

Form **8453-EO**

Exempt Organization Declaration and Signature for Electronic Filing

OMB No. 1545-1879

For calendar year 2018, or tax year beginning 07/01, 2018, and ending 06/30, 20 19

2018

Department of the Treasury
Internal Revenue Service

For use with Forms 990, 990-EZ, 990-PF, 1120-POL, and 8868

Name of exempt organization

JAMES LAWRENCE KERNAN HOSPITAL, INC.

Employer identification number

52-0591639

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

Check the box for the type of return being filed with Form 8453-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 of 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-). If you entered -0- on the return, then enter -0- on the applicable line below. Do not complete more than one line in Part I.

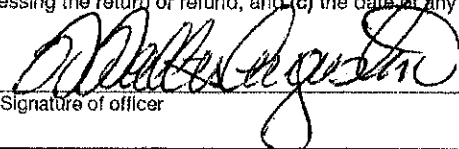
1a	Form 990 check here	<input checked="" type="checkbox"/>	b	Total revenue, if any (Form 990, Part VIII, column (A), line 12)	1b	117,270,978
2a	Form 990-EZ check here	<input type="checkbox"/>	b	Total revenue, if any (Form 990-EZ, line 9)	2b	
3a	Form 1120-POL check here	<input type="checkbox"/>	b	Total tax (Form 1120-POL, line 22)	3b	
4a	Form 990-PF check here	<input type="checkbox"/>	b	Tax based on investment income (Form 990-PF, Part VI, line 5)	4b	
5a	Form 8868 check here	<input type="checkbox"/>	b	Balance due (Form 8868, line 3c)	5b	

Part II Declaration of Officer

6 I authorize the U.S. Treasury and its designated Financial Agent to initiate an Automated Clearing House (ACH) 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.

If a copy of this return is being filed with a state agency(ies) regulating charities as part of the IRS Fed/State program, I certify that I executed the electronic disclosure consent contained within this return allowing disclosure by the IRS of this Form 990/990-EZ/990-PF (as specifically identified in Part I above) to the selected state agency(ies).

Under penalties of perjury, I declare that I am an officer of the above named organization and that I have examined a copy of the organization's 2018 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.

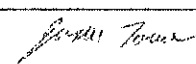
Sign Here  6/29/20 CFO
 Signature of officer Date Title

Part III Declaration of Electronic Return Originator (ERO) and Paid Preparer (see instructions)

I declare that I have reviewed the above organization's return and that the entries on Form 8453-EO are complete and correct to the best of my knowledge. If I am only a collector, I am not responsible for reviewing the return and only declare that this form accurately reflects the data on the return. The organization officer will have signed this form before I submit the return. I will give the officer a copy of all forms and information to be filed with the IRS, and have followed all other requirements in Pub. 4163, Modernized e-File (MeF) Information for Authorized IRS e-file Providers for Business Returns. If I am also the Paid Preparer, under penalties of perjury I declare that I have examined the above organization's return and accompanying schedules and statements, and, to the best of my knowledge and belief, they are true, correct, and complete. This Paid Preparer declaration is based on all information of which I have any knowledge.

ERO's Use Only	ERO's signature 	Date	Check if also paid preparer <input type="checkbox"/>	Check if self-employed <input type="checkbox"/>	ERO's SSN or PTIN
	Firm's name (or yours if self-employed), address, and ZIP code				EIN Phone no.

Under penalties of perjury, I declare that I have examined the above return and accompanying schedules and statements, and, to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer is based on all information of which the preparer has any knowledge.

Paid Preparer Use Only	Print/Type preparer's name JUSTIN LOWE	Preparer's signature 	Date 06-29-20	Check if self-employed <input type="checkbox"/>	PTIN P01866796
	Firm's name ▶ ERNST & YOUNG U.S. LLP			Firm's EIN ▶ 34-6565596	
	Firm's address ▶ 1101 NEW YORK AVE NW, WASHINGTON, DC 20005			Phone no. (202) 327-8000	

PUBLIC DISCLOSURE COPY

Form **990**

Return of Organization Exempt From Income Tax

OMB No. 1545-0047

2018

Open to Public Inspection

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

▶ Do not enter social security numbers on this form as it may be made public.

▶ Go to www.irs.gov/Form990 for instructions and the latest information.

Department of the Treasury
Internal Revenue Service

A For the 2018 calendar year, or tax year beginning 07/01, 2018, and ending 06/30, 20 19

B Check if applicable:
 Address change
 Name change
 Initial return
 Final return/terminated
 Amended return
 Application pending

C Name of organization JAMES LAWRENCE KERNAN HOSPITAL, INC.
 Doing business as UM REHABILITATION & ORTHOPEDIC INSTITUTE
 Number and street (or P.O. box if mail is not delivered to street address) Room/suite
2200 KERNAN DRIVE
 City or town, state or province, country, and ZIP or foreign postal code
BALTIMORE, MD 21207

D Employer identification number
52-0591639

E Telephone number
(410) 448-2500

G Gross receipts \$ 137,926,843

H(a) Is this a group return for subordinates? Yes No
H(b) Are all subordinates included? Yes No
 If "No," attach a list. (see instructions)

H(c) Group exemption number ▶

I Tax-exempt status: 501(c)(3) 501(c) () ◀ (insert no.) 4947(a)(1) or 527

J Website: ▶ WWW.UUMS.ORG/REHAB

K Form of organization: Corporation Trust Association Other ▶

L Year of formation: 1895 **M** State of legal domicile: MD

Part I Summary

Activities & Governance	1	Briefly describe the organization's mission or most significant activities: <u>JAMES L KERNAN HOSPITAL DELIVERS INNOVATIVE, HIGH-QUALITY, AND COST EFFECTIVE REHABILITATION AND SURGICAL SERVICES TO THE COMMUNITY AND REGION.</u>		
	2	Check this box <input type="checkbox"/> if the organization discontinued its operations or disposed of more than 25% of its net assets.		
	3	Number of voting members of the governing body (Part VI, line 1a)	3	11
	4	Number of independent voting members of the governing body (Part VI, line 1b)	4	9
	5	Total number of individuals employed in calendar year 2018 (Part V, line 2a)	5	805
	6	Total number of volunteers (estimate if necessary)	6	77
	7a	Total unrelated business revenue from Part VIII, column (C), line 12	7a	0
b	Net unrelated business taxable income from Form 990-T, line 38	7b	0	
Revenue	8	Contributions and grants (Part VIII, line 1h)	Prior Year <u>814,146</u>	Current Year <u>712,353</u>
	9	Program service revenue (Part VIII, line 2g)	<u>114,624,719</u>	<u>113,660,098</u>
	10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	<u>1,027,650</u>	<u>1,077,337</u>
	11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	<u>1,843,068</u>	<u>1,821,190</u>
	12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	<u>118,309,583</u>	<u>117,270,978</u>
Expenses	13	Grants and similar amounts paid (Part IX, column (A), lines 1–3)	<u>0</u>	<u>5,000</u>
	14	Benefits paid to or for members (Part IX, column (A), line 4)	<u>0</u>	<u>0</u>
	15	Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	<u>49,160,400</u>	<u>50,156,539</u>
	16a	Professional fundraising fees (Part IX, column (A), line 11e)	<u>0</u>	<u>0</u>
	b	Total fundraising expenses (Part IX, column (D), line 25) ▶ <u>0</u>		
	17	Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	<u>64,426,209</u>	<u>63,249,877</u>
18	Total expenses. Add lines 13–17 (must equal Part IX, column (A), line 25)	<u>113,586,609</u>	<u>113,411,416</u>	
19	Revenue less expenses. Subtract line 18 from line 12	<u>4,722,974</u>	<u>3,859,562</u>	
Net Assets or Fund Balances	20	Total assets (Part X, line 16)	Beginning of Current Year <u>163,537,343</u>	End of Year <u>170,959,922</u>
	21	Total liabilities (Part X, line 26)	<u>45,375,904</u>	<u>47,780,622</u>
	22	Net assets or fund balances. Subtract line 21 from line 20	<u>118,161,439</u>	<u>123,179,300</u>

Part II Signature Block

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

Sign Here

Signature of officer _____ Date _____

Type or print name and title W. WALTER AUGUSTIN, III, CFO

Paid Preparer Use Only

Print/Type preparer's name JUSTIN LOWE Preparer's signature _____ Date _____ Check if self-employed PTIN P01866796

Firm's name ▶ ERNST & YOUNG U.S. LLP Firm's EIN ▶ 34-6565596

Firm's address ▶ 1101 NEW YORK AVE NW, WASHINGTON, DC 20005 Phone no. (202) 327-6000

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

For Paperwork Reduction Act Notice, see the separate instructions.

Cat. No. 11282Y

Form **990** (2018)

Part III Statement of Program Service Accomplishments

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

1 Briefly describe the organization's mission:

JAMES L KERNAN HOSPITAL, DOING BUSINESS AS UM REHABILITATION & ORTHOPEDIC INSTITUTE (UM REHAB), DELIVERS INNOVATIVE, HIGH-QUALITY, AND COST EFFECTIVE REHABILITATION AND SURGICAL SERVICES TO THE COMMUNITY AND REGION.

2 Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ? Yes No

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

3 Did the organization cease conducting, or make significant changes in how it conducts, any program services? Yes No

If "Yes," describe these changes on Schedule O.

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

4a (Code:) (Expenses \$ 99,773,434 including grants of \$ 5,000) (Revenue \$ 115,177,531)

UM REHAB OWNS AND OPERATES A MEDICAL, SURGICAL AND REHABILITATION HOSPITAL WITH 137 LICENSED BEDS. UM REHAB PROVIDES CHARITY CARE TO PATIENTS WHO ARE UNABLE TO PAY. SUCH PATIENTS ARE IDENTIFIED BASED ON INFORMATION OBTAINED FROM THE PATIENTS AND SUBSEQUENT ANALYSIS. BECAUSE THE HOSPITAL DOES NOT EXPECT COLLECTION OF AMOUNTS DETERMINED AS CHARITY CARE, THEY ARE NOT REPORTED AS REVENUE BASED ON ESTABLISHED RATES. UM REHAB ESTIMATES THAT \$1,299,614 OF CHARITY CARE AT COST WAS PROVIDED IN THE YEAR ENDED JUNE 30, 2019. OVERALL, UM REHAB DELIVERS INNOVATIVE HIGH QUALITY, COST EFFECTIVE SURGICAL AND REHABILITATION SERVICES TO ITS COMMUNITY.

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 ▶ 99,773,434

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>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
2 Is the organization required to complete <i>Schedule B, Schedule of Contributors</i> (see instructions)?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
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>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
4 Section 501(c)(3) organizations. Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? <i>If "Yes," complete Schedule C, Part II</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
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>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
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>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
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>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
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>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
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>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
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>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
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>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
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>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
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>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
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>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
e Did the organization report an amount for other liabilities in Part X, line 25? <i>If "Yes," complete Schedule D, Part X</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
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>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
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>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
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>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
13 Is the organization a school described in section 170(b)(1)(A)(ii)? <i>If "Yes," complete Schedule E</i>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
14a Did the organization maintain an office, employees, or agents outside of the United States?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
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>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
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>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
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>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
17 Did the organization report a total of more than \$15,000 of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? <i>If "Yes," complete Schedule G, Part I (see instructions)</i>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
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>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
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>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
20 a Did the organization operate one or more hospital facilities? <i>If "Yes," complete Schedule H</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
b If "Yes" to line 20a, did the organization attach a copy of its audited financial statements to this return?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
21 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>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Part IV Checklist of Required Schedules *(continued)*

	Yes	No
22 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>	22	✓
23 Did the organization answer "Yes" to Part VII, Section A, line 3, 4, or 5 about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? <i>If "Yes," complete Schedule J</i>	23	✓
24a Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? <i>If "Yes," answer lines 24b through 24d and complete Schedule K. If "No," go to line 25a</i>	24a	✓
b Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	24b	
c Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	24c	
d Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	24d	
25a Section 501(c)(3), 501(c)(4), and 501(c)(29) organizations. Did the organization engage in an excess benefit transaction with a disqualified person during the year? <i>If "Yes," complete Schedule L, Part I</i>	25a	✓
b Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? <i>If "Yes," complete Schedule L, Part I</i>	25b	✓
26 Did the organization report any amount on Part X, line 5, 6, or 22 for receivables from or payables to any current or former officers, directors, trustees, key employees, highest compensated employees, or disqualified persons? <i>If "Yes," complete Schedule L, Part II</i>	26	✓
27 Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor or employee thereof, a grant selection committee member, or to a 35% controlled entity or family member of any of these persons? <i>If "Yes," complete Schedule L, Part III</i>	27	✓
28 Was the organization a party to a business transaction with one of the following parties (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions):		
a A current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28a	✓
b A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28b	✓
c An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? <i>If "Yes," complete Schedule L, Part IV</i>	28c	✓
29 Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i>	29	✓
30 Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i>	30	✓
31 Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i>	31	✓
32 Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i>	32	✓
33 Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? <i>If "Yes," complete Schedule R, Part I</i>	33	✓
34 Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1</i>	34	✓
35a Did the organization have a controlled entity within the meaning of section 512(b)(13)?	35a	✓
b If "Yes" to line 35a, did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? <i>If "Yes," complete Schedule R, Part V, line 2</i>	35b	
36 Section 501(c)(3) organizations. Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2</i>	36	✓
37 Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? <i>If "Yes," complete Schedule R, Part VI</i>	37	✓
38 Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11b and 19? Note. All Form 990 filers are required to complete Schedule O.	38	✓

Part V Statements Regarding Other IRS Filings and Tax Compliance

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

	Yes	No
1a Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable	1a	0
b Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable	1b	0
c Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	1c	

Part V **Statements Regarding Other IRS Filings and Tax Compliance** *(continued)*

		Yes	No
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return		
	2a 805		
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns? Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions)	✓	
3a	Did the organization have unrelated business gross income of \$1,000 or more during the year?		✓
b	If "Yes," has it filed a Form 990-T for this year? <i>If "No" to line 3b, provide an explanation in Schedule O</i>		
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?		✓
b	If "Yes," enter the name of the foreign country: See instructions for filing requirements for FinCEN Form 114, Report of Foreign Bank and Financial Accounts (FBAR).		
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?		✓
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?		✓
c	If "Yes" to line 5a or 5b, did the organization file Form 8886-T?		
6a	Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible as charitable contributions?		✓
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?		
7	Organizations that may receive deductible contributions under section 170(c).		
a	Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?		✓
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?		
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?		✓
d	If "Yes," indicate the number of Forms 8282 filed during the year		
	7d		
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?		✓
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?		✓
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?		
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?		
8	Sponsoring organizations maintaining donor advised funds. Did a donor advised fund maintained by the sponsoring organization have excess business holdings at any time during the year?		
9	Sponsoring organizations maintaining donor advised funds.		
a	Did the sponsoring organization make any taxable distributions under section 4966?		
b	Did the sponsoring organization make a distribution to a donor, donor advisor, or related person?		
10	Section 501(c)(7) organizations. Enter:		
a	Initiation fees and capital contributions included on Part VIII, line 12		
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities		
11	Section 501(c)(12) organizations. Enter:		
a	Gross income from members or shareholders		
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them.)		
12a	Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041?		
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year		
13	Section 501(c)(29) qualified nonprofit health insurance issuers.		
a	Is the organization licensed to issue qualified health plans in more than one state? Note. See the instructions for additional information the organization must report on Schedule O.		
b	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans		
c	Enter the amount of reserves on hand		
14a	Did the organization receive any payments for indoor tanning services during the tax year?		✓
b	If "Yes," has it filed a Form 720 to report these payments? <i>If "No," provide an explanation in Schedule O</i>		
15	Is the organization subject to the section 4960 tax on payment(s) of more than \$1,000,000 in remuneration or excess parachute payment(s) during the year? If "Yes," see instructions and file Form 4720, Schedule N.		✓
16	Is the organization an educational institution subject to the section 4968 excise tax on net investment income? If "Yes," complete Form 4720, Schedule O.		✓

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
1a	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.		
1b	Enter the number of voting members included in line 1a, above, who are independent		
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?		<input checked="" type="checkbox"/>
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors, or trustees, or key employees to a management company or other person?		<input checked="" type="checkbox"/>
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?		<input checked="" type="checkbox"/>
5	Did the organization become aware during the year of a significant diversion of the organization's assets?		<input checked="" type="checkbox"/>
6	Did the organization have members or stockholders?	<input checked="" type="checkbox"/>	
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?	<input checked="" type="checkbox"/>	
7b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	<input checked="" type="checkbox"/>	
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following:		
8a	The governing body?	<input checked="" type="checkbox"/>	
8b	Each committee with authority to act on behalf of the governing body?	<input checked="" type="checkbox"/>	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O		<input checked="" type="checkbox"/>

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

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

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 (1024 or 1024-A 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 ►
ED WUENSCHHELL, 900 ELKRIDGE LANDING ROAD - 3 EAST, LINTHICUM, MD 21090, (443) 462-5811

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

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

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

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

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

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

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

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional trustee	Officer	Key employee	Highest compensated employee	Former			
(1) JOHN W ASHWORTH, III ----- DIRECTOR	1.0 ----- 61.0	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>				0	653,119	36,969
(2) JOHN T CHAY ----- BOARD CHAIRMAN	1.0 ----- 1.0	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>				0	0	0
(3) ROBERT A CHRENCIK ----- TREASURER (ENDED 04/19)	1.0 ----- 61.0	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>				0	2,634,806	36,554
(4) GEORGE BROUILLET, JR ----- DIRECTOR	8.0 ----- 0.0	<input checked="" type="checkbox"/>						0	0	0
(5) ALISON G BROWN ----- DIRECTOR (ENDED 08/18)	1.0 ----- 42.0	<input checked="" type="checkbox"/>						0	682,531	33,288
(6) ANTHONY T HAWKINS ----- DIRECTOR	1.0 ----- 0.0	<input checked="" type="checkbox"/>						0	0	0
(7) LEON KAPLAN ----- DIRECTOR	1.0 ----- 0.0	<input checked="" type="checkbox"/>						0	0	0
(8) ANTHONY F LEHMAN ----- DIRECTOR	1.0 ----- 0.0	<input checked="" type="checkbox"/>						0	0	0
(9) WILLIAM F PECK ----- DIRECTOR	1.0 ----- 1.0	<input checked="" type="checkbox"/>						0	0	0
(10) ANDREW N POLLAK ----- DIRECTOR	1.0 ----- 0.0	<input checked="" type="checkbox"/>						0	0	0
(11) MICHAEL T WILMOT ----- DIRECTOR	1.0 ----- 1.0	<input checked="" type="checkbox"/>						0	0	0
(12) HENRY YORK ----- DIRECTOR, EX-OFFICIO	1.0 ----- 0.0	<input checked="" type="checkbox"/>						0	0	0
(13) KAREN E DOYLE ----- DIRECTOR	1.0 ----- 40.0	<input checked="" type="checkbox"/>						0	376,796	41,779
(14) W. WALTER AUGUSTIN, III ----- VP FINANCIAL SERVICES AND CFO	40.0 ----- 0.0			<input checked="" type="checkbox"/>				318,628	0	32,030

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

(A) Name and title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional trustee	Officer	Key employee	Highest compensated employee	Former			
(15) CYNTHIA KELLEHER PRESIDENT AND CEO	40.0 0.0			✓			630,580	0	32,710	
(16) KRISHNAJ GOURAB VP MEDICAL AFFAIRS AND CMO	40.0 0.0				✓		263,746	0	30,743	
(17) CHERYL D LEE VP PATIENT SERVICES AND CNO	40.0 0.0				✓		281,796	0	26,559	
(18) NADEEM ASLAM DIRECTOR OF PHARMACY	40.0 0.0					✓	168,380	0	21,661	
(19) JAMES W COLLINS PHARMACIST	40.0 0.0					✓	156,234	0	38,502	
(20) SHERRY LAMONS CLINICAL NURSE	40.0 0.0					✓	159,140	0	22,548	
(21) SRINIVASA RAO PIRATLA PHARMACIST	40.0 0.0					✓	148,782	0	34,720	
(22) LOBNA ZADA DENTAL CLINICAL CHIEF	40.0 0.0					✓	243,148	0	30,878	
(23)										
(24)										
(25)										
1b Sub-total							2,370,434	4,347,252	418,941	
c Total from continuation sheets to Part VII, Section A							0	0	0	
d Total (add lines 1b and 1c)							2,370,434	4,347,252	418,941	

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 **▶** 77

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

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
CROSS COUNTRY STAFFING INC, PO BOX 404674, ATLANTA, GA 30384	STAFFING	4,599,424
MARYLAND INPATIENT CARE SPECIALIST, LLC, 7250 PARKWAY DRIVE, SUITE 500, HANOVER, MD 21076	HOSPITAL SERVICES	2,065,091
ARAMARK CORPORATION, 27310 NETWORK PLACE, CHICAGO, IL 60673	FOOD SERVICES	1,663,717
MARYLAND INTERPRETING SERVICES, PO BOX 840292, DALLAS, TX 75284	STAFFING	837,241
CHESAPEAKE NETCRAFTSMEN, LLC, PO BOX 69010, BALTIMORE, MD 21264	IT CONSULTING	416,335

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 **▶** 26

Part VIII Statement of Revenue

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

			(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512-514	
Contributions, Gifts, Grants and Other Similar Amounts	1a Federated campaigns	1a					
	b Membership dues	1b					
	c Fundraising events	1c					
	d Related organizations	1d	712,353				
	e Government grants (contributions)	1e					
	f All other contributions, gifts, grants, and similar amounts not included above	1f					
	g Noncash contributions included in lines 1a-1f: \$						
	h Total. Add lines 1a-1f		712,353				
Program Service Revenue	2a PATIENT SERVICE REVENUE	Business Code 900099	113,660,098	113,660,098	0	0	
	b _____						
	c _____						
	d _____						
	e _____						
	f All other program service revenue .		0	0	0	0	
	g Total. Add lines 2a-2f		113,660,098				
Other Revenue	3 Investment income (including dividends, interest, and other similar amounts)		545,486	0	0	545,486	
	4 Income from investment of tax-exempt bond proceeds						
	5 Royalties						
	6a Gross rents	(i) Real	8,400				
		(ii) Personal					
		b Less: rental expenses					
		c Rental income or (loss)	8,400	0			
	d Net rental income or (loss)		8,400	0	0	8,400	
	7a Gross amount from sales of assets other than inventory	(i) Securities	21,187,716	0			
		(ii) Other					
		b Less: cost or other basis and sales expenses	20,655,865				
		c Gain or (loss)	531,851	0			
	d Net gain or (loss)		531,851	0	0	531,851	
	8a Gross income from fundraising events (not including \$ of contributions reported on line 1c). See Part IV, line 18	a					
		b Less: direct expenses	b				
		c Net income or (loss) from fundraising events					
	9a Gross income from gaming activities. See Part IV, line 19	a					
b Less: direct expenses		b					
c Net income or (loss) from gaming activities							
10a Gross sales of inventory, less returns and allowances	a						
	b Less: cost of goods sold	b					
	c Net income or (loss) from sales of inventory						
Miscellaneous Revenue		Business Code					
11a OUTPATIENT PHARMACY	446110	1,244,930	1,244,930	0	0		
b CAFE/VENDING	722514	295,357	0	0	295,357		
c MISCELLANEOUS REVENUE	900099	266,914	266,914	0	0		
d All other revenue		5,589	5,589	0	0		
e Total. Add lines 11a-11d		1,812,790					
12 Total revenue. See instructions		117,270,978	115,177,531	0	1,381,094		

Part IX Statement of Functional Expenses

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

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

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.

	(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1 Grants and other assistance to domestic organizations and domestic governments. See Part IV, line 21	5,000	5,000		
2 Grants and other assistance to domestic individuals. See Part IV, line 22				
3 Grants and other assistance to foreign organizations, foreign governments, and foreign individuals. See Part IV, lines 15 and 16				
4 Benefits paid to or for members	0	0		
5 Compensation of current officers, directors, trustees, and key employees	1,494,750	523,163	971,587	0
6 Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)				
7 Other salaries and wages	38,934,700	33,094,495	5,840,205	0
8 Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions)	1,560,658	1,326,559	234,099	0
9 Other employee benefits	5,289,840	4,496,364	793,476	0
10 Payroll taxes	2,876,591	2,445,102	431,489	0
11 Fees for services (non-employees):				
a Management				
b Legal				
c Accounting				
d Lobbying	3,919	0	3,919	0
e Professional fundraising services. See Part IV, line 17				
f Investment management fees	135,213		135,213	
g Other. (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O.)	31,699,298	28,353,156	3,346,142	0
12 Advertising and promotion	217,365	184,760	32,605	0
13 Office expenses	343,106	291,640	51,466	0
14 Information technology				
15 Royalties				
16 Occupancy	2,208,145	1,876,923	331,222	0
17 Travel	47,255	40,167	7,088	0
18 Payments of travel or entertainment expenses for any federal, state, or local public officials				
19 Conferences, conventions, and meetings	55,847	47,470	8,377	0
20 Interest	841,567	715,332	126,235	0
21 Payments to affiliates				
22 Depreciation, depletion, and amortization	6,878,700	5,846,895	1,031,805	0
23 Insurance	1,834,655	1,814,590	20,065	0
24 Other expenses. Itemize expenses not covered above (List miscellaneous expenses in line 24e. If line 24e amount exceeds 10% of line 25, column (A) amount, list line 24e expenses on Schedule O.)				
a <u>MEDICAL SUPPLIES</u>	13,149,102	13,149,102	0	0
b <u>BAD DEBT</u>	4,015,780	4,015,780	0	0
c <u>REPAIR/MAINTENANCE</u>	1,112,088	945,275	166,813	0
d <u>OTHER EXPENSES</u>	470,491	399,917	70,574	0
e All other expenses	237,346	201,744	35,602	0
25 Total functional expenses. Add lines 1 through 24e	113,411,416	99,773,434	13,637,982	0
26 Joint costs. Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation. Check here <input type="checkbox"/> if following SOP 98-2 (ASC 958-720)				

Part X Balance Sheet

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

		(A)		(B)
		Beginning of year		End of year
Assets	1 Cash—non-interest-bearing	1,797,592	1	4,783,834
	2 Savings and temporary cash investments		2	
	3 Pledges and grants receivable, net		3	
	4 Accounts receivable, net	8,171,946	4	7,352,271
	5 Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees. Complete Part II of Schedule L	0	5	0
	6 Loans and other receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions). Complete Part II of Schedule L		6	0
	7 Notes and loans receivable, net		7	
	8 Inventories for sale or use	1,144,645	8	1,159,033
	9 Prepaid expenses and deferred charges	132,766	9	136,474
	10a Land, buildings, and equipment: cost or other basis. Complete Part VI of Schedule D	10a 114,033,291		
	b Less: accumulated depreciation	10b 70,709,580	45,093,478	10c 43,323,711
	11 Investments—publicly traded securities	15,342,000	11	18,719,000
	12 Investments—other securities. See Part IV, line 11	22,485,707	12	20,879,679
	13 Investments—program-related. See Part IV, line 11	0	13	0
	14 Intangible assets		14	
	15 Other assets. See Part IV, line 11	69,369,209	15	74,605,920
16 Total assets. Add lines 1 through 15 (must equal line 34)	163,537,343	16	170,959,922	
Liabilities	17 Accounts payable and accrued expenses	17,578,234	17	20,831,618
	18 Grants payable		18	
	19 Deferred revenue		19	750,024
	20 Tax-exempt bond liabilities		20	
	21 Escrow or custodial account liability. Complete Part IV of Schedule D		21	
	22 Loans and other payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons. Complete Part II of Schedule L		22	0
	23 Secured mortgages and notes payable to unrelated third parties		23	
	24 Unsecured notes and loans payable to unrelated third parties		24	
	25 Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17–24). Complete Part X of Schedule D	27,797,670	25	26,198,980
	26 Total liabilities. Add lines 17 through 25	45,375,904	26	47,780,622
Net Assets or Fund Balances	Organizations that follow SFAS 117 (ASC 958), check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.			
	27 Unrestricted net assets	82,541,405	27	86,229,824
	28 Temporarily restricted net assets	35,620,034	28	
	29 Permanently restricted net assets		29	36,949,476
	Organizations that do not follow SFAS 117 (ASC 958), check here <input type="checkbox"/> and complete lines 30 through 34.			
	30 Capital stock or trust principal, or current funds		30	
	31 Paid-in or capital surplus, or land, building, or equipment fund		31	
	32 Retained earnings, endowment, accumulated income, or other funds		32	
	33 Total net assets or fund balances	118,161,439	33	123,179,300
34 Total liabilities and net assets/fund balances	163,537,343	34	170,959,922	

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	117,270,978
2	Total expenses (must equal Part IX, column (A), line 25)	2	113,411,416
3	Revenue less expenses. Subtract line 2 from line 1	3	3,859,562
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	118,161,439
5	Net unrealized gains (losses) on investments	5	888,649
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	269,650
10	Net assets or fund balances at end of year. Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	123,179,300

Part XII Financial Statements and Reporting

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

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

SCHEDULE A
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

Complete if the organization is a section 501(c)(3) organization or a section 4947(a)(1) nonexempt charitable trust.

▶ Attach to Form 990 or Form 990-EZ.

▶ Go to www.irs.gov/Form990 for instructions and the latest information.

OMB No. 1545-0047

2018

Open to Public Inspection

Name of the organization JAMES LAWRENCE KERNAN HOSPITAL, INC.	Employer identification number 52-0591639
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Part I Reason for Public Charity Status (All organizations must complete this part.) See instructions.

The organization is not a private foundation because it is: (For lines 1 through 12, check only one box.)

- 1 A church, convention of churches, or association of churches described in **section 170(b)(1)(A)(i)**.
- 2 A school described in **section 170(b)(1)(A)(ii)**. (Attach Schedule E (Form 990 or 990-EZ).)
- 3 A hospital or a cooperative hospital service organization described in **section 170(b)(1)(A)(iii)**.
- 4 A medical research organization operated in conjunction with a hospital described in **section 170(b)(1)(A)(iii)**. Enter the hospital's name, city, and state: _____
- 5 An organization operated for the benefit of a college or university owned or operated by a governmental unit described in **section 170(b)(1)(A)(iv)**. (Complete Part II.)
- 6 A federal, state, or local government or governmental unit described in **section 170(b)(1)(A)(v)**.
- 7 An organization that normally receives a substantial part of its support from a governmental unit or from the general public described in **section 170(b)(1)(A)(vi)**. (Complete Part II.)
- 8 A community trust described in **section 170(b)(1)(A)(vii)**. (Complete Part II.)
- 9 An agricultural research organization described in **section 170(b)(1)(A)(ix)** operated in conjunction with a land-grant college or university or a non-land-grant college of agriculture (see instructions). Enter the name, city, and state of the college or university: _____
- 10 An organization that normally receives: (1) more than 33¹/₃% of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions—subject to certain exceptions, and (2) no more than 33¹/₃% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975. See **section 509(a)(2)**. (Complete Part III.)
- 11 An organization organized and operated exclusively to test for public safety. See **section 509(a)(4)**.
- 12 An organization organized and operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of one or more publicly supported organizations described in **section 509(a)(1)** or **section 509(a)(2)**. See **section 509(a)(3)**. Check the box in lines 12a through 12d that describes the type of supporting organization and complete lines 12e, 12f, and 12g.
 - a **Type I.** A supporting organization operated, supervised, or controlled by its supported organization(s), typically by giving the supported organization(s) the power to regularly appoint or elect a majority of the directors or trustees of the supporting organization. **You must complete Part IV, Sections A and B.**
 - b **Type II.** A supporting organization supervised or controlled in connection with its supported organization(s), by having control or management of the supporting organization vested in the same persons that control or manage the supported organization(s). **You must complete Part IV, Sections A and C.**
 - c **Type III functionally integrated.** A supporting organization operated in connection with, and functionally integrated with, its supported organization(s) (see instructions). **You must complete Part IV, Sections A, D, and E.**
 - d **Type III non-functionally integrated.** A supporting organization operated in connection with its supported organization(s) that is not functionally integrated. The organization generally must satisfy a distribution requirement and an attentiveness requirement (see instructions). **You must complete Part IV, Sections A and D, and Part V.**
 - e Check this box if the organization received a written determination from the IRS that it is a Type I, Type II, Type III functionally integrated, or Type III non-functionally integrated supporting organization.
- f Enter the number of supported organizations
- g Provide the following information about the supported organization(s).

(i) Name of supported organization	(ii) EIN	(iii) Type of organization (described on lines 1–10 above (see instructions))	(iv) Is the organization listed in your governing document?		(v) Amount of monetary support (see instructions)	(vi) Amount of other support (see instructions)
			Yes	No		
(A)						
(B)						
(C)						
(D)						
(E)						
Total						

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

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

Section A. Public Support

Calendar year (or fiscal year beginning in) ►	(a) 2014	(b) 2015	(c) 2016	(d) 2017	(e) 2018	(f) Total
1 Gifts, grants, contributions, and membership fees received. (Do not include any "unusual grants.")						
2 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
3 The value of services or facilities furnished by a governmental unit to the organization without charge						
4 Total. Add lines 1 through 3						
5 The portion of total contributions by each person (other than a governmental unit or publicly supported organization) included on line 1 that exceeds 2% of the amount shown on line 11, column (f)						
6 Public support. Subtract line 5 from line 4						

Section B. Total Support

Calendar year (or fiscal year beginning in) ►	(a) 2014	(b) 2015	(c) 2016	(d) 2017	(e) 2018	(f) Total
7 Amounts from line 4						
8 Gross income from interest, dividends, payments received on securities loans, rents, royalties, and income from similar sources						
9 Net income from unrelated business activities, whether or not the business is regularly carried on						
10 Other income. Do not include gain or loss from the sale of capital assets (Explain in Part VI.)						
11 Total support. Add lines 7 through 10						
12 Gross receipts from related activities, etc. (see instructions)					12	
13 First five years. If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a section 501(c)(3) organization, check this box and stop here						<input type="checkbox"/>

Section C. Computation of Public Support Percentage

14 Public support percentage for 2018 (line 6, column (f) divided by line 11, column (f))	14	%
15 Public support percentage from 2017 Schedule A, Part II, line 14	15	%
16a 33 1/3% support test—2018. If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and stop here. The organization qualifies as a publicly supported organization		<input type="checkbox"/>
b 33 1/3% support test—2017. If the organization did not check a box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and stop here. The organization qualifies as a publicly supported organization		<input type="checkbox"/>
17a 10%-facts-and-circumstances test—2018. If the organization did not check a box on line 13, 16a, or 16b, and line 14 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and stop here. Explain in Part VI how the organization meets the "facts-and-circumstances" test. The organization qualifies as a publicly supported organization		<input type="checkbox"/>
b 10%-facts-and-circumstances test—2017. If the organization did not check a box on line 13, 16a, 16b, or 17a, and line 15 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and stop here. Explain in Part VI how the organization meets the "facts-and-circumstances" test. The organization qualifies as a publicly supported organization		<input type="checkbox"/>
18 Private foundation. If the organization did not check a box on line 13, 16a, 16b, 17a, or 17b, check this box and see instructions		<input type="checkbox"/>

Part III Support Schedule for Organizations Described in Section 509(a)(2)

(Complete only if you checked the box on line 10 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) 2014	(b) 2015	(c) 2016	(d) 2017	(e) 2018	(f) Total
1 Gifts, grants, contributions, and membership fees received. (Do not include any "unusual grants.")						
2 Gross receipts from admissions, merchandise sold or services performed, or facilities furnished in any activity that is related to the organization's tax-exempt purpose						
3 Gross receipts from activities that are not an unrelated trade or business under section 513						
4 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
5 The value of services or facilities furnished by a governmental unit to the organization without charge						
6 Total. Add lines 1 through 5						
7a Amounts included on lines 1, 2, and 3 received from disqualified persons						
b Amounts included on lines 2 and 3 received from other than disqualified persons that exceed the greater of \$5,000 or 1% of the amount on line 13 for the year						
c Add lines 7a and 7b						
8 Public support. (Subtract line 7c from line 6.)						

Section B. Total Support

Calendar year (or fiscal year beginning in) ►	(a) 2014	(b) 2015	(c) 2016	(d) 2017	(e) 2018	(f) Total
9 Amounts from line 6						
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties, and income from similar sources						
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
c Add lines 10a and 10b						
11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
12 Other income. Do not include gain or loss from the sale of capital assets (Explain in Part VI.)						
13 Total support. (Add lines 9, 10c, 11, and 12.)						

14 First five years. If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a section 501(c)(3) organization, check this box and **stop here**

Section C. Computation of Public Support Percentage

15 Public support percentage for 2018 (line 8, column (f), divided by line 13, column (f))	15	%
16 Public support percentage from 2017 Schedule A, Part III, line 15	16	%

Section D. Computation of Investment Income Percentage

17 Investment income percentage for 2018 (line 10c, column (f), divided by line 13, column (f))	17	%
18 Investment income percentage from 2017 Schedule A, Part III, line 17	18	%

19a 33 1/3% support tests—2018. 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—2017. 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 in line 12 on Part I. If you checked 12a of Part I, complete Sections A and B. If you checked 12b of Part I, complete Sections A and C. If you checked 12c of Part I, complete Sections A, D, and E. If you checked 12d of Part I, complete Sections A and D, and complete Part V.)

Section A. All Supporting Organizations

		Yes	No
1	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>		
2	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>		
3a	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>		
3b	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>		
3c	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>		
4a	Was any supported organization not organized in the United States ("foreign supported organization")? <i>If "Yes," and if you checked 12a or 12b in Part I, answer (b) and (c) below.</i>		
4b	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>		
4c	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>		
5a	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>		
5b	Type I or Type II only. Was any added or substituted supported organization part of a class already designated in the organization's organizing document?		
5c	Substitutions only. Was the substitution the result of an event beyond the organization's control?		
6	Did the organization provide support (whether in the form of grants or the provision of services or facilities) to anyone other than (i) its supported organizations, (ii) individuals that are part of the charitable class benefited by one or more of its supported organizations, or (iii) 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>		
7	Did the organization provide a grant, loan, compensation, or other similar payment to a substantial contributor (as defined in section 4958(c)(3)(C)), a family member of a substantial contributor, or a 35% controlled entity with regard to a substantial contributor? <i>If "Yes," complete Part I of Schedule L (Form 990 or 990-EZ).</i>		
8	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 or 990-EZ).</i>		
9a	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>		
9b	Did one or more disqualified persons (as defined in line 9a) hold a controlling interest in any entity in which the supporting organization had an interest? <i>If "Yes," provide detail in Part VI.</i>		
9c	Did a disqualified person (as defined in line 9a) 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>		
10a	Was the organization subject to the excess business holdings rules of section 4943 because of section 4943(f) (regarding certain Type II supporting organizations, and all Type III non-functionally integrated supporting organizations)? <i>If "Yes," answer 10b below.</i>		
10b	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
11 Has the organization accepted a gift or contribution from any of the following persons?		
a 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?	11a	
b A family member of a person described in (a) above?	11b	
c A 35% controlled entity of a person described in (a) or (b) above? If "Yes" to a, b, or c, provide detail in Part VI .	11c	

Section B. Type I Supporting Organizations

	Yes	No
1 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? 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.	1	
2 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? 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.	2	

Section C. Type II Supporting Organizations

	Yes	No
1 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)? 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).	1	

Section D. All Type III Supporting Organizations

	Yes	No
1 Did the organization provide to each of its supported organizations, by the last day of the fifth month of the organization's tax year, (i) a written notice describing the type and amount of support provided during the prior tax year, (ii) a copy of the Form 990 that was most recently filed as of the date of notification, and (iii) copies of the organization's governing documents in effect on the date of notification, to the extent not previously provided?	1	
2 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? If "No," explain in Part VI how the organization maintained a close and continuous working relationship with the supported organization(s).	2	
3 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? If "Yes," describe in Part VI the role the organization's supported organizations played in this regard.	3	

Section E. Type III Functionally Integrated Supporting Organizations

1 Check the box next to the method that the organization used to satisfy the Integral Part Test during the year (see instructions).			
a <input type="checkbox"/> The organization satisfied the Activities Test. Complete line 2 below.			
b <input type="checkbox"/> The organization is the parent of each of its supported organizations. Complete line 3 below.			
c <input type="checkbox"/> The organization supported a governmental entity. Describe in Part VI how you supported a government entity (see instructions).			
2 Activities Test. Answer (a) and (b) below.		Yes	No
a 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? 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.	2a		
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? 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.	2b		
3 Parent of Supported Organizations. Answer (a) and (b) below.			
a 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 .	3a		
b Did the organization exercise a substantial degree of direction over the policies, programs, and activities of each of its supported organizations? If "Yes," describe in Part VI the role played by the organization in this regard.	3b		

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 (explain in Part VI). **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 Adjusted Net Income (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 Total (add lines 1a, 1b, and 1c)	1d		
e Discount 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 Minimum Asset Amount (add line 7 to line 6)	8		
Section C—Distributable Amount			Current Year
1 Adjusted net income for prior year (from Section A, line 8, Column A)	1		
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 Distributable Amount. 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).			

Schedule A (Form 990 or 990-EZ) 2018

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.**
▶ **Go to www.irs.gov/Form990 for the latest information.**

OMB No. 1545-0047

2018

Name of the organization
JAMES LAWRENCE KERNAN HOSPITAL, INC.

Employer identification number
52-0591639

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 33¹/₃% 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 (entering "N/A" in column (b) instead of the contributor name and address), 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. Don't 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 isn't covered by the General Rule and/or the Special Rules doesn't 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 doesn't meet the filing requirements of Schedule B (Form 990, 990-EZ, or 990-PF).

Name of organization JAMES LAWRENCE KERNAN HOSPITAL, INC.	Employer identification number 52-0591639
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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	----- ----- -----	\$ 712,354	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.)
-----	----- ----- -----	\$ -----	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 JAMES LAWRENCE KERNAN HOSPITAL, INC.	Employer identification number 52-0591639
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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 JAMES LAWRENCE KERNAN HOSPITAL, INC.	Employer identification number 52-0591639
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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 information once. See instructions.) ▶ \$ _____
 Use duplicate copies of Part III if additional space is needed.

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

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

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

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

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

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

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

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

SCHEDULE C
(Form 990 or 990-EZ)

Political Campaign and Lobbying Activities

OMB No. 1545-0047

2018

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.**
▶ **Go to www.irs.gov/Form990 for instructions and the latest information.**

If the organization answered "Yes," on 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," on 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," on 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 JAMES LAWRENCE KERNAN HOSPITAL, INC.	Employer identification number 52-0591639
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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. (see instructions for definition of "political campaign activities")
- 2 Political campaign activity expenditures (see instructions) ▶ \$
- 3 Volunteer hours for political campaign activities (see instructions)

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

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

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

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

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

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

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

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

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

Lobbying Expenditures During 4-Year Averaging Period					
Calendar year (or fiscal year beginning in)	(a) 2015	(b) 2016	(c) 2017	(d) 2018	(e) Total
2a	Lobbying nontaxable amount				
b	Lobbying ceiling amount (150% of line 2a, column (e))				
c	Total lobbying expenditures				
d	Grassroots nontaxable amount				
e	Grassroots ceiling amount (150% of line 2d, column (e))				
f	Grassroots lobbying expenditures				

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

For each "Yes," response on lines 1a through 1i below, provide in Part IV a detailed description of the lobbying activity.

	(a)		(b)
	Yes	No	Amount
1 During the year, did the filing organization attempt to influence foreign, national, state, or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of:			
a Volunteers?		✓	
b Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		✓	
c Media advertisements?		✓	
d Mailings to members, legislators, or the public?		✓	
e Publications, or published or broadcast statements?		✓	
f Grants to other organizations for lobbying purposes?		✓	
g Direct contact with legislators, their staffs, government officials, or a legislative body?		✓	
h Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		✓	
i Other activities?	✓		3,919
j Total. Add lines 1c through 1i			3,919
2a Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		✓	
b If "Yes," enter the amount of any tax incurred under section 4912			
c If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
d If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?			

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

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

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

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

Part IV Supplemental Information

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

SEE NEXT PAGE

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.

Return Reference - Identifier	Explanation
SCHEDULE C, PART II-B, LINE 1 - DETAILED DESCRIPTION OF THE LOBBYING ACTIVITY	THE ORGANIZATION DOES NOT ENGAGE IN ANY DIRECT LOBBYING ACTIVITIES. THE ORGANIZATION PAYS MEMBERSHIP DUES TO THE MARYLAND HOSPITAL ASSOCIATION (MHA) AND THE AMERICAN HOSPITAL ASSOCIATION (AHA). MHA AND AHA ENGAGE IN MANY SUPPORT ACTIVITIES INCLUDING LOBBYING AND ADVOCATING FOR THEIR MEMBER HOSPITALS. THE MHA AND AHA REPORTED THAT 4.8% AND 22.73% OF MEMBER DUES WERE USED FOR LOBBYING PURPOSES AND AS SUCH, THE ORGANIZATION HAS REPORTED THIS AMOUNT ON SCHEDULE C PART II-B AS LOBBYING ACTIVITIES.

SCHEDULE D (Form 990)

Department of the Treasury Internal Revenue Service

Supplemental Financial Statements

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

Go to www.irs.gov/Form990 for instructions and the latest information.

OMB No. 1545-0047

2018

Open to Public Inspection

Name of the organization: JAMES LAWRENCE KERNAN HOSPITAL, INC. Employer identification number: 52-0591639

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

Table with 2 columns: (a) Donor advised funds, (b) Funds and other accounts. Rows 1-4 for values at end of year and during year. Rows 5-6 for Yes/No questions regarding donor advisement.

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

Table with 2 columns: Description, Held at the End of the Tax Year. Rows 1-9 detailing conservation easement purposes, acreage, and monitoring expenses.

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

Table with 2 columns: Description, Amount. Rows 1a-1b and 2a-2b detailing revenue and assets for art and historical treasures.

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" on Form 990, Part IV, line 9, or reported an amount on Form 990, Part X, line 21.

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

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

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

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 on Part XIII

Part V Endowment Funds.

Complete if the organization answered "Yes" on 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 on 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" on line 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" on 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		1,273,668		1,273,668
b Buildings		67,430,336	39,280,772	28,149,564
c Leasehold improvements				
d Equipment		41,771,131	30,923,050	10,848,081
e Other		3,558,156	505,758	3,052,398
Total. Add lines 1a through 1e. (Column (d) must equal Form 990, Part X, column (B), line 10c.)				43,323,711

Part VII Investments—Other Securities.

Complete if the organization answered "Yes" on 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) OTHER SECURITIES	20,879,679	END OF YEAR MARKET VALUE
(B)		
(C)		
(D)		
(E)		
(F)		
(G)		
(H)		
Total. (Column (b) must equal Form 990, Part X, col. (B) line 12.) ▶	20,879,679	

Part VIII Investments—Program Related.

Complete if the organization answered "Yes" on 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)		
Total. (Column (b) must equal Form 990, Part X, col. (B) line 13.) ▶		

Part IX Other Assets.

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

(a) Description	(b) Book value
(1) KERNAN ENDOWMENT	33,098,991
(2) ASSETS WHOSE USE IS LIMITED	19,686,453
(3) DUE FROM AFFILIATES	15,600,000
(4) ECONOMIC INT IN UMMS FND	3,850,471
(5) OTHER A/R	778,092
(6) ESCROW	476,766
(7) COLLATERAL INVESTMENTS	1,115,147
(8)	
(9)	
Total. (Column (b) must equal Form 990, Part X, col. (B) line 15.) ▶	74,605,920

Part X Other Liabilities.

Complete if the organization answered "Yes" on 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) DUE TO UMMS	19,277,655
(3) ADVANCES FROM THIRD PARTY PAYORS	5,543,734
(4) PATIENT A/R CREDIT BALANCES	1,054,019
(5) OTHER LIABILITIES	323,572
(6)	
(7)	
(8)	
(9)	
Total. (Column (b) must equal Form 990, Part X, col. (B) line 25.) ▶	26,198,980

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 XIII

Supplemental Information. Provide the descriptions required for Part II, lines 3, 5, and 9; Part III, lines 1a and 4; Part IV, lines 1b and 2b; Part V, line 4; Part X, line 2; Part XI, lines 2d and 4b; and Part XII, lines 2d and 4b. Also complete this part to provide any additional information.

Return Reference - Identifier	Explanation
SCHEDULE D, PART X, LINE 2 - FIN 48 (ASC 740) FOOTNOTE	THE ORGANIZATION IS A SUBSIDIARY OF THE UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION (THE CORPORATION). THE CORPORATION ADOPTED THE PROVISIONS OF ASC 740, ACCOUNTING FOR UNCERTAINTY IN THE INCOME TAXES (FIN 48) ON JULY 1, 2007. THE FOOTNOTE RELATED TO ASC 740 IN THE CORPORATION'S AUDITED FINANCIAL STATEMENTS IS AS FOLLOWS: THE CORPORATION FOLLOWS A THRESHOLD OF MORE-LIKELY-THAN-NOT FOR RECOGNITION AND DERECOGNITION OF TAX POSITIONS TAKEN OR EXPECTED TO BE TAKEN IN A TAX RETURN. MANAGEMENT DOES NOT BELIEVE THAT THERE ARE ANY UNRECOGNIZED TAX LIABILITIES OR BENEFITS THAT SHOULD BE RECOGNIZED.

**SCHEDULE H
(Form 990)**

Hospitals

OMB No. 1545-0047

2018

Open to Public Inspection

▶ **Complete if the organization answered "Yes" on Form 990, Part IV, question 20.**
 ▶ **Attach to Form 990.**
 ▶ **Go to www.irs.gov/Form990 for instructions and the latest information.**

Department of the Treasury
Internal Revenue Service

Name of the organization JAMES LAWRENCE KERNAN HOSPITAL, INC.	Employer identification number 52 0591639
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Part I Financial Assistance and Certain Other Community Benefits at Cost

	Yes	No
1a Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a	✓	
b If "Yes," was it a written policy?	✓	
2 If the organization had multiple hospital facilities, indicate which of the following best describes application of the financial assistance policy to its various hospital facilities during the tax year. <input type="checkbox"/> Applied uniformly to all hospital facilities <input type="checkbox"/> Applied uniformly to most hospital facilities <input type="checkbox"/> Generally tailored to individual hospital facilities		
3 Answer the following based on the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year.		
a Did the organization use Federal Poverty Guidelines (FPG) as a factor in determining eligibility for providing <i>free care</i> ? 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 _____%	✓	
b Did the organization use FPG as a factor in determining eligibility for providing <i>discounted care</i> ? If "Yes," indicate which of the following was the family income limit for eligibility for discounted care: <input type="checkbox"/> 200% <input type="checkbox"/> 250% <input checked="" type="checkbox"/> 300% <input type="checkbox"/> 350% <input type="checkbox"/> 400% <input type="checkbox"/> Other _____%	✓	
c If the organization used factors other than FPG in determining eligibility, describe in Part VI the 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.		
4 Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for free or discounted care to the "medically indigent"?	✓	
5a Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	✓	
b If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?		✓
c If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care?		
6a Did the organization prepare a community benefit report during the tax year?	✓	
b If "Yes," did the organization make it available to the public?	✓	

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
Financial Assistance and Means-Tested Government Programs						
a Financial Assistance at cost (from Worksheet 1)			1,299,614	0	1,299,614	1.19
b Medicaid (from Worksheet 3, column a)			0	0	0	0.00
c Costs of other means-tested government programs (from Worksheet 3, column b)			0	0	0	0.00
d Total. Financial Assistance and Means-Tested Government Programs	0	0	1,299,614	0	1,299,614	1.19
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			198,548	0	198,548	0.18
f Health professions education (from Worksheet 5)			8,507,182	0	8,507,182	7.78
g Subsidized health services (from Worksheet 6)			2,133,958	1,023,000	1,110,958	1.02
h Research (from Worksheet 7)			0	0	0	0.00
i Cash and in-kind contributions for community benefit (from Worksheet 8)			106,200	0	106,200	0.10
j Total. Other Benefits	0	0	10,945,888	1,023,000	9,922,888	9.07
k Total. Add lines 7d and 7j	0	0	12,245,502	1,023,000	11,222,502	10.26

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

	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1 Physical improvements and housing			0	0	0	0.00
2 Economic development			0	0	0	0.00
3 Community support			0	0	0	0.00
4 Environmental improvements			0	0	0	0.00
5 Leadership development and training for community members			0	0	0	0.00
6 Coalition building			0	0	0	0.00
7 Community health improvement advocacy			0	0	0	0.00
8 Workforce development			0	0	0	0.00
9 Other			0	0	0	0.00
10 Total	0	0	0	0	0	0.00

Part III Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

		Yes	No
1	Did the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No. 15?	1	✓
2	Enter the amount of the organization's bad debt expense. Explain in Part VI the methodology used by the organization to estimate this amount	2	3,128,780
3	Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's financial assistance policy. Explain in Part VI the methodology used by the organization to estimate this amount and the rationale, if any, for including this portion of bad debt as community benefit.	3	0
4	Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense or the page number on which this footnote is contained in the attached financial statements.		

Section B. Medicare

5	Enter total revenue received from Medicare (including DSH and IME)	5	33,065,832
6	Enter Medicare allowable costs of care relating to payments on line 5	6	30,865,476
7	Subtract line 6 from line 5. This is the surplus (or shortfall)	7	2,200,356
8	Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit. Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6. Check the box that describes the method used: <input type="checkbox"/> Cost accounting system <input checked="" type="checkbox"/> Cost to charge ratio <input type="checkbox"/> Other		

Section C. Collection Practices

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

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

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

Part V Facility Information

Section A. Hospital Facilities

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

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

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

1 [JAMES LAWRENCE KERNAN HOSPITAL, INC.](#)
[2200 KERNAN DRIVE, BALTIMORE, MD 21207](#)
[WWW.UMMS.ORG/REHAB](#) STATE LICENSE NO. : 30-038

2

3

4

5

6

7

8

9

10

Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (describe)	Facility reporting group
✓	✓							REHABILITATION	1

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 1

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

Community Health Needs Assessment

	Yes	No
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?		✓
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		✓
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	✓	
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"/> The impact of any actions taken to address the significant health needs identified in the hospital facility's prior CHNA(s)		
j <input type="checkbox"/> Other (describe in Section C)		
4 Indicate the tax year the hospital facility last conducted a CHNA: <u>20 17</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	✓	
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	✓	
6b 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	✓	
7 Did the hospital facility make its CHNA report widely available to the public?	✓	
If "Yes," indicate how the CHNA report was made widely available (check all that apply):		
a <input checked="" type="checkbox"/> Hospital facility's website (list url): <u>WWW.UMREHABORTHO.ORG/2018CHNA</u>		
b <input type="checkbox"/> Other website (list url): _____		
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	✓	
9 Indicate the tax year the hospital facility last adopted an implementation strategy: <u>20 17</u>		
10 Is the hospital facility's most recently adopted implementation strategy posted on a website?	✓	
a If "Yes," (list url): <u>HTTPS://WWW.UMMS.ORG/REHAB/COMMUNITY</u>		
b If "No," is the hospital facility's most recently adopted implementation strategy attached to this return?		
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)?		✓
12b If "Yes" to line 12a, did the organization file Form 4720 to report the section 4959 excise tax?		
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 1

		Yes	No
Did the hospital facility have in place during the tax year a written financial assistance policy that:			
13	Explained eligibility criteria for financial assistance, and whether such assistance included free or discounted care? If "Yes," indicate the eligibility criteria explained in the FAP:	✓	
a	<input checked="" type="checkbox"/> Federal poverty guidelines (FPG), with FPG family income limit for eligibility for free care of <u>2 0 0</u> % and FPG family income limit for eligibility for discounted care of <u>3 0 0</u> %		
b	<input checked="" type="checkbox"/> Income level other than FPG (describe in Section C)		
c	<input checked="" type="checkbox"/> Asset level		
d	<input checked="" type="checkbox"/> Medical indigency		
e	<input checked="" type="checkbox"/> Insurance status		
f	<input checked="" type="checkbox"/> Underinsurance status		
g	<input type="checkbox"/> Residency		
h	<input type="checkbox"/> Other (describe in Section C)		
14	Explained the basis for calculating amounts charged to patients?	✓	
15	Explained the method for applying for financial assistance? 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):	✓	
a	<input checked="" type="checkbox"/> Described the information the hospital facility may require an individual to provide as part of his or her application		
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		
c	<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		
d	<input type="checkbox"/> Provided the contact information of nonprofit organizations or government agencies that may be sources of assistance with FAP applications		
e	<input type="checkbox"/> Other (describe in Section C)		
16	Was widely publicized within the community served by the hospital facility? If "Yes," indicate how the hospital facility publicized the policy (check all that apply):	✓	
a	<input checked="" type="checkbox"/> The FAP was widely available on a website (list url): <u>(SEE STATEMENT)</u>		
b	<input checked="" type="checkbox"/> The FAP application form was widely available on a website (list url): <u>(SEE STATEMENT)</u>		
c	<input checked="" type="checkbox"/> A plain language summary of the FAP was widely available on a website (list url): <u>(SEE STATEMENT)</u>		
d	<input checked="" type="checkbox"/> The FAP was available upon request and without charge (in public locations in the hospital facility and by mail)		
e	<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)		
f	<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)		
g	<input checked="" type="checkbox"/> Individuals were notified about the FAP by being offered a paper copy of the plain language summary of the FAP, by receiving a conspicuous written notice about the FAP on their billing statements, and via conspicuous public displays or other measures reasonably calculated to attract patients' attention		
h	<input checked="" type="checkbox"/> Notified members of the community who are most likely to require financial assistance about availability of the FAP		
i	<input checked="" type="checkbox"/> The FAP, FAP application form, and plain language summary of the FAP were translated into the primary language(s) spoken by Limited English Proficiency (LEP) populations		
j	<input type="checkbox"/> Other (describe in Section C)		

Part V Facility Information *(continued)*

Billing and Collections

Name of hospital facility or letter of facility reporting group 1

	Yes	No
17 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 nonpayment?	✓	
18 Check all of the following actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the individual's eligibility under the facility's FAP:		
a <input type="checkbox"/> Reporting to credit agency(ies)		
b <input type="checkbox"/> Selling an individual's debt to another party		
c <input type="checkbox"/> Deferring, denying, or requiring a payment before providing medically necessary care due to nonpayment of a previous bill for care covered under the hospital facility's FAP		
d <input type="checkbox"/> Actions that require a legal or judicial process		
e <input type="checkbox"/> Other similar actions (describe in Section C)		
f <input checked="" type="checkbox"/> None of these actions or other similar actions were permitted		
19 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?		✓
If "Yes," check all actions in which the hospital facility or a third party engaged:		
a <input type="checkbox"/> Reporting to credit agency(ies)		
b <input type="checkbox"/> Selling an individual's debt to another party		
c <input type="checkbox"/> Deferring, denying, or requiring a payment before providing medically necessary care due to nonpayment of a previous bill for care covered under the hospital facility's FAP		
d <input type="checkbox"/> Actions that require a legal or judicial process		
e <input type="checkbox"/> Other similar actions (describe in Section C)		
20 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):		
a <input checked="" type="checkbox"/> Provided a written notice about upcoming ECAs (Extraordinary Collection Action) and a plain language summary of the FAP at least 30 days before initiating those ECAs (if not, describe in Section C)		
b <input checked="" type="checkbox"/> Made a reasonable effort to orally notify individuals about the FAP and FAP application process (if not, describe in Section C)		
c <input checked="" type="checkbox"/> Processed incomplete and complete FAP applications (if not, describe in Section C)		
d <input checked="" type="checkbox"/> Made presumptive eligibility determinations (if not, describe in Section C)		
e <input type="checkbox"/> Other (describe in Section C)		
f <input type="checkbox"/> None of these efforts were made		

Policy Relating to Emergency Medical Care

21 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?	21		✓
If "No," indicate why:			
a <input checked="" type="checkbox"/> The hospital facility did not provide care for any emergency medical conditions			
b <input type="checkbox"/> The hospital facility's policy was not in writing			
c <input type="checkbox"/> The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Section C)			
d <input type="checkbox"/> Other (describe in Section C)			

Part V Facility Information *(continued)*

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

Name of hospital facility or letter of facility reporting group 1

		Yes	No
22	Indicate how the hospital facility determined, during the tax year, the maximum amounts that can be charged to FAP-eligible individuals for emergency or other medically necessary care.		
a	<input type="checkbox"/> The hospital facility used a look-back method based on claims allowed by Medicare fee-for-service during a prior 12-month period		
b	<input type="checkbox"/> The hospital facility used a look-back method based on claims allowed by Medicare fee-for-service and all private health insurers that pay claims to the hospital facility during a prior 12-month period		
c	<input type="checkbox"/> The hospital facility used a look-back method based on claims allowed by Medicaid, either alone or in combination with Medicare fee-for-service and all private health insurers that pay claims to the hospital facility during a prior 12-month period		
d	<input checked="" type="checkbox"/> The hospital facility used a prospective Medicare or Medicaid method		
23	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?	23	✓
	If "Yes," explain in Section C.		
24	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?	24	✓
	If "Yes," explain in Section C.		

Part V, Section C

Supplemental Information. 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, 16j, 18e, 19e, 20a, 20b, 20c, 20d, 20e, 21c, 21d, 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.

Return Reference - Identifier	Explanation
SCHEDULE H, PART V, SECTION B, LINE 3E - THE SIGNIFICANT HEALTH NEEDS OF THE COMMUNITY	THE SIGNIFICANT HEALTH NEEDS ARE A PRIORITIZED DESCRIPTION OF THE SIGNIFICANT HEALTH NEEDS OF THE COMMUNITY AND IDENTIFIED THROUGH THE CHNA.

Return Reference - Identifier	Explanation
<p>SCHEDULE H, PART V, SECTION B, LINE 5 - INPUT FROM PERSONS WHO REPRESENT BROAD INTERESTS OF COMMUNITY SERVED</p>	<p>FACILITY NAME: JAMES LAWRENCE KERNAN HOSPITAL, INC.</p> <p>DESCRIPTION: THE UNIVERSITY OF MARYLAND REHABILITATION & ORTHOPEDIC INSTITUTE (UM REHAB) UTILIZED TWO MAJOR FRAMEWORKS FOR COMPLETING ITS MOST RECENT COMMUNITY HEALTH NEEDS ASSESSMENT (CHNA) IN FISCAL YEAR 2018. TO COMPLETE THIS COMPREHENSIVE ASSESSMENT OF THE NEEDS OF THE COMMUNITY, THE ASSOCIATION FOR COMMUNITY HEALTH IMPROVEMENT'S (ACHI) 9-STEP COMMUNITY HEALTH ASSESSMENT PROCESS WAS UTILIZED AS AN ORGANIZING METHODOLOGY. AN ADDITIONAL 5-COMPONENT ASSESSMENT AND ENGAGEMENT STRATEGY WAS ALSO UTILIZED TO LEAD THE DATA COLLECTION METHODOLOGY. DATA WAS COLLECTED FROM MULTIPLE SOURCES, GROUPS, AND INDIVIDUALS AND INTEGRATED INTO A COMPREHENSIVE DOCUMENT WHICH WAS UTILIZED AT A MEETING IN JANUARY 2018 OF THE UM REHAB & ORTHO COMMUNITY HEALTH LEADERSHIP TEAM. DURING THAT MEETING, PRIORITIES WERE IDENTIFIED USING THE COLLECTED DATA AND AN ADAPTED VERSION OF THE CATHOLIC HEALTH ASSOCIATION'S (CHA) PRIORITY SETTING CRITERIA. THE IDENTIFIED PRIORITIES WERE ALSO VALIDATED BY THE LARGER LEADERSHIP TEAM OF UM REHABILITATION & ORTHOPEDIC INSTITUTE. UM REHAB & ORTHO USED PRIMARY AND SECONDARY SOURCES OF DATA AS WELL AS QUANTITATIVE AND QUALITATIVE DATA AND CONSULTED WITH NUMEROUS INDIVIDUALS AND ORGANIZATIONS DURING THE CHNA, INCLUDING OTHER UNIVERSITY OF MARYLAND MEDICAL SYSTEM (UMMS) BALTIMORE CITY-BASED HOSPITALS (UNIVERSITY OF MARYLAND MEDICAL CENTER DOWNTOWN AND MIDTOWN CAMPUSES), COMMUNITY LEADERS, COMMUNITY PARTNERS, THE UNIVERSITY OF MARYLAND BALTIMORE (UMB) ACADEMIC COMMUNITY, THE GENERAL PUBLIC, LOCAL HEALTH EXPERTS, AND THE BALTIMORE CITY HEALTH DEPARTMENT.</p> <p>ADDITIONALLY, FOR THE FIRST TIME IN THE CITY'S HISTORY, NINE BALTIMORE CITY HOSPITALS JOINED TOGETHER IN FISCAL YEAR 2018 TO COLLABORATE ON SEVERAL KEY DATA COLLECTION STRATEGIES FOR A JOINT COMMUNITY HEALTH NEEDS ASSESSMENT. UM REHAB & ORTHO WORKED CLOSELY WITH THE UNIVERSITY OF MARYLAND MEDICAL CENTER WHO PARTNERED WITH JOHNS HOPKINS HOSPITAL, SINAI HOSPITAL (LIFEBRIDGE), MEDSTAR HEALTH, ST. AGNES HEALTH SYSTEM, AND MERCY MEDICAL CENTER. THE ABOVE HOSPITALS/HEALTH SYSTEMS HAD BEEN COLLABORATING ON SEVERAL INITIATIVES PRIOR TO THE CHNA YEAR AND AGREED THAT IT WOULD BE BENEFICIAL TO WORK ON A MORE DETAILED LEVEL ON A JOINT CITY-WIDE CHNA. THIS MULTI-HOSPITAL COLLABORATIVE WORKED ON THE FOLLOWING DATA COLLECTION COMPONENTS TOGETHER:</p> <ul style="list-style-type: none"> -PUBLIC SURVEY OF BALTIMORE CITY RESIDENTS -KEY STAKEHOLDER INTERVIEWS -KEY POPULATION FOCUS GROUPS -KEY COMMUNITY PARTNER FOCUS GROUPS <p>AFTER THE DATA WAS COLLECTED AND ANALYZED JOINTLY, EACH INDIVIDUAL HOSPITAL USED THE COLLECTED DATA FOR THEIR RESPECTIVE COMMUNITY BENEFIT SERVICE AREAS TO IDENTIFY THEIR UNIQUE PRIORITIES FOR THEIR COMMUNITIES. THE COLLABORATING HOSPITALS/HEALTH SYSTEMS DID AGREE TO JOINTLY FOCUS ON BEHAVIORAL HEALTH AS A KEY CITY-WIDE PRIORITY.</p> <p>THE FOLLOWING DESCRIBES THE INDIVIDUAL DATA COLLECTION STRATEGIES WITH THE ACCOMPANYING RESULTS.</p> <p>A) COMMUNITY PERSPECTIVE THE COMMUNITY'S PERSPECTIVE WAS OBTAINED THROUGH ONE SURVEY OFFERED TO THE PUBLIC USING SEVERAL METHODS THROUGHOUT BALTIMORE CITY. A 6-ITEM SURVEY QUERIED BALTIMORE CITY RESIDENTS TO IDENTIFY THEIR TOP HEALTH CONCERNS AND THEIR TOP BARRIERS IN ACCESSING HEALTH CARE.</p> <p>METHODS 6-ITEM SURVEY DISTRIBUTED IN FY2018 USING THE FOLLOWING METHODS: *CONDUCTED FROM LATE SEPTEMBER THROUGH NOVEMBER 2017 *PARTICIPATING HOSPITALS COLLECTED DATA THROUGHOUT THE CITY *DISTRIBUTED IN PERSON AND OFFERED ONLINE *OFFERED IN ENGLISH, SPANISH, AND RUSSIAN *COLLECTED 4,755 SURVEYS *ALL BALTIMORE CITY ZIP CODES WERE REPRESENTED IN THE RESPONSES</p> <p>RESULTS TOP 6 HEALTH CONCERNS ALCOHOL/DRUG ADDICTION MENTAL HEALTH DIABETES/HIGH BLOOD SUGAR OVERWEIGHT/OBESITY HEART DISEASE/HIGH BLOOD PRESSURE SMOKING/TOBACCO USE</p> <p>ANALYSIS BY CBSA TARGETED ZIP CODES REVEALED THE SAME TOP HEALTH CONCERNS AND TOP HEALTH BARRIERS WITH LITTLE DEVIATION FROM THE OVERALL BALTIMORE CITY DATA. THE SAMPLE SIZE WAS 4,755 FOR ALL OF BALTIMORE CITY AND 71 FOR INDIVIDUALS FROM THE UM REHAB'S DISABLED COMMUNITY.</p> <p>COMMUNITY'S TOP HEALTH CONCERNS (ALL BALTIMORE CITY) ALCOHOL/DRUG ADDICTION MENTAL HEALTH DIABETES/HIGH BLOOD SUGAR OVERWEIGHT/OBESITY HEART DISEASE/HIGH BLOOD PRESSURE SMOKING/TOBACCO USE COMMUNITY'S TOP SOCIAL/ENVIRONMENTAL ISSUES (ALL BALTIMORE CITY) NEIGHBORHOOD SAFETY/VIOLENCE LACK OF JOB OPPORTUNITIES HOUSING/HOMELESSNESS AVAILABILITY/ACCESS TO INSURANCE POVERTY LIMITED ACCESS TO HEALTHY FOODS</p> <p>UM REHAB'S DISABLED COMMUNITY'S TOP HEALTH CONCERNS ALCOHOL/DRUG ADDICTION</p>

Return Reference - Identifier	Explanation
	<p>DIABETES/HIGH BLOOD SUGAR OVERWEIGHT/OBESITY MENTAL HEALTH SMOKING/TOBACCO USE HEART DISEASE/HIGH BLOOD PRESSURE</p> <p>UM REHAB'S DISABLED COMMUNITY TOP SOCIAL/ENVIRONMENTAL ISSUES AVAILABILITY/ACCESS TO INSURANCE LACK OF JOB OPPORTUNITIES HOUSING/HOMELESSNESS LIMITED AVAILABILITY OF RECREATIONAL ACTIVITIES TRANSPORTATION PROBLEMS LIMITED ACCESS TO HEALTHY FOODS</p> <p>UM REHAB'S DISABLED COMMUNITY TOP BARRIERS TO HEALTHCARE COST/TOO EXPENSIVE/CAN'T AFFORD NO INSURANCE INSURANCE NOT ACCEPTED LACK OF TRANSPORTATION</p> <p>B) HEALTH EXPERTS</p> <p>METHODS REVIEWED & INCLUDED NATIONAL PREVENTION STRATEGY PRIORITIES, MARYLAND STATE HEALTH IMPROVEMENT PLAN (SHIP) INDICATORS, AND HEALTHY BALTIMORE 2020 PLAN FROM THE BALTIMORE CITY HEALTH DEPARTMENT REVIEWED HEALTHY BALTIMORE 2020: A BLUEPRINT FOR HEALTH REVIEWED BALTIMORE CITY HEALTH DEPARTMENT'S 2017 COMMUNITY HEALTH ASSESSMENT REVIEWED THE CENTER FOR DISEASE CONTROL'S DATA ON MARYLAND' DISABILITY STATUS PROFILE</p> <p>RESULTS NATIONAL PREVENTION STRATEGY - 7 PRIORITY AREAS *TOBACCO FREE LIVING *PREVENTING DRUG ABUSE AND EXCESSIVE ALCOHOL USE *HEALTHY EATING *ACTIVE LIVING *INJURY AND VIOLENCE FREE LIVING *REPRODUCTIVE AND SEXUAL HEALTH *MENTAL AND EMOTIONAL WELL BEING SHIP: 39 OBJECTIVES IN 5 VISION AREAS FOR THE STATE, INCLUDES TARGETS FOR BALTIMORE CITY -WHILE PROGRESS HAS BEEN MADE SINCE 2015, MEASURES WITHIN BALTIMORE CITY HAVE NOT MET IDENTIFIED TARGETS; EVEN WIDER MINORITY DISPARITIES EXIST WITHIN THE CITY HEALTHY BALTIMORE 2020: FOUR PRIORITY AREAS FOR BALTIMORE CITY 1)STRATEGIC PRIORITY 1: BEHAVIORAL HEALTH 2)STRATEGIC PRIORITY 2: VIOLENCE PREVENTION 3)STRATEGIC PRIORITY 3: CHRONIC DISEASE PREVENTION 4)STRATEGIC PRIORITY 4: LIFE COURSE APPROACH AND CORE SERVICES HEALTH EXPERT UMB CAMPUS PANEL FOCUS GROUP TOP ACTION ITEMS INCLUDED: CONTINUE COLLABORATIVE WORK FROM THE UMMC/UMB STRATEGIC COMMUNITY PLAN IMPROVE COMMUNICATION AND SYNERGY ACROSS CAMPUS SCHOOLS AND UMMC IDENTIFY WAYS TO PARTNER AND SUPPORT EACH OTHER CENTER FOR DISEASE CONTROL'S DISABILITY DATA FOR MARYLAND</p> <p>C) COMMUNITY LEADERS</p> <p>METHODS HOSTED TWO FOCUS GROUPS IN COLLABORATION WITH THE OTHER BALTIMORE-BASED HOSPITALS FOR 22 COMMUNITY-BASED ORGANIZATION PARTNERS TO SHARE THEIR PERSPECTIVES ON HEALTH NEEDS (NOVEMBER 2017)</p> <p>RESULTS CONSENSUS THAT SOCIAL DETERMINANTS OF HEALTH (AND "UPSTREAM FACTORS") ARE KEY ELEMENTS THAT DETERMINE HEALTH OUTCOMES TOP NEEDS AND BARRIERS WERE IDENTIFIED AS WELL POTENTIAL SUGGESTIONS FOR IMPROVEMENT AND COLLABORATION TOP NEEDS: HEALTH LITERACY EMPLOYMENT/POVERTY MENTAL/BEHAVIORAL HEALTH CARDIOVASCULAR HEALTH (OBESITY, HYPERTENSION, STROKE, & DIABETES) MATERNAL/CHILD HEALTH - FOCUSING ON PROMOTING A HEALTHY START FOR ALL CHILDREN</p> <p>TOP BARRIERS: FOCUSING ON THE OUTCOME AND NOT THE ROOT OF THE PROBLEMS (I.E. SDOH) LACK OF INTER-AGENCY COLLABORATION/WORKING IN SILOS</p> <p>SUGGESTIONS FOR IMPROVEMENT: LEVERAGE EXISTING RESOURCES INCREASE COLLABORATION FOCUS ON SOCIAL DETERMINANTS OF HEALTH ENHANCE BEHAVIORAL HEALTH RESOURCES</p>

Return Reference - Identifier	Explanation
<p>SCHEDULE H, PART V, SECTION B, LINE 6A - CHNA CONDUCTED WITH ONE OR MORE OTHER HOSPITAL FACILITIES</p>	<p>FACILITY NAME: JAMES LAWRENCE KERNAN HOSPITAL, INC.</p> <p>DESCRIPTION: UM REHABILITATION & ORTHOPEDIC INSTITUTE CONDUCTED ITS FY'18 CHNA WITH THE UNIVERSITY OF MARYLAND MEDICAL CENTER. ADDITIONALLY, MOST BALTIMORE CITY HOSPITALS COLLABORATED TOGETHER FOR THE FIRST TIME TO GATHER PRIMARY DATA TOGETHER. SO, THE ADDITIONAL HOSPITALS THAT COLLABORATED WITH UM REHAB INCLUDE: THE UNIVERSITY OF MARYLAND MEDICAL CENTER DOWNTOWN AND MIDTOWN CAMPUSES, JOHNS HOPKINS HOSPITAL (MAIN CAMPUS AND BAYVIEW), ST AGNES HOSPITAL, SINAI, MERCY MEDICAL CENTER, AND MEDSTAR HEALTH (GOOD SAMARITAN, UNION MEMORIAL, AND HARBOR HOSPITAL).</p>
<p>SCHEDULE H, PART V, SECTION B, LINE 6B - CHNA CONDUCTED WITH ONE OR MORE ORGANIZATIONS OTHER THAN HOSPITAL FACILITIES</p>	<p>FACILITY NAME: JAMES LAWRENCE KERNAN HOSPITAL, INC.</p> <p>DESCRIPTION: THE CHNA WAS CONDUCTED WITH THE FOLLOWING ORGANIZATIONS OTHER THAN HOSPITAL FACILITIES: -BARS -DEPT OF REHABILITATION SERVICES -MAYOR'S OFFICE ON DISABILITIES -MOUNT DE SALES ACADEMY -HOWARD COUNTY PUBLIC SCHOOLS</p>
<p>SCHEDULE H, PART V, SECTION B, LINE 11 - HOW HOSPITAL FACILITY IS ADDRESSING NEEDS IDENTIFIED IN CHNA</p>	<p>FACILITY NAME: JAMES LAWRENCE KERNAN HOSPITAL, INC.</p> <p>DESCRIPTION: ANALYSIS OF ALL QUANTITATIVE AND QUALITATIVE DATA DESCRIBED IN THE ABOVE SECTION IDENTIFIED THE FOLLOWING TOP THREE AREAS OF NEED WITHIN BALTIMORE CITY FOR DISABLED ADULTS. THESE TOP PRIORITIES REPRESENT THE INTERSECTION OF DOCUMENTED UNMET COMMUNITY HEALTH NEEDS AND THE ORGANIZATION'S KEY STRENGTHS AND MISSION. THESE PRIORITIES WERE IDENTIFIED AND APPROVED BY THE UM REHAB & ORTHO COMMUNITY LEADERSHIP TEAM AND VALIDATED WITH THE LARGER UM REHAB & ORTHO LEADERSHIP TEAM:</p> <p>1)QUALITY OF LIFE 2)TRANSITION TO THE COMMUNITY 3)COMMUNITY AWARENESS</p> <p>PROGRAMMING FOR THE COMMUNITY IS BASED ON THE IDENTIFIED NEEDS ABOVE AND EXAMPLES INCLUDE THE ADAPTED SPORTS PROGRAM, LIVING WELL WITH CHRONIC DISEASE PROGRAMS, A DENTAL CLINIC FOR DISABLED, AND SEVERAL OTHER PROGRAMS. THE UM REHAB & ORTHO'S IDENTIFIED CORE PRIORITIES AND PROGRAMMING TARGET THE INTERSECTION OF THE IDENTIFIED COMMUNITY NEEDS AND THE ORGANIZATION'S KEY STRENGTHS AND MISSION.</p> <p>SEVERAL ADDITIONAL TOPIC AREAS WERE IDENTIFIED BY THE COMMUNITY HEALTH IMPROVEMENT LEADERSHIP TEAM DURING THE CHNA PROCESS INCLUDING: BEHAVIORAL/MENTAL HEALTH, SAFE HOUSING, TRANSPORTATION, AND SUBSTANCE ABUSE. WHILE UM REHAB & ORTHO WILL FOCUS ON STRATEGIC PROGRAMS SUCH AS HEALTHY BEGINNINGS, HEALTHY COMMUNITIES, QUALITY PREVENTIVE CARE, HEALTHY LIVING & QUALITY PREVENTIVE CARE AND ACCESS TO HEALTHCARE, WE WILL REVIEW THE COMPLETE SET OF NEEDS IDENTIFIED IN THE CHNA FOR FUTURE COLLABORATION AND WORK. THESE AREAS, WHILE STILL IMPORTANT TO THE HEALTH OF THE COMMUNITY, WILL BE MET THROUGH EITHER EXISTING PROGRAMS AT THE MEDICAL CENTER (I.E. METHADONE CLINICS, RESIDENTIAL PSYCHIATRIC PROGRAM) OR THROUGH COLLABORATION WITH OTHER HEALTH CARE ORGANIZATIONS AS NEEDED. ADDITIONALLY, SUBSTANCE ABUSE PROGRAMMING IS ALREADY INTEGRATED INTO EXISTING PROGRAMS SUCH AS THE THINK FIRST FOR TEENS PROGRAM. THE ADDITIONAL UNMET NEEDS NOT ADDRESSED BY UM REHAB & ORTHO WILL ALSO CONTINUE TO BE ADDRESSED BY KEY BALTIMORE CITY GOVERNMENTAL AGENCIES AND EXISTING COMMUNITY-BASED ORGANIZATIONS.</p>
<p>SCHEDULE H, PART V, SECTION B, LINE 13B - ELIGIBILITY FOR DISCOUNTED CARE</p>	<p>FACILITY NAME: JAMES LAWRENCE KERNAN HOSPITAL, INC.</p> <p>DESCRIPTION: THE FINANCIAL ASSISTANCE POLICY EXPLAINS SEVERAL ELIGIBILITY CRITERIA, INCLUDING PARTICIPATION IN MEDICAID/MEDICARE PROGRAMS AS WELL AS ELIGIBILITY UNDER VARIOUS STATE REGULATIONS. IN ADDITION TO FPG, THE INCOME LEVELS DEFINED BY THE MARYLAND STATE DEPARTMENT OF HEALTH AND MENTAL HYGIENE (MD DHMH) ARE USED TO DETERMINE ELIGIBILITY FOR FINANCIAL ASSISTANCE. THE MD DHMH INCOME LEVELS ARE MORE GENEROUS THAT THE FPG INCOME LEVELS.</p>
<p>SCHEDULE H, PART V, SECTION B, LINE 16A - FAP AVAILABLE WEBSITE</p>	<p>HTTPS://WWW.UMMS.ORG/REHAB/COMMUNITY</p>
<p>SCHEDULE H, PART V, SECTION B, LINE 16B - FAP APPLICATION FORM WEBSITE</p>	<p>HTTPS://WWW.UMMS.ORG/REHAB/COMMUNITY</p>
<p>SCHEDULE H, PART V, SECTION B, LINE 16C - PLAIN LANGUAGE FAP SUMMARY WEBSITE</p>	<p>HTTPS://WWW.UMMS.ORG/REHAB/COMMUNITY</p>

Part V Facility Information *(continued)*

Section D. Other Health Care Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility
(list in order of size, from largest to smallest)

How many non-hospital health care facilities did the organization operate during the tax year? 0

Name and address	Type of Facility (describe)
1	
2	
3	
4	
5	
6	
7	
8	
9	
10	

Provide the following information.

- 1 **Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7; Part II; 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 needs assessments reported in Part V, Section B.
- 3 **Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy.
- 4 **Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves.
- 5 **Promotion of community health.** Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e.g., open medical staff, community board, use of surplus funds, etc.).
- 6 **Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served.
- 7 **State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report.

Return Reference - Identifier	Explanation
SCHEDULE H, PART I, LINE 3C - CRITERIA FOR FREE OR DISCOUNTED CARE	<p>UM REHAB IS COMMITTED TO PROVIDING FINANCIAL ASSISTANCE TO PERSONS WHO HAVE HEALTH CARE NEEDS AND ARE UNINSURED, UNDERINSURED, INELIGIBLE FOR A GOVERNMENT PROGRAM, OR OTHERWISE UNABLE TO PAY, FOR MEDICALLY NECESSARY CARE BASED ON THEIR INDIVIDUAL FINANCIAL SITUATION. IN ADDITION TO FPG, THE INCOME LEVELS DEFINED BY THE MARYLAND STATE DEPARTMENT OF HEALTH AND MENTAL HYGIENE (MD DHMH) ARE USED TO DETERMINE ELIGIBILITY FOR FINANCIAL ASSISTANCE. THE MD DHMH INCOME LEVELS ARE MORE GENEROUS THAN THE FPG INCOME LEVELS.</p> <p>THE FAP ALSO USES A FINANCIAL HARDSHIP THRESHOLD WHEN DETERMINING ELIGIBILITY. A PATIENT WITH MEDICAL DEBT EXCEEDING 25% OF FAMILY ANNUAL HOUSEHOLD INCOME MAY BE ELIGIBLE FOR FINANCIAL ASSISTANCE.</p>
SCHEDULE H, PART I, LINE 6B - RELATED ORGANIZATION REPORT	<p>THE ORGANIZATION ANNUALLY FILES A COMMUNITY BENEFIT REPORT AS REQUIRED BY THE MARYLAND HSCRC. THE REPORT CAN BE FOUND AT HTTPS://HSCRC.STATE.MD.US/PAGES/INIT_CB.ASPX.</p>
SCHEDULE H, PART I, LINE 7 - EXPLANATION OF COSTING METHODOLOGY USED FOR CALCULATING LINE 7 TABLE	<p>MARYLAND'S REGULATORY SYSTEM CREATES A UNIQUE PROCESS FOR HOSPITAL PAYMENT THAT DIFFERS FROM THE REST OF THE NATION. THE HEALTH SERVICES COST REVIEW COMMISSION, (HSCRC) DETERMINES PAYMENT THROUGH A RATE SETTING PROCESS AND ALL PAYORS, INCLUDING GOVERNMENTAL PAYORS, PAY THE SAME AMOUNT FOR THE SAME SERVICES DELIVERED AT THE SAME HOSPITAL. MARYLAND'S UNIQUE ALL PAYOR SYSTEM INCLUDES A METHOD FOR REFERENCING UNCOMPENSATED CARE IN EACH PAYORS' RATES, WHICH DOES NOT ENABLE MARYLAND HOSPITALS TO BREAKOUT ANY OFFSETTING REVENUE RELATED TO UNCOMPENSATED CARE.</p> <p>COMMUNITY BENEFIT EXPENSES ARE EQUAL TO MEDICAID REVENUES IN MARYLAND, AS SUCH, THE NET EFFECT IS ZERO. ADDITIONALLY, NET REVENUES FOR MEDICAID SHOULD REFLECT THE FULL IMPACT ON THE HOSPITAL OF ITS SHARE OF THE MEDICAID ASSESSMENT.</p>
SCHEDULE H, PART I, LINE 7, COL (F) - BAD DEBT EXPENSE EXCLUDED FROM FINANCIAL ASSISTANCE CALCULATION	4,015,780
SCHEDULE H, PART III, LINE 2 - METHODOLOGY USED TO ESTIMATE BAD DEBT	<p>THE HEALTH SERVICES COST REVIEW COMMISSION (HSCRC) STARTED SETTING HOSPITAL RATES IN 1974. AT THAT TIME, THE HSCRC APPROVED RATES APPLIED ONLY TO COMMERCIAL INSURERS. IN 1977, THE HSCRC NEGOTIATED A WAIVER FROM MEDICARE HOSPITAL PAYMENT RULES FOR MARYLAND HOSPITALS TO BRING THE FEDERAL MEDICARE PAYMENTS UNDER HSCRC CONTROL.</p> <p>IN 2014, MARYLAND'S WAIVER WITH MEDICARE WAS RENEGOTIATED AND UPDATED TO REFLECT THE CURRENT HEALTHCARE ENVIRONMENT. UNDER THIS NEW WAIVER, SEVERAL CRITERIA WERE ESTABLISHED TO MONITOR THE SUCCESS OF THE SYSTEM IN CONTROLLING HEALTHCARE COSTS AND THE CONTINUANCE OF THE WAIVER ITSELF:</p> <ol style="list-style-type: none"> 1. REVENUE GROWTH PER CAPITA 2. MEDICARE HOSPITAL REVENUE PER BENEFICIARY 3. MEDICARE ALL PROVIDER REVENUE GROWTH PER BENEFICIARY 4. MEDICARE READMISSION RATES 5. HOSPITAL ACQUIRED CONDITION RATE <p>BECAUSE OF THIS SYSTEM, THE HOSPITAL IS UNABLE TO ESTIMATE HOW MUCH OF THE AMOUNT REPORTED IN LINE 2 IS ATTRIBUTED TO PATIENTS WHO WOULD APPLY UNDER THE FAP.</p>

Return Reference - Identifier	Explanation
<p>SCHEDULE H, PART III, LINE 4 - FOOTNOTE IN ORGANIZATION'S FINANCIAL STATEMENTS DESCRIBING BAD DEBT</p>	<p>THE CORPORATION RECORDS REVENUES AND ACCOUNTS RECEIVABLE FROM PATIENTS AND THIRD-PARTY PAYORS AT THEIR ESTIMATED NET REALIZABLE VALUE. REVENUE IS REDUCED FOR ANTICIPATED DISCOUNTS UNDER CONTRACTUAL ARRANGEMENTS AND FOR CHARITY CARE. AN ESTIMATED PROVISION FOR BAD DEBTS IS RECORDED IN THE PERIOD THE RELATED SERVICES ARE PROVIDED BASED UPON ANTICIPATED UNCOMPENSATED CARE, AND IS ADJUSTED AS ADDITIONAL INFORMATION BECOMES AVAILABLE.</p> <p>THE PROVISION FOR BAD DEBTS IS BASED UPON MANAGEMENT'S ASSESSMENT OF HISTORICAL AND EXPECTED NET COLLECTIONS CONSIDERING HISTORICAL BUSINESS AND ECONOMIC CONDITIONS, TRENDS IN HEALTHCARE COVERAGE, AND OTHER COLLECTION INDICATORS. PERIODICALLY THROUGHOUT THE YEAR, MANAGEMENT ASSESSES THE ADEQUACY OF THE ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS BASED UPON HISTORICAL WRITE-OFF EXPERIENCE BY PAYOR CATEGORY. THE RESULTS OF THIS REVIEW ARE THEN USED TO MAKE MODIFICATIONS TO THE PROVISION FOR BAD DEBTS AND TO ESTABLISH AN ALLOWANCE FOR UNCOLLECTIBLE RECEIVABLES. AFTER COLLECTION OF AMOUNTS DUE FROM INSURERS, THE CORPORATION FOLLOWS INTERNAL GUIDELINES FOR PLACING CERTAIN PAST DUE BALANCES WITH COLLECTION AGENCIES.</p> <p>FOR RECEIVABLES ASSOCIATED WITH SERVICES PROVIDED TO PATIENTS WHO HAVE THIRD-PARTY COVERAGE, THE CORPORATION ANALYZES CONTRACTUALLY DUE AMOUNTS AND PROVIDES AN ALLOWANCE FOR BAD DEBTS, ALLOWANCE FOR CONTRACTUAL ADJUSTMENTS, PROVISION FOR BAD DEBTS, AND CONTRACTUAL ADJUSTMENTS ON ACCOUNTS FOR WHICH THE THIRD-PARTY PAYOR HAS NOT YET PAID OR FOR PAYORS WHO ARE KNOWN TO BE HAVING FINANCIAL DIFFICULTIES THAT MAKE THE REALIZATION OF AMOUNTS DUE UNLIKELY. FOR RECEIVABLES ASSOCIATED WITH SELF-PAY PATIENTS OR WITH BALANCES REMAINING AFTER THE THIRD-PARTY COVERAGE HAD ALREADY PAID, THE CORPORATION RECORDS A SIGNIFICANT PROVISION FOR BAD DEBTS IN THE PERIOD OF SERVICE ON THE BASIS OF ITS HISTORICAL COLLECTIONS, WHICH INDICATES THAT MANY PATIENTS ULTIMATELY DO NOT PAY THE PORTION OF THEIR BILL FOR WHICH THEY ARE FINANCIALLY RESPONSIBLE. THE DIFFERENCE BETWEEN THE DISCOUNTED RATES AND THE AMOUNTS COLLECTED AFTER ALL REASONABLE COLLECTION EFFORTS HAVE BEEN EXHAUSTED IS CHARGED AGAINST THE ALLOWANCE FOR DOUBTFUL ACCOUNTS.</p>
<p>SCHEDULE H, PART III, LINE 8 - DESCRIBE EXTENT ANY SHORTFALL FROM LINE 7 TREATED AS COMMUNITY BENEFIT AND COSTING METHOD USED</p>	<p>THE ORGANIZATION FILES ANNUALLY A COMMUNITY BENEFIT REPORT WITH THE STATE OF MARYLAND'S HEALTH SERVICES COST REVIEW COMMISSION (HSCRC). THE HSCRC, WHICH OPERATES UNDER A MEDICARE WAIVER, DOES NOT CONSIDER MEDICARE SHORTFALL AS COMMUNITY BENEFIT. THE COSTING METHODOLOGY USED BY THE ORGANIZATION IS A COST-TO-CHARGE RATIO.</p>
<p>SCHEDULE H, PART III, LINE 9B - DID COLLECTION POLICY CONTAIN PROVISIONS ON COLLECTION PRACTICES FOR PATIENTS WHO ARE KNOWN TO QUALIFY FOR ASSISTANCE</p>	<p>THE ORGANIZATION EXPECTS PAYMENT AT THE TIME THE SERVICE IS PROVIDED. OUR POLICY IS TO COMPLY WITH ALL STATE AND FEDERAL LAW AND THIRD PARTY REGULATIONS AND TO PERFORM ALL CREDIT AND COLLECTION FUNCTIONS IN A DIGNIFIED AND RESPECTFUL MANNER. EMERGENCY SERVICES WILL BE PROVIDED TO ALL PATIENTS REGARDLESS OF ABILITY TO PAY. FINANCIAL ASSISTANCE IS AVAILABLE FOR PATIENTS BASED ON FINANCIAL NEED AS DEFINED IN THE FINANCIAL ASSISTANCE POLICY. THE ORGANIZATION DOES NOT DISCRIMINATE ON THE BASIS OF AGE, RACE, CREED, SEX OR ABILITY TO PAY.</p> <p>PATIENTS WHO ARE UNABLE TO PAY MAY REQUEST A FINANCIAL ASSISTANCE APPLICATION AT ANY TIME PRIOR TO SERVICE OR DURING THE BILLING AND COLLECTION PROCESS, EVEN IN EXCESS OF 240 DAYS FOLLOWING THE FIRST POST-DISCHARGE BILLING STATEMENT. THE ORGANIZATION MAY REQUEST THE PATIENT TO APPLY FOR MEDICAL ASSISTANCE PRIOR TO APPLYING FOR FINANCIAL ASSISTANCE. THE ACCOUNT WILL NOT BE FORWARDED FOR COLLECTION DURING THE MEDICAL ASSISTANCE APPLICATION PROCESS OR THE FINANCIAL ASSISTANCE APPLICATION PROCESS. NO EXTRAORDINARY COLLECTION ACTIONS (ECAS) WILL OCCUR EARLIER THAN 120 DAYS FROM SUBMISSION OF FIRST BILL TO THE PATIENT AND WILL BE PRECEDED BY NOTICE 30 DAYS PRIOR TO COMMENCEMENT OF THE ACTION. AVAILABILITY OF FINANCIAL ASSISTANCE WILL BE COMMUNICATED TO THE PATIENT AND A PRESUMPTIVE ELIGIBILITY REVIEW WILL OCCUR PRIOR TO ANY ACTION BEING TAKEN. IF A PATIENT IS DETERMINED TO BE ELIGIBLE FOR FINANCIAL ASSISTANCE AFTER AN ECA IS INITIATED, THE ORGANIZATION WILL TAKE REASONABLE MEASURES TO REVERSE THE ECAS AGAINST THE PATIENT ACCOUNT.</p>
<p>SCHEDULE H, PART VI, LINE 2 - NEEDS ASSESSMENT</p>	<p>SINCE FISCAL YEAR 2012, UM REHABILITATION & ORTHOPEDIC INSTITUTE HAS COMPLETED A COMPREHENSIVE COMMUNITY HEALTH NEEDS ASSESSMENT (CHNA) EVERY THREE YEARS. TO COMPLETE THIS COMPREHENSIVE ASSESSMENT OF THE NEEDS OF THE COMMUNITY IN FISCAL YEAR 2018, THE ASSOCIATION FOR COMMUNITY HEALTH IMPROVEMENT'S (ACHI) 9-STEP COMMUNITY HEALTH ASSESSMENT PROCESS WAS UTILIZED AS AN ORGANIZING METHODOLOGY. THE UM REHAB & ORTHO'S COMMUNITY HEALTH LEADERSHIP TEAM SERVED AS THE LEAD TEAM TO OVERSEE THE COMMUNITY HEALTH NEEDS ASSESSMENT (CHNA) WITH INPUT FROM OTHER UNIVERSITY OF MARYLAND MEDICAL SYSTEM BALTIMORE CITY-BASED HOSPITALS, COMMUNITY LEADERS, THE ACADEMIC COMMUNITY, THE PUBLIC, HEALTH EXPERTS, AND THE BALTIMORE CITY HEALTH DEPARTMENT. UNIVERSITY OF MARYLAND REHABILITATION & ORTHOPEDIC INSTITUTE ADOPTED THE ASSOCIATION FOR COMMUNITY HEALTH IMPROVEMENT (ACHI) 9-STEP PROCESS TO LEAD THE ASSESSMENT PROCESS AND AN ADDITIONAL 5-COMPONENT ASSESSMENT AND ENGAGEMENT STRATEGY TO LEAD THE DATA COLLECTION METHODOLOGY.</p> <p>DATA WAS COLLECTED FROM THE MAJOR AREAS OF THE COMMUNITY'S PERSPECTIVE, HEALTH EXPERTS' OPINIONS, AND COMMUNITY LEADERS' PERSPECTIVES ALONG WITH A REVIEW OF SOCIAL DETERMINANTS OF HEALTH AND EPIDEMIOLOGIC DATA TO COMPLETE A COMPREHENSIVE ASSESSMENT OF THE COMMUNITY'S NEEDS. DATA INCLUDES PRIMARY AND SECONDARY SOURCES OF DATA. THIS COMMUNITY HEALTH NEEDS ASSESSMENT REPORT WAS APPROVED BY THE UM REHAB COMMUNITY HEALTH LEADERSHIP TEAM IN MAY AND BY THE BOARD OF DIRECTORS ON MAY 24, 2018. WWW.UMREHABORTHO.ORG/2018CHNA</p>

Return Reference - Identifier	Explanation
<p>SCHEDULE H, PART VI, LINE 3 - PATIENT EDUCATION</p>	<p>PATIENT EDUCATION OF ELIGIBILITY FOR ASSISTANCE - PATIENTS ARE INFORMED OF THEIR ELIGIBILITY FOR ASSISTANCE THROUGH SIGNAGE IN ADMITTING AND REGISTRATION AREAS, ONLINE, IN THE PATIENT HANDBOOKS, IN LOCAL NEWSPAPERS, AND WITH PATIENT INFORMATION SHEETS.</p> <p>*LANGUAGE TRANSLATIONS REQUIREMENT: THE 501(R) REGULATIONS LOWERED THE LANGUAGE TRANSLATION THRESHOLD FOR LIMITED ENGLISH PROFICIENT (LEP) POPULATIONS TO THE LOWER OF 5% OF LEP INDIVIDUALS IN THE COMMUNITY SERVED/1000-LEP INDIVIDUALS. UNIVERSITY OF MARYLAND REHABILITATION & ORTHOPEDIC INSTITUTE TRANSLATED ITS FINANCIAL ASSISTANCE POLICY INTO THE FOLLOWING LANGUAGES: ENGLISH, SPANISH, FRENCH, RUSSIAN, CHINESE, KOREAN, VIETNAMESE, AND TAGALOG.</p> <p>*PLAIN LANGUAGE SUMMARY REQUIREMENT: THE 501(R) REGULATIONS REQUIRE A PLAIN LANGUAGE SUMMARY OF THE FAP THAT IS CLEAR, CONCISE, AND EASY FOR A PATIENT TO UNDERSTAND. UNIVERSITY OF MARYLAND REHABILITATION & ORTHOPEDIC INSTITUTE CREATED A NEW PLAIN LANGUAGE SUMMARY OF ITS FINANCIAL ASSISTANCE POLICY IN ADDITION TO ITS ALREADY-EXISTING PATIENT INFORMATION SHEET.</p>
<p>SCHEDULE H, PART VI, LINE 4 - COMMUNITY INFORMATION</p>	<p>THE LARGER REGIONAL PATIENT MIX OF UNIVERSITY OF MARYLAND REHABILITATION & ORTHOPEDIC INSTITUTE CONSISTS OF DISABLED ADULTS FROM THE METROPOLITAN AREA, STATE, AND REGION. FOR PURPOSES OF COMMUNITY BENEFITS PROGRAMMING AND THE FY'18 COMMUNITY HEALTH NEEDS ASSESSMENT (CHNA), THE COMMUNITY BENEFIT SERVICE AREA (CBSA) OF UM REHAB & ORTHO INCLUDES DISABLED ADULTS FROM BALTIMORE CITY AND THE SURROUNDING COUNTIES OF BALTIMORE, HOWARD, AND ANNE ARUNDEL.</p> <p>IT IS ESTIMATED THAT 7.3% OF MARYLANDERS UNDER 65 YEARS OF AGE HAVE SOME TYPE OF DISABILITY. THIS PREVALENCE ACCOUNTS FOR 441,808 MARYLANDERS WHO NEED SOME TYPE OF SUPPORT AND/OR RESOURCES TO IMPROVE THEIR DAILY QUALITY OF LIFE. THESE INDIVIDUALS REPORT BARRIERS TO HEALTH WHICH INCLUDE MOBILITY, TRANSPORTATION, LIMITED RECREATIONAL OPTIONS, UNEMPLOYMENT, INSURANCE COVERAGE, AND MENTAL HEALTH ISSUES.</p> <p>DISABILITY IN THE UM REHAB & ORTHO SERVICE AREA- ANNE ARUNDEL CO, BALTIMORE CITY, BALTIMORE CO AND HOWARD CO</p> <p>UNDER 21 YEARS - 12%, 19.8%, 13.6% AND 8.5%</p> <p>21 TO 64 YEARS - 9.5%, 18.2%, 10.4% AND 6.9%</p> <p>64 + YEARS - 9.3%, 17.2%, 10% AND 6.8%</p> <p>*DISABILITY DEFINED AS MILD TO SEVERE VISUAL, HEARING, AMBULATORY, COGNITIVE, SELF-CARE, AND INDEPENDENT LIVING. SOURCE: LOCAL DISABILITY DATA FOR PLANNERS (HTTP://DISABILITYPLANNINGDATA.COM)</p>

Return Reference - Identifier	Explanation
<p>SCHEDULE H, PART VI, LINE 5 - PROMOTION OF COMMUNITY HEALTH</p>	<p>THE UM REHABILITATION & ORTHOPEDIC INSTITUTE PROMOTES THE HEALTH OF ITS COMMUNITY IN A VARIETY OF WAYS. PROGRAMMING IS BASED ON THE STRATEGIC PRIORITIES IDENTIFIED IN THE CHNA. THE FOLLOWING THREE PROGRAMS HIGHLIGHT THE MAJOR COMMUNITY HEALTH INITIATIVES TO ADDRESS THE THREE MAJOR PRIORITIES OF: *QUALITY OF LIFE *TRANSITION TO THE COMMUNITY *COMMUNITY AWARENESS</p> <p>THE UNIVERSITY OF MARYLAND REHABILITATION & ORTHOPEDIC INSTITUTE HAS COMMUNITY HEALTH PROGRAMMING IN EACH OF THE ABOVE STRATEGIC COMMUNITY PRIORITIES. THE FOLLOWING IS AN EXAMPLE OF KEY INITIATIVES FROM THREE OF THE ABOVE PRIORITIES.</p> <p>IDENTIFIED NEED/PRIORITY: QUALITY OF LIFE: ACTIVE LIFESTYLE</p> <p>IDENTIFIED NEED: ADAPTED SPORTS PROGRAM THROUGH PATIENT AND COMMUNITY RESIDENT SURVEYS AS WELL AS KEY INFORMANT INTERVIEWS, THE ADAPTED SPORTS PROGRAM WAS IDENTIFIED AS PART OF THE COMMUNITY HEALTH NEEDS ASSESSMENT FY'18 AS A VALUED SERVICE WHICH ADDRESSES A NEED FOR PHYSICAL ACTIVITY IN THE DISABLED POPULATION. A NEED TO EXPAND THE PROGRAM WAS ALSO IDENTIFIED TO FURTHER MEET HEALTH, FITNESS, SOCIAL AND OVERALL QUALITY OF LIFE NEEDS.</p> <p>HOSPITAL INITIATIVE: THE ADAPTED SPORTS PROGRAMS PROVIDE EXPOSURE AND OPPORTUNITIES TO PARTICIPATE IN ADAPTED SPORTS TO IMPROVE HEALTH, FITNESS, SOCIAL AND OVERALL QUALITY OF LIFE FOR INDIVIDUALS WITH PHYSICAL DISABILITIES. -ADAPTED SPORTS FESTIVAL -WHEELCHAIR RUGBY TEAM -WHEELCHAIR BASKETBALL CLINIC -ADAPTED GOLF PROGRAM -AMPUTEE WALKING/RUNNING CLINIC</p> <p>PRIMARY OBJECTIVES OF INITIATIVE:ADAPTED SPORTS PROGRAM 1)INCREASE PHYSICAL ACTIVITY (MARYLAND SHIP) 2)INCREASE AWARENESS & BENEFITS OF ADAPTED SPORTS FOR DISABLED INDIVIDUALS 3)INCREASE SELF-REPORTED QUALITY OF LIFE OF DISABLED ADULTS</p> <p>SINGLE OR MULTI-YEAR PLAN:ALL PROGRAMS ARE MULTI-YEAR, ONGOING INITIATIVES.</p> <p>KEY COLLABORATORS IN DELIVERY:UNITED STATES OLYMPIC COMMITTEE UNITED STATES PARALYMPIC COMMITTEE BALTIMORE MUNICIPAL GOLF CORPORATION - FOREST PARK GOLF COURSE BALTIMORE CITY RECREATION AND PARKS BALTIMORE COUNTY RECREATION AND PARKS</p> <p>IMPACT OF HOSPITAL INITIATIVE: THE ADAPTED SPORTS PROGRAM MAXIMIZES PARTICIPATION FOR INDIVIDUALS WITH DISABILITIES IN ADAPTED RECREATIONAL AND COMPETITIVE SPORTS, IN ORDER TO PROMOTE INDEPENDENCE, SELF-CONFIDENCE, HEALTH AND OVERALL WELL-BEING THROUGH STRUCTURED, INDIVIDUAL AND TEAM SPORTS</p> <p>METRICS: *# OF PARTICIPANTS *% OF PARTICIPANTS WHO REPORT LEARNING ABOUT ADAPTED SPORTS THAT THEY CAN PARTICIPATE IN *% OF PARTICIPANTS WHO REPORT POSITIVE IMPACT ON LIFE (PARTICIPANTS OF THE ADAPTED SPORTS PROGRAM COMPLETE A SURVEY REGARDING THE IMPACT OF THE PROGRAM ON AWARENESS OF PROGRAMS AVAILABLE IN THE COMMUNITY, IMPACT ON HEALTH, FITNESS, SOCIALIZATION AND OVERALL QUALITY OF LIFE.)</p> <p>EVALUATION OF OUTCOMES FY19: *263 PARTICIPANTS IN ALL PROGRAMS *80% OF PARTICIPANTS REPORTED LEARNING ABOUT THE BENEFIT OF PHYSICAL AND PSYCHOSOCIAL HEALTH AS A RESULT OF PARTICIPATING IN THE ADAPTED SPORTS PROGRAM.</p> <p>CONTINUATION OF INITIATIVE: UM REHAB WILL CONTINUE TO MONITOR PERFORMANCE AND OUTCOME MEASURES ANNUALLY. THIS PRIORITY AND THE ACCOMPANYING INITIATIVES WILL CONTINUE UNTIL THE FY18 CHNA IS COMPLETED AND AS LONG AS THERE CONTINUES TO BE INTEREST AND PERCEIVED BENEFIT TO OUR PARTICIPANTS.</p> <p>IDENTIFIED NEED: TRANSITION TO THE COMMUNITY - LIVING WELL WITH CHRONIC DISEASE PROGRAMS THROUGH PATIENT AND RESIDENT SURVEYS AS WELL AS KEY INFORMANT INTERVIEWS, A NEED FOR ONGOING EDUCATION ON HOW TO LIVE WITH A DISABILITY WAS IDENTIFIED AS PART OF THE COMMUNITY HEALTH NEEDS ASSESSMENT FY'18.</p> <p>HOSPITAL INITIATIVE: LIVING WELL WITH CHRONIC DISEASE PROGRAMS THE UM REHABILITATION & ORTHOPEDIC INSTITUTE SERVE DISABLED ADULTS WHO HAVE LIMITED ACCESS TO ONGOING SUPPORT AND EDUCATION IN THE COMMUNITY. THE LIVING WELL WITH CHRONIC DISEASE PROGRAM IS AN EVIDENCE-BASED SERIES OF WORKSHOPS FOR INDIVIDUALS WITH A CHRONIC CONDITION LIKE A DISABILITY ALONG WITH THEIR CAREGIVERS. THIS EVIDENCE-BASED INITIATIVE WAS DEVELOPED BY STANFORD UNIVERSITY AND IS USED NATIONALLY. THE WORKSHOP IS SCRIPTED TO DELIVER HIGH FIDELITY BUT IS ALSO VERY INTERACTIVE WITH SMALL GROUPS. THE RESULTS HAVE BEEN VERY POSITIVE THROUGHOUT THE US.</p> <p>PRIMARY OBJECTIVES OF INITIATIVE: 1) TO IMPROVE HEALTH LITERACY AND SELF-CARE OF INDIVIDUALS WITH CHRONIC CONDITIONS, REDUCE HEALTH COMPLICATIONS AND THE NEED FOR EMERGENCY ROOM VISITS.</p>

Return Reference - Identifier	Explanation
	<p>SINGLE OR MULTI-YEAR PLAN: ONGOING INITIATIVE</p> <p>KEY COLLABORATORS IN DELIVERY: UNIVERSITY OF MARYLAND MEDICAL CENTER MAC, INC.</p> <p>IMPACT OF HOSPITAL INITIATIVE: OUTCOMES ARE EVALUATED BY TRACKING THE NUMBER OF VISITS THAT TAKE PLACE IN THE DENTAL CLINIC EACH YEAR, AND MEASURING THE PERCENT OF VISITS THAT ARE PREVENTIVE.</p> <p>METRICS: *# OF PARTICIPANTS *% OF PARTICIPANTS COMPLETING PROGRAM</p> <p>EVALUATION OF OUTCOMES FY19: *38 PARTICIPANTS * 94% OF PARTICIPANTS REPORTED THAT THEY NOW HAVE A BETTER UNDERSTANDING OF HOW TO MANAGE THEIR SYMPTOMS OF THEIR CHRONIC CONDITION. * 100% OF PARTICIPANTS ALSO REPORTED THAT THEY FEEL MORE MOTIVATED TO TAKE CARE OF THEIR HEALTH SINCE THEY TOOK THE WORKSHOP.</p> <p>CONTINUATION OF INITIATIVE: THIS IS AN ONGOING INITIATIVE WHICH IS SLATED TO CONTINUE INDEFINITELY BECAUSE IT ADDRESSES THE UNIQUE EDUCATIONAL NEEDS OF PHYSICALLY DISABLED ADULTS.</p> <p>IDENTIFIED NEED: TRANSITION TO THE COMMUNITY - DENTAL CLINIC THROUGH PATIENT AND STAFF FOCUS GROUPS AS WELL AS KEY INFORMANT INTERVIEWS, THE DENTAL CLINIC WAS IDENTIFIED AS PART OF THE COMMUNITY HEALTH NEEDS ASSESSMENT FY'18 AS A VALUED SERVICE CURRENTLY PROVIDED.</p> <p>HOSPITAL INITIATIVE: DENTAL CLINIC THE UM REHABILITATION & ORTHOPEDIC INSTITUTE DENTAL CLINIC SERVES CHILDREN AND ADULTS WHO HAVE LIMITED ACCESS TO ORAL HEALTH CARE IN THE COMMUNITY. THIS POPULATION INCLUDES SPECIAL HEALTH CARE NEEDS (SHCN) PATIENTS (INDIVIDUALS WHO ARE MENTALLY AND/OR PHYSICALLY DISABLED), AS WELL AS MANY CHILDREN IN THE MARYLAND MEDICAID PROGRAM. THE DENTAL CLINIC AT UM REHAB IS ONE OF THE FEW PROVIDERS IN THE STATE WHO SERVES BOTH PEDIATRIC AND ADULT SHCN POPULATIONS. THESE INDIVIDUALS MAY NOT RECEIVE CARE OTHERWISE AS MANY DENTISTS IN THE COMMUNITY ARE NOT COMFORTABLE PERFORMING DENTAL SERVICES FOR SPECIAL HEALTH CARE NEEDS PATIENTS.</p> <p>PRIMARY OBJECTIVES OF INITIATIVE: 1)INCREASE CHILDREN RECEIVING DENTAL CARE (MARYLAND SHIP) 2)DECREASE EMERGENCY DEPARTMENT VISIT RATE FOR DENTAL CARE (MARYLAND SHIP) 3)INCREASE NUMBER OF DENTAL TREATMENTS AVAILABLE TO DISABLED POPULATION 4)IMPROVE THE ORAL HEALTH FOR THOSE PATIENTS WITH SPECIAL NEEDS AND WHO HAVE LIMITED ACCESS TO GOOD DENTAL CARE.</p> <p>SINGLE OR MULTI-YEAR PLAN: ONGOING INITIATIVE; HAS EXISTED FOR MANY YEARS AND WILL CONTINUE INDEFINITELY.</p> <p>KEY COLLABORATORS IN DELIVERY: UNIVERSITY OF MARYLAND SCHOOL OF DENTISTRY *HYGIENIST PROGRAM *4TH YEAR DENTAL STUDENTS (EXTERNSHIP PROGRAM) BALTIMORE CITY COMMUNITY COLLEGE *HYGIENIST PROGRAM COMMUNITY COLLEGE OF BALTIMORE COUNTY, DUNDALK *HYGIENIST PROGRAM</p> <p>IMPACT OF HOSPITAL INITIATIVE: PATIENTS WITH LIMITED ACCESS TO GOOD DENTAL CARE EXPERIENCE REDUCED HEALTH CARE COSTS AND IMPROVED PATIENT CARE BY RECEIVING TREATMENT FOR DENTAL DISEASE IN THE DENTAL CLINIC INSTEAD OF IN THE ER. OUTCOMES ARE EVALUATED BY TRACKING THE NUMBER OF VISITS THAT TAKE PLACE IN THE DENTAL CLINIC EACH YEAR, AND MEASURING THE PERCENT OF VISITS THAT ARE PREVENTIVE.</p> <p>METRICS: *# OF VISITS *% OF VISITS WHICH WERE PREVENTIVE *% OF VISITS WHICH WERE EMERGENT</p> <p>EVALUATION OF OUTCOMES IN FY19: *6,971 TOTAL VISITS *55% WERE PREVENTIVE * 44% RESTORATIVE *1% WERE EMERGENT</p> <p>CONTINUATION OF INITIATIVE: THE DENTAL CLINIC HAS EXISTED FOR MANY YEARS AND WILL CONTINUE INDEFINITELY</p> <p>UM REHABILITATION & ORTHOPEDIC INSTITUTE OPERATES UNDER A UNIQUE REGULATORY SYSTEM THAT CAPS HOSPITAL REVENUES AND PROVIDES ADJUSTMENTS TO ALLOW FOR POPULATION HEALTH</p>

Return Reference - Identifier	Explanation
	<p>IMPROVEMENT INVESTMENTS. UNDER MARYLAND'S GLOBAL BUDGET REVENUE MODEL, UM REHABILITATION & ORTHOPEDIC INSTITUTE REPORTS ON A REGULAR BASIS HOW IT IS INVESTING IN EFFORTS TO IMPROVE POPULATION HEALTH. UM REHABILITATION & ORTHOPEDIC INSTITUTE PROVIDES ON-GOING SERVICES THAT ARE FUNDAMENTAL TO ADDRESSING THE IDENTIFIED COMMUNITY HEALTH NEEDS THAT DEMONSTRATE THE EXTENT TO WHICH OUR COMMITMENT TO SERVE OUR COMMUNITY IS INTEGRATED INTO OUR CARE DELIVERY MODEL.</p> <p>WE HAVE A STRONG FOCUS ON TREATING PATIENTS WITH CHRONIC CONDITIONS. UNIVERSITY OF MARYLAND REHABILITATION AND ORTHOPEDIC INSTITUTE WORKS TO COORDINATE CARE, ENSURE SMOOTH TRANSITIONS AND PROMOTE DISEASE SELF-MANAGEMENT STRATEGIES AT EVERY STEP OF A PATIENT'S JOURNEY - WHETHER AT HOME, IN THE COMMUNITY, OR WITHIN OUR HOSPITAL.</p> <p>RESOURCES ARE EMBEDDED THROUGHOUT THE HOSPITAL AND IN THE COMMUNITY SO THAT EVERY PATIENT RECEIVES THE SAME LEVEL OF CARE COORDINATION. COMMUNITY HEALTH WORKERS REACH OUT TO PATIENTS WHO ARE IDENTIFIED AS BEING HIGH RISK FOR READMISSION OR IN NEED OF CRITICAL RESOURCES.</p>
<p>SCHEDULE H, PART VI, LINE 6 - DESCRIPTION OF AFFILIATED GROUP</p>	<p>THE UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION (UMMS) IS A PRIVATE, NOT-FOR-PROFIT CORPORATION PROVIDING COMPREHENSIVE HEALTHCARE SERVICES THROUGH AN INTEGRATED REGIONAL NETWORK OF HOSPITALS AND RELATED CLINICAL ENTERPRISES. UMMS WAS CREATED IN 1984 WHEN ITS FOUNDING HOSPITAL WAS PRIVATIZED BY THE STATE OF MARYLAND. OVER ITS 30-YEAR HISTORY, UMMS EVOLVED INTO A MULTI-HOSPITAL SYSTEM WITH ACADEMIC, COMMUNITY AND SPECIALTY SERVICE MISSIONS REACHING PRIMARILY ACROSS MARYLAND. AS PART OF THE UNIVERSITY OF MARYLAND MEDICAL SYSTEM (UMMS), THE UM REHABILITATION & ORTHOPEDIC INSTITUTE UNDERSTANDS THAT HEALTH CARE GOES BEYOND THE WALLS OF THE HOSPITAL AND INTO THE COMMUNITY IT SERVES. UMMS HOSPITALS ARE COMMITTED TO STRENGTHENING THEIR NEIGHBORING COMMUNITIES. IN DOING SO, THE UM REHABILITATION & ORTHOPEDIC INSTITUTE ASSESSES THE COMMUNITY'S HEALTH NEEDS, IDENTIFIES KEY PRIORITIES, AND RESPONDS WITH SERVICES, PROGRAMS AND INITIATIVES, WHICH MAKE A POSITIVE, SUSTAINED IMPACT ON THE HEALTH OF THE COMMUNITY. WITH REPRESENTATION FROM ALL UMMS HOSPITALS, THE MEDICAL SYSTEM'S COMMUNITY HEALTH IMPROVEMENT COUNCIL COORDINATES THE EFFECTIVE AND EFFICIENT UTILIZATION AND DEPLOYMENT OF RESOURCES FOR COMMUNITY-BASED ACTIVITIES AND EVALUATES HOW SERVICES AND ACTIVITIES MEET TARGETED COMMUNITY NEEDS WITHIN DEFINED GEOGRAPHIC AREAS. THE UM REHABILITATION & ORTHOPEDIC INSTITUTE IS COMMITTED TO HEALTH EDUCATION, ADVOCACY, COMMUNITY PARTNERSHIPS, AND ENGAGING PROGRAMS WHICH FOCUS ON HEALTH AND WELLNESS FOR THE DISABLED ADULT COMMUNITY IN BALTIMORE CITY AND BALTIMORE, HOWARD, AND ANNE ARUNDEL COUNTIES.</p>
<p>SCHEDULE H, PART VI, LINE 7 - STATE FILING OF COMMUNITY BENEFIT REPORT</p>	<p>MD</p>

**SCHEDULE J
(Form 990)**

Department of the Treasury
Internal Revenue Service

Name of the organization

JAMES LAWRENCE KERNAN HOSPITAL, INC.

Compensation Information

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.

▶ Go to www.irs.gov/Form990 for instructions and the latest information.

OMB No. 1545-0047

2018

Open to Public Inspection

Employer identification number

52-0591639

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 on 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 (such as 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 on line 1a?

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

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

4 During the year, did any person listed on 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 on 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" on line 5a or 5b, describe in Part III.

6 For persons listed on 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" on line 6a or 6b, describe in Part III.

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

8 Were any amounts reported on 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" on line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53.4958-6(c)?

	Yes	No
1a		
1b		
2		
3		
4a		✓
4b	✓	
4c		✓
5a		✓
5b		✓
6a		✓
6b		✓
7	✓	
8		✓
9		

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

For each individual whose compensation must be reported on 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 aren't 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 on prior Form 990
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
1 JOHN W ASHWORTH, III DIRECTOR	(i)	0	0	0	0	0	0	0
	(ii)	422,013	160,212	70,894	11,000	25,969	690,088	0
2 ROBERT A CHRENCIK TREASURER (ENDED 04/19)	(i)	0	0	0	0	0	0	0
	(ii)	1,355,350	995,365	284,091	11,000	25,554	2,671,360	0
3 ALISON G BROWN DIRECTOR (ENDED 08/18)	(i)	0	0	0	0	0	0	0
	(ii)	434,231	174,787	73,513	11,000	22,288	715,819	0
4 KAREN E DOYLE DIRECTOR	(i)	0	0	0	0	0	0	0
	(ii)	254,291	83,637	38,868	10,551	31,228	418,575	0
5 W. WALTER AUGUSTIN, III VP FINANCIAL SERVICES AND CFO	(i)	218,157	73,972	26,499	9,049	22,981	350,658	0
	(ii)	0	0	0	0	0	0	0
6 CYNTHIA KELLEHER PRESIDENT AND CEO	(i)	302,979	147,130	180,471	11,000	21,710	663,290	126,737
	(ii)	0	0	0	0	0	0	0
7 KRISHNAJ GOURAB VP MEDICAL AFFAIRS AND CMO	(i)	263,300	0	446	27,804	2,939	294,489	0
	(ii)	0	0	0	0	0	0	0
8 CHERYL D LEE VP PATIENT SERVICES AND CNO	(i)	191,465	64,152	26,179	7,848	18,711	308,355	0
	(ii)	0	0	0	0	0	0	0
9 NADEEM ASLAM DIRECTOR OF PHARMACY	(i)	150,598	17,660	122	3,457	18,204	190,041	0
	(ii)	0	0	0	0	0	0	0
10 JAMES W COLLINS PHARMACIST	(i)	155,497	0	737	7,129	31,373	194,736	0
	(ii)	0	0	0	0	0	0	0
11 SHERRY LAMONS CLINICAL NURSE	(i)	150,559	8,500	81	4,283	18,265	181,688	0
	(ii)	0	0	0	0	0	0	0
12 SRINIVASA RAO PIRATLA PHARMACIST	(i)	148,293	0	489	7,229	27,491	183,502	0
	(ii)	0	0	0	0	0	0	0
13 LOBNA ZADA DENTAL CLINICAL CHIEF	(i)	241,805	0	1,343	12,325	18,553	274,026	0
	(ii)	0	0	0	0	0	0	0
14	(i)							
	(ii)							
15	(i)							
	(ii)							
16	(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.

Return Reference - Identifier	Explanation
<p>SCHEDULE J, PART I, LINE 4B - SUPPLEMENTAL NONQUALIFIED RETIREMENT PLAN</p>	<p>DURING THE FISCAL YEAR- ENDED JUNE 30, 2019, CERTAIN OFFICERS AND KEY EMPLOYEES PARTICIPATED IN THE UMMS SUPPLEMENTAL NONQUALIFIED RETIREMENT PLAN. THE INDIVIDUAL LISTED BELOW HAS NOT VESTED IN THE PLAN THEREFORE THE ACCRUED CONTRIBUTION TO THE PLAN FOR THE FISCAL YEAR IS REPORTED ON SCHEDULE J, PART II, COLUMN C, RETIREMENT AND OTHER DEFERRED COMPENSATION: KRISHNAB GOURAB</p> <p>DURING THE FISCAL YEAR ENDED JUNE 30, 2019, CERTAIN OFFICERS AND KEY EMPLOYEES PARTICIPATED IN THE UMMS SUPPLEMENTAL NONQUALIFIED RETIREMENT PLAN. THE INDIVIDUAL LISTED BELOW HAS VESTED IN THE PLAN IN THE REPORTING TAX YEAR, THEREFORE THE FULL VALUE OF THE PLAN, INCLUDING ANY CONTRIBUTIONS TO THE PLAN FOR THE CURRENT FISCAL YEAR ARE REPORTED AS TAXABLE COMPENSATION AND REPORTED ON SCHEDULE J, PART II, LINE B(III), OTHER REPORTABLE COMPENSATION. PRIOR YEAR CONTRIBUTIONS TO THE PLAN WERE PREVIOUSLY REPORTED ON FORM 990 AND ARE INDICATED ON SCHEDULE J, PART II, COLUMN (F). CYNTHIA KELLEHER, \$175,964</p> <p>DURING THE FISCAL YEAR-ENDED JUNE 30, 2019, CERTAIN OFFICERS AND KEY EMPLOYEES PARTICIPATED IN THE UNIVERSITY OF MARYLAND MEDICAL SYSTEM (UMMS) SUPPLEMENTAL NONQUALIFIED RETIREMENT PLAN. THE INDIVIDUALS LISTED BELOW HAVE VESTED IN THE PLAN IN A PRIOR YEAR, THEREFORE THE CONTRIBUTIONS TO THE PLAN FOR THE FISCAL YEAR ARE REPORTED AS TAXABLE COMPENSATION AND REPORTED ON SCHEDULE J, PART II, LINE B (III), OTHER REPORTABLE COMPENSATION:</p> <p>ROBERT A. CHRENCIK ALISON GATES BROWN KAREN DOYLE JOHN W. ASHWORTH III W. WALTER AUGUSTIN, III CHERYL D. LEE</p>
<p>SCHEDULE J, PART I, LINE 7 - NON-FIXED PAYMENTS</p>	<p>BONUSES PAID ARE BASED ON A NUMBER OF VARIABLES INCLUDING BUT NOT LIMITED TO INDIVIDUAL GOAL ACHIEVEMENTS AS WELL AS ORGANIZATION OPERATION ACHIEVEMENTS. THE FINAL DETERMINATION OF THE BONUS AMOUNT IS DETERMINED AND APPROVED BY THE BOARD AS PART OF THE OVERALL COMPENSATION REVIEW OF THE OFFICERS AND KEY EMPLOYEES.</p>

**SCHEDULE O
(Form 990 or 990-EZ)**

Department of 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.
- ▶ Go to www.irs.gov/Form990 for the latest information.

OMB No. 1545-0047

2018

Open to Public Inspection

Name of the Organization
JAMES LAWRENCE KERNAN HOSPITAL, INC.

Employer Identification Number
52-0591639

Return Reference - Identifier	Explanation
FORM 990, PART IV, LINE 24A - TAX EXEMPT BOND ISSUE	<p>PURSUANT TO A MASTER LOAN AGREEMENT DATED DECEMBER 1, 2017 (THE "MASTER LOAN AGREEMENT"), AS AMENDED, UMMS AND SEVERAL OF ITS SUBSIDIARIES HAVE ISSUED DEBT THROUGH THE MARYLAND HEALTH AND HIGHER EDUCATIONAL FACILITIES AUTHORITY (THE "AUTHORITY"). AS SECURITY FOR THE PERFORMANCE OF THE BOND OBLIGATION UNDER THE MASTER LOAN AGREEMENT, THE AUTHORITY MAINTAINS A SECURITY INTEREST IN THE REVENUE OF THE OBLIGORS. THE MASTER LOAN AGREEMENT CONTAINS CERTAIN RESTRICTIVE COVENANTS. THESE COVENANTS REQUIRE THAT RATES AND CHARGES BE SET AT CERTAIN LEVELS, LIMIT INCURRENCE OF ADDITIONAL DEBT, REQUIRE COMPLIANCE WITH CERTAIN OPERATING RATIOS AND RESTRICT THE DISPOSITION OF ASSETS.</p> <p>THE OBLIGATED GROUP UNDER THE MASTER LOAN AGREEMENT INCLUDES UMMS, ROI, UM MIDTOWN, UM BALTIMORE WASHINGTON, SHORE HEALTH (UM MEMORIAL AND UM DORCHESTER), UM CHESTER RIVER, UM CHARLES REGIONAL, UM ST. JOSEPH, UM UPPER CHESAPEAKE, UM HARFORD MEMORIAL, UM LAUREL, UM PRICE GEORGE'S, BOWIE HEALTH CENTER (BOWIE), AND THE UMMS FOUNDATION. EACH MEMBER OF THE OBLIGATED GROUP IS JOINTLY AND SEVERALLY LIABLE FOR THE REPAYMENT OF THE OBLIGATIONS UNDER THE MASTER LOAN AGREEMENT OF THE CORPORATION'S \$1,680,179,000 OF OUTSTANDING AUTHORITY BONDS ON JUNE 30, 2019. ALL OF THE BONDS WERE ISSUED IN THE NAME OF UMMS AND ARE REPORTED ON SCHEDULE K OF ITS FORM 990.</p>
FORM 990, PART VI, LINE 6 - CLASSES OF MEMBERS OR STOCKHOLDERS	<p>UMMS IS THE SOLE MEMBER OF UM REHAB. UMMS MAY ELECT ONE OR MORE BOARD MEMBERS OF THE GOVERNING BODY AND ALL DECISIONS OF THE GOVERNING BODY MUST BE APPROVED BY UMMS.</p>
FORM 990, PART VI, LINE 7A - MEMBERS OR STOCKHOLDERS ELECTING MEMBERS OF GOVERNING BODY	<p>UMMS IS THE SOLE MEMBER OF UM REHAB. UMMS MAY ELECT ONE OR MORE BOARD MEMBERS OF THE GOVERNING BODY AND ALL DECISIONS OF THE GOVERNING BODY MUST BE APPROVED BY UMMS.</p>
FORM 990, PART VI, LINE 7B - DECISIONS REQUIRING APPROVAL BY MEMBERS OR STOCKHOLDERS	<p>UMMS IS THE SOLE MEMBER OF UM REHAB. UMMS MAY ELECT ONE OR MORE BOARD MEMBERS OF THE GOVERNING BODY AND ALL DECISIONS OF THE GOVERNING BODY MUST BE APPROVED BY UMMS.</p>
FORM 990, PART VI, LINE 11B - REVIEW OF FORM 990 BY GOVERNING BODY	<p>THE UNIVERSITY OF MARYLAND MEDICAL SYSTEM ("UMMS") PREPARES THE IRS FORM 990 FOR UMMS AND ITS AFFILIATES. INFORMATION NEEDED TO COMPLETE THE RETURN IS GATHERED BY ACCOUNTING PERSONNEL IN THE FINANCE SHARED SERVICES DEPARTMENT UNDER THE SUPERVISION OF THE UMMS TAX DIRECTOR. DRAFT RETURNS ARE PREPARED USING IRS-APPROVED TAX SOFTWARE.</p> <p>ONCE A DRAFT RETURN IS PREPARED, IT UNDERGOES MULTIPLE LEVELS OF REVIEW BOTH INTERNALLY BY UMMS TAX & FINANCE PERSONNEL, AND EXTERNALLY BY ERNST & YOUNG LLP. FOLLOWING ANY NECESSARY CHANGES TO THE RETURN, A FINAL DRAFT IS REVIEWED BY EACH AFFILIATE'S VICE PRESIDENT OF FINANCE AND/OR CFO.</p> <p>PRIOR TO FILING THE IRS FORM 990, THE ORGANIZATION'S BOARD CHAIRMAN, TREASURER, GOVERNANCE COMMITTEE, FINANCE COMMITTEE OR OTHER MEMBER(S) OF THE BOARD WITH SIMILAR AUTHORITY WILL REVIEW THE IRS FORM 990. ALL BOARD MEMBERS ARE PROVIDED WITH A COPY OF THE FINAL IRS FORM 990 BEFORE FILING.</p>

Return Reference - Identifier	Explanation
<p>FORM 990, PART VI, LINE 12C - CONFLICT OF INTEREST POLICY</p>	<p>THE FILING ORGANIZATION FOLLOWS THE UNIVERSITY OF MARYLAND MEDICAL SYSTEM (UMMS) CONFLICTS OF INTEREST POLICY, WHICH REQUIRES THAT ALL COVERED PERSONS DISCLOSE CONFLICTS OF INTEREST OR POTENTIAL CONFLICTS OF INTEREST BETWEEN THEIR PERSONAL INTERESTS AND THE INTERESTS OF THE ORGANIZATION, OR ANY ENTITY CONTROLLED BY OR OWNED IN SUBSTANTIAL PART BY THE ORGANIZATION. COVERED PERSONS MEANS ANY MEMBER OF THE ORGANIZATION'S BOARD OF DIRECTORS, A MEMBER OF A COMMITTEE OF THE BOARD, AN OFFICER, OR AN EMPLOYEE OF ORGANIZATION (INCLUDING SUBSIDIARIES) AT THE VP LEVEL OR ABOVE.</p> <p>THE ORGANIZATION OR ITS SOLE MEMBER IS RESPONSIBLE FOR ADMINISTERING AND ENFORCING THE CONFLICTS OF INTEREST POLICY (POLICY). THE GOVERNANCE COMMITTEE (OR OTHER BOARD COMMITTEE HAVING SIMILAR AUTHORITY) REVIEWS ANY AND ALL CONFLICTS, SHALL REPORT ANNUALLY TO THE FULL BOARD ON THE ADMINISTRATION, INFRACTIONS, AND ENFORCEMENT OF THE POLICY AND SHALL REPORT AT THE EARLIEST OPPORTUNITY ALL MATTERS OF CONCERN TO THE FULL BOARD IN EXECUTIVE SESSION WHILE INTERESTED PARTIES ARE RECUSED.</p> <p>THE ORGANIZATION OR ITS SOLE MEMBER'S COMPLIANCE OFFICER IS THE RESPONSIBLE ADMINISTRATIVE AUTHORITY TO ASSIST THE BOARD IN ADMINISTERING AND ENFORCING THE CONFLICTS OF INTEREST POLICY AND BRINGING CONCERNS TO THE GOVERNANCE COMMITTEE. A QUESTIONNAIRE WHICH DISCLOSES POTENTIAL CONFLICTS OF INTEREST IS DISTRIBUTED ANNUALLY TO COVERED PERSONS. THE CHIEF COMPLIANCE OFFICER OF THE UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION (UMMS) DISTRIBUTES AND COLLECTS THE RESPONSES FOR UMMS AND OTHER AFFILIATES.</p> <p>THE CHIEF COMPLIANCE OFFICER REVIEWS ALL DISCLOSURE STATEMENTS FOR COMPLIANCE WITH THE CONFLICT OF INTEREST POLICY AND ANY/ALL RELATED UMMS POLICIES TO IDENTIFY ALL ACTUAL OR POTENTIAL CONFLICTS OF INTEREST. THE CHIEF COMPLIANCE OFFICER PREPARES AND SUBMITS TO THE GOVERNANCE COMMITTEE ANNUAL AND UPDATED (WHERE APPLICABLE) REPORTS SUMMARIZING ALL RELEVANT INFORMATION CONTAINED IN THE DISCLOSURE STATEMENTS. WITH RESPECT TO THE OTHER ENTITIES IN THE UNIVERSITY OF MARYLAND MEDICAL SYSTEM, THE CHIEF COMPLIANCE OFFICER MAY BE CALLED FOR CONSULT.</p> <p>IF THE GOVERNANCE COMMITTEE DETERMINES THAT A CONFLICT OF INTEREST EXISTS, THE GOVERNANCE COMMITTEE SHALL NOTIFY THE COVERED PERSON, THE UMMS CHIEF EXECUTIVE OFFICER, AND THE UMMS BOARD CHAIR AND FURTHER WILL NOTIFY THE FULL BOARD AT ITS NEXT MEETING. FURTHERMORE, IN THE EVENT THE GOVERNANCE COMMITTEE DETERMINES THAT AN ACTUAL OR PERCEIVED CONFLICT OF INTEREST EXISTS, THE COMMITTEE SHALL DECIDE HOW TO ADDRESS THE CONFLICT OF INTEREST. IF THE GOVERNANCE COMMITTEE DETERMINES THAT A CONFLICT OF INTEREST EXISTS BUT THAT UMMS MAY ENTER INTO THE SUBJECT TRANSACTION OR ARRANGEMENT, THE INTERESTED COVERED PERSON SHALL BE RECUSED FROM ALL DELIBERATIONS AND DECISIONS CONCERNING SAID TRANSACTION OR ARRANGEMENT, ANY ARRANGEMENTS WITH THAT ENTITY, AND COMPENSATION OR BENEFITS FOR OFFICERS, DIRECTORS, AND TRUSTEES. . FURTHERMORE, THE CHAIR OF THE BOARD AND THE CHAIRS OF THE GOVERNANCE COMMITTEE AND THE AUDIT AND COMPLIANCE COMMITTEE SHALL NOT HAVE ANY BUSINESS TRANSACTIONS WITH UMMS, NOR SHALL THEIR FAMILY MEMBERS.</p> <p>IF THE GOVERNANCE COMMITTEE DETERMINES THAT A COVERED PERSON HAS USED THEIR POSITION TO ACCRUE EXCESS BENEFITS OR TO KNOWINGLY ASSIST OTHERS IN ACCRUING EXCESS BENEFITS IN ANY WAY AT THE EXPENSE OF UMMS, THE GOVERNANCE COMMITTEE SHALL RECOMMEND TO THE EXECUTIVE COMMITTEE APPROPRIATE CORRECTIVE ACTION TO BE TAKEN.</p> <p>ALL INVITATIONS FOR BIDS, PROPOSALS OR SOLICITATIONS FOR OFFERS INCLUDE THE FOLLOWING PROVISION:</p> <p>ANY VENDOR, SUPPLIER OR CONTRACTOR MUST DISCLOSE ANY ACTUAL OR POTENTIAL TRANSACTION WITH ANY ORGANIZATION OFFICER, DIRECTOR, EMPLOYEE OR MEMBER OF THE MEDICAL STAFF, INCLUDING FAMILY MEMBERS WITHIN FIVE DAYS OF THE TRANSACTION. FAILURE TO COMPLY WITH THIS PROVISION IS A MATERIAL BREACH OF AGREEMENT.</p>
<p>FORM 990, PART VI, LINE 15A - PROCESS TO ESTABLISH COMPENSATION OF TOP MANAGEMENT OFFICIAL</p>	<p>THE ORGANIZATION DETERMINES THE EXECUTIVE COMPENSATION PAID TO ITS EXECUTIVES IN THE FOLLOWING MANNER PRESCRIBED IN THE IRS REGULATIONS:</p> <p>EXECUTIVE COMPENSATION PACKAGES ARE DETERMINED BY A COMMITTEE OF THE BOARD THAT IS COMPOSED ENTIRELY OF BOARD MEMBERS WHO HAVE NO CONFLICT OF INTEREST. THE COMMITTEE ACQUIRES CREDIBLE COMPARABILITY MARKET DATA CONCERNING THE COMPENSATION PACKAGES OF SIMILARLY SITUATED EXECUTIVES.</p> <p>THE COMMITTEE CAREFULLY REVIEWS THAT DATA, THE EXECUTIVE'S PERFORMANCE AND THE PROPOSED COMPENSATION PACKAGES DURING THE DECISION MAKING PROCESS. THE COMMITTEE MEMORIALIZES ITS DELIBERATIONS IN DETAILED MINUTES REVIEWED AND ADOPTED AT THE NEXT-FOLLOWING MEETING.</p> <p>THE COMMITTEE SEEKS AN OPINION OF COUNSEL THAT IT HAS MET THE REQUIREMENTS OF THE IRS INTERMEDIATE SANCTIONS REGULATIONS.</p>

Return Reference - Identifier	Explanation																														
FORM 990, PART VI, LINE 15B - PROCESS TO ESTABLISH COMPENSATION OF OTHER OFFICERS OR KEY EMPLOYEES	<p>THE ORGANIZATION DETERMINES THE EXECUTIVE COMPENSATION PAID TO ITS EXECUTIVES IN THE FOLLOWING MANNER PRESCRIBED IN THE IRS REGULATIONS:</p> <p>EXECUTIVE COMPENSATION PACKAGES ARE DETERMINED BY A COMMITTEE OF THE BOARD THAT IS COMPOSED ENTIRELY OF BOARD MEMBERS WHO HAVE NO CONFLICT OF INTEREST. THE COMMITTEE ACQUIRES CREDIBLE COMPARABILITY MARKET DATA CONCERNING THE COMPENSATION PACKAGES OF SIMILARLY SITUATED EXECUTIVES.</p> <p>THE COMMITTEE CAREFULLY REVIEWS THAT DATA, THE EXECUTIVE'S PERFORMANCE AND THE PROPOSED COMPENSATION PACKAGES DURING THE DECISION MAKING PROCESS. THE COMMITTEE MEMORIALIZES ITS DELIBERATIONS IN DETAILED MINUTES REVIEWED AND ADOPTED AT THE NEXT-FOLLOWING MEETING.</p> <p>THE COMMITTEE SEEKS AN OPINION OF COUNSEL THAT IT HAS MET THE REQUIREMENTS OF THE IRS INTERMEDIATE SANCTIONS REGULATIONS.</p>																														
FORM 990, PART VI, LINE 19 - REQUIRED DOCUMENTS AVAILABLE TO THE PUBLIC	THE ORGANIZATION'S GOVERNING DOCUMENTS ARE MADE PUBLICLY AVAILABLE THROUGH THE STATE OF MARYLAND VIA THE SECRETARY OF STATE'S OFFICE. THE CONFLICT OF INTEREST POLICY IS GENERALLY AVAILABLE ON THE ORGANIZATION'S OR AFFILIATE'S WEBSITE. FINANCIAL STATEMENTS ARE MADE PUBLICLY AVAILABLE ON A QUARTERLY BASIS THROUGH FILINGS ON THE ELECTRONIC MUNICIPAL MARKET ACCESS ("EMMA") SYSTEM.																														
FORM 990, PART VII, SECTION A - HOURS ON RELATED ENTITIES	UMMS IS A MULTI-ENTITY HEALTH CARE SYSTEM THAT INCLUDES 13 ACUTE CARE HOSPITALS, 1 ACUTE CARE HOSPITAL OWNED IN A JOINT VENTURE ARRANGEMENT AND VARIOUS SUPPORTING ENTITIES. A NUMBER OF INDIVIDUALS PROVIDE SERVICES TO VARIOUS ENTITIES WITHIN THE SYSTEM. IN GENERAL, THE OFFICERS AND KEY EMPLOYEES OF UMMS AVERAGE IN EXCESS OF 40 HOURS PER WEEK SERVING THE DIFFERENT ENTITIES THAT COMPRISE UMMS.																														
FORM 990, PART VII, SECTION B, LINE 1 - INDEPENDENT CONTRACTORS	INDEPENDENT CONTRACTORS OF THE FILING ORGANIZATION ARE PAID AND REPORTED BY THE PARENT CORPORATION, UMMS. UMMS ISSUES THE FORMS 1099 FOR THESE VENDOR PAYMENTS, WHILE THE FILING ORGANIZATION REPORTS THE EXPENSES FOR ITS INDEPENDENT CONTRACTORS ON PART VII, SECTION B, LINE 1 ON ITS FORM 990.																														
FORM 990, PART IX, LINE 11G - OTHER FEES FOR SERVICES	<table border="1"> <thead> <tr> <th data-bbox="467 928 751 995">(a) Description</th> <th data-bbox="760 928 946 995">(b) Total Expenses</th> <th data-bbox="954 928 1133 995">(c) Program Service Expenses</th> <th data-bbox="1141 928 1320 995">(d) Management and General Expenses</th> <th data-bbox="1328 928 1513 995">(e) Fundraising Expenses</th> </tr> </thead> <tbody> <tr> <td data-bbox="467 1005 751 1033">CONTRACT SERVICES</td> <td data-bbox="760 1005 946 1033">9,136,477</td> <td data-bbox="954 1005 1133 1033">7,766,005</td> <td data-bbox="1141 1005 1320 1033">1,370,472</td> <td data-bbox="1328 1005 1513 1033"></td> </tr> <tr> <td data-bbox="467 1043 751 1071">PHYSICIAN SERVICES</td> <td data-bbox="760 1043 946 1071">9,391,689</td> <td data-bbox="954 1043 1133 1071">9,391,689</td> <td data-bbox="1141 1043 1320 1071"></td> <td data-bbox="1328 1043 1513 1071"></td> </tr> <tr> <td data-bbox="467 1081 751 1115">CORPORATE ALLOCATIONS</td> <td data-bbox="760 1081 946 1115">8,501,135</td> <td data-bbox="954 1081 1133 1115">7,225,965</td> <td data-bbox="1141 1081 1320 1115">1,275,170</td> <td data-bbox="1328 1081 1513 1115"></td> </tr> <tr> <td data-bbox="467 1125 751 1152">TEMP LABOR</td> <td data-bbox="760 1125 946 1152">4,140,399</td> <td data-bbox="954 1125 1133 1152">3,519,339</td> <td data-bbox="1141 1125 1320 1152">621,060</td> <td data-bbox="1328 1125 1513 1152"></td> </tr> <tr> <td data-bbox="467 1163 751 1190">OTHER</td> <td data-bbox="760 1163 946 1190">529,598</td> <td data-bbox="954 1163 1133 1190">450,158</td> <td data-bbox="1141 1163 1320 1190">79,440</td> <td data-bbox="1328 1163 1513 1190"></td> </tr> </tbody> </table>	(a) Description	(b) Total Expenses	(c) Program Service Expenses	(d) Management and General Expenses	(e) Fundraising Expenses	CONTRACT SERVICES	9,136,477	7,766,005	1,370,472		PHYSICIAN SERVICES	9,391,689	9,391,689			CORPORATE ALLOCATIONS	8,501,135	7,225,965	1,275,170		TEMP LABOR	4,140,399	3,519,339	621,060		OTHER	529,598	450,158	79,440	
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TEMP LABOR	4,140,399	3,519,339	621,060																												
OTHER	529,598	450,158	79,440																												
FORM 990, PART XI, LINE 9 - OTHER CHANGES IN NET ASSETS OR FUND BALANCES	<table border="1"> <thead> <tr> <th data-bbox="467 1205 1304 1232">(a) Description</th> <th data-bbox="1312 1205 1513 1232">(b) Amount</th> </tr> </thead> <tbody> <tr> <td data-bbox="467 1243 1304 1270">CHANGE IN UMMS FOUNDATION</td> <td data-bbox="1312 1243 1513 1270">34,880</td> </tr> <tr> <td data-bbox="467 1281 1304 1308">CHANGE IN KERNAN ENDOWMENT SUPPORT</td> <td data-bbox="1312 1281 1513 1308">1,294,562</td> </tr> <tr> <td data-bbox="467 1318 1304 1346">CORP DEPRECIATION ALLOCATION</td> <td data-bbox="1312 1318 1513 1346">565,337</td> </tr> <tr> <td data-bbox="467 1356 1304 1383">FY19 IT ENTERPRISE AND ROAD MAP ALLOCATION</td> <td data-bbox="1312 1356 1513 1383">- 1,388,908</td> </tr> <tr> <td data-bbox="467 1394 1304 1421">ROI - FY19 STRATEGIC PRIORITIES FUNDING</td> <td data-bbox="1312 1394 1513 1421">- 200,004</td> </tr> <tr> <td data-bbox="467 1432 1304 1459">CMG EQUITY TRANSFER</td> <td data-bbox="1312 1432 1513 1459">13,276</td> </tr> <tr> <td data-bbox="467 1470 1304 1497">OTHER</td> <td data-bbox="1312 1470 1513 1497">11,209</td> </tr> <tr> <td data-bbox="467 1507 1304 1535">NON OPERATING SWAP EXPENSE</td> <td data-bbox="1312 1507 1513 1535">- 60,702</td> </tr> </tbody> </table>	(a) Description	(b) Amount	CHANGE IN UMMS FOUNDATION	34,880	CHANGE IN KERNAN ENDOWMENT SUPPORT	1,294,562	CORP DEPRECIATION ALLOCATION	565,337	FY19 IT ENTERPRISE AND ROAD MAP ALLOCATION	- 1,388,908	ROI - FY19 STRATEGIC PRIORITIES FUNDING	- 200,004	CMG EQUITY TRANSFER	13,276	OTHER	11,209	NON OPERATING SWAP EXPENSE	- 60,702												
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**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.

▶ Go to www.irs.gov/Form990 for instructions and the latest information.

OMB No. 1545-0047

2018

Open to Public Inspection

Name of the organization

JAMES LAWRENCE KERNAN HOSPITAL, INC.

Employer identification number

52-0591639

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

(a) Name, address, and EIN (if applicable) of disregarded entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Total income	(e) End-of-year assets	(f) Direct controlling entity
(1) SHIPLEY'S PHYSICAL THERAPY CENTER, LLC (52-2061788) 2200 KERNAN DRIVE, BALTIMORE, MD 21207	HEALTHCARE	MD	437,000	0	UM REHAB
(2) UM REHAB INSTITUTE OF SOUTHERN MARYLAND 2200 KERNAN DRIVE, BALTIMORE, MD 20207	HEALTHCARE	MD	0	0	UM REHAB
(3)					
(4)					
(5)					
(6)					

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled entity?	
						Yes	No
(1) BALTIMORE WASHINGTON EMERGENCY PHYS INC (52-1756326) 301 HOSPITAL DRIVE, GLEN BURNIE, MD 21061	HEALTHCARE	MD	501(C)(3)	12 TYPE I	BWHS		✓
(2) BALTIMORE WASHINGTON HEALTHCARE SERVICES (52-1830243) 301 HOSPITAL DRIVE, GLEN BURNIE, MD 21061	HEALTHCARE	MD	501(C)(3)	12 TYPE I	UMBWMS		✓
(3) BALTIMORE WASHINGTON MEDICAL CENTER INC (52-0689917) 301 HOSPITAL DRIVE, GLEN BURNIE, MD 21061	HEALTHCARE	MD	501(C)(3)	3	UMBWMS		✓
(4) UM BALTIMORE WASHINGTON MEDICAL SYSTEM (52-1830242) 301 HOSPITAL DRIVE, GLEN BURNIE, MD 21061	HEALTHCARE	MD	501(C)(3)	12 TYPE I	UMMSC		✓
(5) NORTH ARUNDEL DEVELOPMENT CORPORATION (52-1318404) 301 HOSPITAL DRIVE, GLEN BURNIE, MD 21061	REAL ESTATE	MD	501(C)(2)		NCC		✓
(6) NORTH COUNTY CORPORATION (52-1591355) 301 HOSPITAL DRIVE, GLEN BURNIE, MD 21061	REAL ESTATE	MD	501(C)(2)		UMBWMS		✓
(7) (SEE STATEMENT)							

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

Cat. No. 50135Y

Schedule R (Form 990) 2018

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512–514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproportionate allocations?		(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
							Yes	No		Yes	No	
(1) (SEE STATEMENT)												
(2)												
(3)												
(4)												
(5)												
(6)												
(7)												

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership	(i) Section 512(b)(13) controlled entity?	
								Yes	No
(1) (SEE STATEMENT)									
(2)									
(3)									
(4)									
(5)									
(6)									
(7)									

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

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

	Yes	No
1 During the tax year, did the organization engage in any of the following transactions with one or more related organizations listed in Parts II-IV?		
a Receipt of (i) interest, (ii) annuities, (iii) royalties, or (iv) rent from a controlled entity		✓
b Gift, grant, or capital contribution to related organization(s)	✓	
c Gift, grant, or capital contribution from related organization(s)	✓	
d Loans or loan guarantees to or for related organization(s)		✓
e Loans or loan guarantees by related organization(s)	✓	
f Dividends from related organization(s)		✓
g Sale of assets to related organization(s)		✓
h Purchase of assets from related organization(s)		✓
i Exchange of assets with related organization(s)		✓
j Lease of facilities, equipment, or other assets to related organization(s)		✓
k Lease of facilities, equipment, or other assets from related organization(s)		✓
l Performance of services or membership or fundraising solicitations for related organization(s)		✓
m Performance of services or membership or fundraising solicitations by related organization(s)		✓
n Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)		✓
o Sharing of paid employees with related organization(s)		✓
p Reimbursement paid to related organization(s) for expenses	✓	
q Reimbursement paid by related organization(s) for expenses		✓
r Other transfer of cash or property to related organization(s)		✓
s Other transfer of cash or property from related organization(s)	✓	

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)				
(2)				
(3)				
(4)				
(5)				
(6)				

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

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

(a) Name, address, and EIN of entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Predominant income (related, unrelated, excluded from tax under sections 512-514)	(e) Are all partners section 501(c)(3) organizations?		(f) Share of total income	(g) Share of end-of-year assets	(h) Disproportionate allocations?		(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
				Yes	No			Yes	No		Yes	No	
(1)													
(2)													
(3)													
(4)													
(5)													
(6)													
(7)													
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(9)													
(10)													
(11)													
(12)													
(13)													
(14)													
(15)													
(16)													

Part II

Identification of Related Tax-Exempt Organizations (continued)

(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
(7) CHESTER RIVER HEALTH FOUNDATION INC (52-1338861) 100 BROWN STREET, CHESTERTOWN, MD 21620	FUNDRAISING	MD	501(C)(3)	8	UMSRH		✓
(8) UNIV OF MD SHORE REGIONAL HEALTH, INC (52-2046500) 100 BROWN STREET, CHESTERTOWN, MD 21620	HEALTHCARE	MD	501(C)(3)	12 TYPE I	UMMSC		✓
(9) CHESTER RIVER HOSPITAL CENTER (52-0679694) 100 BROWN STREET, CHESTERTOWN, MD 21620	HEALTHCARE	MD	501(C)(3)	3	UMSRH		✓
(10) CHESTER RIVER MANOR INC (52-6070333) 200 MORGNEC ROAD, CHESTERTOWN, MD 21620	HEALTHCARE	MD	501(C)(3)	10	UMSRH		✓
(11) MARYLAND GENERAL CLINICAL PRACTICE GROUP (52-1566211) 827 LINDEN AVENUE, BALTIMORE, MD 21201	HEALTHCARE	MD	501(C)(3)	12 TYPE II	UMMTH		✓
(12) UNIVERSITY OF MARYLAND MIDTOWN HEALTH, INC (52-1175337) 827 LINDEN AVENUE, BALTIMORE, MD 21201	HEALTHCARE	MD	501(C)(3)	12 TYPE II	UMMSC		✓
(13) MARYLAND GENERAL HOSPITAL INC (52-0591667) 827 LINDEN AVENUE, BALTIMORE, MD 21201	HEALTHCARE	MD	501(C)(3)	3	UMMTH		✓
(14) CARE HEALTH SERVICES INC (52-1510269) 219 SOUTH WASHINGTON STREET, EASTON, MD 21601	HEALTHCARE	MD	501(C)(3)	10	SHS		✓
(15) MEMORIAL HOSPITAL FOUNDATION INC (52-1282080) 219 SOUTH WASHINGTON STREET, EASTON, MD 21601	FUNDRAISING	MD	501(C)(3)	12 TYPE I	SHS		✓
(16) UNIVERSITY OF MARYLAND COMMUNITY MEDICAL (52-1874111) 22 SOUTH GREENE STREET, BALTIMORE, MD 21201	HEALTHCARE	MD	501(C)(3)	3	UMSRH		✓
(17) SHORE HEALTH SYSTEM INC (52-0160538) 219 SOUTH WASHINGTON STREET, EASTON, MD 21601	HEALTHCARE	MD	501(C)(3)	3	UMSRH		✓
(18) UMMS FOUNDATION, INC (52-2238893) 22 SOUTH GREENE STREET, BALTIMORE, MD 21201	FUNDRAISING	MD	501(C)(3)	12 TYPE I	UMMSC		✓
(19) UNIVERSITY OF MARYLAND CHARLES REGIONAL (52-2155576) PO BOX 1070, LA PLATA, MD 20646	HEALTHCARE	MD	501(C)(3)	12 TYPE III-FI	UMMSC		✓
(20) UNIVERSITY OF MD MEDICAL SYSTEM CORP (52-1362793) 22 SOUTH GREENE STREET, BALTIMORE, MD 21201	HEALTHCARE	MD	501(C)(3)	3	N/A		✓
(21) CIVISTA MEDICAL CENTER, INC (52-0445374) PO BOX 1070, LA PLATA, MD 20646	HEALTHCARE	MD	501(C)(3)	3	UMCRH		✓
(22) CHARLES REGIONAL MEDICAL CENTER FOUNDATION (52-1414564) PO BOX 1070, LA PLATA, MD 20646	FUNDRAISING	MD	501(C)(3)	12 TYPE I	UMCRH		✓
(23) UNIV OF MD ST. JOSEPH FOUNDATION, INC (52-1681044) 7601 OSLER DRIVE, TOWSON, MD 21204	FUNDRAISING	MD	501(C)(3)	12 TYPE I	UMSJHS		✓
(24) UMSJ HEALTH SYSTEM, LLC (46-2097818) 7601 OSLER DRIVE, TOWSON, MD 21204	HEALTHCARE	MD	501(C)(3)	3	UMMSC		✓
(25) HARFORD MEMORIAL HOSPITAL, INC (52-0591484) 520 UPPER CHESAPEAKE DR, BEL AIR, MD 21014	HEALTHCARE	MD	501(C)(3)	3	UMUCHS		✓
(26) UM UPPER CHESAPEAKE HEALTH SYSTEM, INC (52-1398513) 520 UPPER CHESAPEAKE DR, BEL AIR, MD 21014	HEALTHCARE	MD	501(C)(3)	12 TYPE III-O	UMMSC		✓
(27) UPPER CHESAPEAKE HEALTH FOUNDATION, INC (52-1398507) 520 UPPER CHESAPEAKE DR, BEL AIR, MD 21014	FUNDRAISING	MD	501(C)(3)	12 TYPE I	UMUCHS		✓
(28) UPPER CHESAPEAKE MEDICAL CENTER, INC (52-1253920) 520 UPPER CHESAPEAKE DR, BEL AIR, MD 21014	HEALTHCARE	MD	501(C)(3)	3	UMUCHS		✓
(29) UPPER CHESAPEAKE MEDICAL SERVICES, INC (52-1501734) 520 UPPER CHESAPEAKE DR, BEL AIR, MD 21014	HEALTHCARE	MD	501(C)(3)	10	UMUCHS		✓

(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
(30) UPPER CHESAPEAKE PROPERTIES, INC (52-1907237) 520 UPPER CHESAPEAKE DR, BEL AIR, MD 21014	REAL ESTATE	MD	501(C)(2)		UMUCHS		✓
(31) UPPER CHES RESIDENTIAL HOSPICE HOUSE, INC (26-0737028) 520 UPPER CHESAPEAKE DR, BEL AIR, MD 21014	HOSPICE	MD	501(C)(3)	10	UMUCHS		✓
(32) HARFORD CRISIS CENTER, INC. (52-1229742) 520 UPPER CHESAPEAKE DR, BEL AIR, MD 21014	HOME CARE	MD	501(C)(3)	12 TYPE II	UMUCHS		✓
(33) DIMENSIONS HEALTH CORPORATION (52-1289729) 3001 HOSPITAL DRIVE, CHEVERLY, MD 20785	HEALTHCARE	MD	501(C)(3)	3	UMMSC		✓
(34) DIMENSIONS HEALTHCARE ASSOCIATES (52-1902711) 3001 HOSPITAL DRIVE, CHEVERLY, MD 20785	HEALTHCARE	MD	501(C)(3)	12 TYPE I	UMCAPRH		✓
(35) UM CAPITAL REGION HEALTH, INC (82-3596114) 250 W PRATT ST, STE 2400, BALTIMORE, MD 21201	HEALTHCARE	MD	501(C)(3)	12 TYPE III-FI	UMMSC		✓
(36) JAMES LAWRENCE KERNAN HOSP ENDOW FD (23-7360743) 2200 KERNAN DRIVE, BALTIMORE, MD 21207	FUNDRAISING	MD	501(C)(3)	12 TYPE II	N/A		✓

Part III

Identification of Related Organizations Taxable as a Partnership (continued)

(a) Name, address and EIN of related organization	(b) Primary Activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income related, unrelated, excluded from tax under sections 512-514	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproportionate allocations?		(i) Code V - UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
							Yes	No		Yes	No	
(1) ARUNDEL PHYSICIANS ASSOCIATES (52-2000762) 301 HOSPITAL DRIVE, GLEN BURNIE, MD 21061	HEALTHCARE	MD	APA, INC					✓			✓	
(2) BALTIMORE WASHINGTON IMAGING (20-0806027) 301 HOSPITAL DRIVE, GLEN BURNIE, MD 21061	HEALTHCARE	MD	UMBWMS					✓			✓	
(3) UNIVERSITYCARE LLC (52-1914892) 22 SOUTH GREENE STREET, BALTIMORE, MD 21201	HEALTHCARE	MD	UMMSC					✓			✓	
(4) O'DEA MEDICAL ARTS LIMITED PAR (52-1682964) 7601 OSLER DRIVE, TOWSON, MD 21204	RENTAL	MD	SJMC PROP.					✓			✓	
(5) ADVANCED IMAGING AT ST JOSEPH (52-1958002) 7601 OSLER DRIVE, TOWSON, MD 21204	HEALTHCARE	MD	UMSJMC					✓			✓	
(6) UNIVERSITY OF MARYLAND CHARLES (30-0956382) PO BOX 1070, LAPLATA, MD 20646	HEALTHCARE	MD	UMCRCP					✓			✓	
(7) BALTIMORE ASC VENTURES, LLC (82-4133899) 7620 YORK ROAD, TOWSON, MD 21204	HEALTHCARE	DE	UMSJMC					✓			✓	
(8) UCHS/UMMS REAL ESTATE TRUST (27-6803540) 520 UPPER CHESAPEAKE DRIVE, BEL AIR, MD 21014	HOLDING CO	MD	UMMSC					✓			✓	

Part IV

Identification of Related Organizations Taxable as a Corporation or Trust (continued)

(a) Name, address and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C-corp, S-corp or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership	(i) Section 512(b)(13) controlled entity?	
								Yes	No
(1) ARUNDEL PHYSICIANS ASSOCIATES, INC (52-1992649) 301 HOSPITAL DRIVE, GLEN BURNIE, MD 21061	HEALTHCARE	MD	N/A	C CORPORATION	N/A	N/A	N/A		✓
(2) BALTIMORE WASHINGTON HEALTH ENTERPRISES (52-1936656) 301 HOSPITAL DRIVE, GLEN BURNIE, MD 21061	HEALTHCARE	MD	N/A	C CORPORATION	N/A	N/A	N/A		✓
(3) BW PROFESSIONAL SERVICES, INC (52-1655640) 301 HOSPITAL DRIVE, GLEN BURNIE, MD 21061	HEALTHCARE	MD	N/A	C CORPORATION	N/A	N/A	N/A		✓
(4) NA EXECUTIVE BUILDING CONDO ASSN, INC 301 HOSPITAL DRIVE, GLEN BURNIE, MD 21061	REAL ESTATE	MD	N/A	C CORPORATION	N/A	N/A	N/A		✓
(5) UM CHARLES REGIONAL CARE PARTNERS (52-2176314) PO BOX 1070, LA PLATA, MD 20646	HEALTHCARE	MD	N/A	C CORPORATION	N/A	N/A	N/A		✓
(6) UNIVERSITY MIDTOWN PROF CENTER (52-1891126) 827 LINDEN AVENUE, BALTIMORE, MD 21201	REAL ESTATE	MD	N/A	C CORPORATION	N/A	N/A	N/A		✓
(7) UNIVERSITY OF MARYLAND HEALTH ADVANTAGE (46-1411902) 22 SOUTH GREENE STREET, BALTIMORE, MD 21201	INSURANCE	MD	N/A	C CORPORATION	N/A	N/A	N/A		✓
(8) UNIVERSITY OF MARYLAND HEALTH PARTNERS (45-2815803) 22 SOUTH GREENE STREET, BALTIMORE, MD 21201	INSURANCE	MD	N/A	C CORPORATION	N/A	N/A	N/A		✓
(9) UNIVERSITY OF MARYLAND MEDICAL SYSTEM HE (45-2815722) 22 SOUTH GREENE STREET, BALTIMORE, MD 21201	INSURANCE	MD	N/A	C CORPORATION	N/A	N/A	N/A		✓
(10) UPPER CHESAPEAKE HEALTH VENTURES, INC (52-2031264) 520 UPPER CHESAPEAKE DR, BEL AIR, MD 21014	HEALTHCARE	MD	N/A	C CORPORATION	N/A	N/A	N/A		✓
(11) UPPER CHESAPEAKE MEDICAL CENTER LAND CON (77-0674478) 520 UPPER CHESAPEAKE DR, BEL AIR, MD 21014	REAL ESTATE	MD	N/A	C CORPORATION	N/A	N/A	N/A		✓
(12) UPPER CHESAPEAKE MEDICAL OFFICE BUILDING (52-1946829) 520 UPPER CHESAPEAKE DR, BEL AIR, MD 21014	REAL ESTATE	MD	N/A	C CORPORATION	N/A	N/A	N/A		✓
(13) SHORE ORTHOPEDICS, INC (37-1817262) 219 S WASHINGTON STREET, EASTON, MD 21601	HEALTHCARE	MD	N/A	C CORPORATION	N/A	N/A	N/A		✓
(14) MADISON MANOR, INC (52-1269059) 5801 42ND AVE, HYATTSVILLE, MD 20781	HEALTHCARE	MD	N/A	C CORPORATION	N/A	N/A	N/A		✓
(15) AFFILIATED ENTERPRISES, INC (52-1542144) 3001 HOSPITAL DRIVE, CHEVERLY, MD 20785	HEALTHCARE	MD	N/A	C CORPORATION	N/A	N/A	N/A		✓
(16) DIMENSIONS ASSURANCE LTD (98-0348082) PO BOX 1363, GENESIS BLDG, GRAND CAYMAN, CJ	INSURANCE	CAYMAN ISLANDS	N/A	C CORPORATION	N/A	N/A	N/A		✓
(17) RIVERSIDE HEALTH OF DELAWARE, INC (46-3205820) 1966 GREENSPRING DRIVE, STE 600, TIMONIUM, MD 21093	HEALTHCARE	DE	N/A	C CORPORATION	N/A	N/A	N/A		✓
(18) RIVERSIDE HEALTH OF DC, INC (46-1411713) 1966 GREENSPRING DRIVE, STE 600, TIMONIUM, MD 21093	HEALTHCARE	DC	N/A	C CORPORATION	N/A	N/A	N/A		✓

(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
(19) UPPER CHESAPEAKE INSURANCE COMPANY, LTD. (98-0468438) 520 UPPER CHESAPEAKE DR, BEL AIR, MD 21014	INSURANCE	CAYMAN ISLANDS	N/A	C CORPORATION	N/A	N/A	N/A		✓



**UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES**

Consolidated Financial Statements and Schedules

June 30, 2019 and 2018

(With Independent Auditors' Report Thereon)

**UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES**

Table of Contents

	Page
Independent Auditors' Report	1
Consolidated Financial Statements:	
Consolidated Balance Sheets	3
Consolidated Statements of Operations and Changes in Net Assets	4
Consolidated Statements of Cash Flows	6
Notes to Consolidated Financial Statements	8
Supplementary Information	
Schedule 1 – Consolidating Balance Sheet Information by Division, June 30, 2019	62
Schedule 2 – Consolidating Balance Sheet Information by Division, June 30, 2018	82
Schedule 3 – Consolidating Operations and Changes in Net Assets Information by Division, year ended June 30, 2019	84
Schedule 4 – Consolidating Operations and Changes in Net Assets Information by Division, year ended June 30, 2018	94
Schedule 5 – Combining Balance Sheet Information of the Obligated Group, June 30, 2019	95
Schedule 6 – Combining Balance Sheet Information of the Obligated Group, June 30, 2018	97
Schedule 7 – Combining Operations and Changes in Net Assets Information of the Obligated Group, year ended June 30, 2019	99
Schedule 8 – Combining Operations and Changes in Net Assets Information of the Obligated Group, year ended June 30, 2018	100



KPMG LLP
750 East Pratt Street, 18th Floor
Baltimore, MD 21202

Independent Auditors' Report

The Board of Directors
University of Maryland Medical System Corporation:

We have audited the accompanying consolidated financial statements of the University of Maryland Medical System Corporation and its subsidiaries (the Corporation), which comprise the consolidated balance sheets as of June 30, 2019 and 2018, 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 consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the University of Maryland Medical System Corporation and its subsidiaries as of June 30, 2019 and 2018, and the results of their operations, changes in net assets and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.



Emphasis of Matter

As discussed in note 1(aa) to the consolidated financial statements, the Corporation adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, and ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, during the year ended June 30, 2019 on a modified retrospective basis. Our opinion is not modified with respect to these matters.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information in Schedules 1-8 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KPMG LLP

Baltimore, Maryland
October 28, 2019

**UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES**

Consolidated Balance Sheets

June 30, 2019 and 2018

(In thousands)

Assets	2019	2018
Current assets:		
Cash and cash equivalents	\$ 360,318	397,243
Assets limited as to use, current portion	64,910	56,484
Accounts receivable:		
Patient accounts receivable, net	458,437	431,665
Other	91,103	88,718
Inventories	70,478	70,776
Assets held for sale	116,828	139,120
Prepaid expenses and other current assets	48,055	41,115
Total current assets	1,210,129	1,225,121
Investments	885,640	859,905
Assets limited as to use, less current portion	1,227,384	1,142,707
Property and equipment, net	2,309,086	2,165,466
Investments in joint ventures	91,942	88,063
Other assets	409,188	548,201
Total assets	\$ 6,133,369	6,029,463
Liabilities and Net Assets		
Current liabilities:		
Trade accounts payable	\$ 288,841	267,396
Accrued payroll and benefits	281,177	262,201
Advances from third-party payors	139,163	153,867
Lines of credit	161,300	99,300
Short-term financing	150,000	150,000
Other current liabilities	127,760	151,163
Liabilities held for sale	60,830	86,834
Long-term debt subject to short-term remarketing arrangements	18,895	58,054
Current portion of long-term debt	47,621	51,989
Total current liabilities	1,275,587	1,280,804
Long-term debt, less current portion and amount subject to short-term remarketing arrangements	1,484,960	1,508,334
Other long-term liabilities	439,024	395,447
Interest rate swap liabilities	196,174	149,789
Total liabilities	3,395,745	3,334,374
Net assets:		
Without donor restrictions	1,973,405	1,952,422
With donor restrictions	764,219	742,667
Total net assets	2,737,624	2,695,089
Total liabilities and net assets	\$ 6,133,369	6,029,463

See accompanying notes to consolidated financial statements.

**UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES**

Consolidated Statements of Operations and Changes in Net Assets

Years ended June 30, 2019 and 2018

(In thousands)

	2019	2018
Operating revenue, gains, and other support:		
Net patient service revenue	\$ 4,017,054	3,877,341
State and county support	41,521	40,374
Other revenue	176,699	150,856
Total operating revenue, gains, and other support	4,235,274	4,068,571
Operating expenses:		
Salaries, wages and benefits	2,158,136	2,020,075
Expendable supplies	792,015	758,252
Purchased services	634,618	615,978
Contracted services	269,897	275,376
Depreciation and amortization	244,056	236,090
Interest expense	57,792	55,627
Total operating expenses	4,156,514	3,961,398
Income from continuing operations	78,760	107,173
Nonoperating income and expenses, net:		
Unrestricted contributions	5,607	12,377
Inherent contribution – Capital Region	—	41,772
Equity in net income of joint ventures	3,624	5,489
Investment income, net	30,632	37,465
Change in fair value of investments	24,421	23,976
Change in fair value of undesignated interest rate swaps	(47,995)	43,071
Other nonoperating losses, net	(33,045)	(27,120)
Excess of revenues over expenses from continuing operations	\$ 62,004	244,203
Loss on discontinued operations	(25,847)	(27,366)
Excess of revenues over expenses	\$ 36,157	216,837

**UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES**

Consolidated Statements of Operations and Changes in Net Assets

Years ended June 30, 2019 and 2018

(In thousands)

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Balance at June 30, 2017	\$ 1,711,329	304,535	2,015,864
Excess of revenues over expenses	216,837	—	216,837
Inherent contribution – Capital Region	—	418,243	418,243
Investment gains, net	—	2,967	2,967
State support for capital	—	3,209	3,209
Contributions, net	—	17,086	17,086
Net assets released from restrictions used for operations and nonoperating activities	—	(3,956)	(3,956)
Net assets released from restrictions used for purchase of property and equipment	3,484	(3,484)	—
Change in economic and beneficial interests in the net assets of related organizations	—	2,731	2,731
Change in ownership interest of joint ventures	—	1,301	1,301
Amortization of accumulated loss of discontinued designated interest rate swap	1,668	—	1,668
Change in funded status of defined benefit pension plans	16,287	—	16,287
Asset reclassifications at request of donor	1,145	(1,145)	—
Other	1,672	1,180	2,852
Increase in net assets	<u>241,093</u>	<u>438,132</u>	<u>679,225</u>
Balance at June 30, 2018	<u>1,952,422</u>	<u>742,667</u>	<u>2,695,089</u>
Excess of revenues over expenses	36,157	—	36,157
Investment gains, net	—	1,666	1,666
State support for capital	—	5,565	5,565
Contributions, net	—	26,782	26,782
Net assets released from restrictions used for operations and nonoperating activities	—	(4,279)	(4,279)
Net assets released from restrictions used for purchase of property and equipment	14,130	(14,130)	—
Change in economic and beneficial interests in the net assets of related organizations	—	1,982	1,982
Change in ownership interest of joint ventures	68	1,178	1,246
Amortization of accumulated loss of discontinued designated interest rate swap	1,610	—	1,610
Change in funded status of defined benefit pension plans	(26,886)	—	(26,886)
Other	(4,096)	2,788	(1,308)
Increase in net assets	<u>20,983</u>	<u>21,552</u>	<u>42,535</u>
Balance at June 30, 2019	<u>\$ 1,973,405</u>	<u>764,219</u>	<u>2,737,624</u>

See accompanying notes to consolidated financial statements.

**UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES**

Consolidated Statements of Cash Flows

Years ended June 30, 2019 and 2018

(In thousands)

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Increase in net assets from continuing operations	\$ 42,535	679,225
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	244,056	236,090
Amortization of bond premium and deferred financing costs	1,477	1,477
Net realized gains and change in fair value of investments	(41,626)	(53,029)
Equity in net income of joint ventures	(3,624)	(5,489)
Change in economic and beneficial interests in net assets of related organizations	(1,982)	(3,776)
Change in fair value of interest rate swaps	46,385	(44,735)
Change in funded status of defined benefit pension plans	26,886	(16,287)
Inherent contribution – Capital Region	—	(460,015)
Restricted contributions, grants and other support, net	(22,503)	(17,086)
Change in operating assets and liabilities:		
Patient accounts receivable	(26,772)	(10,470)
Other receivables, prepaid expenses, other current assets and other assets	152,963	92,974
Inventories	298	(4,778)
Trade accounts payable, accrued payroll and benefits, other current liabilities and other long-term liabilities	14,617	(14,294)
Change in contingent consideration	—	(35,700)
Advances from third-party payors	(14,704)	21,926
Net cash provided by operating activities	<u>418,006</u>	<u>366,033</u>
Cash flows from investing activities:		
Purchases and sales of investments and assets limited as to use, net	(98,911)	(347,160)
Purchases of alternative investments	(66,267)	(64,375)
Sales of alternative investments	89,948	38,938
Cash acquired in contribution from Capital Region	—	46,626
Purchases of property and equipment	(394,588)	(217,153)
(Contributions to)/distributions from joint ventures, net	(1,238)	3,527
Net cash used in investing activities	<u>(471,056)</u>	<u>(539,597)</u>

**UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES**

Consolidated Statements of Cash Flows

Years ended June 30, 2019 and 2018

(In thousands)

	<u>2019</u>	<u>2018</u>
Cash flows from financing activities:		
Proceeds from long-term debt	\$ 10,016	190,928
Repayment of long-term debt and capital leases	(78,394)	(44,577)
Draws (repayments) on lines of credit, net	62,000	(25,700)
Payment of debt issuance costs	—	(2,255)
Restricted contributions, grants and other support	<u>22,503</u>	<u>17,086</u>
Net cash provided by financing activities	<u>16,125</u>	<u>135,482</u>
Net decrease in cash and cash equivalents	(36,925)	(38,082)
Cash and cash equivalents, beginning of year	<u>397,243</u>	<u>435,325</u>
Cash and cash equivalents, end of year	<u>\$ 360,318</u>	<u>397,243</u>
Cash flows from discontinued operations:		
Operating Activities	\$ 2,150	10,615
Investing Activities	(3,131)	(2,710)
Financing activities	—	—
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest, net of amounts capitalized	\$ 58,860	59,716
Amount included in accounts payable for construction in progress	35,414	28,502
Supplemental disclosures of noncash information:		
Capital leases	\$ 427	1,077
Contributed from Capital Region	—	*

* See footnote 1(a)(x) for detail of noncash contributions from Capital Region.

See accompanying notes to consolidated financial statements.

**UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

(1) Organization and Summary of Significant Accounting Policies

(a) Organization

The University of Maryland Medical System Corporation (the Corporation or UMMS) is a private, not-for-profit corporation providing comprehensive healthcare services through an integrated regional network of hospitals and related clinical enterprises. UMMS was created in 1984 when its founding hospital was privatized by the State of Maryland. Prior to that time, the founding hospital was state-owned, operated and financed as part of the University of Maryland, now a part of the University System. As part of the privatization process, the Maryland General Assembly and the University of Maryland's Board of Regents adopted legislation (the "Governance Legislation") separating the major health care delivery components from the University System to UMMS. This Governance Legislation provides for certain level of oversight by the State of Maryland to ensure UMMS' founding purposes are consistently set forth in its functions and operating practices. The Corporation monitors compliance with all requirements of the Governance Legislation.

Over its 35-year history, UMMS evolved into a multi-hospital system with academic, community and specialty service missions reaching primarily across Maryland. In continuing partnership with the University of Maryland School of Medicine, UMMS operates healthcare programs that improve the physical and mental health of thousands of people each day.

The accompanying consolidated financial statements include the accounts of the Corporation, its wholly owned subsidiaries, and entities controlled by the Corporation. In addition, the Corporation maintains equity interests in various unconsolidated joint ventures, which are described in note 4. The significant operating divisions of the Corporation are described in further detail below.

All material intercompany balances and transactions have been eliminated in consolidation.

(i) Recent Acquisitions and Divestitures

During the year ended June 30, 2019, the Corporation approved a plan to sell the assets and liabilities of University of Maryland Medical System Health Plans, Inc. The sale, which will include both the Medicaid Plan and Medicare Advantage Plan, is expected to be completed within the next 12 months. Based on the criteria in Accounting Standards Codification (ASC) Topic 205, *Discontinued Operations*, it was determined that the pending sale met the criteria for discontinued operations treatment. The carrying amount of the assets and liabilities held for sale are stated at their net realizable value as of June 30, 2019 and any gain or loss on the sale is considered to be immaterial to the consolidated financial statements of the Corporation. As of June 30, 2019 and 2018, assets held for sale were approximately \$116,800 and \$139,100 and liabilities held for sale were approximately \$60,800 and \$86,800, respectively. For the years ended June 30, 2019 and 2018, operating revenues from discontinued operations were approximately \$379,630 and \$357,099, respectively. For the years ended June 30, 2019 and 2018, operating expenses from discontinued operations were approximately \$406,593 and \$388,693, respectively.

Effective September 1, 2017, the Corporation entered into an affiliation agreement with Dimensions Healthcare System and Subsidiaries (DHS) whereby the Corporation became the sole corporate member of DHS. DHS has changed its trade name to University of Maryland Capital Region Health (Capital Region) located in Prince George's County, Maryland, and includes one acute care

**UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

hospitals, one free standing medical facility (FMF), ambulatory and outpatient facilities, and other subsidiaries.

The transaction is described in more detail in note 1(a)(x).

(ii) University of Maryland Medical Center (Medical Center)

The Medical Center, which is a major component of UMMS, is a 767-bed academic medical center located in Baltimore. The Medical Center has served as the teaching hospital of the School of Medicine of the University System of Maryland, Baltimore since 1823. As part of the privatization in 1984, only clinical faculty members of the School of Medicine may serve as medical staff of the Medical Center.

The Medical Center is comprised of two operating divisions: University Hospital, which includes the Greenebaum Cancer Center, and Shock Trauma Center. University Hospital, which generates approximately 80% of the Medical Center's admissions and patient days, is a tertiary teaching hospital providing over 70 clinical services and programs. The Greenebaum Cancer Center specializes in the treatment of cancer patients and is a site for clinical cancer research. The Shock Trauma Center, which specializes in emergency treatment of patients suffering severe trauma, generates approximately 20% of admissions and patient days.

The Medical Center's operations include UniversityCARE, LLC (UCARE), a physician hospital organization of which the Corporation owns a majority ownership interest and therefore consolidates, and 36 South Paca Street, LLC, a wholly owned subsidiary of the Corporation that operates a residential apartment building.

The Corporation has certain agreements with various departments of the University of Maryland School of Medicine concerning the provision of professional and administrative services to the Corporation and its patients. Total expense under these agreements in the years ended June 30, 2019 and 2018 was approximately \$159,043 and \$163,321, respectively.

(iii) University of Maryland Rehabilitation and Orthopaedic Institute (ROI)

ROI is comprised of a medical/surgical and rehabilitation hospital in Baltimore with 137 licensed beds, which includes rehabilitation beds, chronic care beds, medical/surgical beds, and off-site physical therapy facilities.

A related corporation, The James Lawrence Kernan Endowment Fund, Inc. (Kernan Endowment), is governed by a separate, independent board of directors and is required to hold investments and income derived therefrom for the exclusive benefit of ROI. Accordingly, the accompanying consolidated financial statements reflect an economic interest in the net assets of the Kernan Endowment.

(iv) University of Maryland Medical Center Midtown Campus (Midtown)

Midtown is located in Baltimore city and is comprised of University of Maryland Midtown Hospital (UM Midtown), with 170 licensed beds, including 90 acute care beds and 80 chronic care beds and a wholly owned subsidiary providing primary care.

**UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

(v) *University of Maryland Baltimore Washington Medical System, Inc. (Baltimore Washington)*

Baltimore Washington is located in Anne Arundel County, a suburb of Baltimore city, and is a health system comprised of University of Maryland Baltimore Washington Medical Center (UM Baltimore Washington), a 288-bed acute care hospital providing a broad range of services, and several wholly owned subsidiaries providing emergency physician and other services.

Baltimore Washington Medical Center Foundation, Inc. (BWMC Foundation) is governed by a separate, independent board of directors and is required to hold investments and income derived therefrom for the exclusive benefit of UM Baltimore Washington. Accordingly, the accompanying consolidated financial statements reflect an economic interest in the net assets of the BWMC Foundation.

(vi) *University of Maryland Shore Regional Health System (Shore Regional)*

Shore Regional is a health system located on the Eastern Shore of Maryland. Shore Regional owns and operates University of Maryland Memorial Hospital (UM Memorial), a 140-bed acute care hospital providing inpatient and outpatient services in Easton, Maryland; University of Maryland Dorchester Hospital (UM Dorchester), a 48-bed acute care hospital providing inpatient and outpatient services in Cambridge, Maryland; University of Maryland Chester River Hospital Center (UM Chester River), a 26-bed acute care hospital providing inpatient and outpatient services to the residents of Kent and Queen Anne's counties; Shore Emergency Center at Queenstown (Shore Emergency Center), a free-standing emergency center; Memorial Hospital Foundation (Memorial Foundation), a nonprofit corporation established to solicit donations for the benefit of UM Memorial; Chester River Health Foundation (Chester River Foundation), a nonprofit corporation established to solicit donations for the benefit of UM Chester River; and several other subsidiaries providing various outpatient and home care services.

Dorchester General Hospital Foundation, Inc. (Dorchester Foundation) is governed by a separate, independent board of directors to raise funds on behalf of UM Dorchester. Shore Regional does not have control over the policies or decisions of the Dorchester Foundation, and accordingly, the accompanying consolidated financial statements reflect a beneficial interest in the net assets of the Dorchester Foundation.

(vii) *University of Maryland Charles Regional Health System, Inc. (Charles Regional)*

Charles Regional owns and operates University of Maryland Charles Regional Medical Center (UM Charles Regional), which is comprised of a 109-bed acute care hospital and other community healthcare resources providing inpatient and outpatient services to the residents of Charles County in Southern Maryland.

(viii) *University of Maryland St. Joseph Health System, LLC (St. Joseph)*

St. Joseph owns and operates University of Maryland St. Joseph Medical Center (UM St. Joseph), a 224-bed, Catholic acute care hospital located in Towson, Maryland, as well as other subsidiaries providing inpatient and outpatient services to the residents of Baltimore County.

**UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

(ix) *University of Maryland Upper Chesapeake Health System (Upper Chesapeake)*

Upper Chesapeake is a health system located in Harford County, Maryland. Upper Chesapeake's healthcare delivery system includes two acute care hospitals, University of Maryland Upper Chesapeake Medical Center (UM Upper Chesapeake), a 171-bed acute care hospital and University of Maryland Harford Memorial Hospital (UM Harford Memorial), an 86-bed acute care hospital; a physician practice; a captive insurance company; a land holding company; and Upper Chesapeake Health Foundation.

(x) *University of Maryland Capital Region Health (Capital Region)*

Capital Region is a health system located in Prince George's County. Capital Region owns and operates UM Prince George's Hospital Center (UM Prince George's), a 230-bed acute care teaching hospital providing an array of services including emergency medicine, behavioral health, cardiac surgery and a Level II Trauma Center; and UM Laurel Regional Health (UM Laurel), a 61-bed acute care hospital providing cardiopulmonary care, critical care, infusion and inpatient and outpatient surgery among other services.

Effective September 1, 2017, UMMS became the sole corporate member of Capital Region after several years of collaboration with Prince George's County and the state of Maryland. This affiliation represents the culmination of those discussions and includes plans to build a new state-of-the-art medical center in Largo, Maryland. In accordance with the agreement, Prince George's County and the state of Maryland have each approved funding through legislation of \$208,000 towards the construction of the new medical facility. The combined \$416,000 of county and state capital funding commitments was recorded as a receivable within other assets of the accompanying consolidated balance sheets and net assets with donor restrictions as of the affiliation date.

The affiliation was accounted for under the guidance of ASC Topic 805, *Business Combinations*, and the financial position and results of operations of Capital Region were consolidated by the Corporation beginning on September 1, 2017.

The following table summarizes the estimated fair value of the assets acquired and liabilities assumed at September 1, 2017:

Assets:	
Cash	\$ 46,626
Current assets	63,472
Investments	15,256
Limited use funds	54,370
Property and equipment	96,089
Other long-term assets	<u>393,747</u>
Total assets	<u>\$ 669,560</u>

**UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

Liabilities:	
Current liabilities	\$ 87,002
Long-term liabilities	<u>122,543</u>
Total liabilities	<u>209,545</u>
Net assets:	
Without donor restrictions	41,772
With donor restrictions	<u>418,243</u>
Total net assets	<u>460,015</u>
Total liabilities and net assets	<u><u>\$ 669,560</u></u>

The following table summarizes the Corporation's unaudited pro forma consolidated results as though the acquisition date occurred at the beginning of fiscal year:

	<u>2018</u>
Operating revenues:	
The Corporation	\$ 4,118,985
Capital Region	<u>413,142</u>
	<u><u>\$ 4,532,127</u></u>
Net nonoperating income:	
The Corporation	\$ 148,107
Capital Region	<u>3,315</u>
	<u><u>\$ 151,422</u></u>
Excess of revenues over expenses from continuing operations:	
The Corporation	\$ 207,117
Capital Region	<u>10,520</u>
	<u><u>\$ 217,637</u></u>
Changes in net assets:	
Without donor restrictions	
The Corporation	\$ 228,935
Capital Region	<u>12,158</u>
	<u><u>\$ 241,093</u></u>

**UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

	2018
With donor restrictions	
The Corporation	\$ 416,225
Capital Region	21,907
	\$ 438,132
Total changes in net assets:	
The Corporation	\$ 645,160
Capital Region	34,065
	\$ 679,225

(xi) University of Maryland Medical System Foundation, Inc. (UMMS Foundation)

The UMMS Foundation, a not-for-profit foundation, was established for the purpose of soliciting contributions on behalf of the Corporation.

(xii) University of Maryland Community Medical Group, LLC (CMG)

CMG is a physician network that employs more than 300 primary care physicians, specialists and advanced practice providers. CMG is a wholly owned subsidiary of UMMS and has over 75 locations across the state of Maryland. Effective July 1, 2018, CMG was decentralized, moving the primary care physicians back to their respective health systems.

(xiii) University of Maryland Quality Care Network (QCN)

QCN, a wholly owned subsidiary of UMMS, is a network comprised of UMMS employed physicians and independent physician practices in the UMMS service area. The participants bear shared responsibility for the care of a defined population of patients and can contract as one entity with payors.

(xiv) University of Maryland Health Ventures, LLC. (UM Health Ventures)

UM Health Ventures, a wholly owned subsidiary of UMMS, is the parent company of University of Maryland Medical System Health Plans, Inc. (UM Health Plans), a managed care healthcare company based in Baltimore, Maryland. UM Health Plans is the parent company of University of Maryland Health Partners (UMHP), which provides managed care health coverage to approximately 45,000 Medicaid recipients throughout Maryland; University of Maryland Health Advantage, Inc. (UMHA), which provides Medicare Advantage Plans to approximately 10,000 members; Riverside Health of Delaware Inc. (RHDE) and Riverside Health DC, Inc. See note 1(a)(i) for discussion on proposed sale.

(b) Basis of Presentation

The consolidated financial statements are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles.

**UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

(c) Cash and Cash Equivalents

Cash and cash equivalents, excluding amounts shown within investments and assets limited as to use, consist of cash and interest bearing deposits with maturities of three months or less from the date of purchase. Cash and cash equivalent balances may exceed amounts insured by federal agencies and, therefore, bear a risk of loss. The Corporation has not experienced such losses on these funds.

(d) Investments and Assets Limited as to Use

The Corporation's investment portfolios are classified as trading and are reported in the consolidated balance sheets, as long-term assets, at their fair value based on quoted market prices at June 30, 2019 and 2018. Unrealized holding gains and losses on trading securities with readily determinable market values are included in nonoperating income. Investment income, including realized gains and losses, is included in nonoperating income in the accompanying consolidated statements of operations and changes in net assets.

Assets limited as to use include investments set aside at the discretion of the board of directors for the replacement or acquisition of property and equipment, investments held by trustees under bond indenture agreements and self-insurance trust arrangements, and assets whose use is restricted by donors. Such investments are stated at fair value. Amounts required to meet current liabilities have been included in current assets in the consolidated balance sheets. Changes in fair values of donor-restricted investments are recorded in net assets with donor restrictions unless otherwise required by the donor or state law.

Assets limited as to use also include the Corporation's economic interests in financially interrelated organizations (note 12).

Alternative investments, which the Corporation defines to include multi-strategy commingled funds, hedge funds, hedge fund-of-funds, and private equity investments, are recorded under the equity method of accounting. Underlying securities of these alternative investments may include certain debt and equity securities that are not readily marketable. Because certain investments are not readily marketable, their fair value is subject to additional uncertainty, and therefore, values realized upon disposition may vary significantly from current reported values.

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

(e) Inventories

Inventories, consisting primarily of drugs and medical/surgical supplies, are carried at the lower of cost or market, on a first-in, first-out basis.

**UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

(f) Economic Interests in Financially Interrelated Organizations

The Corporation recognizes its rights to assets held by recipient organizations, which accept cash or other financial assets from a donor and agree to use those assets on behalf of or transfer those assets, the return on investment of those assets, or both, to the Corporation. Changes in the Corporation's economic interests in these financially interrelated organizations are recognized in the consolidated statements of changes in net assets.

(g) Property and Equipment

Property and equipment are stated at cost or estimated fair value at date of contribution, less accumulated depreciation. Depreciation is provided on a straight-line basis over the estimated useful lives of the depreciable assets using the half-year convention. The estimated useful lives of the assets are as follows:

Buildings	20 to 40 years
Building and leasehold improvements	5 to 15 years
Equipment	3 to 15 years

Interest costs incurred on borrowed funds less interest income earned on the unexpended bond proceeds during the period of construction are capitalized as a component of the cost of acquiring those assets.

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

(h) Deferred Financing Costs

Costs incurred related to the issuance of long-term debt, which are included in long-term debt, are deferred and are amortized over the life of the related debt agreements or the related letter-of-credit agreements using the effective-interest method.

(i) Goodwill and Intangible Assets

Intangible assets include amounts recognized in connection with acquisitions. Intangible assets are initially valued at fair market value using generally accepted valuation methods. Amortization is recognized on a straight-line basis over the estimated useful life of the intangible assets. Intangible assets with definite and indefinite lives are reviewed for impairment if indicators of impairment arise.

Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized. The Corporation adopted Accounting Standards Update (ASU) No. 2017-04, *Simplifying the Test for Goodwill Impairment*, for the year ended June 30, 2018. Goodwill is evaluated for impairment at least annually

**UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

on June 30, in accordance with ASC Topic 350, *Intangibles – Goodwill and Other*, using a qualitative assessment (Step 0) to determine whether there are events or circumstances that indicate it is more likely than not that the fair value of the reporting unit is less than its carrying value, which determines whether a quantitative (Step 1) goodwill impairment test is necessary. Under the quantitative assessment, the fair value of the reporting unit is compared with its carrying value (including goodwill). If the fair value of the reporting unit is less than its carrying value, goodwill impairment exists for the reporting unit and the entity must record an impairment loss.

The Corporation has two reporting units, one of which includes all health care delivery assets and the other that includes UM Health Plan assets. Based on the Corporation's qualitative assessment, it was determined that it was more likely than not that the fair values of each reporting unit exceeded their respective carrying value for the year ended June 30, 2019. Based on the Corporation's qualitative assessment, it was determined that the fair value of the health care delivery reporting unit was more likely than not greater than its carrying value for the year ended June 30, 2018. The Health Plans reporting unit experienced increasing losses in the fiscal year ended June 30, 2018 primarily related to medical claims expenses in excess of premium revenues for its Medicare Advantage Plan, and as a result, the Corporation engaged a third party to perform the Step 1 impairment test using the income approach. The income approach provides an estimation of the fair value of an asset based on market participant expectations about the cash flows that asset would generate over its remaining useful life. The cash flow models were developed using projected revenues and expenses based on historical data, industry projections as well as management expectations.

Based on the results of the impairment test, the Corporation recognized a loss on impairment of \$12,794 related to goodwill and \$33,000 related to an intangible asset (Medicaid Contract) for the year ended June 30, 2018, and these were recorded in loss on discontinued operations in the consolidated financial statements. There was no impairment loss recognized for the year ended June 30, 2019.

The changes in the carrying amount of goodwill are as follows:

	Health Care Delivery	Health Plans
Goodwill at June 30, 2017	\$ 48,810	42,019
Acquisitions	—	—
Write-downs	—	(12,794)
Goodwill at June 30, 2018	48,810	29,225
Acquisitions	—	—
Write-downs	—	—
Goodwill at June 30, 2019	\$ 48,810	29,225

**UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

(j) Contingent Consideration for Business Acquisitions

Acquisitions may include contingent consideration payments based on future financial measures of an acquired company. Contingent consideration is required to be recognized at fair value as of the acquisition date. The fair value of these liabilities is estimated based on financial projections of the acquired companies and estimated probabilities of achievement and discount the liabilities to present value using a weighted average cost of capital. Contingent consideration is valued using significant inputs that are not observable in the market, which are defined as Level 3 inputs pursuant to fair value measurement accounting. At each reporting date, the contingent consideration obligation is revalued to estimated fair value and changes in fair value subsequent to the acquisition are reflected in operating income in the consolidated statements of operations and changes in net assets. Changes in the fair value of contingent consideration obligations may result from changes in discount periods and rates, changes in the timing and amount of revenue and/or earnings estimates, and changes in probability assumptions with respect to the likelihood of achieving the various earn-out criteria. The Corporation recorded a contingent liability of \$35,700 related to an earn-out clause in connection with the August 15, 2015 acquisition of UM Health Plans. This earn-out could result in an undiscounted payment ranging from \$0 to \$106,500 depending on the performance and membership of both plans. The final computation of the earn-out is not to be determined until March 31, 2020. Based on the earn-out calculation, the Corporation determined that the fair value of the contingent liability was \$0 at both June 30, 2019 and 2018. As such, the Corporation recognized a gain of \$0 and \$35,700 related to the change in fair value of the contingent consideration during the fiscal year ended June 30, 2019 and 2018, respectively. The gain is included in the loss on discontinued operations in the 2018 consolidated statement of operations and changes in net assets.

(k) Impairment of Long-Lived Assets

Long-lived assets, such as property, plant, and equipment, and purchased intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by comparing the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of would be separately presented in the consolidated balance sheets and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The assets and liabilities of a disposed group classified as held for sale would be presented separately in the appropriate asset and liability sections of the consolidated balance sheets.

No impairment losses were recorded for the years ended June 30, 2019 or 2018.

(l) Investments in Joint Ventures

When the Corporation does not have a controlling interest in an entity, but exerts a significant influence over the entity, the Corporation applies the equity method of accounting.

**UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

(m) Self-Insurance

Under the Corporation's self-insurance programs (general and professional liability, workers' compensation, and employee health and long-term disability benefits), claims are reflected as a present-value liability based upon actuarial estimates and reported and incurred but not reported claims analysis, taking into consideration the severity of incidents and the expected timing of claim payments.

(n) Net Assets

The Corporation classifies net assets based on the existence or absence of donor-imposed restrictions. Net assets without donor restrictions represent contributions, gifts, and grants, which have no donor-imposed restrictions or which arise as a result of operations. Net assets with donor restrictions are subject to donor-imposed restrictions that must or will be met either by satisfying a specific purpose and/or passage of time. Generally, the donors of these assets permit the use of all or part of the income earned on related investments for specific purposes. The restrictions associated with these net assets generally pertain to patient care, specific capital projects, and funding of specific hospital operations and community outreach programs.

(o) Net Patient Service Revenue and Patient Accounts Receivable

In accordance with ASC Topic 606, *Revenue from Contracts with Customers*, net patient service revenue, which includes hospital inpatient services, hospital outpatient services, physician services, and other patient services revenue, is recorded at the transaction price estimated by the Corporation to reflect the total consideration due from patients and third-party payors (including commercial payers and government programs) and others. Revenue is recognized over time as performance obligations are satisfied in exchange for providing goods and services in patient care. Revenue is recorded as these goods and services are provided. The services provided to a patient during an inpatient stay or outpatient visit represent a bundle of goods and services that are distinct and accounted for as a single performance obligation.

The Corporation's estimate of the transaction price includes the Corporation's standard charges for the goods and services provided with a reduction recorded related to price concessions for such items as contractual allowances, charity care, potential adjustments that may arise from payment and other reviews, and uncollectible amounts. The price concessions are determined using the portfolio approach as a practical expedient to account for patient contracts as collective groups rather than individually. Estimates for uncollectible amounts are based on the aging of the accounts receivable, historical collections experience for similar payors and patients, current market conditions, and other relevant factors. The Corporation recognizes a significant amount of patient service revenue at the time the services are rendered even though they do not assess the patient's ability to pay. Based on historical experience, a significant portion of the self pay population will be unable or unwilling to pay for services which is estimated in the transaction price. Subsequent changes to the estimate of the transaction price are generally recorded as adjustment to net patient service revenue in the period of change. Subsequent changes that are determined to be the result of an adverse change in the payor's or patient's ability to pay are recorded as bad debt expense. Bad debt expense for the year ended June 30, 2019 was not significant to the consolidated financial statements.

**UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

The standard charges for goods and services for the Medical Center, ROI, Midtown, Baltimore Washington, Shore Regional, Charles Regional, St. Joseph, Upper Chesapeake, and Capital Region reflects actual charges to patients based on rates established by the State of Maryland Health Services Cost Review Commission (HSCRC) in effect during the period in which the services are rendered. See note 18 for further discussion on the HSCRC and regulated rates.

Patient accounts are recorded at the net realizable value based on certain assumptions determined by each payor. For third-party payors, including Medicare, Medicaid, and commercial insurance, the net realizable value is based on the estimated contractual adjustments, which is based on approved discounts on charges as permitted by the HSCRC. For self-pay accounts, which includes patients who are uninsured and the patient responsibility portion for patients with insurance, the net realizable value is determined using estimates of historical collection experience. Net patient accounts receivable shown on the consolidated balance sheet for June 30, 2018 is net of allowance for doubtful accounts of \$219,769. Net patient service revenue shown on the consolidated statement of operations and changes in net assets for June 30, 2018 are net of provision for bad debts of \$174,137. With the adoption of ASC Topic 606, all revenue and related accounts receivable are recorded at the net expected transaction price, therefore, there is no material allowance for doubtful accounts or provision for bad debts for the year ended June 30, 2019.

The Corporation has elected to apply the optional exemption in ASC Paragraph 606-10-50-14a as all performance obligations relate to contracts with duration of less than one year. Under this exemption, the Corporation was not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. Any unsatisfied or partially unsatisfied performance obligations at the end of the year are completed within days or weeks of the end of the year.

Net patient service revenue by line of business are as follows for the years ended June 30:

	<u>2019</u>	<u>2018</u>
Hospital inpatient and outpatient services	\$ 3,734,201	3,616,917
Physician services	245,150	225,555
Non-hospital outpatient services	32,247	30,325
Other	<u>5,456</u>	<u>4,544</u>
Net patient service revenue	<u>\$ 4,017,054</u>	<u>3,877,341</u>

(p) Premium Revenue and Medical Claims Expense

Premium revenue consists of amounts received from the state of Maryland and the Centers for Medicare and Medicaid Services (CMS) by the Corporation's managed care organization for providing medical services to subscribing participants, regardless of services actually performed, and is accounted for under ASC Topic 944, *Financial Services – Insurance*. The managed care organization provides services primarily to enrolled Medicaid and Medicare beneficiaries. This revenue is recognized ratably over the contractual period for the provision of services. Medical expenses of the managed care organization include actuarially determined estimates of the ultimate costs for both

**UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

reported claims and claims incurred but unreported and are included in medical claims expense on the consolidated statements of operations and changes in net assets. These accounts are included within loss on discontinued operations. See note 1(a)(i).

(g) Charity Care

The Corporation is committed to providing quality healthcare to all, regardless of one's ability to pay. Patients who meet the criteria of its charity care policy receive services without charge or at amounts less than its established rates. The criteria for charity care consider the household income in relation to the federal poverty guidelines. The Corporation provides services at no charge for patients with adjusted gross income equal to or less than 200% of the federal poverty guidelines. For uninsured patients with adjusted gross income greater than 200% of the federal poverty guidelines, a sliding scale discount is applied. Income and asset information obtained from patient credit reporting data are used to determine patients' ability to pay. The Corporation maintains records to identify and monitor the level of charity care it furnished under its charity care policy. The charity care policies of the new affiliates are generally consistent with that of the Corporation's policy.

Due to the complexity of the eligibility process, the Corporation provides eligibility services to patients free of charge to assist in the qualification process. These eligibility services include, but are not limited to, the following:

- Financial assistance brochures and other information are posted at each point of service. When patients have questions or concerns, they are encouraged to call a toll-free number to reach customer service representatives during the business day. Financial assistance programs are published on the Corporation's website and included on the statements provided to patients.
- The Corporation offers assistance to patients in completing the applications for Medicaid or other government payment assistance programs, or applying for care under the Corporation's charity care policy, if applicable. The Corporation also employs an external firm to assist in the eligibility process.
- Any patient, whether covered by insurance or not, may meet with a UMMS representative and receive financial counseling from UMMS' dedicated financial assistance unit.

The Corporation recognizes that a large number of uninsured and insured patients meet the charity care guidelines but do not respond to the Corporation's attempts to obtain necessary financial information. In these instances, the Corporation uses credit reporting data to properly classify these unpaid balances as charity care as opposed to bad debt expense. Utilization of income and asset information and credit reporting data indicate the vast majority of amounts reported as provision for bad debts represent amounts due from patients that would otherwise qualify for charity benefits but do not respond to the Corporation's attempts to obtain the necessary financial information. In these cases, reasonable collection efforts are pursued, but yield few collections. Amounts determined to meet the criteria under the charity care policy are not reported as net patient service revenue.

The amounts reported as charity care represent the cost of rendering such services. Costs incurred are estimated based on the cost-to-charge ratio for each hospital and applied to charity care charges. The Corporation estimates the total direct and indirect costs to provide charity care were \$48,821 and \$48,479 for the years ended June 30, 2019 and 2018, respectively.

**UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

(r) *Nonoperating Income and Expenses, Net*

Other activities that are only indirectly related to the Corporation's primary business of delivering healthcare services are recorded as nonoperating income and expenses and include investment income, equity in the net income of joint ventures, general donations and fund-raising activities, inherent contributions, changes in fair value of investments, changes in fair value of undesignated interest rate swaps, and settlement payments on interest rate swaps that do not qualify for hedge accounting treatment. Settlement payments on interest rate swaps were approximately \$15,124 and \$19,227 for the years ended June 30, 2019 and 2018, respectively, and are reported within other nonoperating losses, net.

(s) *Derivative Financial Instruments*

The Corporation records derivative and hedging activities on the consolidated balance sheets at their respective fair values.

The Corporation utilizes derivative financial instruments to manage its interest rate risks associated with long-term tax-exempt debt. The Corporation does not hold or issue derivative financial instruments for trading purposes.

The Corporation's specific goals are to (a) manage interest rate sensitivity by modifying the reprising or maturity characteristics of some of its tax-exempt debt and (b) lower unrealized appreciation or depreciation in the market value of the Corporation's fixed-rate tax-exempt debt when that market value is compared with the cost of the borrowed funds. The effect of this unrealized appreciation or depreciation in market value, however, will generally be offset by the income or loss on the derivative instruments that are linked to the debt.

The Corporation formally documents all hedge relationships between hedging instruments and hedged items, as well as its risk-management objective and strategy for undertaking various hedge transactions. On the date the derivative contract is entered into, the Corporation may designate the derivative as either a hedge of the fair value of a recognized or forecasted liability (fair value hedge) or a hedge of the variability of cash flows to be received or paid related to a recognized liability (cash flow hedge), provided the derivative instrument meets certain criteria related to its effectiveness. This process includes linking all derivatives that are designated as fair value or cash flow hedges to specific liabilities on the consolidated balance sheets. The Corporation also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

All derivative instruments are reported as other assets or interest rate swap liabilities in the consolidated balance sheets and measured at fair value. Derivatives not designated as hedges or not meeting effectiveness criteria are carried at fair value with changes in the fair value recognized in other nonoperating income and expenses. For the years ended June 30, 2019 and 2018, none of the Corporation's derivatives qualify for hedge accounting.

Changes in the fair value of derivative instruments are included in or excluded from the excess of revenues over expenses depending on the use of the derivative and whether it qualifies for hedge accounting treatment. Changes in the fair value of a derivative that is designated and qualifies as a fair

**UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

value hedge, along with the changes in the fair value of the hedged item related to the risk being hedged, are included in the excess of revenues over expenses. Changes in the fair value of a derivative that is designated as a cash flow hedge are excluded from the excess of revenues over expenses to the extent that the hedge is effective until the excess of revenues over expenses is affected by the variability of cash flows in the hedged transaction. Changes in the fair value that relate to ineffectiveness are included in the excess of revenues over expenses as interest expense.

(t) Excess of Revenue over Expenses from continuing operations

The consolidated statements of operations and changes in net assets includes a performance indicator, excess of revenues over expenses from continuing operations. Changes in net assets without donor restrictions that are excluded from the performance indicator, consistent with industry practice, include contributions of long-lived assets (including assets acquired using contributions, which, by donor restrictions, were to be used for the purpose of acquiring such assets), changes in the funded status of defined benefit pension plans, amortization of accumulated loss of discontinued designated interest rate swaps, loss on discontinued operations, and other items that are required by generally accepted accounting principles to be reported separately.

(u) Income Taxes

The Corporation and most of its subsidiaries are not-for-profit corporations formed under the laws of the State of Maryland, organized for charitable purposes and recognized by the Internal Revenue Service as tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code (the Code) pursuant to Section 501(a) of the Code. The effect of the taxable status of its for-profit subsidiaries is not material to the consolidated financial statements.

The Corporation had net operating loss carryforwards on for-profit and unrelated business activities of approximately \$103,627 and \$89,890 as of June 30, 2019 and June 30, 2018, respectively, which expire at various dates through 2032. The Corporation's deferred tax assets, which consist primarily of the net operating loss carryforwards, are approximately \$25,598 at June 30, 2019, and \$22,345 at June 30, 2018, were fully reserved as they are not expected to be utilized. The Corporation had a deferred tax liability in the amount of \$3,027 and \$3,027 related to indefinite-lived intangibles at June 30, 2019 and 2018, respectively, which is included in liabilities held for sale on the accompanying consolidated balance sheets.

The Corporation follows a threshold of more likely than not for recognition and derecognition of tax positions taken or expected to be taken in a tax return. Management does not believe that there are any unrecognized tax liabilities or benefits that should be recognized.

On December 22, 2017, the President signed into law H.R.1, originally known as the Tax Cuts and Jobs Act, as such the Corporation's effective tax rate was reduced from 35% to 21% during the fiscal year 2018. The new law includes several provisions that result in substantial changes to the tax treatment of tax-exempt organizations and their donors. The Company has reviewed these provisions and the potential impact and has concluded the enactment of H.R.1 did not have a material effect on the operations of the organization.

**UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

(v) Donor-Restricted Gifts

Unconditional promises to give cash and other assets to the Corporation are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the promise becomes unconditional. Contributions are reported as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction is satisfied, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the consolidated statements of operations and changes in net assets as net assets released from restrictions. Such amounts are classified as other revenue or transfers and additions to property and equipment.

Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. An allowance for uncollectible contributions receivable is provided based upon management's judgment, including such factors as prior collection history, type of contributions, and nature of fund-raising activity.

The Corporation follows accounting guidance for classifying the net assets associated with donor-restricted endowment funds held by organizations that are subject to an enacted version of the Uniform Prudent Management Institutional Funds Act of 2006 (UPMIFA).

(w) Fair Value Measurements

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

Cash and cash equivalents, accounts receivable, assets limited as to use, investments, trade accounts payable, accrued payroll and benefits, other accrued expenses, and advances from third-party payors – The carrying amounts reported in the consolidated balance sheets approximate the related fair values.

Pension plan assets – The Corporation applies ASU No. 2009-12, *Fair Value Measurements and Disclosures (Topic 820): Investments in Certain Entities That Calculate Net Asset per Share (or Its Equivalent)*, to its pension plan assets. The guidance permits, as a practical expedient, fair value of investments within its scope to be estimated using the net asset value (NAV) or its equivalent. The alternative investments classified within the fair value hierarchy have been recorded using the NAV.

The Corporation discloses its financial assets, financial liabilities, and fair value measurements of nonfinancial items according to the fair value hierarchy required by generally accepted accounting principles that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted market prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted market prices (unadjusted) in active markets for identical assets or liabilities that the Corporation has the ability to access at the measurement date.

**UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

- Level 2 inputs are inputs other than quoted market prices including within Level 1 that are observable for the asset or liability, either directly or indirectly. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 inputs are unobservable inputs for the asset or liability.

Assets and liabilities classified as Level 1 are valued using unadjusted quoted market prices for identical assets or liabilities in active markets. The Corporation uses techniques consistent with the market approach and the income approach for measuring fair value of its Level 2 and Level 3 assets and liabilities. The market approach is a valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. The income approach generally converts future amounts (cash flows or earnings) to a single present value amount (discounted).

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

As of June 30, 2019 and 2018, the Level 2 assets and liabilities listed in the fair value hierarchy tables presented in notes 2 and 10 utilize the following valuation techniques and inputs:

(i) Cash Equivalents

The fair value of investments in cash equivalent securities, with maturities within three months of the date of purchase, is determined using techniques that are consistent with the market approach. Significant observable inputs include reported trades and observable broker-dealer quotes.

(ii) U.S. Government and Agency Securities

The fair value of investments in U.S. government, state, and municipal obligations is primarily determined using techniques consistent with the income approach. Significant observable inputs to the income approach include data points for benchmark constant maturity curves and spreads.

(iii) Corporate Bonds

The fair value of investments in U.S. and international corporate bonds, including commingled funds that invest primarily in such bonds and foreign government bonds, is primarily determined using techniques that are consistent with the market approach. Significant observable inputs include benchmark yields, reported trades, observable broker-dealer quotes, issuer spreads, and security specific characteristics, such as early redemption options.

(iv) Collateralized Corporate Obligations

The fair value of collateralized corporate obligations is primarily determined using techniques consistent with the income approach, such as a discounted cash flow model. Significant observable inputs include prepayment speeds and spreads, benchmark yield curves, volatility measures, and quotes.

**UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

(v) *Derivative Liabilities*

The fair value of derivative contracts is primarily determined using techniques consistent with the market approach. Derivative contracts include interest rate, credit default, and total return swaps. Significant observable inputs to valuation models include interest rates, treasury yields, volatilities, credit spreads, maturity, and recovery rates.

(x) *Commitments and Contingencies*

Liabilities for loss contingencies arising from claims, assessments, litigation, fines, penalties, and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred.

(y) *Going Concern*

Management evaluates whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern within one year after the date the financial statements are issued. As of the date of this report, there are no conditions or events that raise substantial doubt about the Corporation's ability to continue as a going concern.

(z) *Use of Estimates*

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

(aa) *New Accounting Pronouncements*

The Financial Accounting Standards Board (FASB) issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This ASU establishes principles for reporting useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the entity's contracts with customers. The ASU requires that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU was adopted on July 1, 2018 using the modified retrospective method for those contracts that were not substantially completed as of July 1, 2018. Results for reporting periods beginning on or after July 1, 2018 are presented under Topic 606, while prior period amounts have been revised to conform to the net presentation of a single net patient service revenue total. The adoption of the ASU primarily changes the Corporation's presentation of revenue and the provision and allowance for bad debts. The ASU requires revenue to be recognized based on the Corporation's estimate of the transaction price the Corporation expects to collect as a result of satisfying its performance obligations. Accordingly, for performance obligations satisfied after July 1, 2018, the Corporation no longer separately presents a provision for bad debts on the consolidated statement of operations and changes in net assets or the related allowance for bad debts on the consolidated balance sheets and these are included as price concessions and a reduction to net patient service revenue and net accounts receivable, respectively. Net patient accounts receivable shown on the consolidated balance sheet for June 30, 2018 are net of

**UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

allowance for doubtful accounts of \$219,769. Net patient service revenue shown on the consolidated statement of operations and changes in net assets for June 30, 2018 is net of provision for bad debts of \$174,137. Changes to the allowance for bad debts, other than the write-offs of uncollectible accounts, are recorded through the provision for bad debts on the consolidated statements of operations and changes in net assets in accordance with Topic 605. The adoption of Topic 606 did not have significant impact on the recognition of net patient service revenues for any periods prior to adoption. The adoption of Topic 606 did not have a significant impact on any financial statement line items when compared to Topic 605.

The FASB issued ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, to improve the current net asset classification requirements and information presented in financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. This update requires not-for-profit entities to present two classes of net assets (net assets with donor restrictions and net assets without donor restrictions), requires the presentation of expenses in both natural and functional classification, and other quantitative information regarding the entity's liquidity. UMMS adopted ASU No. 2016-14 with a retrospective approach as of July 1, 2018. There were no material changes to the consolidated balance sheets, statements of operations and changes in net assets or cash flows because of the adoption. Periods prior to adoption, which previously presented temporarily restricted of \$698,458 and permanently restricted net assets of \$44,209, have been revised to conform to the new presentation of a single classification of net assets with donor restrictions.

The FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which will require lessees to recognize most leases on the balance sheet, increasing their reported assets and liabilities. This update was developed to provide financial statement users with more information about an entity's leasing activities and will require changes in processes and internal controls. The Corporation will adopt Topic 842 effective July 1, 2019, applying the modified retrospective approach in which the Corporation will not adjust comparable prior period information and disclosures. The Corporation expects to utilize the practical expedients being made available, including the package of practical expedients to not reassess whether a contract is or contains a lease, the lease classification and initial direct costs. The Corporation estimates the amount of right-of-use assets and obligations resulting from the adoption of ASU No. 2016-02 to be within a range of \$75,000 to \$125,000.

From time to time, new accounting guidance is issued by the FASB or other standard setting bodies that is adopted by the Corporation as of the effective date or, in some cases where early adoption is permitted, in advance of the effective date. The Corporation has assessed the recently issued guidance that is not yet effective and, unless otherwise indicated above, believes the new guidance will not have a material impact on the Corporation's consolidated financial position, results of operations, or cash flows.

**UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

(2) Investments and Assets Limited as to Use

The carrying values of assets limited as to use were as follows at June 30:

	2019	2018
Investments held for collateral	\$ 113,586	84,590
Debt service and reserve funds	86,157	82,820
Construction funds – held by trustee	279,205	266,822
Construction funds – held by the Corporation	183,917	145,052
Board designated funds	140,689	123,729
Self-insurance trust funds	212,384	230,589
Funds restricted by donors	78,255	69,470
Economic and beneficial interests in the net assets of related organizations (note 12)	198,101	196,119
Total assets limited as to use	1,292,294	1,199,191
Less amounts available for current liabilities	(64,910)	(56,484)
Total assets limited as to use, less current portion	\$ 1,227,384	1,142,707

The carrying values of assets limited as to use were as follows at June 30, 2019:

	Investments held for collateral	Debt service and reserve funds	Construction funds	Board designated funds	Self- insurance trust funds	Funds restricted by donors	Economic and beneficial interests	Total
Cash and cash equivalents \$	31,394	25,070	265,160	19,216	8,473	13,924	—	363,237
Corporate bonds	—	—	—	27,003	5,959	13,152	—	46,114
Collateralized corporate obligations	—	—	—	132	—	347	—	479
U.S. government and agency securities	82,192	61,087	197,962	153	11,151	402	—	352,947
Common stocks, including mutual funds	—	—	—	48,283	7,046	23,074	—	78,403
Alternative investments	—	—	—	45,902	—	27,356	—	73,258
Assets held by other organizations	—	—	—	—	179,755	—	198,101	377,856
Total assets limited as to use	\$ 113,586	86,157	463,122	140,689	212,384	78,255	198,101	1,292,294

**UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

The carrying values of assets limited as to use were as follows at June 30, 2018:

	Investments held for collateral	Debt service and reserve funds	Construction funds	Board designated funds	Self- insurance trust funds	Funds restricted by donors	Economic and beneficial interests	Total
Cash and cash equivalents \$	2,466	32,819	250,784	5,992	16,619	10,058	—	318,738
Corporate bonds	—	—	—	19,579	19,603	8,595	—	47,777
Collateralized corporate obligations	—	—	—	155	—	390	—	545
U.S. government and agency securities	82,124	50,001	161,090	170	13,016	427	—	306,828
Common stocks, including mutual funds	—	—	—	50,886	6,840	22,529	—	80,255
Alternative investments	—	—	—	46,947	—	27,471	—	74,418
Assets held by other organizations	—	—	—	—	174,511	—	196,119	370,630
Total assets limited as to use	\$ 84,590	82,820	411,874	123,729	230,589	69,470	196,119	1,199,191

Self-insurance trust funds include amounts held by the Maryland Medicine Comprehensive Insurance Program (MMCIP) for payment of malpractice claims. These assets consist primarily of stocks, fixed-income corporate obligations, and alternative investments. MMCIP is a funding mechanism for the Corporation's malpractice insurance program. As MMCIP is not an insurance provider, transactions with MMCIP are recorded under the deposit method of accounting. Accordingly, the Corporation accounts for its participation in MMCIP by carrying limited-use assets representing the amount of funds contributed to MMCIP and recording a liability for claims, which is included in other current and other long-term liabilities in the accompanying consolidated balance sheets.

The carrying values of investments were as follows at June 30:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 61,004	85,188
Corporate bonds	118,738	57,820
Collateralized corporate obligations	20,107	22,656
U.S. government and agency securities	23,304	24,771
Common stocks	213,139	191,994
Alternative investments:		
Hedge funds/private equity	137,693	139,388
Commingled funds	311,655	338,088
	<u>\$ 885,640</u>	<u>859,905</u>

**UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

Alternative investments include hedge fund, private equity, and commingled investment funds, which are valued using the equity method of accounting. As of June 30, 2019, the majority of these alternative investments are subject to 30 day or less notice requirements and are available to be redeemed on at least a monthly basis. Approximately \$140,600 of the alternative investments were subject to 31–60 day notice requirements and can only be redeemed monthly, quarterly, or annually. Other funds, totaling approximately \$72,000, are subject to over 60-day notice requirements and can only be redeemed monthly, quarterly, or annually. Of the funds with over 60-day notice requirements, approximately \$15,000 are subject to lockup restrictions and are not available to be redeemed until certain time restrictions are met, which range from one to three years. In addition, there are approximately \$5,700 of other funds that are subject to lockup restrictions and are not available to be redeemed until certain time restrictions are met, which range from one to three years. The Corporation had \$6,679 of unfunded commitments in alternative investments as of June 30, 2019.

As of June 30, 2018, the majority of these alternative investments are subject to 30 day or less notice requirements and are available to be redeemed on at least a monthly basis. Approximately \$56,300 of the alternative investment were subject to 31-60 day notice requirements and can only be redeemed monthly, quarterly, or annually. Other funds, totaling approximately \$72,400, are subject to over 60-day notice requirements and can only be redeemed monthly, quarterly, or annually. Of the funds with over 60-day notice requirements, approximately \$14,600 are subject to lockup restrictions and are not available to be redeemed until certain time restrictions are met, which range from one to three years. In addition, there are approximately \$6,900 of other funds that are subject to lockup restrictions and are not available to be redeemed until certain time restrictions are met, which range from one to three years. The Corporation had \$8,170 of unfunded commitments in alternative investments as of June 30, 2018.

The following table presents investments and assets limited as to use that are measured at fair value on a recurring basis excluding alternative investments in the amount of \$449,348 and \$73,258, respectively, which are accounted for under the equity method at June 30, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
Investments:				
Cash and cash equivalents \$	61,004	—	—	61,004
Corporate bonds	83,822	34,916	—	118,738
Collateralized corporate obligations	—	20,107	—	20,107
U.S. government and agency securities	15,581	7,723	—	23,304
Common and preferred stocks, including mutual funds	213,139	—	—	213,139
	<u>373,546</u>	<u>62,746</u>	<u>—</u>	<u>436,292</u>

**UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets limited as to use:				
Cash and cash equivalents \$	278,625	84,612	—	363,237
Corporate bonds	43,559	3,846	—	47,405
Collateralized corporate obligations	—	479	—	479
U.S. government and agency securities	93,581	259,366	—	352,947
Common and preferred stocks, including mutual funds	77,112	—	—	77,112
Investments held by other organizations	—	377,856	—	377,856
	<u>492,877</u>	<u>726,159</u>	<u>—</u>	<u>1,219,036</u>
\$	<u>866,423</u>	<u>788,905</u>	<u>—</u>	<u>1,655,328</u>

The following table presents investments and assets limited as to use that are measured at fair value on a recurring basis excluding alternative investments in the amount of \$477,476 and \$74,418, respectively, which are accounted for under the equity method at June 30, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
Investments:				
Cash and cash equivalents \$	85,188	—	—	85,188
Corporate bonds	35,122	22,698	—	57,820
Collateralized corporate obligations	—	22,656	—	22,656
U.S. government and agency securities	15,576	9,195	—	24,771
Common and preferred stocks, including mutual funds	191,994	—	—	191,994
	<u>327,880</u>	<u>54,549</u>	<u>—</u>	<u>382,429</u>

**UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets limited as to use:				
Cash and cash equivalents \$	191,914	126,824	—	318,738
Corporate bonds	44,415	3,362	—	47,777
Collateralized corporate obligations	—	545	—	545
U.S. government and agency securities	95,240	211,588	—	306,828
Common and preferred stocks, including mutual funds	80,255	—	—	80,255
Investments held by other organizations	—	370,630	—	370,630
	<u>411,824</u>	<u>712,949</u>	<u>—</u>	<u>1,124,773</u>
	<u>\$ 739,704</u>	<u>767,498</u>	<u>—</u>	<u>1,507,202</u>

Changes to Level 1 and Level 2 securities between June 30, 2019 and 2018 were the result of strategic investments and reinvestments, interest income earnings, and changes in the fair value of investments.

The Corporation's total return on its investments and assets limited as to use was as follows for the years ended June 30:

	<u>2019</u>	<u>2018</u>
Dividends and interest, net of fees	\$ 18,059	11,379
Net realized gains	14,276	27,002
Change in fair value of trading securities	<u>24,384</u>	<u>26,027</u>
Total investment return	<u>\$ 56,719</u>	<u>64,408</u>

Total investment return is classified in the consolidated statements of operations and changes in net assets as follows for the years ended June 30 (in thousands):

	<u>2019</u>	<u>2018</u>
Nonoperating investment income, net	\$ 30,632	37,465
Change in fair value of unrestricted investments	24,421	23,976
Investment gains on net assets with donor restrictions	<u>1,666</u>	<u>2,967</u>
Total investment return	<u>\$ 56,719</u>	<u>64,408</u>

**UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

Investment return does not include the returns on the economic interests in the net assets of related organizations, the returns on the self-insurance trust funds, returns on undesignated interest rates swaps, or the returns on certain construction funds where amounts have been capitalized.

(3) Property and Equipment

The following is a summary of property and equipment at June 30:

	2019	2018
Land	\$ 196,004	188,071
Buildings	1,496,177	1,488,714
Building and leasehold improvements	1,048,608	973,084
Equipment	1,814,503	1,677,047
Construction in progress	321,660	164,674
	4,876,952	4,491,590
Less accumulated depreciation and amortization	(2,567,866)	(2,326,124)
	\$ 2,309,086	2,165,466

Interest cost capitalized was \$0 and \$1,152,000 for years ended June 30, 2019 and 2018, respectively.

Remaining contractual commitments on construction projects were approximately \$210,397 at June 30, 2019, of which approximately \$159,295 relates to Capital Region.

Construction in progress includes building and renovation costs for assets that have not yet been placed into service. These costs relate to major construction projects as well as routine renovations under way at the Corporation's facilities.

(4) Investments in Joint Ventures

The Corporation has investments of \$91,942 and \$88,063 at June 30, 2019 and 2018, respectively, in the following unconsolidated joint ventures:

Joint venture	Business purpose	Ownership percentage	
		FY 2019	FY 2018
Shipley's Imaging Center, LLC	Freestanding imaging center	50%	50%
Innovative Health Services, LLC	Third-party insurance claims processor	50	50
Terrapin Insurance Company (Terrapin)	Healthcare professional liability insurance company	50	50

**UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

<u>Joint venture</u>	<u>Business purpose</u>	<u>Ownership percentage</u>	
		<u>FY 2019</u>	<u>FY 2018</u>
Mt. Washington Pediatric Hospital, Inc. (Mt. Washington)	Healthcare services	50%	50%
Central Maryland Radiation Oncology Center LLC	Healthcare services	50	50
University of Maryland Medicine ASC, LLC	Ambulatory surgical services	50	50
Chesapeake-Potomac Healthcare Alliance	Healthcare services	33	33
Ruxton SurgiCenter	Ambulatory surgical services	20	—
Civista Ambulatory Surgery Center, Inc.	Ambulatory surgical services	50	50
NRH/CPT/St. Mary's/Civista Regional Rehab, LLC	Medical rehabilitative and therapy services	**	15
UM SJMC Choice One Urgent Care Centers	Urgent care centers	25/49 *	25/49 *
UM UCHS Choice One Urgent Care Centers	Urgent care centers	49	49
UM SRH Choice One Urgent Care Centers	Urgent care centers	49	49
UM BWMC Choice One Urgent Care Centers	Urgent care centers	**	49
Maryland eCare, LLC	Remote monitoring technology	14	14
MRI at St. Joseph Medical Center, LLC	Healthcare services	51	51
Advanced/Upper Chesapeake Health Center, LLC	Imaging center	10	10
Madison Manor	Nursing Home	25	25

* In each of the fiscal years 2019 and 2018, a new UM SJMC Choice One Urgent Care center was started at an ownership percentage of 49%. The remaining centers have an ownership percentage of 25%.

** These ventures ceased operations during fiscal year 2019.

The Corporation recorded equity in net income of \$3,624 and \$5,489 related to these joint ventures for the years ended June 30, 2019 and 2018, respectively.

**UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

The following is a summary of the Corporation's joint ventures' combined unaudited condensed financial information as of and for the years ended June 30:

	2019				
	Mt. Washington	Terrapin	Choice One*	Others	Total
Current assets	\$ 31,609	52,058	4,571	30,471	118,709
Noncurrent assets	104,354	242,783	13,772	36,307	397,216
Total assets	<u>\$ 135,963</u>	<u>294,841</u>	<u>18,343</u>	<u>66,778</u>	<u>515,925</u>
Current liabilities	\$ 14,565	4,878	7,777	11,073	38,293
Noncurrent liabilities	6,452	288,013	2,625	8,901	305,991
Net assets	<u>114,946</u>	<u>1,950</u>	<u>7,941</u>	<u>46,804</u>	<u>171,641</u>
Total liabilities and net assets	<u>\$ 135,963</u>	<u>294,841</u>	<u>18,343</u>	<u>66,778</u>	<u>515,925</u>
Total operating revenue	\$ 64,668	44,898	10,419	95,367	215,352
Total operating expenses	(61,835)	(49,435)	(11,450)	(84,621)	(207,341)
Total nonoperating gains/(losses), net	2,157	4,536	—	1,446	8,139
Contributions from (to) owners	2,986	—	—	(9,525)	(6,539)
Other changes in net assets, net	<u>—</u>	<u>—</u>	<u>(266)</u>	<u>2,735</u>	<u>2,469</u>
Increase (decrease) in net assets	<u>\$ 7,976</u>	<u>(1)</u>	<u>(1,297)</u>	<u>5,402</u>	<u>12,080</u>

* Choice One is the combination of UM SJMC, UM UCHS, UM SRH, and UM BWMC Choice One Urgent Care Cen

	2018				
	Mt. Washington	Terrapin	Choice One*	Others	Total
Current assets	\$ 30,302	22,272	5,321	25,620	83,515
Noncurrent assets	97,468	229,838	6,369	23,902	357,577
Total assets	<u>\$ 127,770</u>	<u>252,110</u>	<u>11,690</u>	<u>49,522</u>	<u>441,092</u>
Current liabilities	\$ 13,718	3,631	2,016	7,836	27,201
Noncurrent liabilities	7,082	246,529	436	865	254,912
Net assets	<u>106,970</u>	<u>1,950</u>	<u>9,238</u>	<u>40,821</u>	<u>158,979</u>
Total liabilities and net assets	<u>\$ 127,770</u>	<u>252,110</u>	<u>11,690</u>	<u>49,522</u>	<u>441,092</u>

**UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

	2018				
	Mt. Washington	Terrapin	Choice One*	Others	Total
Total operating revenue	\$ 62,491	29,728	8,643	83,616	184,478
Total operating expenses	(58,384)	(34,535)	(9,961)	(72,188)	(175,068)
Total nonoperating gains/(losses), net	3,281	4,806	—	(360)	7,727
Contributions from (to) owners	—	—	1,313	(11,710)	(10,397)
Other changes in net assets, net	2,602	1	(238)	8	2,373
Increase (decrease) in net assets	\$ 9,990	—	(243)	(634)	9,113

* Choice One is the combination of UM SJMC, UM UCHS, UMSRH, and UMBWMC Choice One Urgent Care Centers.

(5) Leases

The Corporation rents various equipment and facility space. Rent expense under these operating leases for the years ended June 30, 2019 and 2018 was approximately \$35,912 and \$31,731, respectively.

Future noncancelable minimum lease payments under operating leases are as follows for the years ending June 30:

2020	\$	9,464
2021		7,076
2022		6,768
2023		6,522
2024		6,158
Thereafter		13,791
	\$	49,779

The Corporation rents property used for administration under a 99-year lease. The lease was recorded as a capital lease, and the Corporation recorded assets at their respective fair values of \$3,770 and \$29,230 for land and buildings, respectively. The lease includes an option for the Corporation to purchase the property during the period from April 20, 2017 to February 28, 2021 for a purchase price of not less than \$37,000 but not more than \$45,000, as determined by appraisals. Management exercised the option on October 21, 2019 to purchase the property for \$40,000. As of June 30, 2019 and 2018, amounts of \$38,093 and \$37,649, respectively, representing obligations under the lease have been recorded in other current liabilities.

As of June 30, 2019, amounts of \$2,260 and \$12,174 representing obligations under all other capital leases are included in other current liabilities and other long-term liabilities, respectively.

**UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

The following is a summary of all property and equipment under capital leases at June 30:

	2019	2018
Land	\$ 3,770	3,770
Buildings	29,230	29,230
Equipment	28,571	28,843
	61,571	61,843
Less accumulated amortization	(26,261)	(23,941)
	\$ 35,310	37,902

Future minimum lease payments under capital leases, together with the present value of the net minimum lease payments, are as follows as of June 30, 2019:

2020	\$	42,811
2021		1,862
2022		1,145
2023		891
2024		891
Thereafter		12,083
Total minimum lease payments		59,683
Less amounts representing interest		(7,156)
Present value of net minimum lease payments	\$	52,527

(6) Line of Credit

For the fiscal years ended June 30, 2019 and 2018, the Corporation had a \$250,000 revolving line of credit outstanding with a syndicate of banking partners. The line of credit is annually renewing and the current expiration date is August 26, 2020. Interest is calculated based on an optional base rate or percentage of 1-month LIBOR plus a credit spread. As of June 30, 2019 and 2018, the amount outstanding on the line of credit was \$161,300 and \$99,300, respectively. The calculated interest rates as of June 30, 2019 was a range from 3.14% to 5.5% and as of June 30, 2018 was 5.0%.

**UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

(7) Long-Term Debt and Other Borrowings

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

	<u>Interest rate</u>	<u>Payable in fiscal year(s)</u>	<u>2019</u>	<u>2018</u>
MHHEFA project revenue bonds:				
Corporation issue, payments due annually on July 1:				
Series 2017D/E bonds	4.00%–4.17%	2045–2049	\$ 189,965	189,965
Series 2017B/C bonds	2.23%–5.00%	2018–2040	260,835	267,055
Series 2017A bonds	Variable rate	2017–2043 ¹	44,010	45,135
Series 2016A–F bonds	Variable rate	2017–2042 ¹	314,270	318,475
Series 2015 bonds	3.63%–5.00%	2016–2042	75,060	76,420
Series 2013 bonds	4.00%–5.00%	2014–2044	339,465	343,250
Series 2010 bonds	4.75%–5.25%	2011–2032	50,210	56,635
Series 2008D/E bonds	Variable rate	2025–2042	105,000	105,000
Series 2008F bonds	4.50%–5.25%	2009–2024	27,555	34,125
Series 2007A bonds	Variable rate	2008–2035	79,440	82,330
MHHEFA Pooled Loan Program	Variable rate	2017–2035	17,099	8,034
Other long-term debt:				
UCHS term loan	Variable rate	2020	150,000	150,000
Term loans	1.86%–4.44%	2009–2022	9,377	48,736
Other loans, mortgages and notes payable	3.25%–6.73%	Monthly, 1991–2025	17,893	20,468
Total debt			1,680,179	1,745,628
Less current portion of long-term debt			47,621	51,989
Less short-term financing			150,000	150,000
Less long-term debt subject to short-term remarketing agreements			18,895	58,054
			1,463,663	1,485,585
Plus unamortized premiums and discounts, net			30,762	32,853
Plus unamortized deferred financing costs			(9,465)	(10,104)
			<u>\$ 1,484,960</u>	<u>1,508,334</u>

¹ Mandatory purchase options are due in the following (fiscal years), unless the bondholding bank and the Obligated Group agree to an extension: Series 2016A (2024), 2016B (2022), 2016C&D (2024), 2016E&F (2027), and 2017A (2022).

**UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

Pursuant to an Amended and Restated Master Loan Agreement dated December 1, 2017 (UMMS Master Loan Agreement), the Corporation and several of its subsidiaries have issued debt through Maryland Health and Higher Educational Facilities Authority (MHHEFA or the Authority). As security for the performance of the bond obligation under the UMMS Master Loan Agreement, the Authority maintains a security interest in the revenue of the obligors. The UMMS Master Loan Agreement contains certain restrictive covenants. These covenants require that rates and charges be set at certain levels, limit incurrence of additional debt, require compliance with certain operating ratios and restrict the disposition of assets.

The Obligated Group under the UMMS Master Loan Agreement includes the Medical Center, ROI, UM Midtown, UM Baltimore Washington, Shore Health (UM Memorial and UM Dorchester), UM Chester River, UM Charles Regional, UM St. Joseph, UM Upper Chesapeake, UM Harford Memorial, UM Laurel, UM Prince George's, Bowie Health Center (Bowie), and the UMMS Foundation. Each member of the Obligated Group is jointly and severally liable for the repayment of the obligations under the UMMS Master Loan Agreement.

Under the terms of the UMMS Master Loan Agreement and other loan agreements, certain funds are required to be maintained on deposit with the master trustee to provide for repayment of the obligations of the Obligated Group (note 2).

The Corporation has a term loan in the amount of \$150,000 related to the acquisition of Upper Chesapeake, which expires on March 1, 2020. The Corporation intends to refinance this obligation prior to its maturity date and has classified this obligation as a short-term financing at June 30, 2019 and 2018, in the consolidated balance sheets.

In December 2018, MHHEFA issued \$145,265 of tax-exempt revenue bonds, Series 2017D, and \$44,700 taxable revenue bonds, Series 2017E. These proceeds are to be used for the purpose of financing a portion of the costs of acquisition, construction and equipping of certain capital projects related to Capital Region, including (a) construction of a new regional medical center and an adjacent new ambulatory care center and (b) construction of a new freestanding medical facility.

The aggregate annual future maturities of long-term debt according to the original terms of the UMMS Master Loan Agreement and all other loan agreements are as follows for the years ending June 30:

2020	\$	197,621
2021		40,322
2022		48,572
2023		45,266
2024		47,655
Thereafter		1,300,743
	\$	1,680,179

The Corporation's Series 2007A and 2008D-E bonds are variable rate demand bonds requiring remarketing agents to purchase and remarket any bonds tendered before the stated maturity date. The

**UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

reimbursement obligations with respect to the letters of credit are evidenced and secured by the respective bonds. To provide liquidity support for the timely payment of any bonds that are not successfully remarketed, the Corporation has entered into letter-of-credit agreements with three banking institutions. These agreements have terms that expire in 2021 through 2022. If the bonds are not successfully remarketed, the Corporation is required to pay an interest rate specified in the letter-of-credit agreement, and the principal repayment of bonds may be accelerated to require repayment in periods ranging from 20 to 60 months from the date of the failed remarketing. The Corporation has reflected the amount of its long-term debt that is subject to these short-term remarketing arrangements as a separate component of current liabilities in its consolidated balance sheets. In the event that bonds are not remarketed, the Corporation maintains available letters of credit and has the ability to access other sources to obtain the necessary liquidity to comply with accelerated repayment terms. All variable rate demand bonds were successfully remarketed as of June 30, 2019.

The following table reflects the mandatory redemptions and required repayment terms for the years ended June 30 of the Corporation's debt obligations in the event that the put options associated with variable rate demand bonds subject to short-term remarketing agreements were exercised, but not successfully remarketed, and mandatory purchase options are not extended:

2020	\$	216,516
2021		88,113
2022		235,733
2023		62,214
2024		173,505
Thereafter		<u>904,098</u>
	\$	<u><u>1,680,179</u></u>

The approximate interest rates on outstanding debt bearing interest at variable rates were as follows at June 30:

	<u>2019</u>	<u>2018</u>
Series 2008D bonds	1.92 %	1.54 %
Series 2008E bonds	1.85	1.49
Series 2007A bonds	1.85	1.55
Series 2016A bonds	2.74	2.51
Series 2016B bonds	2.62	2.34
Series 2016C bonds	2.54	2.36
Series 2016D bonds	2.63	2.66
Series 2016E bonds	2.66	2.50
Series 2016F bonds	2.63	2.47
Series 2017A bonds	2.46	2.26
Series 1985 pooled Loan Program (MHHEFA)	2.40	2.25
UCHS term loan	3.10	2.84

**UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

Term loans outstanding are as follows at June 30:

	<u>Interest rate</u>	<u>Interest rate as of June 30, 2019</u>	<u>Payable in fiscal year(s)</u>	<u>2019</u>	<u>2018</u>
Term loan 1: Payable monthly, beginning March 2012	Fixed rate	3.95 %	2012–2022	\$ 6,000	6,800
Term loan 2: Payable monthly, beginning February 2010	1-month LIBOR + 2.00%	4.44	2010–2023	2,381	2,609
Term loan 3: Payable monthly, beginning November 2015	1-month LIBOR + 1.95%	—	2016–2021	—	36,667
Term loan 4: Payable monthly, beginning May 2016	Fixed rate	—	2016–2019	—	383
Term loan 5: Payable monthly, beginning February 2017	Fixed rate	2.47	2017–2020	419	976
Term loan 6: Payable monthly, beginning July 2017	Fixed rate	2.66	2018–2020	<u>577</u>	<u>1,301</u>
Total term loans (included in long-term debt)				<u>\$ 9,377</u>	<u>48,736</u>

(8) Interest Rate Risk Management

The Corporation uses a combination of fixed and variable rate debt to finance capital needs. The Corporation maintains an interest rate risk-management strategy that uses interest rate swaps to minimize significant, unanticipated earnings fluctuations that may arise from volatility in interest rates.

**UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

At June 30, 2019 and 2018, the Corporation's notional values of outstanding interest rate swaps were \$746,348 and \$758,901, respectively, the details of which were as follows:

	<u>Notional amount</u>	<u>Pay rate</u>	<u>Receive rate</u>	<u>Maturity date</u>	<u>Mark to market</u>
As of June 30, 2019:					
Swap #1	\$ 80,998	3.59 %	70% 1-month LIBOR	7/1/2031	\$ (11,813)
Swap #2	84,000	3.93	68% 1-month LIBOR	7/1/2041	(31,398)
Swap #3	21,000	4.24	68% 1-month LIBOR	7/1/2041	(8,869)
Swap #4	33,200	3.99	67% 1-month LIBOR	7/1/2034	(7,048)
Swap #5	25,160	3.54	70% 1-month LIBOR	7/1/2031	(3,589)
Swap #6	196,000	3.93	68% 1-month LIBOR	7/1/2041	(73,275)
Swap #7	49,000	4.24	68% 1-month LIBOR	7/1/2041	(20,698)
Swap #8	77,450	4.00	67% 1-month LIBOR	7/1/2034	(16,496)
Swap #9	2,850	3.63	67% 1-month LIBOR	7/1/2032	(269)
Swap #10	98,425	3.92	67% 1-month LIBOR	1/1/2043	(27,914)
Swap #11	<u>78,265</u>	0.51	67% 1-month LIBOR + 0.5133%	1/1/2038	<u>2,299</u>
					(199,070)
				Valuation adjustments	<u>2,896</u>
Total	<u>\$ 746,348</u>				<u>\$ (196,174)</u>

	<u>Notional amount</u>	<u>Pay rate</u>	<u>Receive rate</u>	<u>Maturity date</u>	<u>Mark to market</u>
As of June 30, 2018:					
Swap #1	\$ 83,446	3.59 %	70% 1-month LIBOR	7/1/2031	\$ (8,996)
Swap #2	84,000	3.93	68% 1-month LIBOR	7/1/2041	(23,745)
Swap #3	21,000	4.24	68% 1-month LIBOR	7/1/2041	(6,905)
Swap #4	34,325	3.99	67% 1-month LIBOR	7/1/2034	(5,685)
Swap #5	25,930	3.54	70% 1-month LIBOR	7/1/2031	(2,704)
Swap #6	196,000	3.93	68% 1-month LIBOR	7/1/2041	(55,421)
Swap #7	49,000	4.24	68% 1-month LIBOR	7/1/2041	(16,117)
Swap #8	80,075	4.00	67% 1-month LIBOR	7/1/2034	(13,321)
Swap #9	3,230	3.63	67% 1-month LIBOR	7/1/2032	(233)
Swap #10	101,275	3.92	67% 1-month LIBOR	1/1/2043	(21,731)
Swap #11	<u>80,620</u>	0.51	67% 1-month LIBOR + 0.5133%	1/1/2038	<u>1,086</u>
					(153,772)
				Valuation adjustments	<u>3,983</u>
Total	<u>\$ 758,901</u>				<u>\$ (149,789)</u>

**UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

The mark-to-market values of the Corporation's interest rate swaps include a valuation adjustment representing the creditworthiness of the counterparties to the swaps.

On January 1, 2013, in accordance with ASC Topic 815, *Derivatives and Hedging*, the Corporation elected to discontinue the cash flow hedging relationship for Swap #8. As of that date, the accumulated losses included in net assets without donor restrictions will be reclassified into earnings over the life of the Series 2007 bonds. For the years ended June 30, 2019 and 2018, \$1,610 and \$1,668, respectively, was reclassified from other changes in net assets into change in fair value of undesignated interest rate swaps. The accumulated losses included in net assets without donor restrictions were \$14,656 and \$16,266 at June 30, 2019 and 2018, respectively.

The Corporation recorded a net nonoperating (loss)/gain on changes in the fair value of nonqualifying interest rate swaps of (\$47,995) and \$43,071 for the years ended June 30, 2019 and 2018, respectively.

The swap agreements are included in the consolidated balance sheets at their fair value of \$196,174 and \$149,789 as of June 30, 2019 and 2018, respectively, an amount that is based on observable inputs other than quoted market prices in active markets for identical liabilities (Level 2 in the fair value hierarchy).

The Corporation is subject to a collateral posting requirement with two of its swap counterparties. Collateral posting requirements are based on the Corporation's long-term debt credit ratings, as well as the net liability position of total interest rate swap agreements outstanding with that counterparty. The amount of such posted collateral was \$109,934 and \$80,480 at June 30, 2019 and 2018, respectively. As of June 30, 2019 and 2018, the Corporation met its collateral posting requirement through the use of collateralized investments, which were selected and purchased by the Corporation and subsequently transferred to the custody of the swap counterparty. The amount of posted investments that is required to meet the collateral requirement is computed daily and is accounted for as a component of the Corporation's assets limited as to use on the accompanying consolidated balance sheets as of that date. Any excess investment value is considered a component of the Corporation's unrestricted investment portfolio and is included in investments on the accompanying consolidated balance sheets as of that date.

**UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

(9) Other Liabilities

Other liabilities consist of the following at June 30:

	2019	2018
Professional and general malpractice liabilities	\$ 313,136	290,306
Capital lease obligations	52,528	53,784
Accrued pension obligations	108,533	91,210
Accrued interest payable	21,922	23,809
Unearned revenue	3,736	2,812
Other miscellaneous	66,929	84,689
Total other liabilities	566,784	546,610
Less current portion	(127,760)	(151,163)
Other long-term liabilities	\$ 439,024	395,447

Other miscellaneous liabilities consists of patient credit balances and other current and long-term liabilities.

(10) Retirement Plans

Employees of the Corporation are included in various retirement plans established by the Corporation, the Medical Center, ROI, Midtown, Baltimore Washington, Shore Regional, Charles Regional, St. Joseph, Upper Chesapeake, and Capital Region. Participation by employees in their specific plan(s) has evolved based upon the organization by which they were first employed and the elections that they made at the times when their original employers became part of the Corporation. The following is a brief description of each of the retirement plans in which employees of the Corporation participate:

(a) Defined Benefit Plans

University of Maryland Medical Center Midtown Campus Retirement Plan for Non-Union Employees (Midtown Plan) – A noncontributory defined benefit plan covering substantially all nonunion employees. The benefits are based on years of service and compensation. Contributions to this plan are made to satisfy the minimum funding requirements of ERISA. In 2006, Midtown froze the defined benefit pension plan.

Baltimore Washington Medical Center Pension Plan (Baltimore Washington Plan) – A noncontributory defined benefit pension plan covering full-time employees who have been employed for at least one year and have reached 21 years of age. In 2018, Baltimore Washington closed the defined benefit pension plan to new hires.

Baltimore Washington Medical Center Supplemental Executive Retirement Plan – A noncontributory defined benefit pension plan for senior management level employees. In 2018, Baltimore Washington terminated the defined benefit pension plan and liquidation of its remaining benefit obligation using its plan assets was completed on December 29, 2017.

**UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

On June 30, 2015, the Corporation amended the Baltimore Washington Medical Center Pension Plan to provide for the merger of the Midtown Plan and the Charles Regional Plan into the Baltimore Washington Plan and to change the name of the newly consolidated plan to the University of Maryland Medical System Corporate Pension Plan (the Corporate Plan). All provisions of the respective previous plans shall continue to apply to the respective applicable participants. All of the assets of the three formerly separate plans are now available to pay benefits for all participants under the Corporate Plan.

Chester River Health System, Inc. Pension Plan and Trust – A noncontributory defined benefit pension plan covering substantially all CRHC employees as well as employees of a subsidiary. The benefits are paid to retirees based upon age at retirement, years of service, and average compensation. Chester River's funding policy is to satisfy the minimum funding requirements of ERISA. Effective June 30, 2008, Chester River froze the defined-benefit pension plan. On March 31, 2018, Chester River terminated the defined benefit pension plan and liquidation of its remaining benefit obligation using its plan assets was completed as of June 30, 2019.

Civista Health Inc. Retirement Plan and Trust (Charles Regional Plan) – A noncontributory defined benefit pension plan covering employees that have worked at least 1,000 hours per year during three or more plan years. Plan benefits are accumulated based upon a combination of years of service and percent of annual compensation. Charles Regional makes annual contributions to the plan based upon amounts required to be funded under provisions of ERISA.

Upper Chesapeake Health System, Inc. Pension Plan and Trust – A noncontributory defined benefit pension plan covering substantially all employees of the various affiliates of Upper Chesapeake who have completed six months of employment and attained the age of 20.5 years. Upper Chesapeake makes annual contributions to the plan equal to the minimum funding requirements pursuant to ERISA regulations. On December 31, 2005, Upper Chesapeake froze the defined benefit pension plan. On June 30, 2015, Upper Chesapeake terminated the defined benefit pension plan and liquidation of its remaining benefit obligation using its plan assets was completed by September 30, 2017.

Dimensions Health Corporation Pension Plan (Capital Region Pension Plan) – A noncontributory defined benefit pension plan covering substantially all employees. For employees not covered under collective-bargaining agreements and employees who are represented by the 1199 SEIU Health Care Workers East – Health Care Workers union (formerly District 1199E-DC, SEIU union and formerly Local No. 63 union), the plan operates as a cash balance plan. The annual contribution by the Corporation is allocated to individual employee accounts based on years of service and the individual's retirement account. For employees represented by the 1199 SEIU Health Care Workers East – Registered Nurses Chapter union (formerly Professional Staff Nurses Association union), benefits are based on years of service and average final compensation. On December 31, 2007, the Capital Region Pension Plan was frozen. No further benefit accruals will be made to the plan. The plan freeze substantially reduces annual funding obligations beginning with plan year 2008. The Corporation's funding policy is to contribute such actuarially determined amounts as necessary to provide assets sufficient to meet the benefits to be paid to the plan participants and to meet the funding requirements of the Employees Retirement Income Security Act of 1974 (ERISA).

Dimensions Health Corporation Post Retirement Benefit Plans (Capital Region Post Retirement Benefit Plans) – A postretirement health care plan is provided to both salaried and nonsalaried employees who

**UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

have retired and certain other employees who were eligible to retire prior to July 1, 1995. The plan is contributory for those who retired prior to July 1, 1995, with retiree contributions adjusted annually. Employees who retired on July 1, 1995 and later are eligible to participate in the plan by paying 100% of the premiums without corporate contributions. The Corporation's policy has been to fund this plan on an as needed basis.

A defined postretirement life insurance plan is a noncontributory plan for all eligible retirees prior to July 1, 2001. For employees represented by the 1199 SEIU Health Care Workers East – Registered Nurses Chapter union, the plan was no longer offered to new retirees as of July 1, 1999. Effective July 1, 2001, the plan was modified to become contributory for the nonunion employees and employees represented by the 1199 SEIU Health Care Workers East – Health Care Workers union who retired prior to July 1, 2001 and for the employees represented by the 1199 SEIU Health Care Workers East – Registered Nurses Chapter union who retired prior to July 1, 1999. The Corporation's policy has been to fund its share of these benefits as they are incurred.

The Corporation recognizes the funded status (i.e., the difference between the fair value of plan assets and projected benefit obligations) of its defined benefit pension plans as an asset or liability in its consolidated balance sheets. The Corporation recognizes changes in the funded status in the year in which the changes occur as changes in unrestricted net assets. All defined benefit pension plans use a June 30 measurement date.

The following tables set forth the combined benefit obligations and assets of the defined benefit plans at June 30:

	<u>2019</u>	<u>2018</u>
Change in projected benefit obligations:		
Benefit obligations at beginning of year	\$ 431,340	182,024
Benefit obligations, Capital Region	—	278,165
Settlements	(37,686)	(11,747)
Curtailments and plan amendments	—	(2,206)
Service cost	3,093	3,093
Interest cost	17,812	17,120
Actuarial loss	30,783	(13,064)
Benefit payments	<u>(19,633)</u>	<u>(22,045)</u>
Projected benefit obligations at end of year	<u>\$ 425,709</u>	<u>431,340</u>

**UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

	2019	2018
Change in plan assets:		
Fair value of plan assets at beginning of year	\$ 340,130	155,602
Fair value of plan assets, Capital Region	—	187,164
Actual return on plan assets	16,354	16,182
Settlements	(38,544)	(11,747)
Employer contributions	18,869	14,974
Benefit payments	(19,633)	(22,045)
Fair value of plan assets at end of year	\$ 317,176	340,130

The funded status of the plans and amounts recognized as accrued payroll and benefits and other long-term liabilities in the consolidated balance sheets at June 30 are as follows:

	2019	2018
Funded status, end of period:		
Fair value of plan assets	\$ 317,176	340,130
Projected benefit obligations	425,709	431,340
Net funded status	\$ (108,533)	(91,210)
Accumulated benefit obligation at end of year	\$ 423,017	428,509
Amounts recognized in consolidated balance sheets at June 30:		
Accrued payroll and benefits	\$ —	—
Accrued pension obligation	(108,533)	(91,210)
	\$ (108,533)	(91,210)
Amounts recognized in net assets without donor restrictions at June 30:		
Net actuarial gain (loss)	\$ (71,177)	44,165
Prior service cost	(159)	284
	\$ (71,336)	44,449

**UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

The estimated amounts that will be amortized from net assets without donor restrictions into net periodic pension cost in fiscal year 2020 are as follows:

Net actuarial loss	\$	3,974
Prior service cost		<u>72</u>
	\$	<u><u>4,046</u></u>

The components of net periodic pension cost for the years ended June 30 are as follows:

		<u>2019</u>	<u>2018</u>
Service cost	\$	3,093	3,093
Interest cost		17,812	17,120
Expected return on plan assets		(19,849)	(22,636)
Prior service cost recognized		76	464
Recognized gains or losses		<u>8,173</u>	<u>8,990</u>
Net periodic pension cost	\$	<u><u>9,305</u></u>	<u><u>7,031</u></u>

Components of net benefit cost other than the service cost of \$3,093 were recorded in other nonoperating losses, net in the consolidated statements of operations and changes in net assets for the years ended June 30, 2019 and 2018. Service cost is included as a component of fringe benefits, which is recorded as salaries, wages, and benefits in the accompanying consolidated statements of operations and changes in net assets.

The following table presents the weighted average assumptions used to determine benefit obligations for the plans at June 30:

	<u>2019</u>	<u>2018</u>
Discount rate	3.25%–3.70%	4.22%–4.44%
Rate of compensation increase (for nonfrozen plan)	3.00	3.00

The following table presents the weighted average assumptions used to determine net periodic benefit cost for the plans for the years ended June 30:

	<u>2019</u>	<u>2018</u>
Discount rate	4.22%–4.69%	3.20%–4.10%
Expected long-term return on plan assets	6.25-6.50	6.50
Rate of compensation increase (for nonfrozen plan)	3.00	3.00

**UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

The investment policies of the Corporation's pension plans incorporate asset allocation and investment strategies designed to earn superior returns on plan assets consistent with reasonable and prudent levels of risk. Investments are diversified across classes, sectors, and manager style to minimize the risk of loss. The Corporation uses investment managers specializing in each asset category and regularly monitors performance and compliance with investment guidelines. In developing the expected long-term rate of return on assets assumption, the Corporation considers the current level of expected returns on risk-free investments, the historical level of the risk premium associated with the other asset classes in which the portfolio is invested, and the expectations for future returns of each asset class. The expected return for each asset class is then weighted based on the target allocation to develop the expected long-term rate of return on assets assumption for the portfolio.

The Corporation's pension plans' target allocation and weighted average asset allocations at the measurement date of June 30, 2019 and 2018, by asset category, are as follows:

<u>Asset category</u>	<u>Target allocation</u>	<u>Percentage of plan assets as of June 30</u>	
		<u>2019</u>	<u>2018</u>
Cash and cash equivalents	0%–10%	4 %	2 %
Fixed income securities	20%–40%	28	30
Equity securities	30%–50%	41	39
Global asset allocation	10%–20%	17	17
Hedge funds	5%–15%	10	12
		<u>100 %</u>	<u>100 %</u>

Equity and fixed income securities include investments in hedge fund of funds that are categorized in accordance with each fund's respective investment holdings.

**UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

The table below presents the Corporation's combined investable assets of the defined benefit pension plans as of June 30, 2019, aggregated by the fair value hierarchy as described in note 1(w):

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Investments reported at NAV*</u>	<u>Total</u>
Cash and cash equivalents	\$ 7,324	4,589	—	—	11,913
Corporate bonds	19,531	—	—	—	19,531
Government and agency bonds	16,509	—	—	—	16,509
Fixed income mutual funds	12,430	—	—	—	12,430
Common and preferred stocks	21,840	—	—	—	21,840
Equity mutual funds	45,633	15,096	—	—	60,729
Other mutual funds	26,582	—	—	—	26,582
Alternative investments	7,575	30,295	—	109,772	147,642
	<u>\$ 157,424</u>	<u>49,980</u>	<u>—</u>	<u>109,772</u>	<u>317,176</u>

* Fund investments reported at NAV as practical expedient

The table below presents the Corporation's combined investable assets of the defined benefit pension plans as of June 30, 2018, aggregated by the fair value hierarchy as described in note 1(w):

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Investments reported at NAV*</u>	<u>Total</u>
Cash and cash equivalents	\$ 5,107	3,010	—	—	8,117
Corporate bonds	25,285	—	—	—	25,285
Government and agency bonds	10,315	—	—	—	10,315
Fixed income mutual funds	21,556	—	—	—	21,556
Common and preferred stocks	10,084	—	—	—	10,084
Equity mutual funds	100,309	12,091	—	—	112,400
Other mutual funds	30,968	—	—	—	30,968
Alternative investments	26,961	27,153	—	67,291	121,405
	<u>\$ 230,585</u>	<u>42,254</u>	<u>—</u>	<u>67,291</u>	<u>340,130</u>

* Fund investments reported at NAV as practical expedient

Alternative investments include hedge funds and commingled investment funds. The majority of these alternative investments held as of June 30, 2019 are subject to notice requirements of 30 days or less and are available to be redeemed on at least a monthly basis. There are funds, totaling \$33,000, which are subject to notice requirements of 30-60 days and are available to be redeemed on a monthly or quarterly basis. Funds totaling \$14,500 are subject to notice requirements of 90 days and can be redeemed monthly or quarterly. Of these funds, one fund totaling \$2,100 is subject to a lock-up restriction of three years. In addition, one fund totaling \$13 is subject to lockup restrictions and is not available to be redeemed until certain time restrictions are met, which range from one to three years. The Corporation had no unfunded commitments as of June 30, 2019.

**UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

Alternative investments include hedge funds and commingled investment funds. The majority of these alternative investments held as of June 30, 2018 are subject to notice requirements of 30 days or less and are available to be redeemed on at least a monthly basis. There are funds, totaling \$14,400, which are subject to notice requirements of 30-60 days and are available to be redeemed on a monthly or quarterly basis. Funds totaling \$13,400 are subject to notice requirements of 90 days and can be redeemed monthly or quarterly. Of these funds, one fund totaling \$1,200 is subject to a lock-up restriction of three years. In addition, one fund totaling \$800 is subject to lockup restrictions and is not available to be redeemed until certain time restrictions are met, which range from one to three years. The Corporation had no unfunded commitments as of June 30, 2018.

The Corporation expects to contribute \$17,590 to its defined benefit pension plans for the fiscal year ending June 30, 2020.

The following benefit payments, which reflect expected future employee service, as appropriate, are expected to be paid from plan assets in the following years ending June 30:

2020	\$	23,317
2021		24,170
2022		24,376
2023		25,105
2024		25,785
2025–2029		125,949

The expected benefits to be paid are based on the same assumptions used to measure the Corporation's benefit obligation at June 30, 2019.

(b) Defined Contribution Plans

Corporation Salary Reduction 403(b) Plan – A contributory benefit plan covering substantially all employees not participating in the plans described below. Employees are immediately eligible for elective deferrals of compensation as contributions to the plan. Employees are eligible for matching contributions after one year of service with a five-year gradual vesting schedule. Effective January 1, 2017, this plan was opened for new participants.

Corporation Pension Plan – A noncontributory defined contribution plan for all eligible Corporation employees not participating in the ROI Plan or the Midtown Plan described below. Contributions to this plan by the Corporation are determined as a fixed percentage of total employees' base compensation. Effective January 1, 2017, this plan was frozen to new participants.

Corporation Salary Reduction 403(b) Plan – A contributory benefit plan covering substantially all employees not participating in the plans described below. Employees are immediately eligible for elective deferrals of compensation as contributions to the plan. Effective July 29, 2016, the Baltimore Washington retirement plan was merged into this plan. Effective January 1, 2017, this plan was frozen to new participants.

**UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

Midtown 401(k) Profit Sharing Plan for Union Employees – A defined contribution plan for substantially all union employees of Midtown. Employer contributions to this plan are determined based on years of service and hours worked. Employees are immediately eligible for elective deferrals of compensation as contributions to the plan.

Baltimore Washington Retirement Plans – There are defined contribution plans covering all employees of Baltimore Washington Medical Center and certain related entities. Effective July 29, 2016, these plans merged into the UMMS Voluntary 403(b) plan.

Shore Health System Retirement Plan – A contributory benefit plan covering substantially all employees of Shore Health. Employees are eligible for matching contributions after one year of service.

Chester River Retirement Plan – A contributory benefit plan covering substantially all employees of Chester River who have met the eligibility requirements. Employees are eligible for matching contributions after one year of service.

Charles Regional Retirement Savings Plan – A contributory benefit plan covering substantially all full-time employees of Charles Regional. Employees are eligible for matching contributions after three years of service as defined in the plan.

Upper Chesapeake Retirement Plan – A contributory benefit plan covering substantially all employees of Upper Chesapeake. Employees are eligible for elective deferrals of compensation as contributions to the plan. Employees are eligible for matching contributions after one year of service with a five-year gradual vesting schedule.

Dimensions Health Retirement Plan (Capital Region Retirement Plan) – A contributory benefit plan covering substantially all employees of Capital Region. This plan replaced the frozen defined benefit plan effective January 1, 2008. Employees are eligible for elective deferrals of compensation as contributions to the plan. Employees are eligible for matching contributions after one year of service with a three year “cliff” vesting schedule. Nonrepresented employees who, as of January 1, 2008, are both 55 years or older, who have at least one year of vesting service, and work in positions budgeted for at least 40 hours per pay period receive an additional contribution.

In accordance with the collective bargaining agreement with 1199 SEIU Health Care Workers East – Registered Nurses Chapter, represented employees with 15 years of service also receive a matching \$25 for each pay period in which they defer \$25 or more paid quarterly. These employees who are both 55 years or older, and who have 15 years of vesting service, and work in positions budgeted for at least 40 hours per pay period receive an additional contribution.

Total annual retirement costs incurred by the Corporation for the previously discussed defined contribution plans were \$48,972 and \$45,918 for the years ended June 30, 2019 and 2018, respectively. Such amounts are included in salaries, wages, and benefits in the accompanying consolidated statements of operations and changes in net assets.

**UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

(11) Net Assets with Donor Restrictions

Net assets are restricted primarily for the following purposes at June 30:

	2019	2018
Facility construction and renovations, research, education, and other:		
Capital region	\$ 424,034	424,034
All others	142,084	122,514
Economic and beneficial interests in the net assets of related organizations	198,101	196,119
	\$ 764,219	742,667

Net assets were released from donor restrictions during the years ended June 30, 2019 and 2018 by expending funds satisfying the restricted purposes or by occurrence of other events specified by donors as follows:

	2019	2018
Purchases of equipment and construction costs	\$ 14,130	3,484
Research, education, uncompensated care, and other	4,279	3,956
	\$ 18,409	7,440

The Corporation's endowments consist of donor-restricted funds established for a variety of purposes. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

(a) Interpretation of Relevant Law

The Corporation has interpreted the Maryland Uniform Prudent Management of Institutional Funds Act (MUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Corporation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund are classified in net assets with donor restrictions until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by MUPMIFA. In accordance with MUPMIFA, the Corporation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund

**UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

- (2) The purposes of the Corporation and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Corporation
- (7) The investment policies of the Corporation.

Endowment net assets are as follows:

	June 30, 2019		
	Without donor restrictions	With donor restrictions	Total
Donor-restricted endowment funds	\$ 39	65,433	65,472

	June 30, 2018		
	Without donor restrictions	With donor restrictions	Total
Donor-restricted endowment funds	\$ 38	60,333	60,371

Donor restricted endowment funds within net assets with donor restrictions whose use is restricted in perpetuity were \$48,826 and \$44,209 as of June 30, 2019 and 2018, respectively.

(b) Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or MUPMIFA requires the Corporation to retain as a fund of perpetual duration. The Corporation does not have any donor-restricted endowment funds that are below the level that the donor or MUPMIFA requires.

(c) Investment Strategies

The Corporation has adopted policies for corporate investments, including endowment assets that seek to maximize risk-adjusted returns with preservation of principal. Endowment assets include those assets of donor-restricted funds that the Corporation must hold in perpetuity or for a donor-specified period(s). The endowment assets are invested in a manner that is intended to hold a mix of investment assets designed to meet the objectives of the account. The Corporation expects its endowment funds, over time, to provide an average rate of return that generates earnings to achieve the endowment purpose.

**UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

To satisfy its long-term rate-of-return objectives, the Corporation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Corporation employs a diversified asset allocation structure to achieve its long-term return objectives within prudent risk constraints.

The Corporation monitors the endowment funds' returns and appropriates average returns for use. In establishing this practice, the Corporation considered the long-term expected return on its endowment. This is consistent with the Corporation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

(12) Economic and Beneficial Interests in the Net Assets of Related Organizations

The Corporation is supported by several related organizations that were formed to raise funds on behalf of the Corporation and certain of its subsidiaries. These interests are accounted for as either economic or beneficial interests in the net assets of such organizations.

The following is a summary of economic and beneficial interests in the net assets of financially interrelated organizations as of June 30:

	2019	2018
Economic interests in:		
UCH Legacy Funding Corporation	\$ 150,000	150,000
The James Lawrence Kernan Hospital Endowment Fund, Incorporated	33,099	31,804
Baltimore Washington Medical Center Foundation, Inc.	10,337	9,862
Total economic interests	193,436	191,666
Beneficial interest in the net assets of:		
Dorchester General Hospital Foundation, Inc.	3,709	3,711
Prince George's Hospital Center Foundation, Inc.	894	496
Laurel Regional Hospital Auxiliary, Inc.	62	170
Laurel Regional Hospital Foundation, Inc.	—	76
	\$ 198,101	196,119

The UCH Legacy Funding Corporation was formed in December 2013 to hold funds restricted for the benefit of Upper Chesapeake.

At the discretion of its board of trustees, the Kernan Endowment Fund may pledge securities to satisfy various collateral requirements on behalf of ROI and may provide funding to ROI to support various clinical programs or capital needs.

**UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

BWMC Foundation was formed in July 2000 and supports the activities of UM Baltimore Washington by soliciting charitable contributions on its behalf.

Shore Regional maintains a beneficial interest in the net assets of Dorchester Foundation, a nonprofit corporation organized to raise funds on behalf of Dorchester Hospital. Shore Regional does not have control over the policies or decisions of the Dorchester Foundation.

The Prince George's Hospital Center Foundation, Inc.; the Laurel Regional Hospital Auxiliary, Inc.; and the Laurel Regional Hospital Foundation, Inc. were established to solicit contributions from the general public solely for the funding of capital acquisitions and operations of the associated Capital Region hospitals. Capital Region does not have control over the policies or decisions of these entities. In the current year, the Prince George's Hospital Center Foundation, Inc. changed its name to University of Maryland Capital Region Health Foundation, Inc., and the Laurel Regional Hospital Foundation, Inc. was closed and its assets were transferred into the new University of Maryland Capital Region Health Foundation, Inc.

A summary of the combined unaudited condensed financial information of the financially interrelated organizations in which the Corporation holds an economic or beneficial interest as of June 30 is as follows:

	<u>2019</u>	<u>2018</u>
Current assets	\$ 4,447	3,355
Noncurrent assets	<u>193,658</u>	<u>192,857</u>
Total assets	<u>\$ 198,105</u>	<u>196,212</u>
Current liabilities	\$ 102	109
Noncurrent liabilities	(97)	(16)
Net assets	<u>198,101</u>	<u>196,119</u>
Total liabilities and net assets	<u>\$ 198,106</u>	<u>196,212</u>
Total operating revenue	\$ 4,481	3,897
Total operating expense	(2,505)	(1,474)
Other changes in net assets	<u>5</u>	<u>1,353</u>
Total increase in net assets	<u>\$ 1,981</u>	<u>3,776</u>

(13) State and County Support

The Corporation received \$3,300 and \$3,200 in support for the Shock Trauma Center operations from the state of Maryland for the years ended June 30, 2019 and 2018, respectively.

**UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

In support of Capital Region operations, the Corporation received the following for the years ended June 30:

	2019	2018
State of Maryland	\$ 27,000	28,000
Prince George's County government	10,178	8,305
Magruder Memorial Hospital Trust	1,042	869
	\$ 38,220	37,174

The State of Maryland appropriates funds for construction costs incurred, equipment purchases made, and other capital support. The Corporation recognizes this support as the funds are expended for the intended projects. The Corporation expended and recorded \$5,565 and \$3,209 during the years ended June 30, 2019 and 2018, respectively.

As described in note 1(a)(x), Prince George's County and the State of Maryland have each approved funding through legislation of \$208,000 towards the construction of the new medical facility.

(14) Functional Expenses

The Corporation provides healthcare services to residents within its geographic location. Expenses related to providing these services, based on management's estimates of expense allocations, are as follows for the years ended June 30:

	Year ended June 30, 2019							
	Healthcare service							
	Hospital & Ambulatory	Retail Pharmacy	Physician Practices	Risk Taking	Corporate Services	Other	Eliminations	
Operating expenses:								
Salaries, wages and benefits	\$ 1,646,025	5,177	268,023	3,886	190,219	46,915	(2,109)	2,158,136
Expendable supplies	678,620	71,514	34,480	42	2,924	4,435	—	792,015
Purchased services:								
Purchased services	471,657	9,150	65,400	4,480	148,689	69,516	(134,274)	634,618
Purchased service recoveries	355,031	—	—	—	(355,031)	—	—	—
Contracted services:								
Contracted services	274,221	—	30,169	—	—	270	—	304,660
Contracted service recoveries	—	—	—	—	—	—	(34,763)	(34,763)
Depreciation and amortization	232,436	—	2,484	—	419	8,717	—	244,056
Interest expense	54,698	—	—	1,492	355	1,247	—	57,792
Total operating expenses \$	3,712,688	85,841	400,556	9,900	(12,425)	131,100	(171,146)	4,156,514

**UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

	Year ended June 30, 2018							Total
	Healthcare service							
	Hospital & Ambulatory	Retail Pharmacy	Physician Practices	Risk Taking	Corporate Services	Other	Eliminations	
Operating expenses:								
Salaries, wages and benefits	\$ 1,584,288	4,708	243,256	4,279	161,743	21,801	—	2,020,075
Expendable supplies	659,829	63,394	27,649	90	3,988	3,302	—	758,252
Purchased services:								
Purchased services	422,885	5,592	57,001	7,857	136,758	22,174	(36,289)	615,978
Purchased service recoveries	303,255	—	—	—	(303,255)	—	—	—
Contracted services:								
Contracted services	266,364	—	29,054	—	—	60	—	295,478
Contracted service recoveries	—	—	—	—	—	—	(20,102)	(20,102)
Depreciation and amortization	227,240	—	2,482	—	695	5,673	—	236,090
Interest expense	52,661	—	—	1,369	321	1,276	—	55,627
Total operating expenses \$	3,516,522	73,694	359,442	13,595	250	54,286	(56,391)	3,961,398

Corporate services are allocated primarily using percentage of net patient service revenue.

(15) Liquidity and Availability of Resources

The Corporation had financial assets available to management for general expenditure within one year of the financial reporting date, or June 30, 2019 and 2018, as follows:

	2019	2018
Cash and cash equivalents	\$ 360,318	397,243
Receivables, net	549,540	520,383
Current investments and assets whose use is limited	64,910	56,484
Long-term investments and assets whose use is limited	2,113,024	2,002,612
Total financial assets available within one year	3,087,792	2,976,722
Less:		
Amounts unavailable for general expenditures within one year due to:		
Restricted by donors with purpose restrictions	78,255	69,470
Restricted for swap collateral	113,586	84,590
Debt service and reserve funds	86,157	82,820
Self insurance trust funds	212,384	230,589
Construction funds - held by trustee	279,205	266,822
Alternative investments subject to lockup restrictions	20,700	15,070
Total amounts unavailable for general expenditures within one year	790,287	749,361
Total financial assets available to management for general expenditure within one year	\$ 2,297,505	2,227,361

**UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

(16) Insurance

The Corporation maintains self-insurance programs for professional and general liability risks, employee health, employee long-term disability, and workers' compensation. Estimated liabilities have been recorded based on actuarial estimation of reported and incurred but not reported claims. The accrued liabilities for these programs as of June 30, 2019 and 2018 were as follows:

	2019	2018
Professional and general malpractice liabilities	\$ 313,136	290,306
Employee health	33,556	35,799
Employee long-term disability	5,577	6,369
Workers' compensation	20,977	19,869
Total self-insured liabilities	373,246	352,343
Less current portion	(70,368)	(73,226)
	\$ 302,878	279,117

The Corporation provides for and funds the present value of the costs for professional and general liability claims and insurance coverage related to the projected liability from asserted and unasserted incidents, which the Corporation believes may ultimately result in a loss. In management's opinion, these accruals provide an adequate and appropriate loss reserve. The professional and general malpractice liabilities presented above include \$202,779 and \$168,452 as of June 30, 2019 and 2018, respectively, for which related insurance receivables have been recorded within other assets on the accompanying consolidated balance sheets.

The Corporation and each of its affiliates are self-insured for professional and general liability claims up to the limits of \$1,000 on individual claims and \$3,000 in the aggregate on an annual basis. For amounts in excess of these limits, the risk of loss has been transferred to Terrapin, an unconsolidated joint venture. Terrapin provides insurance for claims in excess of \$1,000 individually and \$3,000 in the aggregate, up to \$150,000 individually and \$150,000 in the aggregate, under claims made policies between the Corporation and Terrapin. For claims in excess of Terrapin's coverage limits, if any, the Corporation retains the risk of loss.

As discussed in note 4, Terrapin is a joint venture corporation in which a 50% equity interest is owned by the Corporation and a 50% equity interest is owned by Faculty Physicians, Inc.

Total malpractice insurance expense for the Corporation during the years ended June 30, 2019 and 2018 was approximately \$60,654 and \$52,652, respectively.

(17) Business and Credit Concentrations

The Corporation provides healthcare services through its inpatient and outpatient care facilities located in the State of Maryland. The Corporation generally does not require collateral or other security in extending credit; however, it routinely obtains assignment of (or is otherwise entitled to receive) patients' benefits

**UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

receivable under their health insurance programs, plans, or policies (e.g., Medicare, Medicaid, Blue Cross, workers' compensation, health maintenance organizations (HMOs), and commercial insurance policies).

The Corporation maintains cash accounts with highly rated financial institutions, which generally exceed federally insured limits. The Corporation has not experienced any losses from maintaining cash accounts in excess of federally insured limits, and as such, management does not believe the Corporation is subject to any significant credit risks related to this practice.

The Corporation had receivables from patients and third-party payors as follows at June 30:

	<u>2019</u>	<u>2018</u>
Medicare	23 %	23 %
Medicaid	21	23
Commercial insurance and HMOs	17	18
Blue Cross	10	10
Self-pay and others	29	26
	<u>100 %</u>	<u>100 %</u>

The Corporation recorded revenues from patients and third-party payors for the years ended June 30 as follows:

	<u>2019</u>	<u>2018</u>
Medicare	37 %	38 %
Medicaid	24	24
Commercial insurance and HMOs	24	22
Blue Cross	10	11
Self-pay and others	5	5
	<u>100 %</u>	<u>100 %</u>

(18) Certain Significant Risks and Uncertainties

The Corporation provides general acute healthcare services in the state of Maryland. The Corporation and other healthcare providers in Maryland are subject to certain inherent risks, including the following:

- Dependence on revenues derived from reimbursement by the federal Medicare and state Medicaid programs;
- Regulation of hospital rates by the State of Maryland Health Services Cost Review Commission;
- Government regulation, government budgetary constraints, and proposed legislative and regulatory changes; and
- Lawsuits alleging malpractice and related claims.

**UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

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

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

Changes in federal and state reimbursement funding mechanisms and related government budgetary constraints could have a significant adverse effect on the Corporation.

The healthcare industry is subject to numerous laws and regulations from federal, state, and local governments. The Corporation's compliance with these laws and regulations can be subject to periodic governmental review and interpretation, which can result in regulatory action unknown or unasserted at this time. Management is aware of certain asserted and unasserted legal claims and regulatory matters arising in the ordinary course of business, none of which, in the opinion of management, are expected to result in losses in excess of insurance limits or have a materially adverse effect on the Corporation's financial position.

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

(19) Maryland Health Services Cost Review Commission

Effective July 1, 2013, the Health System and the Health Services Cost Review Commission (HSCRC) agreed to implement the Global Budget Revenue (GBR) methodology for the following hospitals: Medical Center, ROI, UM Midtown, UM Baltimore Washington, UM Charles Regional, UM St. Joseph, UM Memorial, UM Dorchester, UM Chester River, Shore Emergency Center, UM Upper Chesapeake, UM Harford Memorial, UM Prince George's, and UM Laurel. The agreements will continue each year and on July 1 of each year thereafter; the agreements will renew for a one-year period unless it is canceled by the HSCRC or by the Corporation. The agreements were in place for the years ended June 30, 2019 and 2018. The GBR model is a revenue constraint and quality improvement system designed by the HSCRC to provide hospitals with strong financial incentives to manage their resources efficiently and effectively in order to slow the rate of increase in healthcare costs and improve healthcare delivery processes and outcomes. The GBR model is consistent with the Corporation's mission to provide the highest value of care possible to its patients and the communities it serves.

**UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

The GBR agreements establish a prospective, fixed revenue base “GBR cap” for the upcoming year. This includes both inpatient and outpatient regulated services. Under GBR, a hospital’s revenue for all HSCRC regulated services is predetermined for the upcoming year, regardless of changes in volume, service mix intensity, or mix of inpatient or outpatient services that occurred during the year. The GBR agreement allows the Corporation to adjust unit rates, within certain limits, to achieve the overall revenue base for the Corporation at year-end. Any overcharge or undercharge versus the GBR cap is prospectively subtracted from the subsequent year’s GBR cap. Although the GBR cap is fixed each year, it does not adjust for changes in volume or service mix. The GBR cap is also adjusted annually for inflation, and for changes in payor mix and uncompensated care. The Corporation will receive an annual adjustment to its cap for the change in population in the Corporation’s service areas. GBR is designed to encourage hospitals to operate efficiently by reducing excess utilization and managing patients in the appropriate care delivery setting. The HSCRC also may impose various other revenue adjustments, which could be significant in the future.

The HSCRC utilizes a bad debt pool into which each of the regulated hospitals in Maryland participates. The funds in the bad debt pool are distributed to the hospitals that exceed the state average based upon the amount of uncompensated care delivered to patients during the year. For the years ended June 30, 2019 and 2018, the Corporation recognized a net distribution from the pool of approximately \$23,974 and \$14,015, respectively, which is recorded as net patient service revenue.

(20) Subsequent Events

The Corporation evaluated all events and transactions that occurred after June 30, 2019 and through October 28, 2019, the date the consolidated financial statements were issued. Other than described in note 5, the Corporation did not have any material recognizable subsequent events during the period.

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES

Consolidating Balance Sheet Information by Division

June 30, 2019
(In thousands)

Assets	University of Maryland Medical Center & Affiliates		Rehabilitation & Orthopaedic Institute		Midtown		Baltimore Washington Medical System		Shore Regional		Charles Regional		St. Joseph Health		Upper Chesapeake		Capital Region		UM Health Plans		UMMS Foundation		Other		Eliminations		Consolidated total	
Current assets:																												
Cash and cash equivalents	\$ 243,228	5,261	9,554	5,415	22,012	10,916	4,733	26,227	32,766	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	360,318
Assets limited as to use, current portion	59,693	—	497	1,484	1,020	329	1,281	—	406	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	64,910
Accounts receivable	194,391	7,952	15,115	51,729	43,890	18,916	41,725	40,367	49,339	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	458,437
Patient accounts receivable, net	223,326	889	6,549	40,680	16,156	17,659	9,157	33,903	192,685	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	91,103
Other	35,224	1,159	2,279	6,019	4,074	1,675	5,383	8,828	5,837	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	70,178
Inventories	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	116,828
Assets held for sale	21,254	136	2,622	3,098	2,152	669	1,849	11,612	3,066	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	116,828
Prepaid expenses and other current assets	777,116	14,797	36,616	108,425	89,304	50,264	64,128	120,937	284,099	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	48,055
Total current assets	293,857	39,599	17,269	154,416	77,712	24,266	12,849	265,615	57	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	1,210,129
Investments																												
Assets limited as to use, less current portion:																												
Investments held for collateral	94,786	1,115	1,721	8,929	4,313	2,722	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	113,586
Debt service funds	29,550	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	29,550
Construction funds	374,671	19,573	1,931	19,023	30,087	13,438	4,389	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	463,122
Board designated and escrow funds	—	—	—	—	76,564	(181)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	140,689
Self-insurance trust funds	76,676	—	11,214	26,009	36,016	9,400	8,280	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	204,081
Funds restricted by donor	—	—	1,093	—	34,384	—	11,989	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	78,255
Economic and beneficial interests in the net assets of related organizations	215,768	36,950	531	10,337	3,709	—	9,503	—	955	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	198,101
Property and equipment, net	791,451	57,638	16,490	64,298	185,083	25,379	34,161	43,985	37,441	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	1,227,984
Investments in joint ventures and other assets	1,087,230	43,324	106,606	253,452	147,200	103,666	226,849	253,201	87,109	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	2,309,086
Total assets	912,619	15,600	8,178	25,665	14,896	10,999	42,925	233,686	8,935	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	501,130
	\$ 3,862,273	170,958	185,159	606,256	514,195	214,574	380,912	917,424	417,641	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	6,133,969

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES

Consolidating Balance Sheet Information by Division

June 30, 2019
(In thousands)

Liabilities and Net Assets	University of Maryland Medical System & Affiliates										UMMS Foundation	Other	Eliminations	Consolidated total	
	University of Maryland Medical Center	Rehabilitation & Orthopedic Institute	Midtown	Baltimore Washington Medical System	Shore Regional	Charles Regional	St. Joseph Health	Upper Chesapeake	Capital Region	UM Health Plans					
Current liabilities:															
Trade accounts payable	\$ 142,988	15,839	16,189	21,173	22,211	6,574	23,218	20,269	18,832	261	217	1,090	—	—	288,841
Accrued payroll and benefits	142,095	4,991	9,341	24,979	20,045	4,600	23,700	29,007	21,352	—	—	1,067	—	—	281,177
Advances from third-party payors	73,408	5,544	6,180	11,672	6,217	3,729	11,252	8,240	12,921	—	—	—	—	—	139,163
Lines of credit	130,000	—	—	—	—	—	—	—	—	31,300	—	—	—	—	161,300
Short-term financing	150,000	—	—	—	—	—	—	—	—	—	—	—	—	—	150,000
Long-term liabilities	123,611	2,025	5,259	45,286	17,103	22,315	5,715	44,680	173,062	116,544	—	17,355	(451,395)	—	127,800
Long-term debt subject to short-term remarketing arrangements	18,895	—	—	—	—	—	—	—	—	60,830	—	—	—	—	60,830
Current portion of long-term debt	14,724	551	852	4,642	2,932	3,226	15,043	5,418	233	—	—	—	—	—	18,895
Total current liabilities	801,901	28,950	37,821	107,762	68,508	40,444	78,928	107,614	226,400	208,935	217	19,512	(451,395)	—	1,275,987
Long-term debt, less current portion	758,114	18,726	28,771	152,066	77,521	52,126	210,265	185,920	1,451	—	—	—	—	—	1,484,960
Other long-term liabilities	150,592	103	21,450	46,711	25,252	16,801	111,226	36,638	120,297	—	—	—	(90,046)	—	439,024
Interest rate swap liabilities	196,174	—	—	—	—	—	—	—	—	—	—	—	—	—	196,174
Total liabilities	1,906,781	47,779	88,042	306,529	171,281	109,371	400,419	330,172	348,148	208,935	217	19,512	(541,441)	—	3,395,745
Net assets:															
Without donor restrictions	\$ 1,323,581	86,096	95,493	288,390	303,036	105,203	(50,538)	427,880	35,437	(89,890)	22,317	(21,553)	(563,047)	—	1,973,405
With donor restrictions	631,911	37,083	1,624	10,337	39,878	—	31,031	159,372	34,056	—	47,832	—	(228,905)	—	764,219
Total net assets	1,955,492	123,179	97,117	298,727	342,914	105,203	(19,507)	587,252	69,493	(89,890)	70,149	(21,553)	(781,952)	—	2,737,624
Total liabilities and net assets	\$ 3,862,273	170,958	185,159	606,256	514,195	214,574	380,912	917,424	417,641	119,045	70,366	(2,041)	(1,323,395)	—	6,133,369

See accompanying independent auditors' report.

**UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES**

Consolidating Balance Sheet Information by Division – University of Maryland Medical Center & Affiliates (UMMC)

June 30, 2019

(In thousands)

Assets	University of Maryland Medical Center	Corporate Shared Services	36 South Paca	University CARE	Eliminations	University of Maryland Medical Center & Affiliates consolidated total
Current assets:						
Cash and cash equivalents	\$ 47,596	188,756	1,479	5,397	—	243,228
Assets limited as to use, current portion	3,085	56,608	—	—	—	59,693
Accounts receivable:						
Patient accounts receivable, net	194,391	—	—	—	—	194,391
Other	214,732	8,566	28	—	—	223,326
Inventories	35,186	38	—	—	—	35,224
Prepaid expenses and other current assets	2,225	19,027	—	2	—	21,254
Total current assets	497,215	272,995	1,507	5,399	—	777,116
Investments	292,107	1,750	—	—	—	293,857
Assets limited as to use, less current portion:						
Investment held for collateral	—	94,786	—	—	—	94,786
Debt service funds	—	29,550	—	—	—	29,550
Construction funds	59,522	315,149	—	—	—	374,671
Board designated and escrow funds	—	—	—	—	—	—
Self-insurance trust funds	76,676	—	—	—	—	76,676
Funds restricted by donor	—	—	—	—	—	—
Economic interests in the net assets of related organizations	65,768	150,000	—	—	—	215,768
Property and equipment, net	201,966	589,485	—	—	—	791,451
Investments in joint ventures and other assets	739,746	339,605	7,879	—	—	1,087,230
	186,857	732,521	3,277	—	(10,036)	912,619
Total assets	\$ 1,917,891	1,936,356	12,663	5,399	(10,036)	3,862,273

**UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES**

Consolidating Balance Sheet Information by Division – University of Maryland Medical Center & Affiliates (UMMC)

June 30, 2019

(In thousands)

	University of Maryland Medical Center	Corporate Shared Services	36 South Paca	University CARE	Eliminations	University of Maryland Medical Center & Affiliates consolidated total
Liabilities and Net Assets						
Current liabilities:						
Trade accounts payable	\$ 93,050	49,299	190	429	—	142,968
Accrued payroll and benefits	74,702	67,393	—	—	—	142,095
Advances from third-party payors	73,408	—	—	—	—	73,408
Lines of credit	—	130,000	—	—	—	130,000
Short-term financing	—	150,000	—	—	—	150,000
Other current liabilities	69,658	60,031	115	7	—	129,811
Long-term debt subject to short-term remarketing arrangements	—	18,895	—	—	—	18,895
Current portion of long-term debt	13,774	950	—	—	—	14,724
Total current liabilities	324,592	476,568	305	436	—	801,901
Long-term debt, less current portion	549,416	208,698	—	—	—	758,114
Other long-term liabilities	150,587	—	5	—	—	150,592
Interest rate swaps	—	196,174	—	—	—	196,174
Total liabilities	1,024,595	881,440	310	436	—	1,906,781
Net assets:						
Without donor restrictions	827,528	488,773	12,353	4,963	(10,036)	1,323,581
With donor restrictions	65,768	566,143	—	—	—	631,911
Total net assets	893,296	1,054,916	12,353	4,963	(10,036)	1,955,492
Total liabilities and net assets	\$ 1,917,891	1,936,356	12,663	5,399	(10,036)	3,862,273

See accompanying independent auditors' report.

**UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES**

Consolidating Balance Sheet Information by Division – Midtown Health, Inc. (Midtown)

June 30, 2019

(In thousands)

Assets	UM Midtown Health Systems, Inc.	UMMC Midtown Campus	UM Midtown Clin. Prac. Group	Eliminations	Midtown consolidated total
Current assets:					
Cash and cash equivalents	8	9,537	9	—	9,554
Assets limited as to use, current portion	—	497	—	—	497
Accounts receivable:					
Patient accounts receivable, net	168	13,447	1,500	—	15,115
Other	3,714	2,835	—	—	6,549
Inventories	—	2,279	—	—	2,279
Prepaid expenses and other current assets	2,194	428	—	—	2,622
Total current assets	<u>6,084</u>	<u>29,023</u>	<u>1,509</u>	<u>—</u>	<u>36,616</u>
Investments	—	17,269	—	—	17,269
Assets limited as to use, less current portion:					
Investment held for collateral	—	1,721	—	—	1,721
Debt service funds	—	—	—	—	—
Construction funds	—	1,931	—	—	1,931
Board designated and escrow funds	—	—	—	—	—
Self-insurance trust funds	—	11,214	—	—	11,214
Funds restricted by donor	—	1,093	—	—	1,093
Economic interests in the net assets of related organizations	—	531	—	—	531
Property and equipment, net	—	16,490	—	—	16,490
Investments in joint ventures and other assets	3,970	102,547	89	—	106,606
Total assets	<u>\$ 10,054</u>	<u>173,507</u>	<u>1,598</u>	<u>—</u>	<u>185,159</u>

**UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES**

Consolidating Balance Sheet Information by Division – Midtown Health, Inc. (Midtown)

June 30, 2019
(In thousands)

Liabilities and Net Assets	UM Midtown Health Systems, Inc.	UMMC Midtown Campus	UM Midtown Clin. Prac. Group	Eliminations	Midtown consolidated total
Current liabilities:					
Trade accounts payable	384	15,755	50	—	16,189
Accrued payroll and benefits	—	9,177	164	—	9,341
Advances from third-party payors	—	6,180	—	—	6,180
Lines of credit	—	—	—	—	—
Other current liabilities	—	4,285	974	—	5,259
Current portion of long-term debt	—	852	—	—	852
Total current liabilities	384	36,249	1,188	—	37,821
Long-term debt, less current portion	—	28,771	—	—	28,771
Other long-term liabilities	—	21,450	—	—	21,450
Total liabilities	384	86,470	1,188	—	88,042
Net assets:					
Without donor restrictions	9,670	85,413	410	—	95,493
With donor restrictions	—	1,624	—	—	1,624
Total net assets	9,670	87,037	410	—	97,117
Total liabilities and net assets	\$ 10,054	\$ 173,507	\$ 1,598	—	\$ 185,159

See accompanying independent auditors' report.

**UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES**

Consolidating Balance Sheet Information by Division – Baltimore Washington Medical System (BWMS)

June 30, 2019

(In thousands)

Assets	Baltimore Washington Medical System, Inc.	Baltimore Washington Medical Center	Baltimore Washington Healthcare Services	Baltimore Washington Health Enterprises	North County Corporation	Eliminations	BWMS consolidated total
Current assets:							
Cash and cash equivalents	\$ —	5,958	97	—	(640)	—	5,415
Assets limited as to use, current portion	—	1,484	—	—	—	—	1,484
Accounts receivable:							
Patient accounts receivable, net	958	41,211	9,560	—	—	—	51,729
Other	—	21,332	18,452	—	896	—	40,680
Inventories	—	6,019	—	—	—	—	6,019
Prepaid expenses and other current assets	1,449	1,445	198	—	6	—	3,098
Total current assets	<u>2,407</u>	<u>77,449</u>	<u>28,307</u>	<u>—</u>	<u>262</u>	<u>—</u>	<u>108,425</u>
Investments	—	154,416	—	—	—	—	154,416
Assets limited as to use, less current portion:							
Investment held for collateral	—	8,929	—	—	—	—	8,929
Debt service funds	—	—	—	—	—	—	—
Construction funds	—	19,023	—	—	—	—	19,023
Board designated and escrow funds	—	—	—	—	—	—	—
Self-insurance trust funds	—	26,009	—	—	—	—	26,009
Funds restricted by donor	—	—	—	—	—	—	—
Economic interests in the net assets of related organizations	—	10,337	—	—	—	—	10,337
Property and equipment, net	—	64,298	—	—	—	—	64,298
Investments in joint ventures and other assets	4,709	230,961	2,053	—	15,729	—	253,452
	<u>337,592</u>	<u>25,662</u>	<u>—</u>	<u>—</u>	<u>2</u>	<u>(337,591)</u>	<u>25,665</u>
Total assets	<u>\$ 344,708</u>	<u>552,786</u>	<u>30,360</u>	<u>—</u>	<u>15,993</u>	<u>(337,591)</u>	<u>606,256</u>

**UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES**

Consolidating Balance Sheet Information by Division – Baltimore Washington Medical System (BWMS)

June 30, 2019

(In thousands)

Liabilities and Net Assets	Baltimore Washington Medical System, Inc.	Baltimore Washington Medical Center	Baltimore Washington Healthcare Services	Baltimore Washington Health Enterprises	North County Corporation	Eliminations	BWMS consolidated total
Current liabilities:							
Trade accounts payable	\$ (139)	18,577	3,310	—	(575)	—	21,173
Accrued payroll and benefits	1,588	18,566	4,825	—	—	—	24,979
Advances from third-party payors	—	11,672	—	—	—	—	11,672
Lines of credit	—	—	—	—	—	—	—
Other current liabilities	40,185	3,904	1,177	—	20	—	45,286
Current portion of long-term debt	—	4,417	—	—	225	—	4,642
Total current liabilities	41,634	57,136	9,312	—	(330)	—	107,752
Long-term debt, less current portion	—	149,910	—	—	2,156	—	152,066
Other long-term liabilities	2,806	43,905	—	—	—	—	46,711
Total liabilities	44,440	250,951	9,312	—	1,826	—	306,529
Net assets:							
Without donor restrictions	300,268	291,498	21,048	—	14,167	(337,591)	289,390
With donor restrictions	—	10,337	—	—	—	—	10,337
Total net assets	300,268	301,835	21,048	—	14,167	(337,591)	299,727
Total liabilities and net assets	\$ 344,708	552,786	30,360	—	15,993	(337,591)	606,256

See accompanying independent auditors' report.

**UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES**

Consolidating Balance Sheet Information by Division – Shore Regional Health (Shore Regional)

June 30, 2019

(In thousands)

Assets	Shore Health System, Inc.	Shore Orthopedics	UM Shore Home Care	Queenstown ASC	Shore Medical Group	Memorial Hospital Foundation, Inc. and Subsidiary	Chester River Consolidated Total	Eliminations	Shore Regional consolidated total
Current assets:									
Cash and cash equivalents	\$ (14,169)	424	8	—	4	—	35,745	—	22,012
Assets limited as to use, current portion	907	—	—	—	—	—	113	—	1,020
Accounts receivable:									
Patient accounts receivable, net	34,554	600	170	(14)	4,241	—	4,339	—	43,890
Other	14,741	3	3	—	1	1,082	326	—	16,156
Inventories	3,346	—	—	—	—	—	728	—	4,074
Prepaid expenses and other current assets	1,744	224	34	—	88	25	37	—	2,152
Total current assets	41,123	1,251	215	(14)	4,334	1,107	41,288	—	89,304
Investments	77,659	—	—	—	—	349	(296)	—	77,712
Assets limited as to use, less current portion:									
Investment held for collateral	4,091	—	—	—	—	—	222	—	4,313
Debt service funds	—	—	—	—	—	—	—	—	—
Construction funds	25,987	—	—	—	—	—	4,110	—	30,097
Board designated and escrow funds	25,000	—	—	—	—	46,526	5,038	—	76,564
Self-insurance trust funds	27,749	—	—	—	—	—	8,267	—	36,016
Funds restricted by donor	4,975	—	—	—	—	24,851	4,558	—	34,384
Economic and beneficial interests in the net assets of related organizations	79,326	—	—	—	—	—	6,663	(82,280)	3,709
Property and equipment, net	167,128	—	—	—	—	71,377	28,858	(82,280)	185,083
Investments in joint ventures and other assets	123,617	491	178	43	1,978	3,018	17,875	—	147,200
	10,616	—	—	—	—	12	2,104	2,164	14,896
Total assets	\$ 420,143	1,742	393	29	6,312	75,863	89,829	(80,116)	514,195

**UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES**

Consolidating Balance Sheet Information by Division – Shore Regional Health (Shore Regional)

June 30, 2019

(In thousands)

	Shore Health System, Inc.	Shore Orthopedics	UM Shore Home Care	Queenstown ASC	Shore Medical Group	Memorial Hospital Foundation, Inc. and Subsidiary	Chester River Consolidated Total	Eliminations	Shore Regional consolidated total
Liabilities and Net Assets									
Current liabilities:									
Trade accounts payable	\$ 15,499	217	14	2	1,512	3	4,964	—	22,211
Accrued payroll and benefits	11,299	850	348	—	5,345	22	2,181	—	20,045
Advances from third-party payors	5,562	—	—	—	—	—	655	—	6,217
Lines of credit	—	—	—	—	—	—	—	—	—
Other current liabilities	4,159	7,968	850	—	800	221	3,105	—	17,103
Current portion of long-term debt	2,824	—	—	—	—	—	108	—	2,932
Total current liabilities	39,343	9,035	1,212	2	7,657	246	11,013	—	68,508
Long-term debt, less current portion	73,851	—	—	—	—	—	3,670	—	77,521
Other long-term liabilities	18,159	—	—	—	—	—	7,093	—	25,252
Total liabilities	131,353	9,035	1,212	2	7,657	246	21,776	—	171,281
Net assets:									
Without donor restrictions	253,341	(7,293)	(819)	27	(1,345)	49,177	59,208	(49,260)	303,036
With donor restrictions	35,449	—	—	—	—	26,440	8,845	(30,856)	39,878
Total net assets	288,790	(7,293)	(819)	27	(1,345)	75,617	68,053	(80,116)	342,914
Total liabilities and net assets	\$ 420,143	1,742	393	29	6,312	75,863	89,829	(80,116)	514,195

See accompanying independent auditors' report.

**UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES**

Consolidating Balance Sheet Information by Division – Chester River Health System, Inc. (CRHS) a subsidiary of Shore Regional Health

June 30, 2019

(In thousands)

Assets	Chester River Hospital Center	UM Shore Nursing and Rehab.	UM Chester River Home Care	Chester River Health Foundation	Chester River consolidated total
Current assets:					
Cash and cash equivalents	\$ 35,738	—	7	—	35,745
Assets limited as to use, current portion	113	—	—	—	113
Accounts receivable:					
Patient accounts receivable, net	4,104	—	235	—	4,339
Other	263	—	19	44	326
Inventories	728	—	—	—	728
Prepaid expenses and other current assets	19	—	18	—	37
Total current assets	<u>40,965</u>	<u>—</u>	<u>279</u>	<u>44</u>	<u>41,288</u>
Investments	(4,168)	—	1,707	2,165	(296)
Assets limited as to use, less current portion:					
Investment held for collateral	222	—	—	—	222
Debt service funds	—	—	—	—	—
Construction funds	4,110	—	—	—	4,110
Board designated and escrow funds	5,000	—	—	38	5,038
Self-insurance trust funds	8,267	—	—	—	8,267
Funds restricted by donor	105	—	—	4,453	4,558
Economic interests in the net assets of related organizations	6,662	—	1	—	6,663
	<u>24,366</u>	<u>—</u>	<u>1</u>	<u>4,491</u>	<u>28,858</u>
Property and equipment, net	17,684	—	191	—	17,875
Investments in joint ventures and other assets	2,104	—	—	—	2,104
Total assets	<u>\$ 80,951</u>	<u>—</u>	<u>2,178</u>	<u>6,700</u>	<u>89,829</u>

**UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES**

Consolidating Balance Sheet Information by Division – Chester River Health System, Inc. (CRHS) a subsidiary of Shore Regional Health

June 30, 2019

(In thousands)

Liabilities and Net Assets	Chester River Hospital Center	UM Shore Nursing and Rehab.	UM Chester River Home Care	Chester River Health Foundation	Chester River consolidated total
Current liabilities:					
Trade accounts payable	4,904	—	61	(1)	4,964
Accrued payroll and benefits	1,990	—	191	—	2,181
Advances from third-party payors	655	—	—	—	655
Lines of credit	—	—	—	—	—
Other current liabilities	3,068	—	—	37	3,105
Current portion of long-term debt	108	—	—	—	108
Total current liabilities	10,725	—	252	36	11,013
Long-term debt, less current portion	3,670	—	—	—	3,670
Other long-term liabilities	7,093	—	—	—	7,093
Total liabilities	21,488	—	252	36	21,776
Net assets:					
Without donor restrictions	55,038	—	1,922	2,248	59,208
With donor restrictions	4,425	—	4	4,416	8,845
Total net assets	59,463	—	1,926	6,664	68,053
Total liabilities and net assets	80,951	—	2,178	6,700	89,829

See accompanying independent auditors' report.

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES

Consolidating Balance Sheet Information by Division – Charles Regional Health System, Inc. (Charles Regional)

June 30, 2019

(In thousands)

Assets	Charles Regional Health, Inc.	Charles Regional Medical Center, Inc.	Charles Regional Urgent Care	Charles Regional Care Partners, Inc. and Subsidiary	Charles Regional Health Foundation, Inc.	Charles Regional Medical Group	Charles Regional Imaging Center	Eliminations	Charles Regional consolidated total
Current assets:									
Cash and cash equivalents	—	9,066	—	100	1,650	—	—	—	10,816
Assets limited as to use, current portion	—	529	—	—	—	—	—	—	529
Accounts receivable:									
Patient accounts receivable, net	—	18,405	—	143	—	368	—	—	18,916
Other	—	17,425	—	222	12	—	—	—	17,659
Inventories	—	1,675	—	—	—	—	—	—	1,675
Prepaid expenses and other current assets	—	639	—	—	20	10	—	—	669
Total current assets	—	47,739	—	465	1,682	378	—	—	50,264
Investments	—	21,775	—	—	2,491	—	—	—	24,266
Assets limited as to use, less current portion:									
Investments held for collateral	—	2,722	—	—	—	—	—	—	2,722
Debt service funds	—	—	—	—	—	—	—	—	—
Construction funds	—	13,434	—	4	—	—	—	—	13,438
Board designated and escrow funds	(181)	—	—	—	—	—	—	—	(181)
Self-insurance trust funds	—	9,400	—	—	—	—	—	—	9,400
Funds restricted by donor	—	—	—	—	—	—	—	—	—
Economic interests in the net assets of related organizations	—	5,346	—	—	—	—	—	(5,346)	—
Property and equipment, net	(181)	30,902	—	4	—	—	—	(5,346)	25,379
Investments in joint ventures and other assets	23,862	73,948	—	3,194	2,466	196	—	—	103,666
	904	10,839	—	(958)	—	214	—	—	10,999
Total assets	24,585	185,203	—	2,705	6,639	788	—	(5,346)	214,574

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES

Consolidating Balance Sheet Information by Division – Charles Regional Health System, Inc. (Charles Regional)

June 30, 2019

(In thousands)

	Charles Regional Health, Inc.	Charles Regional Medical Center, Inc.	Charles Regional Urgent Care	Charles Regional Care Partners, Inc. and Subsidiary	Charles Regional Health Foundation, Inc.	Charles Regional Medical Group	Charles Regional Imaging Center	Eliminations	Charles Regional consolidated total
Liabilities and Net Assets									
Current liabilities:									
Trade accounts payable	23	6,216	—	259	46	30	—	—	6,574
Accrued payroll and benefits	—	4,030	—	51	—	519	—	—	4,600
Advances from third-party payors	—	3,729	—	—	—	—	—	—	3,729
Lines of credit	—	—	—	—	—	—	—	—	—
Other current liabilities	9,138	2,537	1,961	4,082	540	4,057	—	—	22,315
Current portion of long-term debt	728	2,465	—	—	33	—	—	—	3,226
Total current liabilities	9,889	18,977	1,961	4,392	619	4,606	—	—	40,444
Long-term debt, less current portion	4,847	46,605	—	—	674	—	—	—	52,126
Other long-term liabilities	—	16,761	—	30	—	10	—	—	16,801
Total liabilities	14,736	82,343	1,961	4,422	1,293	4,616	—	—	109,371
Net assets:									
Without donor restrictions	9,849	102,860	(1,961)	(1,717)	5,346	(3,828)	—	(5,346)	105,203
With donor restrictions	—	—	—	—	—	—	—	—	—
Total net assets	9,849	102,860	(1,961)	(1,717)	5,346	(3,828)	—	(5,346)	105,203
Total liabilities and net assets	\$ 24,585	\$ 185,203	\$ —	\$ 2,705	\$ 6,639	\$ 788	\$ —	\$ (5,346)	\$ 214,574

See accompanying independent auditors' report.

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES

Consolidating Balance Sheet Information by Division – University of Maryland St. Joseph Health System (SJHS)

June 30, 2019
(In thousands)

Assets	St. Joseph Medical Center	St. Joseph Medical Group	St. Joseph Properties	St. Joseph Orthopaedics	O'Dea Medical Arts	St. Joseph Foundation	UM Regional Supplier svcs	UM Regional Prof svcs	UM Pain Specialist LLC	Eliminations	St. Joseph consolidated total
Current assets:											
Cash and cash equivalents	\$ 194	115	—	—	984	3,452	—	—	(12)	—	4,733
Assets limited as to use, current portion	1,281	—	—	—	—	—	—	—	—	—	1,281
Accounts receivable:											
Patient accounts receivable, net	36,083	2,353	—	1,388	—	—	1,013	469	419	—	41,725
Other	2,205	245	—	—	103	6,604	—	—	—	—	9,157
Inventories	5,230	—	—	—	—	—	153	—	—	—	5,383
Prepaid expenses and other current assets	1,012	452	182	112	—	—	55	36	—	—	1,849
Total current assets	46,005	3,165	182	1,500	1,087	10,056	1,221	505	407	—	64,128
Investments	—	—	—	—	—	12,849	—	—	—	—	12,849
Assets limited as to use, less current portion:											
Debt service funds	—	—	—	—	—	—	—	—	—	—	—
Construction funds	4,389	—	—	—	—	—	—	—	—	—	4,389
Board designated and escrow funds	—	—	—	—	—	—	—	—	—	—	—
Self-insurance trust funds	8,280	—	—	—	—	—	—	—	—	—	8,280
Funds restricted by donor	—	—	—	—	—	11,989	—	—	—	—	11,989
Economic interests in the net assets of related organizations	9,503	—	—	—	—	—	—	—	—	—	9,503
Total investments	22,172	—	—	—	—	11,989	—	—	—	—	34,161
Property and equipment, net	213,412	1,368	215	191	11,542	—	43	78	—	—	226,849
Investments in joint ventures and other assets	40,448	—	1,948	—	—	526	—	1,951	—	(1,948)	42,925
Total assets	\$ 322,037	4,533	2,345	1,691	12,629	35,420	1,264	2,534	407	(1,948)	380,912

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES

Consolidating Balance Sheet Information by Division – University of Maryland St. Joseph Health System (SJHS)

June 30, 2019

(In thousands)

	St. Joseph Medical Center	St. Joseph Medical Group	St. Joseph Properties	St. Joseph Orthopaedics	O'Dea Medical Arts	St. Joseph Foundation	UM Regional Supplier svcs	UM Regional Prof svcs	UM Pain Specialist LLC	Eliminations	St. Joseph consolidated total
Liabilities and Net Assets											
Current liabilities:											
Trade accounts payable	\$ 20,956	751	623	1	74	104	672	37	—	—	23,218
Accrued payroll and benefits	16,837	5,616	—	1,005	—	—	25	190	27	—	23,700
Advances from third-party payors	11,252	—	—	—	—	—	—	—	—	—	11,252
Lines of credit	—	—	—	—	—	—	—	—	—	—	—
Other current liabilities	3,564	217	—	791	6	346	—	411	380	—	5,715
Current portion of long-term debt	6,621	—	—	—	8,222	—	—	—	—	—	15,043
Total current liabilities	59,430	6,584	623	1,797	8,302	450	697	638	407	—	78,928
Long-term debt, less current portion	210,299	—	(34)	—	—	—	—	—	—	—	210,265
Other long-term liabilities	111,226	—	—	—	—	—	—	—	—	—	111,226
Total liabilities	380,955	6,584	589	1,797	8,302	450	697	638	407	—	400,419
Net assets:											
Without donor restrictions	(58,919)	(2,051)	1,756	(106)	4,327	3,940	567	1,896	—	(1,948)	(50,538)
With donor restrictions	1	—	—	—	—	31,030	—	—	—	—	31,031
Total net assets	(58,918)	(2,051)	1,756	(106)	4,327	34,970	567	1,896	—	(1,948)	(19,507)
Total liabilities and net assets	\$ 322,037	4,533	2,345	1,691	12,629	35,420	1,264	2,534	407	(1,948)	380,912

See accompanying independent auditors' report.

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES

Consolidating Balance Sheet Information by Division - University of Maryland Upper Chesapeake Health System (UCHS)

June 30, 2019
(In thousands)

Assets	Upper Chesapeake Medical Center	Harford Memorial Hospital	UCHS Properties	Health Ventures	Medical Services	Residential Hospice House	Upper Chesapeake Health Foundation	Upper Chesapeake Health System	Behavioral Health Crisis Center	Upper Chesapeake Insurance Co.	Upper Chesapeake Land Trust	Eliminations	Upper Chesapeake consolidated total
Current assets:													
Cash and cash equivalents	\$ 13,665	9,522	29	—	109	5	2,907	—	—	—	—	—	26,227
Assets limited as to use, current portion	—	—	—	—	—	—	—	—	—	—	—	—	—
Accounts receivable:													
Patient accounts receivable, net	28,097	5,935	—	—	6,315	5	—	—	15	—	—	—	40,367
Other	33,903	2,922	—	—	601	—	—	—	—	—	—	—	33,903
Inventories	5,305	2,705	16	—	522	5	5,720	71	14	—	—	—	8,828
Prepaid expenses and other current assets	2,705	—	—	—	—	—	—	—	—	—	—	—	11,672
Total current assets	83,665	20,938	45	—	7,547	15	8,627	71	29	—	—	—	120,937
Investments	169,188	95,813	—	—	—	614	—	—	—	—	—	—	265,615
Assets limited as to use, less current portion:													
Investments held for swap collateral	—	—	—	—	—	—	—	—	—	—	—	—	—
Debt service funds	—	—	—	—	—	—	—	—	—	—	—	—	—
Construction funds	—	—	—	—	—	—	—	—	—	—	—	—	—
Board designated and escrow funds	15,113	—	—	—	—	—	28,872	—	—	—	—	—	43,985
Self-insurance trust funds	—	—	—	—	—	—	—	—	—	—	—	—	—
Funds restricted by donor	—	—	—	—	—	—	—	—	—	—	—	—	—
Economic interests in the net assets of related organizations	—	—	—	—	—	—	—	—	—	—	—	—	—
Property and equipment, net	15,113	—	—	—	—	—	28,872	—	—	—	—	—	43,985
Investments in joint ventures and other assets	207,759	33,569	—	1,086	2,651	1,258	49	772	3,040	—	3,007	(24,977)	253,201
	254,247	—	—	4,383	—	—	23	—	—	—	—	—	233,686
Total assets	\$ 729,972	150,320	45	5,489	10,198	1,887	37,571	843	3,069	—	3,007	(24,977)	917,424

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES

Consolidating Balance Sheet Information by Division – University of Maryland Upper Chesapeake Health System (UCHS)

June 30, 2019
(In thousands)

	Upper Chesapeake Medical Center	Harford Memorial Hospital	UCHS Properties	Health Ventures	Medical Services	Residential Hospice House	Upper Chesapeake Health Foundation	Upper Chesapeake Health System	Behavioral Health Crisis Center	Upper Chesapeake Insurance Co.	Upper Chesapeake Land Trust	Eliminations	Upper Chesapeake consolidated total
Liabilities and Net Assets													
Current liabilities:													
Trade accounts payable	\$ 9,319	6,977	—	—	3,887	—	—	86	—	—	—	—	20,269
Accrued payroll and benefits	21,990	5,595	—	—	—	—	—	1,422	—	—	—	—	29,007
Advances from third-party payors	6,569	1,671	—	—	—	—	—	—	—	—	—	—	8,240
Other current liabilities	9,943	10,408	29	1,096	6,655	624	12,594	—	188	—	3,143	—	44,680
Current portion of long-term debt	5,418	—	—	—	—	—	—	—	—	—	—	—	5,418
Total current liabilities	53,239	24,651	29	1,096	10,542	624	12,594	1,508	188	—	3,143	—	107,614
Long-term debt, less current portion	162,344	23,576	—	—	—	—	—	—	—	—	—	—	185,920
Other long-term liabilities	35,475	1,162	—	—	—	—	—	1	—	—	—	—	36,638
Total liabilities	251,058	49,389	29	1,096	10,542	624	12,594	1,509	188	—	3,143	—	330,172
Net assets:													
Without donor restrictions	303,937	100,931	16	4,393	(344)	649	16,219	(666)	2,881	—	(136)	—	427,880
With donor restrictions	174,977	—	—	—	—	614	8,758	—	—	—	—	(24,977)	159,372
Total net assets	478,914	100,931	16	4,393	(344)	1,263	24,977	(666)	2,881	—	(136)	(24,977)	587,252
Total liabilities and net assets	\$ 729,972	150,320	45	5,489	10,198	1,887	37,571	843	3,069	—	3,007	(24,977)	917,424

See accompanying independent auditors' report.

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES

Consolidating Balance Sheet Information by Division – University of Maryland Capital Region Health System (Capital Region)

June 30, 2019
(In thousands)

Assets	Prince George's Hospital Center	Laurel Regional Hospital	Bowie Health Center	Gladys Spellman Specialty Care	Dimensions Healthcare Associates	Affiliated Enterprises, Inc.	Madison Manor Inc.	Dimensions Assurance, Ltd.	Dimensions Health System Corporate	Regional Medical Center	Eliminations	Capital Region consolidated total
Current assets:												
Cash and cash equivalents	—	—	1	—	—	1,719	277	—	30,769	—	—	32,766
Assets limited as to use, current portion	—	—	—	—	—	—	—	—	406	—	—	406
Accounts receivable:												
Patient accounts receivable, net	28,557	12,052	4,750	3,404	576	—	—	—	—	—	—	49,339
Other	159,420	897	8,740	17,926	111	1,312	3,089	6,309	529	561	(6,209)	192,685
Inventories	3,922	1,533	382	—	—	—	—	—	—	—	—	5,837
Prepaid expenses and other current assets	177	32	14	—	171	—	—	—	2,672	—	—	3,066
Total current assets	192,076	14,514	13,887	21,330	858	3,031	3,366	6,309	34,376	561	(6,209)	284,099
Investments	—	—	—	—	—	—	—	—	57	—	—	57
Assets limited as to use, less current portion:												
Investments held for swap collateral	—	—	—	—	—	—	—	—	—	—	—	—
Debt service funds	—	—	—	—	—	—	—	—	—	—	—	—
Construction funds	—	—	—	—	—	—	—	—	—	—	—	—
Board designated and escrow funds	—	—	—	—	—	—	—	—	—	—	—	—
Self-insurance trust funds	—	—	—	—	—	—	—	29,172	7,314	—	—	36,486
Funds restricted by donor	—	—	—	—	—	—	—	—	—	—	—	—
Economic interests in the net assets of related organizations	894	61	—	—	—	—	—	—	4,834	—	(4,834)	955
	894	61	—	—	—	—	—	29,172	12,148	—	(4,834)	37,441
Property and equipment, net	13,561	29,669	7,015	33	554	2,228	—	—	4,134	29,915	—	87,109
Investments in joint ventures and other assets	2,039	942	—	—	—	—	2,228	—	4,951	—	(1,225)	8,935
Total assets	208,570	45,186	20,902	21,363	1,412	5,259	5,594	35,481	55,666	30,476	(12,268)	417,641

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES

Consolidating Balance Sheet Information by Division – University of Maryland Capital Region Health System (Capital Region)

June 30, 2019
(In thousands)

	Prince George's Hospital Center	Laurel Regional Hospital	Bowie Health Center	Gladys Spellman Specialty Care	Dimensions Healthcare Associates	Affiliated Enterprises, Inc.	Madison Manor Inc.	Dimensions Assurance, Ltd.	Dimensions Health System Corporate	Regional Medical Center	Eliminations	Capital Region consolidated total
Liabilities and Net Assets												
Current liabilities:												
Trade accounts payable	10,773	2,251	41	75	3,495	25	(3)	(2)	2,177	—	—	18,832
Accrued payroll and benefits	8,226	3,137	440	231	1,770	—	—	—	7,548	—	—	21,352
Advances from third-party payors	10,202	2,307	91	321	—	—	—	—	—	—	—	12,921
Other current liabilities	2,064	48,458	548	3	4,774	(6)	—	157	123,273	—	(6,209)	173,062
Current portion of long-term debt	—	—	—	—	—	233	—	—	—	—	—	233
Total current liabilities	31,265	56,153	1,120	630	10,039	252	(3)	155	132,998	—	(6,209)	226,400
Long-term debt, less current portion	—	—	—	—	—	1,451	—	—	—	—	—	1,451
Other long-term liabilities	206	—	—	—	—	—	—	25,382	94,709	—	—	120,297
Total liabilities	31,471	56,153	1,120	630	10,039	1,703	(3)	25,537	227,707	—	(6,209)	348,148
Net assets:												
Without donor restrictions	174,992	(14,281)	19,723	20,733	(8,728)	3,556	5,597	9,944	(172,041)	2,001	(6,059)	35,437
With donor restrictions	2,107	3,314	59	—	101	—	—	—	—	28,475	—	34,056
Total net assets	177,099	(10,967)	19,782	20,733	(8,627)	3,556	5,597	9,944	(172,041)	30,476	(6,059)	69,493
Total liabilities and net assets	208,570	45,186	20,902	21,363	1,412	5,259	5,594	35,481	55,666	30,476	(12,268)	417,641

See accompanying independent auditors' report.

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES

Consolidating Balance Sheet Information by Division

June 30, 2018
(In thousands)

Assets	University of Maryland Medical Center & Affiliates	Rehabilitation & Orthopaedic Institute	Midtown	Baltimore Washington Medical System	Shore Regional	Charles Regional	St. Joseph Health	Upper Chesapeake	Capital Region	UM Health Plans	UMMS Foundation	Other	Eliminations	Consolidated total
Current assets:														
Cash and cash equivalents	\$ 259,415	2,274	3,619	10,482	12,677	5,631	1,987	41,809	57,872	—	—	1,477	—	397,243
Assets limited as to use, current portion	51,674	—	682	1,382	943	484	1,128	—	181	—	—	—	—	56,464
Accounts receivable:														
Patient accounts, receivable, less allowance for doubtful	198,855	8,172	8,146	43,415	32,522	10,927	37,393	39,421	48,292	—	—	4,522	—	431,665
Other accounts of \$219,769	342,758	16,159	33,258	27,975	11,367	11,724	12,101	—	194,421	—	—	11,164	(672,209)	88,718
Inventories	33,542	1,145	2,983	6,496	4,482	1,880	5,670	9,172	5,606	—	—	—	—	70,776
Assets held for sale	—	—	—	—	—	—	—	—	—	139,120	—	—	—	139,120
Prepaid expenses and other current assets	15,887	133	3,322	1,183	1,629	644	1,766	10,086	4,234	—	1,500	731	—	41,115
Total current assets	902,131	27,853	52,010	90,943	63,620	31,090	60,045	100,488	310,606	139,120	1,500	17,894	(672,209)	1,225,121
Investments	288,289	37,828	3	147,525	96,349	35,552	12,277	242,082	—	—	—	—	—	859,905
Assets limited as to use, less current portion:														
Investments held for collateral	50,572	—	3,700	8,000	—	—	—	22,318	—	—	—	—	—	84,590
Debt service funds	33,935	—	—	—	—	—	—	—	—	—	—	—	—	33,935
Construction funds	333,359	17,112	8,589	10,613	24,378	13,434	4,389	—	—	—	—	—	—	411,874
Board designated and escrow funds	—	—	—	—	79,483	(181)	—	26,743	—	—	17,674	—	—	123,729
Self-insurance trust funds	79,742	—	14,816	23,164	37,229	7,392	7,889	11,267	41,491	—	—	—	—	222,990
Funds restricted by donor	—	—	1,093	—	34,417	—	6,977	—	—	—	26,983	—	—	69,470
Economic and beneficial interests in the net assets of related organizations	202,725	35,620	447	9,862	3,711	—	9,503	—	743	—	—	—	(66,492)	196,119
Total investments	700,333	52,732	28,645	51,639	179,228	20,645	28,758	60,328	42,234	—	44,657	—	(66,492)	1,142,707
Property and equipment, net	925,452	45,094	104,904	255,253	157,506	105,942	221,008	250,550	91,425	—	—	8,332	—	2,165,466
Investments in joint ventures and other assets	1,007,331	—	8,042	27,615	11,958	9,356	33,777	218,612	8,648	2,217	11,008	—	(702,300)	636,264
Total assets	\$ 3,823,536	163,537	183,604	572,975	508,661	202,585	355,865	872,060	452,913	141,337	57,165	26,226	(1,341,001)	6,029,463

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES

Consolidating Balance Sheet Information by Division

June 30, 2018
(In thousands)

	University of Maryland Medical Center & Affiliates	Rehabilitation & Orthopaedic Institute	Midtown	Baltimore Washington Medical System	Shore Regional	Charles Regional	St. Joseph Health	Upper Chesapeake	Capital Region	UM Health Plans	UMMS Foundation	Other	Eliminations	Consolidated total
Liabilities and Net Assets														
Current liabilities:														
Trade accounts payable	\$ 136,233	11,787	13,812	15,550	14,847	6,231	19,019	21,878	23,579	230	176	3,154	—	267,306
Accrued payroll and benefits	111,564	5,789	10,595	23,104	18,746	3,907	26,531	28,137	23,378	—	—	11,410	—	262,201
Accounts payable to third-party payors	89,676	6,526	7,378	12,178	6,238	3,508	11,412	9,387	14,584	—	—	—	—	153,867
Lines of debt	99,300	—	—	—	—	—	—	—	—	—	—	—	—	99,300
Short-term financing	150,000	—	—	—	—	—	—	—	—	—	—	—	—	150,000
Other current liabilities	213,444	1,333	5,451	36,435	20,850	16,829	101,333	35,905	196,083	80,216	—	15,493	(672,209)	151,163
Liabilities held for sale	—	—	—	—	—	—	—	—	—	86,834	—	—	—	86,834
Long-term debt subject to short-term remarketing arrangements	58,054	—	—	—	—	—	—	—	—	—	—	—	—	58,054
Current portion of long-term debt	14,841	518	940	4,373	2,802	3,255	14,939	5,088	233	5,000	—	—	—	51,989
Total current liabilities	866,102	25,953	38,176	90,640	63,483	33,730	174,134	100,425	257,857	172,280	176	30,057	(672,209)	1,280,804
Long-term debt, less current portion	725,170	19,278	29,623	156,708	80,454	55,246	217,119	191,396	1,683	31,667	—	—	—	1,508,334
Other long-term liabilities	126,407	144	18,742	45,984	22,600	16,387	29,971	36,036	99,116	—	—	—	—	395,447
Interest rate swap liabilities	149,789	—	—	—	—	—	—	—	—	—	—	—	—	149,789
Total liabilities	1,867,468	45,375	86,541	293,332	166,537	105,363	421,224	327,907	356,656	203,947	176	30,057	(672,209)	3,334,374
Net assets:														
Without donor restrictions	1,338,378	82,409	105,523	269,781	301,068	97,222	(82,003)	384,991	60,688	(62,610)	23,853	(3,831)	(653,047)	1,952,422
With donor restrictions	617,690	35,753	1,540	9,862	41,056	—	26,644	159,152	33,569	—	33,136	—	(215,745)	742,667
Total net assets	1,956,068	118,162	107,063	279,643	342,124	97,222	(65,359)	544,153	94,257	(62,610)	56,989	(3,831)	(768,792)	2,695,089
Total liabilities and net assets	\$ 3,823,536	163,537	193,604	572,975	508,661	202,585	355,865	872,060	452,913	141,337	57,165	26,226	(1,341,001)	6,029,463

See accompanying independent auditors' report.

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES

Consolidating Operations Information by Division
Year ended June 30, 2019
(In thousands)

	University of Maryland Medical Center & Affiliates	Rehabilitation & Orthopaedic Institute	Midtown	Baltimore Washington Medical System	Shore Regional	Charles Regional	St. Joseph Health	UCHS	Capital Region	UM Health Plans	UMMS Foundation	Other	Eliminations	Consolidated total
Operating revenue, gains and other support:														
Net patient service revenue	1,556,785	109,644	207,202	456,452	349,955	138,942	414,509	425,405	361,054	—	—	—	(2,894)	4,017,054
State support	30,300	—	—	—	—	—	—	—	38,221	—	—	—	(27,000)	41,521
Premium Revenue	181,570	—	—	—	—	—	—	—	—	—	—	—	(161,570)	—
Other revenue	114,823	2,013	20,534	4,532	10,366	1,068	7,313	4,379	8,013	—	—	4,766	(1,127)	176,695
Total operating revenue, gains and other support	1,883,478	111,657	227,736	460,984	360,320	140,030	421,822	429,784	407,288	—	—	4,766	(212,591)	4,235,274
Operating expenses:														
Salaries, wages and benefits	1,003,464	54,783	104,354	246,107	191,154	63,663	213,225	246,626	211,698	—	—	4,642	(161,570)	2,158,136
Expendable supplies	424,121	3,911	35,250	73,351	49,199	17,975	66,861	62,669	46,579	—	—	173	—	792,015
Medical services	146,581	23,536	51,674	83,013	73,440	34,086	30,326	38,326	43,463	—	—	7,382	(31,021)	634,016
Medical expense	131,562	9,382	27,500	14,038	19,023	7,702	8,598	12,027	39,965	—	—	—	—	269,897
Contracted services	100,803	6,879	13,730	28,334	23,246	8,824	24,097	22,086	14,947	—	—	1,060	—	244,056
Depreciation and amortization	27,013	676	1,044	5,524	2,683	1,991	9,283	7,786	120	1,432	—	—	—	57,792
Interest expense	1,833,534	109,077	233,848	450,367	360,995	134,251	412,392	411,120	408,772	1,492	—	13,257	(212,591)	4,156,514
Total operating expense before non-recurring items	48,944	2,580	(6,112)	10,617	(675)	5,778	9,430	18,664	(1,484)	(1,432)	—	(8,491)	—	78,760
Operating income (loss) from continuing operations	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Nonoperating income and expenses, net:														
Contributions	1,237	—	—	(518)	122	288	161	1,614	—	—	3,422	—	—	5,607
Equity in net income of joint ventures	11,193	942	235	3,710	5,288	1,006	1,385	192	542	—	—	—	—	3,624
Investment income	12,388	889	1,435	3,458	(1,509)	312	292	6,313	93	—	487	—	—	30,632
Change in fair value of investments	(47,995)	—	—	—	—	—	—	6,884	—	—	282	—	—	24,421
Change in fair value of undesignated interest rate swaps	(6,924)	277	(1,192)	(2,200)	(10,269)	(494)	(4,334)	(2,263)	—	—	(4,793)	—	—	(47,995)
Other nonoperating gains and losses	(30,121)	2,108	478	4,450	(6,128)	1,790	(1,260)	12,740	(201)	—	(612)	—	—	(33,049)
Total nonoperating income and expenses	19,823	4,688	(5,634)	15,067	(6,803)	7,569	8,170	31,404	(1,685)	(1,482)	(612)	(8,491)	—	62,004
Excess (deficiency) of revenues over expenses	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Loss on discontinued operations	—	—	—	—	—	—	—	—	—	(25,847)	—	—	—	(25,847)
Excess (deficiency) of revenues over expenses	19,823	4,688	(5,634)	15,067	(6,803)	7,569	8,170	31,404	(1,685)	(27,339)	(612)	(8,491)	—	36,157

See accompanying independent auditors' report.

**UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES**

Consolidating Operations Information by Division for University of Maryland Medical Center & Affiliates (UMMC)

Year ended June 30, 2019
(In thousands)

	University of Maryland Medical Center	Shock Trauma Center	Subtotal	Corporate Shared Services	36 South Paca	University CARE	Eliminations	University of Maryland Medical Center & Affiliates consolidated total
Operating revenue, gains and other support:								
Net patient service revenue	\$ 1,363,125	193,185	1,556,310	—	—	475	—	1,556,785
State support	—	3,300	3,300	27,000	—	—	—	30,300
Premium Revenue	—	—	—	181,570	—	—	—	181,570
Other revenue	113,638	300	113,938	2,033	755	40	(1,943)	114,823
Total operating revenue, gains and other support	1,476,763	196,785	1,673,548	210,603	755	515	(1,943)	1,883,478
Operating expenses:								
Salaries, wages and benefits	565,236	65,806	631,042	371,789	119	504	—	1,003,454
Expendable supplies	392,332	28,650	420,982	2,767	307	65	—	424,121
Purchased services	284,588	44,491	329,079	(182,585)	922	1,108	(1,943)	146,581
Contracted services	119,269	12,293	131,562	—	—	—	—	131,562
Depreciation and amortization	88,512	11,915	100,427	—	376	—	—	100,803
Interest expense	26,304	—	26,304	355	354	—	—	27,013
Total operating expenses	1,476,241	163,155	1,639,396	192,326	2,078	1,677	(1,943)	1,833,534
Operating income (loss)	522	33,630	34,152	18,277	(1,323)	(1,162)	—	49,944
Nonoperating income and expenses, net:								
Contributions	(3,036)	—	(3,036)	1,903	—	—	2,370	—
Equity in net income of joint ventures	11,120	—	11,120	73	—	—	—	11,193
Investment income	9,747	—	9,747	2,621	—	—	—	12,368
Change in fair value of investments	—	—	—	(47,995)	—	—	—	(47,995)
Change in fair value of undesignated interest rate swaps	(8,339)	—	(8,339)	1,299	—	—	116	(6,924)
Other nonoperating gains and losses	9,492	—	9,492	(42,099)	—	—	2,486	(30,121)
Total nonoperating income and expenses	10,014	33,630	43,644	(23,822)	(1,323)	(1,162)	2,486	19,823
Excess (deficiency) of revenues over expenses								

See accompanying independent auditors' report.

**UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES**

Consolidating Operations Information by Division for Midtown Health, Inc. (Midtown)

Year ended June 30, 2019

(In thousands)

	UM Midtown Health Systems, Inc.	UMMC Midtown Campus	UM Midtown Clin. Prac. Group	Eliminations	Midtown consolidated total
Operating revenue, gains and other support:					
Net patient service revenue	\$ 1,081	203,649	5,347	(2,875)	207,202
State support	—	—	—	—	—
Other revenue	1,043	19,457	34	—	20,534
Total operating revenue, gains and other support	<u>2,124</u>	<u>223,106</u>	<u>5,381</u>	<u>(2,875)</u>	<u>227,736</u>
Operating expenses:					
Salaries, wages and benefits	832	101,953	1,569	—	104,354
Expendable supplies	70	35,027	159	—	35,256
Purchased services	1,738	49,358	778	—	51,874
Contracted services	—	27,590	2,875	(2,875)	27,590
Depreciation and amortization	569	13,161	—	—	13,730
Interest expense	3	1,041	—	—	1,044
Total operating expenses	<u>3,212</u>	<u>228,130</u>	<u>5,381</u>	<u>(2,875)</u>	<u>233,848</u>
Operating income (loss)	<u>(1,088)</u>	<u>(5,024)</u>	<u>—</u>	<u>—</u>	<u>(6,112)</u>
Nonoperating income and expenses, net:					
Contributions	—	—	—	—	—
Equity in net income of joint ventures	—	—	—	—	—
Investment income	—	235	—	—	235
Change in fair value of investments	—	1,435	—	—	1,435
Change in fair value of undesignated interest rate swaps	—	—	—	—	—
Other nonoperating gains and losses	—	(1,192)	—	—	(1,192)
Total nonoperating income and expenses	<u>—</u>	<u>478</u>	<u>—</u>	<u>—</u>	<u>478</u>
Excess (deficiency) of revenues over expenses	<u>(1,088)</u>	<u>(4,546)</u>	<u>—</u>	<u>—</u>	<u>(5,634)</u>

See accompanying independent auditors' report.

**UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES**

Consolidating Operations Information by Division for Baltimore Washington Medical System (BWMS)

Year ended June 30, 2019

(In thousands)

	Baltimore Washington Medical System, Inc.	Baltimore Washington Medical Center	Baltimore Washington Healthcare Services	Baltimore Washington Health Enterprises	North County Corporation	ShIPLEY'S	Eliminations	BWMS consolidated total
Operating revenue, gains and other support:								
Net patient service revenue	\$ 6,578	389,018	62,740	—	—	—	(1,884)	456,452
State support	—	—	—	—	—	—	—	—
Other revenue	4,185	4,641	10,617	—	2,718	—	(17,629)	4,532
Total operating revenue, gains and other support	10,763	393,659	73,357	—	2,718	—	(19,513)	460,984
Operating expenses:								
Salaries, wages and benefits	5,495	180,416	62,637	—	—	—	(2,441)	246,107
Expendable supplies	246	59,048	13,857	—	200	—	—	73,351
Purchased services	3,223	72,493	14,350	—	1,358	—	(8,411)	83,013
Contracted services	—	18,340	4,360	—	—	—	(8,662)	14,038
Depreciation and amortization	478	26,830	376	—	650	—	—	28,334
Interest expense	21	5,394	—	—	109	—	—	5,524
Total operating expenses	9,463	362,521	95,580	—	2,317	—	(19,514)	450,367
Operating income (loss)	1,300	31,138	(22,223)	—	401	—	1	10,617
Nonoperating income and expenses, net:								
Contributions	—	—	—	—	—	—	—	—
Equity in net income of joint ventures	13,420	(518)	—	—	—	—	(13,420)	(518)
Investment income	—	3,708	—	2	—	—	—	3,710
Change in fair value of investments	—	3,458	—	—	—	—	—	3,458
Change in fair value of undesignated interest rate swaps	—	—	—	—	—	—	—	—
Other nonoperating gains and losses	(455)	(2,170)	—	425	—	—	—	(2,200)
Total nonoperating income and expenses	12,965	4,478	—	427	—	—	(13,420)	4,450
Excess (deficiency) of revenues over expenses	\$ 14,265	35,616	(22,223)	427	401	—	(13,419)	15,067

See accompanying independent auditors' report.

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES

Consolidating Operations Information by Division for Shore Regional Health (Shore Regional)

Year ended June 30, 2019

(In thousands)

	Shore Health System, Inc.	Shore Orthopedics	UM Shore Home Care	Queenstown ASC	Shore Med. Group	Memorial Hospital Foundation, Inc. and Subsidiary	Chester River Consolidated Total	Eliminations	SHS consolidated total
Operating revenue, gains and other support									
Net patient service revenue	\$ 257,209	8,563	3,112	(20)	35,874	—	45,217	—	349,955
State support	—	—	—	—	—	—	—	—	—
Other revenue	9,160	48	1	—	3,125	—	1,189	(3,158)	10,365
Total operating revenue, gains and other support	266,369	8,611	3,113	(20)	38,999	—	46,406	(3,158)	360,320
Operating expenses:									
Salaries, wages and benefits	114,716	8,845	3,582	111	46,108	—	17,792	—	191,154
Expendable supplies	37,512	1,017	66	23	6,728	—	3,853	—	49,199
Purchased services	44,893	1,554	615	400	7,651	—	21,793	(1,466)	75,440
Contracted services	13,880	—	—	—	421	—	6,414	(1,692)	19,023
Depreciation and amortization	18,473	133	23	8	457	—	4,202	—	23,296
Interest expense	2,751	—	—	—	—	—	132	—	2,883
Total operating expenses	232,225	11,549	4,286	542	61,365	—	54,186	(3,158)	360,995
Operating income (loss)	34,144	(2,938)	(1,173)	(562)	(22,366)	—	(7,780)	—	(675)
Nonoperating income and expenses, net:									
Contributions	8	—	—	—	—	25	89	—	122
Equity in net income of joint ventures	257	—	—	—	—	—	—	—	257
Investment income (loss)	3,129	—	—	—	—	1,308	851	—	5,288
Change in fair value of investments	(862)	—	—	—	—	(184)	(463)	—	(1,509)
Change in fair value of undesignated interest rate swaps	—	—	—	—	—	—	—	—	—
Other nonoperating gains and losses	(681)	—	—	—	—	(3,968)	(5,637)	—	(10,286)
Total nonoperating income and expenses	1,851	—	—	—	—	(2,819)	(5,160)	—	(6,128)
Excess (deficiency) of revenues over expenses	\$ 35,995	(2,938)	(1,173)	(562)	(22,366)	(2,819)	(12,940)	—	(6,803)

See accompanying independent auditors' report.

**UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES**

Consolidating Operations Information by Division for Chester River Health System, Inc. (CRHS) a subsidiary of Shore Regional Health

Year ended June 30, 2019

(In thousands)

	Chester River Hospital Center	UM Shore Nursing and Rehab.	UM Chester River Home Care	Chester River Health Foundation	Chester River consolidated total
Operating revenue, gains and other support:					
Net patient service revenue	\$ 42,677	—	2,540	—	45,217
State support	—	—	—	—	—
Other revenue	1,187	—	2	—	1,189
Total operating revenue, gains and other support	<u>43,864</u>	<u>—</u>	<u>2,542</u>	<u>—</u>	<u>46,406</u>
Operating expenses:					
Salaries, wages and benefits	15,508	—	2,284	—	17,792
Expendable supplies	3,807	—	46	—	3,853
Purchased services	21,222	—	571	—	21,793
Contracted services	6,414	—	—	—	6,414
Depreciation and amortization	4,192	—	10	—	4,202
Interest expense	132	—	—	—	132
Total operating expenses	<u>51,275</u>	<u>—</u>	<u>2,911</u>	<u>—</u>	<u>54,186</u>
Operating loss	<u>(7,411)</u>	<u>—</u>	<u>(369)</u>	<u>—</u>	<u>(7,780)</u>
Nonoperating income and expenses, net:					
Contributions	—	—	—	89	89
Equity in net income of joint ventures	—	—	—	—	—
Investment income	416	—	38	397	851
Change in fair value of investments	(109)	—	(10)	(344)	(463)
Change in fair value of undesignated interest rate swaps	—	—	—	—	—
Other nonoperating gains and losses	(4,594)	—	—	(1,043)	(5,637)
Total nonoperating income and expenses	<u>(4,287)</u>	<u>—</u>	<u>28</u>	<u>(901)</u>	<u>(5,160)</u>
Excess (deficiency) of revenues over expenses	<u>\$ (11,698)</u>	<u>—</u>	<u>(341)</u>	<u>(901)</u>	<u>(12,940)</u>

See accompanying independent auditors' report.

**UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES**

Consolidating Operations Information by Division for Charles Regional Health (Charles Regional)

Year ended June 30, 2019

(In thousands)

	Charles Regional Health, Inc.	Charles Regional Medical Center, Inc.	Charles Regional Urgent Care	Charles Regional Care Partners, Inc. and Subsidiary	Charles Regional Health Foundation, Inc.	Charles Regional Medical Group	Charles Regional Imaging Center	Eliminations	Charles Regional consolidated total
Operating revenue, gains and other support:									
Net patient service revenue	—	132,932	143	1,491	—	4,376	—	—	138,942
State support	—	—	—	—	—	—	—	—	—
Other revenue	226	541	—	—	—	321	—	—	1,088
Total operating revenue, gains and other support	226	133,473	143	1,491	—	4,697	—	—	140,030
Operating expenses:									
Salaries, wages and benefits	—	58,291	—	—	—	5,372	—	—	63,663
Expendable supplies	—	17,735	9	90	—	141	—	—	17,975
Purchased services	200	30,335	378	1,599	—	1,584	—	—	34,096
Contracted services	—	7,031	—	212	—	459	—	—	7,702
Depreciation and amortization	1,749	6,151	12	833	—	79	—	—	8,824
Interest expense	254	1,737	—	—	—	—	—	—	1,991
Total operating expenses	2,203	121,280	399	2,734	—	7,635	—	—	134,251
Operating income (loss)	(1,977)	12,193	(256)	(1,243)	—	(2,938)	—	—	5,779
Nonoperating income and expenses, net:									
Contributions	—	—	—	—	288	—	—	—	288
Equity in net income of joint ventures	—	305	—	373	—	—	—	—	678
Investment income	—	900	—	—	106	—	—	—	1,006
Change in fair value of investments	—	243	—	—	69	—	—	—	312
Change in fair value of undesignated interest rate swaps	—	—	—	—	—	—	—	—	—
Other nonoperating gains and losses	—	(532)	—	—	(381)	—	—	419	(494)
Total nonoperating income and expenses	—	916	—	373	82	—	—	419	1,790
Excess (deficiency) of revenues over expenses	(1,977)	13,109	(256)	(870)	82	(2,938)	—	419	7,569

See accompanying independent auditors' report.

**UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES**

Consolidating Operations Information by Division for University of Maryland St. Joseph Health System (SJHS)

Year ended June 30, 2019

(In thousands)

	St. Joseph Medical Center	St. Joseph Medical Group	St. Joseph Properties	St. Joseph Orthopaedics	O'Dea Medical Arts	St. Joseph Foundation	UM Regional Supplier Svcs	UM Regional Prof Svcs	UM Pain Specialist LLC	Eliminations	St. Joseph consolidated total
Operating revenue, gains and other support:											
Net patient service revenue	\$ 341,266	39,083	—	23,556	—	—	5,025	4,212	1,367	—	414,509
State support	—	—	—	—	—	—	—	—	—	—	—
Other revenue	4,032	14,487	1,812	654	2,647	—	49	214	—	(16,582)	7,313
Total operating revenue, gains and other support	345,298	53,570	1,812	24,210	2,647	—	5,074	4,426	1,367	(16,582)	421,822
Operating expenses:											
Salaries, wages and benefits	139,503	51,749	—	17,301	—	—	706	3,125	509	332	213,225
Expendable supplies	62,174	1,259	—	21	—	—	3,311	96	—	—	66,861
Purchased services	65,195	9,934	2,714	11,718	1,398	—	1,314	750	858	(3,553)	90,328
Contracted services	21,857	102	—	—	—	—	—	—	—	(13,361)	8,588
Depreciation and amortization	23,198	250	47	49	493	—	29	31	—	—	24,057
Interest expense	8,894	—	—	—	389	—	—	—	—	—	9,283
Total operating expenses	320,821	63,294	2,761	29,089	2,280	—	5,360	4,002	1,367	(16,582)	412,392
Operating income (loss)	24,477	(9,724)	(949)	(4,879)	367	—	(286)	424	—	—	9,430
Nonoperating income and expenses, net:											
Contributions	—	—	—	—	—	161	—	—	—	—	161
Equity in net income of joint ventures	1,236	—	—	—	—	—	—	—	—	—	1,236
Investment income	—	—	—	—	1	1,384	—	—	—	—	1,385
Change in fair value of investments	—	—	—	—	—	292	—	—	—	—	292
Change in fair value of undesignated interest rate swaps	—	—	—	—	—	—	—	—	—	—	—
Other nonoperating gains and losses	(2,562)	—	—	—	—	(1,772)	—	—	—	—	(4,334)
Total nonoperating income and expenses	(1,326)	—	—	—	1	65	—	—	—	—	(1,260)
Excess (deficiency) of revenues over expenses	\$ 23,151	(9,724)	(949)	(4,879)	368	65	(286)	424	—	—	8,170

See accompanying independent auditors' report.

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES

Consolidating Operations Information by Division for University of Maryland Upper Chesapeake Health System (UCHS)

Year ended June 30, 2019
(In thousands)

	Upper Chesapeake Medical Center	Hartford Memorial Hospital	UCHS Properties	Health Ventures	Medical Services	Residential Hospice House	Upper Chesapeake Health Foundation	Upper Chesapeake Health System	Behavioral Health Crisis Center	Upper Chesapeake Insurance Co.	Upper Chesapeake Land Trust	Eliminations	Upper Chesapeake consolidated total
Operating revenue, gains and other support:													
Net patient service revenue	\$ 276,845	91,868	—	—	56,437	239	—	—	16	—	—	—	425,405
State support	—	—	—	—	—	—	—	15,289	500	194	—	(27,070)	—
Other revenue	4,813	1,347	—	—	8,906	400	—	—	—	—	—	—	4,379
Total operating revenue, gains and other support	281,658	93,215	—	—	65,343	639	—	15,289	516	194	—	(27,070)	429,784
Operating expenses:													
Salaries, wages and benefits	127,890	53,798	—	—	51,974	798	—	11,902	264	—	—	—	246,626
Expendable supplies	44,360	7,229	—	—	10,779	50	—	235	36	—	—	—	62,689
Purchased services	42,159	19,345	287	—	11,679	136	—	2,884	651	350	21	(17,686)	59,926
Contracted services	12,481	4,730	—	—	2,931	—	—	58	—	—	—	(6,173)	12,027
Depreciation and amortization	17,806	3,381	—	—	401	274	—	109	115	—	—	—	22,086
Interest expense	6,824	942	—	—	—	—	—	—	—	—	—	—	7,766
Total operating expenses	251,520	89,425	287	—	77,764	1,258	—	15,288	1,066	350	21	(25,859)	411,120
Operating income (loss)	30,138	3,790	(287)	—	(12,421)	(619)	—	1	(650)	(156)	(21)	(1,211)	18,664
Nonoperating income and expenses, net:													
Contributors	—	—	—	—	—	—	2,376	—	—	—	—	(762)	1,614
Equity in net income of joint ventures	—	—	—	92	—	—	—	—	—	—	—	100	192
Investment income	3,101	2,075	—	—	—	18	963	—	—	156	—	—	6,313
Change in fair value of investments	3,563	2,128	—	—	—	25	1,168	—	—	—	—	—	6,884
Change in fair value of undesignated interest rate swaps	—	—	—	—	—	—	—	—	—	—	—	—	—
Other nonoperating gains and losses	(2,263)	—	—	—	—	—	—	—	—	—	—	—	—
Total nonoperating income and expenses	4,401	4,203	—	92	—	43	4,507	—	—	156	—	(662)	12,740
Excess (deficiency) of revenues over expenses	\$ 34,539	7,893	(287)	92	(12,421)	(576)	4,507	1	(650)	(156)	(21)	(1,873)	31,404

See accompanying independent auditors' report.

UNIVERSITY OF MARYLAND AND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES

Consolidating Operations Information by Division for University of Maryland Capital Region Health System (Capital Region)

Year ended June 30, 2019

(In thousands)

	Prince George's Hospital Center	Laurel Regional Hospital	Bowie Health Center	Gladys Spellman Specialty Care	Dimensions Healthcare Associates	Affiliated Enterprises, Inc.	Madison Manor Inc.	Dimensions Assurance, Ltd.	Dimensions Health System Corporate	Regional Medical Center	Eliminations	Capital Region consolidated total
Operating revenue, gains and other support:												
Net patient service revenue	\$ 271,904	57,853	19,545	4,061	7,691	—	—	—	—	—	—	361,054
State support	28,594	9,246	—	—	381	—	—	—	—	—	—	38,221
Other revenue	6,572	310	32	—	92	873	—	(493)	77,161	—	(76,534)	8,013
Total operating revenue, gains and other support	307,070	67,409	19,577	4,061	8,164	873	—	(493)	77,161	—	(76,534)	407,288
Operating expenses:												
Salaries, wages and benefits	129,745	24,219	9,092	2,454	20,174	—	—	—	26,014	—	—	211,698
Expendable supplies	36,969	7,865	3,033	347	545	4	—	—	(184)	—	—	48,579
Purchased services	106,358	21,814	7,437	1,576	(15,057)	473	300	256	47,840	—	(76,534)	93,463
Contracted services	16,125	4,908	(147)	58	19,021	—	—	—	—	—	—	39,965
Depreciation and amortization	6,682	3,319	1,401	26	98	179	—	—	3,242	—	—	14,947
Interest expense	—	3	—	—	—	46	—	—	71	—	—	120
Total operating expenses	294,879	62,128	20,816	4,481	24,781	702	300	256	76,983	—	(76,534)	408,772
Operating income (loss)	12,191	5,281	(1,239)	(400)	(16,617)	171	(300)	(749)	178	—	—	(1,484)
Nonoperating income and expenses, net:												
Contributions	—	—	—	—	—	—	—	—	—	—	—	—
Equity in net income of joint ventures	—	—	—	—	—	—	542	—	—	—	—	542
Investment income	—	—	—	—	—	—	—	200	(107)	—	—	93
Change in fair value of investments	—	—	—	—	—	—	—	—	—	—	—	—
Change in fair value of undesignated interest rate swaps	—	—	—	—	—	—	—	—	—	—	—	—
Other nonoperating gains and losses	(459)	(207)	(12)	(28)	(60)	—	—	—	(70)	—	—	(836)
Total nonoperating income and expenses	(459)	(207)	(12)	(28)	(60)	—	542	200	(177)	—	—	(201)
Excess (deficiency) of revenues over expenses	\$ 11,732	5,074	(1,251)	(428)	(16,677)	171	242	(649)	1	—	—	(1,685)

See accompanying independent auditors' report.

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES

Consolidating Operations Information by Division
Year ended June 30, 2018
(In thousands)

	University of Maryland Medical Center & Affiliates	Rehabilitation & Orthopaedic Institute	Midtown	Baltimore Washington Medical System	Shore Regional	Charles Regional	St. Joseph Health	UCHS	Capital Region	UM Health Plans	UMMS Foundation	Other	Eliminations	Consolidated total
Operating revenue, gains and other support:														
Net patient service revenue	\$ 1,467,986	110,469	211,028	381,932	314,862	136,071	427,381	439,963	303,212	—	—	75,781	(1,944)	3,877,341
State support	31,200	—	—	—	—	—	—	—	32,508	—	—	—	(23,334)	40,374
Other revenue	98,979	2,735	19,617	6,889	4,916	768	6,594	2,082	6,665	—	—	65,388	(63,587)	150,856
Total operating revenue, gains and other support	1,598,165	113,204	231,245	388,821	319,778	136,839	433,975	442,055	342,385	—	—	141,169	(88,865)	4,068,571
Operating expenses:														
Salaries, wages and benefits	767,394	54,716	97,227	187,436	141,377	57,036	204,532	233,763	174,589	—	—	101,995	—	2,020,075
Expendable supplies	394,845	15,433	92,686	98,274	45,245	19,286	63,121	79,353	43,570	—	—	16,047	—	798,252
Purchased services	134,724	23,172	55,174	99,174	60,164	34,242	99,887	106,858	38,238	—	—	38,238	—	415,778
Professional services	148,537	6,153	21,407	17,864	12,926	8,632	21,990	22,885	12,689	—	—	17,476	—	216,376
Depreciation and amortization	98,109	6,658	12,843	27,864	22,936	8,632	21,990	22,885	12,689	—	—	2,343	—	206,090
Interest expense	24,522	674	1,063	5,495	2,853	2,032	9,413	7,737	188	1,369	—	183	—	55,827
Total operating expenses	1,546,938	109,216	226,423	382,807	311,421	128,655	423,787	416,950	335,910	1,369	—	165,027	(88,865)	3,961,398
Operating income/(loss) from continuing operations	49,467	3,988	4,822	15,814	8,357	8,184	10,188	25,105	6,475	(1,369)	—	(23,858)	—	107,173
Nonoperating income and expenses, net:														
Contributions	—	—	—	—	289	—	213	3,043	—	—	8,832	—	—	12,377
Inherent contribution - Capital Region	41,772	—	—	—	223	240	1,418	445	307	—	—	—	—	41,772
Equity in net income of joint ventures	3,059	1,028	72	(203)	12,713	759	759	5,913	1,273	—	710	—	—	5,489
Investment income	10,317	1,318	—	5,129	631	1,282	277	7,983	483	—	—	—	—	37,465
Change in fair value of investments	6,913	—	—	—	—	—	—	—	—	—	—	—	—	23,976
Change in fair value of undesignated interest rate swaps	43,071	—	—	—	—	—	—	—	—	—	—	—	—	43,071
Other nonoperating gains and losses	(9,309)	(294)	(3,535)	(6,252)	3,546	(530)	(5,469)	(2,702)	1,665	—	(3,643)	—	—	(27,120)
Total nonoperating income and expenses	95,223	2,052	(3,463)	2,578	17,404	1,768	(2,801)	14,692	3,245	—	6,332	—	—	137,030
Excess (deficiency) of revenues over expenses	\$ 144,690	\$ 6,040	\$ 1,359	\$ 18,392	\$ 25,761	\$ 9,952	\$ 7,387	\$ 39,797	\$ 9,720	\$ (1,369)	\$ 6,332	\$ (23,858)	\$ —	\$ 244,203
Loss on discontinued operations	—	—	—	—	—	—	—	—	—	—	—	—	—	(27,366)
Excess (deficiency) of revenues over expenses	\$ 144,690	\$ 6,040	\$ 1,359	\$ 18,392	\$ 25,761	\$ 9,952	\$ 7,387	\$ 39,797	\$ 9,720	\$ (23,735)	\$ 6,332	\$ (23,858)	\$ —	\$ 216,837

See accompanying independent auditors' report.

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES

Combining Balance Sheet Information – Obligated Group

June 30, 2019
(In thousands)

Assets	University of Maryland Medical Center & Affiliate*	Rehabilitation & Orthopaedic Institute	University of Maryland Midtown Campus	Baltimore Washington Medical Center, Inc.	Shore Health System, Inc.	Chester River Medical Center	Charles Regional Medical Center	St. Joseph Medical Center	Upper Chesapeake Hospitals**	Capital Region Hospitals***	UMMS Foundation	Eliminations	Obligated group total
Current assets:													
Cash and cash equivalents	\$ 236,352	5,261	9,537	5,958	(14,169)	35,738	9,066	194	23,177	1	—	—	311,115
Assets limited as to use, current portion	59,693	—	497	1,484	907	113	529	1,281	—	—	—	—	64,504
Accounts receivable:													
Patient accounts receivable, net	194,391	7,428	13,447	41,211	34,554	4,104	18,405	36,083	34,032	48,763	—	—	432,418
Other	223,298	889	2,835	21,332	14,741	263	17,425	2,205	33,903	186,983	—	(100,557)	403,317
Inventories	35,224	1,159	2,279	6,019	3,346	728	1,675	5,230	8,227	5,837	—	—	69,724
Prepaid expenses and other current assets	21,252	136	428	1,445	1,744	19	639	1,012	5,264	223	1,500	—	33,662
Total current assets	770,210	14,873	29,023	77,449	41,123	40,965	47,739	46,005	104,603	241,807	1,500	(100,557)	1,314,740
Investments	293,857	39,599	17,269	154,416	77,659	(4,168)	21,775	—	265,001	—	—	—	865,408
Assets limited as to use, less current portion:													
Investments held for collateral	94,786	1,115	1,721	8,929	4,091	222	2,722	—	—	—	—	—	113,586
Debt service funds	29,550	—	—	—	—	—	—	—	—	—	—	—	29,550
Construction funds	374,671	19,573	1,931	19,023	25,987	4,110	13,434	4,389	—	—	—	—	463,118
Board designated and escrow funds	—	—	—	—	25,000	5,000	—	—	15,113	—	20,321	—	65,434
Self-insurance trust funds	76,676	—	11,214	26,009	27,749	8,267	9,400	8,280	—	—	30,789	—	167,595
Funds restricted by donor	—	—	1,093	—	4,975	105	—	—	—	—	—	—	36,982
Economic interests in the net assets of related organizations	215,768	35,655	531	10,337	79,326	6,662	5,346	9,503	—	955	—	(79,652)	284,431
Property and equipment, net	791,451	56,343	16,490	64,298	167,128	24,366	30,902	22,172	15,113	955	51,110	(79,652)	1,160,676
Investments in joint ventures and other assets	1,079,351	43,324	102,547	230,961	123,617	17,884	73,948	213,412	241,328	50,278	—	—	2,176,450
	919,378	15,600	8,178	25,662	10,616	2,104	10,639	40,448	254,247	2,991	17,756	(792,346)	515,463
Total assets	\$ 3,854,247	169,739	173,507	552,796	420,143	80,951	185,203	322,037	880,292	296,021	70,366	(972,555)	6,032,737

* Includes Corporate Shared Services
** Includes both Upper Chesapeake Medical Center and Harford Memorial Hospital
*** Includes Prince George's Hospital Center, Laurel Regional Hospital, Bowie Health Center and Gladys Spellman Specialty Care Unit

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES

Combining Balance Sheet Information – Obligated Group

June 30, 2019
(In thousands)

	University of Maryland Medical Center & Affiliate*	Rehabilitation & Orthopaedic Institute	University of Maryland Midtown Campus	Baltimore Washington Medical Center, Inc.	Shore Health System, Inc.	Chester River Medical Center	Charles Regional Medical Center	St. Joseph Medical Center	Upper Chesapeake Hospitals**	Capital Region Hospitals***	UMMS Foundation	Eliminations	Obligated group total
Liabilities and Net Assets													
Current liabilities:													
Trade accounts payable	\$ 142,349	15,825	15,755	18,577	15,489	4,904	6,216	20,956	16,296	13,140	217	—	269,734
Accrued payroll and benefits	142,095	4,886	9,177	18,566	11,299	1,890	4,030	16,837	27,585	12,034	—	—	248,499
Advances from third-party payors	73,408	5,544	6,180	11,672	5,562	655	3,729	11,252	8,240	12,921	—	—	139,163
Short-term financing	130,000	—	—	—	—	—	—	—	—	—	—	—	130,000
Lines of credit	150,000	—	—	—	—	—	—	—	—	—	—	—	150,000
Other current liabilities	129,689	2,025	4,285	3,904	4,159	3,068	2,537	3,564	20,351	51,073	—	(100,557)	124,098
Long-term debt subject to short-term remarketing arrangements	18,895	—	—	—	—	—	—	—	—	—	—	—	18,895
Current portion of long-term debt	14,724	551	852	4,417	2,824	108	2,465	6,821	5,418	—	—	—	38,180
Total current liabilities	801,160	28,831	36,249	57,136	39,343	10,725	18,977	59,430	77,890	89,168	217	(100,557)	1,118,569
Long-term debt, less current portion	798,114	18,726	28,771	149,910	73,851	3,670	46,605	210,299	185,920	—	—	—	1,475,866
Other long-term liabilities	150,587	103	21,450	43,905	18,159	7,093	16,761	111,226	36,637	206	—	(90,046)	316,081
Interest rate swap liabilities	196,174	—	—	—	—	—	—	—	—	—	—	—	196,174
Total liabilities	1,906,035	47,660	86,470	250,951	131,353	21,488	82,343	380,955	300,447	89,374	217	(190,603)	3,106,690
Net assets:													
Without donor restrictions	1,316,301	86,424	86,413	291,498	253,341	55,038	102,860	(58,919)	404,868	201,167	22,317	(553,047)	2,207,261
With donor restrictions	631,911	35,655	1,624	10,337	35,449	4,425	—	1	174,977	5,480	47,832	(228,905)	718,786
Total net assets	1,948,212	122,079	88,037	301,835	288,790	59,463	102,860	(58,918)	579,845	206,647	70,149	(781,952)	2,926,047
Total liabilities and net assets	\$ 3,854,247	169,739	173,507	552,786	420,143	80,951	185,203	322,037	880,292	296,021	70,366	(972,555)	6,032,737

* Includes Corporate Shared services
** Includes both Upper Chesapeake Medical Center and Harford Memorial Hospital
*** Includes Prince George's Hospital Center, Laurel Regional Hospital, Bowie Health Center and Gladys Spellman Specialty Care Unit

See accompanying independent auditors' report.

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES

Combining Balance Sheet Information – Obligated Group

June 30, 2018
(In thousands)

Assets	University of Maryland Medical Center & Affiliate*	Rehabilitation & Orthopaedic Institute	University of Maryland Midtown Campus	Baltimore Washington Medical Center, Inc.	Shore Health System, Inc.	Chester River Medical Center	Charles Regional Medical Center	St. Joseph Medical Center	Upper Chesapeake Hospitals**	Capital Region Hospitals**	UMMS Foundation	Eliminations	Obligated group total
Current assets:													
Cash and cash equivalents	\$ 254,636	2,274	3,264	10,770	(1,503)	12,637	3,954	(3,101)	41,087	3	—	—	324,021
Assets limited as to use, current portion	51,674	—	682	1,392	767	176	484	1,128	—	—	—	—	56,303
Accounts receivable:													
Patient accounts receivable, net	198,855	8,172	7,260	35,056	25,109	6,266	10,658	31,520	33,326	47,352	—	—	403,574
Other	385,791	16,159	34,529	5,110	4,030	3,737	11,554	683	—	176,042	—	(273,176)	361,469
Inventories	33,503	1,145	2,983	6,496	3,810	672	1,680	5,501	8,478	5,606	—	—	69,874
Prepaid expenses and other current assets	15,800	133	839	1,220	1,428	48	617	830	3,169	213	1,500	—	25,797
Total current assets	940,259	27,883	46,557	60,044	33,641	23,536	28,947	36,571	86,060	229,216	1,500	(273,176)	1,241,038
Investments	288,289	37,828	3	147,525	77,168	14,319	33,218	—	241,512	—	—	—	839,862
Assets limited as to use, less current portion:													
Investments held for collateral	50,572	—	3,700	8,000	—	—	—	—	22,318	—	—	—	84,590
Debt service funds	33,935	—	—	—	—	—	—	—	—	—	—	—	33,935
Construction funds	333,359	17,112	8,589	10,613	20,268	4,110	13,434	4,389	—	—	—	—	411,874
Board designated and escrow funds	—	—	—	—	25,000	5,000	—	—	—	—	17,674	—	47,674
Self-insurance trust funds	79,742	—	14,816	23,164	29,050	8,179	7,392	7,889	—	—	—	—	170,232
Funds restricted by donor	—	—	1,093	—	5,252	105	—	—	—	—	26,983	—	33,433
Economic interests in the net assets of related organizations	202,725	35,620	447	9,862	83,027	7,574	5,265	9,503	—	743	—	(66,482)	288,274
Property and equipment, net	700,333	52,732	28,645	51,639	162,597	24,868	26,091	21,781	22,318	743	44,657	(66,482)	1,070,012
Investments in joint ventures and other assets	917,186	45,094	100,389	236,600	132,787	20,631	73,626	208,109	242,621	54,800	—	—	2,031,843
	1,013,950	—	6,339	28,869	10,301	1,995	9,676	31,300	233,870	3,386	11,008	(702,300)	648,394
Total assets	\$ 3,860,017	163,537	181,933	524,677	416,494	85,449	171,558	297,761	826,391	288,145	57,165	(1,041,968)	5,831,149

* Includes Corporate Shared Services

** Includes both Upper Chesapeake Medical Center and Harford Memorial Hospital

*** Includes Prince George's Hospital Center, Laurel Regional Hospital, Bowie Health Center and Gladys Spellman Specialty Care Unit

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES

Combining Balance Sheet Information – Obligated Group

June 30, 2018
(In thousands)

	University of Maryland Medical Center & Affiliate*	Rehabilitation & Orthopaedic Institute	University of Maryland Midtown Campus	Baltimore Washington Medical Center, Inc.	Shore Health System, Inc.	Chester River Medical Center	Charles Regional Medical Center	St. Joseph Medical Center	Upper Chesapeake Hospitals**	Capital Region Hospitals***	UMMS Foundation	Eliminations	Obligated group total
Current liabilities:													
Trade accounts payable	\$ 135,377	11,769	13,576	15,782	11,773	2,336	5,922	18,181	18,418	14,759	176	—	248,069
Accrued payroll and benefits	111,521	5,684	10,595	19,321	15,094	2,467	3,799	21,433	26,842	12,465	—	—	229,221
Advances from third-party payors	82,676	6,526	7,378	12,178	5,560	620	3,508	11,412	9,367	14,684	—	—	153,809
Short-term financing	99,300	—	—	—	—	—	—	—	—	—	—	—	99,300
Lines of credit	150,000	—	—	—	—	—	—	—	—	—	—	—	150,000
Other current liabilities	256,404	1,333	4,197	4,480	13,405	876	1,181	97,313	11,967	65,239	—	(273,176)	183,219
Long-term debt subject to short-term remarketing arrangements	58,054	—	—	—	—	—	—	—	—	—	—	—	58,054
Current portion of long-term debt	14,841	518	800	4,148	2,700	102	2,522	6,429	5,088	—	—	—	37,148
Total current liabilities	908,173	25,630	36,546	55,909	48,532	6,401	16,932	154,768	71,662	107,047	176	(273,176)	1,158,820
Long-term debt, less current portion	725,170	19,278	29,623	154,327	76,675	3,779	48,971	217,122	191,386	—	—	—	1,466,331
Other long-term liabilities	126,396	144	18,742	45,477	15,786	6,814	16,345	28,971	22,125	350	—	—	282,150
Interest rate swap liabilities	149,789	—	—	—	—	—	—	—	—	—	—	—	149,789
Total liabilities	1,909,528	45,252	84,911	255,713	140,993	16,994	82,248	401,861	285,193	107,997	176	(273,176)	3,057,090
Net assets:													
Unrestricted	1,332,799	82,665	95,482	259,102	238,908	63,998	89,310	(104,101)	368,698	175,835	23,853	(553,047)	2,073,502
Temporarily restricted	617,690	35,620	1,540	9,862	36,593	4,457	—	1	172,490	4,913	33,136	(215,745)	700,557
Total net assets	1,950,489	118,285	97,022	268,964	275,501	68,455	89,310	(104,100)	541,188	180,748	56,989	(768,792)	2,774,059
Total liabilities and net assets	\$ 3,860,017	163,537	181,933	524,677	416,494	85,449	171,558	297,761	826,381	288,145	57,165	(1,041,968)	5,831,149

* Includes Corporate Shared services
** Includes both Upper Chesapeake Medical Center and Harford Memorial Hospital
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See accompanying independent auditors' report.

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES

Combining Operations and Changes in Net Assets Information - Obligated Group

Year ended June 30, 2019
(In thousands)

	University of Maryland Medical Center & Affiliates*	Rehabilitation & Orthopaedic Hospitals	University of Maryland System	Baltimore Washington Medical Center	Memorial Hospital	Shore Health System	QASC	Subtotal	Chester River Hospital Center	Charles Regional Medical Center	St. Joseph Medical Center	Upper Chesapeake Hospital**	Capital Region Hospitals***	UMMS Foundation	Eliminations	Obligated group total
Operating revenue, gains and other support:																
Net patient service revenue	1,556,310	109,207	203,649	389,016	213,292	38,777	5,140	257,209	42,677	132,932	341,266	368,713	353,363	—	(2,884)	3,751,450
State support	30,300	—	—	—	—	—	—	—	—	—	—	—	37,840	—	(27,000)	41,140
Other revenue	115,971	2,013	19,457	4,651	8,153	894	113	9,100	1,187	541	4,032	6,180	6,914	(1,127)	168,949	
Total operating revenue, gains and other support	1,684,151	111,220	223,106	393,659	221,445	39,671	5,253	266,309	43,864	133,473	345,298	374,893	398,117	—	(212,991)	3,961,539
Operating expenses:																
Salaries and benefit	1,092,891	63,890	101,859	189,416	99,164	21,095	3,457	144,716	16,509	69,291	139,593	181,688	168,610	—	(61,570)	1,892,936
Expensible supplies	423,749	13,804	38,027	59,048	34,991	2,389	542	37,512	3,807	17,735	62,174	51,989	48,214	—	(1,000)	752,869
Purchased services	146,494	23,375	49,358	72,493	37,114	6,839	940	44,893	21,222	30,335	65,195	61,504	136,195	—	(31,021)	620,033
Contracted services	131,562	9,392	27,590	18,340	9,041	3,592	1,247	13,880	6,474	7,031	21,857	17,211	20,944	—	—	274,221
Depreciation and amortization	100,427	6,879	13,161	26,800	15,362	2,689	422	19,473	4,182	6,151	23,189	21,187	11,428	—	—	231,926
Interest expense	26,659	576	1,041	3,394	2,390	236	103	2,751	182	1,737	6,894	7,068	3	—	—	55,053
Total operating expenses	1,831,722	108,116	228,130	362,521	198,652	36,862	6,711	232,225	51,275	121,280	339,821	340,945	392,384	—	(212,991)	3,766,828
Operating income (loss)	52,429	3,104	(5,024)	31,138	32,793	2,809	(1,458)	34,144	(7,411)	12,193	24,477	33,928	15,733	—	—	194,711
Nonoperating income and expenses, net:																
Contributions	—	—	—	—	8	—	—	8	—	—	—	—	—	3,422	—	3,430
Equity in net income of joint ventures	(1,133)	—	—	(516)	257	—	—	257	—	305	1,236	—	—	—	—	147
Investment income	11,393	1,831	236	3,708	3,129	—	—	3,129	416	900	—	5,176	—	—	—	27,055
Change in fair value of undesignated interest rate swaps	(47,995)	—	(1,435)	3,456	(602)	—	—	(602)	(109)	243	—	5,691	282	—	—	(47,995)
Other nonoperating gains and losses	(7,040)	277	(1,192)	(2,170)	(891)	—	—	(891)	(4,594)	(532)	(2,562)	(2,283)	(706)	—	—	(26,246)
Total nonoperating income and expenses	(32,807)	2,108	(478)	4,478	1,851	—	—	1,851	(4,287)	916	(1,326)	8,604	(706)	—	—	(21,103)
Excess (deficiency) of revenues over expenses	19,622	5,212	(4,546)	35,616	34,644	2,809	(1,458)	35,995	(11,698)	13,109	23,151	42,532	15,027	(612)	—	173,608
Net assets released from restrictions used for purchase of property and equipment	5,385	—	650	904	1,901	—	—	1,901	278	—	1,987	—	—	—	—	11,105
Change in net assets on investments	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Change in economic and beneficial interest in the net assets of related organizations	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Change in ownership interest of joint ventures	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Capital transfers (to) from affiliate	(43,305)	(1,452)	(3,955)	(2,671)	(26,629)	—	—	(26,629)	(566)	386	20,637	(6,362)	(1,002)	—	—	(53,713)
Change in designated interest rate swaps of discontinued	1,610	—	(2,205)	(1,455)	—	—	—	—	1,995	—	—	—	—	—	—	1,610
Change in funded status of defined benefit pension plans	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(1,685)
Asset reclassifications at request of donor	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	78
Other	(10)	(1)	(13)	2	2,166	—	—	2,166	1,030	55	(593)	—	—	—	—	2,637
Total change in net assets	(16,499)	3,759	(10,089)	32,395	13,082	2,809	(1,458)	14,433	(8,969)	13,550	45,182	36,170	25,232	(1,535)	—	133,660

* Includes Corporate Shared Services

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See accompanying independent auditors' report.

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES

Combining Operations and Changes in Net Assets Information – Obligated Group
Year ended June 30, 2018
(In thousands)

	University of Maryland Medical Center & Affiliate	Rehabilitation & Orthopaedic Institute	University of Maryland Midtown Campus	Baltimore Washington Medical Center	Memorial Hospital	Shore Health System Dorchester General	QAEC	Subtotal	Chester River Hospital Center	Charles Regional Medical Center	St. Joseph Medical Center	Upper Chesapeake Hospitals	Capital Region Hospitals**	UMMS Foundation	Eliminations	Obligated group total
Operating revenue, gains and other support:																
Net patient service revenue	\$ 1,486,769	1,09,968	210,524	367,990	198,426	44,129	5,379	247,934	53,243	133,242	361,145	386,323	296,246	—	(1,944)	3,631,430
State support	31,200	—	—	—	—	—	—	—	—	—	—	—	32,237	—	—	63,437
Other revenue	98,680	2,732	18,610	4,980	4,347	288	9	4,644	510	550	3,266	5,114	5,156	—	—	144,242
Total operating revenue, gains and other support	1,586,639	112,700	229,134	372,970	202,773	44,417	5,388	252,578	53,753	133,792	364,411	391,437	333,639	—	(1,944)	3,839,109
Operating expenses:																
Salaries, wages, and benefits	765,900	53,923	96,439	171,046	85,461	22,367	3,306	111,176	15,895	57,085	136,452	172,699	160,760	—	(1,944)	1,741,626
Depreciation and amortization	145,615	10,202	20,311	36,811	20,369	7,858	1,015	39,567	15,887	11,915	27,045	32,495	32,495	—	—	206,560
Purchased services	156,631	23,002	53,331	67,201	34,089	7,814	857	43,760	15,007	29,167	71,041	63,380	93,617	—	(1,944)	612,193
Contracted services	136,537	8,553	27,207	17,164	8,055	3,656	1,441	13,152	6,090	7,000	17,875	14,692	18,177	—	—	266,347
Depreciation and amortization	97,673	6,658	12,242	26,363	14,445	3,167	467	18,099	4,133	5,892	21,156	21,665	12,531	—	—	226,632
Interest expense	24,182	674	1,043	5,351	2,502	193	121	2,816	137	1,750	9,009	7,737	99	—	—	52,798
Total operating expenses	1,544,448	108,229	223,083	344,937	180,603	40,095	6,674	227,369	46,259	119,860	335,049	350,655	326,393	—	(1,944)	3,626,338
Operating income (loss)	\$ 2,191	4,471	6,041	27,973	22,170	4,322	(1,283)	25,209	7,494	13,932	29,362	40,652	5,246	—	—	212,771
Nonoperating income and expenses, net:																
Contributions	—	—	—	—	(4)	—	—	(4)	—	—	—	—	—	—	—	—
Inherent contribution - Capital Region	41,772	—	—	(203)	169	47	7	223	—	—	1,418	—	—	—	—	8,828
Equity in net income of joint ventures	503	—	—	3,904	7,795	—	—	7,795	456	239	—	5,047	—	—	—	41,772
Investment income	10,317	1,028	72	—	—	—	—	—	—	—	—	—	32	—	—	2,180
Change in fair value of investments	8,473	1,316	—	5,129	262	—	—	262	626	1,479	—	6,392	—	—	—	30,059
Change in fair value of undesignated interest rate swaps	43,071	—	—	—	—	—	—	—	—	—	—	—	—	—	—	43,071
Other nonoperating gains and losses	(10,075)	(294)	(3,535)	(4,754)	(702)	(194)	(28)	(924)	(443)	(831)	(3,279)	(2,702)	2,048	—	—	(29,432)
Total nonoperating income and expenses	92,501	2,052	(3,463)	4,076	7,540	(147)	(21)	7,372	641	1,381	(1,861)	8,737	2,080	—	—	119,848
Excess (deficiency) of revenues over expenses	144,692	6,523	2,578	32,049	29,710	4,175	(1,304)	32,581	8,135	15,513	27,501	49,689	7,326	—	—	332,619
Net assets released from restrictions used for purchase of property and equipment	—	—	618	1,690	745	—	—	745	453	—	—	—	—	—	—	3,506
Change in unrealized gains on investments	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Change in economic and beneficial interest in the net assets of related organizations	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Change in ownership interest of joint ventures	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Capital transfers (to) from affiliate	(14,310)	(7,704)	(207)	(4,120)	(18,167)	—	—	(18,167)	(426)	(1,324)	(125,411)	(16,909)	46,450	—	—	(144,382)
Amortization of discontinued designated interest rate swaps	1,668	—	—	—	—	—	—	—	—	—	—	—	—	—	—	1,668
Change in funded status of defined benefit pension plans	—	—	4,312	1,873	—	—	—	—	(886)	1,873	—	—	—	—	—	7,172
Asset reclassifications at request of donor	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	1,978
Other	169	—	231	2,570	1,402	—	—	1,402	809	55	372	—	—	—	—	5,608
Increase (decrease) in unrestricted net assets	\$ 132,219	(1,181)	7,532	34,092	13,670	4,175	(1,304)	16,541	8,085	15,917	(97,538)	32,680	53,776	6,076	—	208,169

* Includes Corporate Shared Services
** Includes both Upper Chesapeake Medical Center and Harford Memorial Hospital
*** Includes Prince George's Hospital Center, Laurel Regional Hospital, Bowie Health Center and Gladys Spellman Specialty Care Unit

See accompanying independent auditors' report.