

Return of Organization Exempt From Income Tax

2008

Open to Public Inspection

Department of the Treasury Internal Revenue Service

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)

The organization may have to use a copy of this return to satisfy state reporting requirements.

A For the 2008 calendar year, or tax year beginning 07/01, 2008, and ending 06/30, 2009

B Check if applicable: Address change, Name change, Initial return, Termination, Amended return, Application pending. C Name of organization: THE JAMES LAWRENCE KERNAN HOSPITAL. Doing Business As: KERNAN ORTHOPAEDICS & REHAB HOSPITAL. Number and street: 2200 KERNAN DRIVE. City or town, state or country, and ZIP + 4: BALTIMORE, MD 21207. D Employer identification number: 52-0591639. E Telephone number: (410) 448-2500. G Gross receipts \$: 105,646,713. H(a) Is this a group return for affiliates? Yes [X] No [ ]. H(b) Are all affiliates included? Yes [ ] No [ ].

I Tax-exempt status: X 501(c) ( 3 ) (insert no.) 4947(a)(1) or 527. J Website: WWW.KERNAN.ORG. K Type of organization: X Corporation, Trust, Association, Other. L Year of formation: 1895. M State of legal domicile: MD.

Part I Summary

Table with columns for Activities & Governance, Revenue, Expenses, and Net Assets or Fund Balances. Rows include: 1. Briefly describe the organization's mission... 2. Check this box if the organization discontinued its operations... 3. Number of voting members of the governing body... 4. Number of independent voting members... 5. Total number of employees... 6. Total number of volunteers... 7a. Total gross unrelated business revenue... 7b. Net unrelated business taxable income... 8. Contribution and grants... 9. Program service revenue... 10. Investment income... 11. Other revenue... 12. Total revenue... 13. Grants and similar amounts paid... 14. Benefits paid to or for members... 15. Salaries, other compensation... 16a. Professional fundraising fees... 16b. Total fundraising expenses... 17. Other expenses... 18. Total expenses... 19. Revenue less expenses... 20. Total assets... 21. Total liabilities... 22. Net assets or fund balances.

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: [Handwritten Signature], Date: 5/13/10. Type or print name and title: HENRY J. FRANEY SENIOR VICE PRESIDENT AND CFO.

Paid Preparer's Use Only: Preparer's signature, Date, Check if self-employed, Preparer's identifying number (see instructions): P00451522. Firm's name (or yours if self-employed), address, and ZIP + 4: KPMG LLP, 2100 DOMINION TOWER NORFOLK, VA 23510-3310. EIN: 13-5565207. Phone no.: 757-616-7000.

May the IRS discuss this return with the preparer shown above? (See instructions) X Yes [ ] No [ ]. For Privacy Act and Paperwork Reduction Act Notice, see the separate instructions. Form 990 (2008)

### Exempt Organization Declaration and Signature for Electronic Filing

For calendar year 2008, or tax year beginning 07/01, 2008, and ending 06/30, 2009  
For use with Forms 990, 990-EZ, 990-PF, 1120-POL, and 8868

**2008**

Department of the Treasury  
Internal Revenue Service

Name of exempt organization

Employer identification number

**THE JAMES LAWRENCE KERNAN HOSPITAL**

**52-0591639**

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

Check the box for the return for which you are using this Form 8453-EO and enter the applicable amount from the return, if any. If you check the box on line 1a, 2a, 3a, 4a, or 5a below and the amount on that line for the return for which you are filing 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, line 12)	1b	<u>105646713.</u>
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

I authorize the U.S. Treasury and its designated Financial Agent to initiate an 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-F/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 2008 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) an indication of any refund offset, (c) the reason for any delay in processing the return or refund, and (d) the date of any refund.

Sign Here

[Signature]  
Signature of Officer

5/12/10  
Date

SENIOR VICE PRESIDENT / CFO  
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 (MaF) 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	<u>[Signature]</u>	Date	<u>5/12/10</u>	Check if also paid preparer	<input checked="" type="checkbox"/>	Check if self-employed	<input type="checkbox"/>	ERO's SSN or PTIN	<u>P00451522</u>
	Firm's name (or yours if self-employed), address, and ZIP code	<u>KPMG LLP 2100 DOMINION TOWER NORFOLK VA 23510-3310</u>			Phone no		<u>757-616-7000</u>			
	EIN <u>13-5565207</u>									

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

# Application for Extension of Time To File an Exempt Organization Return

Department of the Treasury  
Internal Revenue Service

► File a separate application for each return.

- If you are filing for an **Automatic 3-Month Extension**, complete only **Part I** and check this box  X
  - If you are filing for an **Additional (Not Automatic) 3-Month Extension**, complete only **Part II** (on page 2 of this form).
- Do not complete Part II unless** you have already been granted an automatic 3-month extension on a previously filed Form 8868.

### Part I Automatic 3-Month Extension of Time. Only submit original (no copies needed).

A corporation required to file Form 990-T and requesting an automatic 6-month extension - check this box and complete Part I only

All other corporations (including 1120-C filers), partnerships, REMICs, and trusts must use Form 7004 to request an extension of time to file income tax returns.

**Electronic Filing (e-file).** Generally, you can electronically file Form 8868 if you want a 3-month automatic extension of time to file one of the returns noted below (6 months for a corporation required to file Form 990-T). However, you cannot file Form 8868 electronically if (1) you want the additional (not automatic) 3-month extension or (2) you file Forms 990-BL, 6069, or 8870, group returns, or a composite or consolidated Form 990-T. Instead, you must submit the fully completed and signed page 2 (Part II) of Form 8868. For more details on the electronic filing of this form, visit [www.irs.gov/efile](http://www.irs.gov/efile) and click on *e-file for Charities & Nonprofits*.

Type or print  File by the due date for filing your return. See instructions.	Name of Exempt Organization <b>THE JAMES LAWRENCE KERNAN HOSPITAL</b>	Employer identification number <b>52-0591639</b>
	Number, street, and room or suite no. If a P.O. box, see instructions. <b>2200 KERNAN DRIVE</b>	
	City, town or post office, state, and ZIP code. For a foreign address, see instructions. <b>BALTIMORE, MD 21207</b>	

**Check type of return to be filed (file a separate application for each return):**

- |  |   |                                    |
|--|---|------------------------------------|
| <input checked="" type="checkbox"/> Form 990 | <input type="checkbox"/> Form 990-T (corporation)                 | <input type="checkbox"/> Form 4720 |
| <input type="checkbox"/> Form 990-BL         | <input type="checkbox"/> Form 990-T (sec. 401(a) or 408(a) trust) | <input type="checkbox"/> Form 5227 |
| <input type="checkbox"/> Form 990-EZ         | <input type="checkbox"/> Form 990-T (trust other than above)      | <input type="checkbox"/> Form 6069 |
| <input type="checkbox"/> Form 990-PF         | <input type="checkbox"/> Form 1041-A                              | <input type="checkbox"/> Form 8870 |

• The books are in the care of ► MS. MICHELLE LEE

Telephone No. ► 410 328-1376 FAX No. ► \_\_\_\_\_

- If the organization does not have an office or place of business in the United States, check this box
- If this is for a Group Return, enter the organization's four digit Group Exemption Number (GEN) \_\_\_\_\_ . If this is for the whole group, check this box  . If it is for part of the group, check this box  and attach a list with the names and EINs of all members the extension will cover.

1 I request an automatic 3-month (6 months for a corporation required to file Form 990-T) extension of time until 02/15, 2010 , to file the exempt organization return for the organization named above. The extension is for the organization's return for:

- calendar year \_\_\_\_\_ or
- tax year beginning 07/01, 2008 , and ending 06/30, 2009 .

2 If this tax year is for less than 12 months, check reason:  Initial return  Final return  Change in accounting period

<b>3a</b> If this application is for Form 990-BL, 990-PF, 990-T, 4720, or 6069, enter the tentative tax, less any nonrefundable credits. See instructions.	<b>3 a</b>	\$	NONE
<b>b</b> If this application is for Form 990-PF or 990-T, enter any refundable credits and estimated tax payments made. Include any prior year overpayment allowed as a credit.	<b>3 b</b>	\$	NONE
<b>c</b> <b>Balance Due.</b> Subtract line 3b from line 3a. Include your payment with this form, or, if required, deposit with FTD coupon or, if required, by using EFTPS (Electronic Federal Tax Payment System). See instructions.	<b>3 c</b>	\$	NONE

**Caution.** If you are going to make an electronic fund withdrawal with this Form 8868, see Form 8453-EO and Form 8879-EO for payment instructions.

For Privacy Act and Paperwork Reduction Act Notice, see Instructions.

- If you are filing for an **Additional (Not Automatic) 3-Month Extension**, complete only **Part II** and check this box  **X**.  
**Note.** Only complete Part II if you have already been granted an automatic 3-month extension on a previously filed Form 8868.
- If you are filing for an **Automatic 3-Month Extension**, complete only **Part I** (on page 1).

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

<b>Type or print</b> File by the extended due date for filing the return. See instructions.	Name of Exempt Organization <b>THE JAMES LAWRENCE KERNAN HOSPITAL</b>	Employer Identification number <b>52-0591639</b>
	Number, street, and room or suite no. If a P.O. box, see instructions. <b>2200 KERNAN DRIVE</b>	For IRS use only
	City, town or post office, state, and ZIP code. For a foreign address, see instructions. <b>BALTIMORE, MD 21207</b>	

Check type of return to be filed (File a separate application for each return):

<input checked="" type="checkbox"/> Form 990	<input type="checkbox"/> Form 990-PF	<input type="checkbox"/> Form 1041-A	<input type="checkbox"/> Form 6069
<input type="checkbox"/> Form 990-BL	<input type="checkbox"/> Form 990-T (sec. 401(a) or 408(a) trust)	<input type="checkbox"/> Form 4720	<input type="checkbox"/> Form 8870
<input type="checkbox"/> Form 990-EZ	<input type="checkbox"/> Form 990-T (trust other than above)	<input type="checkbox"/> Form 5227	

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

- The books are in the care of **MS. MICHELLE LEE**  
 Telephone No. **410 328-1376** FAX No. \_\_\_\_\_
- If the organization does not have an office or place of business in the United States, check this box
- If this is for a Group Return, enter the organization's four digit Group Exemption Number (GEN) \_\_\_\_\_. If this is for the whole group, check this box . If it is for part of the group, check this box  and attach a list with the names and EINs of all members the extension is for.

- I request an additional 3-month extension of time until **05/15/2010**.
- For calendar year \_\_\_\_\_, or other tax year beginning **07/01/2008**, and ending **06/30/2009**.
- If this tax year is for less than 12 months, check reason:  Initial return  Final return  Change in accounting period
- State in detail why you need the extension **INFORMATION NECESSARY TO PREPARE A COMPLETE A ACCURATE RETURN IS NOT YET AVAILABLE.**

<b>8a</b> If this application is for Form 990-BL, 990-PF, 990-T, 4720, or 6069, enter the tentative tax, less any nonrefundable credits. See instructions.	<b>8a</b> \$	NONE
<b>b</b> If this application is for Form 990-PF, 990-T, 4720, or 6069, enter any refundable credits and estimated tax payments made. Include any prior year overpayment allowed as a credit and any amount paid previously with Form 8868.	<b>8b</b> \$	NONE
<b>c</b> <b>Balance Due.</b> Subtract line 8b from line 8a. Include your payment with this form, or, if required, deposit with FTD coupon or, if required, by using EFTPS (Electronic Federal Tax Payment System). See instructions.	<b>8c</b> \$	

**Signature and Verification**

NONE

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

Signature **[Handwritten Signature]** Title **CPA** Date **11/11/09**

KPMG LLP  
 2100 DOMINION TOWER  
 NORFOLK, VA 23510-3310

**Part III** Statement of Program Service Accomplishments (see instructions)

1 Briefly describe the organization's mission:

KERNAN ORTHOPAEDICS AND REHABILITATION 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 exempt purpose achievements for each of the organization's three largest program services by expenses. Section 501(c)(3) and 501(c)(4) organizations and section 4947(a)(1) trusts 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 \$ 80,228,865. including grants of \$ \_\_\_\_\_) (Revenue \$ 102,841,698. )

THE ORGANIZATION OWNS AND OPERATES A MEDICAL SURGICAL AND REHABILITATION HOSPITAL WITH 132 LICENSED BEDS. THE HOSPITAL 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. THE HOSPITAL ESTIMATES THAT \$547,000 OF CHARITY CARE WAS PROVIDED IN 2009. OVERALL, THE HOSPITAL DELIVERS INNOVATIVE HIGH QUALITY, COST EFFECTIVE SURGICAL AND REHABILITATION SERVICES TO ITS COMMUNITY.

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

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

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

4e Total program service expenses ► \$ 80,228,865. (Must equal Part IX, Line 25, column (B).)

**Part IV Checklist of Required Schedules**

	Yes	No
1 Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? If "Yes," complete Schedule A	X	
2 Is the organization required to complete Schedule B, Schedule of Contributors?	X	
3 Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? If "Yes," complete Schedule C, Part I		X
4 Section 501(c)(3) organizations. Did the organization engage in lobbying activities? If "Yes," complete Schedule C, Part II	X	
5 Sections 501(c)(4), 501(c)(5), and 501(c)(6) organizations. Is the organization subject to the section 6033(e) notice and reporting requirement and proxy tax? If "Yes," complete Schedule C, Part III		
6 Did the organization maintain any donor advised funds or any accounts where donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? If "Yes," complete Schedule D, Part I		X
7 Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas, or historic structures? If "Yes," complete Schedule D, Part II		X
8 Did the organization maintain collections of works of art, historical treasures, or other similar assets? If "Yes," complete Schedule D, Part III		X
9 Did the organization report an amount in Part X, line 21; serve as a custodian for amounts not listed in Part X; or provide credit counseling, debt management, credit repair, or debt negotiation services? If "Yes," complete Schedule D, Part IV		X
10 Did the organization hold assets in term, permanent, or quasi-endowments? If "Yes," complete Schedule D, Part V		X
11 Did the organization report an amount in Part X, lines 10, 12, 13, 15, or 25? If "Yes," complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable	X	
12 Did the organization receive an audited financial statement for the year for which it is completing this return that was prepared in accordance with GAAP? If "Yes," complete Schedule D, Parts XI, XII, and XIII		X
13 Is the organization a school described in section 170(b)(1)(A)(ii)? If "Yes," complete Schedule E		X
14a Did the organization maintain an office, employees, or agents outside of the U.S.?		X
b Did the organization have aggregate revenues or expenses of more than \$10,000 from grantmaking, fundraising, business, and program service activities outside the U.S.? If "Yes," complete Schedule F, Part I		X
15 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of grants or assistance to any organization or entity located outside the United States? If "Yes," complete Schedule F, Part II		X
16 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of aggregate grants or assistance to individuals located outside the United States? If "Yes," complete Schedule F, Part III		X
17 Did the organization report more than \$15,000 on Part IX, column (A), line 11e? If "Yes," complete Schedule G, Part I		X
18 Did the organization report more than \$15,000 total on Part VIII, lines 1c and 8a? If "Yes," complete Schedule G, Part II		X
19 Did the organization report more than \$15,000 on Part VIII, line 9a? If "Yes," complete Schedule G, Part III		X
20 Did the organization operate one or more hospitals? If "Yes," complete Schedule H	X	
21 Did the organization report more than \$5,000 on Part IX, column (A), line 1? If "Yes," complete Schedule I, Parts I and II		X
22 Did the organization report more than \$5,000 on Part IX, column (A), line 2? If "Yes," complete Schedule I, Parts I and III		X
23 Did the organization answer "Yes" to Part VII, Section A, questions 3, 4, or 5? If "Yes," complete Schedule J	X	
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? If "Yes," answer questions 24b-24d and complete Schedule K. If "No," go to question 25		X
b Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?		
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?		
d Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?		
25a Section 501(c)(3) and 501(c)(4) organizations. Did the organization engage in an excess benefit transaction with a disqualified person during the year? If "Yes," complete Schedule L, Part I		X
b Did the organization become aware that it had engaged in an excess benefit transaction with a disqualified person from a prior year? If "Yes," complete Schedule L, Part I		X
26 Was a loan to or by a current or former officer, director, trustee, key employee, highly compensated employee, or disqualified person outstanding as of the end of the organization's tax year? If "Yes," complete Schedule L, Part II		X
27 Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, or substantial contributor, or to a person related to such an individual? If "Yes," complete Schedule L, Part III		X

**Part IV Checklist of Required Schedules (continued)**

		Yes	No
<b>28</b>	During the tax year, did any person who is a current or former officer, director, trustee, or key employee:		
<b>a</b>	Have a direct business relationship with the organization (other than as an officer, director, trustee, or employee), or an indirect business relationship through ownership of more than 35% in another entity (individually or collectively with other person(s) listed in Part VII, Section A)? <i>If "Yes," complete Schedule L, Part IV</i> . . . . .		X
<b>b</b>	Have a family member who had a direct or indirect business relationship with the organization? <i>If "Yes," complete Schedule L, Part IV</i> . . . . .		X
<b>c</b>	Serve as an officer, director, trustee, key employee, partner, or member of an entity (or a shareholder of a professional corporation) doing business with the organization? <i>If "Yes," complete Schedule L, Part IV</i> . . . . .		X
<b>29</b>	Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i> . . . . .		X
<b>30</b>	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i> . . . . .		X
<b>31</b>	Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i> . . . . .		X
<b>32</b>	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i> . . . . .		X
<b>33</b>	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations section 301.7701-2 and 301.7701-3? <i>If "Yes," complete Schedule R, Part I</i> . . . . .	X	
<b>34</b>	Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Parts II, III, IV, and V, line 1</i> . . . . .	X	
<b>35</b>	Is any related organization a controlled entity within the meaning of section 512(b)(13)? <i>If "Yes," complete Schedule R, Part V, line 2</i> . . . . .		X
<b>36</b>	<b>Section 501(c)(3) organizations.</b> Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2</i> . . . . .		X
<b>37</b>	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? <i>If "Yes," complete Schedule R, Part VI</i> . . . . .		X

Part V Statements Regarding Other IRS Filings and Tax Compliance

Table with columns for question number, description, and Yes/No checkboxes. Includes questions 1a through 12b regarding IRS filings and tax compliance.

**Part VI Governance, Management, and Disclosure** (Sections A, B, and C request information about policies not required by the Internal Revenue Code.)

**Section A. Governing Body and Management**

For each "Yes" response to lines 2-7b below, and for a "No" response to lines 8 or 9b below, describe the circumstances, process, or changes in Schedule O. See instructions.

		Yes	No
1a	Enter the number of voting members of the governing body . . . . .	11	
1b	Enter the number of voting members that are independent . . . . .	9	
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? . . . . .		X
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? . . . . .		X
4	Did the organization make any significant changes to its organizational documents since the prior Form 990 was filed? . . . . .		X
5	Did the organization become aware during the year of a material diversion of the organization's assets? . . . . .		X
6	Does the organization have members or stockholders? . . . . .	X	
7a	Does the organization have members, stockholders, or other persons who may elect one or more members of the governing body? . . . . .	X	
7b	Are any decisions of the governing body subject to approval by members, stockholders, or other persons? . . . . .	X	
8	Did the organizations contemporaneously document the meetings held or written actions undertaken during the year by the following:		
8a	a The governing body? . . . . .	X	
8b	b Each committee with authority to act on behalf of the governing body? . . . . .	X	
9a	Does the organization have local chapters, branches, or affiliates? . . . . .		X
9b	b If "Yes," does the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with those of the organization? . . . . .		
10	Was a copy of the Form 990 provided to the organization's governing body before it was filed? All organizations must describe in Schedule O the process, if any, the organization uses to review the Form 990 . . . . .	X	
11	Is there any officer, director or trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O . . . . .		X

**Section B. Policies**

		Yes	No
12a	Does the organization have a written conflict of interest policy? If "No," go to line 13 . . . . .	X	
12b	b Are officers, directors or trustees, and key employees required to disclose annually interests that could give rise to conflicts? . . . . .	X	
12c	c Does the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this is done . . . . .	X	
13	Does the organization have a written whistleblower policy? . . . . .	X	
14	Does the organization have a written document retention and destruction policy? . . . . .	X	
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	a The organization's CEO, Executive Director, or top management official? . . . . .	X	
15b	b Other officers or key employees of the organization? . . . . . Describe the process in Schedule O. (see instructions)	X	
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? . . . . .		X
16b	b If "Yes," has the organization adopted a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and taken 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 ► \_\_\_\_\_
- 18 Section 6104 requires an organization to make its Forms 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection. Indicate how you make these available. Check all that apply.  
 Own website     Another's website     Upon request
- 19 Describe in Schedule O whether (and if so, how), the organization makes its governing documents, conflict of interest policy, and financial statements available to the public.
- 20 State the name, physical address, and telephone number of the person who possesses the books and records of the organization: ► S. MICHELLE LEE 110 SOUTH PACA STREET, 7TH FLOOR BALTIMORE, MD 21201-1595  
(410) 328-1376





**Part VIII Statement of Revenue**

52-0591639

				(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514	
Contributions, gifts, grants and other similar amounts	1a	Federated campaigns . . . . .	1a					
	b	Membership dues . . . . .	1b					
	c	Fundraising events . . . . .	1c					
	d	Related organizations . . . . .	1d	272,999.				
	e	Government grants (contributions) . .	1e	750,000.				
	f	All other contributions, gifts, grants, and similar amounts not included above .	1f					
	g	Noncash contributions included in lines 1a-1f: \$						
	h	<b>Total.</b> Add lines 1a-1f . . . . .		1,022,999.				
Program Service Revenue	2a	PATIENT SERVICE REVENUE	Business Code 900099	102,841,698.	102,841,698.	NONE	NONE	
	b							
	c							
	d							
	e							
	f	All other program service revenue . . . . .				NONE	NONE	
	g	<b>Total.</b> Add lines 2a-2f . . . . .		102,841,698.				
Other Revenue	3	Investment income (including dividends, interest, and other similar amounts) . . . . .		90,894.			90,894.	
	4	Income from investment of tax-exempt bond proceeds . . .		NONE				
	5	Royalties . . . . .		NONE				
	6a	Gross Rents . . . . .	(i) Real					
			(ii) Personal					
			b	Less: rental expenses . . . . .				
			c	Rental income or (loss) . . . . .				
	d	Net rental income or (loss) . . . . .		NONE				
	7a	Gross amount from sales of assets other than inventory	(i) Securities					
			(ii) Other					
			b	Less: cost or other basis and sales expenses . . . . .				
			c	Gain or (loss) . . . . .				
	d	Net gain or (loss) . . . . .		-534,369.			-534,369.	
	8a	Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c). See Part IV, line 18. . . . .	a					
			b	Less: direct expenses . . . . .				
c			Net income or (loss) from fundraising events . . . . .		NONE			
9a	Gross income from gaming activities. See Part IV, line 19. . . . .	a						
		b	Less: direct expenses . . . . .					
		c	Net income or (loss) from gaming activities . . . . .		NONE			
10a	Gross sales of inventory, less returns and allowances . . . . .	a						
		b	Less: cost of goods sold . . . . .					
		c	Net income or (loss) from sales of inventory. . . . .		NONE			
		Miscellaneous Revenue	Business Code					
11a	CAFE/VENDING	722210	345,648.	345,648.				
b	MISC.	900099	373,982.	373,982.				
c	OUTPATIENT PHARMACY	446110	1,204,418.	1,204,418.				
d	All other revenue . . . . .	900099	301,443.	301,443.				
e	<b>Total.</b> Add lines 11a-11d . . . . .		2,225,491.					
12	<b>Total Revenue.</b> Add lines 1h, 2g, 3, 4, 5, 6d, 7d, 8c, 9c, 10c, and 11e . . . . .		105,646,713.	105,067,189.	NONE	-443,475.		

**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) but are not required to complete columns (B), (C), and (D).

<i>Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.</i>	(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1 Grants and other assistance to governments and organizations in the U.S. See Part IV, line 21 . . .	NONE			
2 Grants and other assistance to individuals in the U.S. See Part IV, line 22 . . . . .	NONE			
3 Grants and other assistance to governments, organizations, and individuals outside the U.S. See Part IV, lines 15 and 16 . . . . .	NONE			
4 Benefits paid to or for members . . . . .	NONE			
5 Compensation of current officers, directors, trustees, and key employees . . . . .	1,494,433.	1,234,193.	260,240.	
6 Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B) . . .	NONE			
7 Other salaries and wages . . . . .	37,689,571.	31,126,312.	6,563,259.	
8 Pension plan contributions (include section 401 (k) and section 403(b) employer contributions) . .	1,578,247.	1,228,343.	349,904.	
9 Other employee benefits . . . . .	4,595,048.	3,576,305.	1,018,743.	
10 Payroll taxes . . . . .	2,771,378.	2,156,951.	614,427.	
11 Fees for services (non-employees):				
a Management . . . . .	1,932,089.		1,932,089.	
b Legal . . . . .	48,807.		48,807.	
c Accounting . . . . .	100,818.		100,818.	
d Lobbying . . . . .	7,336.		7,336.	
e Professional fundraising services. See Part IV, line 17	NONE			
f Investment management fees . . . . .	NONE			
g Other . . . . .	336,874.		336,874.	
12 Advertising and promotion . . . . .	NONE			
13 Office expenses . . . . .	12,988,615.	12,907,840.	80,775.	
14 Information technology . . . . .	1,399,316.		1,399,316.	
15 Royalties . . . . .	NONE			
16 Occupancy . . . . .	NONE			
17 Travel . . . . .	NONE			
18 Payments of travel or entertainment expenses for any federal, state, or local public officials	NONE			
19 Conferences, conventions, and meetings . . . .	NONE			
20 Interest . . . . .	606,735.	472,219.	134,516.	
21 Payments to affiliates . . . . .	NONE			
22 Depreciation, depletion, and amortization . . . .	3,440,651.	2,677,622.	763,029.	
23 Insurance . . . . .	NONE			
24 Other expenses. Itemize expenses not covered above. (Expenses grouped together and labeled miscellaneous may not exceed 5% of total expenses shown on line 25 below.)				
a PURCHASED SERVICES -----	15,183,367.	6,906,313.	8,277,054.	
b PHYSICIAN FEE -----	7,633,948.	7,633,948.		
c BAD DEBTS -----	8,245,182.	8,245,182.		
d SUPPLIES -----	3,074,987.	2,063,637.	1,011,350.	
e -----				
f All other expenses -----				
25 Total functional expenses. Add lines 1 through 24f	103,127,402.	80,228,865.	22,898,537.	NONE
26 Joint Costs. Check here <input type="checkbox"/> If following SOP 98-2. Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation . . . . .				

**Part X Balance Sheet**

		(A) Beginning of year		(B) End of year
<b>Assets</b>	1	Cash - non-interest-bearing . . . . .		1
	2	Savings and temporary cash investments . . . . .	6,173,260.	2 9,628,962.
	3	Pledges and grants receivable, net . . . . .		3
	4	Accounts receivable, net . . . . .	15,811,189.	4 16,318,938.
	5	Receivables from current and former officers, directors, trustees, key employees, or other related parties. Complete Part II of Schedule L . . . . .		5
	6	Receivables from other disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B). Complete Part II of Schedule L . . . . .		6
	7	Notes and loans receivable, net . . . . .		7
	8	Inventories for sales or use . . . . .	894,434.	8 888,214.
	9	Prepaid expenses and deferred charges . . . . .	101,120.	9 NONE
	10a	Land, buildings, and equipment: cost basis . . . . .	10a 76,003,893.	
	b	Less: accumulated depreciation. Complete Part VI of Schedule D. . . . .	10b 38,512,715.	10c 37,491,178.
	11	Investments - publicly traded securities . . . . .		11 7,593,895.
	12	Investments - other securities. See Part IV, line 11 . . . . .	11,902,519.	12 2,730,673.
	13	Investments - program-related. See Part IV, line 11 . . . . .		13
	14	Intangible assets . . . . .		14
	15	Other assets. See Part IV, line 11 . . . . .	33,507,507.	15 26,472,902.
16	<b>Total assets.</b> Add lines 1 through 15 (must equal line 34) . . . . .	105,635,895.	16 101,124,762.	
<b>Liabilities</b>	17	Accounts payable and accrued expenses . . . . .	10,849,996.	17 9,206,243.
	18	Grants payable . . . . .		18
	19	Deferred revenue . . . . .		19
	20	Tax-exempt bond liabilities . . . . .		20
	21	Escrow account liability. Complete Part IV of Schedule D . . . . .		21
	22	Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons. Complete Part II of Schedule L . . . . .		22
	23	Secured mortgages and notes payable to unrelated third parties . . . . .		23
	24	Unsecured notes and loans payable. . . . .		24
	25	Other liabilities. Complete Part X of Schedule D . . . . .	18,544,214.	25 20,855,391.
	26	<b>Total liabilities.</b> Add lines 17 through 25. . . . .	29,394,210.	26 30,061,634.
<b>Net Assets or Fund Balances</b>	Organizations that follow SFAS 117, check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.			
	27	Unrestricted net assets . . . . .	43,418,087.	27 44,894,872.
	28	Temporarily restricted net assets . . . . .	32,823,598.	28 26,168,256.
	29	Permanently restricted net assets . . . . .		29
	Organizations that do not follow SFAS 117, 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	<b>Total net assets or fund balances</b> . . . . .	76,241,685.	33 71,063,128.	
34	<b>Total liabilities and net assets/fund balances.</b> . . . . .	105,635,895.	34 101,124,762.	

**Part XI Financial Statements and Reporting**

		Yes	No
1	Accounting method used to prepare the Form 990: <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Accrual <input type="checkbox"/> Other		
2a	Were the organization's financial statements compiled or reviewed by an independent accountant? . . . . .		X
b	Were the organization's financial statements audited by an independent accountant? . . . . .		X
c	If "Yes" to lines 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? . . . . .		
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? . . . . .		X
b	If "Yes," did the organization undergo the required audit or audits? . . . . .		



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.)

Section A. Public Support

Table with 7 columns: (a) 2004, (b) 2005, (c) 2006, (d) 2007, (e) 2008, (f) Total. Rows include: 1 Gifts, grants, contributions, and membership fees received; 2 Tax revenues levied for the organization's benefit; 3 The value of services or facilities furnished by a governmental unit; 4 Total. Add lines 1-3; 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

Table with 7 columns: (a) 2004, (b) 2005, (c) 2006, (d) 2007, (e) 2008, (f) Total. Rows include: 7 Amounts from line 4; 8 Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources; 9 Net income from unrelated business activities, whether or not the business is regularly carried on; 10 Other income. Do not include gain or loss from the sale of capital assets (Explain in Part IV.); 11 Total support. Add lines 7 through 10; 12 Gross receipts from related activities, etc. (See instructions.); 13 First five years. If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and stop here.

Section C. Computation of Public Support Percentage

Table with 2 columns: Line number, Description and percentage. Rows include: 14 Public support percentage for 2008 (line 6, column (f) divided by line 11, column (f)) 14%; 15 Public support percentage from 2007 Schedule A, Part IV-A, line 26f 15%; 16a 33 1/3% support test - 2008. 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; 16b 33 1/3% support test - 2007. If the organization did not check a box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and stop here. The organization qualifies as a publicly supported organization; 17a 10%-facts-and-circumstances test - 2008. 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 "fact-and-circumstances" test, check this box and stop here. Explain in Part IV how the organization meets the "facts and circumstances" test. The organization qualifies as a publicly supported organization; 17b 10%-facts-and-circumstances test - 2007. If the organization did not check a box on line 13, 16a, 16b, or 17a, and line 15 is 10% or more, and if the organization meets the "facts and circumstances" test, check this box and stop here. Explain in Part IV how the organization meets the "facts-and-circumstances" test. The organization qualifies as a publicly supported organization; 18 Private foundation. If the organization did not check a box on line 13, 16a, 16b, 17a, or 17b, check this box and see instructions.

**Part III Support Schedule for Organizations Described in Section 509(a)(2)**  
 (Complete only if you checked the box on line 9 of Part I.)

**Section A. Public Support**

Calendar year (or fiscal year beginning in) ▶	(a) 2004	(b) 2005	(c) 2006	(d) 2007	(e) 2008	(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 1-5 . . . . .						
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 1% of the total of lines 9, 10c, 11, and 12 for the year or \$5,000 . . . . .						
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) 2004	(b) 2005	(c) 2006	(d) 2007	(e) 2008	(f) Total
9 Amounts from line 6. . . . .						
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources . . . . .						
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975 . . . . .						
c Add lines 10a and 10b . . . . .						
11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on . . . . .						
12 Other income. Do not include gain or loss from the sale of capital assets (Explain in Part IV.) . . . . .						
13 Total support. (Add lines 9, 10c, 11, and 12.) . . . . .						

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

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

15 Public support percentage for 2008 (line 8, column (f) divided by line 13, column (f)). . . . .	15	%
16 Public support percentage from 2007 Schedule A, Part IV-A, line 27g . . . . .	16	%

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

17 Investment income percentage for 2008 (line 10c, column (f) divided by line 13, column (f)) . . . . .	17	%
18 Investment income percentage from 2007 Schedule A, Part IV-A, line 27h . . . . .	18	%

19a **33 1/3% support tests - 2008.** 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 - 2007.** 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 . . . . .



Schedule of Contributors

▶ Attach to Form 990, 990-EZ, and 990-PF.

2008

Name of the organization THE JAMES LAWRENCE KERNAN HOSPITAL	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 organizations filing Form 990, 990-EZ, or 990-PF that received, during the year, \$5,000 or more (in money or property) from any one contributor. Complete Parts I and II.

**Special Rules**

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

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

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

**Caution.** Organizations that are not covered by the General Rule and/or the Special Rules do not file Schedule B (Form 990, 990-EZ, or 990-PF), but they must answer "No" on Part IV, line 2 of their Form 990, or check the box in the heading of their Form 990-EZ, or on line 2 of their Form 990-PF, to certify that they do not meet the filing requirements of Schedule B (Form 990, 990-EZ, or 990-PF).

For Privacy Act and Paperwork Reduction Act Notice, see the Instructions for Form 990. These instructions will be issued separately.

Schedule B (Form 990, 990-EZ, or 990-PF) (2008)

Name of organization **THE JAMES LAWRENCE KERNAN HOSPITAL** Employer identification number **52-0591639**

**Part I** Contributors (see instructions)

(a) No.	(b) Name, address, and ZIP + 4	(c) Aggregate contributions	(d) Type of contribution
1	JLK ENDOWMENT FUND INC. 2200 KERNAN DRIVE BALTIMORE, MD 21207	\$ 272,999.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution.)
2	STATE OF MARYLAND 45 CALVERT STREET ANNAPOLIS, MD 21401	\$ 750,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution.)
		\$ _____	Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution.)
		\$ _____	Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution.)
		\$ _____	Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution.)
		\$ _____	Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution.)

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

**Political Campaign and Lobbying Activities**  
For Organizations Exempt From Income Tax Under section 501(c) and section 527

OMB No. 1545-0047

**2008**

**Open to Public Inspection**

Department of the Treasury  
Internal Revenue Service

▶ To be completed by organizations described below.  
▶ Attach to Form 990 or Form 990-EZ.

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

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

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

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

If the organization answered "Yes," to Form 990, Part IV, line 5 (Proxy Tax), then

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

Name of organization <b>THE JAMES LAWRENCE KERNAN HOSPITAL</b>	Employer identification number <b>52-0591639</b>
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**Part I-A To be completed by all organizations exempt under section 501(c) and section 527 organizations.**  
See the instructions for Schedule C for details.

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

**Part I-B To be completed by all organizations exempt under section 501(c)(3).**  
See the instructions for Schedule C for details.

- 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 To be completed by all organizations exempt under section 501(c), except section 501(c)(3).**  
See the instructions for Schedule C for details.

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

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

**Part II-A** To be completed by organizations exempt under section 501(c)(3) that filed Form 5768 (election under section 501(h)). See the instructions for Schedule C for details.

- A Check  if the filing organization belongs to an affiliated group.  
 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												
1 a	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"> <tr> <td>If the amount on line 1e, column (a) or (b) is:</td> <td>The lobbying nontaxable amount is:</td> </tr> <tr> <td>Not over \$500,000</td> <td>20% of the amount on line 1e.</td> </tr> <tr> <td>Over \$500,000 but not over \$1,000,000</td> <td>\$100,000 plus 15% of the excess over \$500,000.</td> </tr> <tr> <td>Over \$1,000,000 but not over \$1,500,000</td> <td>\$175,000 plus 10% of the excess over \$1,000,000.</td> </tr> <tr> <td>Over \$1,500,000 but not over \$17,000,000</td> <td>\$225,000 plus 5% of the excess over \$1,500,000.</td> </tr> <tr> <td>Over \$17,000,000</td> <td>\$1,000,000.</td> </tr> </table>		If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:	Not over \$500,000	20% of the amount on line 1e.	Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000.	Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000.	Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000.	Over \$17,000,000	\$1,000,000.		
If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:														
Not over \$500,000	20% of the amount on line 1e.														
Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000.														
Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000.														
Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000.														
Over \$17,000,000	\$1,000,000.														
g	Grassroots nontaxable amount (enter 25% of line 1f) . . . . .														
h	Subtract line 1g from line 1a. Enter -0- if line g is more than line a . . . . .														
i	Subtract line 1f from line 1c. Enter -0- if line f is more than line c . . . . .														
j	If there is an amount other than zero on either line 1h or line 1i, did the organization file Form 4720 reporting section 4911 tax for this year? . . . . .		<input type="checkbox"/> Yes <input type="checkbox"/> No												

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

Lobbying Expenditures During 4-Year Averaging Period					
Calendar year (or fiscal year beginning in)	(a) 2005	(b) 2006	(c) 2007	(d) 2008	(e) Total
2 a	Lobbying non-taxable amount				
b	Lobbying ceiling amount (150% line 2a, column(e))				
c	Total lobbying expenditures				
d	Grassroots non-taxable amount				
e	Grassroots ceiling amount (150% of line 2d, column (e))				
f	Grassroots lobbying expenditures				

Part II-B To be completed by organizations exempt under section 501(c)(3) that have NOT filed Form 5768 (election under section 501(h)). See the instructions for Schedule C for details.

Table with columns (a) Yes/No and (b) Amount. Rows include: 1 During the year, did the filing organization attempt to influence foreign, national, state or local legislation... a Volunteers? b Paid staff or management... c Media advertisements? d Mailings to members... e Publications... f Grants to other organizations... g Direct contact with legislators... h Rallies, demonstrations... i Other activities... j Total lines 1c through 1i... 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 To be completed by all organizations exempt under section 501(c)(4), section 501(c)(5), or section 501(c)(6). See the instructions for Schedule C for details.

Table with columns Yes/No. Rows include: 1 Were substantially all (90% or more) dues received nondeductible by members? 2 Did the organization make only in-house lobbying expenditures of \$2,000 or less? 3 Did the organization agree to carryover lobbying and political expenditures from the prior year?

Part III-B To be completed by all organizations exempt under section 501(c)(4), section 501(c)(5), or section 501(c)(6) if BOTH Part III-A, questions 1 and 2 are answered "No" OR if Part III-A, question 3 is answered "Yes." See Schedule C instructions for details.

Table with columns 1-5. Rows include: 1 Dues, assessments and similar amounts from members 2 Section 162(e) non-deductible lobbying and political expenditures (do not include amounts of political expenses for which the section 527(f) tax was paid). a Current year b Carryover from last year c Total 3 Aggregate amount reported in section 6033(e)(1)(A) notices of nondeductible section 162(e) dues 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? 5 Taxable amount of lobbying and political expenditures (line 2c total minus 3 and 4)

Part IV Supplemental Information

Complete this part to provide the descriptions required for Part I-A, line 1; Part I-B, line 4; Part I-C, line 5 and Part II-B, line 1i. Also, complete this part for any additional information.

SEE PAGE 4

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**Part IV** Supplemental Information (continued)

SCHEDULE C, PART II-B, LINE 11

LOBBYING ACTIVITIES

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 14.51% AND 26.13% OF MEMBER DUES WERE USED FOR LOBBYING PURPOSES AND AS SUCH, THE ORGANIZATION HAS REPORTED THIS AMOUNT ON SCHEDULE C PART IV AS LOBBYING ACTIVITIES.

**SCHEDULE D  
(Form 990)**

**Supplemental Financial Statements**

OMB No. 1545-0047

**2008**

**Open to Public Inspection**

Department of the Treasury  
Internal Revenue Service

▶ **Attach to Form 990. To be completed by organizations that answered "Yes," to Form 990, Part IV, line 6, 7, 8, 9, 10, 11, or 12.**

Name of the organization

Employer identification number

THE JAMES LAWRENCE KERNAN HOSPITAL

52-0591639

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

	(a) Donor advised funds	(b) Funds and other accounts
1 Total number at end of year . . . . .		
2 Aggregate contributions to (during year) . . . . .		
3 Aggregate grants from (during year) . . . . .		
4 Aggregate value at end of year . . . . .		
5 Did the organization inform all donors and donor advisors in writing that the assets held in donor advised funds are the organization's property, subject to the organization's exclusive legal control? . . . . .		<input type="checkbox"/> Yes <input type="checkbox"/> No
6 Did the organization inform all grantees, donors, and donor advisors in writing that grant funds may be used only for charitable purposes and not for the benefit of the donor or donor advisor or other impermissible private benefit? . . . . .		<input type="checkbox"/> Yes <input type="checkbox"/> No

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

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

<input type="checkbox"/> Preservation of land for public use (e.g., recreation or pleasure)	<input type="checkbox"/> Preservation of an historically importantly land area
<input type="checkbox"/> Protection of natural habitat	<input type="checkbox"/> Preservation of certified historic structure
<input type="checkbox"/> Preservation of open space	

2 Complete lines 2a-2d if the organization held a qualified conservation contribution in the form of a conservation easement on the last day of the tax year.

	Held at the End of the Year
a Total number of conservation easements . . . . .	2 a
b Total acreage restricted by conservation easements . . . . .	2 b
c Number of conservation easements on a certified historic structure included in (a) . . . . .	2 c
d Number of conservation easements included in (c) acquired after 8/17/06 . . . . .	2 d

3 Number of conservation easements modified, transferred, released, extinguished, or terminated by the organization during the taxable year ▶ \_\_\_\_\_

4 Number of states where property subject to conservation easement is located ▶ \_\_\_\_\_

5 Does the organization have a written policy regarding the periodic monitoring, inspection, violations, and enforcement of the conservation easements it holds? . . . . .  Yes  No

6 Staff or volunteer hours devoted to monitoring, inspecting, and enforcing easements during the year ▶ \_\_\_\_\_

7 Amount of expenses incurred in monitoring, inspecting, and enforcing easements during the year ▶ \$ \_\_\_\_\_

8 Does each conservation easement reported on line 2(d) above satisfy the requirements of section 170(h)(4)(B)(i) and 170(h)(4)(B)(ii)? . . . . .  Yes  No

9 In Part XIV, describe how the organization reports conservation easements in its revenue and expense statement, and balance sheet, and include, if applicable, the text of the footnote to the organization's financial statements that describes the organization's accounting for conservation easements.

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

- 1a If the organization elected, as permitted under SFAS 116, not to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide, in Part XIV, the text of the footnote to its financial statements that describes these items.
- b If the organization elected, as permitted under SFAS 116, to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide the following amounts relating to these items:
- (i) Revenues included in Form 990, Part VIII, line 1 . . . . . ▶ \$ \_\_\_\_\_
- (ii) Assets included in Form 990, Part X . . . . . ▶ \$ \_\_\_\_\_
- 2 If the organization received or held works of art, historical treasures, or other similar assets for financial gain, provide the following amounts required to be reported under SFAS 116 relating to these items:
- a Revenues included in Form 990, Part VIII, line 1 . . . . . ▶ \$ \_\_\_\_\_
- b Assets included in Form 990, Part X . . . . . ▶ \$ \_\_\_\_\_

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

Schedule D (Form 990) 2008

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

3 Using the organization's 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 XIV.

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

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

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

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

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

b If "Yes," explain the arrangement in Part XIV.

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

	(a) Current Year	(b) Prior year	(c) Two years back	(d) Three years back	(e) Four years back
1a Beginning of year balance . . . . .					
b Contributions . . . . .					
c Investment earnings or 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 year end balance held as:

- a Board designated or quasi-endowment ▶ \_\_\_\_\_ %
- b Permanent endowment ▶ \_\_\_\_\_ %
- c Term endowment ▶ \_\_\_\_\_ %

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

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

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

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

4 Describe in Part XIV the intended uses of the organization's endowment funds.

**Part VI Investments - Land, Buildings, and Equipment. See Form 990, Part X, line 10.**

Description of investment	(a) Cost or other basis (Investment)	(b) Cost or other basis (other)	(c) Depreciation	(d) Book value
1a Land . . . . .	NONE	1,460,542.		1,460,542.
b Buildings . . . . .	NONE	47,946,004.	19,319,776.	28,626,228.
c Leasehold improvements . . . . .				
d Equipment . . . . .	NONE	22,558,015.	18,881,066.	3,676,949.
e Other . . . . .	NONE	4,039,332.	311,873.	3,727,459.
<b>Total. Add lines 1a-1e. (Column (d) should equal Form 990, Part X, column (B), line 10(c).)</b> . . . . . ▶				<b>37,491,178.</b>

**Part VII Investments - Other Securities.** 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
Financial derivatives and other financial products . . . . .		
Closely-held equity interests . . . . .		
Other _____		
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<b>Total.</b> (Column (b) should equal Form 990, Part X, col. (B) line 12.) ▶	2,730,673.	

**Part VIII Investments - Program Related.** See Form 990, Part X, line 13.

(a) Description of investment type	(b) Book value	(c) Method of valuation: Cost or end-of-year market value
<b>Total.</b> (Column (b) should equal Form 990, Part X, col. (B) line 13.) ▶		

**Part IX Other Assets.** See Form 990, Part X, line 15.

(a) Description	(b) Book value
DUE FROM AFFILIATES	437,437.
KERNAN ENDOWMENT	24,187,060.
DUE FROM UMMS FOUNDATION	1,848,405.
<b>Total.</b> (Column (b) should equal Form 990, Part X, col. (B) line 15.) ▶	26,472,902.

**Part X Other Liabilities.** See Form 990, Part X, line 25.

(a) Description of liability	(b) Amount	
Federal income taxes		
DUE TO THIRD PARTY	2,499,757.	
PATIENT A/R CREDIT BALANCES	765,643.	
FIN47 ACCRUAL	373,782.	
DUE TO AFFILIATES	17,200,658.	
OTHER LIABILITIES	15,551.	
<b>Total.</b> (Column (b) should equal Form 990, Part X, col. (B) line 25.) ▶	20,855,391.	

In Part XIV, 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.

**Part XI Reconciliation of Change in Net Assets from Form 990 to Financial Statements**

Table with 10 rows for reconciliation of net assets. Rows include: 1 Total revenue, 2 Total expenses, 3 Excess or (deficit) for the year, 4 Net unrealized gains, 5 Donated services, 6 Investment expenses, 7 Prior period adjustments, 8 Other, 9 Total adjustments, 10 Excess or (deficit) per financial statements.

**Part XII Reconciliation of Revenue per Audited Financial Statements With Revenue per Return**

Table with 5 main rows for revenue reconciliation. Includes sub-rows for adjustments: 2a-d (additions) and 4a-b (deductions). Total revenue is shown on line 5.

**Part XIII Reconciliation of Expenses per Audited Financial Statements With Expenses per Return**

Table with 5 main rows for expense reconciliation. Includes sub-rows for adjustments: 2a-d (deductions) and 4a-b (additions). Total expenses are shown on line 5.

**Part XIV Supplemental Information**

Complete this part to 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; Part XI, line 8; Part XII, lines 2d and 4b; and Part XIII, lines 2d and 4b.

SEE PAGE 5

Series of horizontal dashed lines provided for entering supplemental information.

**Part XIV** Supplemental Information (continued)

SCHEDULE D

FIN 48 FOOTNOTE PER AUDIT REPORT

THE ORGANIZATION IS A SUBSIDIARY OF UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION (THE CORPORATION). THE CORPORATION ADOPTED THE PROVISIONS OF FASB INTERPRETATION NO. 48, ACCOUNTING FOR UNCERTAINTY IN INCOME TAXES (FIN 48), ON JULY 1, 2007. FIN 48 PRESCRIBES A THRESHOLD OF MORE-LIKELY-THAN-NOT FOR RECOGNITION AND DERECOGNITION OF TAX POSITIONS TAKEN OR EXPECTED TO BE TAKEN IN A TAX RETURN. FIN 48 ALSO RECOGNIZES RELATED GUIDANCE ON MEASUREMENT, CLASSIFICATION, INTEREST AND PENALTIES, AND DISCLOSURE. THE IMPLEMENTATION OF FIN 48 DID NOT HAVE A SIGNIFICANT IMPACT ON THE CORPORATION'S BALANCE SHEET OR STATEMENT OF OPERATIONS. MANAGEMENT DOES NOT BELIEVE THAT THERE ARE ANY UNRECOGNIZED TAX BENEFITS THAT SHOULD BE RECOGNIZED.

**SCHEDULE H**  
(Form 990)

**Hospitals**

OMB No. 1545-0047

**2008**

**Open to Public Inspection**

▶ To be completed by organizations that answer "Yes" to Form 990,  
Part IV, line 20.  
▶ Attach to Form 990.

Department of the Treasury  
Internal Revenue Service  
Name of the organization

Employer identification number

THE JAMES LAWRENCE KERNAN HOSPITAL

52-0591639

**Part I Charity Care and Certain Other Community Benefits at Cost (Optional for 2008)**

	Yes	No
1 a Does the organization have a charity care policy? If "No," skip to question 6a . . . . .		
b If "Yes," is it a written policy? . . . . .		
2 If the organization has multiple hospitals, indicate which of the following best describes application of the charity care policy to the various hospitals. <input type="checkbox"/> Applied uniformly to all hospitals <input type="checkbox"/> Applied uniformly to most hospitals <input type="checkbox"/> Generally tailored to individual hospitals		
3 Answer the following based on the charity care eligibility criteria that applies to the largest number of the organization's patients. a Does the organization use Federal Poverty Guidelines (FPG) to determine eligibility for providing <i>free</i> care to low income individuals? If "Yes," indicate which of the following is the family income limit for eligibility for free care: . . . . . <input type="checkbox"/> 100% <input type="checkbox"/> 150% <input type="checkbox"/> 200% <input type="checkbox"/> Other _____ %		
b Does the organization use FPG to determine eligibility for providing <i>discounted</i> care to low income individuals? If "Yes," indicate which of the following is the family income limit for eligibility for discounted care: . . . . . <input type="checkbox"/> 200% <input type="checkbox"/> 250% <input type="checkbox"/> 300% <input type="checkbox"/> 350% <input type="checkbox"/> 400% <input type="checkbox"/> Other _____ %		
c If the organization does not use FPG to determine eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care. Include in the description whether the organization uses an asset test or other threshold, regardless of income, to determine eligibility for free or discounted care.		
4 Does the organization's policy provide free or discounted care to the "medically indigent"? . . . . .		
5 a Does the organization budget amounts for free or discounted care provided under its charity care policy? . . . . .		
b If "Yes," did the organization's charity care expenses exceed the budgeted amount? . . . . .		
c If "Yes" to 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? . . . . .		
6 a Does the organization prepare an annual community benefit report? . . . . .		
b If "Yes," does the organization make it available to the public? . . . . .		

7 Charity Care and Certain Other Community Benefits at Cost	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
<b>Charity Care and Means-Tested Government Programs</b>						
a Charity care at cost (from Worksheets 1 and 2) . . . . .						
b Unreimbursed Medicaid (from Worksheet 3, column a) . . . . .						
c Unreimbursed costs - other means-tested government programs (from Worksheet 3, column b) . . . . .						
d Total Charity Care and Means-Tested Government Programs . . . . .						
<b>Other Benefits</b>						
e Community health improvement services and community benefit operations (from Worksheet 4) . . . . .						
f Health professions education (from Worksheet 5) . . . . .						
g Subsidized health services (from Worksheet 6) . . . . .						
h Research (from Worksheet 7) . . . . .						
i Cash and in-kind contributions to community groups (from Worksheet 8)						
j Total Other Benefits . . . . .						
k Total (line 7d and 7j) . . . . .						

For Privacy Act and Paperwork Reduction Act Notice, see the Instructions for Form 990. Schedule H (Form 990) 2008

**Part II Community Building Activities** Complete this table if the organization conducted any community building activities. (Optional for 2008)

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

**Part III Bad Debt, Medicare, & Collection Practices** (Optional for 2008)

**Section A. Bad Debt Expense**

	Yes	No
1 Does the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No. 15? . . . . .		
2 Enter the amount of the organization's bad debt expense (at cost) . . . . .		
3 Enter the estimated amount of the organization's bad debt expense (at cost) attributable to patients eligible under the organization's charity care policy . . . . .		
4 Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense. In addition, describe the costing methodology used in determining the amounts reported on lines 2 and 3, or rationale for including other bad debt amounts in community benefit.		

**Section B. Medicare**

5 Enter total revenue received from Medicare (including DSH and IME) . . . . .	5	
6 Enter Medicare allowable costs of care relating to payments on line 5 . . . . .	6	
7 Enter line 5 less line 6 - surplus or (shortfall) . . . . .	7	
8 Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit and the costing methodology or source used to determine the amount reported on line 6, and indicate which of the following methods was used: <input type="checkbox"/> Cost accounting system <input type="checkbox"/> Cost to charge ratio <input type="checkbox"/> Other		

**Section C. Collection Practices**

9a Does the organization have a written debt collection policy? . . . . .	9a	
b If "Yes," does the organization's collection policy contain provisions on the collection practices to be followed for patients who are known to qualify for charity care or financial assistance? Describe in Part VI. . . . .	9b	

**Part IV Management Companies and Joint Ventures** (Optional for 2008)

(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				
14				





**SCHEDULE J  
(Form 990)**

Department of the Treasury  
Internal Revenue Service

**Compensation Information**

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

▶ Attach to Form 990. To be completed by organizations that answered "Yes" to Form 990, Part IV, line 23.

OMB No. 1545-0047

**2008**

**Open to Public Inspection**

Name of the organization

THE JAMES LAWRENCE KERNAN HOSPITAL

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 in Form 990, Part VII, Section A, line 1a. Complete Part III to provide any relevant information regarding these items.

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

b If line 1a is 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 officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a? . . . . .

3 Indicate which, if any, of the following the organization uses to establish the compensation of the organization's CEO/Executive Director. Check all that apply.

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

4 During the year, did any person listed in Form 990, Part VII, Section A, line 1a:

- 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 501(c)(3) and 501(c)(4) organizations must complete lines 5-8.

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

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

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

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

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

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

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

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

Schedule J (Form 990) 2008

**Part II Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees.** Use Schedule J-1 if additional space is needed.

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

Note. The sum of columns (B)(i)-(iii) must equal the applicable column (D) or column (E) amounts on Form 990, Part VII, line 1a.

(A) Name	(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
	(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
(i) ROBERT A CHRENCIK	NONE	NONE	NONE	NONE	NONE	NONE	NONE
(ii) ROBERT A CHRENCIK	640,584.	232,530.	13,728.	116,748.	15,527.	1,019,117.	NONE
(i) JAMES E ROSS	270,146.	67,000.	114,102.	11,500.	12,166.	474,914.	62,698.
(ii) JAMES E ROSS	NONE	NONE	NONE	NONE	NONE	NONE	NONE
(i) MICHAEL R JABLONOVER MD	234,174.	31,935.	5,328.	36,499.	16,215.	324,151.	NONE
(ii) MICHAEL R JABLONOVER MD	NONE	NONE	NONE	NONE	NONE	NONE	NONE
(i) W W AUGUSTIN III	162,133.	31,297.	32,950.	8,254.	12,165.	246,800.	16,460.
(ii) W W AUGUSTIN III	NONE	NONE	NONE	NONE	NONE	NONE	NONE
(i) CHRISTINE MARTIN	108,193.	17,825.	24,768.	5,677.	7,415.	163,878.	13,912.
(ii) CHRISTINE MARTIN	NONE	NONE	NONE	NONE	NONE	NONE	NONE
(i) NORBERT ROBINSON	149,003.	NONE	109.	7,550.	11,484.	168,146.	NONE
(ii) NORBERT ROBINSON	NONE	NONE	NONE	NONE	NONE	NONE	NONE
(i) VALERIE SUMMERLIN	153,286.	26,999.	34,560.	7,678.	11,484.	234,007.	18,381.
(ii) VALERIE SUMMERLIN	NONE	NONE	NONE	NONE	NONE	NONE	NONE
(i)							
(ii)							
(i)							
(ii)							
(i)							
(ii)							
(i)							
(ii)							
(i)							
(ii)							
(i)							
(ii)							
(i)							
(ii)							
(i)							
(ii)							
(i)							
(ii)							
(i)							
(ii)							

**Part III Supplemental Information**

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

SCHEDULE J, PART I, LINE 1A

HEALTH OR SOCIAL CLUB DUES OR INITIATION FEES

UMMS EXECUTIVES RECEIVE A BENEFIT PACKAGE WHICH MAY BE USED TOWARDS

HEALTH CLUB DUES OR OTHER HEALTH MAINTENANCE PROGRAMS. SUCH BENEFITS ARE

CAPPED AT \$7,000, \$5,000 OR \$3,000 DEPENDING ON JOB TITLE AS DESCRIBED IN

THE PROGRAM DOCUMENTS.

SCHEDULE J, PART I, LINE 4B

SUPPLEMENTAL, NONQUALIFIED RETIREMENT PLAN

THE FOLLOWING INDIVIDUALS PARTICIPATE IN A SECTION 457(F) SUPPLEMENTAL

NONQUALIFIED RETIREMENT PLAN ("THE PLAN") SPONSORED BY THE FILING

ORGANIZATION OR A RELATED ORGANIZATION:

W.W. AUGUSTIN, III

CHRISTINE E. MARTIN

JAMES E. ROSS

VALERIE M. SUMMERLIN

MICHAEL R JABLONOVER



**SCHEDULE J-2  
(Form 990)**

**Continuation Sheet for Form 990**

OMB No. 1545-0047

**2008**

Department of the Treasury  
Internal Revenue Service

▶ Attach to Form 990 to list additional information for Form 990, Part VII, Section A, line 1a.

**Open to Public  
Inspection**

Name of the Organization: THE JAMES LAWRENCE KERNAN HOSPITAL Employer Identification number: 52-0591639

**Part I Continuation of Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees**

(A) Name and Title	(B) Average hours per week	(C) Position (check all that apply)						(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			
FRANK M CALIA MD DIRECTOR	2.	X					NONE	NONE	NONE	
JOHN T CHAY DIRECTOR	2.	X					NONE	NONE	NONE	
ALAN LEVITT MD DIRECTOR	2.	X					NONE	NONE	NONE	
WILLIAM F PECK DIRECTOR	2.	X					NONE	NONE	NONE	
VINCENT PELLEGRINI JR MD DIRECTOR	2.	X					NONE	NONE	NONE	
DAVIS VR SHERMAN CHAIRMAN	2.	X					NONE	NONE	NONE	
OLIVER S TRAVERS DIRECTOR	2.	X					NONE	NONE	NONE	
NICHOLAS P GROSSO MD EX-OFFICIO	2.	X					NONE	NONE	NONE	
DOROTHY BRUNSON DIRECTOR	2.	X					NONE	NONE	NONE	
ANTHONY T HAWKINS DIRECTOR	2.	X					NONE	NONE	NONE	
ROBERT A CHRENCIK TREASURER	40.			X			NONE	886,842.	132,275.	
JAMES E ROSS CEO AND SEC OF BOARD	40.			X			451,248.	NONE	23,666.	
W W AUGUSTIN III CFO	40.			X			226,380.	NONE	20,420.	
MICHAEL R JABLONOVER MD SVP & CMO	40.				X		271,437.	NONE	52,714.	
CHRISTINE MARTIN VP OF HR	40.				X		150,786.	NONE	13,092.	
VALERIE SUMMERLIN VP PATIENT CARE & CNO	40.				X		214,845.	NONE	19,162.	
ALBERTO ALEJANDRO DENTIST	40.					X	120,461.	NONE	17,518.	
GEORGEANN FIEDLER DIRECTOR - REHAB SERVICES	40.					X	118,398.	NONE	17,396.	
LORI PATRIA MANAGER - AMBULATORY SERVICES	40.					X	115,014.	NONE	17,421.	
NORBERT ROBINSON DIR - PHARMACY	40.					X	149,112.	NONE	19,034.	
VICTORIA BROOKS NURSE	40.					X	126,116.	NONE	17,840.	

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

Schedule J-2 (Form 990) 2008

SCHEDULE O  
(Form 990)

Department of the Treasury  
Internal Revenue Service

Supplemental Information to Form 990

▶ Attach to Form 990. To be completed by organizations to provide additional information for responses to specific questions for the Form 990 or to provide any additional information.

OMB No. 1545-0047

2008

Open to Public Inspection

Name of the organization

THE JAMES LAWRENCE KERNAN HOSPITAL

Employer identification number

52-0591639

AUDITED FINANCIAL STATEMENTS  
FORM 990, PART IV, LINE 12  
THE ORGANIZATION DID NOT RECEIVE A STAND ALONE AUDITED FINANCIAL STATEMENT FOR THE YEAR FOR WHICH IT IS COMPLETING THIS RETURN. HOWEVER, THE ORGANIZATION WAS INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENT AUDIT PERFORMED FOR THE UNIVERSITY OF MARYLAND MEDICAL SYSTEM AND SUBSIDIARIES FOR THE REPORTING YEAR BY OUR AUDITING FIRM, KPMG.

Name of the organization

Employer identification number

THE JAMES LAWRENCE KERNAN HOSPITAL

52-0591639

TAX EXEMPT BOND ISSUE

PART IV LINE 20

PURSUANT TO A MASTER LOAN AGREEMENT DATED JUNE 20, 1991 (THE "MASTER LOAN

AGREEMENT"), AS AMENDED, THE UNIVERSITY OF MARYLAND MEDICAL SYSTEM

CORPORATION (THE "CORPORATION") 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.

THE OBLIGATED GROUP UNDER THE MASTER LOAN AGREEMENT INCLUDES THE

CORPORATION, UNIVERSITY SPECIALTY HOSPITAL, THE JAMES LAWRENCE KERNAN

HOSPITAL, MARYLAND GENERAL HOSPITAL, BALTIMORE WASHINGTON MEDICAL CENTER

AND SHORE HEALTH SYSTEM. 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 \$885,495,000 OF OUTSTANDING

AUTHORITY BONDS ON JUNE 30, 2009.

ALL OF THE BONDS WERE ISSUED IN THE NAME OF THE UNIVERSITY OF MARYLAND

MEDICAL SYSTEM CORPORATION, WITH THE EXCEPTION OF THOSE BONDS ISSUED IN

THE NAME OF SHORE HEALTH SYSTEM PRIOR TO SHORE HEALTH SYSTEM JOINING THE

OBLIGATED GROUP ON JULY 1ST, 2007, AND ARE REPORTED ON SCHEDULE K OF THE

CORPORATION'S FORM 990.

Name of the organization

THE JAMES LAWRENCE KERNAN HOSPITAL

Employer identification number

52-0591639

MEMBERS AND STOCKHOLDERS

FORM 990, PART VI, SECTION A, LINES 6, 7A AND 7B

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION (UMMS) IS THE SOLE

MEMBER OF JAMES LAWRENCE KERNAN HOSPITAL (JLK). UMMS MAY ELECT ONE OR

MORE BOARD MEMBERS OF THE GOVERNING BODY AND ALL DECISIONS OF THE

GOVERNING BODY MUST BE APPROVED BY UMMS.

Name of the organization THE JAMES LAWRENCE KERNAN HOSPITAL	Employer identification number 52-0591639
--	--

FORM 990 PREPARATION AND REVIEW PROCESS

FORM 990, PART VI, SECTION A, LINE 10

THE IRS FORM 990 IS PREPARED AND REVIEWED BY THE INDEPENDENT ACCOUNTING FIRM OF KPMG. ACCOUNTING PERSONNEL IN FINANCE SHARED SERVICES AT THE UNIVERSITY OF MARYLAND MEDICAL SYSTEM GATHER THE INFORMATION NEEDED TO COMPLETE THE RETURN AND INPUT THE DATA INTO THE KPMG TAX ORGANIZER, WHICH IS A WEB-BASED SYSTEM.

WHEN ALL DATA HAS BEEN ENTERED, THE INFORMATION IS SUBMITTED TO KPMG FOR IMPORTATION INTO ITS TAX SOFTWARE. AT THIS POINT, KPMG STAFF MEMBERS REVIEW THE DATA, ASK FOR ADDITIONAL INFORMATION AND CLARIFICATIONS IF NEEDED AND PREPARE THE TAX RETURN. EACH RETURN IS REVIEWED AT SEVERAL LEVELS AT KPMG INCLUDING THE TAX PARTNER. AFTER THEIR REVIEW PROCESS, A DRAFT RETURN IS SENT TO THE ACCOUNTING STAFF AT UMMS FOR AN IN-HOUSE REVIEW.

UPON COMPLETION OF THE IN-HOUSE REVIEW, KPMG IS INSTRUCTED TO MAKE ANY NECESSARY CHANGES AND TO PREPARE THE FINAL DRAFT TAX RETURN. THE FINAL DRAFT RETURN UNDERGOES ANOTHER REVIEW BY THE ACCOUNTING STAFF AT FINANCE SHARED SERVICES AND IS ALSO REVIEWED BY THE ACCOUNTING MANAGER, DIRECTOR OF FINANCIAL REPORTING, VP OF FINANCE AND CHIEF FINANCIAL OFFICER, WHO SIGNS THE RETURN.

PRIOR TO FILING THE IRS FORM 990, THE ORGANIZATION'S BOARD CHAIRMAN, TREASURER, AUDIT COMMITTEE CHAIRMAN, EXECUTIVE COMMITTEE CHAIRMAN OR OTHER MEMBER OF THE BOARD WITH SIMILAR AUTHORITY REVIEWS THE IRS FORM 990. AT THE DISCRETION OF THE REVIEWING BOARD MEMBER, SUCH MEMBER WILL



Name of the organization

Employer identification number

THE JAMES LAWRENCE KERNAN HOSPITAL

52-0591639

CONFLICT OF INTEREST POLICY

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

THE ORGANIZATION'S OFFICERS, DIRECTORS, EMPLOYEES AND MEDICAL STAFF MEMBERS, AS APPLICABLE, SHALL DISCLOSE CONFLICTS OF INTERESTS 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.

A QUESTIONNAIRE WHICH DISCLOSES POTENTIAL CONFLICTS OF INTEREST IS DISTRIBUTED ANNUALLY TO ALL OFFICERS, DIRECTORS AND KEY EMPLOYEES. THE GENERAL COUNSEL OF THE UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION (UMMSC) REVIEWS THE RESPONSES FOR UMMSC, UNIVERSITY SPECIALTY HOSPITAL AND JAMES LAWRENCE KERNAN HOSPITAL. THE CEO OR CFO OF EACH OF THE OTHER ENTITIES IN THE UNIVERSITY OF MARYLAND MEDICAL SYSTEM REVIEWS THE RESPONSES FOR THOSE ENTITIES.

THE GENERAL COUNSEL, IN CONSULTATION WITH THE AUDIT COMMITTEE, IF NECESSARY, WOULD DETERMINE IF A CONFLICT OF INTEREST EXISTED FOR UMMSC, UNIVERSITY SPECIALTY HOSPITAL AND JAMES LAWRENCE KERNAN HOSPITAL. WITH RESPECT TO THE OTHER ENTITIES IN THE UNIVERSITY OF MARYLAND MEDICAL SYSTEM, THE GENERAL COUNSEL MAY BE CALLED FOR CONSULT. IF SO, THE GENERAL COUNSEL MAY CONSULT THE AUDIT COMMITTEE IF NECESSARY.

WHENEVER A CONFLICT OR POTENTIAL CONFLICT OF INTEREST EXISTS, THE NATURE OF THE CONFLICT OR POTENTIAL CONFLICT OF INTEREST MUST BE DISCLOSED IN WRITING TO THE ORGANIZATION'S BOARD, BOARD COMMITTEE, AN OFFICER OF THE ORGANIZATION OR OTHER APPROPRIATE EXECUTIVE. SUCH INDIVIDUAL HAVING A

Name of the organization

Employer identification number

THE JAMES LAWRENCE KERNAN HOSPITAL

52-0591639

POTENTIAL CONFLICT OF INTEREST SHALL PLAY NO ROLE ON BEHALF OF THE ORGANIZATION, OR ANY ORGANIZATION CONTROLLED OR SUBSTANTIALLY OWNED, IN ANY TRANSACTION IN WHICH A CONFLICT EXISTS.

ALL INVITATIONS FOR BIDS, PROPOSALS OR SOLICITATIONS FOR OFFERS INCLUDE THE FOLLOWING PROVISION: 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.

IN ADDITION, A BOARD DISCLOSURE REPORT IS FILED WITH THE MARYLAND HEALTH SERVICES COST REVIEW COMMISSION ON AN ANNUAL BASIS SHOWING ANY BUSINESS TRANSACTIONS BETWEEN THE BOARD MEMBERS AND THE ORGANIZATION.

Name of the organization

Employer identification number

THE JAMES LAWRENCE KERNAN HOSPITAL

52-0591639

EXECUTIVE COMPENSATION

FORM 990, PART VI, SECTION B, LINE 15

THE ORGANIZATION DETERMINES THE EXECUTIVE COMPENSATION PAID TO ITS

EXECUTIVES IN THE FOLLOWING MANNER PRESCRIBED IN THE IRS REGULATIONS:

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 INDEPENDENT COMMITTEE ACQUIRES CREDIBLE COMPARABILITY MARKET DATA

CONCERNING THE COMPENSATION PACKAGES OF SIMILARLY SITUATED EXECUTIVES.

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 AND DECISIONS IN DETAILED

MINUTES REVIEWED AND ADOPTED AT THE NEXT-FOLLOWING MEETING.

THE COMMITTEE SEEKS AN OPINION OF COUNSEL THAT IT HAS MET THE

REQUIREMENTS OF THE IRS INTERMEDIATE SANCTIONS REGULATIONS.

THIS PROCESS IS USED TO DETERMINE THE COMPENSATION PACKAGES FOR ALL

MANAGEMENT EMPLOYEES FROM THE VICE PRESIDENT LEVEL AND UP.

Name of the organization

THE JAMES LAWRENCE KERNAN HOSPITAL

Employer identification number

52-0591639

PUBLIC DISCLOSURE

FORM 990, PART VI, SECTION C, LINE 19

IN GENERAL, FINANCIAL AND TAX INFORMATION RELATING TO THE ORGANIZATION IS DEEMED PROPRIETARY AND NOT SUBJECT TO DISCLOSURE UPON REQUEST. HOWEVER, SPECIFIC PROVISIONS OF FEDERAL AND STATE LAW REQUIRE THE ORGANIZATION TO DISCLOSE CERTAIN LIMITED FINANCIAL AND TAX DATA UPON A SPECIFIC REQUEST FOR THAT INFORMATION.

REQUESTS FOR FORM 990 AND FORM 1023:

A REQUESTOR SEEKING TO REVIEW AND/OR OBTAIN A COPY OF THE ORGANIZATION'S IRS FORM 990 OR FORM 1023 AS FILED WITH THE INTERNAL REVENUE SERVICE, INCLUDING ALL SCHEDULES AND ATTACHMENTS, MAY APPEAR IN PERSON OR SUBMIT A WRITTEN REQUEST. THE MOST RECENT THREE YEARS OF IRS FORM 990 MAY BE REQUESTED.

IF THE REQUESTER APPEARS IN PERSON, THE INDIVIDUAL IS DIRECTED TO THE OFFICE OF THE CHIEF FINANCIAL OFFICER FOR THE ORGANIZATION AND THE FORM 990 AND/OR FORM 1023 ARE MADE AVAILABLE FOR INSPECTION. THE INDIVIDUAL IS PERMITTED TO REVIEW THE RETURN, TAKE NOTES AND REQUEST A COPY. IF REQUESTED, A COPY IS PROVIDED ON THE SAME DAY. A NOMINAL FEE IS CHARGED FOR MAKING THE COPIES. THE ORGANIZATION MAY HAVE AN EMPLOYEE PRESENT DURING THE PUBLIC INSPECTION OF THE DOCUMENT.

WRITTEN REQUESTS FOR AN ENTITY'S FORM 990 OR FORM 1023 ARE DIRECTED IMMEDIATELY TO THE OFFICE OF THE CHIEF FINANCIAL OFFICER FOR THE ORGANIZATION. THE REQUESTED COPIES ARE MAILED WITHIN 30 DAYS OF THE

Name of the organization

Employer identification number

THE JAMES LAWRENCE KERNAN HOSPITAL

52-0591639

REQUEST. REPRODUCTION FEES AND MAILING COSTS ARE CHARGED TO THE REQUESTOR.

CONFLICT OF INTEREST POLICY AND GOVERNING DOCUMENTS:

IF THE GOVERNING DOCUMENTS AND CONFLICT OF INTEREST POLICY OF OUR ORGANIZATION ARE SUBJECT TO THE FEDERAL PUBLIC DISCLOSURE RULES (OR STATE PUBLIC DISCLOSURE RULES), THESE DOCUMENTS WILL BE MADE PUBLICLY AVAILABLE AS APPLICABLE LAW MAY REQUIRE. OTHERWISE, THE GOVERNING DOCUMENTS AND CONFLICT OF INTEREST POLICY WILL BE PROVIDED TO THE PUBLIC AT THE DISCRETION OF MANAGEMENT.

**SCHEDULE R  
(Form 990)**

Department of the Treasury  
Internal Revenue Service

**Related Organizations and Unrelated Partnerships**

OMB No. 1545-0047

**2008**

▶ Attach to Form 990. To be completed by organizations that answered "Yes" to Form 990, Part IV, line 33, 34, 35, 36, or 37.

▶ See separate instructions.

Open to Public  
Inspection

Name of the organization

THE JAMES LAWRENCE KERNAN HOSPITAL

Employer identification number

52-0591639

**Part I Identification of Disregarded Entities**

(A) Name, address, and EIN 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
KERNAN PHYSICAL THERAPY 2200 KERNAN DRIVE BALTIMORE, MD 21207 52-2061788	THERAPY	MD	2,803,374.	773,291.	N/A
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**Part II Identification of Related Tax-Exempt Organizations**

(A) Name, address, and EIN of related organization	(B) Primary activity	(C) Legal domicile (state or foreign country)	(D) Exempt Code section	(E) Public charity status (if section 501(c)(3))	(F) Direct controlling entity
SEE SCHEDULE R-1					
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For Privacy Act and Paperwork Reduction Act Notice, see the Instructions for Form 990.

Schedule R (Form 990) 2008

**Part III Identification of Related Organizations Taxable as a Partnership**

(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, investment, unrelated)	(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?	
							Yes	No		Yes	No
SEE SCHEDULE R-1											

**Part IV Identification of Related Organizations Taxable as a Corporation or Trust**

(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
SEE SCHEDULE R-1							

Part IV Transactions With Related Organizations

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

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?

Table with columns: Transaction description (1a-1r), Yes, No. Rows include Receipt of interest/annuities/royalties, Gift/grant/contribution, Loans/guarantees, Sale of assets, Purchase of assets, Exchange of assets, Lease of facilities/equipment, Lease of facilities/equipment or other assets, Lease of facilities/equipment or other assets from other organization(s), Performance of services or membership or fundraising solicitations for other organization(s), Performance of services or membership or fundraising solicitations by other organization(s), Sharing of facilities/equipment, mailing lists, or other assets, Sharing of paid employees, Reimbursement paid to other organization for expenses, Reimbursement paid by other organization for expenses, Other transfer of cash or property to other organization(s), Other transfer of cash or property from other 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.

Table with columns: (A) Name of other organization(s), (B) Transaction type (a-r), (C) Amount involved. Rows (1) through (6) are currently blank.



**Part II Continuation of Identification of Related Tax-Exempt Organizations**

(A) Name, address, and EIN of related organization	(B) Primary activity	(C) Legal domicile (state or foreign country)	(D) Exempt Code section	(E) Public charity status (if section 501(c)(3))	(F) Direct controlling entity
BALTIMORE WASHINGTON EMERGENCY PHYS, INC 52-1756326 301 HOSPITAL DRIVE GLEN BURNIE, MD 21061	HEALTH CARE	MD	501 (C) (3) 11		BWMS
BALTIMORE WASHINGTON HEALTHCARE SERVICES 52-1830243 301 HOSPITAL DRIVE GLEN BURNIE, MD 21061	HEALTH CARE	MD	501 (C) (3) 11		BWMS
BALTIMORE WASHINGTON MEDICAL CENTER, INC 52-0689917 301 HOSPITAL DRIVE GLEN BURNIE, MD 21061	HEALTH CARE	MD	501 (C) (3) 3		BWMS
BALTIMORE WASHINGTON MEDICAL SYSTEM, INC 52-1830242 301 HOSPITAL DRIVE GLEN BURNIE, MD 21061	HEALTH CARE	MD	501 (C) (3) 11		UMMS
BW MEDICAL CENTER FOUNDATION, INC 52-1813656 301 HOSPITAL DRIVE GLEN BURNIE, MD 21061	FUNDRAISING	MD	501 (C) (3) 11		BWMS
NORTH ARUNDEL DEVELOPMENT CORPORATION 52-1318404 301 HOSPITAL DRIVE GLEN BURNIE, MD 21061	REAL ESTATE	MD	501 (C) (2)		BWMS
NORTH COUNTY CORPORATION 52-1591355 301 HOSPITAL DRIVE GLEN BURNIE, MD 21061	REAL ESTATE	MD	501 (C) (2)		BWMS
CHESTER RIVER HEALTH FOUNDATION, INC 52-1338861 100 BROWN STREET CHESTERTOWN, MD 21620	FUNDRAISING	MD	501 (C) (3) 11		CRHS
CHESTER RIVER HEALTH SYSTEM, INC 52-2046500 100 BROWN STREET CHESTERTOWN, MD 21620	HEALTH CARE	MD	501 (C) (3) 11		UMMS
CHESTER RIVER HOSPITAL CENTER, INC 52-0679694 100 BROWN STREET CHESTERTOWN, MD 21620	HEALTH CARE	MD	501 (C) (3) 3		CRHS
CHESTER RIVER MANOR, INC 52-6070333 200 MORGNEC ROAD CHESTERTOWN, MD 21620	HEALTH CARE	MD	501 (C) (3) 11		CRHS
MARYLAND GENERAL CLINICAL PRACTICE GROUP 52-1566211 827 LINDEN AVENUE BALTIMORE, MD 21201	HEALTH CARE	MD	501 (C) (3) 11		MGHS
MARYLAND GENERAL COMM HEALTH FOUNDATION 52-2147532 827 LINDEN AVENUE BALTIMORE, MD 21201	FUNDRAISING	MD	501 (C) (3) 11		MGHS
MARYLAND GENERAL HEALTH SYSTEMS, INC 52-1175337 827 LINDEN AVENUE BALTIMORE, MD 21201	HEALTH CARE	MD	501 (C) (3) 11		UMMS
MARYLAND GENERAL HOSPITAL, INC 52-0591667 827 LINDEN AVENUE BALTIMORE, MD 21201	HEALTH CARE	MD	501 (C) (3) 3		MGHS







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

(7)	(A) Name of other organization	(B) Transaction type (e-f)	(C) Amount involved
(8)			
(9)			
(10)			
(11)			
(12)			
(13)			
(14)			
(15)			
(16)			
(17)			
(18)			
(19)			
(20)			
(21)			
(22)			
(23)			
(24)			

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

NAME AND ADDRESS	DESCRIPTION OF SERVICES COMPENSATION	
ARAMARK SERVICES INC PO BOX 651009 CHARLOTTE, NC 28265	FOOD SERVICES	1,161,420.
ARAMARK HEALTHCARE PO BOX 33170 NEWARK, NJ 07188	ENVIRONMTL SERVICES	542,732.
PHYSICIAN MANAGEMENT LTD PO BOX 200528 HOUSTON, TX 77216-0528	PHYSICIANS	966,762.
HAPPY HEALTHCARE STAFFING INC 600 REISTERSTOWN ROAD PIKESVILLE, MD 21208	STAFFING AGENCY	397,146.
MARYLAND PEDIATRIC ORTHOPAEDIC CENTER PO BOX 883 MT AIRY, MD 21771	PHYSICIANS	318,800.
TOTAL COMPENSATION		3,386,860.