization's governing documents? <i>If "No" describe in Part VI how the supported organizations are designated. If designated by class or purpose, describe the designation. If historic and continuing relationship, explain.</i>		
<b>2</b> Did the organization have any supported organization that does not have an IRS determination of status under section 509(a)(1) or (2)? <i>If "Yes," explain in Part VI how the organization determined that the supported organization was described in section 509(a)(1) or (2).</i>		
<b>3a</b> Did the organization have a supported organization described in section 501(c)(4), (5), or (6)? <i>If "Yes," answer (b) and (c) below.</i>		
<b>b</b> Did the organization confirm that each supported organization qualified under section 501(c)(4), (5), or (6) and satisfied the public support tests under section 509(a)(2)? <i>If "Yes," describe in Part VI when and how the organization made the determination.</i>		
<b>c</b> Did the organization ensure that all support to such organizations was used exclusively for section 170(c)(2)(B) purposes? <i>If "Yes," explain in Part VI what controls the organization put in place to ensure such use.</i>		
<b>4a</b> Was any supported organization not organized in the United States ("foreign supported organization")? <i>If "Yes" and if you checked 11a or 11b in Part I, answer (b) and (c) below.</i>		
<b>b</b> Did the organization have ultimate control and discretion in deciding whether to make grants to the foreign supported organization? <i>If "Yes," describe in Part VI how the organization had such control and discretion despite being controlled or supervised by or in connection with its supported organizations.</i>		
<b>c</b> Did the organization support any foreign supported organization that does not have an IRS determination under sections 501(c)(3) and 509(a)(1) or (2)? <i>If "Yes," explain in Part VI what controls the organization used to ensure that all support to the foreign supported organization was used exclusively for section 170(c)(2)(B) purposes.</i>		
<b>5a</b> Did the organization add, substitute, or remove any supported organizations during the tax year? <i>If "Yes," answer (b) and (c) below (if applicable). Also, provide detail in Part VI, including (i) the names and EIN numbers of the supported organizations added, substituted, or removed, (ii) the reasons for each such action, (iii) the authority under the organization's organizing document authorizing such action, and (iv) how the action was accomplished (such as by amendment to the organizing document).</i>		
<b>b Type I or Type II only.</b> Was any added or substituted supported organization part of a class already designated in the organization's organizing document?		
<b>c Substitutions only.</b> Was the substitution the result of an event beyond the organization's control?		
<b>6</b> Did the organization provide support (whether in the form of grants or the provision of services or facilities) to anyone other than (a) its supported organizations; (b) individuals that are part of the charitable class benefited by one or more of its supported organizations; or (c) other supporting organizations that also support or benefit one or more of the filing organization's supported organizations? <i>If "Yes," provide detail in Part VI.</i>		
<b>7</b> Did the organization provide a grant, loan, compensation, or other similar payment to a substantial contributor (defined in IRC 4958(c)(3)(C)), a family member of a substantial contributor, or a 35-percent controlled entity with regard to a substantial contributor? <i>If "Yes," complete Part I of Schedule L (Form 990).</i>		
<b>8</b> Did the organization make a loan to a disqualified person (as defined in section 4958) not described in line 7? <i>If "Yes," complete Part I of Schedule L (Form 990).</i>		
<b>9a</b> Was the organization controlled directly or indirectly at any time during the tax year by one or more disqualified persons as defined in section 4946 (other than foundation managers and organizations described in section 509(a)(1) or (2))? <i>If "Yes," provide detail in Part VI.</i>		
<b>b</b> Did one or more disqualified persons (as defined in line 9(a)) hold a controlling interest in any entity in which the supporting organization had an interest? <i>If "Yes," provide detail in Part VI.</i>		
<b>c</b> Did a disqualified person (as defined in line 9(a)) have an ownership interest in, or derive any personal benefit from, assets in which the supporting organization also had an interest? <i>If "Yes," provide detail in Part VI.</i>		
<b>10a</b> Was the organization subject to the excess business holdings rules of IRC 4943 because of IRC 4943(f) (regarding certain Type II supporting organizations, and all Type III non-functionally integrated supporting organizations)? <i>If "Yes," answer (b) below.</i>		
<b>b</b> Did the organization have any excess business holdings in the tax year? <i>(Use Schedule C, Form 4720, to determine whether the organization had excess business holdings.)</i>		

**Part IV Supporting Organizations** (continued)

	Yes	No
<b>11</b> Has the organization accepted a gift or contribution from any of the following persons?		
<b>a</b> A person who directly or indirectly controls, either alone or together with persons described in (b) and (c) below, the governing body of a supported organization?		
<b>b</b> A family member of a person described in (a) above?		
<b>c</b> A 35% controlled entity of a person described in (a) or (b) above? <i>If "Yes" to a, b, or c, provide detail in Part VI.</i>		

**Section B. Type I Supporting Organizations**

	Yes	No
<b>1</b> Did the directors, trustees, or membership of one or more supported organizations have the power to regularly appoint or elect at least a majority of the organization's directors or trustees at all times during the tax year? <i>If "No," describe in Part VI how the supported organization(s) effectively operated, supervised, or controlled the organization's activities. If the organization had more than one supported organization, describe how the powers to appoint and/or remove directors or trustees were allocated among the supported organizations and what conditions or restrictions, if any, applied to such powers during the tax year.</i>		
<b>2</b> Did the organization operate for the benefit of any supported organization other than the supported organization(s) that operated, supervised, or controlled the supporting organization? <i>If "Yes," explain in Part VI how providing such benefit carried out the purposes of the supported organization(s) that operated, supervised, or controlled the supporting organization.</i>		

**Section C. Type II Supporting Organizations**

	Yes	No
<b>1</b> Were a majority of the organization's directors or trustees during the tax year also a majority of the directors or trustees of each of the organization's supported organization(s)? <i>If "No," describe in Part VI how control or management of the supporting organization was vested in the same persons that controlled or managed the supported organization(s).</i>		

**Section D. Type III Supporting Organizations**

	Yes	No
<b>1</b> Did the organization provide to each of its supported organizations, by the last day of the fifth month of the organization's tax year, (1) a written notice describing the type and amount of support provided during the prior tax year, (2) a copy of the Form 990 that was most recently filed as of the date of notification, and (3) copies of the organization's governing documents in effect on the date of notification, to the extent not previously provided?		
<b>2</b> Were any of the organization's officers, directors, or trustees either (i) appointed or elected by the supported organization(s) or (ii) serving on the governing body of a supported organization? <i>If "No," explain in Part VI how the organization maintained a close and continuous working relationship with the supported organization(s).</i>		
<b>3</b> By reason of the relationship described in (2), did the organization's supported organizations have a significant voice in the organization's investment policies and in directing the use of the organization's income or assets at all times during the tax year? <i>If "Yes," describe in Part VI the role the organization's supported organizations played in this regard.</i>		

**Section E. Type III Functionally-Integrated Supporting Organizations**

<b>1</b> Check the box next to the method that the organization used to satisfy the Integral Part Test during the year (see instructions):		
<b>a</b> <input type="checkbox"/> The organization satisfied the Activities Test. Complete line 2 below.		
<b>b</b> <input type="checkbox"/> The organization is the parent of each of its supported organizations. Complete line 3 below.		
<b>c</b> <input type="checkbox"/> The organization supported a governmental entity. Describe in Part VI how you supported a government entity (see instructions).		
<b>2</b> Activities Test. Answer (a) and (b) below.		
<b>a</b> Did substantially all of the organization's activities during the tax year directly further the exempt purposes of the supported organization(s) to which the organization was responsive? <i>If "Yes," then in Part VI identify those supported organizations and explain how these activities directly furthered their exempt purposes, how the organization was responsive to those supported organizations, and how the organization determined that these activities constituted substantially all of its activities.</i>		
<b>b</b> Did the activities described in (a) constitute activities that, but for the organization's involvement, one or more of the organization's supported organization(s) would have been engaged in? <i>If "Yes," explain in Part VI the reasons for the organization's position that its supported organization(s) would have engaged in these activities but for the organization's involvement.</i>		
<b>3</b> Parent of Supported Organizations. Answer (a) and (b) below.		
<b>a</b> Did the organization have the power to regularly appoint or elect a majority of the officers, directors, or trustees of each of the supported organizations? Provide details in Part VI.		
<b>b</b> Did the organization exercise a substantial degree of direction over the policies, programs, and activities of each of its supported organizations? <i>If "Yes," describe in Part VI the role played by the organization in this regard.</i>		

**Part V Type III Non-Functionally Integrated 509(a)(3) Supporting Organizations**

1  Check here if the organization satisfied the Integral Part Test as a qualifying trust on Nov. 20, 1970. See instructions. All other Type III non-functionally integrated supporting organizations must complete Sections A through E.

Section A - Adjusted Net Income		(A) Prior Year	(B) Current Year (optional)
1	Net short-term capital gain	1	
2	Recoveries of prior-year distributions	2	
3	Other gross income (see instructions)	3	
4	Add lines 1 through 3	4	
5	Depreciation and depletion	5	
6	Portion of operating expenses paid or incurred for production or collection of gross income or for management, conservation, or maintenance of property held for production of income (see instructions)	6	
7	Other expenses (see instructions)	7	
8	<b>Adjusted Net Income</b> (subtract lines 5, 6 and 7 from line 4)	8	

Section B - Minimum Asset Amount		(A) Prior Year	(B) Current Year (optional)
1	Aggregate fair market value of all non-exempt-use assets (see instructions for short tax year or assets held for part of year):		
a	Average monthly value of securities	1a	
b	Average monthly cash balances	1b	
c	Fair market value of other non-exempt-use assets	1c	
d	<b>Total</b> (add lines 1a, 1b, and 1c)	1d	
e	<b>Discount</b> claimed for blockage or other factors (explain in detail in Part VI):		
2	Acquisition indebtedness applicable to non-exempt-use assets	2	
3	Subtract line 2 from line 1d	3	
4	Cash deemed held for exempt use. Enter 1-1/2% of line 3 (for greater amount, see instructions).	4	
5	Net value of non-exempt-use assets (subtract line 4 from line 3)	5	
6	Multiply line 5 by .035	6	
7	Recoveries of prior-year distributions	7	
8	<b>Minimum Asset Amount</b> (add line 7 to line 6)	8	

Section C - Distributable Amount		(A) Prior Year	(B) Current Year
1	Adjusted net income for prior year (from Section A, line 8, Column A)	1	Current Year
2	Enter 85% of line 1	2	
3	Minimum asset amount for prior year (from Section B, line 8, Column A)	3	
4	Enter greater of line 2 or line 3	4	
5	Income tax imposed in prior year	5	
6	<b>Distributable Amount.</b> Subtract line 5 from line 4, unless subject to emergency temporary reduction (see instructions)	6	
7	<input type="checkbox"/> Check here if the current year is the organization's first as a non-functionally-integrated Type III supporting organization (see instructions).		

**Part V Type III Non-Functionally Integrated 509(a)(3) Supporting Organizations** (continued)

Section D - Distributions	Current Year
1 Amounts paid to supported organizations to accomplish exempt purposes	
2 Amounts paid to perform activity that directly furthers exempt purposes of supported organizations, in excess of income from activity	
3 Administrative expenses paid to accomplish exempt purposes of supported organizations	
4 Amounts paid to acquire exempt-use assets	
5 Qualified set-aside amounts (prior IRS approval required)	
6 Other distributions (describe in Part VI). See instructions.	
7 <b>Total annual distributions.</b> Add lines 1 through 6.	
8 Distributions to attentive supported organizations to which the organization is responsive (provide details in Part VI). See instructions.	
9 Distributable amount for 2014 from Section C, line 6	
10 Line 8 amount divided by Line 9 amount	

Section E - Distribution Allocations (see instructions)	(i) Excess Distributions	(ii) Underdistributions Pre-2014	(iii) Distributable Amount for 2014
1 Distributable amount for 2014 from Section C, line 6			
2 Underdistributions, if any, for years prior to 2014 (reasonable cause required-see instructions)			
3 Excess distributions carryover, if any, to 2014:			
a			
b			
c			
d			
e From 2013			
f <b>Total</b> of lines 3a through e			
g Applied to underdistributions of prior years			
h Applied to 2014 distributable amount			
i Carryover from 2009 not applied (see instructions)			
j Remainder. Subtract lines 3g, 3h, and 3i from 3f.			
4 Distributions for 2014 from Section D, line 7: \$			
a Applied to underdistributions of prior years			
b Applied to 2014 distributable amount			
c Remainder. Subtract lines 4a and 4b from 4.			
5 Remaining underdistributions for years prior to 2014, if any. Subtract lines 3g and 4a from line 2 (if amount greater than zero, see instructions).			
6 Remaining underdistributions for 2014. Subtract lines 3h and 4b from line 1 (if amount greater than zero, see instructions).			
7 <b>Excess distributions carryover to 2015.</b> Add lines 3j and 4c.			
8 Breakdown of line 7:			
a			
b			
c			
d Excess from 2013			
e Excess from 2014			

Schedule A (Form 990 or 990-EZ) 2014



**Schedule B**

(Form 990, 990-EZ, or 990-PF)

Department of the Treasury  
Internal Revenue Service

**Schedule of Contributors**

▶ 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](http://www.irs.gov/form990) .

OMB No. 1545-0047

**2014**

Name of the organization

ANNE ARUNDEL MEDICAL CENTER, INC.

Employer identification number

52-1169362

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, contributions totaling \$5,000 or more (in money or property) from any one contributor. Complete Parts I and II. See instructions for determining a contributor's total contributions.

**Special Rules**

For an organization described in section 501(c)(3) 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), that checked Schedule A (Form 990 or 990-EZ), Part II, line 13, 16a, or 16b, and that received from any one contributor, during the year, total contributions 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 an organization described in section 501(c)(7), (8), or (10) filing Form 990 or 990-EZ that received from any one contributor, during the year, total contributions of more than \$1,000 *exclusively* for religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals. Complete Parts I, II, and III.

For an organization described in section 501(c)(7), (8), or (10) filing Form 990 or 990-EZ that received from any one contributor, during the year, contributions *exclusively* for religious, charitable, etc., purposes, but no such contributions totaled 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 totaling \$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).

LHA For Paperwork Reduction Act Notice, see the Instructions for Form 990, 990-EZ, or 990-PF. Schedule B (Form 990, 990-EZ, or 990-PF) (2014)

Name of organization <b>ANNE ARUNDEL MEDICAL CENTER, INC.</b>	Employer identification number <b>52-1169362</b>
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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
1	ANNE ARUNDEL MEDICAL CENTER FOUNDATION, INC.  2001 MEDICAL PARKWAY  ANNAPOLIS, MD 21401	\$ 1,835,016.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
2	COTTAGE INSURANCE COMPANY, LTD.  P.O. BOX 10233  GRAND CAYMAN, CAYMAN ISLANDS KY1-1002	\$ 150,000.	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.)
_____	_____  _____  _____	\$ _____	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  <b>ANNE ARUNDEL MEDICAL CENTER, INC.</b>	Employer identification number  <b>52-1169362</b>
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**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
		\$ _____	
		\$ _____	
		\$ _____	
		\$ _____	
		\$ _____	
		\$ _____	
		\$ _____	

Name of organization  <b>ANNE ARUNDEL MEDICAL CENTER, INC.</b>	Employer identification number  <b>52-1169362</b>
--	---

**Part III** Exclusively religious, charitable, etc., contributions to organizations described in section 501(c)(7), (8), or (10) that total more than \$1,000 for the year from any one contributor. 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 info. once.) ▶ \$ \_\_\_\_\_  
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
<b>(e) Transfer of gift</b>			
Transferee's name, address, and ZIP + 4		Relationship of transferor to transferee	
<b>(e) Transfer of gift</b>			
Transferee's name, address, and ZIP + 4		Relationship of transferor to transferee	
<b>(e) Transfer of gift</b>			
Transferee's name, address, and ZIP + 4		Relationship of transferor to transferee	
<b>(e) Transfer of gift</b>			
Transferee's name, address, and ZIP + 4		Relationship of transferor to transferee	
<b>(e) Transfer of gift</b>			
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

**2014**

**Open to Public Inspection**

Department of the Treasury  
Internal Revenue Service

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.**

▶ **Information about Schedule C (Form 990 or 990-EZ) and its instructions is at [www.irs.gov/form990](http://www.irs.gov/form990).**

**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) (see separate instructions) or Form 990-EZ, Part V, line 35c (Proxy Tax) (see separate instructions), then**

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

Name of organization <b>ANNE ARUNDEL MEDICAL CENTER, INC.</b>	Employer identification number <b>52-1169362</b>
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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-.

For Paperwork Reduction Act Notice, see the Instructions for Form 990 or 990-EZ. Schedule C (Form 990 or 990-EZ) 2014

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10-21-14

**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.

<b>Limits on Lobbying Expenditures</b> (The term "expenditures" means amounts paid or incurred.)		(a) Filing organization's totals	(b) Affiliated group totals												
<b>1a</b>	Total lobbying expenditures to influence public opinion (grass roots lobbying) .....														
<b>b</b>	Total lobbying expenditures to influence a legislative body (direct lobbying) .....														
<b>c</b>	Total lobbying expenditures (add lines 1a and 1b) .....														
<b>d</b>	Other exempt purpose expenditures .....														
<b>e</b>	Total exempt purpose expenditures (add lines 1c and 1d) .....														
<b>f</b>	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.														
<b>g</b>	Grassroots nontaxable amount (enter 25% of line 1f) .....														
<b>h</b>	Subtract line 1g from line 1a. If zero or less, enter -0- .....														
<b>i</b>	Subtract line 1f from line 1c. If zero or less, enter -0- .....														
<b>j</b>	If there is an amount other than zero on either line 1h or line 1i, did the organization file Form 4720 reporting section 4911 tax for this year? .....														

Yes  No

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

<b>Lobbying Expenditures During 4-Year Averaging Period</b>					
Calendar year (or fiscal year beginning in)	(a) 2011	(b) 2012	(c) 2013	(d) 2014	(e) Total
<b>2a</b> Lobbying nontaxable amount					
<b>b</b> Lobbying ceiling amount (150% of line 2a, column(e))					
<b>c</b> Total lobbying expenditures					
<b>d</b> Grassroots nontaxable amount					
<b>e</b> Grassroots ceiling amount (150% of line 2d, column (e))					
<b>f</b> Grassroots lobbying expenditures					

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

For each "Yes," response to lines 1a through 1i below, provide in Part IV a detailed description of the lobbying activity.	(a)		(b)
	Yes	No	Amount
<b>1</b> During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of:			
<b>a</b> Volunteers? .....		X	
<b>b</b> Paid staff or management (include compensation in expenses reported on lines 1c through 1i)? ..		X	
<b>c</b> Media advertisements? .....		X	
<b>d</b> Mailings to members, legislators, or the public? .....		X	
<b>e</b> Publications, or published or broadcast statements? .....		X	
<b>f</b> Grants to other organizations for lobbying purposes? .....		X	
<b>g</b> Direct contact with legislators, their staffs, government officials, or a legislative body? .....	X		97,498.
<b>h</b> Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means? .....		X	
<b>i</b> Other activities? .....	X		35,677.
<b>j</b> Total. Add lines 1c through 1i .....			133,175.
<b>2a</b> Did the activities in line 1 cause the organization to be not described in section 501(c)(3)? .....		X	
<b>b</b> If "Yes," enter the amount of any tax incurred under section 4912 .....			
<b>c</b> If "Yes," enter the amount of any tax incurred by organization managers under section 4912 .....			
<b>d</b> If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year? .....			

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

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

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

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

**Part IV Supplemental Information**

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

**PART II-B, LINE 1, LOBBYING ACTIVITIES:**

THE ORGANIZATION PAYS \$97,498 TO ITS LOBBYIST KANE STRATEGIC MARKETS, LLC TO DIRECTLY CONTACT LEGISLATORS ON MATTERS AFFECTING HEALTH CARE. THE ORGANIZATION PAYS DUES TO THE MARYLAND HOSPITAL ASSOCIATION. A PORTION OF THESE DUES ARE USED FOR LOBBYING ACTIVITIES.

SCHEDULE D (Form 990)

Department of the Treasury Internal Revenue Service

Supplemental Financial Statements

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

OMB No. 1545-0047

2014 Open to Public Inspection

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

Name of the organization ANNE ARUNDEL MEDICAL CENTER, INC. Employer identification number 52-1169362

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 value of contributions to (during year), 3 Aggregate value of grants from (during year), 4 Aggregate value at end of year, 5 Did the organization inform all donors and donor advisors in writing that the assets held in donor advised funds are the organization's property, subject to the organization's exclusive legal control?, 6 Did the organization inform all grantees, donors, and donor advisors in writing that grant funds can be used only for charitable purposes and not for the benefit of the donor or donor advisor, or for any other purpose conferring impermissible private benefit?

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

- 1 Purpose(s) of conservation easements held by the organization (check all that apply).
2 Complete lines 2a through 2d if the organization held a qualified conservation contribution in the form of a conservation easement on the last day of the tax year.
3 Number of conservation easements modified, transferred, released, extinguished, or terminated by the organization during the tax year.
4 Number of states where property subject to conservation easement is located.
5 Does the organization have a written policy regarding the periodic monitoring, inspection, handling of violations, and enforcement of the conservation easements it holds?
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)?
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.

Table with 2 columns: Held at the End of the Tax Year. Rows: 2a Total number of conservation easements, 2b Total acreage restricted by conservation easements, 2c Number of conservation easements on a certified historic structure included in (a), 2d Number of conservation easements included in (c) acquired after 8/17/06, and not on a historic structure listed in the National Register.

Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets. Complete if the organization answered "Yes" to Form 990, Part IV, line 8.

- 1a If the organization elected, as permitted under SFAS 116 (ASC 958), not to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide, in Part XIII, the text of the footnote to its financial statements that describes these items.
1b 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:
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:

**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, for escrow or custodial account liability?  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					
b Contributions					
c Net investment earnings, gains, and losses					
d Grants or scholarships					
e Other expenditures for facilities and programs					
f Administrative expenses					
g End of year balance					

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

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

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

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

- (i) unrelated organizations
- (ii) related organizations

	Yes	No
3a(i)		
3a(ii)		
3b		

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		26,895,207.		26,895,207.
b Buildings		363,304,698.	98,034,560.	265,270,138.
c Leasehold improvements		10,616,066.	6,782,138.	3,833,928.
d Equipment		223,532,783.	170,777,516.	52,755,267.
e Other		3,356,983.		3,356,983.

**Total.** Add lines 1a through 1e. (Column (d) must equal Form 990, Part X, column (B), line 10c.)  352,111,523.

**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) INVESTMENT IN ANNE		
(B) ARUNDEL HEALTH CARE		
(C) SERVICES, INC.	61,496,586.	END-OF-YEAR MARKET VALUE
(D) INVESTMENT IN PREMIER		
(E) PURCHASING PARTNERS, LLP	4,132,818.	END-OF-YEAR MARKET VALUE
(F) INVESTMENT IN ANNE		
(G) ARUNDEL GENERAL TREATMENT		
(H) SERVICES, INC.	5,629,936.	END-OF-YEAR MARKET VALUE
<b>Total.</b> (Col. (b) must equal Form 990, Part X, col. (B) line 12.) ▶	84,711,848.	

**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)		
(2)		
(3)		
(4)		
(5)		
(6)		
(7)		
(8)		
(9)		
<b>Total.</b> (Col. (b) must equal Form 990, Part X, col. (B) line 13.) ▶		

**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) LIMITED USE ASSETS	28,547,033.
(2) DEFERRED DEBT ISSUE COSTS	4,429,676.
(3) DUE FROM AFFILIATES	8,712,549.
(4) NOTES RECEIVABLE FROM AFFILIATES	4,158,613.
(5) BENEFICIAL INTEREST IN AAMC FOUNDATION	25,946,519.
(6) RESTRICTED COLLATERAL FOR INTEREST RATE SWAP AGREEMENTS	62,939,201.
(7)	
(8)	
(9)	
<b>Total.</b> (Column (b) must equal Form 990, Part X, col. (B) line 15.) ▶	134,733,591.

**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) THIRD PARTY ADVANCE LIABILITIES	22,465,454.
(3) FAIR VALUE OF INTEREST RATE SWAP	
(4) DERIVATIVE CONTRACTS	65,852,025.
(5) DUE TO AFFILIATES	24,222,308.
(6)	
(7)	
(8)	
(9)	
<b>Total.</b> (Column (b) must equal Form 990, Part X, col. (B) line 25.) ▶	112,539,787.

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 line numbers and a shaded area for calculations.

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 line numbers and a shaded area for calculations.

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.

PART X, LINE 2:

UNDER THE REQUIREMENTS OF ASC 740, INCOME TAXES, TAX-EXEMPT ORGANIZATIONS COULD BE REQUIRED TO RECORD AN OBLIGATION AS THE RESULT OF A TAX POSITION THEY HAVE HISTORICALLY TAKEN ON VARIOUS TAX EXPOSURE ITEMS. ANNE ARUNDEL HEALTH SYSTEM, INC. AND SUBSIDIARIES (THE "GROUP") HAS DETERMINED THAT IT DOES NOT HAVE ANY UNCERTAIN TAX POSITIONS THROUGH JUNE 30, 2015.



**SCHEDULE F  
(Form 990)**

Department of the Treasury  
Internal Revenue Service

**Statement of Activities Outside the United States**

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

▶ Attach to Form 990.

▶ Information about Schedule F (Form 990) and its instructions is at [www.irs.gov/form990](http://www.irs.gov/form990).

OMB No. 1545-0047

**2014**

Open to Public Inspection

Name of the organization <b>ANNE ARUNDEL MEDICAL CENTER, INC.</b>	Employer identification number <b>52-1169362</b>
--	---

**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
CENTRAL AMERICA AND THE CARIBBEAN	0	1	REINSURANCE EXPENSES		2,955,000.
CENTRAL AMERICA AND THE CARIBBEAN	0	0	INVESTMENTS		22,509,431.
<b>3 a</b> Sub-total .....	0	1			25,464,431.
<b>b</b> Total from continuation sheets to Part I .....	0	0			0.
<b>c Totals</b> (add lines 3a and 3b) .....	0	1			25,464,431.





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; do not file with Form 990)* .....  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; do not file with Form 990)* .....  Yes  No

Schedule F (Form 990) 2014

**Part V** Supplemental Information

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

Multiple horizontal lines for supplemental information.



**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 (add col. (a) through col. (c))
		LIGHTS ON THE BAY (event type)	(event type)	NONE (total number)	
Revenue	1	Gross receipts	218,481.		218,481.
	2	Less: Contributions			
	3	Gross income (line 1 minus line 2)	218,481.		218,481.
Direct Expenses	4	Cash prizes			
	5	Noncash prizes			
	6	Rent/facility costs	170,853.		170,853.
	7	Food and beverages			
	8	Entertainment			
	9	Other direct expenses			
	10	Direct expense summary. Add lines 4 through 9 in column (d)			170,853.
11	Net income summary. Subtract line 10 from line 3, column (d)			47,628.	

**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			
	2	Cash prizes			
Direct Expenses	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 conducts gaming activities: \_\_\_\_\_  
 a Is the organization licensed to conduct gaming activities in each of these states?  Yes  No  
 b If "No," explain: \_\_\_\_\_

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



**Part IV** Supplemental Information *(continued)*

Lined area for supplemental information.

**SCHEDULE H  
(Form 990)**

Department of the Treasury  
Internal Revenue Service

**Hospitals**

- ▶ Complete if the organization answered "Yes" to Form 990, Part IV, question 20.
- ▶ Attach to Form 990.
- ▶ Information about Schedule H (Form 990) and its instructions is at [www.irs.gov/form990](http://www.irs.gov/form990).

OMB No. 1545-0047

**2014**

Open to Public Inspection

Name of the organization **ANNE ARUNDEL MEDICAL CENTER, INC.** Employer identification number **52-1169362**

**Part I Financial Assistance and Certain Other Community Benefits at Cost**

	Yes	No
<b>1a</b> Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a	<input checked="" type="checkbox"/>	
<b>b</b> If "Yes," was it a written policy?	<input checked="" type="checkbox"/>	
<b>2</b> 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		
<b>3</b> 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.		
<b>a</b> 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 _____ %	<input checked="" type="checkbox"/>	
<b>b</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 type="checkbox"/> 300% <input type="checkbox"/> 350% <input type="checkbox"/> 400% <input checked="" type="checkbox"/> Other <u>330</u> %	<input checked="" type="checkbox"/>	
<b>c</b> If the organization used factors other than FPG in determining eligibility, describe in Part VI the criteria used 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.		
<b>4</b> 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"?	<input checked="" type="checkbox"/>	
<b>5a</b> Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	<input checked="" type="checkbox"/>	
<b>b</b> If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?	<input checked="" type="checkbox"/>	
<b>c</b> 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?		<input checked="" type="checkbox"/>
<b>6a</b> Did the organization prepare a community benefit report during the tax year?	<input checked="" type="checkbox"/>	
<b>b</b> If "Yes," did the organization make it available to the public?	<input checked="" type="checkbox"/>	

Complete the following table using the worksheets provided in the Schedule H instructions. Do not submit these worksheets with the Schedule H.

**7 Financial Assistance and Certain Other Community Benefits at Cost**

	(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
<b>Financial Assistance and Means-Tested Government Programs</b>						
<b>a</b> Financial Assistance at cost (from Worksheet 1)			4065170.		4065170.	.84%
<b>b</b> Medicaid (from Worksheet 3, column a)						
<b>c</b> Costs of other means-tested government programs (from Worksheet 3, column b)						
<b>d Total</b> Financial Assistance and Means-Tested Government Programs			4065170.		4065170.	.84%
<b>Other Benefits</b>						
<b>e</b> Community health improvement services and community benefit operations (from Worksheet 4)			4926243.	192,516.	4733727.	.97%
<b>f</b> Health professions education (from Worksheet 5)			5625239.		5625239.	1.16%
<b>g</b> Subsidized health services (from Worksheet 6)			21295896.		21295896.	4.38%
<b>h</b> Research (from Worksheet 7)			231,060.		231,060.	.05%
<b>i</b> Cash and in-kind contributions for community benefit (from Worksheet 8)			953,328.		953,328.	.20%
<b>j Total.</b> Other Benefits			33031766.	192,516.	32839250.	6.76%
<b>k Total.</b> Add lines 7d and 7j			37096936.	192,516.	36904420.	7.60%



Part V Facility Information

Section A. Hospital Facilities

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

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

Name, address, primary website address, and state license number (and if a group return, the name and EIN of the subordinate hospital organization that operates the hospital facility)

1 ANNE ARUNDEL MEDICAL CENTER, INC.
2001 MEDICAL PARKWAY
ANNAPOLIS, MD 21401
WWW.AAHS.ORG
02003

Table with columns: Licensed hospital, gen. medical & surgical, Children's hospital, Teaching hospital, Critical access hospital, Research facility, ER-24 hours, ER-other, Other (describe), Facility reporting group. Row 1: 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 letter of facility reporting group ANNE ARUNDEL MEDICAL CENTER

Line number of hospital facility, or line numbers of hospital facilities in a facility reporting group (from Part V, Section A): 1

	Yes	No
<b>Community Health Needs Assessment</b>		
1 Was the hospital facility first licensed, registered, or similarly recognized by a State as a hospital facility in the current tax year or the immediately preceding tax year? .....	1	X
2 Was the hospital facility acquired or placed into service as a tax-exempt hospital in the current tax year or the immediately preceding tax year? If "Yes," provide details of the acquisition in Section C .....	2	X
3 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 12 .....	3	X
If "Yes," indicate what the CHNA report describes (check all that apply):		
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 significant 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 checked="" 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)		
4 Indicate the tax year the hospital facility last conducted a CHNA: 20 <u>12</u>		
5 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 .....	5	X
6a Was the hospital facility's CHNA conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Section C .....	6a	X
b Was the hospital facility's CHNA conducted with one or more organizations other than hospital facilities? If "Yes," list the other organizations in Section C .....	6b	X
7 Did the hospital facility make its CHNA report widely available to the public? .....	7	X
If "Yes," indicate how the CHNA report was made widely available (check all that apply):		
a <input checked="" type="checkbox"/> Hospital facility's website (list url): <u>WWW.AAHS.ORG/COMMUNITY/</u>		
b <input checked="" type="checkbox"/> Other website (list url): <u>HTTP://WWW.AAHEALTH.ORG/</u>		
c <input checked="" type="checkbox"/> Made a paper copy available for public inspection without charge at the hospital facility		
d <input type="checkbox"/> Other (describe in Section C)		
8 Did the hospital facility adopt an implementation strategy to meet the significant community health needs identified through its most recently conducted CHNA? If "No," skip to line 11 .....	8	X
9 Indicate the tax year the hospital facility last adopted an implementation strategy: 20 <u>12</u>		
10 Is the hospital facility's most recently adopted implementation strategy posted on a website? .....	10	X
a If "Yes," (list url): <u>WWW.AAHS.ORG/COMMUNITY/PDFS/PLAN2013-2015.PDF</u>		
b If "No", is the hospital facility's most recently adopted implementation strategy attached to this return? .....	10b	
11 Describe in Section C how the hospital facility is addressing the significant needs identified in its most recently conducted CHNA and any such needs that are not being addressed together with the reasons why such needs are not being addressed.		
12a 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)? .....	12a	X
b If "Yes" to line 12a, did the organization file Form 4720 to report the section 4959 excise tax? .....	12b	
c If "Yes" to line 12b, 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 (FAP)**

Name of hospital facility or letter of facility reporting group ANNE ARUNDEL MEDICAL CENTER

	Yes	No
Did the hospital facility have in place during the tax year a written financial assistance policy that:		
<b>13</b> Explained eligibility criteria for financial assistance, and whether such assistance included free or discounted care? .....	<b>X</b>	
If "Yes," indicate the eligibility criteria explained in the FAP:		
<b>a</b> <input checked="" type="checkbox"/> Federal poverty guidelines (FPG), with FPG family income limit for eligibility for free care of <u>200</u> % and FPG family income limit for eligibility for discounted care of <u>330</u> %		
<b>b</b> <input type="checkbox"/> Income level other than FPG (describe in Section C)		
<b>c</b> <input type="checkbox"/> Asset level		
<b>d</b> <input type="checkbox"/> Medical indigency		
<b>e</b> <input type="checkbox"/> Insurance status		
<b>f</b> <input type="checkbox"/> Underinsurance status		
<b>g</b> <input type="checkbox"/> Residency		
<b>h</b> <input type="checkbox"/> Other (describe in Section C)		
<b>14</b> Explained the basis for calculating amounts charged to patients? .....	<b>X</b>	
<b>15</b> Explained the method for applying for financial assistance? .....	<b>X</b>	
If "Yes," indicate how the hospital facility's FAP or FAP application form (including accompanying instructions) explained the method for applying for financial assistance (check all that apply):		
<b>a</b> <input checked="" type="checkbox"/> Described the information the hospital facility may require an individual to provide as part of his or her application		
<b>b</b> <input checked="" type="checkbox"/> Described the supporting documentation the hospital facility may require an individual to submit as part of his or her application		
<b>c</b> <input checked="" type="checkbox"/> Provided the contact information of hospital facility staff who can provide an individual with information about the FAP and FAP application process		
<b>d</b> <input checked="" type="checkbox"/> Provided the contact information of nonprofit organizations or government agencies that may be sources of assistance with FAP applications		
<b>e</b> <input type="checkbox"/> Other (describe in Section C)		
<b>16</b> Included measures to publicize the policy within the community served by the hospital facility? .....	<b>X</b>	
If "Yes," indicate how the hospital facility publicized the policy (check all that apply):		
<b>a</b> <input checked="" type="checkbox"/> The FAP was widely available on a website (list url): <u>WWW.AAHS.ORG/</u>		
<b>b</b> <input checked="" type="checkbox"/> The FAP application form was widely available on a website (list url): <u>WWW.AAHS.ORG/</u>		
<b>c</b> <input checked="" type="checkbox"/> A plain language summary of the FAP was widely available on a website (list url): <u>WWW.AAHS.ORG/</u>		
<b>d</b> <input checked="" type="checkbox"/> The FAP was available upon request and without charge (in public locations in the hospital facility and by mail)		
<b>e</b> <input checked="" type="checkbox"/> The FAP application form was available upon request and without charge (in public locations in the hospital facility and by mail)		
<b>f</b> <input checked="" type="checkbox"/> A plain language summary of the FAP was available upon request and without charge (in public locations in the hospital facility and by mail)		
<b>g</b> <input checked="" type="checkbox"/> Notice of availability of the FAP was conspicuously displayed throughout the hospital facility		
<b>h</b> <input checked="" type="checkbox"/> Notified members of the community who are most likely to require financial assistance about availability of the FAP		
<b>i</b> <input type="checkbox"/> Other (describe in Section C)		

**Billing and Collections**

<b>17</b> 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 all of the actions the hospital facility or other authorized party may take upon non-payment? .....	<b>X</b>	
<b>18</b> 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:		
<b>a</b> <input type="checkbox"/> Reporting to credit agency(ies)		
<b>b</b> <input type="checkbox"/> Selling an individual's debt to another party		
<b>c</b> <input type="checkbox"/> Actions that require a legal or judicial process		
<b>d</b> <input type="checkbox"/> Other similar actions (describe in Section C)		
<b>e</b> <input checked="" type="checkbox"/> None of these actions or other similar actions were permitted		

**Part V Facility Information** (continued)

Name of hospital facility or letter of facility reporting group ANNE ARUNDEL MEDICAL CENTER

	Yes	No
<b>19</b> Did the hospital facility or other authorized 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? .....		<b>X</b>
If "Yes", check all actions in which the hospital facility or a third party engaged:		
<b>a</b> <input type="checkbox"/> Reporting to credit agency(ies)		
<b>b</b> <input type="checkbox"/> Selling an individual's debt to another party		
<b>c</b> <input type="checkbox"/> Actions that require a legal or judicial process		
<b>d</b> <input type="checkbox"/> Other similar actions (describe in Section C)		
<b>20</b> Indicate which efforts the hospital facility or other authorized party made before initiating any of the actions listed (whether or not checked) in line 19 (check all that apply):		
<b>a</b> <input checked="" type="checkbox"/> Notified individuals of the financial assistance policy on admission		
<b>b</b> <input checked="" type="checkbox"/> Notified individuals of the financial assistance policy prior to discharge		
<b>c</b> <input checked="" type="checkbox"/> Notified individuals of the financial assistance policy in communications with the individuals regarding the individuals' bills		
<b>d</b> <input checked="" type="checkbox"/> Documented its determination of whether individuals were eligible for financial assistance under the hospital facility's financial assistance policy		
<b>e</b> <input type="checkbox"/> Other (describe in Section C)		
<b>f</b> <input type="checkbox"/> None of these efforts were made		

**Policy Relating to Emergency Medical Care**

<b>21</b> Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that required 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? .....	<b>21</b>	<b>X</b>	
If "No," indicate why:			
<b>a</b> <input type="checkbox"/> The hospital facility did not provide care for any emergency medical conditions			
<b>b</b> <input type="checkbox"/> The hospital facility's policy was not in writing			
<b>c</b> <input type="checkbox"/> The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Section C)			
<b>d</b> <input type="checkbox"/> Other (describe in Section C)			

**Charges to Individuals Eligible for Assistance Under the FAP (FAP-Eligible Individuals)**

<b>22</b> 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.			
<b>a</b> <input type="checkbox"/> The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged			
<b>b</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			
<b>c</b> <input type="checkbox"/> The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged			
<b>d</b> <input checked="" type="checkbox"/> Other (describe in Section C)			
<b>23</b> 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? .....	<b>23</b>		<b>X</b>
If "Yes," explain in Section C.			
<b>24</b> 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? .....	<b>24</b>		<b>X</b>
If "Yes," explain in Section C.			

**Part V Facility Information** (continued)

**Section C. Supplemental Information for Part V, Section B.** Provide descriptions required for Part V, Section B, lines 2, 3j, 5, 6a, 6b, 7d, 11, 13b, 13h, 15e, 16i, 18d, 19d, 20e, 21c, 21d, 22d, 23, and 24. If applicable, provide separate descriptions for each hospital facility in a facility reporting group, designated by facility reporting group letter and hospital facility line number from Part V, Section A ("A, 1," "A, 4," "B, 2" "B, 3," etc.) and name of hospital facility.

ANNE ARUNDEL MEDICAL CENTER:

PART V, SECTION B, LINE 5: SEE STATEMENT FOR PART VI, LINE 2 ON PAGE 59 FOR SUPPORTING NARRATIVE.

ANNE ARUNDEL MEDICAL CENTER:

PART V, SECTION B, LINE 6A: THE CHNA WAS A JOINT UNDERTAKING, LED BY THE ANNE ARUNDEL COUNTY DEPARTMENT OF HEALTH, ANNE ARUNDEL HEALTH SYSTEM AND BALTIMORE WASHINGTON MEDICAL CENTER. THE RESEARCH AND SURVEY DATA WERE SOURCED BY SECONDARY DATA PROFILES, KEY INFORMANT SURVEYS AND FOCUS GROUPS.

ANNE ARUNDEL MEDICAL CENTER:

PART V, SECTION B, LINE 6B: ANNE ARUNDEL COUNTY DEPARTMENT OF HEALTH THE ANNE ARUNDEL COUNTY DEPARTMENT OF AGING MENTAL HEALTH ALLIANCE OF ANNE ARUNDEL COUNTY THE COUNTY EXECUTIVE'S OFFICE ANNE ARUNDEL COMMUNITY COLLEGE FAITH BASED ORGANIZATIONS OTHER LOCAL ORGANIZATIONS

ANNE ARUNDEL MEDICAL CENTER:

PART V, SECTION B, LINE 11: AAMC HAS ADDRESSED THE HEALTH NEEDS (OBESITY, CO-OCCURRING DISORDERS, CANCER, HEART DISEASE/ DIABETES, HEALTH DISPARITY

**Part V Facility Information** *(continued)*

**Section C. Supplemental Information for Part V, Section B.** Provide descriptions required for Part V, Section B, lines 2, 3j, 5, 6a, 6b, 7d, 11, 13b, 13h, 15e, 16i, 18d, 19d, 20e, 21c, 21d, 22d, 23, and 24. If applicable, provide separate descriptions for each hospital facility in a facility reporting group, designated by facility reporting group letter and hospital facility line number from Part V, Section A ("A, 1," "A, 4," "B, 2" "B, 3," etc.) and name of hospital facility.

AND AWARENESS OF SERVICES THROUGH ITS ANNUAL OPERATING PLAN AND STRATEGIC DECISION MAKING PROCESS. THESE HEALTH NEEDS WERE ADDRESSED IN THE IMPLEMENTATION PLAN. THE CHNA DESCRIBED OTHER SOCIAL DETERMINANTS OF HEALTH SUCH AS TRANSPORTATION, BUT AAMC CAN NOT ADEQUATELY ADDRESS THOSE NEEDS AS THEY REQUIRE INTERVENTION FROM PUBLIC SERVICES AND LOCAL GOVERNMENT.

ANNE ARUNDEL MEDICAL CENTER:

PART V, SECTION B, LINE 22D: THE HOSPITAL FACILITY USED THE RATES SET BY THE HEALTH SERVICES COST REVIEW COMMISSION ("HSCRC"). PLEASE REFER TO THE NARRATIVES FOR PART I, LINES 7A AND 7B FOR MORE DETAILED INFORMATION ON THIS PROCESS.



**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.

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**PART I, LINE 7:**

CHARITY CARE REPORTED IN LINE 7A WAS CALCULATED USING A COST TO CHARGE RATIO DERIVED USING THE RATIO OF PATIENT CARE COST TO CHARGES AND THE HOSPITAL'S AUDITED FINANCIAL STATEMENTS. OTHER COST AMOUNTS INCLUDED IN LINE 7 RELATING TO COMMUNITY BENEFITS AND COMMUNITY BUILDING ACTIVITIES WERE OBTAINED FROM THE ORGANIZATION'S COMMUNITY BENEFIT REPORT FILING WITH THE HSCRC IN THE STATE OF MARYLAND. THESE COSTS WERE DETERMINED USING A VARIETY OF SOURCES, INCLUDING PAYROLL INFORMATION (FOR DIRECT LABOR COSTS) AND THE ORGANIZATION'S GENERAL LEDGER SYSTEM DETAIL (FOR OTHER DIRECT COSTS E.G. SUPPLIES). INDIRECT COSTS IN THESE AREAS OF BENEFIT WERE DETERMINED BY APPLYING AN INDIRECT COST RATIO TO THE DIRECT COST AMOUNTS OBTAINED. THIS RATIO IS CALCULATED USING SCHEDULE M OF THE HOSPITAL'S ANNUAL COST REPORT FILING WITH THE HSCRC IN THE STATE OF MARYLAND.

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PART I, LINE 7A, COLUMN (D) AND LINE 7F, COLUMNS (C) AND (D): MARYLAND'S REGULATORY SYSTEM CREATES A UNIQUE PROCESS FOR HOSPITAL PAYMENT THAT DIFFERS FROM THE REST OF THE NATION. THE HEALTH SERVICES COST REVIEW COMMISSION, (HSCRC) DETERMINES PAYMENT THROUGH A RATE SETTING PROCESS AND

**Part VI** Supplemental Information (Continuation)

ALL PAYORS, INCLUDING GOVERNMENTAL PAYORS, PAY THE SAME AMOUNT FOR THE SAME SERVICES DELIVERED AT THE SAME HOSPITAL. MARYLAND'S UNIQUE ALL PAYOR SYSTEM INCLUDES A METHOD FOR CONSIDERING UNCOMPENSATED CARE IN EACH PAYORS' RATES, AND THEREFORE MARYLAND HOSPITALS ARE UNABLE TO BREAKOUT ANY OFFSETTING REVENUE RELATED TO UNCOMPENSATED CARE.

PART I, LINE 7B, COLUMN (C) THROUGH (F): MARYLAND'S REGULATORY SYSTEM CREATES A UNIQUE PROCESS FOR HOSPITAL PAYMENT THAT DIFFERS FROM THE REST OF THE NATION. THE HEALTH SERVICES COST REVIEW COMMISSION, (HSCRC) DETERMINES PAYMENT THROUGH A RATE SETTING PROCESS AND ALL PAYORS, INCLUDING GOVERNMENTAL PAYORS, PAY THE SAME AMOUNT FOR THE SAME SERVICES DELIVERED AT THE SAME HOSPITAL. MARYLAND'S UNIQUE ALL PAYOR SYSTEM INCLUDES A METHOD FOR CONSIDERING UNCOMPENSATED CARE IN EACH PAYORS' RATES, AND THEREFORE MARYLAND HOSPITALS ARE UNABLE TO BREAKOUT ANY DIRECT OFFSETTING REVENUE RELATED TO UNCOMPENSATED CARE. COMMUNITY BENEFIT EXPENSES ARE EQUAL TO MEDICAID REVENUES IN MARYLAND, AS SUCH, THE NET EFFECT IS ZERO. THE EXCEPTION TO THIS IS THE IMPACT ON THE HOSPITAL OF ITS SHARE OF THE MEDICAID ASSESSMENT. IN RECENT YEARS, THE STATE OF MARYLAND HAS CLOSED FISCAL GAPS IN THE STATE MEDICAID BUDGET BY ASSESSING HOSPITALS THROUGH THE RATE SETTING SYSTEM.

PART I, LINE 7G:

PHYSICIAN CLINIC COSTS ARE INCLUDED AS SUBSIDIZED HEALTH SERVICES BECAUSE THEY WOULD NOT OTHERWISE BE AVAILABLE TO MEET PATIENT DEMAND.

THE HOSPITAL MAINTAINS 24/7 INPATIENT COVERAGE WITH THE HOSPITALIST PROGRAM AND PHYSICIAN COVERAGE FOR PALLIATIVE CARE PROGRAM, NEUROLOGY STROKE PROGRAM, WOMEN'S PELVIC HEALTH, THORACIC SURGERY PROGRAM, NEONATAL

**Part VI** Supplemental Information (Continuation)

OPHTHALMOLOGY, GYN ONCOLOGY PROGRAM, SURGICAL ONCOLOGY PROGRAM, HEMATOLOGY/MEDICAL ONCOLOGY PROGRAM, ANNAPOLIS ONCOLOGY CENTER AND BREAST CENTER AT A COST INCLUDED IN PART I, LINE 7G OF \$16,294,488. THIS COVERAGE PROVIDES AND GUARANTEES ROUND THE CLOCK ACCESS FOR PATIENTS TO NEEDED SERVICES.

EMERGENCY DEPARTMENT ON-CALL PHYSICIANS \$351,082. THE HOSPITAL FUNDS 24/7/365 COMPREHENSIVE EMERGENCY DEPARTMENT MEDICAL STAFF COVERAGE AND ENSURES THERE IS ALWAYS THE APPROPRIATE LEVEL OF CARE IN ORDER TO MAINTAIN QUALITY PATIENT CARE.

PHYSICIAN SHORTAGES IDENTIFIED:

LOCALLY, THERE IS A SIGNIFICANT SHORTAGE OF PRIMARY CARE PHYSICIANS IN THE REGION. THERE IS A SHORTAGE OF 46.3 PRIMARY CARE PHYSICIANS IN ANNE ARUNDEL COUNTY, BASED ON CALCULATIONS USING THE GUIDELINES OF THE FEDERAL HEALTH PROFESSIONAL SHORTAGE AREAS AND THE ANNALS OF FAMILY MEDICINE, VOL. 10, NO. 5. DATA ANALYSIS DEMONSTRATES THAT 58% OF THE POPULATION IN ALL ANNE ARUNDEL COUNTY ZIP CODES NEEDS AT LEAST 1 ADDITIONAL PRIMARY CARE PHYSICIAN FTE. THERE IS AN INCREASED UTILIZATION OF PRIMARY CARE SERVICES DUE TO THE IMPLEMENTATION OF THE AFFORDABLE CARE ACT MANDATING HEALTH INSURANCE COVERAGE FOR ALL AND MEDICAID EXPANSION.

THIS SHORTAGE RESULTS IN SERIOUSLY LIMITED ACCESS TO PRIMARY CARE IN PARTS OF OUR COMMUNITY BENEFIT SERVICE AREA. BUILDING PRIMARY CARE ACCESS IS ESSENTIAL TO THE HOSPITAL'S STRATEGIC PLAN, VISION 2020. INCREASED ACCESSIBILITY AND COORDINATING HEALTH CARE INCREASED FOCUS ON PREVENTION AND IMPROVING THE POPULATION HEALTH OF OUR CBSA.

**Part VI** Supplemental Information (Continuation)

AAMC CONTINUES TO PROMOTE PHYSICIAN RECRUITMENT WITH REGARD TO PRIMARY CARE PHYSICIANS IN THE COUNTY. SIX ADDITIONAL PRIMARY CARE PHYSICIANS JOINED THE AAMC'S TEAM IN EARLY FY15. A PRIMARY CARE WALK-IN CLINIC WAS OPENED IN FY15 IN AN ANNAPOLIS GROCERY STORE TO EXPAND ACCESS TO CARE. AN ADDITIONAL PRIMARY CARE WALK-IN CLINIC IS PLANNED FOR OPENING IN EARLY FY16 IN A PASADENA GROCERY STORE. PHYSICIAN RECRUITMENT, PARTICULARLY PRIMARY CARE RECRUITMENT, CONTINUES TO BE A MAJOR INITIATIVE FOR THE ORGANIZATION. WHILE THE UNINSURED AND UNDERSERVED POPULATION CAN ACCESS CARE THROUGH THE COMMUNITY CLINICS OPERATED BY PHYSICIAN ENTERPRISE, LLC, SPECIALTY CARE REMAINS A CHALLENGE. THEREFORE, AAMC FINANCIALLY SUBSIDIZES SPECIALISTS WHO TAKE ON THE CARE OF THE UNDERSERVED/UNINSURED FROM THE CLINICS. THIS INCENTIVE ALLOWS FOR ADDITIONAL CARE FOR THE UNDERSERVED. SINCE HEALTHCARE SYSTEM NAVIGATION IS A CHALLENGE, A CARE MANAGER IN THE CLINICS WAS HIRED IN FY14 TO ASSIST WITH PLACING THESE PATIENTS IN APPROPRIATE SPECIALTY CARE. AAMC CONTINUES TO MONITOR AND ADDRESS THE PROBLEMS ASSOCIATED WITH CARE FOR THE UNINSURED AND UNDERSERVED.

## PART II, COMMUNITY BUILDING ACTIVITIES:

SUPPORT SYSTEMS ENHANCEMENT INCLUDES EMERGENCY MANAGEMENT ACTIVITIES, ALTERNATE CARE SITE NAVAL SUPPORT ACTIVITY, OTHER DRILLS AND REAL TIME ACTIVITIES. THE HOSPITAL HAS A DISASTER PREPAREDNESS COORDINATOR THAT IS RESPONSIBLE FOR STAFF TRAINING, COORDINATING DISASTER DRILLS AND KEEPING THE HOSPITAL'S DISASTER PREPAREDNESS INVENTORY UP TO DATE.

COALITION BUILDING INCLUDES HOSPITAL REPRESENTATION TO COMMUNITY COALITIONS, COLLABORATIVE PARTNERSHIPS WITH COMMUNITY GROUPS TO IMPROVE COMMUNITY HEALTH, COMMUNITY MEETING COSTS, VISIONING SESSIONS AND COSTS

**Part VI** Supplemental Information (Continuation)

FOR TASK FORCE SPECIFIC PROJECTS AND INITIATIVES. THE HOSPITALS ONGOING WORK WITH COMMUNITY GROUPS AND PARTICIPATION IN ADVISORY COMMITTEES AND COUNCILS CREATE A CONTINUOUS COMMUNICATIONS PROCESS, BRINGING NEW IDEAS FROM ANNE ARUNDEL COUNTY RESIDENTS AND ORGANIZATIONS INTO THE HOSPITAL'S COMMUNITY BENEFIT PLANNING PROCESS.

MYCHART ELECTRONIC HEALTH RECORD IS A SECURE ON-LINE ACCESS TO PORTIONS OF MEDICAL RECORDS. PATIENTS CAN REQUEST MEDICAL APPOINTMENTS, VIEW THEIR HEALTH SUMMARY FROM THE MYCHART ELECTRONIC HEALTH RECORD, VIEW TEST RESULTS, REQUEST PRESCRIPTION RENEWAL, ACCESS TRUSTED HEALTH INFORMATION RESOURCES AND COMMUNICATE ELECTRONICALLY AND SECURELY WITH THEIR MEDICAL TEAM. CURRENTLY THERE ARE 54,895 ACTIVE USERS.

AAMC IS COMMITTED TO ADDRESSING THE MOST SIGNIFICANT HEALTH NEED IN THE COUNTY WHICH IS BEHAVIORAL HEALTH. IN COLLABORATION WITH THE COUNTY GOVERNMENT AND OTHER LOCAL NON-PROFIT AGENCIES, AAMC OPENED AN OUT-PATIENT MENTAL HEALTH CLINIC IN OCTOBER, 2014. AAMC HAS PLANS TO OPEN A PARTIAL HOSPITALIZATION PROGRAM FOR BEHAVIORAL HEALTH DURING SPRING 2016 AND WILL FILE FOR A CON FOR IN-PATIENT PSYCHIATRIC BEDS.

PART III, LINE 2:

SEE PART III, LINE 3 FOR EXPLANATION

PART III, LINE 3:

THE HOSPITAL HAS ADOPTED HEALTHCARE FINANCIAL MANAGEMENT ASSOCIATION STATEMENT #15. THE HOSPITAL'S POLICY IS TO WRITE OFF ALL PATIENT ACCOUNTS THAT HAVE BEEN IDENTIFIED AS UNCOLLECTIBLE. AN ALLOWANCE FOR DOUBTFUL ACCOUNTS IS RECORDED FOR ACCOUNTS NOT YET WRITTEN OFF THAT ARE ANTICIPATED

**Part VI** Supplemental Information (Continuation)

TO BECOME UNCOLLECTIBLE IN FUTURE PERIODS. INSURANCE COVERAGE AND CREDIT INFORMATION ARE OBTAINED FROM PATIENTS WHEN AVAILABLE. NO COLLATERAL IS OBTAINED FOR ACCOUNTS RECEIVABLE. BAD DEBT EXPENSE AT COST WAS DETERMINED BY USING A COST TO CHARGE RATIO. THE BAD DEBT EXPENSE ATTRIBUTABLE TO PATIENTS ELIGIBLE UNDER THE ORGANIZATION'S CHARITY CARE POLICY WAS DETERMINED BY SPECIFIC IDENTIFICATION REVIEWING BAD DEBT RECORDS AND DETERMINING WHO WOULD HAVE BECOME ELIGIBLE FOR CHARITY CARE IF ALL INFORMATION HAD BEEN OBTAINED FROM THE PATIENTS.

BAD DEBT EXPENSE AT COST WAS DETERMINED BY USING A COST TO CHARGE RATIO. THE BAD DEBT EXPENSE ATTRIBUTABLE TO PATIENTS ELIGIBLE UNDER THE ORGANIZATION'S CHARITY CARE POLICY WAS DETERMINED BY SPECIFIC IDENTIFICATION REVIEWING BAD DEBT RECORDS AND DETERMINING WHO WOULD HAVE BECOME ELIGIBLE FOR CHARITY CARE IF ALL INFORMATION HAD BEEN OBTAINED FROM THE PATIENTS.

## PART III, LINE 4:

THE HOSPITAL'S POLICY IS TO WRITE OFF ALL PATIENT ACCOUNTS THAT HAVE BEEN IDENTIFIED AS UNCOLLECTIBLE. AN ALLOWANCE FOR DOUBTFUL ACCOUNTS IS RECORDED FOR ACCOUNTS NOT YET WRITTEN OFF THAT ARE ANTICIPATED TO BECOME UNCOLLECTIBLE IN FUTURE PERIODS. WHEN DETERMINING THE ALLOWANCE, THE POLICY CONSIDERS THE PROBABILITY OF RECOVERABILITY OF ACCOUNTS BASED ON PAST EXPERIENCE, TAKING INTO ACCOUNT CURRENT COLLECTION TRENDS. CREDIT RISKS ARE ASSESSED BASED ON HISTORICAL WRITE-OFFS, NET OF RECOVERIES, AS WELL AS AN ANALYSIS OF THE AGED ACCOUNTS RECEIVABLE BALANCES WITH ALLOWANCES GENERALLY INCREASING AS THE RECEIVABLE AGES. THE ANALYSIS OF RECEIVABLES IS PERFORMED MONTHLY, AND THE ALLOWANCES ARE ADJUSTED ACCORDINGLY.

**Part VI** Supplemental Information (Continuation)

INSURANCE COVERAGE AND CREDIT INFORMATION ARE OBTAINED FROM PATIENTS WHEN AVAILABLE. NO COLLATERAL IS OBTAINED FOR ACCOUNTS RECEIVABLE.

ACCOUNTS RECEIVABLE FROM THIRD-PARTY PAYORS HAVE BEEN ADJUSTED TO REFLECT THE DIFFERENCE BETWEEN CHARGES AND THE ESTIMATED REIMBURSABLE AMOUNTS.

PART III, LINE 8:

COMMUNITY BENEFIT QUESTION IS NOT APPLICABLE IN MARYLAND AS MARYLAND HOSPITALS ARE REIMBURSED UNDER THE HSCRC WAIVER PROGRAM WHEREIN NET REVENUE (REIMBURSEMENT) IS BASED ON A PERCENTAGE OF REGULATED CHARGES. COSTING METHODOLOGY BASED ON TRIAL BALANCE EXPENSES ADJUSTED TO ALLOWABLE EXPENSE IN ACCORDANCE WITH MEDICARE COST REPORTING RULES AND REGULATIONS. COST NUMBERS REPORTED ARE CONSISTENT WITH AAMC'S MEDICARE COST REPORT FILING.

PART III, LINE 9B:

EACH AAMS PATIENT BILL INCLUDES CONTACT INFORMATION FOR FINANCIAL ASSISTANCE AND STATES WHERE TO CALL TO REQUEST A PAYMENT PLAN. SHORT AND LONG TERM INTEREST FREE PAYMENTS PLANS ARE AVAILABLE. THE HOSPITAL TAKES INTO ACCOUNT THE BALANCE OF THE BILL AND THE PATIENT'S FINANCIAL CIRCUMSTANCES IN DETERMINING THE APPROPRIATE AGREEMENT. SHOULD THE PATIENT CONTACT PATIENT FINANCIAL SERVICES CUSTOMER SERVICE UNIT REGARDING INABILITY TO PAY, FINANCIAL ASSISTANCE IS OFFERED, THE AMOUNT OF WHICH IS BASED ON THE FINANCIAL ASSISTANCE SCREENING PROCESS.

IF THERE IS NO INDICATION FROM THE PATIENT OR A REPRESENTATIVE THAT THEY CANNOT PAY AND NO ATTEMPT AT PAYMENT OR REASONABLE PAYMENT ARRANGEMENTS ARE MADE, THE ACCOUNT IS REFERRED TO A COLLECTION AGENCY. THE COLLECTION

**Part VI** Supplemental Information (Continuation)

AGENCY IS EDUCATED ON HOW TO MAKE REFERRALS TO AAMC'S FINANCIAL COUNSELING DEPARTMENT FOR INDIVIDUALS INDICATING THEY HAVE AN INABILITY TO PAY. THE HOSPITAL COLLECTION POLICY ALLOWS THE HOSPITAL TO TAKE INTO ACCOUNT PATIENT CIRCUMSTANCES SUCH AS THE AMOUNT OF THE BILL AND AMOUNTS OWED TO OTHER PROVIDERS IN DETERMINATION OF ULTIMATE AMOUNT TO BE PAID.

PART VI, LINE 2:

THE COMMUNITY HEALTH NEEDS ASSESSMENT WAS CONDUCTED BETWEEN JULY, 2012 AND DECEMBER, 2012. RESULTS WERE FINALIZED AND RELEASED IN JANUARY, 2013. THE CHNA WAS A COLLABORATION AND CONDUCTED UNDER THE LEADERSHIP OF REPRESENTATIVES FROM AAMC, BALTIMORE WASHINGTON MEDICAL CENTER (BWMC), THE ANNE ARUNDEL COUNTY DEPARTMENT OF HEALTH, THE PARTNERSHIP FOR CHILDREN, YOUTH AND FAMILIES, AND THE MENTAL HEALTH ALLIANCE. THIS GROUP PROVIDES THE LEADERSHIP TO THE LOCAL HEALTH IMPROVEMENT COALITION, HEALTHY ANNE ARUNDEL COALITION (HAAC). HAAC IS A LARGE PARTNERSHIP WITHIN THE COUNTY AND INCLUDES REPRESENTATION FROM PUBLIC SECTOR AGENCIES, HEALTH CARE PROVIDERS AND PAYERS, COMMUNITY-BASED PARTNERS, THE BUSINESS COMMUNITY AND ACADEMIC INSTITUTIONS. THE PURPOSE OF THIS COLLABORATION OF THE LEADERSHIP OF HAAC WAS TO DEFINE THE SCOPE OF THE CHNA PROCESS, WHAT GOALS NEEDED TO BE FULFILLED (EACH ORGANIZATION REQUIRES A NEEDS ASSESSMENT FOR VARIOUS REPORTING REASONS) AND TO DEFINE THE PARTICIPANTS. ANNE ARUNDEL COUNTY WAS DEFINED AS THE SCOPE OF WORK AND ITS RESIDENTS WERE THE PARTICIPANTS. THE PROCESS IS DEFINED AS FOLLOWS.

THE GROUP CONTRACTED WITH HOLLERAN CONSULTING, LLC TO CONDUCT A COUNTYWIDE COMMUNITY HEALTH NEEDS ASSESSMENT (CHNA) IN ORDER TO GATHER INFORMATION ABOUT THE HEALTH NEEDS AND HEALTH BEHAVIORS OF ANNE ARUNDEL COUNTY RESIDENTS. THE ASSESSMENT EXAMINED A VARIETY OF INDICATORS, INCLUDING

**Part VI** Supplemental Information (Continuation)

SOCIAL DETERMINANTS OF HEALTH (POVERTY, HOUSING, EDUCATION), MORTALITY RATES, HIGH RISK BEHAVIORS (ALCOHOL USE, TOBACCO USE) AND CHRONIC HEALTH CONDITIONS (DIABETES, HEART DISEASE). HOLLERAN CONSULTING, LLC WAS ALSO DIRECTED TO COLLECT THE INFORMATION THROUGH SECONDARY DATA SOURCES, FOCUS GROUPS AND KEY INFORMANT SURVEYS AND THEY PROVIDED THE WRITTEN REPORT.

THE CHNA WAS COMPRISED OF SEVERAL RESEARCH COMPONENTS, COMBINING QUANTITATIVE HEALTH INFORMATION AND VALUABLE QUALITATIVE FEEDBACK FROM COMMUNITY STAKEHOLDERS. THIS MULTI-FACETED APPROACH ENSURED A PROFILE OF THE COUNTY'S HEALTH THAT TAKES INTO ACCOUNT VARIOUS PERSPECTIVES AND DATA SOURCES. THE FOLLOWING LIST OUTLINES THE THREE RESEARCH COMPONENTS. EACH COMPONENT IS FURTHER DETAILED THROUGHOUT THE DOCUMENT.

- 1. SECONDARY DATA PROFILE
- 2. KEY INFORMANT SURVEYS
- 3. FOCUS GROUPS

SECONDARY DATA SOURCES WERE COLLECTED FROM A VARIETY OF EXISTING REPORTS SUCH AS THE COUNTY HEALTH REPORT CARD, VITAL STATISTICS, DATA AND STATISTICS FROM THE CENTERS FOR DISEASE CONTROL, COUNTY HEALTH RANKINGS, CRIME STATISTICS FROM THE FBI, STATE AND COUNTY HEALTH FACTS FROM THE KAISER FOUNDATION, DHMH, SURVEILLANCE DATA FROM THE NATIONAL CANCER INSTITUTE. THESE ARE JUST SOME EXAMPLES OF THE REPORTS THAT GENERATED DATA. IT SHOULD BE NOTED THAT IN SOME CASES, LOCAL-LEVEL DATA WAS LIMITED OR DATED. THIS IS AN INHERENT LIMITATION WITH SECONDARY DATA. THE MOST RECENT DATA WAS USED WHEN POSSIBLE. WHEN AVAILABLE, STATE AND NATIONAL COMPARISONS WERE ALSO PROVIDED AS BENCHMARKS FOR THE ANNE ARUNDEL COUNTY STATISTICS. IN SOME CASES, HEALTHY PEOPLE 2020 GOALS AND COUNTY HEALTH

**Part VI** Supplemental Information (Continuation)

RANKINGS NATIONAL BENCHMARKS WERE INCLUDED WITH RELEVANT DATA POINTS.

SECONDARY DATA WAS USED TO DEVELOP QUESTIONS FOR THE KEY INFORMANT

INTERVIEWS AND FOCUS GROUPS.

KEY INFORMANT INTERVIEWS WERE CONDUCTED BETWEEN JULY AND AUGUST, 2012. THE INTERVIEWS WERE COMPUTER BASED QUESTIONNAIRES AND WERE TARGETED TO COUNTY RESIDENTS WITH COMPUTER ACCESS. HOLLERAN CONSULTING, LLC PROVIDED THE LISTING OF KEY CATEGORIES OF COVERAGE AND HAAC LEADERSHIP WAS RESPONSIBLE FOR PROVIDING ACCURATE E-MAIL ADDRESSES AND ANY OTHER CONTACT INFORMATION OF KEY INFORMANTS TO HOLLERAN CONSULTING, LLC. ONE HUNDRED TWENTY ONE ONLINE QUESTIONNAIRES WERE COLLECTED FROM REPRESENTATIVES THROUGHOUT A VARIETY OF SECTORS INCLUDING PUBLIC HEALTH AND MEDICAL SERVICES, NON-PROFIT AND SOCIAL ORGANIZATIONS, CHILDREN AND YOUTH AGENCIES, FAITH-BASED ORGANIZATIONS, AND THE BUSINESS COMMUNITY. IT IS IMPORTANT TO NOTE THAT THE NUMBER OF COMPLETED SURVEYS AND LIMITATIONS TO THE SAMPLING METHOD YIELD RESULTS THAT WERE DIRECTIONAL IN NATURE. RESULTS REFLECT THE PERCEPTIONS OF SOME COMMUNITY LEADERS, BUT MAY NOT NECESSARILY REPRESENT ALL COMMUNITY LEADERS WITHIN ANNE ARUNDEL COUNTY.

FIVE FOCUS GROUPS WERE HELD AT VARIOUS LOCATIONS THROUGHOUT ANNE ARUNDEL COUNTY IN AUGUST AND SEPTEMBER 2012. FOCUS GROUPS TOPICS ADDRESSED MENTAL & BEHAVIORAL HEALTH, ACCESS TO HEALTH CARE, AND NUTRITION & PHYSICAL ACTIVITY. TOPICS WERE DETERMINED BASED ON FINDINGS FROM THE SECONDARY DATA RESEARCH. EACH SESSION LASTED APPROXIMATELY TWO HOURS AND WAS FACILITATED BY TRAINED STAFF FROM HOLLERAN CONSULTING, LLC. IN TOTAL, 55 PEOPLE PARTICIPATED IN THE FOCUS GROUPS. PARTICIPANTS WERE RECRUITED THROUGH LOCAL HEALTH AND HUMAN SERVICE ORGANIZATIONS AND PUBLIC NEWS RELEASES. IN EXCHANGE FOR THEIR PARTICIPATION, ATTENDEES WERE GIVEN A \$50 GIFT CARD AT

**Part VI** Supplemental Information (Continuation)

THE COMPLETION OF THE FOCUS GROUP. PARTICIPANTS CAME FROM A VARIETY OF ZIP CODES THROUGHOUT ANNE ARUNDEL COUNTY. IT IS IMPORTANT TO NOTE THAT THE RESULTS REFLECT THE PERCEPTIONS OF SOME COMMUNITY MEMBERS, BUT MAY NOT NECESSARILY REPRESENT ALL COMMUNITY MEMBERS IN ANNE ARUNDEL COUNTY, MD. IN GENERAL, THE PROPORTION OF FEMALES AND BLACKS/AFRICAN AMERICANS WAS HIGHER IN THE FOCUS GROUPS THAN THE OVERALL POPULATION IN ANNE ARUNDEL COUNTY.

THEMES EMERGED THROUGHOUT THE PROCESS. NEARLY 68 PERCENT OF THE COUNTY'S ADULT POPULATION IS CONSIDERED OVERWEIGHT AND OBESE. CO-OCCURRING DISORDERS AFFECT A LARGE PERCENTAGE OF THE ADULT AND ADOLESCENT POPULATION (MHNA) AND THERE ARE NOT ADEQUATE FACILITIES AND PROGRAMS TO ADDRESS THE NEED. THE CHNA LEADERSHIP GROUP RANKED OBESITY AND CO-OCCURRING DISORDERS BASED ON THE OVERWHELMING NEED DEMONSTRATED THROUGH THE DATA COLLECTION PROCESS. OTHER PRIORITIES WERE RANKED BASED ON FINDINGS AS WELL. HAAC SPENT FY13 DEVELOPING AND SUBMITTING ACTION PLANS TO THE STATE TO ADDRESS THE OBESITY EPIDEMIC AND THE RISING PROBLEMS WITH CO-OCCURRING DISORDERS. SUB-COMMITTEES WERE ESTABLISHED TO ADDRESS THESE TWO NEEDS AND WORKPLANS WERE DISTRIBUTED TO MEMBERS. WORK IS ON-GOING TO THIS DAY TO DEVELOP PROGRAMS, INCREASE AWARENESS AND ACCESS ABOUT PROGRAMS. INDIVIDUAL ORGANIZATIONS ARE IMPLEMENTING PROGRAMS AND PLANS TO ADDRESS THE OTHER HEALTH NEEDS - CANCER, CHRONIC DISEASE, ACCESS TO PROGRAMS, AND HEALTH DISPARITY. INDIVIDUAL ORGANIZATIONS/ FACILITIES WHO ARE INVOLVED INCLUDE: ANNE ARUNDEL COUNTY DEPARTMENT OF HEALTH, AAMC, BWMC, ARUNDEL LODGE, PARTNERSHIP FOR CHILDREN & YOUTH, ANNE ARUNDEL COUNTY DEPARTMENT OF AGING, ANNE ARUNDEL COUNTY DEPARTMENT OF RECREATION AND PARKS, CITY OF ANNAPOLIS DEPARTMENT OF RECREATION AND PARKS. THIS LIST IS NOT EXHAUSTIVE AND MEMBERS CONTINUE TO JOIN THE PROCESS TO IMPROVE HEALTH FOR COUNTY RESIDENTS.

**Part VI** Supplemental Information (Continuation)

THE IDENTIFICATION OF THE OVERALL HEALTH STATUS OF THE COUNTY'S RESIDENTS WILL CONTRIBUTE TO COMMUNITY HEALTH IMPROVEMENT PLANNING EFFORTS. AAMC'S BOARD OF DIRECTORS ADOPTED THE CHNA DEVELOPED IN PARTNERSHIP WITH HAAC, IN ITS ENTIRETY IN APRIL, 2013. AAMC DEVELOPED AN IMPLEMENTATION PLAN TO ADDRESS THE HEALTH NEEDS THAT WERE OUTLINED IN THE CHNA. IT WAS ADOPTED BY THE BOARD OF DIRECTORS IN OCTOBER, 2013.

THE CHNA CAN BE ACCESSED ONLINE VIA WWW.AAHEALTH.ORG/CHNA.

PART VI, LINE 3:

PUBLIC NOTICE AND INFORMATION REGARDING THE ANNE ARUNDEL MEDICAL CENTER'S CHARITY CARE POLICY INCLUDES THE FOLLOWING:

A) ANNUAL NOTICE THAT CHARITY CARE IS PROVIDED AND THE CRITERIA IS PROVIDED AND PUBLISHED IN THE LOCAL NEWSPAPER, THE CAPITAL.

B) THE NOTICE PROVIDED BY THE UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES REGARDING MEDICAL CARE FOR THOSE WHO CANNOT AFFORD TO PAY IS POSTED AT THE POINT OF ADMISSION, THE BUSINESS OFFICE, CASHIER, AND EMERGENCY ROOM.

C) INDIVIDUAL NOTICE IS PROVIDED TO EACH PERSON SEEKING SERVICE AT THE TIME OF ADMISSION OR PRE-ADMISSION TESTING.

PART VI, LINE 4:

ANNE ARUNDEL MEDICAL CENTER (AAMC) IS COMMITTED TO SERVING THE COMMUNITY, A VALUE THAT IS STATED IN CLEARLY THROUGHOUT OUR STRATEGIC INITIATIVES.

**Part VI** Supplemental Information (Continuation)

OUR SURROUNDING COMMUNITY HAS GREAT WEALTH; BUT THERE ARE POCKETS OF POVERTY IN ANNAPOLIS CITY AND PARTS OF THE SURROUNDING COUNTY. AS A RESULT, RACIAL HEALTH DISPARITY IS PRESENT IN OUR COMMUNITY. THIS NARRATIVE IS A DESCRIPTION OF THE DIFFERENT COMMUNITIES WE SERVE.

ALTHOUGH AAMC IS A REGIONAL HOSPITAL SERVING PORTIONS OF ADJACENT COUNTIES, ANNE ARUNDEL COUNTY ("THE COUNTY") IS DEFINED AS THE COMMUNITY BENEFIT SERVICE AREA SINCE SIXTY-FIVE PERCENT OF INPATIENT DISCHARGES (OVER 16,000 IN FY15) COME FROM THE COUNTY. THE DISCHARGED PATIENTS WERE COMPRISED OF 81.8% WHITE AND 18.2% NON-WHITE. THE COUNTY DEMOGRAPHICS ARE AS FOLLOWS: 70.2% WHITE, 15.8% BLACK, 7% HISPANIC, 3.8 % ASIAN, 0.3 % NATIVE AMERICAN, AND 2.9 % ARE OTHER RACES. THE COUNTY IS LOCATED SOUTH OF BALTIMORE AND EAST OF WASHINGTON, D.C. AND HOSTS SOME RACIALLY AND ETHNICALLY DIVERSE COMMUNITIES WITH RESIDENTS LIVING IN RURAL, SUBURBAN, AND URBAN SETTINGS. THERE ARE NUMEROUS FACTORS THAT AFFECT THE HEALTH OF THE RESIDENTS.

THE HISPANIC POPULATION HAS EXPERIENCED THE MOST GROWTH AMONG ALL POPULATION GROUPS IN THE COUNTY. HISPANIC RESIDENTS INCREASED FROM 3.7 PERCENT TO 6.6 PERCENT BETWEEN 2007 AND 2013. IT IS PROJECTED THAT THE HISPANIC POPULATION WILL CONTINUE TO GROW AN ADDITIONAL 22.4% OVER THE NEXT 5 YEARS. A GROWING IMMIGRANT POPULATION CONTRIBUTES TO THIS GROWTH. HOWEVER, THIS EXPONENTIAL GROWTH COMPLICATES ACCESS TO CARE. MANY HISPANICS DO NOT SPEAK ENGLISH AND ARE NOT INSURED. THEREFORE, SLIDING SCALE PROGRAMS MUST EXIST AS WELL AS INCREASE AVAILABILITY OF CULTURALLY SENSITIVE, BILINGUAL PRIMARY CARE PROVIDERS ARE NEEDED TO MEET THE HEALTH NEEDS OF THIS POPULATION.

**Part VI** Supplemental Information (Continuation)

THE POPULATION OF THE RESIDENTS WHO ARE 65 AND OLDER IN THE COUNTY IS EXPECTED TO GROW 24.5 PERCENT OVER THE NEXT FIVE YEARS. COUNTY PATIENTS WITH MEDICARE MADE UP 43% OF COUNTY INPATIENT ADMISSIONS AT AAMC IN FY15. BECAUSE TWO OUT OF EVERY THREE OLDER AMERICANS HAVE MULTIPLE CHRONIC CONDITIONS, THIS AGE GROUP IS ANOTHER PRIORITY OF AAMC'S COMMUNITY HEALTH INITIATIVE.

THE SOUTHERN HALF OF THE COUNTY (SOUTH OF ANNAPOLIS) IS PRIMARILY ZONED "RESIDENTIAL AGRICULTURAL," PER ANNE ARUNDEL COUNTY DEPARTMENT OF PLANNING AND ZONING , AND IT IS CONSIDERED A RURAL AREA. SOUTHERN ANNE ARUNDEL COUNTY ACCOUNTS FOR ONLY 11.5% OF THE COUNTY'S TOTAL POPULATION. THIS AREA IS SERVED BY ONE FEDERALLY-QUALIFIED HEALTH CENTER IN THE OWENSVILLE/WEST RIVER COMMUNITY. SINCE IT IS RURAL AND HAS ONE CLINIC, ACCESS TO CARE IS A SIGNIFICANT NEED.

THE NORTHERN HALF OF THE COUNTY IS PRIMARILY URBAN AND SUBURBAN AS IT SITS ADJACENT TO BALTIMORE CITY. THERE IS A GREATER MINORITY POPULATION IN THE NORTHERN HALF OF THE COUNTY IN ADDITION TO A GREATER MEDICAID POPULATION. THUS, ACCESS TO CARE IS ALSO AN ISSUE.

AN INADEQUATE PUBLIC TRANSPORTATION SYSTEM IN THE COUNTY IS A BARRIER FOR EMPLOYMENT AND HEALTHCARE. THE COUNTY IS SITUATED ALONG THE WESTERN SHORE OF THE CHESAPEAKE BAY AND CONSISTS OF A SERIES OF PENINSULAS WHICH MAKES A COMPREHENSIVE PUBLIC TRANSPORTATION SYSTEM TOO EXPENSIVE TO MAINTAIN. AS A RESULT, THERE ARE NOT ADEQUATE LOCAL BUS LINES TO SERVICE MANY AREAS OF THE COUNTY. SOUTH COUNTY HAS ONLY THREE BUS STOPS IN THE EDGEWATER AREA WHICH LEAVES A GREAT PORTION OF SOUTHERN ANNE ARUNDEL COUNTY WITHOUT PUBLIC TRANSPORTATION. PUBLIC TRANSPORTATION IS IN NEED OF ADDITIONAL

**Part VI** Supplemental Information (Continuation)

ROUTES. AS A RESULT, ONLY 3.3 PERCENT OF ANNE ARUNDEL COUNTY RESIDENTS UTILIZE PUBLIC TRANSPORTATION TO GET TO WORK. ANNAPOLIS DOES OPERATE A GROWING TRANSIT SYSTEM, BUT IT DOES NOT SERVE AREAS OUTSIDE OF THE CITY. THERE ARE A FEW CONNECTIONS WITH THE COUNTY BUS SERVICE TO SITES SUCH AS THE CASINO AT ARUNDEL MILLS. THE LACK OF PUBLIC TRANSPORTATION IS A SIGNIFICANT ISSUE THROUGHOUT THE COUNTY, SINCE RESIDENTS ARE LIMITED IN EMPLOYMENT AND ACCESS TO HEALTHCARE.

WHILE THE COUNTY RANKS OVERALL FAVORABLY AS COMPARED TO THE STATE WITH REGARD TO INCOME, HOUSING, AND HEALTH INSURANCE COVERAGE, THERE ARE APPARENT INEQUITIES. SPECIFICALLY, THE 2015 MEDIAN HOUSEHOLD INCOME (HHI) IN THE COUNTY IS \$87,430 AND BY RACE: WHITE HHI \$94,204, BLACK HHI \$70,474, AND HISPANIC HHI \$66,831. THE COUNTY REPORT CARD (2015 DATA) INDICATES THAT 4.3 PERCENT OF FAMILIES/6.39 PERCENT OF INDIVIDUALS ARE LIVING BELOW THE POVERTY LEVEL. THE AVERAGE UNEMPLOYMENT RATE FOR THE CIVILIAN LABOR FORCE FOR THE COUNTY, JANUARY 2015 TO DATE IS 5.1 PERCENT. THE U. S. BUREAU OF LABOR STATISTICS SHOWS THAT UNEMPLOYMENT FOR THE BLACK POPULATION IS TWICE AS MUCH AS UNEMPLOYMENT FOR THE WHITE POPULATION. FURTHERMORE, 12 PERCENT OF BLACK COUNTY RESIDENTS AND 15.3 PERCENT OF HISPANIC/LATINO RESIDENTS LIVE IN POVERTY. THIS IS COMPARED TO 4.6 PERCENT AMONG THE COUNTY'S WHITE RESIDENTS.

THE POVERTY RATES AND MEDICAID ENROLLMENT RATES ARE CONCENTRATED GEOGRAPHICALLY. THE NORTH AND SOUTH PORTIONS OF THE COUNTY HAVE HIGHER RATES OF POVERTY AND MEDICAID ENROLLMENT. PORTIONS OF ANNAPOLIS (21401 AND 21403 ZIP CODES) ALSO HAVE HIGHER RATES OF POVERTY AND MEDICAID ENROLMENT. THERE IS A SECTION OF THE 21401 ZIP CODE, IN WHICH THE HOSPITAL IS LOCATED, WHICH HAS BEEN IDENTIFIED BY THE STATE AS A

**Part VI** Supplemental Information (Continuation)

DESIGNATED "HEALTH ENTERPRISE ZONE" (HEZ). FURTHERMORE, THESE ZIP CODES HAVE DISTINCT AREAS WHERE RESIDENTS SUFFER SIGNIFICANT HEALTH DISPARITIES THAT ARE COMPOUNDED BY COMMON SOCIAL DETERMINANTS OF HEALTH SUCH AS REDUCED ACCESS TO HEALTH CARE, LIMITED TRANSPORTATION, LOW LITERACY LEVELS, AND HIGHER RATES OF CRIME. APPROXIMATELY 33 PERCENT OF ANNAPOLIS RENTAL UNITS ARE PUBLIC HOUSING OR RECEIVE A PUBLIC SUBSIDY TO PROVIDE HOUSING TO LOW AND MODERATE INCOME HOUSEHOLDS, AS DEFINED BY HUD.

PART VI, LINE 5:

THE FOLLOWING ARE SEVERAL EXAMPLES OF HOSPITAL ACTIVITIES AND INITIATIVES:

THE HOSPITAL HAS DOCTOR ON-CALL ROTATIONS IN EVERY SPECIALTY FOR WHICH THERE MAY BE AN EMERGENCY OR INPATIENT NEED. ON-CALL COVERAGE IS PROVIDED TO ALL PATIENTS REGARDLESS OF INSURANCE STATUS. THERE ARE NO GAPS IN AVAILABILITY OF ANY SPECIALTY FOR UNINSURED OR UNDERSERVED PATIENTS. IN ADDITION, THE HOSPITAL HAS HOSPITALIST PROGRAMS IN MEDICINE, PEDIATRICS, GENERAL SURGERY, OBSTETRICS AND AN INTENSIVIST PROGRAM. THESE PHYSICIANS PROVIDE 24-HOUR IN-HOUSE COVERAGE FOR EACH OF THESE AREAS FOR ALL PATIENTS REGARDLESS OF INSURANCE STATUS. THE HOSPITAL ALSO PROVIDES SPECIALTY PROGRAMS FOR THORACIC SURGERY, NEONATAL OPHTHALMOLOGY, GYN ONCOLOGY, PALLIATIVE CARE, NEUROLOGY/STROKE, WOMEN'S PELVIC HEALTH, SURGICAL ONCOLOGY, AND THE BREAST CENTER.

THE HOSPITAL AND MANY OF ITS PHYSICIANS SUPPORT THE ANNE ARUNDEL COUNTY HEALTH DEPARTMENT'S REACH PROGRAM (RESIDENTS ACCESS TO A COALITION OF HEALTH), WHICH OFFERS ACCESS TO AFFORDABLE HEALTH SERVICES FOR LOW-INCOME UNINSURED INDIVIDUALS IN ANNE ARUNDEL COUNTY.

**Part VI** Supplemental Information (Continuation)

THE HOSPITAL CONTINUES ITS "GREEN INITIATIVE" PROGRAM IN ORDER TO IMPROVE AND PROTECT THE HEALTH OF STAFF AND THE COMMUNITY BY IMPLEMENTING ENVIRONMENTALLY FRIENDLY INITIATIVES. THE HOSPITAL PAVILION SOUTH TOWER IS THE FIRST 24/7 HOSPITAL TO BE LEED GOLD CERTIFIED. VARIOUS PROGRAMS UNDER THIS INITIATIVE INCLUDE BATTERY RECYCLING, REUSABLE SHARPS CONTAINERS, REPROCESSING TO REDUCE MEDICAL WASTE, AND USE OF GREEN SEAL CERTIFIED CLEANERS. THE HOSPITAL EMPLOYS A SUSTAINABILITY MANAGER AS PART OF THIS PROGRAM.

THE HOSPITAL ALSO HAS A DISASTER PREPAREDNESS COORDINATOR THAT IS RESPONSIBLE TO PROVIDE STAFF TRAINING, COORDINATE DISASTER DRILLS, AND KEEP THE HOSPITAL'S DISASTER PREPAREDNESS SUPPLY INVENTORY UP TO DATE. HOSPITAL EMPLOYEES HAVE COMPLETED FEMA EMERGENCY PREPARATION COURSES TO BETTER COLLABORATE WITH OTHER COUNTY SERVICE PROVIDERS TO BETTER SERVE THE COMMUNITY. THESE STAFF MEMBERS PARTICIPATED IN A NUMBER OF COLLABORATIVE PLANNING MEETINGS AND DRILLS WITH DESIGNATED COUNTY SERVICES AND FIRST RESPONDERS.

COMMUNITY ACCESS IS ALWAYS AVAILABLE THROUGH THE HOSPITAL'S ASK-A-NURSE PROGRAM CALLED ASKAAMC. THE ASK-A-NURSE PROGRAM PROVIDES THE COMMUNITY AROUND THE CLOCK TELEPHONE ACCESS TO REGISTERED NURSES.

EACH YEAR, THE HEALTH SYSTEM'S COMMUNITY HEALTH AND WELLNESS DEPARTMENT PARTNERS WITH THE ANNAPOLIS AND ANNE ARUNDEL COUNTY COALITION TO END HOMELESSNESS IN ORGANIZING THE COUNTY'S ANNUAL HOMELESS RESOURCE DAY. THIS YEAR MORE THAN 45 COUNTY SERVICE PROVIDERS ATTENDED AND MORE THAN 550 OF THE AREAS HOMELESS WERE ASSISTED IN OBTAINING ACCESS TO NEEDED HEALTH AND HUMAN SERVICES. AAMC NURSES MANAGED A TRIAGE TABLE COMPLETING HEALTH

**Part VI** Supplemental Information (Continuation)

DATABASES, BLOOD PRESSURE SCREENINGS, MEDICATION RECONCILIATION AND  
EDUCATION, ALONG WITH DENTAL, VISION AND SOCIAL SERVICES REFERRALS.

PART VI, LINE 6:

THE HEALTH SYSTEM'S AAMC COMMUNITY CLINICS, LLC, A GROUP WITHIN PHYSICIAN  
ENTERPRISE, LLC CURRENTLY HAS (4) LOCATIONS: MORRIS BLUM, FOREST DRIVE,  
ARUNDEL LODGE, AND STANTON CENTER.

THE MOST SIGNIFICANT EFFORT PUT FORTH IN FY2015 WAS TO CONTINUE TO FOCUS  
ON THE UNDERSERVED POPULATION. RESOURCES WERE ALLOCATED TO THE CONTINUED  
OPERATIONS OF THE COMMUNITY HEALTH CENTER ON FOREST DRIVE IN ANNAPOLIS AND  
OF THE MORRIS BLUM COMMUNITY HEALTH CENTER WITHIN THE STATE-DESIGNATED  
HEALTH ENTERPRISE ZONE (HEZ) IN ANNAPOLIS ON GLENWOOD STREET. INCLUDED IN  
THE HEZ EFFORT IS THE ANNAPOLIS COMMUNITY HEALTH PARTNERSHIP, WHICH  
CONSISTS OF ANNE ARUNDEL MEDICAL CENTER, THE HOUSING AUTHORITY OF THE CITY  
OF ANNAPOLIS, THE CITY OF ANNAPOLIS, THE ANNE ARUNDEL COUNTY DEPARTMENT OF  
HEALTH AND THE ANNE ARUNDEL COUNTY DEPARTMENT OF AGING AND DISABILITIES.

THE ANNAPOLIS COMMUNITY HEALTH PARTNERSHIP IS FOCUSING ON A CURRENTLY  
MEDICALLY UNDERSERVED NEIGHBORHOOD WITH HIGH RATES OF EMERGENCY ROOM  
UTILIZATION, HOSPITAL ADMISSIONS AND READMISSIONS, AND A LARGE VOLUME OF  
MEDICAL 911 CALLS. THROUGH FUNDING PROVIDED BY THE HEZ DESIGNATION, THE  
PARTNERSHIP ESTABLISHED A PATIENT-CENTERED MEDICAL HOME AT THE MORRIS H.  
BLUM SENIOR APARTMENTS BUILDING. THIS MEDICAL OFFICE, NESTLED IN THE  
COMMUNITY IT IS MEANT TO SERVE, IS EASILY ACCESSIBLE BY FOOT OR PUBLIC  
TRANSPORTATION. THE PRIMARY CARE MEDICAL HOME PERSONNEL PROVIDE MEDICAL  
TREATMENT TO PATIENTS AGE SIX YEARS OLD TO ADULTS. THE MORRIS BLUM MEDICAL  
CLINIC PROVIDES MEDICAL CARE TO THE RESIDENTS OF THE BUILDING AND THE

**Part VI** Supplemental Information (Continuation)

SURROUNDING COMMUNITY WHO ARE UNINSURED AND UNDER-SERVED. THE AAMC COMMUNITY CLINICS ACCEPT MOST MAJOR INSURANCE COMPANIES AND HAS A SLIDING FEE SCALE FOR INDIVIDUALS WHO LACK INSURANCE COVERAGE. THE SLIDING SCALE IS BASED ON FEDERAL POVERTY GUIDELINES, GROSS HOUSEHOLD INCOME AND NUMBER OF HOUSEHOLD DEPENDENTS. BY HAVING A REGULAR DOCTOR IN A REGULAR SITE, PATIENT-PHYSICIAN RELATIONSHIPS STRENGTHEN AND CARE IMPROVES.

HEALTH OUTCOMES ARE BEING MONITORED AND DEMONSTRATED BY MEASURING PATIENT SATISFACTION, IMPROVING MANAGEMENT OF CHRONIC DISEASE AND DECREASING PREVENTABLE MEDICAL 911 CALLS, EMERGENCY ROOM VISITS AND HOSPITAL ADMISSIONS. THERE WERE 2,414 PATIENT VISITS AT MORRIS BLUM IN FY2015.

THE FOREST DRIVE CLINIC ALSO PROVIDES PRIMARY CARE SERVICES TO PATIENTS IN ALL STAGES OF LIFE (NEWBORN-GERIATRIC). MEDICAL SERVICES ARE PROVIDED BY QUALIFIED, PROFESSIONAL EMPLOYED STAFF, AND IS CONVENIENTLY LOCATED ON SEVERAL LOCAL BUS ROUTES. THE PRIMARY CARE SITE PROVIDES 24 HOUR CALL COVERAGE FOR PATIENT CALLS AND ALL CLINICS UTILIZE ELECTRONIC MEDICAL RECORDS. IN FY2015 FOREST DRIVE HAD 7,418 PATIENT VISITS.

DENTAL SERVICES ARE PROVIDED AT THE STANTON CENTER AND ARE PROVIDED SOLELY BY VOLUNTEER STAFF. THE VOLUNTEER STAFF CURRENTLY CONSISTS OF 88 DENTISTS + 8 SUPPORT STAFF (ADMIN-DENTAL ASSISTANTS-INTERPRETERS). THE DENTAL CLINIC IS OPEN 2.5 DAYS PER WEEK WITH NO WAITING LIST. THE DENTAL CLINIC DOES NOT BILL INSURANCE FOR SERVICES. PATIENTS MUST QUALIFY FOR FREE OR REDUCED COST DENTAL SERVICES BASED ON GROSS HOUSEHOLD INCOME PLUS NUMBER OF HOUSEHOLD DEPENDENTS. THERE WERE 581 PATIENT VISITS AT THE STANTON CENTER IN FY2015.

**Part VI** Supplemental Information (Continuation)

ALL CLINIC LOCATIONS PROVIDE INTERPRETERS VIA IN PERSON AND/OR TELEPHONIC. THERE ARE (8) BI-LINGUAL STAFF BETWEEN THE 4 CLINICS. BI-LINGUAL STAFF ARE GREEN STRIPED THROUGH OUR PATIENT ADVOCACY DEPARTMENT WITHIN AAMC, AND ARE REQUIRED TO PASS A PROFICIENCY TEST. IN THE EVENT WE ARE UNABLE TO PROVIDED 1-1 INTERPRETATION, TELEPHONIC INTERPRETATION IS PROVIDED VIA PACIFIC INTERPRETERS WHICH PROVIDES INTERPRETATION FOR 180+ DIFFERENT LANGUAGES 24/7.

PATIENTS AT THE AAMC COMMUNITY CLINICS MUST PRESENT PROOF OF INCOME AND UNDERGO A FINANCIAL ANALYSIS AT THE TIME OF THE INITIAL APPOINTMENT AND ON AN ANNUAL BASIS THEREAFTER. IF THE PATIENT'S INCOME INCREASES OR DECREASES A NEW FINANCIAL ANALYSIS IS COMPLETED. PATIENTS WHO MAY QUALIFY FOR INSURANCE ARE REFERRED TO THE AAHS FINANCIAL ASSISTORS TO REVIEW HIS/HER ELIGIBILITY. ALL PATIENTS ARE TREATED WITH DIGNITY, RESPECT, CONFIDENTIALITY WITHOUT JUDGMENT IN A WELCOMING ATTRACTIVE CLINIC.

ADDITIONAL COMMUNITY BENEFIT EXPENSES INCURRED BY AFFILIATED ENTITIES WITHIN THE HEALTH SYSTEM INCLUDE:

RESEARCH EXPENSE - \$558,157 INCURRED BY ANNE ARUNDEL HEALTH SYSTEM RESEARCH INSTITUTE, INC.

SUBSIDIZED HEALTH SERVICES - \$475,900 INCURRED BY ANNE ARUNDEL HEALTH CARE SERVICES, INC.

CHARITY CARE AND EDUCATION - \$268,479 INCURRED BY ANNE ARUNDEL GENERAL TREATMENT SERVICES, INC.

WHEN CONSIDERING THE ADDITIONAL EXPENSE OF COMMUNITY BENEFIT ACTIVITIES PROVIDED BY AFFILIATED ENTITIES IN COMBINATION WITH THE COST REPORTED AT PART I, LINE 7, TOTAL COMMUNITY BENEFIT EXPENSE AS A PERCENTAGE OF AAMC

**Part VI** Supplemental Information (Continuation)

EXPENSES WOULD INCREASE TO 8.53%.

PART VI, LINE 7, LIST OF STATES RECEIVING COMMUNITY BENEFIT REPORT:

MD

**SCHEDULE I  
(Form 990)**

Department of the Treasury  
Internal Revenue Service

**Grants and Other Assistance to Organizations,  
Governments, and Individuals in the United States**  
Complete if the organization answered "Yes" to Form 990, Part IV, line 21 or 22.

▶ **Attach to Form 990.**

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

OMB No. 1545-0047

**2014**

**Open to Public  
Inspection**

Name of the organization **ANNE ARUNDEL MEDICAL CENTER, INC.** Employer identification number **52-1169362**

**Part I General Information on Grants and Assistance**

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

**Part II Grants and Other Assistance to Domestic Organizations and Domestic Governments.** 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.

<b>1 (a)</b> Name and address of organization or government	<b>(b)</b> EIN	<b>(c)</b> IRC section if applicable	<b>(d)</b> Amount of cash grant	<b>(e)</b> Amount of non-cash assistance	<b>(f)</b> Method of valuation (book, FMV, appraisal, other)	<b>(g)</b> Description of non-cash assistance	<b>(h)</b> Purpose of grant or assistance
PHYSICIAN ENTERPRISE, LLC 2001 MEDICAL PARKWAY ANNAPOLIS, MD 21401	27-0263214	501(C)(3)	16,294,490.	0.			TO SUPPORT THE OPERATIONS OF PHYSICIAN ENTERPRISE, LLC

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

**3** Enter total number of other organizations listed in the line 1 table ..... **0.**

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

Schedule I (Form 990) (2014)

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

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

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

SCHEDULE I, PART I, LINE 2:

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

**SCHEDULE J  
(Form 990)**

**Compensation Information**

OMB No. 1545-0047

**2014**

Open to Public Inspection

For certain Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

▶ Complete if the organization answered "Yes" on Form 990, Part IV, line 23.

▶ Attach to Form 990.

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

Department of the Treasury  
Internal Revenue Service

Name of the organization  
**ANNE ARUNDEL MEDICAL CENTER, INC.**

Employer identification number  
**52-1169362**

**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 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 checked="" 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), 501(c)(4), and 501(c)(29) 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
<b>1a</b>		
<b>1b</b>		
<b>2</b>		
<b>3</b>		
<b>4a</b>		X
<b>4b</b>	X	
<b>4c</b>		X
<b>5a</b>		X
<b>5b</b>		X
<b>6a</b>		X
<b>6b</b>		X
<b>7</b>		X
<b>8</b>		X
<b>9</b>		

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

Schedule J (Form 990) 2014

**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 in column (B) reported as deferred in prior Form 990
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
(1) VICTORIA BAYLESS PRESIDENT AND CEO	(i)	744,036.	321,890.	46,237.	162,582.	18,679.	1,293,424.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
(2) ROBERT REILLY CFO	(i)	397,615.	136,500.	126,502.	29,820.	16,830.	707,267.	63,129.
	(ii)	0.	0.	0.	0.	0.	0.	0.
(3) MITCHELL SCHWARTZ, M.D. CHIEF MEDICAL OFFICER	(i)	442,123.	162,432.	190,208.	55,600.	24,274.	874,637.	116,225.
	(ii)	0.	0.	0.	0.	0.	0.	0.
(4) SHERRY PERKINS CHIEF OPERATING OFFICER	(i)	432,569.	158,080.	43,712.	34,206.	871.	669,438.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
(5) BARBARA BALDWIN VP AND CIO	(i)	291,749.	89,600.	20,601.	37,933.	0.	439,883.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
(6) JENNIFER HARRINGTON VP SUPPORT & CLINICAL SERVICES	(i)	220,833.	67,500.	58,843.	16,008.	22,540.	385,724.	18,289.
	(ii)	0.	0.	0.	0.	0.	0.	0.
(7) PATRICIA CZAPP, MD CLINICAL INTEGRATION CHAIR	(i)	312,578.	96,000.	18,690.	22,923.	0.	450,191.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
(8) JOSEPH D. MOSER, M.D. SENIOR VP OF MEDICAL AFFAIRS	(i)	326,761.	74,721.	50,525.	9,294.	34,037.	495,338.	373.
	(ii)	0.	0.	0.	0.	0.	0.	0.
(9) GEORGE SAMARAS, MD MEDICINE DIVISION CHAIR	(i)	310,023.	116,330.	19,617.	0.	26,832.	472,802.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
(10) ADRIAN PARK SURGERY DIVISION CHAIR	(i)	536,867.	171,219.	41,108.	44,061.	16,795.	810,050.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
(11) HENRY SOBEL, MD WOMEN'S & CHILDREN'S DIVISION CHAIR	(i)	302,990.	67,340.	67,895.	6,123.	34,125.	478,473.	40,100.
	(ii)	0.	0.	0.	0.	0.	0.	0.
	(i)							
	(ii)							
	(i)							
	(ii)							
	(i)							
	(ii)							
	(i)							
	(ii)							

**Part III Supplemental Information**

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

PART I, LINE 4B:

PART I, LINE 4B: THE FOLLOWING PARTICIPATED IN THE ORGANIZATION'S 457(F)

PLAN:

VICTORIA BAYLESS \$157,382

ROBERT REILLY \$ 24,620

MITCHELL SCHWARTZ, M.D. \$ 50,400

SHERRY PERKINS \$ 29,006

BARBARA BALDWIN \$ 32,733

JENNIFER HARRINGTON \$ 11,104

PATRICIA CZAPP, M.D. \$ 15,123

JOSEPH MOSER, M.D. \$ 1,494

ADRIAN PARK, M.D. \$ 38,861

HENRY SOBEL, M.D. \$ 923

DURING THE YEAR, THE FOLLOWING DIRECTORS AND OFFICERS RECEIVED PAYMENTS AS

PART OF THEIR PARTICIPATION IN THE ORGANIZATION'S 457(F) PLAN:

MITCHELL SCHWARTZ, M.D. \$116,225

ROBERT REILLY \$ 63,129

**Part III** Supplemental Information

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

JENNIFER HARRINGTON           \$ 18,289

JOSEPH MOSER, M.D.           \$     373

HENRY SOBEL, M.D.           \$ 47,099

**Supplemental Information on Tax-Exempt Bonds**

▶ Complete if the organization answered "Yes" on Form 990, Part IV, line 24a. Provide descriptions, explanations, and any additional information in Part VI.

▶ Attach to Form 990. ▶ Information about Schedule K (Form 990) and its instructions is at [www.irs.gov/form990](http://www.irs.gov/form990).

Name of the organization **ANNE ARUNDEL MEDICAL CENTER, INC.** Employer identification number **52-1169362**

<b>Part I Bond Issues</b>											
<b>SEE PART VI FOR COLUMNS (A) AND (F) CONTINUATIONS</b>											
(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
<b>A</b> MARYLAND HEALTH AND HIGHER EDUCATION FACILIT	52-0936091	5742173V5	02/19/09	60000000.	FINANCE ACQUISITION/CONST		X		X		X
<b>B</b> MARYLAND HEALTH AND HIGHER EDUCATION FACILIT	52-0936091	5742176G5	02/03/10	83903060.	FINANCE ACQUISITION/CONST		X		X		X
<b>C</b> MARYLAND HEALTH AND HIGHER EDUCATION FACILIT	52-0936091	574218LP6	11/01/12	80370836.	FINANCE ACQUISITION/REFUN		X		X		X
<b>D</b> MARYLAND HEALTH AND HIGHER EDUCATION FACILIT	52-0936091	574218TJ2	11/01/14	134824993.	FINANCE ACQUISITION/ADVAN		X		X		X

<b>Part II Proceeds</b>										
	A		B		C		D			
<b>1</b> Amount of bonds retired			7,265,000.		3,850,000.					
<b>2</b> Amount of bonds legally defeased										
<b>3</b> Total proceeds of issue	60,000,000.		86,535,725.		83,832,730.		141,269,122.			
<b>4</b> Gross proceeds in reserve funds			2,632,665.		3,461,894.		6,444,129.			
<b>5</b> Capitalized interest from proceeds	3,741,749.		1,870,961.							
<b>6</b> Proceeds in refunding escrows										
<b>7</b> Issuance costs from proceeds	1,098,549.		1,448,766.		1,147,195.		749,019.			
<b>8</b> Credit enhancement from proceeds	332,092.									
<b>9</b> Working capital expenditures from proceeds										
<b>10</b> Capital expenditures from proceeds	22,060,522.		6,359,895.							
<b>11</b> Other spent proceeds	32,767,088.		74,012,710.		79,223,641.		134,075,974.			
<b>12</b> Other unspent proceeds			210,728.							
<b>13</b> Year of substantial completion	2011		2011		2012		2014			
	Yes	No	Yes	No	Yes	No	Yes	No		
<b>14</b> Were the bonds issued as part of a current refunding issue?		X	X		X				X	
<b>15</b> Were the bonds issued as part of an advance refunding issue?		X		X	X		X			
<b>16</b> Has the final allocation of proceeds been made?	X			X	X				X	
<b>17</b> Does the organization maintain adequate books and records to support the final allocation of proceeds?	X		X		X		X			

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

**Part III Private Business Use** (Continued)

	A		B		C		D	
	Yes	No	Yes	No	Yes	No	Yes	No
<b>3a</b> Are there any management or service contracts that may result in private business use of bond-financed property? .....		X		X		X		X
<b>b</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? .....								
<b>c</b> Are there any research agreements that may result in private business use of bond-financed property? .....		X		X		X		X
<b>d</b> 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
<b>4</b> 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 .....		.00 %		.00 %		.00 %		.00 %
<b>5</b> 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 .....		.00 %		.00 %		.00 %		.18 %
<b>6</b> Total of lines 4 and 5 .....		.00 %		.00 %		.00 %		.18 %
<b>7</b> Does the bond issue meet the private security or payment test? .....		X		X		X		X
<b>8a</b> 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		X		X
<b>b</b> If "Yes" to line 8a, enter the percentage of bond-financed property sold or disposed of .....		%		%		%		%
<b>c</b> If "Yes" to line 8a, was any remedial action taken pursuant to Regulations sections 1.141-12 and 1.145-2? .....								
<b>9</b> Has the organization established written procedures to ensure that all nonqualified bonds of the issue are remediated in accordance with the requirements under Regulations sections 1.141-12 and 1.145-2? .....		X		X		X		X

**Part IV Arbitrage**

	A		B		C		D	
	Yes	No	Yes	No	Yes	No	Yes	No
<b>1</b> Has the issuer filed Form 8038-T, Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate? .....		X		X		X		X
<b>2</b> If "No" to line 1, did the following apply? .....								
<b>a</b> Rebate not due yet? .....		X	X		X		X	
<b>b</b> Exception to rebate? .....		X		X		X		X
<b>c</b> No rebate due? .....	X			X		X		X
If "Yes" to line 2c, provide in Part VI the date the rebate computation was performed .....								
<b>3</b> Is the bond issue a variable rate issue? .....	X			X		X		X
<b>4a</b> Has the organization or the governmental issuer entered into a qualified hedge with respect to the bond issue? .....	X			X		X		X
<b>b</b> Name of provider .....	CITIBANK							
<b>c</b> Term of hedge .....	39.7000000							
<b>d</b> Was the hedge superintegrated? .....		X						
<b>e</b> Was the hedge terminated? .....		X						

**Part IV Arbitrage (Continued)**

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

**Part V Procedures To Undertake Corrective Action**

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

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

**SCHEDULE K, PART I, BOND ISSUES:**

(A) ISSUER NAME: MARYLAND HEALTH AND HIGHER EDUCATION FACILITIES AUTHORITY

(F) DESCRIPTION OF PURPOSE:

FINANCE ACQUISITION/CONSTRUCT./RENOVATION/EQUIP.OF NEW & EXISTING FACILITIE

(A) ISSUER NAME: MARYLAND HEALTH AND HIGHER EDUCATION FACILITIES AUTHORITY

(F) DESCRIPTION OF PURPOSE:

FINANCE ACQUISITION/CONSTRUCT. NEW TOWER GARAGE EXPANSION,REFUND 2004B BOND

(A) ISSUER NAME: MARYLAND HEALTH AND HIGHER EDUCATION FACILITIES AUTHORITY

(F) DESCRIPTION OF PURPOSE:

FINANCE ACQUISITION/REFUND 1998 AND 2004A BONDS

(A) ISSUER NAME: MARYLAND HEALTH AND HIGHER EDUCATION FACILITIES AUTHORITY

(F) DESCRIPTION OF PURPOSE: FINANCE ACQUISITION/ADVANCE FUNDING 2009 BONDS

**SCHEDULE K, PART IV, ARBITRAGE, LINE 2C:**

(A) ISSUER NAME: MARYLAND HEALTH AND HIGHER EDUCATION FACILITIES AUTHORITY

DATE THE REBATE COMPUTATION WAS PERFORMED: 07/01/2013

**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.

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

OMB No. 1545-0047

**2014**

Open to Public  
Inspection

Name of the organization

ANNE ARUNDEL MEDICAL CENTER, INC.

Employer identification number

52-1169362

FORM 990, PART III, LINE 1, DESCRIPTION OF ORGANIZATION MISSION:

REHABILITATION, THIS VISION IS ACCOMPLISHED BY EXPANDING HEALTH CARE  
OUTSIDE OF THE HOSPITAL WALLS, STRENGTHENING COMMUNITY HEALTH THROUGH  
COMPREHENSIVE HEALTH MAINTENANCE AND EDUCATION OUTREACH.

FORM 990, PART III, LINE 4A, PROGRAM SERVICE ACCOMPLISHMENTS:

MANY OPTIONS AS THEY MAKE INFORMED CHOICES DURING LABOR AND DELIVERY.

OUR GOAL IS FOR EACH MOTHER AND HER FAMILY TO FEEL RESPECTED AND TO  
EXPERIENCE THE BIRTHING PROCESS AND POSTPARTUM EXPERIENCE THEY DESIRE.

ANNE ARUNDEL MEDICAL CENTER DELIVERS MORE THAN 5,500 BABIES EACH YEAR,  
THE SECOND HIGHEST NUMBER OF DELIVERIES IN THE STATE OF MARYLAND.

ANNE ARUNDEL MEDICAL CENTER'S NEONATAL INTENSIVE CARE UNIT (NICU) IS  
DESIGNATED AS A LEVEL IIIB NICU, AND IS ABLE TO CARE FOR THE MOST  
CRITICALLY ILL NEWBORNS, ALLOWING BABIES BORN EARLY OR WITH  
COMPLICATIONS TO STAY WITH THEIR MOTHERS AT AAMC. HOSPITALS THAT DO NOT  
HAVE THIS LEVEL OF NICU CARE OFTEN MUST TRANSFER BABIES TO OTHER HEALTH  
CARE FACILITIES, MEANING THAT MOTHERS AND BABIES CANNOT REMAIN  
TOGETHER.

THE AAMC NICU, ALSO KNOWN AS "TEDDY'S PLACE", IS A STATE-OF-THE-ART  
26-BED UNIT, EQUIPPED WITH LIFE-SAVING TECHNOLOGY AND STAFFED BY FULL-  
AND PART-TIME NEONATOLOGISTS, NEONATAL NURSE PRACTITIONERS, AND NURSES  
WITH SPECIALIZED NICU TRAINING. ON AVERAGE, 18-20 BABIES A DAY ARE  
CARED FOR IN OUR NICU, AND APPROXIMATELY 13-17 PERCENT OF ALL BABIES  
DELIVERED AT AAMC WILL SPEND SOME TIME IN THE NICU.

Name of the organization ANNE ARUNDEL MEDICAL CENTER, INC.	Employer identification number 52-1169362
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AT AAMC, THE CENTER FOR MATERNAL-FETAL MEDICINE OFFERS WOMEN THE HIGHEST LEVEL OF OBSTETRIC CARE, WITH THREE HIGHLY TRAINED PHYSICIANS ABLE TO PERFORM AND OVERSEE A WIDE RANGE OF COMPLICATIONS. THE AAMC CENTER FOR MATERNAL-FETAL MEDICINE OFFERS CARE TO WOMEN WHO COME FROM AS FAR AWAY AS MARYLAND'S CHARLES AND ST. MARY'S COUNTIES, AS WELL AS DELAWARE. TYPICAL PATIENTS INCLUDE WOMEN WHO ARE CARRYING TWINS OR TRIPLETS, WOMEN REQUIRING DIABETES EDUCATION OR SPECIALIZED TESTING, SUCH AS AMNIOCENTESIS, OR WOMEN WHO WILL BE 35 OR OLDER AT THE TIME OF DELIVERY.

THE AAMC WOMEN'S CENTER FOR PELVIC HEALTH PROVIDES COMPREHENSIVE AND INNOVATIVE PELVIC HEALTH CARE FOR WOMEN OF ALL AGES SUFFERING FROM PROBLEMS AND DISORDERS OF THE PELVIC REGION. OUR EXPERIENCED SPECIALISTS EMPLOY A COMPASSIONATE AND PROFESSIONAL APPROACH TO DIAGNOSE AND TREAT ALL COMPONENTS OF PELVIC PROBLEMS, WITH THE GOAL OF ENSURING WELLNESS AND MAINTAINING DIGNITY. THE AAMC WOMEN'S CENTER FOR PELVIC HEALTH ADDRESSES ISSUES INCLUDING: URINARY INCONTINENCE, PELVIC SUPPORT PROBLEMS, FECAL INCONTINENCE, CHILDBIRTH AND PREGNANCY RELATED PELVIC FLOOR DISORDERS, INCONTINENCE CLEARLY LINKED TO PROLAPSE OR PELVIC FLOOR DYSFUNCTION, AND PELVIC ORGAN PROLAPSE (CYSTOCELE, RECTOCELE, UTERINE, VAGINAL VAULT, PERINEAL).

STROKE

ANNE ARUNDEL MEDICAL CENTER HAS EARNED CERTIFICATION AS A PRIMARY STROKE CENTER FROM THE JOINT COMMISSION, AND WAS THE FIRST HOSPITAL IN THE REGION (AND ONE OF THE FIRST EIGHT IN THE STATE) TO HAVE EARNED THIS HIGHLY SPECIALIZED DESIGNATION. BECAUSE SUCCESSFUL TREATMENT OF STROKE PATIENTS IS SO TIME-CRITICAL, THE PRESENCE OF A CERTIFIED STROKE

Name of the organization ANNE ARUNDEL MEDICAL CENTER, INC.	Employer identification number 52-1169362
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CENTER IN ANNE ARUNDEL COUNTY IS SIGNIFICANT FOR THE RESIDENTS OF THE REGION BECAUSE THEY NO LONGER HAVE TO WASTE PRECIOUS TIME AND TRAVEL 30 OR MORE MILES TO GET LIFE-SAVING TREATMENT.

THE JOINT COMMISSION CERTIFICATION MEANS AAMC HAS DEMONSTRATED THAT ITS STROKE PROGRAM FOLLOWS NATIONAL STANDARDS AND GUIDELINES THAT CAN SIGNIFICANTLY IMPROVE OUTCOMES FOR STROKE PATIENTS. IN MARYLAND, SOMEONE IS HOSPITALIZED FOR A STROKE EVERY 30 MINUTES AND SOMEONE DIES EVERY THREE HOURS, ACCORDING TO THE MARYLAND INSTITUTE FOR EMERGENCY MEDICAL SERVICES SYSTEMS (MIEMSS). STROKE IS THE 3RD LEADING CAUSE OF DEATH IN MARYLAND.

IN 2015 AAMC ACHIEVED SILVER PLUS RECOGNITION BY THE AMERICAN HEART ASSOCIATION FOR TREATING STROKE PATIENTS WITH 85% OR HIGHER COMPLIANCE TO CORE STANDARD LEVELS OF CARE FOR 12 CONSECUTIVE MONTHS.

AAMC OFFERS TREATMENT WITH TPA - TISSUE PLASMINOGEN ACTIVATOR, A CLOT-BUSTING MEDICATION APPROVED FOR USE IN CERTAIN PATIENTS HAVING A STROKE. TPA MUST BE GIVEN WITHIN A FEW HOURS AFTER SYMPTOMS BEGIN. THE PROCEDURE IS DONE THROUGH AN INTRAVENOUS (IV) LINE BY SPECIALLY TRAINED HOSPITAL PERSONNEL.

AAMC TREATED 650 STROKE PATIENTS DURING FISCAL YEAR 2015.

HEART AND VASCULAR INSTITUTE  
THE AAMC HEART AND VASCULAR INSTITUTE IS A COMPREHENSIVE PROGRAM OFFERING EXCEPTIONAL EMERGENCY, INTERVENTIONAL AND SURGICAL CARE TO OUR COMMUNITY. THE HEART AND VASCULAR INSTITUTE FEATURES A DEDICATED HEART

Name of the organization ANNE ARUNDEL MEDICAL CENTER, INC.	Employer identification number 52-1169362
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AND VASCULAR UNIT, VASCULAR SCREENING, SURGERY AND TREATMENT, CARDIAC-CATHERIZATION, INTERVENTIONAL MEDICINE, EMERGENCY ANGIOPLASTY, CARDIOPULMONARY REHABILITATION AND INTERVENTIONAL RADIOLOGY. A REGIONAL RESOURCE TO OUR COMMUNITY, THE AAMC HEART AND VASCULAR INSTITUTE IS NATIONALLY RECOGNIZED AS A STANDARD FOR CARE AND TREATMENT OF HEART ATTACK PATIENTS AND RECIPIENT OF THE 2011 GOLD PERFORMANCE ACHIEVEMENT AWARD FROM THE AMERICAN COLLEGE OF CARDIOLOGY. AAMC IS ALSO A PARTICIPANT IN THE C-PORT E PROGRAM, OFFERING ELECTIVE ANGIOPLASTY SERVICES TO OUR COMMUNITY.

IN 2015 AAMC ALSO RECEIVED A PERFORMANCE ACHIEVEMENT AWARD FROM THE AMERICAN COLLEGE OF CARDIOLOGY WHICH RECOGNIZED AAMC FOR CONSISTENTLY FOLLOWING HEART ATTACK TREATMENT GUIDELINES AND IMPROVING OUTCOMES FOR HIGH-RISK PATIENTS. ONLY 319 HOSPITALS NATIONWIDE RECEIVED THIS HONOR.

#### SURGICAL SERVICES

AAMC SURGEONS PERFORM A VARIETY OF INPATIENT AND OUTPATIENT SURGICAL PROCEDURES FROM THE ROUTINE TO THE TECHNOLOGICALLY ADVANCED, SUCH AS ROBOTICS. IN ADDITION TO GENERAL SURGERIES, THEY SPECIALIZE IN BREAST, COLON AND RECTAL, ORTHOPEDIC, PEDIATRIC, RETINAL, THORACIC, VASCULAR, UROLOGY, GYNECOLOGY, UROGYNECOLOGY, OPHTHALMOLOGY, AND EAR, NOSE AND THROAT SURGERY, AS WELL AS NEUROSURGERY AND PLASTIC RECONSTRUCTIVE SURGERY. BOARD-CERTIFIED ANESTHESIOLOGISTS PLAN AND SUPERVISE ANESTHESIA CARE FOR ALL PATIENTS. IN ADDITION, 24-HOUR PHYSICIAN CARE THROUGH THE HOSPITALIST AND INTENSIVIST PROGRAMS MEANS A DOCTOR IS ALWAYS NEARBY TO MAKE SURE RECOVERY FOR INPATIENTS IS PROGRESSING SMOOTHLY.

Name of the organization ANNE ARUNDEL MEDICAL CENTER, INC.	Employer identification number 52-1169362
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AAMC'S BARIATRIC SURGERY PROGRAM OPENED IN 2012 AND IN LESS THAN 2 YEARS THE WEIGHT LOSS & METABOLIC SURGERY PROGRAM AT AAMC IS NOW A LEVEL 1 FACILITY, NATIONALLY ACCREDITED BY THE AMERICAN COLLEGE OF SURGEONS FOR PROVIDING A HIGH QUALITY OF CARE AND EXCELLENT OUTCOMES. SINCE INCEPTION OVER 1,000 WEIGHT LOSS SURGERIES HAVE BEEN PERFORMED.

AT THE AAMC JOINT CENTER, OUR SURGEONS HOLD SUPERIOR CREDENTIALS AND MANY OF OUR SURGEONS SPECIALIZE IN KNEE AND HIP REPLACEMENT. OUR VOLUME OF SURGERY ALSO CONTRIBUTES TO OUR MEDICAL EXPERTISE. AAMC PERFORMS MORE THAN 2,000 JOINT REPLACEMENTS PER YEAR, WHICH MAKES US CONSISTENTLY ONE OF THE HIGHEST VOLUME JOINT REPLACEMENT CENTERS IN THE STATE. OVER THE PAST FOUR YEARS, AAMC PERFORMED MORE JOINT REPLACEMENTS THAN ANY OTHER HOSPITAL IN THE STATE.

#### JOINT CAMP

ANOTHER UNIQUE PART OF THE AAMC JOINT CENTER IS OUR "JOINT CAMP". AN IMPORTANT PART OF THE PROGRAM, THE JOINT CAMP GETS ITS NAME IN PART FROM THE SENSE OF SHARED EXPERIENCES, CAMARADERIE AND COMPANIONSHIP MANY PATIENTS FEEL TOWARD ONE ANOTHER. THE PHILOSOPHY OF JOINT CAMP IS THAT YOU AND YOUR FAMILY ARE NOT BYSTANDERS, BUT RATHER ACTIVE PARTICIPANTS WITH A COMMON GOAL. A TRAINED COORDINATOR HELPS GUIDE AND ASSIST YOU EVERY STEP OF THE WAY.

#### OUTPATIENT

THE AAMC GEATON AND JOANN DECESARIS CANCER INSTITUTE AT ANNE ARUNDEL MEDICAL CENTER ENCOMPASSES A LARGE ARRAY OF SERVICES RANGING FROM PREVENTION, SCREENING, DIAGNOSIS AND TREATMENT THROUGH SURVIVORSHIP.

Name of the organization

ANNE ARUNDEL MEDICAL CENTER, INC.

Employer identification number

52-1169362

MANY DIFFERENT TYPES OF PROFESSIONALS CONTRIBUTE TO THE CARE OF PATIENTS IN OUR PROGRAMS. IT IS OUR GOAL TO PROVIDE THE BEST EXPERIENCE POSSIBLE, NO MATTER WHERE OR HOW A PERSON ENCOUNTERS OUR CANCER CENTER SERVICES.

THE DECESARIS CANCER INSTITUTE WAS AWARDED THE COMMISSION ON CANCER (COC) OUTSTANDING ACHIEVEMENT AWARD FOR 2008 FOLLOWING AN INTENSIVE ON-SITE SURVEY COMPLETED IN NOVEMBER 2008. IN 2011, THE COC GRANTED A THREE-YEAR ACCREDITATION WITH COMMENDATION TO THE DECESARIS CANCER INSTITUTE, RECOGNIZING ITS CANCER COMMITTEE LEADERSHIP, CANCER DATA MANAGEMENT, CLINICAL SERVICES, RESEARCH, COMMUNITY OUTREACH, AND QUALITY IMPROVEMENT.

(CONTINUED ON PAGE 91)

FORM 990, PART VI, SECTION A, LINE 6:

THE SOLE STOCKHOLDER OF THE ORGANIZATION IS THE ANNE ARUNDEL HEALTH SYSTEM, INC. ("AAHS"), A SECTION 501(C)(3) ENTITY THAT SERVES AS THE PARENT CORPORATION OF THE INTEGRATED HEALTH SYSTEM.

FORM 990, PART VI, SECTION A, LINE 7A:

THE SOLE STOCKHOLDER OF THE ORGANIZATION IS THE ANNE ARUNDEL HEALTH SYSTEM, INC. ("AAHS"), A SECTION 501(C)(3) ENTITY THAT SERVES AS THE PARENT CORPORATION OF THE INTEGRATED HEALTH SYSTEM. AAHS HAS THE EXPRESS POWER AND RESPONSIBILITY TO ELECT AND REMOVE THE BOARD OF DIRECTORS AND OFFICERS OF THE CORPORATION.

FORM 990, PART VI, SECTION A, LINE 7B:

432212  
08-27-14

Schedule O (Form 990 or 990-EZ) (2014)

Name of the organization ANNE ARUNDEL MEDICAL CENTER, INC.	Employer identification number 52-1169362
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THE SOLE STOCKHOLDER OF THE ORGANIZATION IS THE ANNE ARUNDEL HEALTH SYSTEM, INC. ("AAHS"), A SECTION 501(C)(3) ENTITY THAT SERVES AS THE PARENT CORPORATION OF THE INTEGRATED HEALTH SYSTEM. AAHS HAS THE EXPRESS POWER AND RESPONSIBILITY TO APPROVE DECISIONS OF THE BOARD OF DIRECTORS.

FORM 990, PART VI, SECTION B, LINE 11:

THE BOARD HAS ASSIGNED RESPONSIBILITY FOR THE DETAILED REVIEW OF THE FORM 990 TO THE FINANCE AND AUDIT COMMITTEE OF ANNE ARUNDEL HEALTH SYSTEM, INC. (PARENT). THE FINANCE AND AUDIT COMMITTEE REVIEWS THE FORM 990 AND PROVIDES SUMMARY INFORMATION TO THE FULL BOARD. THE FORM 990 IS MADE AVAILABLE TO THE FULL BOARD FOR REVIEW PRIOR TO ITS FILING AT A BOARD MEETING.

FORM 990, PART VI, SECTION B, LINE 12C:

THE ORGANIZATION REQUIRES THAT SENIOR EXECUTIVE LEADERS AND EACH MEMBER OF THE BOARD REVIEW THE ORGANIZATION'S CONFLICT OF INTEREST POLICY ON AN ANNUAL BASIS AND RETURN AN ACKNOWLEDGEMENT OF RECEIPT AND DISCLOSURE OF ANY POTENTIAL CONFLICTS OF INTEREST. SUBSEQUENT TO THE COMPLETION OF THE ANNUAL CONFLICT OF INTEREST QUESTIONNAIRE, IF A COVERED INDIVIDUAL BECOMES AWARE OF AN ACTUAL OR POTENTIAL CONFLICT OF INTEREST, THE COVERED INDIVIDUAL SHALL PROMPTLY DISCLOSE IT TO THE PRESIDENT OF AAHS. IF AAHS HAS REASONABLE CAUSE TO BELIEVE THAT A COVERED INDIVIDUAL HAS FAILED TO DISCLOSE A POTENTIAL CONFLICT OF INTEREST, IT SHALL INFORM THE COVERED INDIVIDUAL OF THE BASIS FOR SUCH BELIEF AND PROVIDE THE COVERED INDIVIDUAL AN OPPORTUNITY TO EXPLAIN THE ALLEGED FAILURE TO DISCLOSE. AFTER DISCLOSURE OF AN ACTUAL OR POTENTIAL CONFLICT OF INTEREST BY A MEMBER OF THE BOARD OF TRUSTEES OR AN OFFICER OR SENIOR EXECUTIVE, THE EXECUTIVE COMMITTEE OF THE AAHS BOARD SHALL DECIDE IF A CONFLICT OF INTEREST EXISTS.

Name of the organization ANNE ARUNDEL MEDICAL CENTER, INC.	Employer identification number 52-1169362
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IF THE INTERESTED PERSON IS A MEMBER OF THE EXECUTIVE COMMITTEE, AFTER ANY DISCUSSION WITH THE INTERESTED MEMBER SUCH MEMBER SHALL LEAVE THE EXECUTIVE COMMITTEE MEETING WHILE THE DETERMINATION OF A CONFLICT OF INTEREST IS DISCUSSED AND VOTED UPON. THE EXECUTIVE COMMITTEE MAY REQUEST THAT LEGAL COUNSEL OR OTHER ADVISORS ASSIST AND ADVISE THE COMMITTEE IN CONNECTION WITH THE INVESTIGATION AND DETERMINATION OF ANY CONFLICT OF INTEREST ISSUE.

IF A CONFLICT OR POTENTIAL CONFLICT IS DEEMED TO EXIST, THE MEMBER MUST REMOVE HIMSELF OR HERSELF FROM THE ROOM DURING ANY DISCUSSION OF THE MATTER, REFRAIN FROM PARTICIPATING IN DISCUSSION AND VOTING UPON OR OTHER DECISION MAKING IN REGARD TO THE MATTER, AVOID USING HIS OR HER PERSONAL INFLUENCE, AVOID MAKING AN ADMINISTRATIVE DECISION ON THE MATTER, AND, IN THE CASE OF A DIRECTOR, MUST NOT BE COUNTED IN DETERMINING THE QUORUM FOR ACTION ON THE MATTER, EVEN WHERE PERMITTED BY THE BY-LAWS.

IF A MORE ADVANTAGEOUS TRANSACTION OR ARRANGEMENT IS NOT REASONABLY ATTAINABLE UNDER CIRCUMSTANCES THAT WOULD NOT GIVE RISE TO A CONFLICT OF INTEREST, THE EXECUTIVE COMMITTEE SHALL DETERMINE BY A MAJORITY VOTE WHETHER THE TRANSACTION OR ARRANGEMENT IS IN THE ORGANIZATION'S BEST INTEREST AND FOR ITS OWN BENEFIT AND WHETHER THE TRANSACTION IS FAIR AND REASONABLE TO THE ORGANIZATION AND SHALL MAKE ITS DECISIONS AS TO WHETHER TO ENTER INTO THE TRANSACTION OR ARRANGEMENT IN CONFORMITY WITH SUCH DETERMINATION. IF THE EXECUTIVE COMMITTEE DETERMINES THAT THE TRANSACTION IS IN THE BEST INTEREST OF AAHS, THE COMMITTEE MAY IMPOSE SUCH CONDITIONS OR REQUIREMENTS ON THE COVERED INDIVIDUAL INCLUDING, BUT NOT LIMITED TO REQUIRING THAT THE COVERED INDIVIDUAL RECUSE HER/HIMSELF FROM DELIBERATIONS AND DECISIONS RELATING TO THOSE MATTERS WHERE THE INDIVIDUAL HAS A PERSONAL INTEREST WHICH COULD CONFLICT, OR APPEAR TO CONFLICT, WITH HER/HIS DUTY OF LOYALTY TO THE BEST INTERESTS OF THE ORGANIZATION AND AAHS.

Name of the organization ANNE ARUNDEL MEDICAL CENTER, INC.	Employer identification number 52-1169362
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## FORM 990, PART VI, SECTION B, LINE 15:

ANNE ARUNDEL MEDICAL CENTER'S EXECUTIVE COMPENSATION COMMITTEE DETERMINES THE PRESIDENT AND CHIEF EXECUTIVE OFFICER'S COMPENSATION FOLLOWING THE IRC SECTION 4958 REBUTTABLE PRESUMPTION TEST. ALL OTHER COMPENSATION IS DETERMINED THROUGH CONSULTATION WITH AN INDEPENDENT OUTSIDE COMPENSATION CONSULTING FIRM.

## FORM 990, PART VI, SECTION C, LINE 19:

THE ORGANIZATION'S GOVERNING DOCUMENTS, CONFLICT OF INTEREST POLICY AND FINANCIAL STATEMENTS ARE RETAINED IN THE FINANCE OFFICE AND ARE AVAILABLE FOR PUBLIC INSPECTION UPON REQUEST. FORM 990 IS AVAILABLE BY REQUEST TO THE FINANCIAL SERVICES OFFICE OR CAN BE OBTAINED ONLINE AT WWW.GUIDESTAR.ORG.

## FORM 990, PART XI, LINE 9, CHANGES IN NET ASSETS:

CHANGE IN BENEFICIAL INTEREST IN AAMC FOUNDATION, INC.	-2,524,701.
DIVIDEND- COTTAGE INSURANCE COMPANY, LTD	2,000,000.
TRANSFER FROM AAMC FOUNDATION, INC. TO AAMC, INC.	3,168,202.
INTERCOMPANY TRANSFERS	-10,946,568.
LOSS ON PENSION SETTLEMENTS	2,926,550.
REALIZED AND UNREALIZED LOSS FOR CONTRACTS UNDER SFAS 133	-16,636,852.
CHANGE IN INVESTMENT IN SUBSIDIARIES ON THE EQUITY METHOD	7,032,723.
UNREALIZED GAIN FROM INVESTMENT IN PREMIER PURCHASING LP	740,759.
CHANGE IN ACCRUED PENSION LIABILITY	-148,689.
LOSS ON EXTINGUISHMENT OF DEBT	-32,230,097.
PENSION FUND STATUS	-14,609,240.
UNREALIZED GAIN FROM INVESTMENTS	-14,882,488.

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TOTAL TO FORM 990, PART XI, LINE 9 -76,110,401.

FORM 990, PAGE 12, PART XII, LINE 2C:

THIS PROCESS HAS NOT CHANGED FROM THE PRIOR YEAR.

FORM 990, PAGE 2, PART III, LINE 4A - CONTINUED:

IT IS ONE OF ONLY FOUR CANCER PROGRAMS IN MARYLAND (AND ONE OF ONLY 95 PROGRAMS NATIONWIDE) TO RECEIVE THE PRESTIGIOUS AWARD FROM THE COC, AN ORGANIZATION ESTABLISHED BY THE AMERICAN COLLEGE OF SURGEONS. THE AWARD WAS ESTABLISHED IN 1994 TO RECOGNIZE CANCER PROGRAMS DEMONSTRATING EXCELLENCE IN PROVIDING QUALITY CARE TO CANCER PATIENTS. A FACILITY RECEIVES THE AWARD ONLY IF DEMONSTRATING A "COMMENDATION" LEVEL OF COMPLIANCE WITH SEVEN COC-ESTABLISHED STANDARDS OF CARE. AAMC DEMONSTRATED COMMENDATION-LEVEL COMPLIANCE IN SIX AREAS; CANCER COMMITTEE LEADERSHIP, CANCER DATA MANAGEMENT, CLINICAL SERVICES, RESEARCH, COMMUNITY OUTREACH, AND QUALITY IMPROVEMENT.

IN 2014 AAMC'S GEATON & JOANN DECESARIS CANCER INSTITUTE RECEIVED THE AACCC INNOVATOR AWARD, ONLY 1 OF 6 HOSPITALS NATIONWIDE TO RECEIVE SUCH ACCOLADES. THIS WAS AWARDED FOR AAMC'S INNOVATIVE SYSTEM MANAGEMENT CLINIC.

THE AAMC BREAST CENTER IS NATIONALLY RECOGNIZED FOR ITS OUTSTANDING CARE, RESEARCH AND COMPREHENSIVE PROGRAMS. IT OFFERS KIND, SENSITIVE, AND TAILORED BREAST DISEASE TREATMENT AND CARE FOR WOMEN. WITH OUR HIGHLY EXPERIENCED BREAST SPECIALISTS AND SPECIALTY TRAINED STAFF PLUS STATE-OF-THE-ART FACILITIES, WE ARE A BREAST CENTER DEDICATED TO GIVING

Name of the organization ANNE ARUNDEL MEDICAL CENTER, INC.	Employer identification number 52-1169362
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YOU NEW HOPE AND GOOD HEALTH. IN 2013, THE NATIONAL ACCREDITATION PROGRAM FOR BREAST CENTERS (NAPBC) GRANTED A THREE YEAR ACCREDITATION DESIGNATION TO THE BREAST CANCER CENTER.

IN THE SUMMER OF 2009, AAMC MADE A COMMITMENT TO FURTHER SERVE BREAST PATIENTS IN THE REGION BY OPENING A NEW, EXPANDED BREAST CENTER UNDER THE UMBRELLA OF THE DECESARIS CANCER INSTITUTE, AND ADDING A THIRD FELLOWSHIP-TRAINED BREAST SURGEON TO THE CARE TEAM.

THE CANCER INSTITUTE OFFERS A WIDE RANGE OF SUPPORT GROUPS TO PATIENTS AS A SOURCE OF COMFORT, ENCOURAGEMENT AND INFORMATION, AND AS A WAY TO CONNECT WITH OTHERS WHO KNOW WHAT THE PATIENTS ARE GOING THROUGH AS A PATIENT, FAMILY MEMBER OR CAREGIVER. SOME OF OUR SUPPORT GROUPS INCLUDE: GENERAL CANCER SUPPORT GROUP; MONTHLY LUNG CANCER SUPPORT GROUP; MOVING FORWARD, A MONTHLY MEETING FOR WOMEN DIAGNOSED WITH BREAST CANCER WITHIN THE LAST TWO YEARS; SISTER TO SISTER, PROVIDING SPECIALIZED SUPPORT FOR AFRICAN-AMERICAN WOMEN; AND SURVIVORS OFFERING SUPPORT, WHERE BREAST CANCER SURVIVORS ARE TRAINED TO PROVIDE ONE ON ONE MENTORING TO NEWLY DIAGNOSED PATIENTS THROUGH THEIR FIRST YEAR OF TREATMENT.

#### EMERGENCY SERVICES

THE AAMC EMERGENCY ROOM IS ONE OF THE BUSIEST IN THE AREA, SERVING MORE THAN 95,000 PATIENTS EACH YEAR. AAMC'S EMERGENCY DEPARTMENT EMPLOYS TRAINED PHYSICIANS, PHYSICIAN ASSISTANTS, AND NURSE PRACTITIONERS WHO ARE ON DUTY 24 HOURS A DAY, SEVEN DAYS A WEEK, AND SPECIALISTS ARE ON CALL FOR CONSULTATION.

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AAMC'S EMERGENCY DEPARTMENT INCLUDES:

- EMERGENCY TRAINED NURSES AND MEDICAL TECHNICIANS WHO PROVIDE CARE AND MONITOR PATIENT CONDITIONS THROUGHOUT THE EPISODE OF CARE. ALL PATIENTS ARE TRIAGED AND ASSIGNED A PRIORITY BASED ON THE ASSESSED MEDICAL NEED. THOSE PATIENTS WITH MORE SERIOUS CONDITIONS ARE GENERALLY TREATED IN THE MAIN ED AREA WHILE PATIENTS WITH LESS SEVERE OR MINOR CONDITIONS ARE TREATED IN THE RAPID CLINICAL EVALUATION AND INTERMEDIATE CARE AREAS. THE DEPARTMENT HAS THIRTY-THREE MAIN SIDE BEDS AND TEN INTERMEDIATE CARE BEDS. ADDITIONALLY, THERE IS A TEN BED AREA FOR HOLDING ADULT PATIENTS AND AN 8 BED AREA FOR HOLDING PEDIATRIC PATIENTS WAITING FOR ADMISSION. A PRIVATE SIX BED AREA IS AVAILABLE FOR PATIENTS WITH MENTAL HEALTH PROBLEMS.

- SUTURING AND SPLINTING AND CASTING SERVICES AVAILABLE FOR MINOR TRAUMA. HIGH-LEVEL TRAUMA PATIENTS ARE STABILIZED AND TRANSFERRED TO NEARBY TRAUMA CENTERS. THE HOSPITAL IS CHEST PAIN CERTIFIED AND HAS A VERY ROBUST CARDIAC PROGRAM INCLUDING RAPID STABILIZATION AND TRANSFER TO THE CATH LAB WHEN INDICATED. ALSO STROKE CERTIFIED AND EQUIPPED TO MANAGE PATIENTS ARRIVING WITH ACUTE STROKE SYMPTOMS.

- X-RAY SERVICES AVAILABLE WITHIN THE ED TO EXPEDITE DIAGNOSIS AND TREATMENT INCLUDE TWO RADIOLOGY ROOMS AND A STATE OF THE ART CT SCANNER. NEW TECHNOLOGY ALLOWS X-RAYS BE TRANSMITTED ELECTRONICALLY ENABLING THE ED DOCTORS, SPECIALISTS, AND PRIMARY CARE PHYSICIANS TO VIEW X-RAYS AND OTHER DIAGNOSTIC TESTS ON A COMPUTER WITHIN MINUTES OF BEING TAKEN.

- HOSPITALISTS AND INTENSIVISTS (DOCTORS SPECIALLY TRAINED IN CRITICAL CARE AND INPATIENT CARE) ADMIT PATIENTS TO THE ACUTE CARE PAVILION ONCE THE DETERMINATION IS MADE THAT FURTHER MEDICAL AND NURSING ARE NEEDED.

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- MENTAL HEALTH ASSESSMENT AND PLACEMENT SERVICES ARE PROVIDED BY  
LICENSED MENTAL HEALTH CLINICIANS.

- DOMESTIC VIOLENCE ASSESSMENT AND SUPPORT SERVICES ARE PROVIDED BY  
TRAINED COUNSELORS.

PATIENT ADVOCATES AND VOLUNTEERS ARE AVAILABLE TO ASSIST FAMILIES WITH  
PERSONAL NEEDS AND COMFORT CARE.

COMMUNITY HEALTH EDUCATION AND SUPPORT  
COMMUNITY HEALTH EDUCATION SERVICES ENCOURAGE HEALTHY LIFESTYLES AND  
DISEASE PREVENTION. IN MOST CASES, AAMC PROVIDED THESE SERVICES AT  
MINIMAL OR NO COST. THE FOLLOWING SERVICES WERE OFFERED IN FY15:

INDIVIDUAL NUTRITION COUNSELING WITH REGISTERED DIETITIANS WAS PROVIDED  
AT A NOMINAL COST. IN FY15, AAMC DIETICIANS SPENT MORE THAN 880 HOURS  
FOR DIETARY CONSULTATIONS AND 450 EDUCATIONAL HOURS PROVIDING  
EDUCATIONAL SEMINARS AND/OR TALKS TO THE COMMUNITY VIA HEALTH FAIRS  
AND/OR SPECIAL REQUESTS BY SENIOR/CORPORATE ORGANIZATIONS. IN FY15 THE  
WELLNESS DEPARTMENT ADDED TWO CERTIFIED HEALTH EDUCATORS TO INCREASE  
NUTRITION EDUCATION IN THE COMMUNITY.

AAMC PHYSICIANS, PHARMACISTS, REGISTERED NURSES, DIETITIANS AND OTHER  
PROFESSIONALS VOLUNTEER THEIR TIME AND EXPERTISE TO PROVIDE UP-TO-DATE  
INFORMATION ON DISEASE PREVENTION AND OTHER HEALTH-RELATED ISSUES  
THROUGH FREE SEMINARS AND PROGRAMS. THESE PROGRAMS, DESIGNED TO MEET  
THE HEALTH NEEDS OF THE COMMUNITY AND COORDINATED BY THE DEPARTMENTS OF  
PUBLIC RELATIONS AND COMMUNITY HEALTH AND WELLNESS, ARE OFFERED TO  
LOCAL CLUBS, SCHOOLS, CORPORATIONS, CIVIC ORGANIZATIONS AND THE GENERAL

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PUBLIC. CLASS TOPICS ARE BASED ON COMMUNITY HEALTH ASSESSMENTS, RESULTS OF CUSTOMER INTEREST SURVEYS, FOCUS GROUPS, AND FEEDBACK PROVIDED ON PROGRAM EVALUATIONS. TOPICS INCLUDE PROSTATE CANCER, CARDIAC RISK, VASCULAR DISEASE, BACK CARE, BREAST CANCER, ARTHRITIS, PAIN MANAGEMENT, REFLUX DISEASE, DIABETES AND MENOPAUSE. MORE THAN 32,000 PEOPLE PARTICIPATE IN AAMC CLASSES AND SPECIAL EDUCATION EVENTS EACH YEAR. MOST CLASSES WERE OFFERED AT A BREAK-EVEN COST OR A LOSS TO THE MEDICAL CENTER.

IN FEBRUARY 2013 AAMC OPENED THE JAMES AND SYLVIA EARL SIMULATION TO ADVANCE INNOVATION AND LEARNING CENTER (SAIL). THIS FACILITY IS DEDICATED TO THE ADVANCEMENT AND PRACTICE OF MEDICINE THROUGH RESEARCH, TRAINING AND INNOVATION DESIGNED TO IMPROVE SURGICAL AND MEDICAL PROCEDURES AND OUTCOMES FOR PATIENTS. THIS TYPE OF TRAINING IS TYPICALLY ONLY AVAILABLE IN MAJOR ACADEMIC MEDICAL CENTERS AND INCLUDES SOPHISTICATED LIFE LIKE TECHNOLOGY FEATURING HIGH FIDELITY MANNEQUINS THAT SIMULATE REAL LIFE MEDICAL SITUATIONS. PARTICIPANTS INCLUDED SURGEONS, RESIDENTS, MED STUDENTS, NURSES, EMERGENCY MEDICAL TECHNICIANS, MILITARY PERSONNEL AND ALLIED HEALTH PROFESSIONALS.

ALSO IN FEBRUARY 2013 AAMC OPENED THE HACKERMAN-PATZ HOSPITALITY HOUSE. THIS HOMELIKE LODGING FACILITY IS DESIGNED TO MEET THE NEEDS OF PATIENTS AND THEIR FAMILIES SO THEY MAY STAY CLOSE TO THE HOSPITAL WHERE LOVED ONES RECEIVE TREATMENT. THE FACILITY HOUSES 20 PRIVATE GUEST ROOMS AS WELL AS A GREAT ROOM, FULLY FURNISHED KITCHEN AND PLAYROOM.

FORM 990, PAGE 3, PART IV, LINE 10

432212  
08-27-14

Schedule O (Form 990 or 990-EZ) (2014)

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FUNDS ARE HELD IN AN ENDOWMENT AND ARE REPORTED ON THE FORM 990 FOR THE ANNE ARUNDEL MEDICAL CENTER FOUNDATION. THE FOUNDATION PROVIDES THESE FUNDS TO THE AFFILIATED ANNE ARUNDEL ENTITIES, INCLUDING ANNE ARUNDEL MEDICAL CENTER, IN ORDER TO FURTHER THE EXEMPT PURPOSE OF THE HEALTH SYSTEM.

FORM 990, PAGE 9, PART VIII, LINE 11  
 PAYROLL AND BENEFITS FOR ALL OFFICERS, DIRECTORS AND EMPLOYEES OF THE CONSOLIDATED GROUP KNOWN AS ANNE ARUNDEL HEALTH SYSTEM, INC. IS ADMINISTERED THROUGH ANNE ARUNDEL MEDICAL CENTER, INC. (AAMC) AAMC SUBSEQUENTLY BILLS EACH ENTITY FOR THE AMOUNT OF WAGE AND BENEFIT EXPENSE INCURRED BY THEM. THIS IS REPORTED ON THE FORM 990 AS "MANAGEMENT SERVICES" ON PAGE 9.

**SCHEDULE R  
(Form 990)**

Department of the Treasury  
Internal Revenue Service

**Related Organizations and Unrelated Partnerships**

▶ Complete if the organization answered "Yes" on Form 990, Part IV, line 33, 34, 35b, 36, or 37.  
▶ Attach to Form 990.

▶ Information about Schedule R (Form 990) and its instructions is at [www.irs.gov/form990](http://www.irs.gov/form990).

OMB No. 1545-0047

**2014**

Open to Public Inspection

Name of the organization

**ANNE ARUNDEL MEDICAL CENTER, INC.**

Employer identification number  
**52-1169362**

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

(a) Name, address, and EIN (if applicable) of disregarded entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Total income	(e) End-of-year assets	(f) Direct controlling entity

**Part II Identification of Related Tax-Exempt Organizations** Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related tax-exempt organizations during the tax year.

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled entity?	
						Yes	No
ANNE ARUNDEL GENERAL TREATMENT SERVICES, INC. - 52-1722088, 2001 MEDICAL PARKWAY, ANNAPOLIS, MD 21401	ALCOHOL & DRUG ABUSE TREATMENT SERVICES	MARYLAND	501(C)(3)	3	ANNE ARUNDEL MEDICAL CENTER, INC.	X	
ANNE ARUNDEL HEALTH CARE SERVICES, INC. - 52-1467734, 2001 MEDICAL PARKWAY, ANNAPOLIS, MD 21401	OUTPATIENT DIAGNOSTICS AND IMAGING SERVICES	MARYLAND	501(C)(3)	3	ANNE ARUNDEL MEDICAL CENTER, INC.	X	
ANNE ARUNDEL HEALTH SYSTEMS, INC. - 52-1622253, 2001 MEDICAL PARKWAY, ANNAPOLIS, MD 21401	SUPPORT HEALTH CARE RELATED ENTITIES	MARYLAND	501(C)(3)	9	N/A		X
ANNE ARUNDEL MEDICAL CENTER FOUNDATION, INC. - 52-1331298, 2001 MEDICAL PARKWAY, ANNAPOLIS, MD 21401	SUPPORTING ORGANIZATION OF AAHS, INC AND SUBSIDIARIES	MARYLAND	501(C)(3)	11B	ANNE ARUNDEL HEALTH SYSTEM, INC.		X

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

Schedule R (Form 990) 2014



**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	
MEDICAL OFFICE, LLC - 20-2290229, 2001 MEDICAL PARKWAY, ANNAPOLIS, MD 21401	MEDICAL REAL ESTATE LEASING	MD	N/A	N/A	N/A	N/A	N/A		N/A	N/A		N/A
ANNAPOLIS EXCHANGE, LOT IV, LLC - 52-2020156, 2001 MEDICAL PARKWAY, ANNAPOLIS, MD 21401	COMMERCIAL REAL ESTATE LEASING	MD	N/A	N/A	N/A	N/A	N/A		N/A	N/A		N/A
ANNAPOLIS EXCHANGE, LOT V, LLC - 52-2020157, 2001 MEDICAL PARKWAY, ANNAPOLIS, MD 21401	MEDICAL REAL ESTATE LEASING	MD	N/A	N/A	N/A	N/A	N/A		N/A	N/A		N/A
KENT ISLAND MEDICAL ARTS, LLC - 26-0623450, 2001 MEDICAL PARKWAY, ANNAPOLIS, MD 21401	MEDICAL REAL ESTATE LEASING	MD	N/A	N/A	N/A	N/A	N/A		N/A	N/A		N/A

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership	(i) Section 512(b)(13) controlled entity?	
								Yes	No
ANNE ARUNDEL HEALTH CARE ENTERPRISES, INC. - 52-1646304, 2001 MEDICAL PARKWAY, ANNAPOLIS, MD 21401	MEDICAL SERVICES	MD	N/A	C CORP	N/A	N/A	N/A		X
PAVILION PARK, INC. - 52-1890034 2001 MEDICAL PARKWAY ANNAPOLIS, MD 21401	REAL ESTATE LEASING	MD	N/A	C CORP	N/A	N/A	N/A		X
COTTAGE INSURANCE COMPANY, LTD. - 98-0461499 P.O. BOX 10233 GRAND CAYMAN, CAYMAN ISLANDS CJ KY1-110	CAPTIVE INSURER - PROFESSIONAL LIABILITY INSURANCE	CAYMAN ISLANDS	ANNE ARUNDEL MEDICAL CENTER, INC	C CORP	1,857,096.	34,229,756.	100%	X	

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

**Note.** Complete line 1 if any entity is listed in Parts II, III, or IV of this schedule.

**1** During the tax year, did the organization engage in any of the following transactions with one or more related organizations listed in Parts II-IV?

	Yes	No
<b>a</b> Receipt of (i) interest, (ii) annuities, (iii) royalties, or (iv) rent from a controlled entity .....		X
<b>b</b> Gift, grant, or capital contribution to related organization(s) .....	X	
<b>c</b> Gift, grant, or capital contribution from related organization(s) .....	X	
<b>d</b> Loans or loan guarantees to or for related organization(s) .....	X	
<b>e</b> Loans or loan guarantees by related organization(s) .....		X
<b>f</b> Dividends from related organization(s) .....	X	
<b>g</b> Sale of assets to related organization(s) .....		X
<b>h</b> Purchase of assets from related organization(s) .....		X
<b>i</b> Exchange of assets with related organization(s) .....	X	
<b>j</b> Lease of facilities, equipment, or other assets to related organization(s) .....	X	
<b>k</b> Lease of facilities, equipment, or other assets from related organization(s) .....	X	
<b>l</b> Performance of services or membership or fundraising solicitations for related organization(s) .....		X
<b>m</b> Performance of services or membership or fundraising solicitations by related organization(s) .....		X
<b>n</b> Sharing of facilities, equipment, mailing lists, or other assets with related organization(s) .....		X
<b>o</b> Sharing of paid employees with related organization(s) .....		X
<b>p</b> Reimbursement paid to related organization(s) for expenses .....	X	
<b>q</b> Reimbursement paid by related organization(s) for expenses .....	X	
<b>r</b> Other transfer of cash or property to related organization(s) .....	X	
<b>s</b> 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) ANNE ARUNDEL GENERAL TREATMENT SERVICES, INC.	Q	3,891,910.	FMV
(2) ANNE ARUNDEL HEALTH CARE ENTERPRISES, INC.	Q	222,252.	FMV
(3) ANNE ARUNDEL HEALTH CARE ENTERPRISES, INC.	P	1,220.	FMV
(4) ANNE ARUNDEL HEALTH CARE SERVICES, INC.	Q	7,324,019.	FMV
(5) ANNE ARUNDEL MEDICAL CENTER FOUNDATION, INC.	Q	1,310,434.	FMV
(6) ANNE ARUNDEL HEALTH SYSTEM RESEARCH INSTITUTE, INC.	J	100,582.	FMV

**Part V** Continuation of Transactions With Related Organizations (Schedule R (Form 990), Part V, line 2)

(a) Name of other organization	(b) Transaction type (a-r)	(c) Amount involved	(d) Method of determining amount involved
(7) ANNE ARUNDEL HEALTHCARE ENTERPRISES, INC.	J	100,069.	FMV
(8) ANNE ARUNDEL HEALTH SYSTEM RESEARCH INSTITUTE, INC.	Q	982,553.	FMV
(9) ANNE ARUNDEL MEDICAL CENTER FOUNDATION, INC.	C	1,835,016.	FMV
(10) ANNAPOLIS EXCHANGE LOT IV	J	178,008.	FMV
(11) COTTAGE INSURANCE COMPANY, LTD.	C	150,000.	FMV
(12) AAREHCO (BLUE BUILDING)	J	859,500.	FMV
(13) COTTAGE INSURANCE COMPANY, LTD.	Q	2,955,000.	FMV
(14) KENT ISLAND MEDICAL ARTS, LLC	K	160,702.	FMV
(15) MEDICAL OFFICE, LLC	K	898,415.	FMV
(16) MEDICAL OFFICE, LLC	J	172,368.	FMV
(17) MEDICAL OFFICE, LLC	Q	291,144.	FMV
(18) PHYSICIAN ENTERPRISE, LLC	B	16,294,490.	FMV
(19) AAREHCO (BLUE BUILDING)	K	3,004,000.	FMV
(20) ANNE ARUNDEL HEALTH CARE ENTERPRISES, INC.	Q	222,252.	FMV
(21)			
(22)			
(23)			
(24)			



**Part VII** Supplemental Information

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

Multiple horizontal lines for supplemental information.



**Part III Tax Computation**

<b>35 Organizations Taxable as Corporations.</b> See instructions for tax computation. Controlled group members (sections 1561 and 1563) check here <input checked="" type="checkbox"/> See instructions and:	
<b>a</b> Enter your share of the \$50,000, \$25,000, and \$9,925,000 taxable income brackets (in that order): (1) \$ 0. (2) \$ 0. (3) \$ 0.	
<b>b</b> Enter organization's share of: (1) Additional 5% tax (not more than \$11,750) \$ 0. (2) Additional 3% tax (not more than \$100,000) \$ 0.	
<b>c</b> Income tax on the amount on line 34	35c 0.
<b>36 Trusts Taxable at Trust Rates.</b> See instructions for tax computation. Income tax on the amount on line 34 from: <input type="checkbox"/> Tax rate schedule or <input type="checkbox"/> Schedule D (Form 1041)	36
<b>37 Proxy tax.</b> See instructions	37
<b>38 Alternative minimum tax</b>	38
<b>39 Total.</b> Add lines 37 and 38 to line 35c or 36, whichever applies	39 0.

**Part IV Tax and Payments**

<b>40a</b> Foreign tax credit (corporations attach Form 1118; trusts attach Form 1116)	40a	
<b>b</b> Other credits (see instructions)	40b	
<b>c</b> General business credit. Attach Form 3800	40c	
<b>d</b> Credit for prior year minimum tax (attach Form 8801 or 8827)	40d	
<b>e Total credits.</b> Add lines 40a through 40d	40e	
<b>41</b> Subtract line 40e from line 39	41	0.
<b>42</b> Other taxes. Check if from: <input type="checkbox"/> Form 4255 <input type="checkbox"/> Form 8611 <input type="checkbox"/> Form 8697 <input type="checkbox"/> Form 8866 <input type="checkbox"/> Other (attach schedule)	42	
<b>43 Total tax.</b> Add lines 41 and 42	43	0.
<b>44a</b> Payments: A 2013 overpayment credited to 2014	44a	
<b>b</b> 2014 estimated tax payments	44b	
<b>c</b> Tax deposited with Form 8868	44c	
<b>d</b> Foreign organizations: Tax paid or withheld at source (see instructions)	44d	
<b>e</b> Backup withholding (see instructions)	44e	
<b>f</b> Credit for small employer health insurance premiums (Attach Form 8941)	44f	
<b>g</b> Other credits and payments: <input type="checkbox"/> Form 2439 <input type="checkbox"/> Form 4136 <input type="checkbox"/> Other Total	44g	
<b>45 Total payments.</b> Add lines 44a through 44g	45	
<b>46</b> Estimated tax penalty (see instructions). Check if Form 2220 is attached <input type="checkbox"/>	46	
<b>47 Tax due.</b> If line 45 is less than the total of lines 43 and 46, enter amount owed	47	0.
<b>48 Overpayment.</b> If line 45 is larger than the total of lines 43 and 46, enter amount overpaid	48	0.
<b>49</b> Enter the amount of line 48 you want: Credited to 2015 estimated tax Refunded	49	

**Part V Statements Regarding Certain Activities and Other Information** (see instructions)

<b>1</b> At any time during the 2014 calendar year, did the organization have an interest in or a signature or other authority over a financial account (bank, securities, or other) in a foreign country? If YES, the organization may have to file Form FinCEN Form 114, Report of Foreign Bank and Financial Accounts. If YES, enter the name of the foreign country here <b>CAYMAN ISLANDS</b>	Yes	No
<b>2</b> During the tax year, did the organization receive a distribution from, or was it the grantor of, or transferor to, a foreign trust? If YES, see instructions for other forms the organization may have to file.		X
<b>3</b> Enter the amount of tax-exempt interest received or accrued during the tax year \$		

**Schedule A - Cost of Goods Sold.** Enter method of inventory valuation **N/A**

<b>1</b> Inventory at beginning of year	1		<b>6</b> Inventory at end of year	6	
<b>2</b> Purchases	2		<b>7 Cost of goods sold.</b> Subtract line 6 from line 5. Enter here and in Part I, line 2	7	
<b>3</b> Cost of labor	3		<b>8</b> Do the rules of section 263A (with respect to property produced or acquired for resale) apply to the organization?	Yes	No
<b>4a</b> Additional section 263A costs (att. schedule)	4a				
<b>b</b> Other costs (attach schedule)	4b				
<b>5 Total.</b> Add lines 1 through 4b	5				

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 taxpayer) is based on all information of which preparer has any knowledge.

**Sign Here**  
 Signature of officer \_\_\_\_\_ Date \_\_\_\_\_ **CFO** Title \_\_\_\_\_  
 May the IRS discuss this return with the preparer shown below (see instructions)?  Yes  No

**Paid Preparer Use Only**  
 Print/Type preparer's name: **LORI S. BURGHAUSER** Preparer's signature: **LORI S. BURGHAUSER** Date: **05/11/16** Check  if self-employed PTIN: **P00370694**  
 Firm's name: **SC&H TAX & ADVISORY SERVICES, LLC** Firm's EIN: **20-5991824**  
 Firm's address: **910 RIDGEBROOK ROAD SPARKS, MD 21152** Phone no.: **(410) 403-1500**

**Schedule C - Rent Income (From Real Property and Personal Property Leased With Real Property)** (see instructions)

1. Description of property

(1)
(2)
(3)
(4)

2. Rent received or accrued		3(a) Deductions directly connected with the income in columns 2(a) and 2(b) (attach schedule)
(a) From personal property (if the percentage of rent for personal property is more than 10% but not more than 50%)	(b) From real and personal property (if the percentage of rent for personal property exceeds 50% or if the rent is based on profit or income)	
(1)		
(2)		
(3)		
(4)		
Total	0.	Total 0.

(c) **Total income.** Add totals of columns 2(a) and 2(b). Enter here and on page 1, Part I, line 6, column (A) **0.**  
**(b) Total deductions.** Enter here and on page 1, Part I, line 6, column (B) **0.**

**Schedule E - Unrelated Debt-Financed Income** (see instructions)

1. Description of debt-financed property	2. Gross income from or allocable to debt-financed property	3. Deductions directly connected with or allocable to debt-financed property		
		(a) Straight line depreciation (attach schedule)	(b) Other deductions (attach schedule)	
(1)				
(2)				
(3)				
(4)				
4. Amount of average acquisition debt on or allocable to debt-financed property (attach schedule)	5. Average adjusted basis of or allocable to debt-financed property (attach schedule)	6. Column 4 divided by column 5	7. Gross income reportable (column 2 x column 6)	8. Allocable deductions (column 6 x total of columns 3(a) and 3(b))
(1)		%		
(2)		%		
(3)		%		
(4)		%		
<b>Totals</b>			Enter here and on page 1, Part I, line 7, column (A). <b>0.</b>	Enter here and on page 1, Part I, line 7, column (B). <b>0.</b>
<b>Total dividends-received deductions</b> included in column 8			<b>0.</b>	<b>0.</b>

**Schedule F - Interest, Annuities, Royalties, and Rents From Controlled Organizations** (see instructions)

1. Name of controlled organization	2. Employer identification number	Exempt Controlled Organizations			
		3. Net unrelated income (loss) (see instructions)	4. Total of specified payments made	5. Part of column 4 that is included in the controlling organization's gross income	6. Deductions directly connected with income in column 5
(1)					
(2)					
(3)					
(4)					

Nonexempt Controlled Organizations

7. Taxable income	8. Net unrelated income (loss) (see instructions)	9. Total of specified payments made	10. Part of column 9 that is included in the controlling organization's gross income	11. Deductions directly connected with income in column 10
(1)				
(2)				
(3)				
(4)				
<b>Totals</b>			Add columns 5 and 10. Enter here and on page 1, Part I, line 8, column (A). <b>0.</b>	Add columns 6 and 11. Enter here and on page 1, Part I, line 8, column (B). <b>0.</b>

**Schedule G - Investment Income of a Section 501(c)(7), (9), or (17) Organization**

(see instructions)

1. Description of income	2. Amount of income	3. Deductions directly connected (attach schedule)	4. Set-asides (attach schedule)	5. Total deductions and set-asides (col. 3 plus col. 4)
(1)				
(2)				
(3)				
(4)				
<b>Totals</b> .....		Enter here and on page 1, Part I, line 9, column (A). 0.		Enter here and on page 1, Part I, line 9, column (B). 0.

**Schedule I - Exploited Exempt Activity Income, Other Than Advertising Income**

(see instructions)

1. Description of exploited activity	2. Gross unrelated business income from trade or business	3. Expenses directly connected with production of unrelated business income	4. Net income (loss) from unrelated trade or business (column 2 minus column 3). If a gain, compute cols. 5 through 7.	5. Gross income from activity that is not unrelated business income	6. Expenses attributable to column 5	7. Excess exempt expenses (column 6 minus column 5, but not more than column 4).
(1)						
(2)						
(3)						
(4)						
<b>Totals</b> .....		Enter here and on page 1, Part I, line 10, col. (A). 0.	Enter here and on page 1, Part I, line 10, col. (B). 0.			Enter here and on page 1, Part II, line 26. 0.

**Schedule J - Advertising Income** (see instructions)

**Part I Income From Periodicals Reported on a Consolidated Basis**

1. Name of periodical	2. Gross advertising income	3. Direct advertising costs	4. Advertising gain or (loss) (col. 2 minus col. 3). If a gain, compute cols. 5 through 7.	5. Circulation income	6. Readership costs	7. Excess readership costs (column 6 minus column 5, but not more than column 4).
(1)						
(2)						
(3)						
(4)						
<b>Totals</b> (carry to Part II, line (5)) .....		0.	0.			0.

**Part II Income From Periodicals Reported on a Separate Basis** (For each periodical listed in Part II, fill in columns 2 through 7 on a line-by-line basis.)

1. Name of periodical	2. Gross advertising income	3. Direct advertising costs	4. Advertising gain or (loss) (col. 2 minus col. 3). If a gain, compute cols. 5 through 7.	5. Circulation income	6. Readership costs	7. Excess readership costs (column 6 minus column 5, but not more than column 4).
(1)						
(2)						
(3)						
(4)						
<b>Totals from Part I</b> .....		0.	0.			0.
<b>Totals, Part II</b> (lines 1-5) .....		Enter here and on page 1, Part I, line 11, col. (A). 0.	Enter here and on page 1, Part I, line 11, col. (B). 0.			Enter here and on page 1, Part II, line 27. 0.

**Schedule K - Compensation of Officers, Directors, and Trustees** (see instructions)

1. Name	2. Title	3. Percent of time devoted to business	4. Compensation attributable to unrelated business
(1)			%
(2)			%
(3)			%
(4)			%
<b>Total.</b> Enter here and on page 1, Part II, line 14 .....			0.

**SCHEDULE O  
(Form 1120)**

(Rev. December 2012)  
Department of the Treasury  
Internal Revenue Service

**Consent Plan and Apportionment Schedule  
for a Controlled Group**

OMB No. 1545-0123

▶ Attach to Form 1120, 1120-C, 1120-F, 1120-FSC, 1120-L, 1120-PC, 1120-REIT, or 1120-RIC.  
▶ Information about Schedule O (Form 1120) and its instructions is available at [www.irs.gov/form1120](http://www.irs.gov/form1120).

Name	Employer identification number
ANNE ARUNDEL MEDICAL CENTER, INC.	52-1169362

**Part I Apportionment Plan Information**

1 Type of controlled group:

- a  Parent-subsidiary group
- b  Brother-sister group
- c  Combined group
- d  Life insurance companies only

2 This corporation has been a member of this group:

- a  For the entire year.
- b  From \_\_\_\_\_, until \_\_\_\_\_.

3 This corporation consents and represents to:

- a  Adopt an apportionment plan. All the other members of this group are adopting an apportionment plan effective for the current tax year which ends on \_\_\_\_\_, and for all succeeding tax years.
- b  Amend the current apportionment plan. All the other members of this group are currently amending a previously adopted plan, which was in effect for the tax year ending JUNE 30, 2014, and for all succeeding tax years.
- c  Terminate the current apportionment plan and not adopt a new plan. All the other members of this group are not adopting an apportionment plan.
- d  Terminate the current apportionment plan and adopt a new plan. All the other members of this group are adopting an apportionment plan effective for the current tax year which ends on \_\_\_\_\_, and for all succeeding tax years.

4 If you checked box 3c or 3d above, check the applicable box below to indicate if the termination of the current apportionment plan was:

- a  Elected by the component members of the group.
- b  Required for the component members of the group.

5 If you did not check a box on line 3 above, check the applicable box below concerning the status of the group's apportionment plan (see instructions).

- a  No apportionment plan is in effect and none is being adopted.
- b  An apportionment plan is already in effect. It was adopted for the tax year ending \_\_\_\_\_, and for all succeeding tax years.

6 If all the members of this group are adopting a plan or amending the current plan for a tax year after the due date (including extensions) of the tax return for this corporation, is there at least one year remaining on the statute of limitations from the date this corporation filed its amended return for such tax year for assessing any resulting deficiency? See instructions.

- a  Yes.
  - (i)  The statute of limitations for this year will expire on \_\_\_\_\_.
  - (ii)  On \_\_\_\_\_, this corporation entered into an agreement with the Internal Revenue Service to extend the statute of limitations for purposes of assessment until \_\_\_\_\_.
- b  No. The members may not adopt or amend an apportionment plan.

7 Required information and elections for component members. Check the applicable box(es) (see instructions).

- a  The corporation will determine its tax liability by applying the maximum tax rate imposed by section 11 to the entire amount of its taxable income.
- b  The corporation and the other members of the group elect the FIFO method (rather than defaulting to the proportionate method) for allocating the additional taxes for the group imposed by section 11(b)(1).
- c  The corporation has a short tax year that does not include December 31.

For Paperwork Reduction Act Notice, see Instructions for Form 1120.

Schedule O (Form 1120) (Rev. 12-2012)

413335 05-01-14 JWA

**Part II Taxable Income Apportionment** (See instructions)

**Caution:** Each total in Part II, column (g) for each component member must equal taxable income from Form 1120, page 1, line 30 or the comparable line of such member's tax return.

	(a) Group member's name and employer identification number	(b) Tax year end (Yr-Mo)	Taxable Income Amount Allocated to Each Bracket				(g) Total (add columns (c) through (f))
			(c) 15%	(d) 25%	(e) 34%	(f) 35%	
1	ANNE ARUNDEL MEDICAL CENTER, INC.	52-1169362 15-06	0.	0.	0.	0.	0.
2	PAVILION PARK, INC.	52-1890034 15-06	38,996.	25,000.	1,724,904.	11,004.	1,799,904.
3	ANNE ARUNDEL REAL ESTATE HOLDING CO., INC.	52-1622251 15-06	11,004.	0.	0.	0.	11,004.
4	ANNE ARUNDEL HEALTH CARE ENTERPRISES, INC.	52-1646304 15-06	0.	0.	0.	0.	0.
5							
6							
7							
8							
9							
10							
11							
12							
<b>Total</b>			50,000.	25,000.	1,724,904.	11,004.	1,810,908.

Schedule O (Form 1120) (Rev. 12-2012)

**Part III Income Tax Apportionment** (See instructions)

(a) Group member's name	Income Tax Apportionment						(h) Total income tax (combine lines (b) through (g))
	(b) 15%	(c) 25%	(d) 34%	(e) 35%	(f) 5%	(g) 3%	
1 ANNE ARUNDEL MEDICAL CENTER, INC.	0.	0.	0.	0.	0.		
2 PAVILION PARK, INC.	5,849.	6,250.	586,467.	3,851.	10,026.		612,443.
3 ANNE ARUNDEL REAL ESTATE HOLDING CO., INC.	1,651.	0.	0.	0.	1,724.		3,375.
4 ANNE ARUNDEL HEALTH CARE ENTERPRISES, INC.	0.	0.	0.	0.	0.		
5							
6							
7							
8							
9							
10							
11							
12							
<b>Total</b>	7,500.	6,250.	586,467.	3,851.	11,750.		615,818.

Schedule O (Form 1120) (Rev. 12-2012)

**Part IV Other Apportionments** (See instructions)

(a) Group member's name	Other Apportionments				
	(b) Accumulated earnings credit	(c) AMT exemption amount	(d) Phaseout of AMT exemption amount	(e) Penalty for failure to pay estimated tax	(f) Other
1 ANNE ARUNDEL MEDICAL CENTER, INC.					
2 PAVILION PARK, INC.		36,000.	150,000.		
3 ANNE ARUNDEL REAL ESTATE HOLDING CO., INC.		4,000.			
4 ANNE ARUNDEL HEALTH CARE ENTERPRISES, INC.					
5					
6					
7					
8					
9					
10					
11					
12					
<b>Total</b>		40,000.	150,000.		

Schedule O (Form 1120) (Rev. 12-2012)

FORM 990-T INCOME (LOSS) FROM PARTNERSHIPS AND S CORPORATIONS STATEMENT 1

DESCRIPTION	AMOUNT
PREMIER PURCHASING PARTNERS, LP	17,265.
TOTAL TO FORM 990-T, PAGE 1, LINE 5	17,265.

FORM 990-T OTHER DEDUCTIONS STATEMENT 2

DESCRIPTION	AMOUNT
CONTRACTUAL ALLOWANCES	3,698,220.
PURCHASED SERVICES	1,680,784.
SUPPLIES	925.
TOTAL TO FORM 990-T, PAGE 1, LINE 28	5,379,929.

FORM 990-T PARENT CORPORATION'S NAME AND IDENTIFYING NUMBER STATEMENT 3

CORPORATION'S NAME	IDENTIFYING NO
ANNE ARUNDEL HEALTH SYSTEM	52-1622253

FORM 990-T NET OPERATING LOSS DEDUCTION STATEMENT 4

TAX YEAR	LOSS SUSTAINED	LOSS PREVIOUSLY APPLIED	LOSS REMAINING	AVAILABLE THIS YEAR
06/30/08	2,507,622.	0.	2,507,622.	2,507,622.
06/30/09	764,990.	0.	764,990.	764,990.
06/30/10	568,857.	0.	568,857.	568,857.
06/30/11	880,497.	0.	880,497.	880,497.
06/30/12	442,078.	0.	442,078.	442,078.
06/30/13	608,973.	0.	608,973.	608,973.
06/30/14	1,128,337.	0.	1,128,337.	1,128,337.
NOL CARRYOVER AVAILABLE THIS YEAR			6,901,354.	6,901,354.

Form **5471**

**Information Return of U.S. Persons With Respect To Certain Foreign Corporations**

OMB No. 1545-0704

(Rev. December 2012)  
Department of the Treasury  
Internal Revenue Service

► For more information about Form 5471, see [www.irs.gov/form5471](http://www.irs.gov/form5471).  
Information furnished for the foreign corporation's annual accounting period (tax year required by section 898) (see instructions) beginning **JUL 1, 2014**, and ending **JUN 30, 2015**

Attachment  
Sequence No. **121**

Name of person filing this return  <b>ANNE ARUNDEL MEDICAL CENTER, INC.</b> <small>Number, street, and room or suite no. (or P.O. box number if mail is not delivered to street address)</small> <b>2001 MEDICAL PARKWAY</b> City or town, state, and ZIP code <b>ANNAPOLIS, MD 21401</b>	<b>A Identifying number</b>  <b>52-1169362</b>  <b>B Category of filer</b> (See instructions. Check applicable box(es): 1 (repealed) 2 <input type="checkbox"/> 3 <input type="checkbox"/> 4 <input checked="" type="checkbox"/> 5 <input checked="" type="checkbox"/>  <b>C Enter the total percentage of the foreign corporation's voting stock you owned at the end of its annual accounting period</b> <b>100.00 %</b>
Filer's tax year beginning <b>JUL 1, 2014</b> , and ending <b>JUN 30, 2015</b>	

**D Person(s) on whose behalf this information return is filed:**

(1) Name	(2) Address	(3) Identifying number	(4) Check applicable box(es)		
			Shareholder	Officer	Director

**Important:** Fill in all applicable lines and schedules. All information must be in English. All amounts must be stated in U.S. dollars unless otherwise indicated.

<b>1a Name and address of foreign corporation</b> <b>COTTAGE INSURANCE COMPANY, LTD</b> <b>P.O. BOX 10233</b> <b>GRAND CAYMAN KY1-1002</b> <b>CAYMAN ISLANDS</b>				<b>b(1) Employer identification number, if any</b> <b>98-0461499</b>
<b>b(2) Reference ID number (see instructions)</b>  <b>c Country under whose laws incorporated</b> <b>CAYMAN ISLANDS</b>				
<b>d Date of incorporation</b>	<b>e Principal place of business</b>	<b>f Principal business activity code number</b>	<b>g Principal business activity</b>	<b>h Functional currency</b>
06/06/05	CAYMAN ISLANDS	524150	SELF INSURANCE	UNITED STATES, DOLLAR

**2 Provide the following information for the foreign corporation's accounting period stated above.**

<b>a Name, address, and identifying number of branch office or agent (if any) in the United States</b>	<b>b If a U.S. income tax return was filed, enter:</b> <table border="1" style="width:100%; border-collapse: collapse;"> <tr> <td style="width:50%;"><b>(i) Taxable income or (loss)</b></td> <td style="width:50%;"><b>(ii) U.S. income tax paid (after all credits)</b></td> </tr> <tr> <td> </td> <td> </td> </tr> </table>	<b>(i) Taxable income or (loss)</b>	<b>(ii) U.S. income tax paid (after all credits)</b>		
<b>(i) Taxable income or (loss)</b>	<b>(ii) U.S. income tax paid (after all credits)</b>				
<b>c Name and address of foreign corporation's statutory or resident agent in country of incorporation</b>  <b>KANE (CAYMAN) LIMITED</b> <b>P.O. BOX 10233</b> <b>GRAND CAYMAN KY1-1002</b> <b>CAYMAN ISLANDS</b>	<b>d Name and address (including corporate department, if applicable) of person (or persons) with custody of the books and records of the foreign corporation, and the location of such books and records, if different</b>				

<b>Schedule A Stock of the Foreign Corporation</b>		
(a) Description of each class of stock	(b) Number of shares issued and outstanding	
	(i) Beginning of annual accounting period	(ii) End of annual accounting period
COMMON	120,000	120,000

LHA For Paperwork Reduction Act Notice, see instructions.

Form **5471** (Rev. 12-2012)



**Schedule E Income, War Profits, and Excess Profits Taxes Paid or Accrued**

	(a) Name of country or U.S. possession	Amount of tax		
		(b) In foreign currency	(c) Conversion rate	(d) In U.S. dollars
1	U.S.			
2				
3				
4				
5				
6				
7				
8	Total			

**Schedule F Balance Sheet**

**Important:** Report all amounts in U.S. dollars prepared and translated in accordance with U.S. GAAP. See instructions for an exception for DASTM corporations.

Assets		(a)	(b)
		Beginning of annual accounting period	End of annual accounting period
1 Cash	1	2,234,764.	2,603,011.
2a Trade notes and accounts receivable	2a		
b Less allowance for bad debts	2b	( )	( )
3 Inventories	3		
4 Other current assets (attach statement) SEE STATEMENT 6	4	8,809,378.	8,700,731.
5 Loans to shareholders and other related persons	5		
6 Investment in subsidiaries (attach statement)	6		
7 Other investments (attach statement) SEE STATEMENT 7	7	23,925,816.	22,926,014.
8a Buildings and other depreciable assets	8a		
b Less accumulated depreciation	8b	( )	( )
9a Depletable assets	9a		
b Less accumulated depletion	9b	( )	( )
10 Land (net of any amortization)	10		
11 Intangible assets:			
a Goodwill	11a		
b Organization costs	11b		
c Patents, trademarks, and other intangible assets	11c		
d Less accumulated amortization for lines 11a, b, and c	11d	( )	( )
12 Other assets (attach statement)	12		
13 Total assets	13	34,969,958.	34,229,756.
<b>Liabilities and Shareholders' Equity</b>			
14 Accounts payable	14	407,838.	202,743.
15 Other current liabilities (attach statement)	15		
16 Loans from shareholders and other related persons	16		
17 Other liabilities (attach statement) SEE STATEMENT 8	17	24,578,243.	24,186,040.
18 Capital stock:			
a Preferred stock	18a		
b Common stock	18b	120,000.	120,000.
19 Paid-in or capital surplus (attach reconciliation) SEE STATEMENT 9	19	2,463,021.	2,463,021.
20 Retained earnings	20	7,400,856.	7,257,952.
21 Less cost of treasury stock	21	( )	( )
22 Total liabilities and shareholders' equity	22	34,969,958.	34,229,756.

**Schedule G Other Information**

	Yes	No
1 During the tax year, did the foreign corporation own at least a 10% interest, directly or indirectly, in any foreign partnership? .....	<input type="checkbox"/>	<input checked="" type="checkbox"/>
If "Yes," see the instructions for required statement.		
2 During the tax year, did the foreign corporation own an interest in any trust? .....	<input type="checkbox"/>	<input checked="" type="checkbox"/>
3 During the tax year, did the foreign corporation own any foreign entities that were disregarded as entities separate from their owners under Regulations sections 301.7701-2 and 301.7701-3? .....	<input type="checkbox"/>	<input checked="" type="checkbox"/>
If "Yes," you are generally required to attach Form 8858 for each entity (see instructions).		
4 During the tax year, was the foreign corporation a participant in any cost sharing arrangement? .....	<input type="checkbox"/>	<input checked="" type="checkbox"/>
5 During the course of the tax year, did the foreign corporation become a participant in any cost sharing arrangement? .....	<input type="checkbox"/>	<input checked="" type="checkbox"/>
6 During the tax year, did the foreign corporation participate in any reportable transaction as defined in Regulations section 1.6011-4? .....	<input type="checkbox"/>	<input checked="" type="checkbox"/>
If "Yes," attach Form(s) 8886 if required by Regulations section 1.6011-4(c)(3)(i)(G).		
7 During the tax year, did the foreign corporation pay or accrue any foreign tax that was disqualified for credit under section 901(m)? .....	<input type="checkbox"/>	<input checked="" type="checkbox"/>
8 During the tax year, did the foreign corporation pay or accrue foreign taxes to which section 909 applies, or treat foreign taxes that were previously suspended under section 909 as no longer suspended? .....	<input type="checkbox"/>	<input checked="" type="checkbox"/>

**Schedule H Current Earnings and Profits**

**Important:** Enter the amounts on lines 1 through 5c in functional currency.

1 Current year net income or (loss) per foreign books of account .....	1		1,857,096.
2 Net adjustments made to line 1 to determine current earnings and profits according to U.S. financial and tax accounting standards (see instructions):			
		<b>Net Additions</b>	<b>Net Subtractions</b>
a Capital gains or losses .....		1,054,833.	
b Depreciation and amortization .....			
c Depletion .....			
d Investment or incentive allowance .....			
e Charges to statutory reserves .....			
f Inventory adjustments .....			
g Taxes .....			
h Other (attach statement) .....		222,297.	2,955,000.
3 Total net additions .....		1,277,130.	
4 Total net subtractions .....			2,955,000.
5a Current earnings and profits (line 1 plus line 3 minus line 4) .....	5a		179,226.
b DASTM gain or (loss) for foreign corporations that use DASTM .....	5b		
c Combine lines 5a and 5b .....	5c		179,226.
d Current earnings and profits in U.S. dollars (line 5c translated at the appropriate exchange rate as defined in section 989(b) and the related regulations) .....	5d		

Enter exchange rate used for line 5d ▶

**Schedule I Summary of Shareholder's Income From Foreign Corporation**

If item D on page 1 is completed, a separate Schedule I must be filed for each Category 4 or 5 filer for whom reporting is furnished on this Form 5471. This schedule I is being completed for:

Name of U.S. shareholder <span style="font-size: small;">▶</span>	Identifying number <span style="font-size: small;">▶</span>		
1 Subpart F income (line 38b, Worksheet A in the instructions) .....	1		179,226.
2 Earnings invested in U.S. property (line 17, Worksheet B in the instructions) .....	2		
3 Previously excluded subpart F income withdrawn from qualified investments (line 6b, Worksheet C in the instructions) .....	3		
4 Previously excluded export trade income withdrawn from investment in export trade assets (line 7b, Worksheet D in the instructions) .....	4		
5 Factoring income .....	5		
6 Total of lines 1 through 5. Enter here and on your income tax return .....	6		179,226.
7 Dividends received (translated at spot rate on payment date under section 989(b)(1)) .....	7		
8 Exchange gain or (loss) on a distribution of previously taxed income .....	8		

• Was any income of the foreign corporation blocked? .....	Yes	No
• Did any such income become unblocked during the tax year (see section 964(b))? .....	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	<input type="checkbox"/>	<input checked="" type="checkbox"/>

If the answer to either question is "Yes," attach an explanation.

FORM 5471

OTHER DEDUCTIONS

STATEMENT 5

DESCRIPTION	FUNCTIONAL CURRENCY	EXCHANGE RATE	U.S. DOLLAR
UNDERWRITING EXPENSES			858,053.
PROFESSIONAL FEES			117,452.
MANAGEMENT FEES			44,500.
TRAVEL AND MEETING EXPENSES			20,734.
INVESTMENT MANAGEMENT FEES			12,117.
GOVERNMENT FEES			12,805.
MISCELLANEOUS EXPENSES			1,063.
RISK MANAGEMENT GRANT			150,000.
TOTAL TO 5471, SCHEDULE C, LINE 16			1,216,724.

FORM 5471

OTHER CURRENT ASSETS

STATEMENT 6

DESCRIPTION	BEG. OF ANNUAL ACCOUNTING PERIOD	END OF ANNUAL ACCOUNTING PERIOD
INTEREST RECEIVABLE	27,045.	22,291.
OUTSTANDING CLAIMS RESERVES RECOVERABLE	8,644,000.	8,535,000.
PREPAID EXPENSES	5,793.	16,918.
ESCROW ACCOUNT	77,030.	45,272.
OTHER RECIEVABLES	55,510.	81,250.
TOTAL TO 5471, PAGE 3, SCHEDULE F, LINE 4	8,809,378.	8,700,731.

FORM 5471

OTHER INVESTMENTS

STATEMENT 7

DESCRIPTION	BEG. OF ANNUAL ACCOUNTING PERIOD	END OF ANNUAL ACCOUNTING PERIOD
EQUITY MUTUAL FUNDS	5,459,347.	5,162,163.
FIXED INCOME MUTUAL FUNDS	13,081,151.	12,412,625.
EXCHANGE TRADED FUNDS	3,862,600.	3,752,697.
MULTI-STRATEGY FUND	1,522,718.	1,598,529.
TOTAL TO 5471, PAGE 3, SCHEDULE F, LINE 7	23,925,816.	22,926,014.

FORM 5471

OTHER LIABILITIES

STATEMENT 8

DESCRIPTION	BEG. OF ANNUAL ACCOUNTING PERIOD	END OF ANNUAL ACCOUNTING PERIOD
PROVISION FOR ADVERSE CLAIMS DEVELOPMENT	21,045,372.	20,758,875.
PROVISION FOR REPORTED CLAIMS	1,532,871.	1,427,165.
DIVIDENDS PAYABLE	2,000,000.	2,000,000.
TOTAL TO 5471, PAGE 3, SCHEDULE F, LINE 17	<u>24,578,243.</u>	<u>24,186,040.</u>

FORM 5471

RECONCILIATION OF PAID-IN OR CAPITAL SURPLUS

STATEMENT 9

DESCRIPTION	BEG. OF ANNUAL ACCOUNTING PERIOD	END OF ANNUAL ACCOUNTING PERIOD
ADDITIONAL PAID-IN CAPITAL BALANCE AS OF J	2,463,021.	2,463,021.

FORM 5471

OTHER NET ADJUSTMENTS

STATEMENT 10

DESCRIPTION	NET ADDITIONS	NET SUBTRACTIONS
RELATED PARTY PREMIUMS		2,955,000.
RELATED PARTY CLAIMS PAID	222,297.	
TOTAL TO 5471, PAGE 4, SCHEDULE H, LINE 2H	<u>222,297.</u>	<u>2,955,000.</u>

Schedule I Shareholder's Income From Foreign Corporation

Name of shareholder described in Category 5	Identifying number
<b>Shareholder's income from foreign corporation</b>	
1 Subpart F income .....	1 _____
2 Earnings invested in U.S. property .....	2 _____
3 Previously excluded subpart F income withdrawn from qualified investments .....	3 _____
4 Previously excluded export trade income withdrawn from investment in export trade assets .....	4 _____
5 Factoring income .....	5 _____
6 Total of lines 1 through 5 .....	6 _____
7 Dividends received (translated at spot rate on payment date under section 989(b)(1)) .....	7 _____
8 Exchange gain or (loss) on a distribution of previously taxed income .....	8 _____

**SCHEDULE J  
(Form 5471)**

(Rev. December 2012)  
Department of the Treasury  
Internal Revenue Service

**Accumulated Earnings and Profits (E&P)  
of Controlled Foreign Corporation**

► Information about Schedule J (Form 5471) and its instructions is at [www.irs.gov/form5471](http://www.irs.gov/form5471).  
► Attach to Form 5471.

OMB No. 1545-0704

Name of person filing Form 5471

Identifying number

**ANNE ARUNDEL MEDICAL CENTER, INC.**

**52-1169362**

Name of foreign corporation

EIN (if any)

Reference ID number

**COTTAGE INSURANCE COMPANY, LTD**

**98-0461499**

Important: Enter amounts in functional currency.	(a) Post-1986 Undistributed Earnings (post-86 section 959(c)(3) balance)	(b) Pre-1987 E&P Not Previously Taxed (pre-87 section 959(c)(3) balance)	(c) Previously Taxed E&P (sections 959(c)(1) and (2) balances)			(d) Total Section 964(a) E&P (combine columns (a), (b), and (c))
			(i) Earnings Invested in U.S. Property	(ii) Earnings Invested in Excess Passive Assets	(iii) Subpart F Income	
<b>1</b> Balance at beginning of year	-1,634,362.					-1,634,362.
<b>2a</b> Current year E&P	179,226.					
<b>b</b> Current year deficit in E&P						
<b>3</b> Total current and accumulated E&P not previously taxed (line 1 plus line 2a or line 1 minus line 2b)	-1,455,136.					
<b>4</b> Amounts included under section 951(a) or reclassified under section 959(c) in current year	179,226.				179,226.	
<b>5a</b> Actual distributions or reclassifications of previously taxed E&P					179,226.	
<b>b</b> Actual distributions of nonpreviously taxed E&P						
<b>6a</b> Balance of previously taxed E&P at end of year (line 1 plus line 4, minus line 5a)						
<b>b</b> Balance of E&P not previously taxed at end of year (line 3 minus line 4, minus line 5b)	-1,634,362.					
<b>7</b> Balance at end of year. (Enter amount from line 6a or line 6b, whichever is applicable.)	-1,634,362.					-1,634,362.

LHA For Paperwork Reduction Act Notice, see the Instructions for Form 5471.

Schedule J (Form 5471) (Rev. 12-2012)

**SCHEDULE M  
(Form 5471)**

(Rev. December 2012)

Department of the Treasury  
Internal Revenue Service

**Transactions Between Controlled Foreign Corporation  
and Shareholders or Other Related Persons**

OMB No. 1545-0704

▶ Information about Schedule M (Form 5471) and its instructions is at [www.irs.gov/form5471](http://www.irs.gov/form5471).

▶ Attach to Form 5471.

Name of person filing Form 5471		Identifying number
<b>ANNE ARUNDEL MEDICAL CENTER, INC.</b>		<b>52-1169362</b>
Name of foreign corporation	EIN (if any)	Reference ID number
<b>COTTAGE INSURANCE COMPANY, LTD</b>	<b>98-0461499</b>	

**Important:** Complete a separate Schedule M for each controlled foreign corporation. Enter the totals for each type of transaction that occurred during the annual accounting period between the foreign corporation and the persons listed in columns (b) through (f). All amounts must be stated in U.S. dollars translated from functional currency at the average exchange rate for the foreign corporation's tax year. See instructions. Enter the relevant functional currency and the exchange rate used throughout this schedule ▶ **UNITED STATES, DOLLAR**

(a) Transactions of foreign corporation	(b) U.S. person filing this return	(c) Any domestic corporation or partnership controlled by U.S. person filing this return	(d) Any other foreign corporation or partnership controlled by U.S. person filing this return	(e) 10% or more U.S. shareholder of controlled foreign corporation (other than the U.S. person filing this return)	(f) 10% or more U.S. shareholder of any corporation controlling the foreign corporation
1 Sales of stock in trade (inventory) ...					
2 Sales of tangible property other than stock in trade .....					
3 Sales of property rights (patents, trademarks, etc.) .....					
4 Platform contribution transaction payments received .....					
5 Cost sharing transaction payments received .....					
6 Compensation received for technical, managerial, engineering, construction, or like services .....					
7 Commissions received .....					
8 Rents, royalties, and license fees received .....					
9 Dividends received (exclude deemed distributions under subpart F and distributions of previously taxed income) .....					
10 Interest received .....					
11 Premiums received for insurance or reinsurance .....	<b>1,077,521.</b>				
12 Add lines 1 through 11 .....	<b>1,077,521.</b>				
13 Purchases of stock in trade (inventory) .....					
14 Purchases of tangible property other than stock in trade .....					
15 Purchases of property rights (patents, trademarks, etc.) .....					
16 Platform contribution transaction payments paid .....					
17 Cost sharing transaction payments paid .....					
18 Compensation paid for technical, managerial, engineering, construction, or like services .....					
19 Commissions paid .....					
20 Rents, royalties, and license fees paid .....					
21 Dividends paid .....					
22 Interest paid .....					
23 Premiums paid for insurance or reinsurance .....					
24 Add lines 13 through 23 .....					
25 Amounts borrowed (enter the maximum loan balance during the year) - see instr. ....					
26 Amounts loaned (enter the maximum loan balance during the year) - see instr. ....					

**Return by a U.S. Transferor of Property  
 to a Foreign Corporation**

OMB No. 1545-0026

▶ **Information about Form 926 and its separate instructions is at [www.irs.gov/form926](http://www.irs.gov/form926).**  
 ▶ **Attach to your income tax return for the year of the transfer or distribution.**

Attachment  
 Sequence No. **128**

**Part I U.S. Transferor Information** (see instructions)

Name of transferor <b>ANNE ARUNDEL MEDICAL CENTER, INC.</b>	Identifying number (see instructions) <b>52-1169362</b>
--	--

- 1** If the transferor was a corporation, complete questions 1a through 1d.
- a** If the transfer was a section 361(a) or (b) transfer, was the transferor controlled (under section 368(c)) by 5 or fewer domestic corporations?  Yes  No
- b** Did the transferor remain in existence after the transfer?  Yes  No
- If not, list the controlling shareholder(s) and their identifying number(s):

Controlling shareholder	Identifying number

- c** If the transferor was a member of an affiliated group filing a consolidated return, was it the parent corporation?  Yes  No
- If not, list the name and employer identification number (EIN) of the parent corporation:

Name of parent corporation <b>ANNE ARUNDEL HEALTH SYSTEM, INC.</b>	EIN of parent corporation <b>52-1622253</b>
---	--

- d** Have basis adjustments under section 367(a)(5) been made?  Yes  No

- 2** If the transferor was a partner in a partnership that was the actual transferor (but is not treated as such under section 367), complete questions 2a through 2d.

- a** List the name and EIN of the transferor's partnership:

Name of partnership	EIN of partnership
<b>N/A</b>	

- b** Did the partner pick up its pro rata share of gain on the transfer of partnership assets?  Yes  No
- c** Is the partner disposing of its **entire** interest in the partnership?  Yes  No
- d** Is the partner disposing of an interest in a limited partnership that is regularly traded on an established securities market?  Yes  No

**Part II Transferee Foreign Corporation Information** (see instructions)

Name of transferee (foreign corporation) <b>COTTAGE INSURANCE COMPANY, LTD.</b>	4a Identifying number, if any <b>98-0461499</b>
--	--

5 Address (including country) <b>P.O. BOX 10233    GRAND CAYMAN, KY1-1002 CAYMAN ISLANDS</b>	4b Reference ID number
---	------------------------

**6** Country code of country of incorporation or organization  
**CJ**

**7** Foreign law characterization (see instructions)  
**CORPORATION**

- 8** Is the transferee foreign corporation a controlled foreign corporation?  Yes  No

**Part III Information Regarding Transfer of Property** (see instructions)

Type of property	(a) Date of transfer	(b) Description of property	(c) Fair market value on date of transfer	(d) Cost or other basis	(e) Gain recognized on transfer
Cash	07/02/2014		2,955,000.		
Stock and securities					
Installment obligations, account receivables or similar property					
Foreign currency or other property denominated in foreign currency					
Inventory					
Assets subject to depreciation recapture (see Temp. Regs. sec. 1.367(a)-4T(b))					
Tangible property used in trade or business not listed under another category					
Intangible property					
Property to be leased (as described in final and temp. Regs. sec. 1.367(a)-4(c))					
Property to be sold (as described in Temp. Regs. sec. 1.367(a)-4T(d))					
Transfers of oil and gas working interests (as described in Temp. Regs. sec. 1.367(a)-4T(e))					
Other property					

**Supplemental Information Required To Be Reported** (see instructions):

SEE STATEMENT 11

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Part IV Additional Information Regarding Transfer of Property (see instructions)

9 Enter the transferor's interest in the foreign transferee corporation before and after the transfer:

(a) Before 100.0000 % (b) After 100.0000 %

10 Type of nonrecognition transaction (see instructions) IRC SECTION 351

11 Indicate whether any transfer reported in Part III is subject to any of the following:

- a Gain recognition under section 904(f)(3)
b Gain recognition under section 904(f)(5)(F)
c Recapture under section 1503(d)
d Exchange gain under section 987

12 Did this transfer result from a change in the classification of the transferee to that of a foreign corporation?

13 Indicate whether the transferor was required to recognize income under final and Temporary Regulations sections 1.367(a)-4 through 1.367(a)-6 for any of the following:

- a Tainted property
b Depreciation recapture
c Branch loss recapture
d Any other income recognition provision contained in the above-referenced regulations

14 Did the transferor transfer assets which qualify for the trade or business exception under section 367(a)(3)?

15 a Did the transferor transfer foreign goodwill or going concern value as defined in Temporary Regulations section 1.367(a)-1T(d)(5)(iii)?

b If the answer to line 15a is "Yes," enter the amount of foreign goodwill or going concern value transferred \$

16 Was cash the only property transferred?

17 a Was intangible property (within the meaning of section 936(h)(3)(B)) transferred as a result of the transaction?

b If "Yes," describe the nature of the rights to the intangible property that was transferred as a result of the transaction:

STATEMENT PURSUANT TO SECTION 1.351-3(A) BY ANNE ARUNDEL MEDICAL CENTER, INC.,  
52-1169362, A SIGNIFICANT TRANSFEROR

ANNE ARUNDEL MEDICAL CENTER, INC., ON JULY 2, 2014, TRANSFERRED CASH WITH AN  
AGGREGATE FAIR MARKET VALUE AND A BASIS OF \$2,955,000 TO COTTAGE INSURANCE  
COMPANY, LTD. NO PRIVATE LETTER RULINGS WERE ISSUED BY THE INTERNAL REVENUE  
SERVICE IN CONNECTION WITH THE SECTION 351 EXCHANGE.

• If you are filing for an **Additional (Not Automatic) 3-Month Extension, complete only Part II** and check this box  **X**

**Note.** Only complete Part II if you have already been granted an automatic 3-month extension on a previously filed Form 8868.

• If you are filing for an **Automatic 3-Month Extension, complete only Part I** (on page 1).

**Part II Additional (Not Automatic) 3-Month Extension of Time.** Only file the original (no copies needed).

Enter filer's identifying number, see instructions

<b>Type or print</b>  <small>File by the due date for filing your return. See instructions.</small>	Name of exempt organization or other filer, see instructions. <b>ANNE ARUNDEL MEDICAL CENTER, INC.</b>	Employer identification number (EIN) or <b>52-1169362</b>
	Number, street, and room or suite no. If a P.O. box, see instructions. <b>2001 MEDICAL PARKWAY</b>	Social security number (SSN)
	City, town or post office, state, and ZIP code. For a foreign address, see instructions. <b>ANNAPOLIS, MD 21401</b>	

Enter the Return code for the return that this application is for (file a separate application for each return) 01

Application Is For	Return Code	Application Is For	Return Code
Form 990 or Form 990-EZ	01		
Form 990-BL	02	Form 1041-A	08
Form 4720 (individual)	03	Form 4720 (other than individual)	09
Form 990-PF	04	Form 5227	10
Form 990-T (sec. 401(a) or 408(a) trust)	05	Form 6069	11
Form 990-T (trust other than above)	06	Form 8870	12

**STOP! Do not complete Part II if you were not already granted an automatic 3-month extension on a previously filed Form 8868.**

**SANDRA HUFFER**

• The books are in the care of **▶ 2001 MEDICAL PARKWAY - ANNAPOLIS, MD 21401**  
 Telephone No. **▶ (443) 481-6554** Fax No. **▶**

• If the organization does not have an office or place of business in the United States, check this box

• If this is for a Group Return, enter the organization's four digit Group Exemption Number (GEN) . If this is for the whole group, check this box . If it is for part of the group, check this box  and attach a list with the names and EINs of all members the extension is for.

**4** I request an additional 3-month extension of time until **MAY 16, 2016**.

**5** For calendar year       , or other tax year beginning **JUL 1, 2014**, and ending **JUN 30, 2015**.

**6** If the tax year entered in line 5 is for less than 12 months, check reason:  Initial return  Final return  
 Change in accounting period

**7** State in detail why you need the extension **ADDITIONAL TIME IS REQUIRED TO PREPARE A COMPLETE AND ACCURATE RETURN.**

<b>8a</b> If this application is for Forms 990-BL, 990-PF, 990-T, 4720, or 6069, enter the tentative tax, less any nonrefundable credits. See instructions.	<b>8a</b>	\$	0.
<b>b</b> If this application is for Forms 990-PF, 990-T, 4720, or 6069, enter any refundable credits and estimated tax payments made. Include any prior year overpayment allowed as a credit and any amount paid previously with Form 8868.	<b>8b</b>	\$	0.
<b>c Balance due.</b> Subtract line 8b from line 8a. Include your payment with this form, if required, by using EFTPS (Electronic Federal Tax Payment System). See instructions.	<b>8c</b>	\$	0.

**Signature and Verification must be completed for Part II only.**

Under penalties of perjury, I declare that I have examined this form, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete, and that I am authorized to prepare this form.

Signature **▶** Title **▶ CPA** Date **▶**

CONSOLIDATED FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION

Anne Arundel Health System, Inc. and Subsidiaries  
Years Ended June 30, 2015 and 2014  
With Report of Independent Auditors

Ernst & Young LLP



Anne Arundel Health System, Inc. and Subsidiaries

Consolidated Financial Statements and Supplementary Information

Years Ended June 30, 2015 and 2014

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Anne Arundel Medical Center, Inc. and Subsidiaries:

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## Report of Independent Auditors

The Board of Trustees  
Anne Arundel Health System, Inc.

We have audited the accompanying consolidated financial statements of Anne Arundel Health System, Inc. (a Maryland not-for-profit corporation) and subsidiaries, which comprise the consolidated balance sheets as of June 30, 2015 and 2014, and the related consolidated statements of operations and changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of Cottage Insurance Company, Ltd., a wholly-owned subsidiary, which statements reflect total assets of \$34,229,000 and \$34,970,000 as of June 30, 2015 and 2014, respectively, and net loss after elimination of intercompany revenues of \$1,098,000 and \$1,396,000, respectively, for the years then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Cottage Insurance Company, Ltd., is based solely on the report of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers

internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinion**

In our opinion, based on our audits and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Anne Arundel Health System, Inc. and subsidiaries as of June 30, 2015 and 2014, and the consolidated results of their operations, changes in their net assets, and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

### **Supplementary Information**

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

*Ernst + Young LLP*

September 25, 2015

Anne Arundel Health System, Inc. and Subsidiaries

Consolidated Balance Sheets

	June 30	
	2015	2014
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 99,625,000	\$ 76,168,000
Short-term investments	2,484,000	6,627,000
Current portion of assets whose use is limited	17,721,000	14,885,000
Patient receivables, less allowance for uncollectible accounts of \$18,639,000 and \$19,186,000, respectively	61,854,000	68,622,000
Current portion of pledges receivable, net	3,015,000	3,525,000
Inventories	8,130,000	8,122,000
Prepaid expenses and other current assets	6,257,000	6,972,000
Total current assets	<u>199,086,000</u>	<u>184,921,000</u>
Property and equipment	809,488,000	796,494,000
Less accumulated depreciation and amortization	<u>(356,402,000)</u>	<u>(322,727,000)</u>
Net property and equipment	<u>453,086,000</u>	<u>473,767,000</u>
Other assets:		
Investments	253,285,000	248,988,000
Investments in joint ventures	8,310,000	8,123,000
Pledges receivable, net of current portion and net of allowance for uncollectible pledges of \$497,000 and \$548,000, respectively	4,404,000	6,273,000
Assets whose use is limited	51,566,000	62,234,000
Deferred debt issue costs, net of accumulated amortization of \$1,194,900 and \$1,592,000, respectively	4,645,000	6,100,000
Restricted collateral for interest rate swap contract	62,939,000	51,616,000
Other assets	16,800,000	12,485,000
Total assets	<u>\$ 1,054,121,000</u>	<u>\$ 1,054,507,000</u>

Anne Arundel Health System, Inc. and Subsidiaries

Consolidated Balance Sheets

	June 30	
	2015	2014
<b>Liabilities and net assets</b>		
Current liabilities:		
Accounts payable	\$ 19,485,000	\$ 20,372,000
Accrued salaries, wages, and benefits	39,465,000	32,446,000
Other accrued expenses	23,034,000	20,626,000
Current portion of long-term debt and capital lease obligations	12,222,000	8,613,000
Advances from third-party payors	22,465,000	25,244,000
Total current liabilities	<u>116,671,000</u>	<u>107,301,000</u>
Long-term debt and capital lease obligations, less current portion and unamortized original issue premium	413,310,000	403,749,000
Interest rate swap contracts	65,852,000	55,626,000
Accrued pension liability	22,702,000	19,270,000
Other long-term liabilities	20,511,000	22,614,000
Total liabilities	<u>639,046,000</u>	<u>608,560,000</u>
Net assets:		
Unrestricted	389,579,000	418,016,000
Temporarily restricted	14,364,000	16,634,000
Permanently restricted	11,132,000	11,297,000
Total net assets	<u>415,075,000</u>	<u>445,947,000</u>
Total liabilities and net assets	<u>\$ 1,054,121,000</u>	<u>\$ 1,054,507,000</u>

*See accompanying notes.*

Anne Arundel Health System, Inc. and Subsidiaries

Consolidated Statements of Operations and Changes in Net Assets

	<b>Year Ended June 30</b>	
	<b>2015</b>	<b>2014</b>
Operating revenue:		
Net patient service revenue	<b>\$ 624,656,000</b>	\$ 592,232,000
Provision for bad debts	<b>(19,431,000)</b>	(29,295,000)
Net patient service revenue less provision for bad debts	<b>605,225,000</b>	562,937,000
Other operating revenue	<b>28,480,000</b>	28,180,000
Total operating revenue	<b>633,705,000</b>	591,117,000
Operating expenses:		
Salaries and wages	<b>272,891,000</b>	250,936,000
Employee benefits	<b>42,925,000</b>	41,838,000
Medical supplies and drugs	<b>129,398,000</b>	122,275,000
Purchased services	<b>95,542,000</b>	92,594,000
Professional fees	<b>16,806,000</b>	15,655,000
Depreciation and amortization	<b>36,267,000</b>	37,032,000
Interest	<b>14,427,000</b>	16,349,000
Total operating expenses	<b>608,256,000</b>	576,679,000
Operating income	<b>25,449,000</b>	14,438,000
Other income (loss):		
Investment income, net	<b>16,584,000</b>	8,264,000
Income (loss) from joint ventures and other, net	<b>1,895,000</b>	(335,000)
Loss on advanced refunding of debt	<b>(32,230,000)</b>	-
Change in unrealized (losses) gains on trading securities, net	<b>(16,031,000)</b>	23,604,000
Realized and unrealized (losses) gains on interest rate swap contracts, net	<b>(16,637,000)</b>	(9,088,000)
Total other (loss) income, net	<b>(46,419,000)</b>	22,445,000
Revenues and gains in excess of (less than) expenses	<b>\$ (20,970,000)</b>	\$ 36,883,000

Anne Arundel Health System, Inc. and Subsidiaries

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

	<b>Year Ended June 30</b>	
	<b>2015</b>	<b>2014</b>
<b>Unrestricted net assets</b>		
Revenues and gains in excess of (less than) expenses	\$ (20,970,000)	\$ 36,883,000
Pension liability adjustment	(11,683,000)	3,050,000
Net assets released from restrictions used for purchase of property and equipment	3,177,000	5,290,000
Transfers and other, net	1,039,000	250,000
(Decrease) increase in unrestricted net assets	<u>(28,437,000)</u>	<u>45,473,000</u>
<b>Temporarily restricted net assets</b>		
Contributions and pledges	4,669,000	3,954,000
Change in net unrealized gains and losses on investments	(1,333,000)	2,090,000
Temporarily restricted investment income	387,000	314,000
Net assets released from restrictions	(7,763,000)	(11,099,000)
Transfers and other, net	1,770,000	1,508,000
Decrease in temporarily restricted net assets	<u>(2,270,000)</u>	<u>(3,233,000)</u>
<b>Permanently restricted net assets</b>		
Contributions for endowment funds	57,000	76,000
Transfers of interest income and other, net	(222,000)	(208,000)
Decrease in permanently restricted net assets	<u>(165,000)</u>	<u>(132,000)</u>
(Decrease) increase in net assets	(30,872,000)	42,108,000
Net assets at beginning of year	445,947,000	403,839,000
Net assets at end of year	<u>\$ 415,075,000</u>	<u>\$ 445,947,000</u>

*See accompanying notes.*

# Anne Arundel Health System, Inc. and Subsidiaries

## Consolidated Statements of Cash Flows

	<b>Year Ended June 30</b>	
	<b>2015</b>	<b>2014</b>
<b>Operating activities</b>		
(Decrease) increase in net assets	\$ (30,872,000)	\$ 42,108,000
Adjustments to reconcile (decrease) increase in net assets to net cash from operating activities:		
Change in net unrealized (losses) gains on investments	17,364,000	(25,694,000)
Realized and unrealized losses on interest rate swap contracts, net	16,637,000	9,088,000
Pension liability adjustment	11,683,000	(3,050,000)
Equity in earnings of joint ventures and other	(332,000)	92,000
Distributions received from joint ventures	145,000	–
Restricted contributions and pledges, net	(4,726,000)	(4,030,000)
Loss on extinguishment of debt	32,230,000	–
Depreciation and amortization	36,267,000	37,032,000
Restricted investment income	(387,000)	(314,000)
Increase in investments – trading	(17,518,000)	(3,549,000)
Decrease (increase) in assets whose use is limited, net – trading	3,565,000	(3,423,000)
Net change in operating assets and liabilities	(1,009,000)	7,733,000
Net cash from operating activities	<u>63,047,000</u>	<u>55,993,000</u>
<b>Investing activities</b>		
Purchases of property and equipment	(14,645,000)	(15,547,000)
Decrease in assets whose use is limited – other-than-trading	4,267,000	3,720,000
Change in collateralization and payments on interest rate swaps	(17,734,000)	(9,372,000)
Net cash used in investing activities	<u>(28,112,000)</u>	<u>(21,199,000)</u>
<b>Financing and fundraising activities</b>		
Net proceeds from issuance of Series 2014 Revenue Bonds	134,825,000	–
Repayments of long-term debt and capital lease obligations	(35,456,000)	(8,529,000)
Advance refunding of Series 2009A Revenue Bonds	(116,440,000)	–
Payments for deferred financing costs	(1,899,000)	(23,000)
Restricted contributions received and other	7,105,000	7,384,000
Restricted income received	387,000	314,000
Net cash used in financing and fundraising activities	<u>(11,478,000)</u>	<u>(854,000)</u>
Net increase in cash and cash equivalents	23,457,000	33,940,000
Cash and cash equivalents at beginning of year	76,168,000	42,228,000
Cash and cash equivalents at end of year	<u>\$ 99,625,000</u>	<u>\$ 76,168,000</u>

Anne Arundel Health System, Inc. and Subsidiaries

Consolidated Statements of Cash Flows (continued)

	<b>Year Ended June 30</b>	
	<b>2015</b>	<b>2014</b>
<b>Changes in operating assets and liabilities</b>		
Increase (decrease) in operating assets:		
Patient receivables, net	\$ 6,768,000	\$ 9,190,000
Inventories	(8,000)	194,000
Prepaid expenses and other	715,000	2,859,000
Other assets	<u>(3,891,000)</u>	<u>(591,000)</u>
	<u>3,584,000</u>	<u>11,652,000</u>
 (Decrease) increase in operating liabilities:		
Accounts payable	(887,000)	(1,879,000)
Accrued salaries, wages, and benefits	7,019,000	1,918,000
Other accrued expenses	2,408,000	(843,000)
Advances from third-party payors	(2,779,000)	3,791,000
Other long-term liabilities	<u>(10,354,000)</u>	<u>(6,906,000)</u>
	<u>(4,593,000)</u>	<u>(3,919,000)</u>
Net change in operating assets and liabilities	<u>\$ (1,009,000)</u>	<u>\$ 7,733,000</u>
 <b>Supplemental disclosures</b>		
Cash paid for interest	<u>\$ 15,258,000</u>	<u>\$ 12,163,000</u>

# Anne Arundel Health System, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

June 30, 2015

### **1. Organization and Basis of Presentation**

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

The Real Estate Company and PPI own a 42.84% interest in Kent Island Medical Arts, LLC (KIMA), a limited liability company that owns and operates a medical office building. PPI is the managing member of KIMA and has substantive participation rights in KIMA. The financial statements of KIMA are consolidated in the accompanying consolidated financial statements. The non-controlling interest in KIMA was 57.16% as of June 30, 2015 and 2014. This interest was \$981,000 and \$994,000 at June 30, 2015 and 2014, respectively, and is included within unrestricted net assets in the accompanying consolidated balance sheets.

### **2. Summary of Significant Accounting Policies**

#### **Cash and Cash Equivalents**

Cash and cash equivalents include cash held in checking and savings accounts, money market accounts, and short-term certificates of deposit with original maturities of 90 days or less. Cash balances and collateral held by a counterparty are principally uninsured and are subject to normal credit risks. At June 30, 2015 and 2014, and at various times during the year, the System maintained cash-in-bank balances in excess of the \$250,000 federally insured limits.

Anne Arundel Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

**2. Summary of Significant Accounting Policies (continued)**

**Derivative Instruments**

On May 10, 2006, the Hospital entered into a forward variable-to-fixed interest rate swap agreement with an effective date of November 1, 2008. This contract was also entered into in an effort to reduce the risk of variable interest rate debt and has a term through July 1, 2048. Under Accounting Standards Codification (ASC) 815, *Derivatives and Hedging*, the Hospital has recognized its derivative instruments as either assets or liabilities in the accompanying consolidated balance sheets at fair value. As these derivative instruments are not designated as hedges, the unrealized gain or loss on these contracts has been recognized in the accompanying consolidated statements of operations and changes in net assets as realized and unrealized gains (losses) on interest rate swap contracts, net. The fair market values of the derivative instruments include a credit valuation adjustment (CVA) as required by ASC 820, *Fair Value Measurements and Disclosures* (ASC 820). When applying the CVA, the valuation of the variable-to-fixed interest rate swap contract was decreased by \$761,000 and \$698,000 as of June 30, 2015 and 2014, respectively.

A summary of the Hospital's derivative instruments and related activity at June 30, 2015 and 2014, and for the years then ended is as follows:

<b>Description of Derivative Instrument</b>	<b>2015</b>	
	<b>Fair Value Liability</b>	<b>Change in Unrealized Gain (Loss)</b>
Variable-to-fixed interest rate swap contract	<b>\$ (65,852,000)</b>	<b>\$ (10,226,000)</b>
<b>Description of Derivative Instrument</b>	<b>2014</b>	
	<b>Fair Value Liability</b>	<b>Change in Unrealized Gain (Loss)</b>
Variable-to-fixed interest rate swap contract	<b>\$ (55,626,000)</b>	<b>\$ (2,624,000)</b>

## Anne Arundel Health System, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements (continued)

#### **2. Summary of Significant Accounting Policies (continued)**

At June 30, 2015 and 2014, the net termination value (i.e., mark-to-market value) of the derivative instruments totaled \$68,455,000 and \$57,969,000, respectively. The Hospital may be exposed to credit loss in the event of nonperformance by the other party to the interest rate swap agreements, the risk of which is reflected in the fair value of the instruments under ASC 820. However, the Hospital does not anticipate nonperformance by the counterparty.

During fiscal 2015, the Hospital paid net payments under its interest rate swap program of \$6,411,000. In fiscal 2014, the Hospital paid net payments under its interest rate swap program of \$6,464,000. These amounts are included within realized and unrealized gains (losses) on interest rate swap contracts, net in the accompanying consolidated statements of operations and changes in net assets and investing activities in the accompanying consolidated statements of cash flows.

Under the derivative contract, the Hospital must transfer collateral for the benefit of the counterparty to the extent that the termination values exceed certain limits. The Hospital's collateral requirement for the benefit of the counterparty was approximately \$62,939,000 and \$51,616,000 at June 30, 2015 and 2014, respectively. The ongoing mark-to-market values and resulting collateral requirements of the Hospital's interest rate swap contract are subject to variability based on market factors (primarily changes in interest rates). Collateral requirements under this interest rate swap contract are excluded from unrestricted cash and investments for purposes of determining the System's compliance with its liquidity covenants under its Maryland Health and Higher Educational Facilities Authority (MHHEFA or the Authority) revenue bond agreements and its derivative agreements. Collateral amounts are included in noncurrent assets in the accompanying consolidated balance sheets. As of June 30, 2015, approximately \$3,657,000 was due to the financial institution, whereas as of June 30, 2014 the settlement date with the financial institution correlated with the reporting period end date, and therefore no additional collateral was due.

## Anne Arundel Health System, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements (continued)

#### **2. Summary of Significant Accounting Policies (continued)**

The amount due is included in other accrued expenses in the accompanying consolidated balance sheet as of June 30, 2015, and is reflected within investing activities in the accompanying consolidated statements of cash flows. The collateral requirement as of September 21, 2015, was \$69,974,000.

#### **Assets Whose Use is Limited and Investments**

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

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

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

All investment balances are principally uninsured and subject to normal credit risk. Investments are classified as either current or noncurrent based on maturity dates and availability for current operations. Investments included in noncurrent assets consist of board-designated investment funds of \$251,672,000 and \$247,287,000 as of June 30, 2015 and 2014, respectively. Based on the System's investment policy, such amounts could be liquidated, at the discretion of the Board, to satisfy short-term requirements.

## Anne Arundel Health System, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements (continued)

#### **2. Summary of Significant Accounting Policies (continued)**

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

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

#### **Patient Receivables and Allowances**

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

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

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

#### **Inventories**

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

#### **Property and Equipment**

Property and equipment are stated at cost. Included in computers and software are capitalized labor costs of \$10,696,000 and \$10,482,000 as of June 30, 2015 and 2014, respectively. Depreciation and amortization, including amortization of assets recorded under capital leases, are recorded on the straight-line method over the estimated useful lives of the assets.

Anne Arundel Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

**2. Summary of Significant Accounting Policies (continued)**

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

	<b>Estimated Useful Lives</b>	<b>June 30 2015</b>	<b>2014</b>
Land		\$ 13,151,000	\$ 13,151,000
Land improvements	20 years	22,016,000	22,016,000
Buildings and improvements	20–40 years	471,322,000	470,229,000
Fixed equipment	5–20 years	9,720,000	8,947,000
Leasehold improvements	5–10 years	50,184,000	48,091,000
Movable equipment	7–10 years	177,387,000	175,016,000
Computers and software	3–5 years	62,351,000	58,234,000
Construction-in-progress	–	3,357,000	810,000
		<b>\$ 809,488,000</b>	<b>\$ 796,494,000</b>

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

**Investments in Joint Ventures**

The System accounts for its investments in joint ventures using the equity method of accounting. During 2011, the Real Estate Company and another party formed West County, LLC, a joint venture that owns and operates a medical office building that opened in December 2012. The Real Estate Company has a 50% interest in this joint venture, with each owner's investment being \$7,933,000 and \$7,600,000 as of June 30, 2015 and 2014, respectively.

## Anne Arundel Health System, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements (continued)

#### **2. Summary of Significant Accounting Policies (continued)**

##### **Deferred Debt Issuance Costs**

Administrative, legal, financing, underwriting discount, and other miscellaneous expenses that were incurred in connection with debt financings were deferred and are being amortized over the lives of the bond issues using the straight line method which approximates the effective interest method in all material respects. The amortization expense of deferred debt issue costs was \$310,000 and \$351,000 for the years ended June 30, 2015 and 2014, respectively.

##### **Temporarily and Permanently Restricted Net Assets**

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

##### **Net Patient Service Revenue**

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

During 2015 and 2014, approximately 36% of net patient service revenue was received under the Medicare program, 29% and 24% from Blue Cross, 30% and 35% from contracts with other third parties, and 5% from other sources, respectively.

Anne Arundel Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

**2. Summary of Significant Accounting Policies (continued)**

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

	<b>Year Ended June 30</b>	
	<b>2015</b>	<b>2014</b>
Gross patient service revenue	<b>\$ 772,094,000</b>	\$ 756,051,000
Revenue deductions:		
Charity care	<b>3,202,000</b>	5,933,000
Contractual and other allowances	<b>144,236,000</b>	157,886,000
Net patient service revenue	<b>624,656,000</b>	592,232,000
Less provision for bad debts	<b>19,431,000</b>	29,295,000
Net patient service revenue less provision for bad debts	<b>\$ 605,225,000</b>	\$ 562,937,000

Patient accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectability of accounts receivable, the Hospital analyzes its past history and identifies trends to estimate the appropriate allowance for doubtful accounts and provision for bad debts. For receivables associated with services provided to patients who have third-party coverage, the Hospital analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary. For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Hospital records a provision for bad debts in the period of service on the basis of its past experience. The difference between the approved rates and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts. The Hospital has not changed its charity care or uninsured discount policies during fiscal years 2015 or 2014.

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

## Anne Arundel Health System, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements (continued)

#### **2. Summary of Significant Accounting Policies (continued)**

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

The Group employs physicians in several hospital-based specialties (including, but not limited to, obstetrics, intensive care, and hospitalists). Net physician revenue is recognized when the services are provided and recorded at the estimated net realizable amount based on the contractual arrangements with third-party payors and the expected payments from the third-party payors and the patients. The difference between the billed charges and the estimated net realizable amounts are recorded as a reduction in physician revenue when the services are provided. The System recognized net physician revenue of \$84,436,000 and \$74,328,000 for the years ended June 30, 2015 and 2014, respectively. At June 30, 2015 and 2014, \$7,058,000 and \$6,042,000, respectively, of net physician accounts receivable are included in patient receivables in the accompanying consolidated balance sheets.

#### **Charity Care**

The Group provides charity care to patients who meet certain criteria established under its charity care guidelines. Because members of the Group do not pursue the collection of amounts determined to qualify as charity care, they are not reported as revenue in the accompanying consolidated statements of operations and changes in net assets. The direct and indirect costs associated with providing this care are \$2,338,000 and \$4,458,000 for the years ended June 30, 2015 and 2014, respectively. These costs are calculated by applying a ratio of operating expenses over gross patient charges to the charity care provided at established rates. The state of Maryland rate system includes components within the rates to partially compensate hospitals for uncompensated care.

## Anne Arundel Health System, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements (continued)

#### **2. Summary of Significant Accounting Policies (continued)**

##### **Other Operating Revenue**

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

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

For Medicare and Medicaid EHR incentive payments, the Hospital utilizes a grant accounting model to recognize these revenues. Under this accounting policy, EHR incentive payments were recognized as revenues when attestation that the EHR meaningful use criteria for the required period of time was demonstrated. The System recognized \$2,081,000 and \$708,000 of EHR revenue for the years ended June 30, 2015 and 2014, respectively.

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 grant income is based on management's best estimate and the amounts recognized are subject to change. Any subsequent changes in the recognition of the grant income will impact the results of operations in the period in which they occur.

Anne Arundel Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

**2. Summary of Significant Accounting Policies (continued)**

**Donations and Bequests**

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

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

2016	\$ 3,194,000
2017–2020	3,502,000
2021 and thereafter	<u>1,553,000</u>
Less:	
Impact of discounting pledges receivable to net present value	(333,000)
Allowance for uncollectible pledges	<u>(497,000)</u>
Net pledges receivable	<u>\$ 7,419,000</u>

Pledges receivable are discounted using rates between 0.3% and 2.9%.

## Anne Arundel Health System, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements (continued)

#### **2. Summary of Significant Accounting Policies (continued)**

##### **Revenues and Gains in Excess of (Less Than) Expenses**

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

##### **Group Purchasing Organization Initial Public Offering**

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

During the year ended June 30, 2014, Premier restructured from a privately held company to a public company in an initial public offering (IPO) and several financial transactions have occurred with those holding equity in Premier before the IPO, including the System. As a result, the System received a cash payment of approximately \$1,500,000 in exchange for 16% of its previous ownership in Premier. In addition, in exchange for the extension of the group purchasing contract, the System received partial ownership of the new public Company (the Class B units).

The Hospital recognized a gain of approximately \$1,385,000 for the sale of its 16% interest, which is included in other operating revenue in the consolidated statement of operations and changes in net assets. The System received 309,580 Class B units that are earned in 7 separate tranches over an 85-month period ending October 31, 2020. This investment is reflected in other assets in the consolidated balance sheet. 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 years ended June 30, 2015, and 2014 the System recognized approximately \$1,891,000 and \$1,100,000, respectively of income related to Tranches 1 and 2 of the Class B which is included as a reduction of supplies expense in the consolidated statement of operations and changes in net assets. The value of the Class B units is tied to the group purchasing contract and is considered a vendor incentive.

## Anne Arundel Health System, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements (continued)

#### **2. Summary of Significant Accounting Policies (continued)**

##### **Income Tax Status**

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

HCE and PPI are subject to federal and state income taxes. A provision for income taxes has been recorded for fiscal 2015. Deferred tax assets are deemed realizable, and are attributable to the exhaustion of NOL's and remaining timing differences of book and tax depreciation for long-lived assets, such as buildings.

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

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

Under the requirements of ASC 740, *Income Taxes*, tax-exempt organizations could be required to record an obligation as the result of a tax position they have historically taken on various tax exposure items. The Group has determined that it does not have any uncertain tax positions through June 30, 2015.

##### **Use of Estimates**

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

## Anne Arundel Health System, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements (continued)

#### **2. Summary of Significant Accounting Policies (continued)**

##### **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. In August 2015, the FASB issued ASU No. 2015-14 *Revenue from Contracts with Customers (Topic 606)* which extends the effective date originally contemplated by ASU 2014-09. The revised standards will be effective for fiscal year 2020 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.

In August 2014, the FASB issued ASU No. 2014-15, *Presentation of Financial Statements—Going Concern (Subtopic 205-40)*, which provides guidance in GAAP about management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. This amendment should reduce diversity in the timing and content of footnote disclosures. This ASU is effective for fiscal year 2017. The guidance is not expected to materially impact the System's consolidated results of operations, net assets, or cash flows.

In April 2015, the FASB issued ASU No. 2015-03, *Interest—Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*. The amendments in this ASU require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. This guidance is effective for fiscal year 2017. The guidance is not expected to materially impact the System's consolidated results of operations, net assets, or cash flows.

## Anne Arundel Health System, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements (continued)

#### **3. Regulatory Environment**

##### **Medicare and Medicaid**

The Medicare and Medicaid reimbursement programs represent a substantial portion of the Group's revenues. The Group's operations are subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, and 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 Group.

In 1983, Congress approved a Medicare prospective payment plan for most inpatient services as part of the Social Security Amendment Act of 1983. Hospitals in Maryland were granted a waiver from the Medicare prospective payment system under Section 1814(b) of the Social Security Act. The waiver would remain in effect as long as the Maryland rate of increase in payments per admission remained below the national average rate of increase.

In January 2014, the Centers for Medicare and Medicaid Services approved a modernized waiver that includes both inpatient and outpatient revenue. The new waiver will be in place as long as Maryland hospitals achieve significant quality improvements and limit the per capita growth for all payers for Maryland residents. The Medicare per capita spending target is expected to produce cumulative Medicare savings of \$330 million over the five-year period through 2018.

## Anne Arundel Health System, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements (continued)

#### **3. Regulatory Environment (continued)**

##### **HSCRC**

The Hospital's rate structure for all hospital-based services is subject to review and approval by the Maryland Health Services Cost Review Commission (HSCRC or the Commission). Under the HSCRC rate-setting system, the Hospital's inpatient and outpatient charges are the same for all patients regardless of payer, including Medicare and Medicaid.

Beginning in fiscal year 2014, the Hospital entered into an agreement with the HSCRC to participate in the Global Budget Revenue (GBR) program. The GBR model is a revenue constraint and quality improvement system to provide hospitals with strong financial incentives to manage their resources efficiently and effectively in order to slow the rate of increase in health care costs and improve health care delivery processes and outcomes. Under GBR, total revenue is capped at a pre-determined fixed amount. The annual approved revenue is calculated using a permanent base revenue with positive or negative adjustments for inflation, assessments, performance in quality-based programs, infrastructure requirements, and population. Revenue may also be adjusted annually for market share levels and shifts of regulated services to unregulated settings.

The Commission's rate setting methodology compares the approved rate to the actual average rate charged. Any overcharges or undercharges are settled in future revenue determinations on an annual basis. For the current fiscal year, the Hospital was within the allowed corridors for charging.

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

Anne Arundel Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

**4. Investments**

Investments, including assets whose use is limited, are stated at fair value. Borrowed funds that are required to be expended on specified capital projects under MHHEFA revenue bond agreements are classified as available for sale. All other investments and assets whose use is limited are classified as trading securities.

	<b>June 30</b>	
	<b>2015</b>	<b>2014</b>
Assets whose use is limited:		
Endowment assets:		
Cash and cash equivalents	\$ 916,000	\$ 768,000
Equity mutual funds	10,628,000	11,764,000
Fixed income mutual funds	4,367,000	4,596,000
	<u>15,911,000</u>	<u>17,128,000</u>
Amounts held by trustee:		
Cash and cash equivalents	14,346,000	12,097,000
U.S. government obligations	13,456,000	21,656,000
	<u>27,802,000</u>	<u>33,753,000</u>
Amounts held by Cottage:		
Cash and cash equivalents	2,647,000	2,312,000
Equity mutual funds	8,915,000	9,322,000
Fixed income mutual funds	12,413,000	13,081,000
Hedge funds	1,599,000	1,523,000
	<u>25,574,000</u>	<u>26,238,000</u>
Total assets whose use is limited	<u>69,287,000</u>	<u>77,119,000</u>
Less current portion	<u>17,721,000</u>	<u>14,885,000</u>
	<u>\$ 51,566,000</u>	<u>\$ 62,234,000</u>

Anne Arundel Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

**4. Investments (continued)**

Amounts held by trustee are broken down as follows:

	<b>June 30</b>	
	<b>2015</b>	<b>2014</b>
Bond indenture	<b>\$ 27,802,000</b>	\$ 33,753,000
Other investments:		
Cash and cash equivalents	<b>\$ 2,498,000</b>	\$ 6,632,000
Equity mutual funds	<b>114,373,000</b>	116,634,000
Fixed income mutual funds	<b>126,230,000</b>	120,430,000
Hedge funds	<b>12,668,000</b>	11,919,000
	<b>255,769,000</b>	255,615,000
Less short-term investments	<b>2,484,000</b>	6,627,000
Investments	<b>\$ 253,285,000</b>	\$ 248,988,000

The components of investment income, net are as follows:

	<b>June 30</b>	
	<b>2015</b>	<b>2014</b>
Interest and dividend income, net	<b>\$ 11,680,000</b>	\$ 4,196,000
Realized gains, net	<b>4,904,000</b>	4,068,000
	<b>\$ 16,584,000</b>	\$ 8,264,000

## Anne Arundel Health System, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements (continued)

#### **5. Fair Value Measurements**

ASC 820 defines fair value and establishes a framework for measuring fair value in accordance with U.S. generally accepted accounting principles. ASC 820 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include:

*Level 1* – Defined as observable inputs, such as quoted prices in active markets;

*Level 2* – Defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and

*Level 3* – Defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

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

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

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

Anne Arundel Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

**5. Fair Value Measurements (continued)**

The following tables present the fair value hierarchy for the Group's financial assets and liabilities measured at fair value on a recurring basis at June 30, 2015 and 2014:

	June 30, 2015			
	Total	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
<b>Assets</b>				
Cash and cash equivalents	\$ 99,625,000	\$ 99,625,000	\$ —	\$ —
Trading securities and assets whose use is limited:				
Cash and cash equivalents	20,406,000	14,346,000	6,060,000	—
Equity securities	133,916,000	125,001,000	8,915,000	—
Fixed income securities	143,011,000	130,598,000	12,413,000	—
U.S. Government obligation securities	13,456,000	—	13,456,000	—
Hedge funds	14,267,000	—	14,267,000	—
Total	325,056,000	269,945,000	55,111,000	—
Collateral for interest rate swap:				
Cash and cash equivalents	62,939,000	62,939,000	—	—
Total assets	\$ 487,620,000	\$ 432,509,000	\$ 55,111,000	\$ —
<b>Liabilities</b>				
Derivative instruments	\$ (65,852,000)	\$ —	\$ (65,852,000)	\$ —
Total liabilities	\$ (65,852,000)	\$ —	\$ (65,852,000)	\$ —

Anne Arundel Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

**5. Fair Value Measurements (continued)**

	June 30, 2014			
	Total	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
		Level 1	Level 2	Level 3
<b>Assets</b>				
Cash and cash equivalents	\$ 76,168,000	\$ 76,168,000	\$ –	\$ –
Trading securities and other assets whose use is limited:				
Cash and cash equivalents	21,809,000	12,097,000	9,712,000	–
Equity securities	137,720,000	128,399,000	9,321,000	–
Fixed income securities	138,107,000	125,026,000	13,081,000	–
U.S. Government obligation securities	21,656,000	–	21,656,000	–
Hedge funds	13,442,000	–	13,442,000	–
Total	332,734,000	265,522,000	67,212,000	–
Collateral for interest rate swap:				
Cash and cash equivalents	51,616,000	51,616,000	–	–
Total assets	<u>\$ 460,518,000</u>	<u>\$ 393,306,000</u>	<u>\$ 67,212,000</u>	<u>\$ –</u>
<b>Liabilities</b>				
Derivative instruments	\$ (55,626,000)	\$ –	\$ (55,626,000)	\$ –
Total liabilities	<u>\$ (55,626,000)</u>	<u>\$ –</u>	<u>\$ (55,626,000)</u>	<u>\$ –</u>

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

The Group's Level 2 securities primarily consist of U.S. government-sponsored entities bonds and money market funds. The Group determines the estimated fair value for these Level 2 securities using the following methods: quoted prices for similar assets/liabilities in active markets, quoted prices for identical or similar assets in non-active markets (few transactions, limited information, non-current prices, high variability over time), inputs other than quoted prices that are observable for the asset/liability (e.g., interest rates, yield curves volatilities,

Anne Arundel Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

**5. Fair Value Measurements (continued)**

default rates, etc.), and inputs that are derived principally from or corroborated by other observable market data. The System's hedge funds are also considered Level 2 investments as the System has the ability to redeem its investment with the investee at net asset value per share (or its equivalent) at the measurement date. Redemption can be made on the last day of any calendar quarter with 65 days' advanced written notice.

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

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

	<b>Year Ended June 30</b>	
	<b>2015</b>	<b>2014</b>
Pledges receivable:		
Balance at July 1	<b>\$ 9,798,000</b>	\$ 13,152,000
New pledges	<b>1,107,000</b>	2,019,000
Collections on pledges	<b>(3,084,000)</b>	(5,332,000)
Write-off of pledges	<b>(454,000)</b>	(217,000)
Changes in reserves	<b>52,000</b>	176,000
Balance at June 30	<b><u>\$ 7,419,000</u></b>	<u>\$ 9,798,000</u>

Anne Arundel Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

**6. Long-Term Debt and Line of Credit**

Long-term debt consists of the following:

	<b>Interest Rate</b>	<b>Maturity Dates</b>	<b>June 30</b>	
			<b>2015</b>	<b>2014</b>
Maryland Health and Higher Educational Facilities Authority Revenue Bonds – Series 2014	2.0-5.0%	2015-2040	\$ <b>127,305,000</b>	\$ –
Maryland Health and Higher Educational Facilities Authority Revenue Bonds – Series 2012	2.0–5.0%	2013–2035	<b>69,775,000</b>	72,100,000
Maryland Health and Higher Educational Facilities Authority Revenue Bonds – Series 2010	4.0–5.0%	2011–2041	<b>78,145,000</b>	79,695,000
Maryland Health and Higher Educational Facilities Authority Revenue Bonds – Series 2009A	4.0–6.75%	2013–2040	–	117,730,000
Maryland Health and Higher Educational Facilities Authority Revenue Bonds – Series 2009B	Variable	2041–2044	<b>60,000,000</b>	60,000,000
2008 term loan from a bank	Variable	2019	<b>46,748,000</b>	48,715,000
Kent Island term loan from a bank	Variable	2017	<b>7,134,000</b>	7,486,000
2008 construction loan from a bank	Variable	2019	<b>24,530,000</b>	25,561,000
			<b>413,637,000</b>	411,287,000
Less current portion of long-term debt			<b>12,222,000</b>	8,523,000
Unamortized original issue premium, net			<b>11,895,000</b>	985,000
Long-term debt			<b>\$ 413,310,000</b>	\$ 403,749,000

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

Anne Arundel Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

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

Principal payments due under all debt instruments as of June 30, 2015, are as follows:

2016	\$ 12,222,000
2017	16,057,000
2018	9,671,000
2019	68,698,000
2020	6,770,000
Thereafter	300,219,000
	<u>\$ 413,637,000</u>

**Series 2014 Revenue Bonds**

In November 2014, the Hospital entered into a loan agreement with Maryland Health and Higher Educational Facilities Authority (referred to as MHHEFA), for the issuance of Series 2014 Revenue Bonds (referred to as the 2014 Bonds). The proceeds of the 2014 Bonds were used to advance refund the Series 2009A Bonds previously provided by MHHEFA. The bonds being refunded were originally obtained to finance a portion of the costs of construction for an eight-story patient care building, two parking garages, and costs related to the issuance. The 2014 Bonds provide for annual principal payments each July 1, from 2015 through 2039. Interest is payable semi-annually each July 1 and January 1, beginning January 2015. The 2014 Bonds bear stated interest rates between 2.00% to 5.00% and were issued at a premium of \$7,520,000 which is amortized over the life of the bonds using the straight line method which approximates the effective interest method. The effective annual interest rate for the 2014 Bonds for the year ended June 30, 2015 was 2.38%.

In connection with the advance refunding of the 2009A bonds, the hospital recognized a loss of \$32,230,000 which is recorded as a loss on extinguishment of debt in the accompanying consolidated statements of operations and changes in net assets for the year ended June 30, 2015. The loss on extinguishment is comprised of a \$29,049,000 pre-payment of interest due on the 2009A bonds prior to their call date in 2019 and a \$3,181,000 write-off of deferred financing costs and unamortized bond discount. The \$29,049,000 pre-payment of interest is included within repayments of long-term debt and capital lease obligations within the financing section of the accompanying statement of cash flows.

## Anne Arundel Health System, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements (continued)

#### **6. Long-Term Debt and Line of Credit (continued)**

##### **Series 2012 Revenue Bonds**

In October 2012, the Hospital entered into a loan agreement with MHHEFA for the issuance of \$73,625,000 of Series 2012 Revenue Bonds (referred to as the 2012 Bonds). The proceeds of the 2012 Bonds were used to repay the Series 2004A Bonds and the Series 1998 Bonds previously provided by the Authority. The bonds being refinanced were originally obtained to finance a new replacement hospital (1998 Bonds) and to finance major renovations to the Hospital's Cancer Center and land acquisition (2004A Bonds). The 2012 Bonds provide for annual principal payments each July 1, from 2013 through 2034. Interest is payable semi-annually on each July 1 and January 1, beginning July 1, 2013. The 2012 Bonds bear stated interest at rates of 2.00% to 5.00%, and were issued at a premium of \$6,746,000. The effective annual interest rates for the 2012 Bonds for the years ended June 30, 2015 and 2014, were 3.75% and 3.69%, respectively.

The provisions of the 2014 and 2012 Bonds, together with the 2010 Bonds and 2009 Bonds, require the Parent and subsidiaries to comply with certain covenants on an annual basis, including a debt service coverage requirement, a debt to capitalization requirement, and a liquidity requirement. The Hospital, the Parent, and HCS are members of the obligated group for all of the revenue bonds issued by MHHEFA.

##### **Series 2010 Revenue Bonds**

In February 2010, the Hospital entered into a loan agreement with MHHEFA for the issuance of \$85,410,000 of Series 2010 Revenue Bonds (referred to as the 2010 Bonds). The proceeds of the 2010 Bonds were used to repay the Series 2004B Bonds and Dedicated Financing previously provided by the Authority and are also being used to finance the expansion of the parking garage for the Hospital's acute care pavilion. The 2010 Bonds provide for annual principal payments each July 1, from 2011 through 2040. Interest is payable semi-annually on each July 1 and January 1, beginning July 1, 2010. The 2010 Bonds bear stated interest at rates of 4.00% to 5.00%, and were issued at an original issue discount of \$1,507,000. The effective annual interest rates for the 2010 Bonds for the years ended June 30, 2015 and 2014, were 4.95% and 4.89%, respectively.

## Anne Arundel Health System, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements (continued)

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

##### **Series 2009 Revenue Bonds**

In January 2009, the Hospital entered into a loan agreement with MHHEFA for the issuance of \$120,000,000 Series 2009A Revenue Bonds (the 2009A Bonds) and in February 2009, \$60,000,000 Series 2009B Revenue Bonds (the 2009B Bonds) (collectively referred to as the 2009 Bonds). The proceeds of the 2014 Bonds were used to advance refund the Series 2009A Bonds previously provided by MHHEFA. The proceeds of the 2009 Bonds are being used to finance a portion of the costs of construction of an eight-story patient care building, two new parking garages, and certain costs relating to the issuance. The 2009A Bonds provided for annual principal payments each July 1, from 2012 through 2039. Interest was payable semi-annually on each July 1 and January 1, beginning July 1, 2009. The 2009B Bonds provide for annual principal payments each July 1, from 2040 through 2043. Interest is payable semi-annually on each July 1 and January 1, beginning July 1, 2009. The 2009A Bonds bore stated interest at rates of 4.00% to 6.75%. The 2009A Bonds were issued at an original issue discount of \$4,817,000. The effective annual interest rates for the 2009A Bonds for the years ended June 30, 2015 and 2014, were 2.68% and 6.74%, respectively. The 2009B Bonds bear interest at variable rates, as set forth in the loan agreement. The maximum interest rate is 12% for the 2009B Bonds. The effective annual interest rates for the 2009B Bonds for the years ended June 30, 2015 and 2014, were 0.05% and 0.08%, respectively. The principal and interest payments on the Series 2009B Bonds are secured by a letter of credit equal to the original principal of the bonds plus an amount equal to 40 days' interest thereon, calculated at the maximum rate. The current letter of credit expires in July 1, 2020. Under certain circumstances, the Hospital would need to fully redeem the 2009B Bonds upon expiration of the letter of credit, unless a conforming replacement letter of credit was secured prior to such expiration.

Anne Arundel Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

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

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

	<b>June 30</b>	
	<b>2015</b>	<b>2014</b>
Debt service funds	\$ 15,074,000	\$ 12,573,000
Debt service reserve funds	12,517,000	20,618,000
Construction fund and capitalized interest fund	211,000	562,000
	<u>\$ 27,802,000</u>	<u>\$ 33,753,000</u>

**Bank Line of Credit and Term Loan**

The Hospital maintains a line of credit with a bank providing available credit of \$30,000,000. The agreement with the bank is reviewed for renewal on February 28 of each year. Interest on any borrowings accrues at the one month London Interbank Offered Rate (LIBOR) plus 1.5%. At June 30, 2015 and 2014, the Group has no balance on the line of credit.

On October 23, 2008, the Real Estate Company secured a term loan in the amount of \$55,000,000 with a bank. The proceeds from the term loan were used to refinance line of credit proceeds and fund certain construction costs related to a medical office building. The loan bears interest at a variable rate, based on the LIBOR market index rate plus 1.25%. The term loan requires monthly payments of \$221,000 with all remaining amounts due upon final maturity on November 5, 2018. The effective annual interest rate for the years ended June 30, 2015 and 2014, was 1.43%.

**2008 Construction Loan**

On October 23, 2008, the Real Estate Company entered into a construction loan in the amount of \$30,000,000 with a bank to fund the construction of a medical office building. The loan was issued under the same loan agreement as the term loan discussed in the immediately preceding paragraph. The debt is secured by the medical office building. Interest only is due during the construction period at a rate equal to the LIBOR market index rate plus 1.25%. The loan converted to a term loan after the completion of the construction in July 2009. The term loan provides for monthly principal and interest payments and has a final maturity of November 5, 2018. The effective annual interest rates for the years ended June 30, 2015 and 2014, were 1.43% and 1.44%, respectively.

## Anne Arundel Health System, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements (continued)

#### **6. Long-Term Debt and Line of Credit (continued)**

##### **Kent Island Term Loan**

In August 2007, KIMA entered into a construction loan agreement with a bank in the amount of \$9,000,000 that would convert to a term loan after the completion of the construction. The proceeds were used to construct a medical office building. The debt is secured by the medical office building. Interest only was due during the construction period at a rate of the 30-day LIBOR plus 1.0%. The construction was completed in June 2008. The term loan provides for monthly principal and interest payments and has a final maturity of December 2016. The effective annual interest rate for the years ended June 30, 2015 and 2014, was 1.03%.

#### **7. Capital Lease Obligations**

The Group has entered into capital lease agreements for certain medical equipment and software at a cost of \$7,432,000 as of June 30, 2015 and 2014. Accumulated amortization on these assets was \$7,186,000 and \$6,315,000 as of June 30, 2015 and 2014, respectively. Final payments under these capital lease obligations occurred in 2015 and totaled \$90,000.

#### **8. Pension Plan and Thrift Plan**

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

Anne Arundel Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

**8. Pension Plan and Thrift Plan (continued)**

During the years ended June 30, 2015 and 2014, a partial settlement of the Plan's defined benefit obligation was recognized. Since the settlement was more than minor, ASC 715 requires that a pro rata amount of the accumulated unrecognized net loss in unrestricted net assets is charged to revenues and gains in excess of (less than) expenses based on the proportion of the projected benefit obligation settled to the total projected benefit obligation. During the years ended June 30, 2015 and 2014, the Group determined that a settlement had occurred and recognized a loss of \$2,927,000 and \$2,482,000, respectively. For the years ended June 30, 2015 and 2014, the settlement loss is recorded within employee benefits and loss from joint ventures and other, net, respectively, in the consolidated statements of operations and changes in net assets.

The reconciliation of the beginning and ending balances of the projected benefit obligation and the fair value of plan assets for the years ended June 30, 2015 and 2014, and the accumulated benefit obligation at June 30, 2015 and 2014, is as follows:

	<b>June 30</b>	
	<b>2015</b>	<b>2014</b>
Accumulated benefit obligation	<b>\$ 121,761,000</b>	\$ 116,610,000
Change in projected benefit obligation:		
Projected benefit obligation at beginning of year	<b>\$ 116,610,000</b>	\$ 112,402,000
Service cost		-
Interest cost	<b>4,419,000</b>	4,789,000
Actuarial loss	<b>8,123,000</b>	6,593,000
Benefits paid	<b>(1,426,000)</b>	(1,303,000)
Settlements paid	<b>(5,965,000)</b>	(5,871,000)
Projected benefit obligation at end of year	<b>121,761,000</b>	116,610,000
Change in plan assets:		
Fair value of plan assets at beginning of year	<b>97,340,000</b>	81,798,000
Actual return on plan assets	<b>(466,000)</b>	12,456,000
Employer contribution	<b>9,576,000</b>	10,260,000
Benefits paid	<b>(1,426,000)</b>	(1,303,000)
Settlements paid	<b>(5,965,000)</b>	(5,871,000)
Fair value of plan assets at end of year	<b>99,059,000</b>	97,340,000
Net liability recognized	<b>\$ (22,702,000)</b>	\$ (19,270,000)

Anne Arundel Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

**8. Pension Plan and Thrift Plan (continued)**

	<b>June 30</b>	
	<b>2015</b>	<b>2014</b>
	<hr/>	
Net amounts recognized in the consolidated balance sheets consist of:		
Accrued pension costs	<b>\$ (22,702,000)</b>	\$ (19,270,000)
	<hr/>	
Amounts recognized in unrestricted net assets that have not been recognized in net periodic benefit cost consist of:		
Net actuarial loss	<b>\$ 59,756,000</b>	\$ 48,073,000
	<hr/>	

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

	<b>June 30</b>	
	<b>2015</b>	<b>2014</b>
	<hr/>	
Discount rate	<b>4.15%</b>	3.85%
Rate of compensation increase	<b>N/A</b>	N/A

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

	<b>Year Ended June 30</b>	
	<b>2015</b>	<b>2014</b>
	<hr/>	
Discount rate	<b>3.83%</b>	4.45%
Expected return on plan assets	<b>7.50</b>	7.50
Rate of compensation increase	<b>N/A</b>	N/A

Anne Arundel Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

**8. Pension Plan and Thrift Plan (continued)**

Net periodic pension benefit cost included the following components:

	<b>June 30</b>	
	<b>2015</b>	<b>2014</b>
Service cost	\$ —	\$ —
Interest cost	<b>4,419,000</b>	4,789,000
Expected return on plan assets	<b>(7,225,000)</b>	(6,420,000)
Amortization of prior service cost	—	—
Recognized net actuarial loss	<b>1,205,000</b>	1,144,000
Loss recognized from partial settlement of projected benefit obligation	<b>2,927,000</b>	2,482,000
Net periodic benefit cost	<b>\$ 1,326,000</b>	<b>\$ 1,995,000</b>

The estimated net loss for the defined benefit pension plan that will be amortized from unrestricted net assets into net periodic benefit cost over the next fiscal year is \$1,727,000.

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

The Hospital's target asset allocation percentages as of June 30, 2015, were as follows: 35.0% investment grade bonds, 27.5% international equity, 19.25% large cap domestic stocks, 8.25% small cap domestic stocks, and 10.0% hedge funds and exchange traded notes.

Anne Arundel Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

**8. Pension Plan and Thrift Plan (continued)**

The following tables present the fair value hierarchy of assets of the defined benefit pension plan at June 30, 2015 and 2014, respectively:

	June 30, 2015			
	Total	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
<b>Assets</b>				
Cash and cash equivalents	\$ 2,265,000	\$ —	\$ 2,265,000	\$ —
Mutual funds:				
Equity	27,587,000	27,587,000	—	—
Corporate bonds	5,191,000	5,191,000	—	—
Government bonds	22,377,000	22,377,000	—	—
International equity	27,632,000	27,632,000	—	—
International bonds	5,012,000	5,012,000	—	—
Exchange traded notes	4,487,000	4,487,000	—	—
Managed partnerships:				
Hedge funds	4,508,000	—	4,508,000	—
	<b>\$ 99,059,000</b>	<b>\$ 92,286,000</b>	<b>\$ 6,773,000</b>	<b>\$ —</b>

Anne Arundel Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

**8. Pension Plan and Thrift Plan (continued)**

	<b>June 30, 2014</b>			
	<b>Total</b>	<b>Quoted Prices in Active Markets for Identical Assets Level 1</b>	<b>Significant Other Observable Inputs Level 2</b>	<b>Significant Unobservable Inputs Level 3</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 4,336,000	\$ —	\$ 4,336,000	\$ —
Mutual funds:				
Equity	26,935,000	26,935,000	—	—
Corporate bonds	6,138,000	6,138,000	—	—
Government bonds	20,915,000	20,915,000	—	—
International equity	26,760,000	26,760,000	—	—
International bonds	3,175,000	3,175,000	—	—
Exchange traded notes	5,081,000	5,081,000	—	—
Managed partnerships:				
Hedge funds	4,000,000	—	4,000,000	—
	<u>\$ 97,340,000</u>	<u>\$ 89,004,000</u>	<u>\$ 8,336,000</u>	<u>\$ —</u>

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

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

The Hospital currently intends to make voluntary contributions to the defined benefit pension plan of \$9,576,000 in fiscal 2016.

Anne Arundel Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

**8. Pension Plan and Thrift Plan (continued)**

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

2016	\$ 5,923,000
2017	6,134,000
2018	6,693,000
2019	7,111,000
2020	7,583,000
2021–2025	38,013,000

In addition to the noncontributory, defined benefit pension plan, the Hospital also offers an employee thrift plan. Participation in the plan is voluntary. Substantially all full-time employees of the Hospital are eligible to participate. Employees may elect to contribute a minimum of 1% of compensation, and a maximum amount as determined by Sections 403(b) and 415 of the Internal Revenue Code. Any employee making contributions to the plan is entitled to a Hospital contribution that will match the employee contribution at the rate of 50% to 75%, depending on the number of years of service, up to a maximum of 4% of qualified compensation. Matching contributions under this thrift plan were \$3,338,000 and \$2,913,000 in fiscal years 2015 and 2014, respectively.

**9. Concentrations of Credit Risk**

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

	<b>June 30</b>	
	<b>2015</b>	<b>2014</b>
Medicare	<b>28%</b>	32%
Medicaid	<b>4</b>	5
Blue Cross	<b>24</b>	19
Commercial, HMO, PPO, and other	<b>29</b>	28
Patients	<b>15</b>	16
	<b>100%</b>	100%

## Anne Arundel Health System, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements (continued)

#### **10. Malpractice Insurance Costs and Self-Insured Professional Liability**

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

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

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

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

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

## Anne Arundel Health System, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements (continued)

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

The provision for estimated professional liability claims, general liability claims, and workers' compensation claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported. As of June 30, 2015 and 2014, the balance for outstanding claims reserves recorded at Cottage is \$22,186,000 and \$22,578,000, respectively. The remaining tail liability for claims incurred but not reported is \$5,357,000 and \$5,110,000 as of June 30, 2015 and 2014, with \$4,527,000 of the 2015 liability and \$4,222,000 of the 2014 liability recorded at the Hospital. The remainder of the liability is recorded at PE. The Group has employed an independent actuary to estimate the ultimate settlement of such claims. In management's opinion, the amounts recorded provide an adequate reserve for loss contingencies. However, changes in circumstances affecting professional liability claims could cause these estimates to change by material amounts in the short term.

#### 11. Commitments and Contingencies

##### Operating Leases

Various members of the Group have operating leases for storage space, equipment, and offices. During 2015 and 2014, rent expense on these leases was approximately \$10,176,000 and \$10,275,000, respectively. Future minimum annual rental payments under noncancelable operating leases, which expire through 2021, are as follows:

2016	\$ 9,675,000
2017	6,957,000
2018	4,494,000
2019	3,415,000
2020	2,381,000
Thereafter	5,004,000
	<u>\$ 31,926,000</u>

##### Contracted Construction Commitments

Members of the Group have future construction commitments with outside contractors for various projects totaling \$1,566,000 and \$340,000 as of June 30, 2015 and 2014, respectively.

Anne Arundel Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

**11. Commitments and Contingencies (continued)**

**Contingencies**

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

The Group's revenues may be subject to adjustment as a result of examination by government agencies or contractors based upon differing interpretation of government regulations, medical diagnosis, charge coding, medical necessity, or other contract terms. The resolution of these matters, if any, often is not finalized until subsequent to the period during which the services were rendered. Section 302 of the Tax Relief and Health Care Act of 2006 authorized a permanent program involving the use of third-party recovery audit contractors (RACs) to identify Medicare overpayments and underpayments made to providers. We have established protocols to respond to RAC requests and payment denials. Payment recoveries resulting from RAC reviews are appealable through administrative and judicial processes, and we intend to pursue the reversal of adverse determinations where appropriate. In addition to overpayments that are not reversed on appeal, we will incur additional costs to respond to requests for records and pursue the reversal of payment denials. As of June 30, 2015 and 2014, the Group has recorded an estimated reserve regarding the Medicare overpayments. In the opinion of the Group's management, the ultimate settlement of this matter will not have a material adverse effect on the financial position of the Group.

**12. Functional Expenses**

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

	<b>Year Ended June 30</b>	
	<b>2015</b>	<b>2014</b>
Health care services	<b>\$ 506,772,000</b>	\$ 477,887,000
General and administrative	<b>101,485,000</b>	98,792,000
	<b><u>\$ 608,257,000</u></b>	<u>\$ 576,679,000</u>

## Anne Arundel Health System, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements (continued)

#### 13. Fair Value of Financial Instruments

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

##### Investments and Assets Whose Use Is Limited

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

##### Pledges Receivable

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

##### Long-Term Debt

Fair values of the Group's fixed rate long-term debt are established using discounted cash flow analyses, based on the Group's current incremental borrowing rates for similar types of borrowing arrangements. The carrying amount of the Group's variable rate long-term debt approximates fair value. The estimated fair value of all long-term debt at June 30, 2015 and 2014 was \$430,763,000 and \$443,014,000, respectively.

#### 14. Temporarily Restricted Net Assets

At June 30, 2015 and 2014, temporarily restricted net assets are restricted for use, as follows:

	<u>2015</u>	<u>2014</u>
Hospital capital additions	\$ 6,296,000	\$ 8,112,000
Hospital operating programs	8,068,000	8,522,000
	<u>\$ 14,364,000</u>	<u>\$ 16,634,000</u>

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

**15. Subsequent Events**

The Group has evaluated the impact of subsequent events through September 25, 2015, representing the date at which the consolidated financial statements were issued.

# Supplementary Information

Anne Arundel Health System, Inc. and Subsidiaries

Supplementary Consolidating Balance Sheet

June 30, 2015

	Anne Arundel Health System, Inc.	Anne Arundel Medical Center, Inc. and Subsidiaries	Anne Arundel Health Care Enterprises, Inc.	Anne Arundel Real Estate Holding Company, Inc. and Subsidiaries	Cottage Insurance Company, Ltd.	AAHS Research Institute, Inc.	Physician Enterprise, LLC	Anne Arundel Medical Center Foundation, Inc.	Consolidating and Eliminating Entries		Consolidated
									Cottage Insurance Company, Ltd.	Other Subsidiaries	
<b>Assets</b>											
Current assets:											
Cash and cash equivalents	\$ 725,000	\$ 93,141,000	\$ 7,000	\$ 1,037,000	\$ -	\$ 136,000	\$ 886,000	\$ 3,693,000	\$ -	\$ -	\$ 99,625,000
Short-term investments	-	2,062,000	-	-	-	-	-	422,000	-	-	2,484,000
Current portion of assets whose use is limited	-	15,073,000	-	-	2,648,000	-	-	-	-	-	17,721,000
Patient receivables, net	-	54,796,000	-	-	-	-	7,058,000	-	-	-	61,854,000
Current portion of pledges receivable, net	-	-	-	-	-	-	-	3,015,000	-	-	3,015,000
Inventories	-	8,033,000	97,000	-	-	-	-	-	-	-	8,130,000
Prepaid expenses and other current assets	23,000	9,614,000	2,467,000	1,021,000	120,000	11,000	15,000	81,000	(2,000,000)	(5,095,000)	6,257,000
Total current assets	748,000	182,719,000	2,571,000	2,058,000	2,768,000	147,000	7,959,000	7,211,000	(2,000,000)	(5,095,000)	199,086,000
Property and equipment	-	660,004,000	13,153,000	135,156,000	-	68,000	647,000	460,000	-	-	809,488,000
Less accumulated depreciation and amortization	-	(300,888,000)	(8,407,000)	(46,562,000)	-	(58,000)	(260,000)	(227,000)	-	-	(356,402,000)
Net property and equipment	-	359,116,000	4,746,000	88,594,000	-	10,000	387,000	233,000	-	-	453,086,000
Other assets:											
Investments	-	251,672,000	-	-	-	-	-	1,613,000	-	-	253,285,000
Investments in joint ventures	-	-	377,000	7,933,000	-	-	-	-	-	-	8,310,000
Pledges receivable, net	-	-	-	-	-	-	-	4,404,000	-	-	4,404,000
Assets whose use is limited	-	13,474,000	-	-	22,926,000	-	-	15,166,000	-	-	51,566,000
Deferred debt issue costs, net	-	4,430,000	-	215,000	-	-	-	-	-	-	4,645,000
Beneficial interest in net assets of AAMC Foundation, Inc.	-	25,947,000	-	-	-	-	-	-	-	(25,947,000)	-
Restricted collateral for interest rate swap contract	-	62,939,000	-	-	-	-	-	-	-	-	62,939,000
Investment in subsidiaries and other assets	414,327,000	14,212,000	-	1,663,000	8,535,000	-	1,224,000	462,000	-	(423,623,000)	16,800,000
Total assets	\$ 415,075,000	\$ 914,509,000	\$ 7,694,000	\$ 100,463,000	\$ 34,229,000	\$ 157,000	\$ 9,570,000	\$ 29,089,000	\$ (2,000,000)	\$ (454,665,000)	\$ 1,054,121,000

Anne Arundel Health System, Inc. and Subsidiaries

Supplementary Consolidating Balance Sheet (continued)

June 30, 2015

	Anne Arundel Health System, Inc.	Anne Arundel Medical Center, Inc. and Subsidiaries	Anne Arundel Health Care Enterprises, Inc.	Anne Arundel Real Estate Holding Company, Inc. and Subsidiaries	Cottage Insurance Company, Ltd.	AAHS Research Institute, Inc.	Physician Enterprise, LLC	Anne Arundel Medical Center Foundation, Inc.	Consolidating and Eliminating Entries		Consolidated
									Cottage Insurance Company, Ltd.	Other Subsidiaries	
<b>Liabilities and net assets</b>											
Current liabilities:											
Accounts payable	\$ -	\$ 18,393,000	\$ 2,087,000	\$ 350,000	\$ 2,202,000	\$ 110,000	\$ 23,000	\$ 2,896,000	\$ (2,000,000)	\$ (4,576,000) <sup>(1)</sup>	\$ 19,485,000
Accrued salaries, wages, and benefits	-	30,166,000	2,106,000	-	-	-	7,193,000	-	-	-	39,465,000
Other accrued expenses	-	19,257,000	215,000	731,000	2,584,000	-	-	247,000	-	-	23,034,000
Current portion of long-term debt and capital lease obligations	-	8,835,000	-	3,907,000	-	-	-	-	-	(520,000) <sup>(4)</sup>	12,222,000
Advances from third-party payors	-	22,465,000	-	-	-	-	-	-	-	-	22,465,000
Total current liabilities	-	99,116,000	4,408,000	4,988,000	4,786,000	110,000	7,216,000	3,143,000	(2,000,000)	(5,096,000)	116,671,000
Long-term debt and capital lease obligations, less current portion and unamortized original issue discount	-	338,285,000	-	79,184,000	-	-	-	-	-	(4,159,000) <sup>(4)</sup>	413,310,000
Interest rate swap contract	-	65,852,000	-	-	-	-	-	-	-	-	65,852,000
Accrued pension liability	-	22,702,000	-	-	-	-	-	-	-	-	22,702,000
Other long-term liabilities	-	-	-	5,137,000	19,602,000	-	909,000	-	-	(5,137,000) <sup>(1)</sup>	20,511,000
Total liabilities	-	525,955,000	4,408,000	89,309,000	24,388,000	110,000	8,125,000	3,143,000	(2,000,000)	(14,392,000)	639,046,000
Net assets:											
Unrestricted	389,578,000	363,057,000	3,286,000	11,154,000	9,841,000	47,000	1,445,000	1,178,000	-	(390,007,000)	389,579,000
Temporarily restricted	14,365,000	14,365,000	-	-	-	-	-	14,365,000	-	(28,731,000)	14,364,000
Permanently restricted	11,132,000	11,132,000	-	-	-	-	-	10,403,000	-	(21,535,000)	11,132,000
Total net assets	415,075,000	388,554,000	3,286,000	11,154,000	9,841,000	47,000	1,445,000	25,946,000	-	(440,273,000)	415,075,000
Total liabilities and net assets	\$ 415,075,000	\$ 914,509,000	\$ 7,694,000	\$ 100,463,000	\$ 34,229,000	\$ 157,000	\$ 9,570,000	\$ 29,089,000	\$ (2,000,000)	\$ (454,665,000)	\$ 1,054,121,000

Anne Arundel Health System, Inc. and Subsidiaries

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

Year Ended June 30, 2015

	Anne Arundel Health System, Inc.	Anne Arundel Medical Center, Inc. and Subsidiaries	Anne Arundel Health Care Enterprises, Inc.	Anne Arundel Real Estate Holding Company, Inc. and Subsidiaries	Cottage Insurance Company, Ltd.	AAHS Research Institute, Inc.	Physician Enterprise, LLC	Anne Arundel Medical Center Foundation, Inc.	Consolidating and Eliminating Entries		Consolidated
									Cottage Insurance Company, Ltd.	Other Subsidiaries	
Operating revenue:											
Net patient service revenue	\$ -	\$ 536,220,000	\$ -	\$ -	\$ -	\$ -	\$ 88,436,000	\$ -	\$ -	\$ -	\$ 624,656,000
Provision for bad debts	-	(16,196,000)	-	-	-	-	(3,235,000)	-	-	-	(19,431,000)
Net patient service revenue less provision for bad debts	-	520,024,000	-	-	-	-	85,201,000	-	-	-	605,225,000
Other operating revenue	1,593,000	15,796,000	11,237,000	20,776,000	2,955,000	1,235,000	24,599,000	3,153,000	(2,955,000)	(49,909,000)	28,480,000
Total operating revenue	1,593,000	535,820,000	11,237,000	20,776,000	2,955,000	1,235,000	109,800,000	3,153,000	(2,955,000)	(49,909,000)	633,705,000
Operating expenses:											
Salaries and wages	-	192,665,000	3,683,000	-	-	1,083,000	76,543,000	812,000	-	(1,895,000)	272,891,000
Employee benefits	-	35,738,000	596,000	-	-	227,000	6,591,000	171,000	-	(398,000)	42,925,000
Medical supplies and drugs	-	123,874,000	77,000	2,000	-	15,000	5,414,000	16,000	-	-	129,398,000
Purchased services	1,366,000	96,876,000	5,710,000	10,753,000	1,205,000	464,000	25,824,000	1,190,000	(2,955,000)	(44,891,000)	95,542,000
Professional fees	-	11,412,000	-	-	-	1,000	5,717,000	-	-	(324,000)	16,806,000
Foundation transfer to AAMC and subsidiaries	-	-	-	-	-	-	-	2,331,000	-	(2,331,000)	-
Depreciation and amortization	-	30,460,000	1,039,000	4,671,000	-	2,000	80,000	15,000	-	-	36,267,000
Interest	-	13,310,000	-	1,187,000	-	-	-	-	-	(70,000)	14,427,000
Total operating expenses	1,366,000	504,335,000	11,105,000	16,613,000	1,205,000	1,792,000	120,169,000	4,535,000	(2,955,000)	(49,909,000)	608,256,000
Operating income (loss)	227,000	31,485,000	132,000	4,163,000	1,750,000	(557,000)	(10,369,000)	(1,382,000)	-	-	25,449,000
Other income (loss):											
Investment income, net	-	15,301,000	-	26,000	1,162,000	-	-	95,000	-	-	16,584,000
Income (loss) from joint ventures and other, net	(21,199,000)	778,000	(3,000)	1,115,000	-	-	-	5,000	-	21,199,000	1,895,000
Loss on extinguishment of debt	-	(32,230,000)	-	-	-	-	-	-	-	-	(32,230,000)
Change in unrealized gains (losses) on trading securities, net	-	(14,882,000)	-	-	(1,055,000)	-	-	(94,000)	-	-	(16,031,000)
Realized and unrealized losses on interest rate swap contracts, net	-	(16,637,000)	-	-	-	-	-	-	-	-	(16,637,000)
Total other income (loss), net	(21,199,000)	(47,670,000)	(3,000)	1,141,000	107,000	-	-	6,000	-	21,199,000	(46,419,000)
Revenues and gains in excess of (less than) expenses	\$ (20,972,000)	\$ (16,185,000)	\$ 129,000	\$ 5,304,000	\$ 1,857,000	\$ (557,000)	\$ (10,369,000)	\$ (1,376,000)	\$ -	\$ 21,199,000	\$ (20,970,000)

Anne Arundel Medical Center, Inc. and Subsidiaries

Supplementary Consolidating Balance Sheet

June 30, 2015

	<b>Anne Arundel Medical Center, Inc.</b>	<b>Anne Arundel Health Care Services, Inc.</b>	<b>Anne Arundel General Treatment Services, Inc.</b>	<b>Consolidating and Eliminating Entries</b>	<b>Consolidated</b>
<b>Assets</b>					
Current assets:					
Cash and cash equivalents	\$ 59,842,000	\$ 33,298,000	\$ 1,000	\$ –	\$ 93,141,000
Short-term investments	2,062,000	–	–	–	2,062,000
Current portion of assets whose use is limited	15,073,000	–	–	–	15,073,000
Patient receivables, net	50,709,000	3,316,000	771,000	–	54,796,000
Inventories	8,033,000	–	–	–	8,033,000
Due from affiliates, net	5,318,000	22,146,000	2,055,000	(24,201,000)	5,318,000
Prepaid expenses and other current assets	4,137,000	157,000	2,000	–	4,296,000
Total current assets	<u>145,174,000</u>	<u>58,917,000</u>	<u>2,829,000</u>	<u>(24,201,000)</u>	<u>182,719,000</u>
Property and equipment	627,705,000	25,977,000	6,322,000	–	660,004,000
Less accumulated depreciation and amortization	(275,594,000)	(21,800,000)	(3,494,000)	–	(300,888,000)
Net property and equipment	<u>352,111,000</u>	<u>4,177,000</u>	<u>2,828,000</u>	<u>–</u>	<u>359,116,000</u>
Other assets:					
Investments	251,672,000	–	–	–	251,672,000
Assets whose use is limited	13,474,000	–	–	–	13,474,000
Deferred debt issue costs, net	4,430,000	–	–	–	4,430,000
Beneficial interest in net assets of					
Anne Arundel Medical Center Foundation, Inc.	25,947,000	–	–	–	25,947,000
Notes receivable from affiliate	4,159,000	–	–	–	4,159,000
Restricted collateral for interest rate swap contract	62,939,000	–	–	–	62,939,000
Investments in subsidiaries and other assets, net	77,180,000	–	–	(67,127,000)	10,053,000
Total assets	<u>\$ 937,086,000</u>	<u>\$ 63,094,000</u>	<u>\$ 5,657,000</u>	<u>\$ (91,328,000)</u>	<u>\$ 914,509,000</u>

Anne Arundel Medical Center, Inc. and Subsidiaries

Supplementary Consolidating Balance Sheet (continued)

June 30, 2015

	<b>Anne Arundel Medical Center, Inc.</b>	<b>Anne Arundel Health Care Services, Inc.</b>	<b>Anne Arundel General Treatment Services, Inc.</b>	<b>Consolidating and Eliminating Entries</b>	<b>Consolidated</b>
<b>Liabilities and net assets</b>					
Current liabilities:					
Accounts payable	\$ 15,005,000	\$ 1,597,000	\$ 27,000	\$ –	\$ 16,629,000
Accrued salaries, wages, and benefits	30,166,000	–	–	–	30,166,000
Other accrued expenses	19,257,000	–	–	–	19,257,000
Current portion of long-term debt and capital lease obligations	8,835,000	–	–	–	8,835,000
Intercompany payables	25,965,000	–	–	(24,201,000)	1,764,000
Advances from third-party payors	22,465,000	–	–	–	22,465,000
Total current liabilities	121,693,000	1,597,000	27,000	(24,201,000)	99,116,000
Long-term debt and capital lease obligations, less current portion and unamortized original issue premium	338,285,000	–	–	–	338,285,000
Interest rate swap contract	65,852,000	–	–	–	65,852,000
Accrued pension liability	22,702,000	–	–	–	22,702,000
Total liabilities	548,532,000	1,597,000	27,000	(24,201,000)	525,955,000
Net assets:					
Unrestricted	363,057,000	61,497,000	5,630,000	(67,127,000)	363,057,000
Temporarily restricted	14,365,000	–	–	–	14,365,000
Permanently restricted	11,132,000	–	–	–	11,132,000
Total net assets	388,554,000	61,497,000	5,630,000	(67,127,000)	388,554,000
Total liabilities and net assets	\$ 937,086,000	\$ 63,094,000	\$ 5,657,000	\$ (91,328,000)	\$ 914,509,000

Anne Arundel Medical Center, Inc. and Subsidiaries

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

Year Ended June 30, 2015

	Anne Arundel Medical Center, Inc.	Anne Arundel Health Care Services, Inc.	Anne Arundel General Treatment	Consolidating and Eliminating Entries	Consolidated
Operating revenue:					
Net patient service revenue	\$ 498,536,000	\$ 31,593,000	\$ 6,091,000	\$	\$ 536,220,000
Provision for bad debts	(14,580,000)	(1,153,000)	(463,000)	-	(16,196,000)
Net patient service revenue less provision for bad debts	483,956,000	30,440,000	5,628,000	-	520,024,000
Other operating revenue	26,953,000	-	59,000	(11,216,000)	15,796,000
Total operating revenue	510,909,000	30,440,000	5,687,000	(11,216,000)	535,820,000
Operating expenses:					
Salaries and wages	192,665,000	5,769,000	3,139,000	(8,908,000)	192,665,000
Employee benefits	35,738,000	1,212,000	659,000	(1,871,000)	35,738,000
Medical supplies and drugs	122,522,000	1,060,000	368,000	(76,000)	123,874,000
Purchased services	88,696,000	8,180,000	361,000	(361,000)	96,876,000
Professional fees	4,074,000	7,003,000	335,000	-	11,412,000
Depreciation and amortization	29,098,000	1,181,000	181,000	-	30,460,000
Interest	13,310,000	-	-	-	13,310,000
Total operating expenses	486,103,000	24,405,000	5,043,000	(11,216,000)	504,335,000
Operating income	24,806,000	6,035,000	644,000	-	31,485,000
Other income (loss):					
Investment income, net	15,301,000	-	-	-	15,301,000
Income from joint venture and other, net	7,456,000	-	-	(6,678,000)	778,000
Loss on extinguishment of debt	(32,230,000)	-	-	-	(32,230,000)
Change in unrealized losses on trading securities, net	(14,882,000)	-	-	-	(14,882,000)
Realized and unrealized losses on interest rate swap contracts, net	(16,637,000)	-	-	-	(16,637,000)
Total other income (loss), net	(40,992,000)	-	-	(6,678,000)	(47,670,000)
Revenues and gains in excess of (less than) expenses	\$ (16,186,000)	\$ 6,035,000	\$ 644,000	\$ (6,678,000)	\$ (16,185,000)

## Anne Arundel Health System, Inc. and Subsidiaries

### Supplementary Description of Consolidating and Eliminating Entries

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

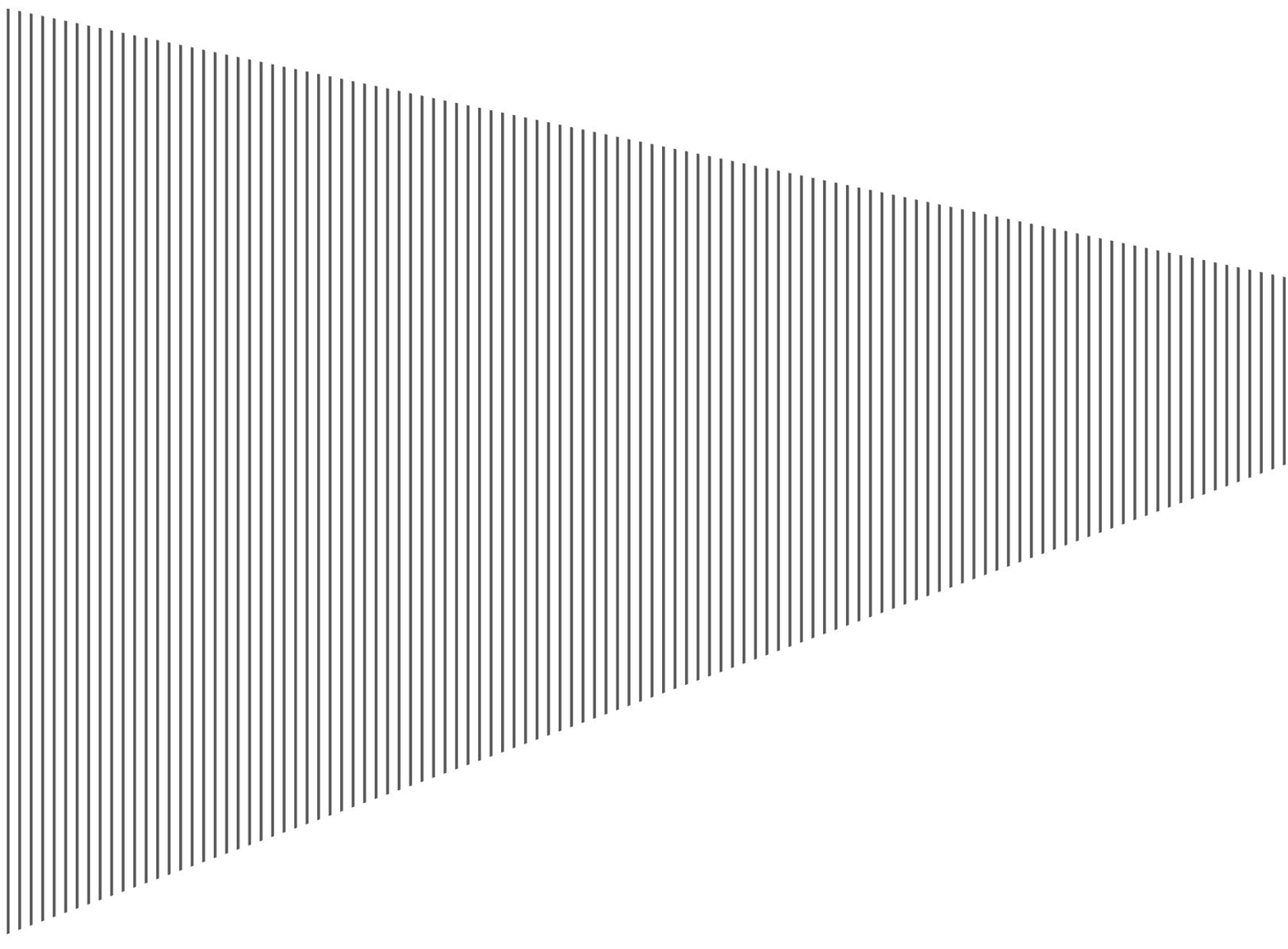
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# Annual Representation Regarding Non-recourse Split Dollar Loan Form Certification

Calendar Year: January 1, 2014 – December 31, 2014

Anne Arundel Health System  
Martin "Chip" L. Doordan

I certify that I have forwarded forms to the participant(s) noted above, for their signature. Once the documents are executed, I will retain two executed copies for Anne Arundel Health System; one for their tax return or applicable tax documents and one for their records.



Sandy Huffer, Director- Financial Operations



Date

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

**Employee**

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

Harwood, MD 20776

Social Security Number

**Employer**

Anne Arundel Health System  
Name  
2001 Medical Parkway

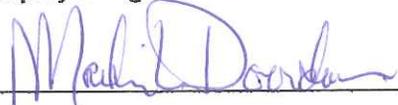
Annapolis, MD 21401

52-1169362  
Employer Identification Number

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

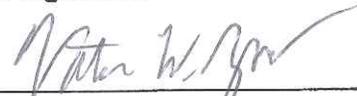
The Employer and Employee represent that a reasonable person would expect that all payments under the loan(s) will be made.

**Employee Signature:**

  
\_\_\_\_\_

Date: 2/1/15

**Employer Signature:**

By   
\_\_\_\_\_

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

Date: \_\_\_\_\_

**SIGN TWO COPIES OF THIS FORM - SEE BELOW**

**Note:** Current IRS regulations require the following:

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

**Anne Arundel Medical Center, Inc.**  
**EIN: 52-1169362**

Attachment To Form 926, Part III

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

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

Anne Arundel Medical Center, Inc.  
EIN: 52-1169362  
2001 Medical Parkway, Suite 550  
Annapolis, MD 21401

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

(i.): Cottage Insurance Company, Ltd.  
P.O. Box 10233  
Grand Cayman KY1-1002, Cayman Islands

Incorporated in the Cayman Islands

(ii.): Insurance premiums received from related parties considered to be deemed contributions to capital of the above corporation occurred on July 2, 2014. The total amount of this deemed contribution was \$2,955,000

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

Nothing was received in consideration in exchange for deemed cash contributions to capital of \$2,955,000. The taxpayer owned 100% of the stock of the transferee corporation both before and after these transfers.

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

Cash in the amount of \$2,955,000 (US Dollars)

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

Not applicable

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

Not applicable

**Annual Representation Regarding Non-recourse Split Dollar Loan Form  
Certification**

Calendar Year: January 1, 2014 – December 31, 2014

**Anne Arundel Health System**  
Martin "Chip" L. Doordan

I certify that I have forwarded forms to the participant(s) noted above, for their signature. Once the documents are executed, I will retain two executed copies for Anne Arundel Health System; one for their tax return or applicable tax documents and one for their records.



Sandy Huffer, Director- Financial Operations

2/5/15

Date

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

**Employee**

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

Harwood, MD 20776

222-26-3285  
Social Security Number

**Employer**

Anne Arundel Health System  
Name  
2001 Medical Parkway

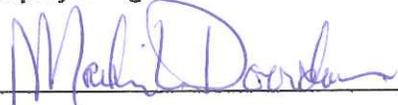
Annapolis, MD 21401

52-1169362  
Employer Identification Number

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

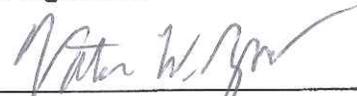
The Employer and Employee represent that a reasonable person would expect that all payments under the loan(s) will be made.

**Employee Signature:**



Date: 2/1/15

**Employer Signature:**

By 

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

Date: \_\_\_\_\_

**SIGN TWO COPIES OF THIS FORM - SEE BELOW**

**Note:** Current IRS regulations require the following:

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

**2014 TAX RETURN FILING INSTRUCTIONS**

MARYLAND FORM 500

**FOR THE YEAR ENDING**

June 30, 2015

---

**Prepared For:**

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

---

**Prepared By:**

SC&H TAX & ADVISORY SERVICES, LLC  
910 RIDGEBROOK ROAD  
SPARKS, MD 21152

---

**To Be Signed and Dated By:**

The appropriate corporate officer(s).

---

**Amount of Tax:**

Total tax	\$	0
Less: payments and credits	\$	0
Plus: other amount	\$	0
Plus: interest and penalties	\$	0
No payment required	\$	

---

**Overpayment:**

Not applicable

---

**Make Check Payable to:**

Not applicable

---

**Mail Tax Return and Check (if applicable) to:**

Comptroller of Maryland  
Revenue Administration Div.  
110 Carroll Street  
Annapolis, MD 21411-0001

---

**Return Must be Mailed On or Before:**

May 16, 2016

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**Special Instructions:**

**MARYLAND CORPORATION INCOME TAX RETURN**

**FORM 500**



**2014**  
\$

OR FISCAL YEAR BEGINNING **JUL 1** 2014, ENDING **JUN 30** 2015

Name <b>ANNE ARUNDEL MEDICAL CENTER, INC.</b>	
Number and street <b>2001 MEDICAL PARKWAY</b>	
City / town <b>ANNAPOLIS</b>	State ZIP code <b>MD 21401</b>
Federal Employer Identification No. (9 digits) <b>521169362</b>	Do not write in this space ME ▶ <b>06</b>
FEIN Applied for date	YE ▶ <b>15</b>
Date of Organization or Incorporation (MMDDYY) ▶ <b>02/18/02</b>	Business Activity Code No. (6 digits) ▶ <b>621510</b>

CHECK HERE IF:  NAME OR ADDRESS HAS CHANGED  INACTIVE CORPORATION  FIRST FILING OF THE CORPORATION  FINAL RETURN  
▶  THIS TAX YEAR'S BEGINNING AND ENDING DATES ARE DIFFERENT FROM LAST YEAR'S DUE TO AN ACQUISITION OR CONSOLIDATION.

**SEE CORPORATION INSTRUCTIONS. ATTACH A COPY OF THE FEDERAL INCOME TAX RETURN THROUGH SCHEDULE M2.**

**1 a** Federal Taxable Income (Enter amount from Federal Form 1120 line 28 or Form 1120-C line 25c.) See Instructions. Check applicable box:  
 1120  1120-REIT  990T

Other: \_\_\_\_\_ IF 1120S, FILE ON FORM 510 **1a** -1170765

**b** Special Deductions (Federal Form 1120 line 29b or Form 1120-C line 26b.) **1b** \_\_\_\_\_

**c** Federal Taxable Income before net operating loss deduction (Subtract line 1b from 1a.) **1c** -1170765

STAPLE CHECK HERE

**MARYLAND ADJUSTMENTS TO FEDERAL TAXABLE INCOME (All entries must be positive amounts.)**

**ADDITION ADJUSTMENTS**

**2 a** Section 10-306.1 related party transactions **2a** \_\_\_\_\_

**b** Decoupling Modification Addition adjustment  
(Enter code letter(s) from instructions.)  **b** \_\_\_\_\_

**c** Total Maryland Addition Adjustments to Federal Taxable Income (Add lines 2a and 2b.) **2c** \_\_\_\_\_

**SUBTRACTION ADJUSTMENTS**

**3 a** Section 10-306.1 related party transactions **3a** \_\_\_\_\_

**b** Dividends for domestic corporation claiming foreign tax credits  
(Federal form 1120/1120C Schedule C line 15) **b** \_\_\_\_\_

**c** Dividends from related foreign corporations  
(Federal form 1120/1120C Schedule C line 13 and 14) **c** \_\_\_\_\_

**d** Decoupling Modification Subtraction adjustment  
(Enter code letter(s) from instructions.)  **d** \_\_\_\_\_

**e** Total Maryland Subtraction Adjustments to Federal Taxable Income (Add lines 3a through 3d.) **3e** \_\_\_\_\_

**4** Maryland Adjusted Federal Taxable Income before NOL deduction is applied  
(Add lines 1c and 2c, and subtract line 3e.) **4** -1170765

**5** Enter Adjusted Federal NOL Carry-forward available from previous tax years (including FDSC Carry forward)  
on a separate company basis (Enter NOL as a positive amount.) **5** 6901354

**6** Maryland Adjusted Federal Taxable Income (If line 4 is less than or equal to zero, enter amount from line 4.)  
(If line 4 is greater than zero, subtract line 5 from line 4 and enter result.  
If result is less than zero, enter zero.) **6** -1170765

**MARYLAND ADDITION MODIFICATIONS (All entries must be positive amounts.)**

**7 a** State and local income tax **7a** \_\_\_\_\_

**b** Dividends and interest from another state, local or federal tax  
exempt obligation **b** \_\_\_\_\_

**c** Net operating loss modification recapture  
(Do not enter NOL carryover. See instructions.) **c** \_\_\_\_\_

**d** Domestic Production Activities Deduction **d** \_\_\_\_\_

**e** Deduction for Dividends paid by captive REIT **e** \_\_\_\_\_

**f** Other additions (Enter code letter(s) from  
instructions and attach schedule.)  **f** \_\_\_\_\_

**g** Total Addition Modifications (Add lines 7a through 7f.) **7g** \_\_\_\_\_



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[Business Taxpayers](#)  
[Tax Professionals](#)

**Thank You for Filing for an Extension Request Online**

Congratulations! Your form 500E has been successfully submitted on 10/26/2015.

**Confirmation Number:** 3301299330000

**Business Name:** Anne Arundel Medical Center, Inc.

**FEIN:** 52-1169362

**Period End:** 06/2015

Please print and retain this page for your records.

<a href="#">Print</a>	<a href="#">File Another Extension</a>	<a href="#">Exit</a>
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145000105

2014

ANNE ARUNDEL MEDI  
Name

52-1169362  
FEIN

**MARYLAND SUBTRACTION MODIFICATIONS**  
(All entries must be positive amounts.)

8 a Income from US Obligations ..... ▶ 8a \_\_\_\_\_  
 b Other Subtractions (Enter code letter(s) from instructions and attach schedule )     ..... ▶ b \_\_\_\_\_  
 c Total Subtraction Modifications (Add lines 8a and 8b.) ..... 8c \_\_\_\_\_

**NET MARYLAND MODIFICATIONS**

9 Total Maryland Modifications (Subtract line 8c from 7g. If less than zero, enter negative amount.) ..... 9 \_\_\_\_\_  
 10 Maryland Modified Income (Add lines 6 and 9.) ..... 10 -1170765

**APPORTIONMENT OF INCOME**  
 (To be completed by multistate corporations whose apportionment factor is less than 1, otherwise skip to line 13.)

11 Maryland apportionment factor (from page 3 of this form) (If factor is zero, enter .000001.) ..... ▶ 11 \_\_\_\_\_  
 12 Maryland apportionment income (Multiply line 10 by line 11.) ..... 12 \_\_\_\_\_

13 Maryland taxable income (from line 10 or line 12, whichever is applicable.) ..... 13 0  
 14 Tax (Multiply line 13 by 8.25%) ..... 14 0  
 15 a Estimated tax paid with Form 500D, Form MW506NRS and/or credited from 2013 overpayment ..... ▶ 15a \_\_\_\_\_  
 b Tax paid with an extension request (Form 500E) ..... ▶ b \_\_\_\_\_  
 c Nonrefundable business income tax credits from Part W. (See instructions for Form 500CR.) You must file this form electronically to claim business tax credits from Form 500CR.  
 d Refundable business income tax credits from Part Z. (See instructions for Form 500CR.) You must file this form electronically to claim business tax credits from Form 500CR.  
 e The Sustainable Communities Tax Credit is claimed on line 1 of Part Z on Form 500CR. Check here  if you are a non-profit corporation.  
 f Nonresident tax paid on behalf of the corporation by pass-through entities (Attach Maryland Schedule K-1.) ..... ▶ f \_\_\_\_\_  
 g Total payments and credits (Add lines 15a through 15f.) ..... 15g \_\_\_\_\_  
 16 Balance of tax due (If line 14 exceeds line 15g, enter the difference.) ..... ▶ 16 \_\_\_\_\_  
 17 Overpayment (If line 15g exceeds line 14, enter the difference.) ..... ▶ 17 \_\_\_\_\_  
 18 Interest and/or penalty from Form 500UP \_\_\_\_\_ or late payment interest \_\_\_\_\_ Total ▶ 18 \_\_\_\_\_  
 19 Total balance due (Add lines 16 and 18, or if line 18 exceeds line 17 enter the difference.) ..... 19 \_\_\_\_\_  
 20 Amount of overpayment to be applied to estimated tax for 2015 (not to exceed the net of line 17 less line 18) ..... ▶ 20 \_\_\_\_\_  
 21 Amount of overpayment TO BE REFUNDED (Add lines 18 and 20, and subtract the total from line 17.) ..... ▶ 21 \_\_\_\_\_

**DIRECT DEPOSIT OF REFUND** (See instructions.) Be sure the account information is correct.

To comply with banking rules, check here  if this refund will go to an account outside the United States. If checked, see instructions.

22 For the direct deposit option, complete the following information clearly and legibly:

a Type of account:  checking  savings  
 b Routing number (9 Digits) ▶ \_\_\_\_\_  
 c Account number ▶ \_\_\_\_\_

**INFORMATIONAL PURPOSES ONLY (LINES 23 & 24)**

23 NOL generated in Current Year - Carryforward 20 Years and back 2 Years (If line 6 is less than zero, enter on line 23.) ..... 23 -1170765  
 24 NAM generated in Current Year - Carried Forward/Back with the Loss on Line 23 per Section 10-205(e) (If line 6 is less than zero AND line 9 is greater than zero, enter the amount from line 9 on line 24.) ..... 24 0



145000205

Name **ANNE ARUNDEL** FEIN **52-1169362**

SCHEDULE A - COMPUTATION OF APPORTIONMENT FACTOR (Applies only to multistate corporations. See instructions.) NOTE: Special apportionment formulas are required for rental/leasing, financial institutions, transportation and manufacturing companies.		Column 1 TOTALS WITHIN MARYLAND	Column 2 TOTALS WITHIN AND WITHOUT MARYLAND	Column 3 DECIMAL FACTOR (Column 1 ÷ Column 2 rounded to six places)
<b>1A. Receipts</b>	a. Gross receipts or sales less returns and allowances ▶			
	b. Dividends .....			
	c. Interest .....			
	d. Gross rents .....			
	e. Gross royalties .....			
	f. Capital gain net income .....			
	g. Other income (Attach schedule.) .....			
	h. Total receipts (Add lines 1A(a) through 1A(g), for Columns 1 and 2) ▶			
<b>1B. Receipts</b>	Enter the same factor shown on line 1A, Column 3. Disregard this line if special apportionment formula used ...			
<b>2. Property</b>	a. Inventory .....			
	b. Machinery and equipment .....			
	c. Buildings .....			
	d. Land .....			
	e. Other tangible assets (Attach schedule.) .....			
	f. Rent expense capitalized (multiplied by eight) .....			
	g. Total property (Add lines 2a through 2f, for Columns 1 and 2) ▶			
<b>3. Payroll</b>	a. Compensation of officers .....			
	b. Other salaries and wages .....			
	c. Total payroll (Add lines 3a and 3b, for Columns 1 and 2.) ▶			
<b>4. Total of factors</b>	(Add entries in Column 3) .....			
<b>5. Maryland apportionment factor</b>	Divide line 4 by four for three-factor formula, or by the number of factors used if special apportionment formula required. (If factor is zero, enter .000001 on line 11 page 2.) .....			

**SCHEDULE B - ADDITIONAL INFORMATION REQUIRED (Attach a separate schedule if more space is necessary.)**

- Telephone number of corporation tax department: 443-481-6555
- If a multistate operation, provide the following:  
 Address of principal place of business in Maryland (if other than indicated on page 1): \_\_\_\_\_
- Brief description of operations in Maryland: LABORATORY SERVICES
- Has the Internal Revenue Service made adjustments (for a tax year in which a Maryland return was required) that were not previously reported to the Maryland Revenue Administration Division?  Yes  No  
 If "yes", indicate tax year(s) here: \_\_\_\_\_ and submit an amended return(s) together with a copy of the IRS adjustment report(s) under separate cover.
- Did the corporation file employer withholding tax returns/forms with the Maryland Revenue Administration Division for the last calendar year?  Yes  No
- Is this entity part of a federal consolidated filing?  Yes  No
- Is this entity a multistate corporation that is a member of a unitary group?  Yes  No
- Is this entity a multistate manufacturer with more than 25 employees? If so, complete and attach Form 500MC to your Form 500  Yes  No

**SIGNATURE AND VERIFICATION:** 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. If prepared by a person other than taxpayer, the declaration is based on all information of which the preparer has any knowledge.  
 Check here  if you authorize your tax preparer to discuss this return with us.

\_\_\_\_\_  
 Officer's signature Date **P00370694** Ann S. Bughauser  
 Preparer's PTIN (required by law) Preparer's signature

**CFO**  
 Officer's Name and Title **SC&H TAX & ADVISORY SERVICES, LLC**  
 Preparer's name, address and telephone number  
**910 RIDGEBROOK ROAD**  
**SPARKS, MD 21152**  
 (410) 403-1500

# Exempt Organization Business Income Tax Return (and proxy tax under section 6033(e))

For calendar year 2014 or other tax year beginning JUL 1, 2014 and ending JUN 30, 2015

## 2014

Department of the Treasury  
Internal Revenue Service

▶ Information about Form 990-T and its instructions is available at [www.irs.gov/form990t](http://www.irs.gov/form990t).

▶ Do not enter SSN numbers on this form as it may be made public if your organization is a 501(c)(3).

Open to Public Inspection for 501(c)(3) Organizations Only

<b>A</b> <input type="checkbox"/> Check box if address changed  <b>B</b> Exempt under section <input checked="" type="checkbox"/> 501(c)(3) <input type="checkbox"/> 408(e) <input type="checkbox"/> 220(e) <input type="checkbox"/> 408A <input type="checkbox"/> 530(a) <input type="checkbox"/> 529(a)	Print or Type	Name of organization ( <input type="checkbox"/> Check box if name changed and see instructions.) <b>ANNE ARUNDEL MEDICAL CENTER, INC.</b> Number, street, and room or suite no. If a P.O. box, see instructions. <b>2001 MEDICAL PARKWAY</b> City or town, state or province, country, and ZIP or foreign postal code <b>ANNAPOLIS, MD 21401</b>	<b>D</b> Employer identification number (Employees' trust, see instructions.) <b>52-1169362</b>  <b>E</b> Unrelated business activity codes (See instructions.) <b>621500 541900</b>
<b>C</b> Book value of all assets at end of year <b>935343910.</b>		<b>F</b> Group exemption number (See instructions.) ▶ <b>G</b> Check organization type ▶ <input checked="" type="checkbox"/> 501(c) corporation <input type="checkbox"/> 501(c) trust <input type="checkbox"/> 401(a) trust <input type="checkbox"/> Other trust	

**H** Describe the organization's primary unrelated business activity. ▶ **LABORATORY SERVICES**

**I** During the tax year, was the corporation a subsidiary in an affiliated group or a parent-subsidiary controlled group?  Yes  No  
 If "Yes," enter the name and identifying number of the parent corporation. ▶ **SEE STATEMENT 3**

**J** The books are in care of ▶ **SANDRA HUFFER** Telephone number ▶ **(443) 481-6554**

Part I Unrelated Trade or Business Income		(A) Income	(B) Expenses	(C) Net
1 a	Gross receipts or sales <b>7,382,255.</b>			
b	Less returns and allowances			
c Balance ▶		<b>1c 7,382,255.</b>		
2	Cost of goods sold (Schedule A, line 7)			
3	Gross profit. Subtract line 2 from line 1c	<b>3 7,382,255.</b>		<b>7,382,255.</b>
4 a	Capital gain net income (attach Schedule D)			
b	Net gain (loss) (Form 4797, Part II, line 17) (attach Form 4797)			
c	Capital loss deduction for trusts			
5	Income (loss) from partnerships and S corporations (attach statement)	<b>5 17,265.</b>	<b>STMT 1</b>	<b>17,265.</b>
6	Rent income (Schedule C)			
7	Unrelated debt-financed income (Schedule E)			
8	Interest, annuities, royalties, and rents from controlled organizations (Sch. F)			
9	Investment income of a section 501(c)(7), (9), or (17) organization (Schedule G)			
10	Exploited exempt activity income (Schedule I)			
11	Advertising income (Schedule J)			
12	Other income (See instructions; attach schedule)			
13	<b>Total.</b> Combine lines 3 through 12.	<b>13 7,399,520.</b>		<b>7,399,520.</b>

**Part III Deductions Not Taken Elsewhere** (See instructions for limitations on deductions.)  
 (Except for contributions, deductions must be directly connected with the unrelated business income.)

14	Compensation of officers, directors, and trustees (Schedule K)			
15	Salaries and wages			<b>15 1,690,278.</b>
16	Repairs and maintenance			
17	Bad debts			
18	Interest (attach schedule)			
19	Taxes and licenses			
20	Charitable contributions (See instructions for limitation rules)			
21	Depreciation (attach Form 4562)	<b>21</b>		
22	Less depreciation claimed on Schedule A and elsewhere on return	<b>22a</b>		<b>22b</b>
23	Depletion			
24	Contributions to deferred compensation plans			
25	Employee benefit programs			<b>25 1,500,078.</b>
26	Excess exempt expenses (Schedule I)			
27	Excess readership costs (Schedule J)			
28	Other deductions (attach schedule) <b>SEE STATEMENT 2</b>			<b>28 5,379,929.</b>
29	<b>Total deductions.</b> Add lines 14 through 28			<b>29 8,570,285.</b>
30	Unrelated business taxable income before net operating loss deduction. Subtract line 29 from line 13			<b>30 -1,170,765.</b>
31	Net operating loss deduction (limited to the amount on line 30) <b>SEE STATEMENT 4</b>			
32	Unrelated business taxable income before specific deduction. Subtract line 31 from line 30			<b>32 -1,170,765.</b>
33	Specific deduction (Generally \$1,000, but see line 33 instructions for exceptions)			<b>33 1,000.</b>
34	<b>Unrelated business taxable income.</b> Subtract line 33 from line 32. If line 33 is greater than line 32, enter the smaller of zero or line 32			<b>34 -1,170,765.</b>

Part III Tax Computation

35 Organizations Taxable as Corporations. See instructions for tax computation. Controlled group members (sections 1561 and 1563) check here [X] See instructions and: a Enter your share of the \$50,000, \$25,000, and \$9,925,000 taxable income brackets (in that order): (1) \$ 0. (2) \$ 0. (3) \$ 0. b Enter organization's share of: (1) Additional 5% tax (not more than \$11,750) \$ 0. (2) Additional 3% tax (not more than \$100,000) \$ 0. c Income tax on the amount on line 34 35c 0. 36 Trusts Taxable at Trust Rates. See instructions for tax computation. Income tax on the amount on line 34 from: [ ] Tax rate schedule or [ ] Schedule D (Form 1041) 36 37 Proxy tax. See instructions 37 38 Alternative minimum tax 38 39 Total. Add lines 37 and 38 to line 35c or 36, whichever applies 39 0.

Part IV Tax and Payments

40a Foreign tax credit (corporations attach Form 1118; trusts attach Form 1116) 40a 40b Other credits (see instructions) 40b 40c General business credit. Attach Form 3800 40c 40d Credit for prior year minimum tax (attach Form 8801 or 8827) 40d 40e Total credits. Add lines 40a through 40d 40e 41 Subtract line 40e from line 39 41 0. 42 Other taxes. Check if from: [ ] Form 4255 [ ] Form 8611 [ ] Form 8697 [ ] Form 8866 [ ] Other (attach schedule) 42 43 Total tax. Add lines 41 and 42 43 0. 44a Payments: A 2013 overpayment credited to 2014 44a 44b 2014 estimated tax payments 44b 44c Tax deposited with Form 8868 44c 44d Foreign organizations: Tax paid or withheld at source (see instructions) 44d 44e Backup withholding (see instructions) 44e 44f Credit for small employer health insurance premiums (Attach Form 8941) 44f 44g Other credits and payments: [ ] Form 2439 [ ] Form 4136 [ ] Other Total 44g 45 Total payments. Add lines 44a through 44g 45 46 Estimated tax penalty (see instructions). Check if Form 2220 is attached [ ] 46 47 Tax due. If line 45 is less than the total of lines 43 and 46, enter amount owed 47 0. 48 Overpayment. If line 45 is larger than the total of lines 43 and 46, enter amount overpaid 48 0. 49 Enter the amount of line 48 you want: Credited to 2015 estimated tax Refunded 49

Part V Statements Regarding Certain Activities and Other Information (see instructions)

1 At any time during the 2014 calendar year, did the organization have an interest in or a signature or other authority over a financial account (bank, securities, or other) in a foreign country? If YES, the organization may have to file Form FinCEN Form 114, Report of Foreign Bank and Financial Accounts. If YES, enter the name of the foreign country here CAYMAN ISLANDS Yes No X 2 During the tax year, did the organization receive a distribution from, or was it the grantor of, or transferor to, a foreign trust? If YES, see instructions for other forms the organization may have to file. Yes No X 3 Enter the amount of tax-exempt interest received or accrued during the tax year \$

Schedule A - Cost of Goods Sold. Enter method of inventory valuation N/A

1 Inventory at beginning of year 1 2 Purchases 2 3 Cost of labor 3 4a Additional section 263A costs (att. schedule) 4a b Other costs (attach schedule) 4b 5 Total. Add lines 1 through 4b 5 6 Inventory at end of year 6 7 Cost of goods sold. Subtract line 6 from line 5. Enter here and in Part I, line 2 7 8 Do the rules of section 263A (with respect to property produced or acquired for resale) apply to the organization? Yes No

Sign Here 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 taxpayer) is based on all information of which preparer has any knowledge. Signature of officer Date Title CFO May the IRS discuss this return with the preparer shown below (see instructions)? [X] Yes [ ] No Paid Preparer Use Only Print/Type preparer's name Preparer's signature Date Check [ ] if self-employed PTIN LORI S. BURGHAUSER 05/11/16 P00370694 Firm's name SC&H TAX & ADVISORY SERVICES, LLC Firm's EIN 20-5991824 910 RIDGEBROOK ROAD Firm's address SPARKS, MD 21152 Phone no. (410) 403-1500

**Schedule C - Rent Income (From Real Property and Personal Property Leased With Real Property)** (see instructions)

**1. Description of property**

(1)
(2)
(3)
(4)

2. Rent received or accrued		3(a) Deductions directly connected with the income in columns 2(a) and 2(b) (attach schedule)
(a) From personal property (if the percentage of rent for personal property is more than 10% but not more than 50%)	(b) From real and personal property (if the percentage of rent for personal property exceeds 50% or if the rent is based on profit or income)	
(1)		
(2)		
(3)		
(4)		
Total 0.		Total 0.

(c) Total income. Add totals of columns 2(a) and 2(b). Enter here and on page 1, Part I, line 6, column (A) **0.**

(b) Total deductions. Enter here and on page 1, Part I, line 8, column (B) **0.**

**Schedule E - Unrelated Debt-Financed Income** (see instructions)

1. Description of debt-financed property	2. Gross income from or allocable to debt-financed property	3. Deductions directly connected with or allocable to debt-financed property	
		(a) Straight line depreciation (attach schedule)	(b) Other deductions (attach schedule)
(1)			
(2)			
(3)			
(4)			

4. Amount of average acquisition debt on or allocable to debt-financed property (attach schedule)	5. Average adjusted basis of or allocable to debt-financed property (attach schedule)	6. Column 4 divided by column 5	7. Gross income reportable (column 2 x column 6)	8. Allocable deductions (column 6 x total of columns 3(a) and 3(b))
(1)		%		
(2)		%		
(3)		%		
(4)		%		

Totals **0.**

Total dividends-received deductions included in column 8 **0.**

**Schedule F - Interest, Annuities, Royalties, and Rents From Controlled Organizations** (see instructions)

1. Name of controlled organization	2. Employer identification number	Exempt Controlled Organizations			
		3. Net unrelated income (loss) (see instructions)	4. Total of specified payments made	5. Part of column 4 that is included in the controlling organization's gross income	6. Deductions directly connected with income in column 5
(1)					
(2)					
(3)					
(4)					

**Nonexempt Controlled Organizations**

7. Taxable income	8. Net unrelated income (loss) (see instructions)	9. Total of specified payments made	10. Part of column 9 that is included in the controlling organization's gross income	11. Deductions directly connected with income in column 10
(1)				
(2)				
(3)				
(4)				

Totals **0.**

Add columns 5 and 10. Enter here and on page 1, Part I, line 8, column (A) **0.**

Add columns 6 and 11. Enter here and on page 1, Part I, line 8, column (B) **0.**

**Schedule G - Investment Income of a Section 501(c)(7), (9), or (17) Organization**  
(see instructions)

1. Description of income	2. Amount of income	3. Deductions directly connected (attach schedule)	4. Set-asides (attach schedule)	5. Total deductions and set-asides (col. 3 plus col. 4)
(1)				
(2)				
(3)				
(4)				
<b>Totals</b>		Enter here and on page 1, Part I, line 9, column (A). 0.		Enter here and on page 1, Part I, line 9, column (B). 0.

**Schedule I - Exploited Exempt Activity Income, Other Than Advertising Income**  
(see instructions)

1. Description of exploited activity	2. Gross unrelated business income from trade or business	3. Expenses directly connected with production of unrelated business income	4. Net income (loss) from unrelated trade or business (column 2 minus column 3). If a gain, compute cols. 5 through 7.	5. Gross income from activity that is not unrelated business income	6. Expenses attributable to column 5	7. Excess exempt expenses (column 6 minus column 5, but not more than column 4).
(1)						
(2)						
(3)						
(4)						
<b>Totals</b>		Enter here and on page 1, Part I, line 10, col. (A). 0.	Enter here and on page 1, Part I, line 10, col. (B). 0.			Enter here and on page 1, Part II, line 26. 0.

**Schedule J - Advertising Income** (see instructions)

**Part I Income From Periodicals Reported on a Consolidated Basis**

1. Name of periodical	2. Gross advertising income	3. Direct advertising costs	4. Advertising gain or (loss) (col. 2 minus col. 3). If a gain, compute cols. 5 through 7.	5. Circulation income	6. Readership costs	7. Excess readership costs (column 6 minus column 5, but not more than column 4).
(1)						
(2)						
(3)						
(4)						
<b>Totals (carry to Part II, line (5))</b>		0.	0.			0.

**Part II Income From Periodicals Reported on a Separate Basis** (For each periodical listed in Part II, fill in columns 2 through 7 on a line-by-line basis.)

1. Name of periodical	2. Gross advertising income	3. Direct advertising costs	4. Advertising gain or (loss) (col. 2 minus col. 3). If a gain, compute cols. 5 through 7.	5. Circulation income	6. Readership costs	7. Excess readership costs (column 6 minus column 5, but not more than column 4).
(1)						
(2)						
(3)						
(4)						
<b>Totals from Part I</b>		0.	0.			0.
<b>Totals, Part II (lines 1-5)</b>		Enter here and on page 1, Part I, line 11, col. (A). 0.	Enter here and on page 1, Part I, line 11, col. (B). 0.			Enter here and on page 1, Part II, line 27. 0.

**Schedule K - Compensation of Officers, Directors, and Trustees** (see instructions)

1. Name	2. Title	3. Percent of time devoted to business	4. Compensation attributable to unrelated business
(1)		0%	
(2)		0%	
(3)		0%	
(4)		0%	
<b>Total. Enter here and on page 1, Part II, line 14</b>			0.

**SCHEDULE O  
(Form 1120)**

(Rev. December 2012)  
Department of the Treasury  
Internal Revenue Service

**Consent Plan and Apportionment Schedule  
for a Controlled Group**

▶ Attach to Form 1120, 1120-C, 1120-F, 1120-FSC, 1120-L, 1120-PC, 1120-REIT, or 1120-RIC.  
▶ Information about Schedule O (Form 1120) and its instructions is available at [www.irs.gov/form1120](http://www.irs.gov/form1120).

OMB No. 1545-0123

Name <b>ANNE ARUNDEL MEDICAL CENTER, INC.</b>	Employer identification number <b>52-1169362</b>
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**Part I Apportionment Plan Information**

1 Type of controlled group:

- a  Parent-subsidiary group
- b  Brother-sister group
- c  Combined group
- d  Life insurance companies only

2 This corporation has been a member of this group:

- a  For the entire year.
- b  From \_\_\_\_\_, until \_\_\_\_\_.

3 This corporation consents and represents to:

- a  Adopt an apportionment plan. All the other members of this group are adopting an apportionment plan effective for the current tax year which ends on \_\_\_\_\_, and for all succeeding tax years.
- b  Amend the current apportionment plan. All the other members of this group are currently amending a previously adopted plan, which was in effect for the tax year ending **JUNE 30, 2014**, and for all succeeding tax years.
- c  Terminate the current apportionment plan and not adopt a new plan. All the other members of this group are not adopting an apportionment plan.
- d  Terminate the current apportionment plan and adopt a new plan. All the other members of this group are adopting an apportionment plan effective for the current tax year which ends on \_\_\_\_\_, and for all succeeding tax years.

4 If you checked box 3c or 3d above, check the applicable box below to indicate if the termination of the current apportionment plan was:

- a  Elected by the component members of the group.
- b  Required for the component members of the group.

5 If you did not check a box on line 3 above, check the applicable box below concerning the status of the group's apportionment plan (see instructions).

- a  No apportionment plan is in effect and none is being adopted.
- b  An apportionment plan is already in effect. It was adopted for the tax year ending \_\_\_\_\_, and for all succeeding tax years.

6 If all the members of this group are adopting a plan or amending the current plan for a tax year after the due date (including extensions) of the tax return for this corporation, is there at least one year remaining on the statute of limitations from the date this corporation filed its amended return for such tax year for assessing any resulting deficiency? See instructions.

- a  Yes.
  - (i)  The statute of limitations for this year will expire on \_\_\_\_\_.
  - (ii)  On \_\_\_\_\_, this corporation entered into an agreement with the Internal Revenue Service to extend the statute of limitations for purposes of assessment until \_\_\_\_\_.
- b  No. The members may not adopt or amend an apportionment plan.

7 Required information and elections for component members. Check the applicable box(es) (see instructions).

- a  The corporation will determine its tax liability by applying the maximum tax rate imposed by section 11 to the entire amount of its taxable income.
- b  The corporation and the other members of the group elect the FIFO method (rather than defaulting to the proportionate method) for allocating the additional taxes for the group imposed by section 11(b)(1).
- c  The corporation has a short tax year that does not include December 31.

For Paperwork Reduction Act Notice, see Instructions for Form 1120.

Schedule O (Form 1120) (Rev. 12-2012)

413335 05-01-14 JWA

**Part II Taxable Income Apportionment** (See instructions)

Caution: Each total in Part II, column (g) for each component member must equal taxable income from Form 1120, page 1, line 30 or the comparable line of such member's tax return.

	(a) Group member's name and employer identification number	(b) Tax year and (Yr-Mo)	Taxable Income Amount Allocated to Each Bracket						(g) Total (add columns (c) through (f))
			(c) 15%	(d) 25%	(e) 34%	(f) 35%			
1	ANNE ARUNDEL MEDICAL CENTER, INC. 52-1169362	15-06	0.	0.	0.	0.	0.	0.	
2	PAVILION PARK, INC. 52-1890034	15-06	38,996.	25,000.	1,724,904.	11,004.	1,799,904.		
3	ANNE ARUNDEL REAL ESTATE HOLDING CO., INC. 52-1622251	15-06	11,004.	0.	0.	0.	11,004.		
4	ANNE ARUNDEL HEALTH CARE ENTERPRISES, INC. 52-1646304	15-06	0.	0.	0.	0.	0.		
5									
6									
7									
8									
9									
10									
11									
12									
<b>Total</b>			50,000.	25,000.	1,724,904.	11,004.	1,810,908.		

Schedule O (Form 1120) (Rev. 12-2012)

**Part III** Income Tax Apportionment (See instructions)

**Income Tax Apportionment**

	(a) Group member's name	(b) 15%	(c) 25%	(d) 34%	(e) 35%	(f) 5%	(g) 3%	(h) Total income tax (combine lines (b) through (g))
1	ANNE ARUNDEL MEDICAL CENTER, INC.	0.	0.	0.	0.	0.	0.	
2	PAVILION PARK, INC.	5,849.	6,250.	586,467.	3,851.	10,026.		612,443.
3	ANNE ARUNDEL REAL ESTATE HOLDING CO., INC.	1,651.	0.	0.	0.	1,724.		3,375.
4	ANNE ARUNDEL HEALTH CARE ENTERPRISES, INC.	0.	0.	0.	0.	0.		
5								
6								
7								
8								
9								
10								
11								
12								
	<b>Total</b>	<b>7,500.</b>	<b>6,250.</b>	<b>586,467.</b>	<b>3,851.</b>	<b>11,750.</b>		<b>615,818.</b>

Schedule O (Form 1120) (Rev. 12-2012)

**Part IV Other Apportionments (See instructions)**

		Other Apportionments				
	(a) Group member's name	(b) Accumulated earnings credit	(c) AMT exemption amount	(d) Phaseout of AMT exemption amount	(e) Penalty for failure to pay estimated tax	(f) Other
1	ANNE ARUNDEL MEDICAL CENTER, INC.					
2	PAVILION PARK, INC.		36,000.	150,000.		
3	ANNE ARUNDEL REAL ESTATE HOLDING CO., INC.		4,000.			
4	ANNE ARUNDEL HEALTH CARE ENTERPRISES, INC.					
5						
6						
7						
8						
9						
10						
11						
12						
	<b>Total</b>		40,000.	150,000.		

Schedule O (Form 1120) (Rev. 12-2012)

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FORM 990-T                      INCOME (LOSS) FROM PARTNERSHIPS  
AND S CORPORATIONS                      STATEMENT 1

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DESCRIPTION	AMOUNT
PREMIER PURCHASING PARTNERS, LP	17,265.
TOTAL TO FORM 990-T, PAGE 1, LINE 5	<u>17,265.</u>

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FORM 990-T                      OTHER DEDUCTIONS                      STATEMENT 2

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DESCRIPTION	AMOUNT
CONTRACTUAL ALLOWANCES	3,698,220.
PURCHASED SERVICES	1,680,784.
SUPPLIES	925.
TOTAL TO FORM 990-T, PAGE 1, LINE 28	<u>5,379,929.</u>

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FORM 990-T                      PARENT CORPORATION'S NAME AND IDENTIFYING NUMBER                      STATEMENT 3

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CORPORATION'S NAME	IDENTIFYING NO
ANNE ARUNDEL HEALTH SYSTEM	52-1622253

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FORM 990-T                      NET OPERATING LOSS DEDUCTION                      STATEMENT 4

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TAX YEAR	LOSS SUSTAINED	LOSS PREVIOUSLY APPLIED	LOSS REMAINING	AVAILABLE THIS YEAR
06/30/08	2,507,622.	0.	2,507,622.	2,507,622.
06/30/09	764,990.	0.	764,990.	764,990.
06/30/10	568,857.	0.	568,857.	568,857.
06/30/11	880,497.	0.	880,497.	880,497.
06/30/12	442,078.	0.	442,078.	442,078.
06/30/13	608,973.	0.	608,973.	608,973.
06/30/14	1,128,337.	0.	1,128,337.	1,128,337.
NOL CARRYOVER AVAILABLE THIS YEAR			<u>6,901,354.</u>	<u>6,901,354.</u>

# 2014 TAX RETURN FILING INSTRUCTIONS

NORTH CAROLINA FORM CD-405

## FOR THE YEAR ENDING

June 30, 2015

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**Prepared For:**

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

---

**Prepared By:**

SC&H TAX & ADVISORY SERVICES, LLC  
910 RIDGEBROOK ROAD  
SPARKS, MD 21152

---

**To Be Signed and Dated By:**

The appropriate corporate officer(s).

---

**Amount of Tax:**

Total tax	\$	37
Less: payments and credits	\$	3,000
Plus: other amount	\$	0
Plus: interest and penalties	\$	0
Overpayment	\$	2,963

---

**Overpayment:**

Credit to your estimated tax	\$	2,963
Other amount	\$	0
Refunded to you	\$	0

---

**Make Check Payable to:**

Not applicable

---

**Mail Tax Return and Check (if applicable) to:**

NCDOR  
P.O. Box 25000  
Raleigh, NC 27640-0500

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**Return Must be Mailed On or Before:**

May 16, 2016

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**Special Instructions:**

# C Corporation Tax Return 2014

**CD-405 (39)**

North Carolina Department of Revenue

For calendar year 2014, or other tax year beginning <b>07 01 14</b> and ending <b>06 30 15</b>	DOR Use Only
<b>ANNE ARUNDEL MEDICAL CENTER, INC</b> <b>2001 MEDICAL PARKWAY</b> <b>ANNAPOLIS MD 21401</b>	Federal Employer ID Number <b>521169362</b> N.C. Secretary of State ID Number NAICS Code <b>621510</b>
<input type="checkbox"/> Initial Return <input type="checkbox"/> Combined Return <input type="checkbox"/> Non U.S./Foreign <input type="checkbox"/> Final Return <input type="checkbox"/> Amended Return <input type="checkbox"/> Fed Sch M-3 is attached <input type="checkbox"/> Short Year Return <input checked="" type="checkbox"/> Tax Exempt-Nonprofit <input type="checkbox"/> Captive REIT	<input type="checkbox"/> NC-478 is attached <input type="checkbox"/> CD-479 is attached <input type="checkbox"/> Has Escheatable Property

ANNE 2001 21401 521169362 621510

PP P00370694 PFSP P IR N FR N SR N CR N AR N TE-NP Y

TN 4434816555 NF N M3 N RE N 478 N 479 N EP N

**ANNE ARUNDEL MEDICAL CENTER INC**

2001 MEDICAL PARKWAY	ANNAPOLIS	MD 21401
GR	0 09	0 21 0 31 0
TA	0 10	17265 22 16655 32 2963
01	0 11	0 24 0 36 0
HCE	N 13	0 26 37 BU
02	0 15	0 27 0 37A 0
03	0 16	17265 29A 0 37B 0
05	0 17	1000000 29B 3000 40 2963
06	0 18	17265 29C 0 41 0
07	0 19	0 29D 0 42 0
08	0 20	17265 29E 0 43 0



<b>Sch. A Computation of Franchise Tax</b>	<b>9. Franchise Tax Overpaid</b> 0
1. Cap Stock, Surplus, & Undivided Profits	0
Holding Company Exception	N
2. Investment in N.C. Tangible Property	0
3. Appraised Value of N.C. Tangible Property	0
4. Taxable Amount	0
5. Total Franchise Tax Due	0
6. Application for Franchise Tax Extension	0
7. Tax Credits	0
8. Franchise Tax Due	0
<b>Sch. B Computation of Corporate Income Tax</b>	<b>10. Federal Taxable Income</b> 17265
11. Adjustments to Federal Taxable Income	0
12. Net Income Before Contributions	17265
13. Contributions to Donees Outside N.C.	0
14. N.C. Taxable Income	17265
15. Nonapportionable Income	0
16. Apportionable Income	17265
17. Apportionment Factor	100.0000%

**Sign Return Below**       **Refund Due** 0       **Payment Due** 0

CFO	443-481-6555	05 12 16
Signature and Title of Officer	Corporate Telephone Number	Date
(410) 403-1500	P00370694	
Signature of Paid Preparer	Preparer's Telephone Number	Preparer's FEIN, SSN, or PTIN

I certify that to the best of my knowledge, this return is accurate and complete.       FEIN     SSN     PTIN

**CD-419 (39)**

8-13-13

**Application for  
Corporate Income Tax Extension**

North Carolina Department of Revenue

**GENERAL INSTRUCTIONS**

North Carolina law provides for an extension of time to file a North Carolina C Corporation Tax Return (CD-405) or S Corporation Tax Return (CD-401S). To obtain an extension, a taxpayer must complete this application and file the completed form by the original due date of the corporate tax return. When timely filed, Form CD-419 extends the due date of the return by 6 months. An extension of time to file the return does not extend the time to pay the amount of tax due. If you do not pay the full amount of tax due by the original due date of the return, interest and penalties will be assessed. North Carolina does not accept the federal extension in lieu of Form CD-419. You can use the personalized coupon printed below or you can go to the Department's website, [www.dorn.com](http://www.dorn.com) to apply for an extension and pay your tax online.

Corporations have the option of filing the Annual Report, Form CD-479, either in paper form with the Department of Revenue or in electronic form online with the Secretary of State. If the corporation elects to file the Annual Report in paper form with the Department of Revenue, include the Annual Report fee with the corporation's expected income tax liability. (See Line 4 below.)

Worksheet for Computation of Tax Paid with Application for Extension	
1. Total Franchise Tax Due (Minimum \$35.00)	0.00
2. Allowable Franchise Tax Credits (From Form CD-425)	0.00
3. Net Franchise Tax Due Line 1 minus Line 2	0.00
4. Total Corporate Income Tax Due (Include Annual Report Fee only if filing Annual Report with the Department of Revenue)	25.00
5. Estimated Income Tax Payments (Include any prior year's overpayment applied to current tax year)	3000.00
6. Allowable Corporate Income Tax Credits (From Form CD-425)	0.00
7. Net Corporate Income Tax Due Line 4 minus Line 5 and Line 6	-2975.00
8. Total Franchise and Corporate Income Tax Due with this Application Line 3 plus (or minus) Line 7	-2975.00



**CD-419 (39)**

8-13-13

**Application for Corporate Income Tax Extension**

North Carolina Department of Revenue

FEIN 521169362	Y NP/TE N NF N CO/MA	Tax year starting	07 01 14
SOS	Mail to: NCDOR, PO Box 25000, Raleigh, NC 27640-0520	and ending	06 30 15

ANNE ARUNDEL MEDICAL CENTER INC

2001 MEDICAL PARKWAY

ANNAPOLIS

MD 21401

Total Income Tax Due

\$

0.00

6420139010



06157 5211693624 000000 06530

CD-405 Line-by-Line Information

N.C. Education Endowment Fund; You may contribute to the N.C. Education Endowment Fund by making a contribution or designating some or all of your overpayment to the Fund. To make a contribution, enclose Form NC-EDU and your payment of

0

Sch. B Computation of Corporate Income Tax		Sch. D Investment in N.C. Tangible Property	
18. Income Apportioned to N.C.	17265	Inventory valuation method	
19. Nonapportionable Income Allocated to N.C.	0	1. Total inventories located in N.C.	0
20. Income Subject to N.C. Tax	17265	2. Total furniture, fixtures, and M & E located in N.C.	0
21. % Depletion over Cost - N.C. Property	0	3. Total land and buildings located in N.C.	0
22. Net Economic Loss (Attach schedule)	16655	4. Total leasehold improvements and other N.C. tangible property	0
23. Income Before Contributions to N.C. Donees	610	5. Add Lines 1 through 4	0
24. Contributions to N.C. Donees	0	6. Acc. depreciation, depletion, and amortization with respect to N.C. tangible property	0
25. Net Taxable Income	610	7. Debts existing for N.C. real estate	0
26. N.C. Net Income Tax	37	8. Investment in N.C. Tangible Property	0
27. Annual Report Fee	0	<b>Sch. E Appraised Value of N.C. Tangible Property</b>	
28. Add Lines 26 and 27	37	1. County tax value of N.C. tangible property	0
29. Payments and Credits		2. Appraised value of N.C. tangible property	0
a. Application for Income Tax Extension	0	<b>Sch. G Federal Taxable Income Before NOL Deduction</b>	
b. 2014 Estimated Tax (previous payments if amended)	3000	1. a. Gross receipts or sales	0
c. Partnership (include Form D-403, NC K-1)	0	b. Returns and allowances	0
d. Nonresident Withholding (include 1099 or W-2)	0	c. Balance - Line 1a minus Line 1b	0
e. Tax Credits	0	2. Cost of goods sold (Attach schedule)	0
30. Add Lines 29a through 29e	3000	3. Gross Profit (Line 1c minus Line 2)	0
31. Income Tax Due	0	4. Dividends (Attach schedule)	0
32. Income Tax Overpaid	2963	5. a. Interest on obligations of U.S. and its instrumentalities	0
<b>Tax Due or Refund</b>		b. Other interest	0
33. Franchise Tax Due or Overpayment	0	6. Gross rents	0
34. Income Tax Due or Overpayment	-2963	7. Gross royalties	0
35. Balance of Tax Due or Overpayment	-2963	8. Capital gain net income (Attach schedule)	0
36. Underpayment of Estimated Income Tax	0	9. Net gain (loss) (Attach schedule)	0
EU. Exception to Underpayment of Estimated Tax		10. Other income (Attach schedule)	0
37. a. Interest	0	11. Total Income	0
b. Penalties	0	12. Compensation of officers (Attach schedule)	0
c. Add Lines 37a and 37b	0	13. Salaries and wages (less employment credits)	0
38. Total Due	0	14. Repairs and maintenance	0
39. Overpayment	2963	15. Bad debts	0
40. 2015 Estimated Income Tax	2963	16. Rents	0
41. N.C. Nongame and Endangered Wildlife Fund	0	17. Taxes and licenses	0
42. N.C. Education Endowment Fund	0	18. Interest	0
43. Amount to be Refunded	0	19. Charitable contributions	0
<b>Sch. C Capital Stock, Surplus, and Undivided Profits</b>		20. a. Depreciation	0
1. Total capital stock outstanding less cost of treasury stock	0	b. Depreciation included in cost of goods sold	0
2. Paid-in or capital surplus	0	c. Balance - Line 20a minus 20b	0
3. Retained earnings	0	21. Depletion	0
4. Other surplus	0	22. Advertising	0
5. Deferred or unearned income	0	23. Pension, profit-sharing, and similar plans	0
6. Allowance for bad debts	0	24. Employee benefit programs	0
7. LIFO reserves	0	25. Domestic production activities deduction	0
8. Other reserves that do not represent definite and accrued legal liabilities (Attach schedule)	0	26. Other deductions (Attach schedule)	0
9. Add Lines 1 through 8	0	27. Total Deductions	0
10. Affiliated indebtedness (Attach schedule)	0	28. Taxable Income Per Federal Return Before NOL and Special Deductions	0
11. Line 9 plus (or minus) Line 10	0	29. Special Deductions	0
12. Apportionment factor	100.0000%	30. Federal Taxable Income	0
13. Capital Stock, Surplus, and Undivided Profits	0		

Legal Name (First 10 Characters)

**ANNE ARUND**

Federal Employer ID Number

**521169362**

**Sch. H Adjustments to Federal Taxable Income**

1. Additions		
a. Taxes based on net income	1a.	0
b. Dividends paid by captive REITs	1b.	0
c. Contributions	1c.	0
d. Royalties paid to related members	1d.	0
e. Expenses attributable to income not taxed	1e.	0
f. Domestic production activities deduction	1f.	0
g. Other (Attach schedule)	1g.	0
2. Total Additions	2.	0
3. Deductions		
a. U.S. obligation interest (net of expenses)	3a.	0
b. Other deductible dividends	3b.	0
c. Dividends received from captive REITs	3c.	0
d. Royalties received from related members	3d.	0
e. Interest on deposits with FHLB (net of expenses) S&L's only	3e.	0
f. Bonus depreciation	3f.	0
g. Section 179 expense deduction	3g.	0
h. Other (Attach schedule)	3h.	0
4. Total Deductions	4.	0
5. Adjustments to Federal Taxable Income	5.	0

**Sch. I Contributions**

1. Contributions to Donees Outside N.C.		
a. Total contributions to donees outside N.C.	1a.	0
b. Multiply Schedule B, Line 12 by 5%, if Line 12 is greater than zero. Otherwise enter zero.	1b.	863
c. Amount Deductible	1c.	0
2. Contributions to N.C. Donees		
a. Total contributions to N.C. donees other than those listed in Line 2d	2a.	0
b. Multiply Sch. B, Line 23 by 5%, if Line 23 is greater than zero. Otherwise enter zero.	2b.	31
c. Enter the lesser of Line 2a or 2b	2c.	0
d. Total contributions to the State of N.C. and its political subdivisions	2d.	0
e. Amount Deductible	2e.	0

**Other Information - All Taxpayers Must Complete this Schedule**

1. a. State of incorporation	<b>MARYLAND</b>	8. Is this corporation subject to franchise tax but not N.C. income tax because the corporation's income tax activities are protected under P.L. 86-272? (If yes, attach explanation)	<b>N</b>
b. Date incorporated	<b>02 18 02</b>	9. Officers' names and addresses:	
2. Date of N.C. Certificate of Authority		President	<b>VICTORIA BAYLESS ANNAPOLIS, MD 21401</b>
3. a. Reg or principal trade or bus in N.C.	<b>MEDICAL RESE</b>	Vice-President	
b. Reg or principal trade or bus everywhere	<b>MEDICAL RESE</b>	Secretary	<b>MAULIK JOSHI ANNAPOLIS, MD 21401</b>
4. Principal place bus is directed or managed	<b>ANNAPOLIS</b>	Treasurer	<b>LEISA C. RUSSELL ANNAPOLIS, MD 21401</b>
5. What was the last year the IRS redetermined the corporation's federal taxable income?			
6. a. Were adjustments reported to N.C.?	<b>N</b>		
b. If so, when?			
7. Does this corporation finance or discount its receivables through a related or an affiliated company?	<b>N</b>		

Explanation of Changes for Amended Return:

Sch. L Balance Sheet per Books

Assets	Beginning of Tax Year		End of Tax Year	
	(a)	(b)	(c)	(d)
1. Cash		0		0
2. a. Trade notes and accounts receivable	0		0	
b. Less allowance for bad debts (	0)		0)	
3. Inventories		0		0
4. a. U.S. government obligations		0		0
b. State and other obligations		0		0
5. Tax-exempt securities		0		0
6. Other current assets (Attach schedule)		0		0
7. Loans to shareholders		0		0
8. Mortgage and real estate loans		0		0
9. Other investments (Attach schedule)		0		0
10. a. Buildings and other depreciable assets	0		0	
b. Less accumulated depreciation (	0)		0)	
11. a. Depletable assets	0		0	
b. Less accumulated depletion (	0)		0)	
12. Land (net of any amortization)		0		0
13. a. Intangible assets (amortizable only)	0		0	
b. Less accumulated amortization (	0)		0)	
14. Other assets (Attach schedule)		0		0
15. Total Assets		0		0
<b>Liabilities and Shareholders' Equity</b>				
16. Accounts payable		0		0
17. Mortgages, notes, and bonds payable in less than 1 year		0		0
18. Other current liabilities (Attach schedule)		0		0
19. Loans from shareholders		0		0
20. Mortgages, notes, and bonds payable in 1 year or more		0		0
21. Other liabilities (Attach schedule)		0		0
22. Capital stock: a. Preferred Stock	0		0	
b. Common Stock	0		0	
23. Additional paid-in capital		0		0
24. Retained earnings - Appropriated (Attach schedule)		0		0
25. Retained earnings - Unappropriated		0		0
26. Adjustments to shareholders' equity (Attach schedule)		0		0
27. Less cost of treasury stock	(	0)	(	0)
28. Total Liabilities and Shareholders' Equity		0		0

Sch. M-1 Reconciliation of Income (Loss) per Books with Income per Return

1. Net income (loss) per books	0	7. Income recorded on books this year	
2. Federal income tax	0	not included on this return:	
3. Excess of capital losses over capital gains	0	Tax-exempt interest	\$ 0
4. Income subject to tax not recorded on books this year:			
	0		0
5. Expenses recorded on books this year not deducted on this return:		8. Deductions on this return not charged against book income this year:	
a. Depreciation	\$ 0	a. Depreciation	\$ 0
b. Charitable Contributions	\$ 0	b. Charitable Contributions	\$ 0
c. Travel and entertainment	\$ 0		
	0	9. Add Lines 7 and 8	0
6. Add Lines 1 through 5	0	10. Income	0

This page must be filed with this form.

Legal Name (First 10 Characters)

ANNE ARUND

Federal Employer ID Number

521169362

**Sch. M-2 Retained Earnings Analysis**

1. Balance at beginning of year	0	5. Distributions: a. Cash	0
2. Net income (loss) per books	0	b. Stock	0
3. Other increases:		c. Property	0
		6. Other decreases:	0
	0	7. Add Lines 5 and 6	0
4. Add Lines 1, 2, and 3	0	8. Balance at End of Year	0

**Sch. N Nonapportionable Income**

Nonapportionable Income	Gross Amounts	Related Expenses	Net Amounts	Net Amounts Allocated Directly to N.C.
	0	0	0	0
	0	0	0	0
	0	0	0	0
	0	0	0	0
	0	0	0	0
1. Nonapportionable Income			0	
2. Nonapportionable Income Allocated to N.C.				0

Explanation of why income listed is nonapportionable income rather than apportionable income:

**Sch. O Computation of Apportionment Factor**

**Part 1. Domestic and Other Corporations Not Apportioning Franchise or Income Outside N.C.** 100.0000%

**Part 2. Corporations Apportioning Franchise or Income to N.C. and to Other States**

	1. Within North Carolina		2. Total Everywhere		Factor
	(a) Beginning Period	(b) Ending Period	(a) Beginning Period	(b) Ending Period	
1. Land	0	0	0	0	
2. Buildings	0	0	0	0	
3. Inventories	0	0	0	0	
4. Other property	0	0	0	0	
5. Total	0	0	0	0	
6. Average value of property		0		0	
7. Rented Property		0		0	
8. Property Factor		0		0	.0000%
9. Gross Payroll		0		0	
10. Compensation of general executive officers		0		0	
11. Payroll Factor		0		0	.0000%
12. Sales Factor		0		0	.0000%
13. Sales Factor					.0000%
14. Total of Factors					.0000%
15. N.C. Apportionment Factor					.0000%
<b>Part 3. Corporations Apportioning Franchise or Income to N.C. and to Other States Using Single Sales Factor</b>					.0000%
<b>Part 4. Special Apportionment</b>					.0000%

This page must be filed with this form.

## FOOTNOTES

## STATEMENT 1

FORM CD-405, PAGE 1, SCHEDULE B, LINE 10

ANNE ARUNDEL MEDICAL CENTER, INC. (AAMC) HAD A NET LOSS OF <-\$1,170,765> FOR ALL UNRELATED BUSINESS INCOME FOR THE FISCAL YEAR ENDED JUNE 30, 2015. AAMC HAD UNRELATED BUSINESS INCOME FROM A PASSTHROUGH ENTITY IN THE AMOUNT OF \$17,265 THAT HAS BEEN APPORTIONED TO NORTH CAROLINA. AS SUCH, LINE 10 ONLY REFLECTS THE PORTION OF THE TOTAL INCOME APPORTIONED TO NORTH CAROLINA.

NC SCH B CURRENT YEAR NET ECONOMIC INCOME/LOSS AND NEL DEDUCTION STATEMENT 2

1) INCOME BEFORE APPORTIONMENT	17,265.
2) TAX EXEMPT MUNICIPAL INTEREST	0.
3) U.S. INTEREST	0.
4) DEDUCTIBLE PORTION OF DIVIDENDS	0.
5) DEDUCTIBLE PORTION OF PRIOR YEAR CAPITAL LOSS	0.
6) OTHER TAX EXEMPT INCOME	0.
7) INCOME BEFORE APPORTIONMENT AND TAX EXEMPT INCOME	17,265.
8) NONBUSINESS INCOME (MULTISTATE CORPORATIONS ONLY)	0.
9) OTHER DEDUCTIONS FROM TAX EXEMPT INCOME	0.
10) TOTAL BUSINESS INCOME	17,265.

(IF ALL BUSINESS IS IN N.C. SKIP TO LINE 20)

MULTISTATE CORPORATIONS

11) APPORTIONMENT PERCENT	
12) APPORTIONED BUSINESS INCOME	
13) APPORTIONABLE NORTH CAROLINA NONBUSINESS INCOME	
14) APPORTIONED NORTH CAROLINA NONBUSINESS INCOME	
15) OTHER APPORTIONABLE ADJUSTMENTS	0.
16) NONBUSINESS INCOME ALLOCATED TO NORTH CAROLINA	
17) NONBUSINESS INCOME NOT TAXABLE TO NORTH CAROLINA	0.
18) APPORTIONED NONBUSINESS INCOME NOT TAXABLE TO NC	0.
19) CONTRIBUTIONS TO NORTH CAROLINA DONEES	0.
20) TOTAL NET ECONOMIC INCOME (LOSS)	17,265.
21) NET ECONOMIC INCOME AS TAXABLE INCOME	17,265.
22) NONTAXABLE PORTION OF NET ECONOMIC INCOME	0.

NET ECONOMIC LOSS DEDUCTION:

	<u>NET ECONOMIC LOSS</u>	<u>TAXABLE INCOME LOSS SUSTAINED</u>	<u>NON TAXABLE LOSS SUSTAINED</u>
1999	0.	0.	0.
2000	0.	0.	0.
2001	0.	0.	0.
2002	0.	0.	0.
2003	0.	0.	0.
2004	0.	0.	0.
2005	0.	0.	0.
2006	0.	0.	0.
2007	0.	0.	0.
2008	0.	0.	0.
2009	0.	0.	0.
2010	0.	0.	0.
2011	0.	0.	0.
2012	0.	0.	0.
2013	16,655.	16,655.	0.

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NC SCH B NET ECONOMIC LOSS DEDUCTION (CONTINUE) STATEMENT 3

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	LOSS PREVIOUSLY APPLIED	TAXABLE LOSS APPLIED	NON TAXABLE LOSS APPLIED
1999	0.	0.	0.
2000	0.	0.	0.
2001	0.	0.	0.
2002	0.	0.	0.
2003	0.	0.	0.
2004	0.	0.	0.
2005	0.	0.	0.
2006	0.	0.	0.
2007	0.	0.	0.
2008	0.	0.	0.
2009	0.	0.	0.
2010	0.	0.	0.
2011	0.	0.	0.
2012	0.	0.	0.
2013	0.	0.	0.
	<u>REMAINING</u>	<u>REMAINING</u>	<u>LOSS REMAINING</u>
1999	0.	0.	0.
2000	0.	0.	0.
2001	0.	0.	0.
2002	0.	0.	0.
2003	0.	0.	0.
2004	0.	0.	0.
2005	0.	0.	0.
2006	0.	0.	0.
2007	0.	0.	0.
2008	0.	0.	0.
2009	0.	0.	0.
2010	0.	0.	0.
2011	0.	0.	0.
2012	0.	0.	0.
2013	16,655.	16,655.	0.
TOTAL	<u>16,655.</u>	<u>16,655.</u>	<u>0.</u>
TOTAL REMAINING LOSS			16,655.
TOTAL AVAILABLE LOSS			16,655.
CURRENT YEAR NET ECONOMIC GAIN OR LOSS			17,265.
NET ECONOMIC LOSS USED TO OFFSET CURRENT NONTAXABLE INCOME			0.
NET ECONOMIC LOSS DEDUCTION			<u>16,655.</u>

# Exempt Organization Business Income Tax Return (and proxy tax under section 6033(e))

For calendar year 2014 or other tax year beginning JUL 1, 2014 and ending JUN 30, 2015

## 2014

Department of the Treasury  
Internal Revenue Service

▶ Information about Form 990-T and its instructions is available at [www.irs.gov/form990t](http://www.irs.gov/form990t).  
▶ Do not enter SSN numbers on this form as it may be made public if your organization is a 501(c)(3).

Open to Public Inspection for  
501(c)(3) Organizations Only

<b>A</b> <input type="checkbox"/> Check box if address changed	Print or Type	Name of organization ( <input type="checkbox"/> Check box if name changed and see instructions.)  <b>ANNE ARUNDEL MEDICAL CENTER, INC.</b>	<b>D</b> Employer identification number (Employees' trust, see instructions.)  <b>52-1169362</b>
<b>B</b> Exempt under section <input checked="" type="checkbox"/> 501(c)(3) <input type="checkbox"/> 408(e) <input type="checkbox"/> 220(e) <input type="checkbox"/> 408A <input type="checkbox"/> 530(a) <input type="checkbox"/> 529(a)		Number, street, and room or suite no. If a P.O. box, see instructions. <b>2001 MEDICAL PARKWAY</b>	<b>E</b> Unrelated business activity codes (See instructions.)  <b>621500 541900</b>
<b>C</b> Book value of all assets at end of year <b>935343910.</b>		City or town, state or province, country, and ZIP or foreign postal code <b>ANNAPOLIS, MD 21401</b>	
		<b>F</b> Group exemption number (See instructions.)	
		<b>G</b> Check organization type <input checked="" type="checkbox"/> 501(c) corporation <input type="checkbox"/> 501(c) trust <input type="checkbox"/> 401(a) trust <input type="checkbox"/> Other trust	

**H** Describe the organization's primary unrelated business activity. ▶ **LABORATORY SERVICES**

**I** During the tax year, was the corporation a subsidiary in an affiliated group or a parent-subsidiary controlled group?  Yes  No  
If "Yes," enter the name and identifying number of the parent corporation. ▶ **SEE STATEMENT 3**

**J** The books are in care of ▶ **SANDRA HUFFER** Telephone number ▶ **(443) 481-6554**

Part I Unrelated Trade or Business Income		(A) Income	(B) Expenses	(C) Net
1 a	Gross receipts or sales <b>7,382,255.</b>			
b	Less returns and allowances			
c Balance ▶		1c		
		7,382,255.		
2	Cost of goods sold (Schedule A, line 7)	2		
3	Gross profit. Subtract line 2 from line 1c	3		7,382,255.
4 a	Capital gain net income (attach Schedule D)	4a		
b	Net gain (loss) (Form 4797, Part II, line 17) (attach Form 4797)	4b		
c	Capital loss deduction for trusts	4c		
5	Income (loss) from partnerships and S corporations (attach statement)	5	17,265.	STMT 1 17,265.
6	Rent income (Schedule C)	6		
7	Unrelated debt-financed income (Schedule E)	7		
8	Interest, annuities, royalties, and rents from controlled organizations (Sch. F)	8		
9	Investment income of a section 501(c)(7), (9), or (17) organization (Schedule G)	9		
10	Exploited exempt activity income (Schedule I)	10		
11	Advertising income (Schedule J)	11		
12	Other income (See instructions; attach schedule)	12		
13	<b>Total.</b> Combine lines 3 through 12	13	7,399,520.	7,399,520.

Part II Deductions Not Taken Elsewhere (See instructions for limitations on deductions) (Except for contributions, deductions must be directly connected with the unrelated business income)			
14	Compensation of officers, directors, and trustees (Schedule K)	14	
15	Salaries and wages	15	1,690,278.
16	Repairs and maintenance	16	
17	Bad debts	17	
18	Interest (attach schedule)	18	
19	Taxes and licenses	19	
20	Charitable contributions (See instructions for limitation rules)	20	
21	Depreciation (attach Form 4562)	21	
22	Less depreciation claimed on Schedule A and elsewhere on return	22a	22b
23	Depletion	23	
24	Contributions to deferred compensation plans	24	
25	Employee benefit programs	25	1,500,078.
26	Excess exempt expenses (Schedule I)	26	
27	Excess readership costs (Schedule J)	27	
28	Other deductions (attach schedule) <b>SEE STATEMENT 2</b>	28	5,379,929.
29	<b>Total deductions.</b> Add lines 14 through 28	29	8,570,285.
30	Unrelated business taxable income before net operating loss deduction. Subtract line 29 from line 13	30	-1,170,765.
31	Net operating loss deduction (limited to the amount on line 30) <b>SEE STATEMENT 4</b>	31	
32	Unrelated business taxable income before specific deduction. Subtract line 31 from line 30	32	-1,170,765.
33	Specific deduction (Generally \$1,000, but see line 33 instructions for exceptions)	33	1,000.
34	<b>Unrelated business taxable income.</b> Subtract line 33 from line 32. If line 33 is greater than line 32, enter the smaller of zero or line 32	34	-1,170,765.

Part III Tax Computation

35 Organizations Taxable as Corporations. See instructions for tax computation. Controlled group members (sections 1561 and 1563) check here [X] See instructions and: a Enter your share of the \$50,000, \$25,000, and \$9,925,000 taxable income brackets (in that order): (1) \$ 0. (2) \$ 0. (3) \$ 0. b Enter organization's share of: (1) Additional 5% tax (not more than \$11,750) \$ 0. (2) Additional 3% tax (not more than \$100,000) \$ 0. c Income tax on the amount on line 34 35c 0. 36 Trusts Taxable at Trust Rates. See instructions for tax computation. Income tax on the amount on line 34 from: [ ] Tax rate schedule or [ ] Schedule D (Form 1041) 36 37 Proxy tax. See instructions 37 38 Alternative minimum tax 38 39 Total. Add lines 37 and 38 to line 35c or 36, whichever applies 39 0.

Part IV Tax and Payments

40a Foreign tax credit (corporations attach Form 1118; trusts attach Form 1116) 40a 40b Other credits (see instructions) 40b 40c General business credit. Attach Form 3800 40c 40d Credit for prior year minimum tax (attach Form 8801 or 8827) 40d 40e Total credits. Add lines 40a through 40d 40e 41 Subtract line 40e from line 39 41 0. 42 Other taxes. Check if from: [ ] Form 4255 [ ] Form 8611 [ ] Form 8697 [ ] Form 8866 [ ] Other (attach schedule) 42 43 Total tax. Add lines 41 and 42 43 0. 44a Payments: A 2013 overpayment credited to 2014 44a 44b 2014 estimated tax payments 44b 44c Tax deposited with Form 8868 44c 44d Foreign organizations: Tax paid or withheld at source (see instructions) 44d 44e Backup withholding (see instructions) 44e 44f Credit for small employer health insurance premiums (Attach Form 8941) 44f 44g Other credits and payments: [ ] Form 2439 [ ] Form 4136 [ ] Other Total 44g 45 Total payments. Add lines 44a through 44g 45 46 Estimated tax penalty (see instructions). Check if Form 2220 is attached [ ] 46 47 Tax due. If line 45 is less than the total of lines 43 and 46, enter amount owed 47 0. 48 Overpayment. If line 45 is larger than the total of lines 43 and 46, enter amount overpaid 48 0. 49 Enter the amount of line 48 you want: Credited to 2015 estimated tax Refunded 49

Part V Statements Regarding Certain Activities and Other Information (see instructions)

1 At any time during the 2014 calendar year, did the organization have an interest in or a signature or other authority over a financial account (bank, securities, or other) in a foreign country? If YES, the organization may have to file Form FinCEN Form 114, Report of Foreign Bank and Financial Accounts. If YES, enter the name of the foreign country here CAYMAN ISLANDS Yes No X 2 During the tax year, did the organization receive a distribution from, or was it the grantor of, or transferor to, a foreign trust? If YES, see instructions for other forms the organization may have to file. Yes No X 3 Enter the amount of tax-exempt interest received or accrued during the tax year \$

Schedule A - Cost of Goods Sold. Enter method of inventory valuation N/A

1 Inventory at beginning of year 1 2 Purchases 2 3 Cost of labor 3 4a Additional section 263A credits (att. schedule) 4a b Other costs (attach schedule) 4b 5 Total. Add lines 1 through 4b 5 6 Inventory at end of year 6 7 Cost of goods sold. Subtract line 6 from line 5. Enter here and in Part I, line 2 7 8 Do the rules of section 263A (with respect to property produced or acquired for resale) apply to the organization? Yes No

Sign Here 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 taxpayer) is based on all information of which preparer has any knowledge. Signature of officer Date CFO Title May the IRS discuss this return with the preparer shown below (see instructions)? [X] Yes [ ] No Paid Preparer Use Only Print/Type preparer's name Preparer's signature Date Check [ ] if self-employed PTIN LORI S. BURGHAUSER Lori S. Burghauer 05/11/16 P00370694 Firm's name SC&H TAX & ADVISORY SERVICES, LLC Firm's EIN 20-5991824 Firm's address 910 RIDGEBROOK ROAD SPARKS, MD 21152 Phone no. (410) 403-1500

**Schedule C - Rent Income (From Real Property and Personal Property Leased With Real Property)** (see instructions)

**1. Description of property**

(1)
(2)
(3)
(4)

2. Rent received or accrued		3(a) Deductions directly connected with the income in columns 2(a) and 2(b) (attach schedule)
(a) From personal property (if the percentage of rent for personal property is more than 10% but not more than 50%)	(b) From real and personal property (if the percentage of rent for personal property exceeds 50% or if the rent is based on profit or income)	
(1)		
(2)		
(3)		
(4)		
Total	0.	Total 0.

(c) Total income. Add totals of columns 2(a) and 2(b). Enter here and on page 1, Part I, line 6, column (A) **0.** (b) Total deductions. Enter here and on page 1, Part I, line 6, column (B) **0.**

**Schedule E - Unrelated Debt-Financed Income** (see instructions)

1. Description of debt-financed property	2. Gross income from or allocable to debt-financed property	3. Deductions directly connected with or allocable to debt-financed property		
		(a) Straight line depreciation (attach schedule)	(b) Other deductions (attach schedule)	
(1)				
(2)				
(3)				
(4)				
4. Amount of average acquisition debt on or allocable to debt-financed property (attach schedule)	5. Average adjusted basis of or allocable to debt-financed property (attach schedule)	6. Column 4 divided by column 5	7. Gross income reportable (column 2 x column 6)	8. Allocable deductions (column 6 x total of columns 3(a) and 3(b))
(1)		%		
(2)		%		
(3)		%		
(4)		%		

Totals **0.** Enter here and on page 1, Part I, line 7, column (A). **0.** Enter here and on page 1, Part I, line 7, column (B). Total dividends-received deductions included in column 8 **0.**

**Schedule F - Interest, Annuities, Royalties, and Rents From Controlled Organizations** (see instructions)

1. Name of controlled organization	2. Employer identification number	Exempt Controlled Organizations			
		3. Net unrelated income (loss) (see instructions)	4. Total of specified payments made	5. Part of column 4 that is included in the controlling organization's gross income	6. Deductions directly connected with income in column 5
(1)					
(2)					
(3)					
(4)					

**Nonexempt Controlled Organizations**

7. Taxable income	8. Net unrelated income (loss) (see instructions)	9. Total of specified payments made	10. Part of column 9 that is included in the controlling organization's gross income	11. Deductions directly connected with income in column 10
(1)				
(2)				
(3)				
(4)				

Totals **0.** Add columns 5 and 10. Enter here and on page 1, Part I, line 8, column (A). **0.** Add columns 6 and 11. Enter here and on page 1, Part I, line 8, column (B).

**Schedule G - Investment Income of a Section 501(c)(7), (9), or (17) Organization**

(see instructions)

1. Description of income	2. Amount of income	3. Deductions directly connected (attach schedule)	4. Set-asides (attach schedule)	5. Total deductions and set-asides (col. 3 plus col. 4)
(1)				
(2)				
(3)				
(4)				
<b>Totals</b>	0.			0.

**Schedule I - Exploited Exempt Activity Income, Other Than Advertising Income**

(see instructions)

1. Description of exploited activity	2. Gross unrelated business income from trade or business	3. Expenses directly connected with production of unrelated business income	4. Net income (loss) from unrelated trade or business (column 2 minus column 3). If a gain, compute cols. 5 through 7.	5. Gross income from activity that is not unrelated business income	6. Expenses attributable to column 5	7. Excess exempt expenses (column 6 minus column 5, but not more than column 4).
(1)						
(2)						
(3)						
(4)						
<b>Totals</b>	0.	0.				0.

**Schedule J - Advertising Income** (see instructions)

**Part I Income From Periodicals Reported on a Consolidated Basis**

1. Name of periodical	2. Gross advertising income	3. Direct advertising costs	4. Advertising gain or (loss) (col. 2 minus col. 3). If a gain, compute cols. 5 through 7.	5. Circulation income	6. Readership costs	7. Excess readership costs (column 6 minus column 5, but not more than column 4).
(1)						
(2)						
(3)						
(4)						
<b>Totals (carry to Part II, line 5)</b>	0.	0.				0.

**Part II Income From Periodicals Reported on a Separate Basis** (For each periodical listed in Part II, fill in columns 2 through 7 on a line-by-line basis.)

1. Name of periodical	2. Gross advertising income	3. Direct advertising costs	4. Advertising gain or (loss) (col. 2 minus col. 3). If a gain, compute cols. 5 through 7.	5. Circulation income	6. Readership costs	7. Excess readership costs (column 6 minus column 5, but not more than column 4).
(1)						
(2)						
(3)						
(4)						
<b>Totals from Part I</b>	0.	0.				0.
<b>Totals, Part II (lines 1-5)</b>	0.	0.				0.

**Schedule K - Compensation of Officers, Directors, and Trustees** (see instructions)

1. Name	2. Title	3. Percent of time devoted to business	4. Compensation attributable to unrelated business
(1)		%	
(2)		%	
(3)		%	
(4)		%	
<b>Total. Enter here and on page 1, Part II, line 14</b>			0.

**SCHEDULE O  
(Form 1120)**

(Rev. December 2012)  
Department of the Treasury  
Internal Revenue Service

**Consent Plan and Apportionment Schedule  
for a Controlled Group**

▶ Attach to Form 1120, 1120-C, 1120-F, 1120-FSC, 1120-L, 1120-PC, 1120-REIT, or 1120-RIC.  
▶ Information about Schedule O (Form 1120) and its instructions is available at [www.irs.gov/form1120](http://www.irs.gov/form1120).

OMB No. 1545-0123

Name

Employer identification number

**ANNE ARUNDEL MEDICAL CENTER, INC.**

**52-1169362**

**Part I Apportionment Plan Information**

1 Type of controlled group:

- a  Parent-subsidiary group
- b  Brother-sister group
- c  Combined group
- d  Life insurance companies only

2 This corporation has been a member of this group:

- a  For the entire year.
- b  From \_\_\_\_\_, until \_\_\_\_\_.

3 This corporation consents and represents to:

- a  Adopt an apportionment plan. All the other members of this group are adopting an apportionment plan effective for the current tax year which ends on \_\_\_\_\_, and for all succeeding tax years.
- b  Amend the current apportionment plan. All the other members of this group are currently amending a previously adopted plan, which was in effect for the tax year ending JUNE 30, 2014, and for all succeeding tax years.
- c  Terminate the current apportionment plan and not adopt a new plan. All the other members of this group are not adopting an apportionment plan.
- d  Terminate the current apportionment plan and adopt a new plan. All the other members of this group are adopting an apportionment plan effective for the current tax year which ends on \_\_\_\_\_, and for all succeeding tax years.

4 If you checked box 3c or 3d above, check the applicable box below to indicate if the termination of the current apportionment plan was:

- a  Elected by the component members of the group.
- b  Required for the component members of the group.

5 If you did not check a box on line 3 above, check the applicable box below concerning the status of the group's apportionment plan (see instructions).

- a  No apportionment plan is in effect and none is being adopted.
- b  An apportionment plan is already in effect. It was adopted for the tax year ending \_\_\_\_\_, and for all succeeding tax years.

6 If all the members of this group are adopting a plan or amending the current plan for a tax year after the due date (including extensions) of the tax return for this corporation, is there at least one year remaining on the statute of limitations from the date this corporation filed its amended return for such tax year for assessing any resulting deficiency? See instructions.

- a  Yes.
  - (i)  The statute of limitations for this year will expire on \_\_\_\_\_.
  - (ii)  On \_\_\_\_\_, this corporation entered into an agreement with the Internal Revenue Service to extend the statute of limitations for purposes of assessment until \_\_\_\_\_.
- b  No. The members may not adopt or amend an apportionment plan.

7 Required information and elections for component members. Check the applicable box(es) (see instructions).

- a  The corporation will determine its tax liability by applying the maximum tax rate imposed by section 11 to the entire amount of its taxable income.
- b  The corporation and the other members of the group elect the FIFO method (rather than defaulting to the proportionate method) for allocating the additional taxes for the group imposed by section 11(b)(1).
- c  The corporation has a short tax year that does not include December 31.

For Paperwork Reduction Act Notice, see Instructions for Form 1120.

Schedule O (Form 1120) (Rev. 12-2012)

413335 05-01-14 JWA

**Part II Taxable Income Apportionment** (See instructions)

Caution: Each total in Part II, column (g) for each component member must equal taxable income from Form 1120, page 1, line 30 or the comparable line of such member's tax return.

	(a) Group member's name and employer identification number	(b) Tax year and (Yr-Mo)	Taxable Income Amount Allocated to Each Bracket				(g) Total (add columns (c) through (f))
			(c) 15%	(d) 25%	(e) 34%	(f) 35%	
1	ANNE ARUNDEL MEDICAL CENTER, INC. 52-1169362	15-06	0.	0.	0.	0.	0.
2	PAVILION PARK, INC. 52-1890034	15-06	38,996.	25,000.	1,724,904.	11,004.	1,799,904.
3	ANNE ARUNDEL REAL ESTATE HOLDING CO., INC. 52-1622251	15-06	11,004.	0.	0.	0.	11,004.
4	ANNE ARUNDEL HEALTH CARE ENTERPRISES, INC. 52-1646304	15-06	0.	0.	0.	0.	0.
5							
6							
7							
8							
9							
10							
11							
12							
<b>Total</b>			50,000.	25,000.	1,724,904.	11,004.	1,810,908.

Schedule O (Form 1120) (Rev. 12-2012)

**Part III** Income Tax Apportionment (See instructions)

	(a) Group member's name	Income Tax Apportionment							(h) Total income tax (combine lines (b) through (g))
		(b) 15%	(c) 25%	(d) 34%	(e) 35%	(f) 5%	(g) 3%		
1	ANNE ARUNDEL MEDICAL CENTER, INC.	0.	0.	0.	0.	0.	0.	0.	
2	PAVILION PARK, INC.	5,849.	6,250.	586,467.	3,851.	10,025.			612,443.
3	ANNE ARUNDEL REAL ESTATE HOLDING CO., INC.	1,651.	0.	0.	0.	1,724.			3,375.
4	ANNE ARUNDEL HEALTH CARE ENTERPRISES, INC.	0.	0.	0.	0.	0.			
5									
6									
7									
8									
9									
10									
11									
12									
<b>Total</b>		<b>7,500.</b>	<b>6,250.</b>	<b>586,467.</b>	<b>3,851.</b>	<b>11,750.</b>	<b>3,851.</b>	<b>11,750.</b>	<b>615,818.</b>

Schedule O (Form 1120) (Rev. 12-2012)

**Part IV Other Apportionments** (See instructions)

	(a) Group member's name	Other Apportionments				(f) Other
		(b) Accumulated earnings credit	(c) AMT exemption amount	(d) Phaseout of AMT exemption amount	(e) Penalty for failure to pay estimated tax	
1	ANNE ARUNDEL MEDICAL CENTER, INC.					
2	PAVILION PARK, INC.		35,000.	150,000.		
3	ANNE ARUNDEL REAL ESTATE HOLDING CO., INC.		4,000.			
4	ANNE ARUNDEL HEALTH CARE ENTERPRISES, INC.					
5						
6						
7						
8						
9						
10						
11						
12						
	<b>Total</b>		40,000.	150,000.		

Schedule O (Form 1120) (Rev. 12-2012)

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FORM 990-T                      INCOME (LOSS) FROM PARTNERSHIPS  
AND S CORPORATIONS                      STATEMENT 1

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DESCRIPTION	AMOUNT
PREMIER PURCHASING PARTNERS, LP	17,265.
TOTAL TO FORM 990-T, PAGE 1, LINE 5	<u>17,265.</u>

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FORM 990-T                      OTHER DEDUCTIONS                      STATEMENT 2

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DESCRIPTION	AMOUNT
CONTRACTUAL ALLOWANCES	3,698,220.
PURCHASED SERVICES	1,680,784.
SUPPLIES	925.
TOTAL TO FORM 990-T, PAGE 1, LINE 28	<u>5,379,929.</u>

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FORM 990-T      PARENT CORPORATION'S NAME AND IDENTIFYING NUMBER      STATEMENT 3

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CORPORATION'S NAME	IDENTIFYING NO
ANNE ARUNDEL HEALTH SYSTEM	52-1622253

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FORM 990-T                      NET OPERATING LOSS DEDUCTION                      STATEMENT 4

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TAX YEAR	LOSS SUSTAINED	LOSS PREVIOUSLY APPLIED	LOSS REMAINING	AVAILABLE THIS YEAR
06/30/08	2,507,622.	0.	2,507,622.	2,507,622.
06/30/09	764,990.	0.	764,990.	764,990.
06/30/10	568,857.	0.	568,857.	568,857.
06/30/11	880,497.	0.	880,497.	880,497.
06/30/12	442,078.	0.	442,078.	442,078.
06/30/13	608,973.	0.	608,973.	608,973.
06/30/14	1,128,337.	0.	1,128,337.	1,128,337.
NOL CARRYOVER AVAILABLE THIS YEAR			<u>6,901,354.</u>	<u>6,901,354.</u>