



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

Consolidated Financial Statements and Schedules

June 30, 2014 and 2013

(With Independent Auditors' Report Thereon)

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

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KPMG LLP
1 East Pratt Street
Baltimore, MD 21202-1128

Independent Auditors' Report

The Board of Directors
University of Maryland Medical System Corporation:

We have audited the accompanying consolidated financial statements of the University of Maryland Medical System Corporation and Subsidiaries (the Corporation), which comprise the consolidated balance sheets as of June 30, 2014 and 2013, and the related consolidated statements of operations and changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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



Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the University of Maryland Medical System Corporation and Subsidiaries as of June 30, 2014 and 2013, and the results of their operations and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matter

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

KPMG LLP

October 28, 2014

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

Consolidated Balance Sheets

June 30, 2014 and 2013

(In thousands)

Assets	2014	2013
Current assets:		
Cash and cash equivalents	\$ 287,722	252,205
Assets limited as to use, current portion	52,498	46,343
Accounts receivable:		
Patient accounts receivable, less allowance for doubtful accounts of \$210,958 and \$160,675 as of June 30, 2013 and 2012, respectively	358,045	340,780
Other	58,428	40,760
Inventories	56,552	41,021
Prepaid expenses and other current assets	27,503	14,313
Total current assets	840,748	735,422
Investments	534,807	463,476
Assets limited as to use, less current portion	890,358	567,780
Property and equipment, net	2,031,234	1,707,676
Investments in joint ventures	83,072	192,045
Other assets	219,019	147,698
Total assets	\$ 4,599,238	3,814,097
Liabilities and Net Assets		
Current liabilities:		
Trade accounts payable	\$ 261,865	239,832
Accrued payroll and benefits	222,163	181,409
Advances from third-party payors	123,612	115,992
Lines of credit	117,000	95,000
Short-term financing	150,000	—
Other current liabilities	105,275	93,383
Long-term debt subject to short-term remarketing arrangements	77,574	19,123
Current portion of long-term debt	32,624	38,802
Total current liabilities	1,090,113	783,541
Long-term debt, less current portion and amount subject to short-term remarketing arrangements	1,436,246	1,304,046
Other long-term liabilities	267,601	207,685
Interest rate swap liabilities	175,947	145,504
Total liabilities	2,969,907	2,440,776
Net assets:		
Unrestricted	1,351,895	1,264,433
Temporarily restricted	241,386	74,877
Permanently restricted	36,050	34,011
Total net assets	1,629,331	1,373,321
Total liabilities and net assets	\$ 4,599,238	3,814,097

See accompanying notes to consolidated financial statements.

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AND SUBSIDIARIES**

Consolidated Statements of Operations

Years ended June 30, 2014 and 2013

(In thousands)

	<u>2014</u>	<u>2013</u>
Unrestricted revenues, gains and other support:		
Patient service revenue (net of contractual adjustments)	\$ 3,142,505	2,615,590
Provision for bad debts	(225,671)	(153,457)
Net patient service revenue	2,916,834	2,462,133
Other operating revenue:		
State support	3,000	3,000
Other revenue	107,012	106,313
Total unrestricted revenues, gains and other support	3,026,846	2,571,446
Operating expenses:		
Salaries, wages and benefits	1,490,684	1,295,416
Expendable supplies	583,898	470,739
Purchased services	471,680	414,180
Contracted services	208,748	211,021
Depreciation and amortization	169,117	144,671
Interest expense	54,519	49,199
Total operating expenses	2,978,646	2,585,226
Operating income (loss)	48,200	(13,780)
Nonoperating income and expenses, net:		
Contributions	17,475	7,474
Inherent contribution – Upper Chesapeake	114,436	—
Equity in net income of joint ventures	9,548	16,279
Investment income	21,055	17,248
Change in fair value of investments	50,994	29,567
Change in fair value of undesignated interest rate swaps	(3,420)	69,206
Change in fair value of debt instrument	—	(2,917)
Loss on early extinguishment of debt	—	(3,397)
Other nonoperating losses, net	(32,401)	(35,482)
Excess of revenues over expenses	\$ 225,887	84,198

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Changes in Net Assets

Years ended June 30, 2014 and 2013

(In thousands)

	Unrestricted net assets	Temporarily restricted net assets	Permanently restricted net assets	Total
Balance at June 30, 2012	\$ 1,125,068	67,140	34,694	1,226,902
Excess of revenues over expenses	84,198	—	—	84,198
Acquisition of SJMC Foundation	4,737	4,416	350	9,503
Investment gains, net	—	3,658	71	3,729
State support for capital	—	17,253	—	17,253
Contributions, net	—	8,596	280	8,876
Net assets released from restrictions used for operations and nonoperating activities	—	(2,067)	—	(2,067)
Net assets released from restrictions used for purchase of property and equipment	24,081	(24,081)	—	—
Change in economic and beneficial interests in the net assets of related organizations	—	(342)	(110)	(452)
Change in ownership interest of joint ventures	1,170	243	—	1,413
Change in fair value of designated interest rate swaps	3,046	—	—	3,046
Change in funded status of defined benefit pension plans	19,822	—	—	19,822
Asset reclassifications at request of donor	1,519	(245)	(1,274)	—
Other	792	306	—	1,098
	<u>139,365</u>	<u>7,737</u>	<u>(683)</u>	<u>146,419</u>
Balance at June 30, 2013	<u>1,264,433</u>	<u>74,877</u>	<u>34,011</u>	<u>1,373,321</u>
Excess of revenues over expenses	225,887	—	—	225,887
Contribution to/economic interest in UCH Legacy Funding Corporation	(150,000)	150,000	—	—
Inherent contribution – Upper Chesapeake	—	6,877	1,276	8,153
Investment gains, net	—	4,775	111	4,886
State support for capital	—	443	—	443
Contributions, net	—	6,552	764	7,316
Net assets released from restrictions used for operations and nonoperating activities	—	(4,793)	—	(4,793)
Net assets released from restrictions used for purchase of property and equipment	2,913	(2,913)	—	—
Change in economic and beneficial interests in the net assets of related organizations	—	4,421	6	4,427
Change in ownership interest of joint ventures	1,115	(244)	—	871
Amortization of accumulated loss of discontinued designated interest rate swap	1,857	—	—	1,857
Change in funded status of defined benefit pension plans	8,011	—	—	8,011
Asset reclassifications at request of donor	(1,485)	1,603	(118)	—
Other	(836)	(212)	—	(1,048)
	<u>87,462</u>	<u>166,509</u>	<u>2,039</u>	<u>256,010</u>
Balance at June 30, 2014	<u>\$ 1,351,895</u>	<u>241,386</u>	<u>36,050</u>	<u>1,629,331</u>

See accompanying notes to consolidated financial statements.

**UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
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Consolidated Statements of Cash Flows

Years ended June 30, 2014 and 2013

(In thousands)

	2014	2013
Cash flows from operating activities:		
Increase in net assets	\$ 256,010	146,419
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	169,097	144,671
Provision for bad debts	225,671	153,457
Amortization of bond premium and deferred financing costs	1,460	1,192
Net realized gains and change in fair value of investments	(63,131)	(42,082)
Loss on early extinguishment of debt	—	3,397
Change in fair value of debt instrument	—	2,917
Equity in net income of joint ventures	(9,548)	(16,279)
(Increase) decrease in economic and beneficial interests in net assets of related organizations	(154,427)	452
Change in fair value of interest rate swaps	3,420	(72,252)
Change in funded status of defined benefit pension plans	(8,011)	(19,822)
Inherent contribution related to Upper Chesapeake acquisition	(122,589)	—
Restricted contributions, grants and other support	(7,316)	(29,858)
Change in operating assets and liabilities:		
Patient accounts receivable	(200,755)	(204,485)
Other receivables, prepaid expenses, other current assets and other assets	(24,505)	(12,336)
Inventories	(6,583)	(5,649)
Trade accounts payable, accrued payroll and benefits, other current liabilities and other long-term liabilities	42,984	59,786
Advances from third-party payors	138	(3,931)
Net cash provided by operating activities	<u>101,915</u>	<u>105,597</u>
Cash flows from investing activities:		
Purchases and sales of investments and assets limited as to use, net	(18,814)	(98,350)
Purchases of alternative investments	(56,615)	—
Sales of alternative investments	12,799	—
Transfer of funds to UCHS Legacy Funding Corporation	(150,000)	—
Acquisition of St. Joseph Medical System	—	(206,300)
Addition of cash from Upper Chesapeake	46,203	—
Purchases of property and equipment	(202,254)	(213,971)
Distributions from joint ventures	4,170	3,646
Cash received from (paid to) swap counter party for collateral related to interest rate swaps, net	—	121,802
Net cash used in investing activities	<u>(364,511)</u>	<u>(393,173)</u>

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Consolidated Statements of Cash Flows

Years ended June 30, 2014 and 2013

(In thousands)

	2014	2013
Cash flows from financing activities:		
Proceeds from long-term debt	\$ 6,200	597,709
Repayment of long-term debt and capital leases	(37,403)	(356,283)
Short-term financing	150,000	—
Draws (repayments) on lines of credit, net	22,000	(7,000)
Payment of debt issuance costs	—	(4,412)
Restricted contributions from UCH Legacy Funding Corporation	150,000	—
Restricted contributions, grants and other support	7,316	29,858
Net cash provided by financing activities	<u>298,113</u>	<u>259,872</u>
Net (decrease) increase in cash and cash equivalents	35,517	(27,704)
Cash and cash equivalents, beginning of year	<u>252,205</u>	<u>279,909</u>
Cash and cash equivalents, end of year	<u><u>\$ 287,722</u></u>	<u><u>252,205</u></u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest, net of amounts capitalized	\$ 50,547	44,630
Amount included in accounts payable for construction in progress	32,556	35,088
Supplemental disclosures of noncash information:		
Capital leases	\$ 14,529	—

See accompanying notes to consolidated financial statements.

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Notes to Consolidated Financial Statements

June 30, 2014 and 2013

(1) Organization and Summary of Significant Accounting Policies

(a) Organization

The University of Maryland Medical System Corporation (the Corporation or UMMS) is a private, not-for-profit corporation providing comprehensive healthcare services through an integrated regional network of hospitals and related clinical enterprises. UMMS was created in 1984 when its founding hospital was privatized by the State of Maryland. Over its 30 year history, UMMS evolved into a multi-hospital system with academic, community and specialty service missions reaching primarily across Maryland. In continuing partnership with the University of Maryland School of Medicine, UMMS operates healthcare programs that improve the physical and mental health of thousands of people each day.

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

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

Recent Acquisitions & Divestitures

On December 6, 2013, UMMS completed a full acquisition and became the sole corporate member of Upper Chesapeake. Prior to December 2013, UMMS owned a 49% interest in a joint venture that included the majority of the operating assets and revenues of Upper Chesapeake. For this period, UMMS' investment in Upper Chesapeake was accounted for as a noncontrolling joint venture interest and a component of UMMS' nonoperating income.

The Corporation established St. Joseph and subsequently purchased substantially all of the assets of the former St. Joseph Medical Center on December 1, 2012.

During the year ended June 30, 2013, the Corporation completed the closure of University Specialty.

Certain of these events are more fully described below.

University of Maryland Medical Center (Medical Center)

The University of Maryland Medical Center, which is a major component of UMMS, is an 816-bed academic medical center located in Baltimore. The Medical Center has served as the teaching hospital of the School of Medicine of the University System of Maryland, Baltimore since 1823. While the Corporation is not affiliated with the University System of Maryland, clinical faculty members of the School of Medicine serve as medical staff of the Medical Center.

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

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Trauma Center, which specializes in emergency treatment of patients suffering severe trauma, generates approximately 20% of admissions and patient days.

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

The Corporation has certain agreements with various departments of the University of Maryland School of Medicine concerning the provision of professional and administrative services to the Corporation and its patients. Total expense under these agreements in the years ended June 30, 2014 and 2013 was approximately \$146,313,000 and \$135,161,000, respectively.

University of Maryland Rehabilitation and Orthopaedic Institute (ROI)

ROI is comprised of a medical/surgical and rehabilitation hospital in Baltimore with 134 licensed beds, including 88 rehabilitation beds, 36 chronic care beds, 10 medical/surgical beds, and off-site physical therapy facilities.

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

University of Maryland Medical Center Midtown Campus (Midtown)

Midtown is located in Baltimore city and is comprised of Midtown Hospital, a 208-bed acute care hospital; a wholly owned subsidiary providing primary care; and a noncontrolling 20% interest in a managed care organization providing services primarily to Medicaid patients. Midtown was previously called Maryland General Health Systems (Maryland General).

Baltimore Washington Medical System, Inc. (Baltimore Washington)

Baltimore Washington is located in Anne Arundel County, a suburb of Baltimore city, and is a health system comprised of Baltimore Washington Medical Center, a 319-bed acute care hospital providing a broad range of services, and several wholly owned subsidiaries providing emergency physician and other services.

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

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Shore Regional Health System (Shore Regional)

Shore Regional is a three-hospital health system located on the Eastern Shore of Maryland. Shore Health owns and operates Memorial Hospital, a 132-bed acute care hospital providing inpatient and outpatient services in Easton, Maryland; Dorchester Hospital, a 41-bed acute care hospital providing inpatient and outpatient services in Cambridge, Maryland; Chester River Hospital Center (CRHC), a 41-bed acute care hospital providing inpatient and outpatient services to the residents of Kent and Queen Anne's counties; Shore Emergency Center at Queenstown (Shore Emergency Center), a free-standing emergency center; Memorial Hospital Foundation (Memorial Foundation), a nonprofit corporation established to solicit donations for the benefit of Memorial Hospital; Chester River Health Foundation (Chester River Foundation), a nonprofit corporation established to solicit donations for the benefit of Chester River; and several other subsidiaries providing various outpatient and home care services.

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

Through June 30, 2013, the operations of Memorial Hospital and Dorchester Hospital were referred to as Shore Health. Effective July 1, 2013, the operations of Shore Health and Chester River were combined and renamed Shore Regional.

Charles Regional Health System, Inc. (Charles Regional)

Charles Regional Health System is comprised of a 121-bed acute care hospital and other community healthcare resources providing inpatient and outpatient services to the residents of Charles County in Southern Maryland. Charles Regional was previously called Civista Health (Civista).

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

St. Joseph owns and operates University of Maryland St. Joseph Medical Center (UMSJMC), a 232-bed, Catholic acute care hospital located in Towson, Maryland, as well as other subsidiaries providing inpatient and outpatient services to the residents of Baltimore County.

St. Joseph, a wholly owned subsidiary of the Corporation, acquired substantially all the assets of the former St. Joseph Medical Center, as well as ownership interests in certain of its related affiliates, on December 1, 2012 (the Purchase Date).

The acquisition was completed pursuant to an Asset Purchase Agreement (the Purchase Agreement) with the sellers, under which the stated purchase price was \$206,300,000. The purchase price included \$47,000,000 that was placed into escrow by the Corporation as a contingent component of the purchase. The Corporation expects it is more likely than not that this contingency will be payable to the seller, and has accounted for it as a component of the purchase price and fair value of the assets acquired.

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Under the Purchase Agreement, purchased assets include the former St. Joseph Medical Center hospital facility, land and improvements, furniture, fixtures and equipment, joint venture interests, and other assets, liabilities, and records necessary to continue operations at the facility, but exclude certain assets such as cash, investments, and accounts receivable as of the Purchase Date. Under the terms of the Purchase Agreement, UMMS did not assume any liabilities or financial obligations associated with any acquired assets or the business operations at St. Joseph Medical Center that existed at the time of, or occurred prior to, the Purchase Date, including but not limited to accounts payable, liabilities for benefit and pension plans, financial obligations to any governmental authority and claims or litigation relating to acts or omissions that occurred prior to the Purchase Date.

The acquisition was accounted for under the purchase accounting method for business combinations and the financial position and results of operations of St. Joseph were consolidated by the Corporation beginning on December 1, 2012. Included in other nonoperating losses as of June 30, 2013, is \$6,920,000 of acquisition costs incurred by the Corporation as a result of the purchase.

The following table summarizes the estimated fair value of assets acquired at December 1, 2012 (the acquisition date):

Property, plant and equipment	\$ 182,170,000
Investments in joint ventures	14,627,000
Interest in net assets of St. Joseph Medical Center Foundation, Inc.	<u>9,503,000</u>
Total assets	<u>\$ 206,300,000</u>

Included in investments in joint ventures is an interest in O'Dea Medical Arts Limited Partnership (O'Dea). O'Dea has been consolidated with the Corporation due to control.

The following table summarizes the Corporation's pro forma consolidated results as though the acquisition date occurred at July 1:

	<u>2013</u>
Operating revenues	\$ 2,697,750
Net operating income	(33,349)
Changes in net assets:	
Unrestricted	\$ 114,126
Temporarily restricted	7,305
Permanently restricted	<u>(3,154)</u>
Total changes in net assets	<u>\$ 118,277</u>

University of Maryland Upper Chesapeake Health System (Upper Chesapeake)

Upper Chesapeake is a health system located in Harford County, Maryland. Upper Chesapeake's healthcare delivery system includes two acute care hospitals, Upper Chesapeake Medical Center

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(181 beds) and Harford Memorial Hospital (89 beds); a physician practice; a captive insurance company; a land holding company; and Upper Chesapeake Health Foundation.

The Corporation became the sole corporate member of Upper Chesapeake Health System and all of its subsidiaries on December 6, 2013, and beginning on that date the financial position and results of operations of Upper Chesapeake were consolidated. Prior to December 6, 2013, the Corporation held a 49% interest in UCHS/UMMS Venture, LLC, which owned substantially all of Upper Chesapeake's operating entities, and consequently the Corporation had treated that ownership interest as a joint venture (see note 4).

To effect the full merger on December 6, 2013, the Corporation contributed \$150,000,000 to UCH Legacy Funding Corporation, a noncontrolled entity formed for the sole purpose of supporting the capital and operating needs of Upper Chesapeake. The Corporation has recorded a \$150,000,000 economic interest in UCH Legacy Funding Corporation, which is included as a component of assets limited as to use.

The acquisition was accounted for under the purchase accounting method for business combinations. Accordingly, the Corporation's nonoperating income/loss for the period ended June 30, 2014 includes an inherent contribution of Upper Chesapeake's unrestricted net assets of \$114,436,000, and \$876,000 of acquisition costs incurred. The Corporation's statement of changes in net assets for the period ended June 30, 2014 includes an inherent contribution of \$8,153,000 representing Upper Chesapeake's temporarily and permanently restricted net assets on the date of acquisition.

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Notes to Consolidated Financial Statements

June 30, 2014 and 2013

The following table summarizes the estimated fair value of assets acquired and liabilities assumed at December 6, 2013 (the acquisition date):

Assets:	
Current assets	\$ 117,079
Property and equipment	254,732
Goodwill	44,204
Other long-term assets	140,992
Total assets	<u>\$ 557,007</u>
Liabilities:	
Current liabilities	\$ 59,660
Long-term liabilities	272,052
Total liabilities	<u>331,712</u>
Net assets:	
Unrestricted	217,142
Temporarily restricted	6,877
Permanently restricted	1,276
Total net assets	<u>225,295</u>
Total liabilities and net assets	<u>\$ 557,007</u>

The following table summarizes the Corporation's pro forma consolidated results as though the acquisition date occurred at July 1:

	<u>2014</u>	<u>2013</u>
Operating revenues	\$ 3,193,454	2,738,054
Net operating income	49,609	20,550
Changes in net assets:		
Unrestricted	\$ 125,817	118,959
Temporarily restricted	9,632	164,662
Permanently restricted	763	593
Total changes in net assets	<u>\$ 136,212</u>	<u>284,214</u>

University of Maryland Medical System Foundation, Inc.

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

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Notes to Consolidated Financial Statements

June 30, 2014 and 2013

(b) *Basis of Presentation*

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

(c) *Cash Equivalents*

Cash and cash equivalents consist of cash and interest-bearing deposits with maturities of three months or less from the date of purchase.

(d) *Investments and Assets Limited as to Use*

The Corporation's investment portfolio is classified as trading, and is reported in the consolidated balance sheets at its fair value, based on quoted market prices, at June 30, 2014 and 2013. Unrealized holding gains and losses on trading securities with readily determinable market values are included in nonoperating income. Investment income, including realized gains and losses, is included in nonoperating income in the accompanying consolidated statements of operations.

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

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

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

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

(e) *Inventories*

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

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Notes to Consolidated Financial Statements

June 30, 2014 and 2013

(f) *Economic Interests in Financially Interrelated Organizations*

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

(g) *Property and Equipment*

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

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

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

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

(h) *Deferred Financing Costs*

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

(i) *Goodwill*

Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized. Goodwill is reviewed for impairment at least annually. A qualitative assessment of whether it is more likely than not that the fair value of the reporting unit is less than its carrying value is performed, which determines whether a quantitative goodwill impairment test is necessary. The goodwill impairment test is a two-step test. Under the first step, the fair value of the reporting unit is compared with its carrying value (including goodwill). If the fair value of the reporting unit is less than its carrying value, an indication of goodwill impairment exists for the reporting unit and the entity must perform step two of the impairment test (measurement). Under step two, an impairment loss is recognized for

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any excess of the carrying amount of the reporting unit's goodwill over the implied fair value of that goodwill. The implied fair value of goodwill is determined by allocating the fair value of the reporting unit in a manner similar to a purchase price allocation and the residual fair value after this allocation is the implied fair value of the reporting unit goodwill. Fair value of the reporting unit is determined using a discounted cash flow analysis. If the fair value of the reporting unit exceeds its carrying value, step two does not need to be performed.

No impairment loss was recorded in 2014 or 2013.

(j) *Impairment of Long-Lived Assets*

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

No impairment loss was recorded in 2014 or 2013.

(k) *Investments in Joint Ventures*

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

(l) *Self-Insurance*

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

(m) *Net Assets*

The Corporation classifies net assets based on the existence or absence of donor-imposed restrictions. Unrestricted net assets represent contributions, gifts and grants, which have no donor-imposed restrictions or which arise as a result of operations. Temporarily restricted net assets are subject to donor-imposed restrictions that must or will be met either by satisfying a specific purpose and/or passage of time. Permanently restricted net assets are subject to donor-imposed restrictions that must be maintained in perpetuity. Generally, the donors of these assets permit the use of all or part of the income earned on related investments for specific purposes. The restrictions

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associated with these net assets generally pertain to patient care, specific capital projects and funding of specific hospital operations and community outreach programs.

(n) Net Patient Service Revenue and Provision for Uncollectible Accounts

Patient service revenue for the Medical Center, ROI, Midtown, Baltimore Washington, Shore Regional, Charles Regional, St. Joseph, and Upper Chesapeake reflects actual charges to patients based on rates established by the State of Maryland Health Services Cost Review Commission (HSCRC) in effect during the period in which the services are rendered, net of contractual adjustments. Contractual adjustments represent the difference between amounts billed as patient service revenue and amounts allowed by third-party payors. Such adjustments include discounts on charges as permitted by the HSCRC. See note 18 for further discussion on the HSCRC and regulated rates.

The Corporation records revenues and accounts receivable from patients and third-party payors at their estimated net realizable value. Revenue is reduced for anticipated discounts under contractual arrangements and for charity care. An estimated provision for bad debts is recorded in the period the related services are provided based upon anticipated uncompensated care, and is adjusted as additional information becomes available.

The provision for bad debts is based upon management's assessment of historical and expected net collections considering historical business and economic conditions, trends in healthcare coverage, and other collection indicators. Periodically throughout the year, management assesses the adequacy of the allowance for uncollectible accounts based upon historical write-off experience by payor category. The results of this review are then used to make modifications to the provision for bad debts and to establish an allowance for uncollectible receivables. After collection of amounts due from insurers, the Corporation follows internal guidelines for placing certain past due balances with collection agencies.

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For receivables associated with services provided to patients who have third-party coverage, the Corporation analyzes contractually due amounts and provides an allowance for bad debts, allowance for contractual adjustments, provision for bad debts, and contractual adjustments on accounts for which the third-party payor has not yet paid or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely. For receivables associated with self-pay patients or with balances remaining after the third-party coverage has already paid, the Corporation records a significant provision for bad debts in the period of service on the basis of its historical collections, which indicates that many patients ultimately do not pay the portion of their bill for which they are financially responsible. The difference between the discounted rates and the amounts collected after all reasonable collection efforts have been exhausted is charged off against the allowance for bad debts. The change in the allowance for bad debts was as follows during the years ended June 30:

	<u>2014</u>	<u>2013</u>
Beginning bad debt allowance	\$ (160,675)	(158,201)
Addition of Upper Chesapeake allowance as of the acquisition date	21,837	—
Plus provision for bad debt	(225,671)	(153,457)
Less bad debt write-offs	<u>153,551</u>	<u>150,983</u>
Ending bad debt allowance	<u>\$ (210,958)</u>	<u>(160,675)</u>

The change in the allowance for bad debts during 2014 is attributable to the addition on Upper Chesapeake, increased patient volumes in 2014, and trends experienced in the collection of the related patient receivables.

The Health Information Technology for Economic and Clinical Health (HITECH) Act was signed into law in February 2009. In the context of the HITECH Act, certain healthcare entities must implement a certified Electronic Health Record (EHR) in an effort to promote the adoption and “meaningful use” of health information technology (HIT). The HITECH Act includes significant monetary incentives meant to encourage the adaptation of an EHR system. During the years ended June 30, 2014 and 2013, the Corporation recognized “meaningful use” incentive payments totaling \$8,486,000 and \$20,261,000, respectively, which are included in other operating revenue in the consolidated statements of operations.

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(o) Charity Care

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

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

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

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

The amounts reported as charity care represent the cost of rendering such services. Costs incurred are estimated based on the cost-to-charge ratio for each hospital and applied to charity care charges. The Corporation estimates the total direct and indirect costs to provide charity care were \$83,486,000 and \$97,656,000 for the years ended June 30, 2014 and 2013, respectively.

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(p) *Nonoperating Income and Expenses, Net*

Other activities that are largely unrelated to the Corporation's primary mission are recorded as nonoperating income and expenses, and include investment income, equity in the net income of joint ventures, general donations and fund-raising activities, gains on acquisitions, changes in fair value of investments, changes in fair value of interest rate swaps, and loss on early extinguishment of debt.

(q) *Derivative Financial Instruments*

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

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

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

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

All derivative instruments are reported as other assets or other long-term liabilities in the consolidated balance sheets and measured at fair value. Derivatives not designated as hedges or not meeting effectiveness criteria are carried at fair value with changes in the fair value recognized in other nonoperating income and expenses.

The Corporation discontinues hedge accounting prospectively when it determines that the derivative is no longer effective in offsetting changes in the fair value or cash flows of a hedged item, when the derivative expires or is sold, terminated or exercised, or when management determines that designation of the derivative as a hedge instrument is no longer appropriate. When hedge accounting is discontinued and the derivative remains outstanding, all subsequent changes in fair value of the derivative are included in the excess of revenues over expenses.

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Changes in the fair value of derivative instruments are included in or excluded from the excess of revenues over expenses depending on the use of the derivative and whether it qualifies for hedge accounting treatment. Changes in the fair value of a derivative that is designated and qualifies as a fair value hedge, along with the changes in the fair value of the hedged item related to the risk being hedged, are included in the excess of revenues over expenses. Changes in the fair value of a derivative that is designated as a cash flow hedge are excluded from the excess of revenues over expenses to the extent that the hedge is effective until the excess of revenues over expenses is affected by the variability of cash flows in the hedged transaction. Changes in the fair value that relate to ineffectiveness are included in the excess of revenues over expenses as interest expense.

(r) *Excess of Revenue over Expenses*

The consolidated statements of operations includes a performance indicator, excess of revenue over expenses. Changes in unrestricted net assets that are excluded from the performance indicator, consistent with industry practice, include contributions of long-lived assets (including assets acquired using contributions, which, by donor restrictions, were to be used for the purpose of acquiring such assets), pension-related changes other than net periodic pension costs, change in fair value of derivatives that qualify for hedge accounting, and other items that are required by generally accepted accounting principles to be reported separately.

(s) *Income Taxes*

The Corporation and most of its subsidiaries are not-for-profit corporations formed under the laws of the State of Maryland, organized for charitable purposes and recognized by the Internal Revenue Service as tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code pursuant to Section 501(a) of the Code. The effect of the taxable status of its for-profit subsidiaries is not material to the consolidated financial statements. There were no income taxes paid on unrelated business activities in the year ended June 30, 2014 or 2013. The Corporation has net operating losses on unrelated business activities of approximately \$45,051,000 as of June 30, 2014, which expire at various dates through 2031. The Corporation's deferred tax assets of approximately \$18,020,000 at June 30, 2014 are fully reserved as they are not expected to be utilized.

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

(t) *Donor-Restricted Gifts*

Unconditional promises to give cash and other assets to the Corporation are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the promise becomes unconditional. Contributions are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction is satisfied, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statements of operations as net assets released from restrictions. Such amounts are classified as other revenue or transfers and additions to property and equipment.

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

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

(u) Fair Value Measurements

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

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

Pension plan asset portfolio – The Corporation applies Accounting Standards Update (ASU) 2009-12, *Fair Value Measurements and Disclosures (Topic 820): Investments in Certain Entities That Calculate Net Asset per Share (or Its Equivalent)*, to its pension plan asset portfolio. The guidance permits, as a practical expedient, fair value of investments within its scope to be estimated using the net asset value or its equivalent. The alternative investments classified within Level 3 of the fair value hierarchy have been recorded using the Net Asset Value (NAV).

Long-term debt – The fair value of the long-term debt issued through the Maryland Health and Higher Educational Facilities Authority (Authority or MHHEFA), based on quoted market prices, at June 30, 2014 and 2013, was approximately \$1,514,615,000 and \$1,291,397,000, respectively. The carrying amounts of other long-term debt reported in note 7 and on the consolidated balance sheets approximate the related fair values.

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

- Level 1 inputs are quoted market prices (unadjusted) in active markets for identical assets or liabilities that the Corporation has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted market prices including within Level 1 that are observable for the asset or liability, either directly or indirectly. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability.

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- Level 3 inputs are unobservable inputs for the asset or liability.

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

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

As of June 30, 2014 and 2013, the Level 2 assets and liabilities listed in the fair value hierarchy tables below utilize the following valuation techniques and inputs:

(i) Cash Equivalents

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

(ii) U.S. Government and Agency Securities

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

(iii) Corporate Bonds

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

(iv) Collateralized Corporate Obligations

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

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(v) Derivative Liabilities

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

(v) *Fair Value Option*

Under the Fair Value Option Subsections of Accounting Standards Codification (ASC) Subtopic 825-10, *Financial Instruments – Overall*, the Corporation has the irrevocable option to report most financial assets and liabilities at fair value on an instrument-by-instrument basis, with changes in fair value reported in earnings. See note 7 to the consolidated financial statements.

(w) *Commitments and Contingencies*

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

(x) *Use of Estimates*

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

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(2) Investments and Assets Limited as to Use

The carrying values of assets limited as to use were as follows at June 30 (in thousands):

	2014	2013
Investments held for collateral	\$ 96,370	66,644
Debt service and reserve funds	82,782	74,772
Construction funds – held by trustee	46,314	75,340
Board designated funds	222,136	110,003
Construction funds – held by the corporation	98,820	88,469
Self-insurance trust funds	151,380	111,454
Funds restricted by donors	53,510	50,324
Economic and beneficial interests in the net assets of related organizations (note 12)	191,544	37,117
Total assets limited as to use	942,856	614,123
Less amounts available for current liabilities	(52,498)	(46,343)
Total assets limited as to use, less current portion	\$ 890,358	567,780

The carrying values of assets limited as to use were as follows at June 30, 2014 (in thousands):

	Investments held for collateral	Debt service and reserve funds	Construction funds	Board designated funds	Self-insurance trust funds	Funds restricted by donors	Economic and beneficial interests	Total
Cash and cash equivalents	\$ 4,219	39,005	89,330	25,357	9,838	5,558	—	173,307
Corporate bonds	—	—	3,637	52,907	2,449	8,193	—	67,186
Collateralized corporate obligations	—	—	866	689	—	34	—	1,589
U.S. government and agency securities	92,151	43,777	26,734	5,664	23	72	—	168,421
Common stocks, including mutual funds	—	—	11,811	82,130	—	22,571	—	116,512
Alternative investments	—	—	12,756	55,389	—	17,082	—	85,227
Assets held by other organizations	—	—	—	—	139,070	—	191,544	330,614
Total assets limited as to use	\$ 96,370	82,782	145,134	222,136	151,380	53,510	191,544	942,856

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The carrying values of assets limited as to use were as follows at June 30, 2013 (in thousands):

	Investments held for collateral	Debt service and reserve funds	Construction funds	Board designated funds	Self-insurance trust funds	Funds restricted by donors	Economic and beneficial interests	Total
Cash and cash equivalents	\$ —	17,906	62,599	8,406	367	6,412	—	95,690
Corporate bonds	—	—	3,256	9,550	2,838	7,810	—	23,454
Collateralized corporate obligations	—	—	1,020	1,056	—	46	—	2,122
U.S. government and agency securities	66,644	56,866	61,325	1,725	132	76	—	186,768
Common stocks, including mutual funds	—	—	17,127	39,643	—	22,348	—	79,118
Alternative investments	—	—	18,482	49,623	—	13,632	—	81,737
Assets held by other organizations	—	—	—	—	108,117	—	37,117	145,234
Total assets limited as to use	\$ 66,644	74,772	163,809	110,003	111,454	50,324	37,117	614,123

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

The carrying values of investments not limited as to use were as follows at June 30 (in thousands):

	2014	2013
Cash and cash equivalents	\$ 38,047	7,035
Corporate bonds	54,424	32,426
Collateralized corporate obligations	11,847	9,014
U.S. government and agency securities	53,766	68,638
Common stocks	175,757	165,409
Alternative investments	200,966	180,954
	\$ 534,807	463,476

Investments at June 30, 2013 included \$150,000,000 of funds for potential future commitments in accordance with the Affiliation Agreement with Upper Chesapeake Health System as discussed in note 4.

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Alternative investments include hedge fund, private equity, and commingled investment funds, which are valued using the equity method of accounting. Substantially all of these investments are subject to 30 day notice requirements for redemption.

The following table presents investments and assets limited as to use that are measured at fair value on a recurring basis at June 30, 2014 (in thousands):

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
Investments:				
Cash and cash equivalents	\$ 38,047	—	—	38,047
Corporate bonds	37,753	16,671	—	54,424
Collateralized corporate obligations	—	11,847	—	11,847
U.S. government and agency securities	47,668	6,098	—	53,766
Common and preferred stocks, including mutual funds	175,757	—	—	175,757
	<u>299,225</u>	<u>34,616</u>	<u>—</u>	<u>333,841</u>
Assets limited as to use:				
Cash and cash equivalents	112,022	61,285	—	173,307
Corporate bonds	62,501	4,685	—	67,186
Collateralized corporate obligations	—	1,589	—	1,589
U.S. government and agency securities	105,949	62,472	—	168,421
Common and preferred stocks, including mutual funds	116,512	—	—	116,512
Investments held by other organizations	—	330,614	—	330,614
	<u>396,984</u>	<u>460,645</u>	<u>—</u>	<u>857,629</u>
	<u>\$ 696,209</u>	<u>495,261</u>	<u>—</u>	<u>1,191,470</u>

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The following table presents investments and assets limited as to use that are measured at fair value on a recurring basis at June 30, 2013 (in thousands):

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
Investments:				
Cash and cash equivalents	\$ 7,035	—	—	7,035
Corporate bonds	21,410	11,016	—	32,426
Collateralized corporate obligations	—	9,014	—	9,014
U.S. government and agency securities	62,252	6,386	—	68,638
Common and preferred stocks, including mutual funds	165,409	—	—	165,409
	<u>256,106</u>	<u>26,416</u>	<u>—</u>	<u>282,522</u>
Assets limited as to use:				
Cash and cash equivalents	62,501	33,189	—	95,690
Corporate bonds	18,023	5,431	—	23,454
Collateralized corporate obligations	—	2,122	—	2,122
U.S. government and agency securities	68,766	118,002	—	186,768
Common and preferred stocks, including mutual funds	79,118	—	—	79,118
Investments held by other organizations	—	145,234	—	145,234
	<u>228,408</u>	<u>303,978</u>	<u>—</u>	<u>532,386</u>
	<u>\$ 484,514</u>	<u>330,394</u>	<u>—</u>	<u>814,908</u>

Changes to Level 1 and Level 2 securities between June 30, 2014 and 2013 were the result of strategic investments and reinvestments, interest income earnings, the addition of Upper Chesapeake investments, and changes in the fair value of investments.

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

	<u>2014</u>	<u>2013</u>
Dividends and interest, net of fees	\$ 13,804	8,462
Net realized gains	9,276	9,924
Change in fair value of trading securities	53,855	32,158
Total investment return	<u>\$ 76,935</u>	<u>50,544</u>

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

	<u>2014</u>	<u>2013</u>
Nonoperating investment income	\$ 21,055	17,248
Change in fair value of unrestricted investments	50,994	29,567
Investment gains on restricted net assets	4,886	3,729
Total investment return	<u>\$ 76,935</u>	<u>50,544</u>

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

(3) Property and Equipment

The following is a summary of property and equipment at June 30 (in thousands):

	<u>2014</u>	<u>2013</u>
Land	\$ 134,174	105,418
Buildings	1,461,645	1,249,769
Building and leasehold improvements	645,454	586,814
Equipment	1,263,671	1,122,742
Construction in progress	191,201	150,288
	3,696,145	3,215,031
Less accumulated depreciation and amortization	(1,664,911)	(1,507,355)
	<u>\$ 2,031,234</u>	<u>1,707,676</u>

Interest cost capitalized was \$1,031,000 for the year ended June 30, 2014. There was no interest cost capitalized for the year ended June 30, 2013.

Remaining commitments on construction projects were approximately \$28,592,000 at June 30, 2014.

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

Depreciation expense was \$169,117,000 and \$144,671,000, for the years ended June 30, 2014 and 2013, respectively.

(4) Investments in Joint Ventures

The Corporation has investments of \$83,072,000 and \$192,045,000 at June 30, 2014 and 2013, respectively, in the following unconsolidated joint ventures:

Joint venture	Business purpose	Ownership percentage	
		FY2014	FY2013
Shipley's Imaging Center, LLC	Freestanding imaging center	50%	50%
Maryland Care, Inc.	Managed care organization	20	25
Innovative Health Services, LLC	Third-party insurance claims processor	50	50
NAH/Sunrise of Severna Park, LLC	Senior living facility	50	50
Terrapin Insurance Company (Terrapin)	Healthcare professional liability insurance company	50	50
Mt. Washington Pediatric Hospital, Inc. (Mt. Washington)	Healthcare services	50	50
UCHS/UMMS Venture, LLC	Healthcare services	*	49
Central Maryland Radiation Oncology Center LLC	Healthcare services	50	50
Chesapeake-Potomac Healthcare Alliance	Healthcare services	33	33
Civista Ambulatory Surgery Center, Inc.	Ambulatory surgical services	50	50
NRH/CPT/St. Mary's/Civista Regional Rehab, LLC	Medical rehabilitative and therapy services	15	15
Freestate Healthcare Insurance Company, LTD	Healthcare professional liability insurance company	—	17

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Joint venture	Business purpose	Ownership percentage	
		FY2014	FY2013
Maryland eCare, LLC	Remote monitoring technology	14%	14%
MRI at St. Joseph Medical Center, LLC	Healthcare services	51	51
SJMC-RA, LLC	Healthcare services	*	49
Advanced/Upper Chesapeake Health Center, LLC	Imaging Center	10	—

* *UMMS acquired all of the remaining ownership interest of UCHS/UMMS Venture and SJMC-RA during the year ended June 30, 2014. The operations of these entities are fully consolidated as of the date of full ownership.*

The Corporation recorded equity in net earnings of \$9,548,000 and \$16,279,000 related to these joint ventures for the years ended June 30, 2014 and 2013, respectively.

In 2009, the Corporation entered into a Membership Interest Purchase Agreement and an Affiliation Agreement with Upper Chesapeake Health System, Inc. (UCHS), a healthcare system located in Harford County, Maryland, whereby the Corporation held a 49% interest in the Upper Chesapeake Health System/University of Maryland Medical System Venture, LLC (UCHS/UMMS Venture, LLC) at June 30, 2013. As described in note 1(a), the Corporation assumed the remaining 51% interest in UCHS/UMMS Venture, LLC on December 6, 2013. UCHS/UMMS Venture, LLC is included within UCHS in the consolidated financial statements.

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

		2014				
		Mt. Washington	Terrapin	UCHS/UMMS Venture, LLC	Others	Total
Current assets	\$	26,988	19,024	—	241,920	287,932
Noncurrent assets		73,937	168,976	—	98,893	341,806
Total assets	\$	100,925	188,000	—	340,813	629,738
Current liabilities	\$	14,252	925	—	207,974	223,151
Noncurrent liabilities		8,588	185,125	—	12,075	205,788
Net assets		78,085	1,950	—	120,764	200,799
Total liabilities and net assets	\$	100,925	188,000	—	340,813	629,738

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2014					
	Mt. Washington	Terrapin	UCHS/UMMS Venture, LLC *	Others	Total
Total operating revenue	\$ 55,422	37,503	166,608	804,404	1,063,937
Total operating expenses	(50,878)	(45,401)	(165,176)	(794,193)	(1,055,648)
Total nonoperating gains/(losses), net	4,015	7,898	8,255	450	20,618
Contributions from owners	—	—	125	4,854	4,979
Other changes in net assets, net	1,432	—	(1,717)	(4,128)	(4,413)
Increase in net assets	\$ 9,991	—	8,095	11,387	29,473

* Activity from July 1, 2013 through December 6, 2013

2013					
	Mt. Washington	Terrapin	UCHS/UMMS Venture, LLC	Others	Total
Current assets	\$ 24,380	10,056	86,871	184,665	305,972
Noncurrent assets	65,494	148,845	336,380	94,458	645,177
Total assets	\$ 89,874	158,901	423,251	279,123	951,149
Current liabilities	\$ 13,155	2,920	55,288	164,676	236,039
Noncurrent liabilities	8,625	154,031	234,987	(8,880)	388,763
Net assets	68,094	1,950	132,976	123,327	326,347
Total liabilities and net assets	\$ 89,874	158,901	423,251	279,123	951,149
Total operating revenue	\$ 54,019	32,314	356,417	761,042	1,203,792
Total operating expenses	(48,625)	(39,129)	(348,711)	(740,852)	(1,177,317)
Total nonoperating gains/(losses), net	2,188	6,815	11,364	(2,942)	17,425
Distributions to owners	—	—	—	(10,582)	(10,582)
Other changes in net assets, net	3,705	—	5,481	(12,992)	(3,806)
Increase in net assets	\$ 11,287	—	24,551	(6,326)	29,512

(5) Leases

The Corporation rents various equipment and facility space. Rent expense under these operating leases for the years ended June 30, 2014 and 2013 was approximately \$24,523,000 and \$23,461,000, respectively.

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

2015	\$ 15,185
2016	10,272
2017	7,953
2018	5,616
2019	5,432
Thereafter	<u>10,668</u>
	<u>\$ 55,126</u>

The Corporation rents property used for administration under a 99-year lease. The lease was recorded as a capital lease, and the Corporation recorded assets at their respective fair values of \$3,770,000 and \$29,230,000 for land and buildings, respectively. The lease includes an option for the Corporation to purchase the property during the period from April 20, 2017 to February 28, 2021 for a purchase price of not less than \$37,000,000 but not more than \$45,000,000 as determined by appraisals. In addition, the lease agreement includes a put option exercisable through February 28, 2021, whereby the lessor may require the Corporation to purchase the building for \$37,000,000. As of June 30, 2014 and 2013, amounts of \$35,924,000 and \$35,567,000, respectively, representing obligations under the lease, have been recorded in other current liabilities.

As of June 30, 2014, amounts of \$1,870,000 and \$17,776,000 representing obligations under all other capital leases are included in other current liabilities and other long-term liabilities, respectively.

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

	<u>2014</u>	<u>2013</u>
Land	\$ 3,770	3,770
Buildings	29,230	29,230
Equipment	<u>37,051</u>	<u>17,798</u>
	70,051	50,798
Less accumulated amortization	<u>(23,012)</u>	<u>(18,674)</u>
	<u>\$ 47,039</u>	<u>32,124</u>

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Future minimum lease payments under capital leases, together with the present value of the net minimum lease payments, are as follows as of June 30, 2014 (in thousands):

2015	\$	5,805
2016		5,606
2017		41,839
2018		2,061
2019		1,674
Thereafter		<u>16,764</u>
Total minimum lease payments		73,749
Less amounts representing interest		<u>(18,179)</u>
Present value of net minimum lease payments	\$	<u><u>55,570</u></u>

(6) Lines of Credit

Lines of credit outstanding are as follows as of the years ended June 30 (in thousands):

2014					
Line number	Interest rate calculation	Interest rate as of June 30, 2014	Date of expiration	Total available	Outstanding amount
1	1-mo LIBOR + 0.80%	—%	12/31/2013 * \$	—	—
2	1-mo LIBOR + 2.20%	2.32	Annually renewing	20,000	—
3	1, 2 or 3 month LIBOR + 0.75%	0.87	7/1/2015	20,000	20,000
4	1-mo LIBOR + 0.20%	0.92	3/31/2015	10,000	—
5	1-mo LIBOR + 2.20%	2.32	Annually renewing	5,000	—
6	Prime + 0.50%	3.75	5/31/2015	12,000	12,000
7	Prime, LIBOR (1, 2, 3 or 6 month) or LIBOR w/daily reset	3.25	1/14/2015	10,000	—
8	1-mo LIBOR + 0.75%	0.87	11/15/2014	60,000	60,000
9	1-mo LIBOR + 0.85%	0.97	1/29/2015	<u>25,000</u>	<u>25,000</u>
Total lines of credit				\$ <u><u>162,000</u></u>	<u><u>117,000</u></u>

* Line terminated in FY 14

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2013					
Line number	Interest rate calculation	Interest rate as of June 30, 2014	Date of expiration	Total available	Outstanding amount
1	1-mo LIBOR + 0.80%	0.99%	12/31/2013	\$ 25,000	25,000
2			Annually		
	1-mo LIBOR + 2.20%	2.39	renewing	20,000	10,000
3	1,2 or 3 month LIBOR + 0.75%	0.94	7/1/2014	20,000	20,000
4	1-mo LIBOR + 0.20%	0.99	12/31/2013	10,000	10,000
5			Annually		
	1-mo LIBOR + 2.20%	2.39	renewing	5,000	—
6	Prime + 0.50%	3.75	5/31/2014	12,000	12,000
7	Prime, LIBOR (1, 2, 3 or 6 month) or				
	LIBOR w/daily reset	3.25	1/16/2014	10,000	10,000
8	1-mo LIBOR + 0.70%	0.89	4/2/2014	60,000	8,000
Total lines of credit				\$ 162,000	95,000

(7) Long-Term Debt and Other Borrowings

Long-term debt consists of the following at June 30 (in thousands):

	Interest rate	Payable in fiscal year(s)		2014	2013
MHHEFA project revenue bonds:					
Corporation issue, payments due annually on July 1:					
Series 2013 Bonds	2.00%–5.00%	2013–2043	\$	356,935	362,335
Series 2012A-D Bonds	Variable rate	2013–2041		215,335	216,335
Series 2010 Bonds	2.50%–5.25%	2010–2040		221,070	226,485
Series 2008D/E Bonds	Variable rate	2026–2042		105,000	105,000
Series 2008F Bonds	4.00%–5.25%	2009–2024		60,260	65,055
Series 2007A Bonds	Variable rate	2008–2035		92,735	95,065
Series 2006A Bonds	4.50%–5.00%	2026–2042		45,000	45,000
Series 2005 Bonds	4.00%–5.50%	2006–2032		122,725	125,825
Series 1991B Bonds	7.00%	1992–2023		24,760	26,085
Upper Chesapeake issue, payments due annually on January 1:					
Series 2011B/C Bonds	Variable rate	2013–2040		113,590	—
Series 2011A Bonds	Variable rate	2012–2043		49,065	—
Series 2008C Bonds	5.25%–6.05%	2009–2038		50,535	—

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	<u>Interest rate</u>	<u>Payable in fiscal year(s)</u>	<u>2014</u>	<u>2013</u>
Other long-term debt:				
North Arundel Senior Living, LLC Mortgage	4.75%	Monthly, 2,021	\$ 10,617	10,342
Charles County Government loan payable	3.05	Monthly, 2004–2021	7,516	8,599
Community Bank note payable	4.50	Monthly, 2014–2024	5,740	—
Grandbridge Real Estate Capital mortgaged promissory note payable	5.70	Monthly, 2012–2014	—	4,215
O’Dea Medical Arts L.P. mortgage	4.66%	2009–2019	9,283	9,272
Term loans	1.62%–3.95%	2009–2022	34,574	38,591
Other loans and notes payable	3.25%–7.00%	Monthly, 1991 – 2025	3,142	3,657
			<u>1,527,882</u>	<u>1,341,861</u>
Less current portion of long-term debt			32,624	38,802
Less long-term debt subject to short-term remarketing agreements			<u>77,574</u>	<u>19,123</u>
			1,417,684	1,283,936
Plus unamortized premiums and discounts, net			<u>18,562</u>	<u>20,110</u>
			<u>\$ 1,436,246</u>	<u>1,304,046</u>

Pursuant to an Amended and Restated Master Loan Agreement dated August 1, 2012 (UMMS Master Loan Agreement), the Corporation and several of its subsidiaries have issued debt through MHHEFA. 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 UMMS Master Loan Agreement contains certain restrictive covenants. These covenants require that rates and charges be set at certain levels, limit incurrence of additional debt, require compliance with certain operating ratios and restrict the disposition of assets.

The Obligated Group under the UMMS Master Loan Agreement includes the Medical Center, ROI, Midtown, Baltimore Washington Medical Center, Shore Health (Memorial Hospital and Dorchester General), CRHC, Charles Regional Medical Center, UMSJMC, UCMC, HMH, and the UMMS Foundation. Each member of the Obligated Group is jointly and severally liable for the repayment of the obligations under the UMMS Master Loan Agreement.

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

In August 2012, the Corporation refunded \$40,755,000 of the Series 2007 Bonds and \$175,000,000 of the Series 2008 Bonds. The refunding was completed using the proceeds of a new \$216,335,000 variable-rate MHHEFA bond issue (the Series 2012A-D Bonds).

In April 2013, the Corporation issued a new fixed-rate MHHEFA bond issue (the Series 2013 Bonds) in the amount of \$362,335,000. The Series 2013 Bonds were issued to finance the following (in thousands):

Purchase of substantially all of the assets of St. Joseph Medical Center (see note 1(a))	\$ 206,300
Information Technology and capital construction projects	68,200
Refunding of existing debt:	
Civista MHHEFA Series 2005	56,100
UMMS MHHEFA Series 2004B	25,200
Shore Health MHHEFA Series 1998	17,200
Chester River MHHEFA bonds and other loans	14,400
	<hr/>
Subtotal	387,400
Less proceeds of original issue premium	(18,100)
Less amounts pledged to refunded bonds, net of financing costs	(6,965)
	<hr/>
	\$ 362,335
	<hr/>

The unamortized portion of issuance costs on the debt refunded by the Series 2013 Bonds was expensed as a loss on early extinguishment of debt during the year ended June 30, 2013. In addition, the Corporation had previously recorded a fair value decrease to the Charles Regional Series 2005 Bonds as a result of having elected to record that debt instrument at its fair value under ASC Subtopic 825-10. During fiscal year 2013, the Corporation continued to record changes in the fair value of the Charles Regional Series 2005 Bonds until the refunding occurred, at which time the remaining fair value change of \$2,793,000 was expensed as a component of the loss on early extinguishment of debt.

On October 1, 2011, Upper Chesapeake entered into a Financing Agreement with MHHEFA and a lender for up to \$50,000,000 of tax exempt Revenue Bonds, Series 2011A – UCHS Issue. The bonds are designated to support a capital project on the campus of UCMC, and bond proceeds are drawn upon as construction progresses. There was \$50,000,000 drawn on the Series 2011A bonds as of June 30, 2014. The Series 2011A – UCHS Issue bonds bear interest at 3.67% through October 31, 2021, and thereafter at LIBOR plus an applicable spread which is based on prevailing bond rates for similarly rated bonds. Principal payments on the Series 2011A – UCHS Issue bonds are due in annual installments on January 1 ranging from \$935,000 in 2014 to \$2,695,000 in 2043 with a mandatory purchase in 2021 at its par amount, unless the bank and Obligated Group agree to an extension.

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On December 1, 2011, MHHEFA issued \$59,225,000 of tax exempt Revenue Bonds, Series 2011B – UCHS Issue on behalf of Upper Chesapeake. Bond proceeds were loaned to the Upper Chesapeake pursuant to a First Supplemental Indenture of Trust and Supplemental Loan Agreement. The Series 2011B – UCHS Issue bonds bear interest at LIBOR plus 1.15%, subject to prevailing rates on bond spreads. The bond proceeds were used to refund the Series 2008B – UCHS Issue and a portion of the Series 2008A – UCHS Issue. Principal payments on the Series 2011B – UCHS Issue bonds are due in monthly installments ranging from \$90,000 in 2014 to \$430,000 in 2040 with a mandatory purchase in 2021 at its par value, unless the bank and the Obligated Group agree to an extension.

On December 1, 2011, MHHEFA issued \$59,225 of tax exempt Revenue Bonds, Series 2011C – UCHS Issue on behalf of the Upper Chesapeake. Bond proceeds were loaned to the Upper Chesapeake pursuant to a First Supplemental Indenture of Trust and Supplemental Loan Agreement. The Series 2011C – UCHS Issue bonds bear interest at LIBOR plus 0.95%, subject to prevailing rates on bond spreads. The bond proceeds were used to refund the Series 2008A – UCHS Issue. Principal payments on the Series 2011C – UCHS Issue bonds are due in monthly installments ranging from \$90,000 in 2014 to \$410,000 in 2039 with a mandatory purchase in 2017 at its par value, unless the bank and the Obligated Group agree to an extension.

The payment of principal and interest on the Corporation's issue Series 2005 Bonds is insured under a financial guaranty insurance policy. This policy insured the payment of principal, sinking fund installments and interest on the corresponding bonds. The insurance policy required the Obligated Group to adhere to the same covenants as those in the UMMS Master Loan Agreement.

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

2015	\$	32,624
2016		33,829
2017		34,921
2018		45,840
2019		43,036
Thereafter		<u>1,337,632</u>
	\$	<u><u>1,527,882</u></u>

The Corporation's Series 2007A and 2008D-E are variable rate demand bonds requiring remarketing agents to purchase and remarket any bonds tendered before the stated maturity date. The reimbursement obligations with respect to the letters of credit are evidenced and secured by the respective bonds. To provide liquidity support for the timely payment of any bonds that are not successfully remarketed, the Corporation has entered into letter of credit agreements with three banking institutions. These agreements have terms that expire in 2015 through 2017. If the bonds are not successfully remarketed, the Corporation is required to pay an interest rate specified in the letter of credit agreement, and the principal repayment of bonds may be accelerated to require repayment in periods ranging from 20 to 60 months from the date of the failed remarketing. The Corporation has reflected the amount of its long-term debt that is subject to these short-term remarketing arrangements as a separate component of current liabilities in its consolidated

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balance sheets. In the event that bonds are not remarketed, the Corporation maintains available letters of credit and has the ability to access other sources to obtain the necessary liquidity to comply with accelerated repayment terms. All variable rate demand bonds were successfully remarketed as of June 30, 2014.

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

2015	\$ 110,198
2016	98,977
2017	130,924
2018	54,640
2019	41,776
Thereafter	<u>1,091,367</u>
	<u>\$ 1,527,882</u>

The approximate interest rates on MHHEFA project revenue bonds bearing interest at variable rates were as follows at June 30:

	<u>2014</u>	<u>2013</u>
Series 2011A Bonds – UCHS Issue*	3.67%	—%
Series 2011B Bonds – UCHS Issue*	1.27	—
Series 2011C Bonds – UCHS Issue*	0.96	—
Series 2008D Bonds	0.06	0.03
Series 2008E Bonds	0.03	0.05
Series 2007A Bonds	0.05	0.07
Series 2012A Bonds	1.16	1.18
Series 2012B Bonds	0.86	0.88
Series 2012C Bonds	1.17	1.21
Series 2012D Bonds	1.10	0.96

* Acquired with Upper Chesapeake acquisition on December 6, 2013.

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Term loans outstanding are as follows at June 30 (in thousands):

	<u>Interest rate</u>	<u>Interest rate</u>	<u>Payable in fiscal year(s)</u>	<u>2014</u>	<u>2013</u>
Term loan 1					
payable monthly beginning February 2012	1-mo LIBOR + 2.75%	2.87%	2012–2018	\$ 18,916	21,141
Term loan 2					
payable monthly beginning March 2012	Fixed rate	3.95	2012–2022	10,000	10,800
Term loan 3					
payable monthly beginning January 2012	Fixed rate	1.66	2012–2017	712	996
Term loan 4					
payable monthly beginning April 2012	Fixed rate	1.62	2012–2017	719	981
Term loan 5					
payable monthly beginning February 2010	1-mo LIBOR + 1.75%	1.86	2010–2019	3,506	3,731
Term loan 6					
payable monthly beginning October 2012	Fixed rate	1.46	2013–2018	594	776
Term loan 7					
payable monthly beginning November 2012	Fixed rate	2.91	2013–2018	127	166
Sub total – term loans (included in Long-term debt)				34,574	38,591
Term loan 8 (Current liabilities)					
lump sum payment December 2014	1-mo LIBOR + 0.65%	0.77	2,015	150,000	—
Total term loans				\$ 184,574	38,591

On December 3, 2013, the Corporation entered into a term loan in the amount of \$150,000,000 as a bridge financing related to the acquisition of Upper Chesapeake. The term loan is payable on December 2, 2014, and as such has been classified as a current liability in the consolidated balance sheets. The Corporation intends to refinance this obligation prior to its maturity date.

(8) Interest Rate Risk Management

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

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At June 30, 2014 and 2013, the Corporation's notional values of outstanding interest rate swaps were \$801,160,000 and \$606,899,000, respectively, the details of which were as follows:

	<u>Notional amount</u>	<u>Pay rate</u>	<u>Maturity date</u>	<u>Mark to market</u>	<u>Qualifies for hedge accounting treatment?</u>
As of June 30, 2014:					
Swap #1	\$ 90,200	3.59%	7/1/2031	\$ (14,889)	No
Swap #2	84,000	3.93	7/1/2041	(24,983)	No
Swap #3	21,000	4.24	7/1/2041	(7,348)	No
Swap #4	38,350	3.99	7/1/2034	(8,317)	No
Swap #5	28,060	3.54	7/1/2031	(4,481)	No
Swap #6	196,000	3.93	7/1/2041	(58,299)	No
Swap #7	49,000	4.24	7/1/2041	(17,147)	No
Swap #8	89,450	4.00	7/1/2034	(19,485)	No
Swap #9	4,690	3.63	7/1/2032	(582)	No
Swap #10	111,525	3.92	1/1/2038	(27,077)	No
Swap #11	<u>88,885</u>	0.51	1/1/2038	<u>(1,350)</u>	No
				(183,958)	
			Valuation adjustments	<u>8,011</u>	
Total	\$ <u>801,160</u>			\$ <u>(175,947)</u>	
As of June 30, 2013:					
Swap #1	\$ 92,349	3.59%	7/1/2031	\$ (14,839)	No
Swap #2	84,000	3.93	7/1/2041	(23,896)	No
Swap #3	21,000	4.24	7/1/2041	(7,090)	No
Swap #4	39,225	3.99	7/1/2034	(8,422)	No
Swap #5	28,730	3.54	7/1/2031	(4,454)	No
Swap #6	196,000	3.93	7/1/2041	(55,764)	No
Swap #7	49,000	4.24	7/1/2041	(16,545)	No
Swap #8	91,550	4.00	7/1/2034	(19,735)	No
Swap #9	<u>5,045</u>	3.63	7/1/2032	<u>(647)</u>	No
				(151,392)	
			Valuation adjustments	<u>5,888</u>	
Total	\$ <u>606,899</u>			\$ <u>(145,504)</u>	

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

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On January 1, 2013, in accordance with ASC 815, *Derivatives and Hedging*, the Corporation elected to discontinue the cash flow hedging relationship for Swap #8. As of that date, the accumulated losses included in unrestricted net assets, will be reclassified into earnings over the life of the Series 2007 bonds. For the years ended June 30, 2014 and 2013, \$1,857,000 and \$938,000, respectively were reclassified from other changes in net assets into change in fair value of undesignated interest rate swaps. The accumulated losses included in unrestricted net assets were (\$23,227,000) and (\$25,084,000) at June 30, 2014 and 2013, respectively.

Other than Swap #8 during the period July 1, 2012 through December 31, 2012 as discussed above, the Corporation's interest rate swaps, do not qualify for hedge accounting treatment. The Corporation recorded a net nonoperating gain (loss) on changes in the fair value of nonqualifying interest rate swaps of (\$5,277,000) and \$70,144,000 for the years ended June 30, 2014 and 2013, respectively.

The swap agreements are included in the consolidated balance sheets at their fair value of \$175,947,000 and \$145,504,000 as of June 30, 2014 and 2013, respectively, an amount that is based on observable inputs other than quoted market prices in active markets for identical liabilities (Level 2 in the fair value hierarchy).

On December 6, 2013, in connection with the transaction discussed in note 1, the interest rate swap agreement for Upper Chesapeake was revised into a new agreement with the same terms and original confirmation between UMMS and the swap counterparty. The new agreement requires collateral postings by Upper Chesapeake, which is guaranteed by the Corporation. The Corporation posted collateral on behalf of Upper Chesapeake in the amount of \$27,077,022 as of June 30, 2014.

The Corporation is subject to a collateral posting requirement with two of its swap counterparties. Collateral posting requirements are based on the Corporation's long-term debt credit ratings, as well as the net liability position of total interest rate swap agreements outstanding with that counterparty. The amount of such posted collateral was \$66,765,072 and \$65,047,000 at June 30, 2014 and 2013, respectively.

As of June 30, 2014 and 2013, the Corporation met its collateral posting requirement through the use of collateralized investments, which were selected and purchased by the Corporation and subsequently transferred to the custody of the swap counterparty. The amount of posted investments that is required to meet the collateral requirement is computed daily, and is accounted for as a component of the Corporation's assets limited as to use on the accompanying consolidated balance sheets as of that date. Any excess investment value is considered a component of the Corporation's unrestricted investment portfolio, and is included in investments on the accompanying consolidated balance sheets as of that date.

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(9) Other Liabilities

Other liabilities consist of the following at June 30 (in thousands):

	<u>2014</u>	<u>2013</u>
Professional and general malpractice liabilities	\$ 215,173	181,275
Capital lease obligations	55,570	37,529
Accrued pension obligations	24,751	26,584
Accrued interest payable	22,698	16,963
Other miscellaneous	54,684	38,717
	<u>372,876</u>	<u>301,068</u>
Total other liabilities	372,876	301,068
Less current portion	(105,275)	(93,383)
Other long-term liabilities	<u>\$ 267,601</u>	<u>207,685</u>

Other miscellaneous liabilities primarily consist of unearned revenue and patient credit balance liabilities.

(10) Retirement Plans

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

(a) Defined Benefit Plans

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

Baltimore Washington Medical Center Pension Plan – A noncontributory defined benefit pension plan covering full-time employees who have been employed for at least one year and have reached 21 years of age.

Baltimore Washington Medical Center Supplemental Executive Retirement Plan – A noncontributory defined benefit pension plan for senior management level employees.

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Chester River Health System, Inc. Pension Plan and Trust – A noncontributory defined benefit pension plan covering substantially all CRHC employees as well as employees of a subsidiary. The benefits are paid to retirees based upon age at retirement, years of service and average compensation. Chester River's funding policy is to satisfy the minimum funding requirements of ERISA. Effective June 30, 2008, Chester River froze the defined benefit pension plan.

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

Upper Chesapeake Health System, Inc. Pension Plan and Trust – A noncontributory defined benefit pension plan covering substantially all employees of the various affiliates of Upper Chesapeake who have completed six months of employment and attained the age of twenty and a half years. Upper Chesapeake makes annual contributions to the plan equal to the minimum funding requirements pursuant to ERISA regulations. On December 31, 2005, Upper Chesapeake froze the defined benefit pension plan.

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

The following table sets forth the combined benefit obligations and assets of the defined benefit plans at June 30 (in thousands):

	<u>2014</u>	<u>2013</u>
Change in projected benefit obligations:		
Benefit obligations at beginning of year	\$ 165,157	171,632
Addition of Upper Chesapeake obligation	71,539	—
Plan amendment	—	(123)
Settlements	(1,325)	(2,609)
Service cost	3,731	3,963
Interest cost	13,120	7,647
Actuarial loss	18,766	(9,260)
Benefit payments	(14,501)	(6,093)
Projected benefit obligations at end of year	\$ <u>256,487</u>	<u>165,157</u>

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	<u>2014</u>	<u>2013</u>
Change in plan assets:		
Fair value of plan assets at beginning of year	\$ 138,573	124,002
Addition of Upper Chesapeake assets	61,836	—
Actual return on plan assets	29,465	11,960
Settlements	(1,325)	(2,609)
Employer contributions	13,433	11,313
Benefit payments	(8,764)	(6,093)
Fair value of plan assets at end of year	<u>\$ 233,218</u>	<u>138,573</u>
Accumulated benefit obligation at end of year	\$ 248,545	158,832

The funded status of the plans and amounts recognized as other long-term liabilities and other assets in the consolidated balance sheets at June 30 are as follows (in thousands):

	<u>2014</u>	<u>2013</u>
Funded status, end of period:		
Fair value of plan assets	\$ 233,218	138,573
Projected benefit obligations	<u>256,487</u>	<u>165,157</u>
Net funded status	<u>\$ (23,269)</u>	<u>(26,584)</u>
Amounts recognized in consolidated balance sheets at June 30:		
Pension asset	\$ 1,482	—
Accrued pension obligation	<u>(24,751)</u>	<u>(26,584)</u>
	<u>\$ (23,269)</u>	<u>(26,584)</u>
Amounts recognized in unrestricted net assets at June 30:		
Net actuarial loss	\$ (77,451)	(53,337)
Prior service cost	<u>(985)</u>	<u>(1,135)</u>
Fair value of plan assets at end of year	<u>\$ (78,436)</u>	<u>(54,472)</u>

The estimated amounts that will be amortized from unrestricted net assets into net periodic pension cost in fiscal 2015 are as follows:

Net actuarial loss	\$ 5,528
Prior service cost	<u>163</u>
	<u>\$ 5,691</u>

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

	2014	2013
Service cost	\$ 3,731	3,963
Interest cost	13,120	7,647
Expected return on plan assets	(17,580)	(9,328)
Prior service cost recognized	174	163
Recognized gains or losses	8,978	7,644
Net periodic pension cost	<u>\$ 8,423</u>	<u>10,089</u>

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

	2014	2013
Discount rate	4.40%–5.37%	4.97%–5.24%
Rate of compensation increase (for nonfrozen plan)	2.50%–4.50%	2.50%–4.50%

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

	2014	2013
Discount rate	4.48%–5.37%	4.32%–4.67%
Expected long-term return on plan assets	7.25%–7.50%	7.50%
Rate of compensation increase (for nonfrozen plan)	2.50%–4.50%	2.50%–4.50%

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

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The Corporation's pension plans' target allocation and weighted average asset allocations at the measurement date of June 30, 2014 and 2013, by asset category, are as follows:

Asset category	Target allocation	Percentage of plan assets as of June 30	
		2014	2013
Cash and cash equivalents	4%	7%	5%
Fixed income securities	37	37	30
Equity securities	34	43	44
Global asset allocation	15	8	13
Hedge funds	10	5	8
		100%	100%

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

The table below presents the Corporation's combined investable assets of the defined benefit pension plans as of June 30, 2014 aggregated by the three level valuation hierarchy as described in note 1(u):

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 6,082	11,107	—	17,189
Corporate bonds	26,568	—	—	26,568
Gov't & agency bonds	15,001	—	—	15,001
Fixed income mutual funds	21,022	—	—	21,022
Common and preferred stocks	30,138	—	—	30,138
Equity mutual funds	59,209	—	—	59,209
Other mutual funds	10,908	—	—	10,908
Alternative investments	—	33,229	19,954	53,183
	<u>\$ 168,928</u>	<u>44,336</u>	<u>19,954</u>	<u>233,218</u>

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The table below presents the Corporation's combined investable assets of the defined benefit pension plans as of June 30, 2013, aggregated by the three level valuation hierarchy as described in note 1(u):

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ —	7,182	—	7,182
Fixed income mutual funds	35,141	—	—	35,141
Common and preferred stocks	10,337	—	—	10,337
Equity mutual funds	43,584	—	—	43,584
Other mutual funds	10,655	—	—	10,655
Alternative investments	—	13,933	17,741	31,674
	<u>\$ 99,717</u>	<u>21,115</u>	<u>17,741</u>	<u>138,573</u>

Changes to Level 1 and Level 2 inputs between June 30, 2014 and 2013 were the result of strategic investments and reinvestments, interest income earnings, and changes in the fair value of investments.

Changes to the fair values based on the Level 3 inputs are summarized as follows:

	<u>Hedge funds</u>
Balance as of June 30, 2012	\$ 10,152
Additions/purchases	7,660
Withdrawals/sales	(371)
Net change in value	<u>300</u>
Balance as of June 30, 2013	17,741
Additions/purchases	385
Withdrawals/sales	(168)
Net change in value	<u>1,996</u>
Balance as of June 30, 2014	<u>\$ 19,954</u>

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The following summarizes the redemption terms for the hedge fund-of-funds vehicles alternative investments held as of June 30, 2014:

	<u>Fund 1</u>	<u>Fund 2</u>
Redemption timing:		
Redemption frequency	Monthly	Quarterly
Required notice	20 days	70 days
Gates:		
Potential gate holdback	None	None
Potential gate release timeframe	N/A	N/A

The Corporation expects to contribute \$11,896,000 to its defined benefit pension plans for the fiscal year ending June 30, 2015.

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

2015	\$	10,987
2016		11,246
2017		13,008
2018		13,411
2019		13,216
2020–2024		84,092

The expected benefits to be paid are based on the same assumptions used to measure the Corporation's benefit obligation at June 30, 2014.

(b) Defined Contribution Plans

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

Corporation Salary Reduction 403(b) Plan – A contributory benefit plan covering substantially all employees not participating in the ROI Plan or the Midtown Plan described below. Employees are immediately eligible for elective deferrals of compensation as contributions to the plan.

Kernan Tax Sheltered Annuity Plan – A contributory benefit plan administered by an insurance company for ROI employees hired prior to a certain date in 1996. Employee contributions to this plan are eligible for a matching contribution by ROI after participating employees have completed two years of credited service.

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

Baltimore Washington Retirement Plans – Defined contribution plans covering all employees of Baltimore Washington Medical Center, and certain related entities. Employees are eligible for matching contributions after two years of service as defined in the plans.

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

Chester River Retirement Plan – A contributory benefit plan covering substantially all employees of Chester River who have met the eligibility requirements.

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

Upper Chesapeake Retirement Plan – A defined contribution benefit plan which allows employees of Upper Chesapeake to contribute amounts tax-deferred up to certain limits allowable under IRS guidelines. Upper Chesapeake is required to match up to 100% of employee contributions up to 4% of employees' salaries, based on years of service. Upper Chesapeake is also required to make a contribution of 1% of each employee's salary for all employees who work more than 1,000 hours annually. Additional contributions are required to be made by Upper Chesapeake for employees aged fifty and older, who have completed ten years of service. Employees vest in amounts contributed by Upper Chesapeake ratably over a five-year period.

Total annual retirement costs incurred by the Corporation for the previously discussed defined contribution plans were \$35,016,000 and \$34,516,000 for the years ended June 30, 2014 and 2013, respectively. Such amounts are included in salaries, wages and benefits in the accompanying consolidated statements of operations.

(11) Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are restricted primarily for the following purposes at June 30 (in thousands):

	<u>2014</u>	<u>2013</u>
Facility construction and renovations, research, education, and other	\$ 49,842	37,760
Economic and beneficial interests in the net assets of related organizations	<u>191,544</u>	<u>37,117</u>
	<u>\$ 241,386</u>	<u>74,877</u>

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Net assets were released from donor restrictions during the years ended June 30, 2014 and 2013 by expending funds satisfying the restricted purposes or by occurrence of other events specified by donors as follows (in thousands):

	<u>2014</u>	<u>2013</u>
Purchases of equipment and construction costs	\$ 2,913	24,081
Research, education, uncompensated care, and other	4,793	2,067
	<u>\$ 7,706</u>	<u>26,148</u>

Included in net assets released from donor restrictions for research, professional education, faculty support, uncompensated care and other is \$3,173,000 and \$1,638,000 for the years ended June 30, 2014 and 2013, respectively, related to nonoperating activities of the UMMS Foundation.

Permanently restricted net assets consist primarily of gifts to be held in perpetuity, the income from which may be used to fund the operations of the Corporation.

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

(a) Interpretation of Relevant Law

The Corporation has interpreted the Maryland Uniform Prudent Management of Institutional Funds Act (MUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Corporation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by MUPMIFA. In accordance with MUPMIFA, the Corporation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Corporation and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments

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(6) Other resources of the Corporation

(7) The investment policies of the Corporation.

Endowment net assets are as follows (in thousands):

		June 30, 2014		
		Unrestricted	Temporarily restricted	Permanently restricted
				Total
Donor-restricted endowment funds	\$	—	13,480	36,050
				49,530

		June 30, 2013		
		Unrestricted	Temporarily restricted	Permanently restricted
				Total
Donor-restricted endowment funds	\$	—	9,480	34,011
				43,491

(b) Funds with Deficiencies

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

(c) Investment Strategies

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

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

The Corporation monitors the endowment funds' returns and appropriates average returns for use. In establishing this practice, the Corporation considered the long-term expected return on its endowment. This is consistent with the Corporation's objective to maintain the purchasing power of

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the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

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

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

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

	<u>2014</u>	<u>2013</u>
Economic interests in:		
UCH Legacy Funding Corporation	\$ 150,000	—
The James Lawrence Kernan Hospital Endowment Fund, Incorporated	31,809	28,660
Baltimore Washington Medical Center Foundation, Inc.	<u>6,600</u>	<u>5,607</u>
Total economic interests	188,409	34,267
Beneficial interest in the net assets of Dorchester General Hospital Foundation, Inc.	<u>3,135</u>	<u>2,850</u>
	<u>\$ 191,544</u>	<u>37,117</u>

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

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

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

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

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

	<u>2014</u>	<u>2013</u>
Current assets	\$ 2,770	2,140
Noncurrent assets	189,361	35,631
Total assets	<u>\$ 192,131</u>	<u>37,771</u>
Current liabilities	\$ 103	101
Noncurrent liabilities	484	553
Net assets	<u>191,544</u>	<u>37,117</u>
Total liabilities and net assets	<u>\$ 192,131</u>	<u>37,771</u>
Total operating revenue	\$ 7,570	(1,000)
Total operating expense	(3,775)	1,043
Other changes in net assets	<u>150,632</u>	<u>(495)</u>
Total increase (decrease) in net assets	<u>\$ 154,427</u>	<u>(452)</u>

(13) State Support

In each of the years ended June 30, 2014 and 2013, the Corporation received \$3,000,000 in support for the Shock Trauma Center operations from the state of Maryland.

The state of Maryland appropriates funds for construction costs incurred, equipment purchases made, and other capital support. The Corporation recognizes this support as the funds are expended for the intended projects. The Corporation expended and recorded \$443,000 and \$17,253,000 during the year ended June 30, 2014 and 2013, respectively.

(14) Functional Expenses

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

	<u>2014</u>	<u>2013</u>
Healthcare services	\$ 2,632,935	2,228,069
General and administrative	345,711	357,157
	<u>\$ 2,978,646</u>	<u>2,585,226</u>

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(15) Insurance

The Corporation maintains self-insurance programs for professional and general liability risks, employee health, employee long-term disability, and workers' compensation. Estimated liabilities have been recorded based on actuarial estimation of reported and incurred but not reported claims. The accrued liabilities for these programs as of June 30, 2014 and 2013 were as follows (in thousands):

	<u>2014</u>	<u>2013</u>
Professional and general malpractice liabilities	\$ 215,173	181,275
Employee health	24,105	20,068
Employee long-term disability	12,962	10,038
Workers' compensation	16,937	12,420
Total self-insured liabilities	269,177	223,801
Less current portion	(62,667)	(48,111)
	<u>\$ 206,510</u>	<u>175,690</u>

The Corporation provides for and funds the present value of the costs for professional and general liability claims and insurance coverage related to the projected liability from asserted and unasserted incidents, which the Corporation believes may ultimately result in a loss. These accrued malpractice losses are discounted using a discount rate of 2.5%. In management's opinion, these accruals provide an adequate and appropriate loss reserve. The professional and general malpractice liabilities presented above include \$125,206,000 and \$114,355,000 as of June 30, 2014 and 2013, respectively, for which related insurance receivables have been recorded.

The Corporation and each of its affiliates are self-insured for professional and general liability claims up to the limits of \$1.0 million on individual claims and \$3.0 million in the aggregate on an annual basis. For amounts in excess of these limits, the risk of loss has been transferred to the Terrapin Insurance Company (Terrapin), an unconsolidated joint venture. Terrapin provides insurance for claims in excess of \$1 million individually and \$3 million in the aggregate up to \$100 million individually and \$100 million in the aggregate under claims made policies between the Corporation and Terrapin. For claims in excess of Terrapin's coverage limits, if any, the Corporation retains the risk of loss.

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

Total malpractice insurance expense for the Corporation during the years ended June 30, 2014 and 2013 was approximately \$50,835,000 and \$44,234,000, respectively.

(16) Business and Credit Concentrations

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

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

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

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

	2014	2013
Medicare	22%	25%
Medicaid	28	27
Commercial insurance and HMOs	17	17
Blue Cross	11	12
Self-pay and others	22	19
	<u>100%</u>	<u>100%</u>

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

	2014	2013
Medicare	38%	36%
Medicaid	20	23
Commercial insurance and HMOs	21	17
Blue Cross	14	16
Self-pay and others	7	8
	<u>100%</u>	<u>100%</u>

(17) Certain Significant Risks and Uncertainties

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

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

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Notes to Consolidated Financial Statements

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

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

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

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

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

The general healthcare industry environment is increasingly uncertain, especially with respect to the impact of Federal healthcare reform legislation, which was passed in 2010 and largely upheld by the U.S. Supreme Court in June 2012. Potential impacts of ongoing healthcare industry transformation include, but are not limited to (1) significant capital investments in healthcare information technology, (2) continuing volatility in the state and federal government reimbursement programs, (3) lack of clarity related to the health benefit exchange framework mandated by reform legislation, including important open questions regarding exchange reimbursement levels, and impact on the healthcare "demand curve" as the previously uninsured enter the insurance system, and (4) effective management of multiple major regulatory mandates, including the transition to ICD-10. This Federal healthcare reform legislation does not affect the consolidated financial statements for the year ended June 30, 2014.

(18) Maryland Health Services Cost Review Commission (HSCRC)

For the year ended June 30, 2013, patient service revenue for hospital services was regulated by the HSCRC and recorded at rates established by the HSCRC which were adjusted annually to account for compliance with approved rates, annual inflation and changes in cost and volume. The Medical Center, ROI, Midtown, Baltimore Washington, Charles Regional and St. Joseph had Charge Per Episode (CPE) agreements with the HSCRC. The CPE agreements established a prospectively approved average charge per inpatient episode based upon an estimated case mix index. The agreement allowed the hospitals to

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Notes to Consolidated Financial Statements

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adjust approved unit rates, within certain limits, to achieve the average CPE target. The HSCRC allowed for certain corridors related to the approved rates such that variances within those corridors did not adversely impact the hospitals. Outpatient services were charged using the established HSCRC unit rates.

On July 3, 2014, the Health System and the Health Services Cost Review Commission (HSCRC) agreed to implement the Global Budget Revenue (GBR) methodology, effective July 1, 2013 for the following hospitals: Medical Center, ROI, Midtown, Baltimore Washington, Charles Regional, St. Joseph, Shore Emergency Center, and Upper Chesapeake. The agreements will continue through June 30, 2014 and on July 1, 2014, and each year thereafter, the agreements will renew for a one year period unless it is canceled by the HSCRC or by the Corporation. The GBR model is a revenue constraint and quality improvement system designed by the HSCRC to provide hospitals with strong financial incentives to manage their resources efficiently and effectively in order to slow the rate of increase in health care costs and improve health care delivery processes and outcomes. The GBR model is consistent with the Corporation's mission to provide the highest value of care possible to its patients and the communities it serves.

The GBR agreements establish a prospective, fixed revenue base "GBR cap" for the upcoming year. This includes both inpatient and outpatient regulated services. Under GBR, a hospital's revenue for all HSCRC regulated services is predetermined for the upcoming year, regardless of changes in volume, service mix intensity, or mix of inpatient or outpatient services that occurred during the year. The GBR agreement allows the Corporation to adjust unit rates, within certain limits, to achieve the overall revenue base for the Corporation at year end. Any overcharge or undercharge versus the GBR cap is prospectively added to the subsequent year's GBR cap. Although the GBR cap does not adjust for changes in volume or service mix, the GBR cap is adjusted annually for inflation, and for changes in payor mix and uncompensated care. Beginning on July 1, 2014 and each year thereafter, the Corporation will receive an annual adjustment to its cap for the change in population in the Corporation's service areas. GBR is designed to encourage hospitals to operate efficiently by reducing utilization and managing patients in the appropriate care delivery setting.

For the years ended June 30, 2014 and 2013, Memorial Hospital, Dorchester Hospital, and CRHC continued their participation in Total Patient Revenue (TPR) agreements with the HSCRC. The TPR agreements establish an approved aggregate inpatient and outpatient revenue for regulated services to provide care for the patient population in the geographic region without regard for patient acuity or volumes. GBR and TPR are generally the same concept.

The HSCRC utilizes a bad debt pool into which each of the regulated hospitals in Maryland participates. The funds in the bad debt pool are distributed to the hospitals that exceed the state average based upon the amount of uncompensated care delivered to patients during the year. For the years ended June 30, 2014 and 2013, the Corporation recognized a net distribution from the pool of \$45,805,000 and \$52,352,000, respectively, which is recorded as net patient service revenue.

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Notes to Consolidated Financial Statements

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(19) Subsequent Events

The corporation evaluated all events and transactions that occurred after June 30, 2014 and through October 28, 2014. The Corporation did not have any material recognizable subsequent events during the period.

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Consolidating Balance Sheet Information by Division

June 30, 2014

(In thousands)

Assets	University of Maryland Medical Center	Rehabilitation & Orthopaedic Institute	Midtown	Baltimore Washington	Shore Regional	Charles Regional	St. Joseph Health	Upper Chesapeake	UMMS Foundation	ECARE	Eliminations	Consolidated total
Current assets:												
Cash and cash equivalents	\$ 120,849	25,636	20,459	20,960	19,979	22,881	5,245	51,713	—	—	—	287,722
Assets limited as to use, current portion	45,943	—	993	1,140	910	912	477	2,123	—	—	—	52,498
Accounts receivable:												
Patient accounts receivable, less allowance for doubtful accounts of \$210,958	160,184	16,193	27,654	40,403	28,682	9,041	36,201	39,687	—	—	—	358,045
Other	161,893	1,681	2,727	2,707	17,934	2,013	(74,901)	—	—	237	(55,863)	58,428
Inventories	24,692	1,188	2,969	7,708	4,014	1,587	4,932	9,462	—	—	—	56,552
Prepaid expenses and other current assets	6,003	10	142	1,889	1,723	266	2,592	13,332	1,500	46	—	27,503
Total current assets	519,564	44,708	54,944	74,807	73,242	36,700	(25,454)	116,317	1,500	283	(55,863)	840,748
Investments	361,916	13,700	—	73,089	52,718	22,708	10,676	—	—	—	—	534,807
Assets limited as to use, less current portion:												
Investments held for collateral	60,418	—	—	8,000	—	—	—	27,952	—	—	—	96,370
Debt service funds	33,781	—	—	—	—	—	—	4,055	—	—	—	37,836
Construction funds	58,392	12,554	1,603	28,278	9,715	4,729	29,863	—	—	—	—	145,134
Board designated and escrow funds	—	—	—	—	75,336	5,364	—	117,696	23,740	—	—	222,136
Self-insurance trust funds	54,750	—	21,055	21,930	24,426	6,880	5,900	8,887	—	—	—	143,828
Funds restricted by donor	—	—	1,175	—	29,157	—	785	—	22,393	—	—	53,510
Economic and beneficial interests in the net assets of related organizations	202,189	34,003	111	6,602	3,134	—	9,503	—	—	—	(63,998)	191,544
	409,530	46,557	23,944	64,810	141,768	16,973	46,051	158,590	46,133	—	(63,998)	890,358
Property and equipment, net	896,440	45,433	102,074	252,204	165,945	90,903	211,436	263,556	—	3,243	—	2,031,234
Investments in joint ventures and other assets	657,514	—	28,236	17,790	11,426	5,383	12,504	217,872	6,894	—	(655,528)	302,091
Total assets	\$ 2,844,964	150,398	209,198	482,700	445,099	172,667	255,213	756,335	54,527	3,526	(775,389)	4,599,238

**UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
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Consolidating Balance Sheet Information by Division

June 30, 2014

(In thousands)

Liabilities and Net Assets	University of Maryland Medical Center	Rehabilitation & Orthopaedic Institute	Midtown	Baltimore Washington	Shore Regional	Charles Regional	St. Joseph Health	Upper Chesapeake	UMMS Foundation	ECARE	Eliminations	Consolidated total
Current liabilities:												
Trade accounts payable	\$ 144,766	5,779	13,612	23,519	20,434	8,974	27,119	16,789	32	841	—	261,865
Accrued payroll and benefits	97,157	4,962	12,753	25,134	25,091	5,590	26,818	24,658	—	—	—	222,163
Advances from third-party payors	71,498	3,880	8,757	9,965	6,187	3,449	12,066	7,810	—	—	—	123,612
Lines of credit	105,000	—	—	—	—	12,000	—	—	—	—	—	117,000
Short-term financing	150,000	—	—	—	—	—	—	—	—	—	—	150,000
Other current liabilities	85,579	11,863	15,231	(1,337)	4,549	3,378	4,040	32,617	—	5,218	(55,863)	105,275
Long-term debt subject to short-term remarketing arrangements	77,574	—	—	—	—	—	—	—	—	—	—	77,574
Current portion of long-term debt	13,249	463	866	3,618	3,196	2,688	4,363	4,181	—	—	—	32,624
Total current liabilities	744,823	26,947	51,219	60,899	59,457	36,079	74,406	86,055	32	6,059	(55,863)	1,090,113
Long-term debt, less current portion	558,828	22,003	35,094	193,650	98,184	66,145	253,825	208,517	—	—	—	1,436,246
Other long-term liabilities	119,466	415	26,139	36,286	19,745	15,491	7,715	42,344	—	—	—	267,601
Interest rate swap liabilities	148,097	—	—	—	—	—	—	27,850	—	—	—	175,947
Total liabilities	1,571,214	49,365	112,452	290,835	177,386	117,715	335,946	364,766	32	6,059	(55,863)	2,969,907
Net assets:												
Unrestricted	1,049,321	66,897	95,460	185,263	232,805	54,859	(86,233)	233,396	28,935	(2,533)	(506,275)	1,351,895
Temporarily restricted	222,740	34,136	1,286	6,602	19,656	93	5,100	156,897	6,851	—	(211,975)	241,386
Permanently restricted	1,689	—	—	—	15,252	—	400	1,276	18,709	—	(1,276)	36,050
Total net assets	1,273,750	101,033	96,746	191,865	267,713	54,952	(80,733)	391,569	54,495	(2,533)	(719,526)	1,629,331
Total liabilities and net assets	\$ 2,844,964	150,398	209,198	482,700	445,099	172,667	255,213	756,335	54,527	3,526	(775,389)	4,599,238

See accompanying independent auditors' report.

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

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

June 30, 2014

(In thousands)

Assets	University of Maryland Medical Center	University Specialty	36 South Paca	University CARE	Eliminations	University of Maryland consolidated total
Current assets:						
Cash and cash equivalents	\$ 119,021	178	1,107	543	—	120,849
Assets limited as to use, current portion	45,943	—	—	—	—	45,943
Accounts receivable:						
Patient accounts receivable, less allowance for doubtful accounts of \$95,235	160,127	—	—	57	—	160,184
Other	165,030	—	96	87	(3,320)	161,893
Inventories	24,653	—	—	39	—	24,692
Prepaid expenses and other current assets	5,967	—	—	36	—	6,003
Total current assets	520,741	178	1,203	762	(3,320)	519,564
Investments	361,916	—	—	—	—	361,916
Assets limited as to use, less current portion:						
Investment held for collateral	60,418	—	—	—	—	60,418
Debt service funds	33,781	—	—	—	—	33,781
Construction funds	58,392	—	—	—	—	58,392
Board designated and escrow funds	—	—	—	—	—	—
Self-insurance trust funds	54,750	—	—	—	—	54,750
Funds restricted by donor	—	—	—	—	—	—
Economic interests in the net assets of related organizations	202,189	—	—	—	—	202,189
	409,530	—	—	—	—	409,530
Property and equipment, net	887,175	—	9,265	—	—	896,440
Investments in joint ventures and other assets	663,332	—	3,277	—	(9,095)	657,514
Total assets	\$ 2,842,694	178	13,745	762	(12,415)	2,844,964

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

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

June 30, 2014

(In thousands)

Liabilities and Net Assets	University of Maryland Medical Center	University Specialty	36 South Paca	University CARE	Eliminations	University of Maryland consolidated total
Current liabilities:						
Trade accounts payable	\$ 142,885	472	192	1,217	—	144,766
Accrued payroll and benefits	96,947	148		62	—	97,157
Advances from third-party payors	71,498	—	—	—	—	71,498
Lines of credit	105,000	—	—	—	—	105,000
Short-term financing	150,000	—	—	—	—	150,000
Other current liabilities	84,899	77	3,500	423	(3,320)	85,579
Long-term debt subject to short-term remarketing arrangements	77,574	—	—	—	—	77,574
Current portion of long-term debt	13,249	—	—	—	—	13,249
Total current liabilities	742,052	697	3,692	1,702	(3,320)	744,823
Long-term debt, less current portion	558,828	—	—	—	—	558,828
Other long-term liabilities	119,445	—	21	—	—	119,466
Interest rate swaps	148,097	—	—	—	—	148,097
Total liabilities	1,568,422	697	3,713	1,702	(3,320)	1,571,214
Net assets:						
Unrestricted	1,049,843	(519)	10,032	(940)	(9,095)	1,049,321
Temporarily restricted	222,740	—	—	—	—	222,740
Permanently restricted	1,689	—	—	—	—	1,689
Total net assets	1,274,272	(519)	10,032	(940)	(9,095)	1,273,750
Total liabilities and net assets	\$ 2,842,694	178	13,745	762	(12,415)	2,844,964

See accompanying independent auditors' report.

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

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

June 30, 2014

(In thousands)

Assets	UM Midtown Health Systems, Inc.	UMMC Midtown Campus	UM Midtown Clin. Prac. Group	Eliminations	Midtown consolidated total
Current assets:					
Cash and cash equivalents	\$ 160	20,163	136	—	20,459
Assets limited as to use, current portion	—	993	—	—	993
Accounts receivable:					
Patient accounts receivable, less allowance for doubtful accounts of \$14,561	—	26,931	723	—	27,654
Other	(22)	3,593	(844)	—	2,727
Inventories	—	2,969	—	—	2,969
Prepaid expenses and other current assets	—	142	—	—	142
Total current assets	<u>138</u>	<u>54,791</u>	<u>15</u>	<u>—</u>	<u>54,944</u>
Investments	—	—	—	—	—
Assets limited as to use, less current portion:					
Debt service funds	—	—	—	—	—
Construction funds	—	1,603	—	—	1,603
Board designated and escrow funds	—	—	—	—	—
Self-insurance trust funds	—	21,055	—	—	21,055
Funds restricted by donor	—	1,175	—	—	1,175
Economic interests in the net assets of related organizations	—	111	—	—	111
	—	23,944	—	—	23,944
Property and equipment, net	1,821	100,253	—	—	102,074
Investments in joint ventures and other assets	16,277	11,959	—	—	28,236
Total assets	<u>\$ 18,236</u>	<u>190,947</u>	<u>15</u>	<u>—</u>	<u>209,198</u>

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

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

June 30, 2014

(In thousands)

Liabilities and Net Assets	UM Midtown Health Systems, Inc.	UMMC Midtown Campus	UM Midtown Clin. Prac. Group	Eliminations	Midtown consolidated total
Current liabilities:					
Trade accounts payable	\$ 22	13,582	8	—	13,612
Accrued payroll and benefits	—	12,753	—	—	12,753
Advances from third-party payors	—	8,757	—	—	8,757
Lines of credit	—	—	—	—	—
Other current liabilities	—	15,231	—	—	15,231
Current portion of long-term debt	186	680	—	—	866
Total current liabilities	208	51,003	8	—	51,219
Long-term debt, less current portion	781	34,313	—	—	35,094
Other long-term liabilities	1	26,138	—	—	26,139
Total liabilities	990	111,454	8	—	112,452
Net assets:					
Unrestricted	17,246	78,207	7	—	95,460
Temporarily restricted	—	1,286	—	—	1,286
Permanently restricted	—	—	—	—	—
Total net assets	17,246	79,493	7	—	96,746
Total liabilities and net assets	\$ 18,236	190,947	15	—	209,198

See accompanying independent auditors' report.

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

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

June 30, 2014

(In thousands)

Assets	Baltimore Washington Medical System, Inc.	Baltimore Washington Medical Center	Baltimore Washington Healthcare Services	Baltimore Washington Health Enterprises	North County Corporation	Shipley's	Eliminations	BWMS consolidated total
Current assets:								
Cash and cash equivalents	\$ —	18,281	1,281	308	571	519	—	20,960
Assets limited as to use, current portion	—	1,140	—	—	—	—	—	1,140
Accounts receivable:								
Patient accounts receivable, less allowance								
for doubtful accounts of \$52,699	—	33,312	3,260	3,831	—	—	—	40,403
Other	—	701	—	2,047	(34)	(7)	—	2,707
Inventories	—	7,708	—	—	—	—	—	7,708
Prepaid expenses and other current assets	—	1,530	22	343	6	(12)	—	1,889
Total current assets	—	62,672	4,563	6,529	543	500	—	74,807
Investments	—	73,089	—	—	—	—	—	73,089
Assets limited as to use, less current portion:								
Investment held for collateral	—	8,000	—	—	—	—	—	8,000
Debt service funds	—	—	—	—	—	—	—	—
Construction funds	—	28,278	—	—	—	—	—	28,278
Board designated and escrow funds	—	—	—	—	—	—	—	—
Self-insurance trust funds	—	21,930	—	—	—	—	—	21,930
Funds restricted by donor	—	—	—	—	—	—	—	—
Economic interests in the net assets of related organizations	—	6,602	—	—	—	—	—	6,602
	—	64,810	—	—	—	—	—	64,810
Property and equipment, net	—	223,802	—	10,083	12,015	6,304	—	252,204
Investments in joint ventures and other assets	175,622	15,157	—	2,613	2	17	(175,621)	17,790
Total assets	\$ 175,622	439,530	4,563	19,225	12,560	6,821	(175,621)	482,700

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

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

June 30, 2014

(In thousands)

Liabilities and Net Assets	Baltimore Washington Medical System, Inc.	Baltimore Washington Medical Center	Baltimore Washington Healthcare Services	Baltimore Washington Health Enterprises	North County Corporation	Shipley's	Eliminations	BWMS consolidated total
Current liabilities:								
Trade accounts payable	\$ 18	19,564	434	3,438	66	(1)	—	23,519
Accrued payroll and benefits	1,323	22,799	788	224	—	—	—	25,134
Advances from third-party payors	—	9,965	—	—	—	—	—	9,965
Lines of credit	—	—	—	—	—	—	—	—
Other current liabilities	(18,538)	26,675	(7,537)	1,068	342	(3,347)	—	(1,337)
Current portion of long-term debt	—	3,296	—	97	225	—	—	3,618
Total current liabilities	(17,197)	82,299	(6,315)	4,827	633	(3,348)	—	60,899
Long-term debt, less current portion	—	179,849	—	10,520	3,281	—	—	193,650
Other long-term liabilities	—	36,286	—	—	—	—	—	36,286
Total liabilities	(17,197)	298,434	(6,315)	15,347	3,914	(3,348)	—	290,835
Net assets:								
Unrestricted	192,819	134,494	10,878	3,878	8,646	10,169	(175,621)	185,263
Temporarily restricted	—	6,602	—	—	—	—	—	6,602
Permanently restricted	—	—	—	—	—	—	—	—
Total net assets	192,819	141,096	10,878	3,878	8,646	10,169	(175,621)	191,865
Total liabilities and net assets	\$ 175,622	439,530	4,563	19,225	12,560	6,821	(175,621)	482,700

See accompanying independent auditors' report.

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

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

June 30, 2014

(In thousands)

Assets	Shore Health System, Inc.	Memorial Hospital Foundation, Inc. and Subsidiary	Care Health Services, Inc.	Shore Health Enterprises, Inc. and Subsidiary	Shore Clinical Foundation, Inc.	Chester River Consolidated Total	Eliminations	SHS consolidated total
Current assets:								
Cash and cash equivalents	\$ 13,657	—	197	—	229	5,896	—	19,979
Assets limited as to use, current portion	645	—	—	—	—	265	—	910
Accounts receivable:								
Patient accounts receivable, less allowance for doubtful accounts of \$10,707	19,565	—	735	—	2,471	5,911	—	28,682
Other	16,090	(41)	2,606	—	43	(764)	—	17,934
Inventories	3,611	—	—	—	—	403	—	4,014
Prepaid expenses and other current assets	1,455	25	11	—	77	155	—	1,723
Total current assets	55,023	(16)	3,549	—	2,820	11,866	—	73,242
Investments	44,099	1,016	—	—	—	7,603	—	52,718
Assets limited as to use, less current portion:								
Debt service funds	—	—	—	—	—	—	—	—
Construction funds	5,078	—	—	—	—	4,637	—	9,715
Board designated and escrow funds	25,000	44,749	—	—	—	5,587	—	75,336
Self-insurance trust funds	19,157	—	—	—	—	5,269	—	24,426
Funds restricted by donor	4,550	22,708	—	—	—	1,899	—	29,157
Economic and beneficial interests in the net assets of related organizations	74,782	—	—	—	—	6,343	(77,991)	3,134
	128,567	67,457	—	—	—	23,735	(77,991)	141,768
Property and equipment, net	130,732	3,489	480	—	1,498	29,746	—	165,945
Investments in joint ventures and other assets	11,824	20	—	—	—	3,917	(4,335)	11,426
Total assets	\$ 370,245	71,966	4,029	—	4,318	76,867	(82,326)	445,099

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

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

June 30, 2014

(In thousands)

Liabilities and Net Assets	Shore Health System, Inc.	Memorial Hospital Foundation, Inc. and Subsidiary	Care Health Services, Inc.	Shore Health Enterprises, Inc. and Subsidiary	Shore Clinical Foundation, Inc.	Chester River Consolidated Total	Eliminations	SHS consolidated total
Current liabilities:								
Trade accounts payable	\$ 14,238	26	112	—	688	5,370	—	20,434
Accrued payroll and benefits	17,877	20	277	—	2,541	4,376	—	25,091
Advances from third-party payors	5,368	—	—	—	—	819	—	6,187
Lines of credit	—	—	—	—	—	—	—	—
Other current liabilities	2,526	272	1	—	392	1,358	—	4,549
Current portion of long-term debt	3,084	—	—	—	—	112	—	3,196
Total current liabilities	43,093	318	390	—	3,621	12,035	—	59,457
Long-term debt, less current portion	93,421	—	—	—	—	4,763	—	98,184
Other long-term liabilities	12,535	—	—	—	—	7,210	—	19,745
Total liabilities	149,049	318	390	—	3,621	24,008	—	177,386
Net assets:								
Unrestricted	189,472	47,972	3,639	—	697	46,560	(55,535)	232,805
Temporarily restricted	17,750	12,701	—	—	—	3,743	(14,538)	19,656
Permanently restricted	13,974	10,975	—	—	—	2,556	(12,253)	15,252
Total net assets	221,196	71,648	3,639	—	697	52,859	(82,326)	267,713
Total liabilities and net assets	\$ 370,245	71,966	4,029	—	4,318	76,867	(82,326)	445,099

See accompanying independent auditors' report.

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

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

June 30, 2014

(In thousands)

Assets	Chester River Hospital Center	Chester River Manor	Chester River Home Care and Hospice	Chester River Health Foundation	Chester River consolidated total
Current assets:					
Cash and cash equivalents	\$ 4,575	608	713	—	5,896
Assets limited as to use, current portion	265	—	—	—	265
Accounts receivable:					
Patient accounts receivable, less allowance for doubtful accounts of \$3,823	5,108	545	258	—	5,911
Other	(1,087)	301	(33)	55	(764)
Inventories	403	—	—	—	403
Prepaid expenses and other current assets	104	51	—	—	155
Total current assets	<u>9,368</u>	<u>1,505</u>	<u>938</u>	<u>55</u>	<u>11,866</u>
Investments	4,737	—	1,450	1,416	7,603
Assets limited as to use, less current portion:					
Debt service funds	—	—	—	—	—
Construction funds	4,637	—	—	—	4,637
Board designated and escrow funds	5,000	—	—	587	5,587
Self-insurance trust funds	5,185	84	—	—	5,269
Funds restricted by donor	70	—	—	1,829	1,899
Economic interests in the net assets of related organizations	5,834	67	442	—	6,343
	<u>20,726</u>	<u>151</u>	<u>442</u>	<u>2,416</u>	<u>23,735</u>
Property and equipment, net	27,444	2,075	227	—	29,746
Investments in joint ventures and other assets	1,454	—	—	2,463	3,917
Total assets	<u>\$ 63,729</u>	<u>3,731</u>	<u>3,057</u>	<u>6,350</u>	<u>76,867</u>

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

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

June 30, 2014

(In thousands)

Liabilities and Net Assets	Chester River Hospital Center	Chester River Manor	Chester River Home Care and Hospice	Chester River Health Foundation	Chester River consolidated total
Current liabilities:					
Trade accounts payable	\$ 4,636	652	77	5	5,370
Accrued payroll and benefits	3,448	715	213	—	4,376
Advances from third-party payors	734	85	—	—	819
Lines of credit					—
Other current liabilities	1,351	2	3	2	1,358
Current portion of long-term debt	82	30	—	—	112
Total current liabilities	10,251	1,484	293	7	12,035
Long-term debt, less current portion	4,702	61	—	—	4,763
Other long-term liabilities	6,900	310	—	—	7,210
Total liabilities	21,853	1,855	293	7	24,008
Net assets:					
Unrestricted	38,744	1,828	2,760	3,228	46,560
Temporarily restricted	1,854	48	4	1,837	3,743
Permanently restricted	1,278	—	—	1,278	2,556
Total net assets	41,876	1,876	2,764	6,343	52,859
Total liabilities and net assets	\$ 63,729	3,731	3,057	6,350	76,867

See accompanying independent auditors' report.

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

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

June 30, 2014

(In thousands)

Assets	Charles Regional Health, Inc.	Charles Regional Medical Center, Inc.	Charles Regional Care Partners, Inc. and Subsidiary	Charles Regional Health Foundation, Inc.	Eliminations	Charles Regional consolidated total
Current assets:						
Cash and cash equivalents	\$ 79	21,246	701	855	—	22,881
Assets limited as to use, current portion	—	912	—	—	—	912
Accounts receivable:						
Patient accounts receivable, less allowance for doubtful accounts of \$6,267	—	7,988	1,053	—	—	9,041
Other	(7,762)	13,707	(3,876)	(56)	—	2,013
Inventories	—	1,587	—	—	—	1,587
Prepaid expenses and other current assets	—	206	27	33	—	266
Total current assets	<u>(7,683)</u>	<u>45,646</u>	<u>(2,095)</u>	<u>832</u>	<u>—</u>	<u>36,700</u>
Investments	—	20,458	—	2,250	—	22,708
Assets limited as to use, less current portion:						
Debt service funds	—	—	—	—	—	—
Construction funds	—	4,729	—	—	—	4,729
Board designated and escrow funds	5,364	—	—	—	—	5,364
Self-insurance trust funds	—	6,880	—	—	—	6,880
Funds restricted by donor	—	—	—	—	—	—
Economic interests in the net assets of related organizations	—	5,147	(205)	—	(4,942)	—
	5,364	16,756	(205)	—	(4,942)	16,973
Property and equipment, net	16,054	70,840	1,266	2,743	—	90,903
Investments in joint ventures and other assets	904	4,476	3	—	—	5,383
Total assets	<u>\$ 14,639</u>	<u>158,176</u>	<u>(1,031)</u>	<u>5,825</u>	<u>(4,942)</u>	<u>172,667</u>

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

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

June 30, 2014

(In thousands)

Liabilities and Net Assets	Charles Regional Health, Inc.	Charles Regional Medical Center, Inc.	Charles Regional Care Partners, Inc. and Subsidiary	Charles Regional Health Foundation, Inc.	Eliminations	Charles Regional consolidated total
Current liabilities:						
Trade accounts payable	\$ 1	8,643	298	32	—	8,974
Accrued payroll and benefits	—	5,307	283	—	—	5,590
Advances from third-party payors	—	3,449	—	—	—	3,449
Lines of credit	—	12,000	—	—	—	12,000
Other current liabilities	2,001	1,377	—	—	—	3,378
Current portion of long-term debt	658	2,007	—	23	—	2,688
Total current liabilities	2,660	32,783	581	55	—	36,079
Long-term debt, less current portion	6,060	59,257	—	828	—	66,145
Other long-term liabilities	—	15,491	—	—	—	15,491
Total liabilities	8,720	107,531	581	883	—	117,715
Net assets:						
Unrestricted	5,919	50,552	(1,612)	4,849	(4,849)	54,859
Temporarily restricted	—	93	—	93	(93)	93
Permanently restricted	—	—	—	—	—	—
Total net assets	5,919	50,645	(1,612)	4,942	(4,942)	54,952
Total liabilities and net assets	\$ 14,639	158,176	(1,031)	5,825	(4,942)	172,667

See accompanying independent auditors' report.

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

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

June 30, 2014

(In thousands)

Assets	St. Joseph Medical Center	St. Joseph Medical Group	St. Joseph Properties	St. Joseph Orthopaedics	O'Dea Medical Arts	St. Joseph Foundation	Eliminations	St. Joseph consolidated total
Current assets:								
Cash and cash equivalents	\$ 2,870	(18)	—	—	2,185	208	—	5,245
Assets limited as to use, current portion	477	—	—	—	—	—	—	477
Accounts receivable:								
Patient accounts receivable, less allowance for doubtful accounts of \$10,516	30,718	3,304	—	2,179	—	—	—	36,201
Other	(34,976)	(21,430)	(4,198)	(13,919)	257	(635)	—	(74,901)
Inventories	4,904	—	—	28	—	—	—	4,932
Prepaid expenses and other current assets	1,438	479	345	172	8	150	—	2,592
Total current assets	5,431	(17,665)	(3,853)	(11,540)	2,450	(277)	—	(25,454)
Investments	—	—	—	—	—	10,676	—	10,676
Assets limited as to use, less current portion:								
Debt service funds	—	—	—	—	—	—	—	—
Construction funds	29,863	—	—	—	—	—	—	29,863
Board designated and escrow funds	—	—	—	—	—	—	—	—
Self-insurance trust funds	5,900	—	—	—	—	—	—	5,900
Funds restricted by donor	—	—	—	—	—	785	—	785
Economic interests in the net assets of related organizations	9,503	—	—	—	—	—	—	9,503
	45,266	—	—	—	—	785	—	46,051
Property and equipment, net	197,626	572	—	655	12,583	—	—	211,436
Investments in joint ventures and other assets	9,521	—	3,148	2,846	—	192	(3,203)	12,504
Total assets	\$ 257,844	(17,093)	(705)	(8,039)	15,033	11,376	(3,203)	255,213

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

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

June 30, 2014

(In thousands)

Liabilities and Net Assets	St. Joseph Medical Center	St. Joseph Medical Group	St. Joseph Properties	St. Joseph Orthopaedics	O'Dea Medical Arts	St. Joseph Foundation	Eliminations	St. Joseph consolidated total
Current liabilities:								
Trade accounts payable	\$ 25,301	1,214	373	164	53	14	—	27,119
Accrued payroll and benefits	21,118	2,665	—	3,035	—	—	—	26,818
Advances from third-party payors	12,066	—	—	—	—	—	—	12,066
Lines of credit	—	—	—	—	—	—	—	—
Other current liabilities	3,239	238	—	293	197	73	—	4,040
Current portion of long-term debt	4,363	—	—	—	—	—	—	4,363
Total current liabilities	66,087	4,117	373	3,492	250	87	—	74,406
Long-term debt, less current portion	244,542	—	—	—	9,283	—	—	253,825
Other long-term liabilities	6,995	—	—	720	—	—	—	7,715
Total liabilities	317,624	4,117	373	4,212	9,533	87	—	335,946
Net assets:								
Unrestricted	(59,781)	(21,210)	(1,078)	(12,251)	5,500	5,790	(3,203)	(86,233)
Temporarily restricted	1	—	—	—	—	5,099	—	5,100
Permanently restricted	—	—	—	—	—	400	—	400
Total net assets	(59,780)	(21,210)	(1,078)	(12,251)	5,500	11,289	(3,203)	(80,733)
Total liabilities and net assets	\$ 257,844	(17,093)	(705)	(8,039)	15,033	11,376	(3,203)	255,213

See accompanying independent auditors' report.

**UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES**
Consolidating Balance Sheet Information by Division – University of Maryland Upper Chesapeake Health System (UCHS)
June 30, 2014
(In thousands)

Assets	Upper Chesapeake Medical Center	Harford Memorial Hospital	UCHS Properties	Health Ventures	Medical Services	Residential Hospice House	Upper Chesapeake Health Foundation	Upper Chesapeake Health System	Hospice of Harford County	Upper Chesapeake Insurance Co.	Upper Chesapeake Land Trust	Eliminations	Upper Chesapeake consolidated total
Current assets:													
Cash and cash equivalents	\$ 30,553	20,838	20	—	258	8	36	—	—	—	—	—	51,713
Assets limited as to use, current portion	1,783	340	—	—	—	—	—	—	—	—	—	—	2,123
Accounts receivable:													
Patient accounts receivable, less allowance for doubtful accounts of \$16,881	25,526	9,278	—	—	4,883	—	—	—	—	—	—	—	39,687
Other	—	—	—	—	—	—	—	—	—	—	—	—	—
Inventories	5,976	3,187	—	—	299	—	—	—	—	—	—	—	9,462
Prepaid expenses and other current assets	1,005	2,041	14	—	911	2	8,019	58	—	1,282	—	—	13,332
Total current assets	<u>64,843</u>	<u>35,684</u>	<u>34</u>	<u>—</u>	<u>6,351</u>	<u>10</u>	<u>8,055</u>	<u>58</u>	<u>—</u>	<u>1,282</u>	<u>—</u>	<u>—</u>	<u>116,317</u>
Investments	—	—	—	—	—	—	—	—	—	—	—	—	—
Assets limited as to use, less current portion:													
Investments held for swap collateral	27,952	—	—	—	—	—	—	—	—	—	—	—	27,952
Debt service funds	3,407	648	—	—	—	—	—	—	—	—	—	—	4,055
Construction funds	—	—	—	—	—	—	—	—	—	—	—	—	—
Board designated and escrow funds	41,568	58,666	—	—	—	475	16,987	—	—	—	—	—	117,696
Self-insurance trust funds	—	—	—	—	—	—	—	—	—	8,887	—	—	8,887
Funds restricted by donor	—	—	—	—	—	—	—	—	—	—	—	—	—
Economic interests in the net assets of related organizations	—	—	—	—	—	—	—	—	—	—	—	—	—
	<u>72,927</u>	<u>59,314</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>475</u>	<u>16,987</u>	<u>—</u>	<u>—</u>	<u>8,887</u>	<u>—</u>	<u>—</u>	<u>158,590</u>
Property and equipment, net	222,298	30,713	105	568	1,555	2,666	6	2,320	—	—	3,325	—	263,556
Investments in joint ventures and other assets	212,597	6,926	—	3,393	—	—	217	—	—	6,129	—	(11,390)	217,872
Total assets	<u>\$ 572,665</u>	<u>132,637</u>	<u>139</u>	<u>3,961</u>	<u>7,906</u>	<u>3,151</u>	<u>25,265</u>	<u>2,378</u>	<u>—</u>	<u>16,298</u>	<u>3,325</u>	<u>(11,390)</u>	<u>756,335</u>

**UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES**
Consolidating Balance Sheet Information by Division – University of Maryland Upper Chesapeake Health System (UCHS)
June 30, 2014
(In thousands)

Liabilities and Net Assets	Upper Chesapeake Medical Center	Harford Memorial Hospital	UCHS Properties	Health Ventures	Medical Services	Residential Hospice House	Upper Chesapeake Health Foundation	Upper Chesapeake Health System	Hospice of Harford County	Upper Chesapeake Insurance Co.	Upper Chesapeake Land Trust	Eliminations	Upper Chesapeake consolidated total
Current liabilities:													
Trade accounts payable	\$ 8,077	5,857	—	—	2,728	—	—	105	—	22	—	—	16,789
Accrued payroll and benefits	17,017	6,111	—	—	300	—	—	1,230	—	—	—	—	24,658
Advances from third-party payors	5,983	1,827	—	—	—	—	—	—	—	—	—	—	7,810
Other current liabilities	(25,681)	35,435	20	1,784	4,811	393	8,019	3,742	—	644	3,385	65	32,617
Current portion of long-term debt	3,667	514	—	—	—	—	—	—	—	—	—	—	4,181
Total current liabilities	9,063	49,744	20	1,784	7,839	393	8,019	5,077	—	666	3,385	65	86,055
Long-term debt, less current portion	182,850	25,667	—	—	—	—	—	—	—	—	—	—	208,517
Other long-term liabilities	26,728	1,178	—	—	—	—	—	1	—	14,437	—	—	42,344
Interest rate swaps	27,850	—	—	—	—	—	—	—	—	—	—	—	27,850
Total liabilities	246,491	76,589	20	1,784	7,839	393	8,019	5,078	—	15,103	3,385	65	364,766
Net assets:													
Unrestricted	164,784	56,048	119	2,177	67	2,283	9,548	(2,700)	—	1,195	(60)	(65)	233,396
Temporarily restricted	161,390	—	—	—	—	475	6,422	—	—	—	—	(11,390)	156,897
Permanently restricted	—	—	—	—	—	—	1,276	—	—	—	—	—	1,276
Total net assets	326,174	56,048	119	2,177	67	2,758	17,246	(2,700)	—	1,195	(60)	(11,455)	391,569
Total liabilities and net assets	\$ 572,665	132,637	139	3,961	7,906	3,151	25,265	2,378	—	16,298	3,325	(11,390)	756,335

See accompanying independent auditors' report.

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

Consolidating Balance Sheet Information by Division

June 30, 2013

(In thousands)

Assets	University of Maryland Medical Center	Rehabilitation & Orthopaedic Institute	Midtown	Baltimore Washington	Shore Regional		Charles Regional	St. Joseph Health	UMMS Foundation	Shipley's	ECARE	Eliminations	Consolidated total
					Shore Health	Chester River							
Current assets:													
Cash and cash equivalents	\$ 143,939	6,887	6,911	38,267	14,256	5,909	28,806	6,398	—	832	—	—	252,205
Assets limited as to use, current portion	42,900	—	1,001	985	624	573	—	260	—	—	—	—	46,343
Accounts receivable:													
Patient accounts receivable, less allowance for doubtful accounts of \$160,675	156,721	14,671	27,860	44,359	32,967	5,974	12,108	46,120	—	—	—	—	340,780
Other	179,820	12,472	727	332	6,943	445	1,533	(61,555)	(1,200)	3,433	208	(102,398)	40,760
Inventories	20,225	1,054	2,691	6,743	3,921	405	1,459	4,523	—	—	—	—	41,021
Prepaid expenses and other current assets	7,071	—	127	2,008	1,753	40	554	1,260	1,500	—	—	—	14,313
Total current assets	550,676	35,084	39,317	92,694	60,464	13,346	44,460	(2,994)	300	4,265	208	(102,398)	735,422
Investments	346,659	12,038	—	51,744	35,467	5,727	1,621	10,220	—	—	—	—	463,476
Assets limited as to use, less current portion:													
Investments held for collateral	58,642	—	—	8,000	—	—	—	—	—	—	—	—	66,642
Debt service funds	34,236	—	—	—	—	—	—	—	—	—	—	—	34,236
Construction funds	79,575	14,001	1,603	13,394	5,078	1,127	962	48,069	—	—	—	—	163,809
Board designated and escrow funds	—	—	—	—	62,957	5,000	3,580	—	38,467	—	—	—	110,004
Self-insurance trust funds	40,043	—	24,607	19,439	16,275	3,476	—	1,808	—	—	—	—	105,648
Funds restricted by donor	—	—	1,140	—	25,740	1,775	—	—	21,670	—	—	—	50,325
Economic and beneficial interests in the net assets of related organizations	65,452	30,490	222	5,607	2,850	—	—	9,503	—	—	—	(77,008)	37,116
	277,948	44,491	27,572	46,440	112,900	11,378	4,542	59,380	60,137	—	—	(77,008)	567,780
Property and equipment, net	845,193	45,132	104,396	259,662	133,048	26,346	96,092	189,418	—	6,471	1,918	—	1,707,676
Investments in joint ventures and other assets	536,349	—	27,061	19,148	7,851	4,051	11,377	14,848	7,118	—	—	(288,060)	339,743
Total assets	\$ 2,556,825	136,745	198,346	469,688	349,730	60,848	158,092	270,872	67,555	10,736	2,126	(467,466)	3,814,097

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

Consolidating Balance Sheet Information by Division

June 30, 2013

(In thousands)

Liabilities and Net Assets	University of Maryland Medical System Corporation and Subsidiaries												Consolidated total
	University of Maryland Medical Center	Rehabilitation & Orthopaedic Institute	Midtown	Baltimore Washington	Shore Regional Health	Chester River	Charles Regional	St. Joseph Health	UMMS Foundation	Shipley's	ECARE	Eliminations	
Current liabilities:													
Trade accounts payable	\$ 145,463	8,093	15,266	21,788	14,374	6,045	7,511	20,643	50	409	190	—	239,832
Accrued payroll and benefits	89,822	5,222	14,757	23,359	19,585	4,719	5,137	18,808	—	—	—	—	181,409
Advances from third-party payors	77,290	3,037	6,803	8,659	5,627	887	3,235	10,454	—	—	—	—	115,992
Lines of credit	83,000	—	—	—	—	—	12,000	—	—	—	—	—	95,000
Other current liabilities	165,414	1,860	8,677	9,698	3,127	(2,892)	4,528	2,547	—	—	2,822	(102,398)	93,383
Long-term debt subject to short-term remarketing arrangements	19,123	—	—	—	—	—	—	—	—	—	—	—	19,123
Current portion of long-term debt	14,616	463	778	3,802	3,021	112	2,376	13,634	—	—	—	—	38,802
Total current liabilities	594,728	18,675	46,281	67,306	45,734	8,871	34,787	66,086	50	409	3,012	(102,398)	783,541
Long-term debt, less current portion	631,391	22,393	35,960	196,747	96,505	5,048	67,141	248,861	—	—	—	—	1,304,046
Other long-term liabilities	108,965	415	25,223	34,679	13,846	8,322	12,100	4,135	—	—	—	—	207,685
Interest rate swap liabilities	145,504	—	—	—	—	—	—	—	—	—	—	—	145,504
Total liabilities	1,480,588	41,483	107,464	298,732	156,085	22,241	114,028	319,082	50	409	3,012	(102,398)	2,440,776
Net assets:													
Unrestricted	996,454	64,638	89,520	165,349	165,187	36,832	43,854	(52,667)	42,899	10,327	(886)	(297,074)	1,264,433
Temporarily restricted	79,370	30,624	1,362	5,607	14,601	387	210	4,107	6,603	—	—	(67,994)	74,877
Permanently restricted	413	—	—	—	13,857	1,388	—	350	18,003	—	—	—	34,011
Total net assets	1,076,237	95,262	90,882	170,956	193,645	38,607	44,064	(48,210)	67,505	10,327	(886)	(365,068)	1,373,321
Total liabilities and net assets	\$ 2,556,825	136,745	198,346	469,688	349,730	60,848	158,092	270,872	67,555	10,736	2,126	(467,466)	3,814,097

See accompanying independent auditors' report.

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

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

June 30, 2013

(In thousands)

Assets	University of Maryland Medical Center	University Specialty	36 South Paca	University CARE	Eliminations	University of Maryland consolidated total
Current assets:						
Cash and cash equivalents	\$ 142,414	196	1,128	201	—	143,939
Assets limited as to use, current portion	42,900	—	—	—	—	42,900
Accounts receivable:						
Patient accounts receivable, less allowance for doubtful accounts of \$86,794	156,593	—	—	128	—	156,721
Other	194,804	600	169	163	(15,916)	179,820
Inventories	20,186	—	—	39	—	20,225
Prepaid expenses and other current assets	7,015	—	—	56	—	7,071
Total current assets	563,912	796	1,297	587	(15,916)	550,676
Investments	346,659	—	—	—	—	346,659
Assets limited as to use, less current portion:						
Investment held for collateral	58,642	—	—	—	—	58,642
Debt service funds	34,236	—	—	—	—	34,236
Construction funds	79,575	—	—	—	—	79,575
Board designated and escrow funds	—	—	—	—	—	—
Self-insurance trust funds	40,043	—	—	—	—	40,043
Funds restricted by donor	—	—	—	—	—	—
Economic interests in the net assets of related organizations	65,347	105	—	—	—	65,452
	277,843	105	—	—	—	277,948
Property and equipment, net	835,770	—	9,423	—	—	845,193
Investments in joint ventures and other assets	521,903	—	3,277	—	11,169	536,349
Total assets	\$ 2,546,087	901	13,997	587	(4,747)	2,556,825

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

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

June 30, 2013

(In thousands)

Liabilities and Net Assets	University of Maryland Medical Center	University Specialty	36 South Paca	University CARE	Eliminations	University of Maryland consolidated total
Current liabilities:						
Trade accounts payable	\$ 142,190	1,912	160	1,201	—	145,463
Accrued payroll and benefits	88,879	827	—	116	—	89,822
Advances from third-party payors	72,725	4,565	—	—	—	77,290
Lines of credit	83,000	—	—	—	—	83,000
Other current liabilities	163,631	14,035	3,244	420	(15,916)	165,414
Long-term debt subject to short-term remarketing arrangements	19,123	—	—	—	—	19,123
Current portion of long-term debt	14,616	—	—	—	—	14,616
Total current liabilities	584,164	21,339	3,404	1,737	(15,916)	594,728
Long-term debt, less current portion	631,325	66	—	—	—	631,391
Other long-term liabilities	108,965	—	—	—	—	108,965
Interest rate swaps	145,504	—	—	—	—	145,504
Total liabilities	1,469,958	21,405	3,404	1,737	(15,916)	1,480,588
Net assets:						
Unrestricted	996,451	(20,609)	10,593	(1,150)	11,169	996,454
Temporarily restricted	79,265	105	—	—	—	79,370
Permanently restricted	413	—	—	—	—	413
Total net assets	1,076,129	(20,504)	10,593	(1,150)	11,169	1,076,237
Total liabilities and net assets	\$ 2,546,087	901	13,997	587	(4,747)	2,556,825

See accompanying independent auditors' report.

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

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

June 30, 2013

(In thousands)

Assets	UM Midtown Health Systems, Inc.	UMMC Midtown Campus	UM Midtown Clin. Prac. Group	Eliminations	Midtown consolidated total
Current assets:					
Cash and cash equivalents	\$ 285	6,522	104	—	6,911
Assets limited as to use, current portion	—	1,001	—	—	1,001
Accounts receivable:					
Patient accounts receivable, less allowance for doubtful accounts of \$9,316	—	26,988	872	—	27,860
Other	(34)	1,722	(961)	—	727
Inventories	—	2,691	—	—	2,691
Prepaid expenses and other current assets	—	127	—	—	127
Total current assets	<u>251</u>	<u>39,051</u>	<u>15</u>	<u>—</u>	<u>39,317</u>
Investments	—	—	—	—	—
Assets limited as to use, less current portion:					
Debt service funds	—	—	—	—	—
Construction funds	—	1,603	—	—	1,603
Board designated and escrow funds	—	—	—	—	—
Self-insurance trust funds	—	24,607	—	—	24,607
Funds restricted by donor	—	1,140	—	—	1,140
Economic interests in the net assets of related organizations	—	222	—	—	222
	—	27,572	—	—	27,572
Property and equipment, net	2,227	102,169	—	—	104,396
Investments in joint ventures and other assets	18,267	8,794	—	—	27,061
Total assets	<u>\$ 20,745</u>	<u>177,586</u>	<u>15</u>	<u>—</u>	<u>198,346</u>

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

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

June 30, 2013

(In thousands)

Liabilities and Net Assets	UM Midtown Health Systems, Inc.	UMMC Midtown Campus	UM Midtown Clin. Prac. Group	Eliminations	Midtown consolidated total
Current liabilities:					
Trade accounts payable	\$ 8	15,250	8	—	15,266
Accrued payroll and benefits	—	14,757	—	—	14,757
Advances from third-party payors	—	6,803	—	—	6,803
Lines of credit	—	—	—	—	—
Other current liabilities	—	8,677	—	—	8,677
Current portion of long-term debt	174	604	—	—	778
Total current liabilities	182	46,091	8	—	46,281
Long-term debt, less current portion	967	34,993	—	—	35,960
Other long-term liabilities	1	25,222	—	—	25,223
Total liabilities	1,150	106,306	8	—	107,464
Net assets:					
Unrestricted	19,595	69,918	7	—	89,520
Temporarily restricted	—	1,362	—	—	1,362
Permanently restricted	—	—	—	—	—
Total net assets	19,595	71,280	7	—	90,882
Total liabilities and net assets	\$ 20,745	177,586	15	—	198,346

See accompanying independent auditors' report.

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

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

June 30, 2013

(In thousands)

Assets	Baltimore Washington Medical System, Inc.	Baltimore Washington Medical Center	Baltimore Washington Healthcare Services	Baltimore Washington Health Enterprises	North County Corporation	Eliminations	BWMS consolidated total
Current assets:							
Cash and cash equivalents	\$ —	37,209	730	38	290	—	38,267
Assets limited as to use, current portion	—	985	—	—	—	—	985
Accounts receivable:							
Patient accounts receivable, less allowance for doubtful accounts of \$40,646	—	38,987	3,552	1,820	—	—	44,359
Other	27,033	332	5,683	—	(713)	(32,003)	332
Inventories	—	6,743	—	—	—	—	6,743
Prepaid expenses and other current assets	—	1,447	22	533	6	—	2,008
Total current assets	<u>27,033</u>	<u>85,703</u>	<u>9,987</u>	<u>2,391</u>	<u>(417)</u>	<u>(32,003)</u>	<u>92,694</u>
Investments	—	51,744	—	—	—	—	51,744
Assets limited as to use, less current portion:							
Investment held for collateral	—	8,000	—	—	—	—	8,000
Debt service funds	—	—	—	—	—	—	—
Construction funds	—	13,394	—	—	—	—	13,394
Board designated and escrow funds	—	—	—	—	—	—	—
Self-insurance trust funds	—	19,439	—	—	—	—	19,439
Funds restricted by donor	—	—	—	—	—	—	—
Economic interests in the net assets of related organizations	—	5,607	—	—	—	—	5,607
	—	46,440	—	—	—	—	46,440
Property and equipment, net	—	236,734	—	10,400	12,528	—	259,662
Investments in joint ventures and other assets	144,848	11,735	—	2,248	—	(139,683)	19,148
Total assets	<u>\$ 171,881</u>	<u>432,356</u>	<u>9,987</u>	<u>15,039</u>	<u>12,111</u>	<u>(171,686)</u>	<u>469,688</u>

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

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

June 30, 2013

(In thousands)

Liabilities and Net Assets	Baltimore Washington Medical System, Inc.	Baltimore Washington Medical Center	Baltimore Washington Healthcare Services	Baltimore Washington Health Enterprises	North County Corporation	Eliminations	BWMS consolidated total
Current liabilities:							
Trade accounts payable	\$ 18	20,374	579	744	73	—	21,788
Accrued payroll and benefits	906	21,672	617	137	27	—	23,359
Advances from third-party payors	—	8,659	—	—	—	—	8,659
Lines of credit	—	—	—	—	—	—	—
Other current liabilities	—	40,634	—	1,067	—	(32,003)	9,698
Current portion of long-term debt	—	3,161	—	416	225	—	3,802
Total current liabilities	924	94,500	1,196	2,364	325	(32,003)	67,306
Long-term debt, less current portion	—	183,145	—	10,096	3,506	—	196,747
Other long-term liabilities	—	33,981	—	698	—	—	34,679
Total liabilities	924	311,626	1,196	13,158	3,831	(32,003)	298,732
Net assets:							
Unrestricted	170,957	115,123	8,791	1,881	8,280	(139,683)	165,349
Temporarily restricted	—	5,607	—	—	—	—	5,607
Permanently restricted	—	—	—	—	—	—	—
Total net assets	170,957	120,730	8,791	1,881	8,280	(139,683)	170,956
Total liabilities and net assets	\$ 171,881	432,356	9,987	15,039	12,111	(171,686)	469,688

See accompanying independent auditors' report.

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

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

June 30, 2013

(In thousands)

Assets	Shore Health System, Inc.	Memorial Hospital Foundation, Inc. and Subsidiary	Care Health Services, Inc.	Shore Health Enterprises, Inc. and Subsidiary	Shore Clinical Foundation, Inc.	Eliminations	SHS consolidated total
Current assets:							
Cash and cash equivalents	\$ 13,480	—	357	16	403	—	14,256
Assets limited as to use, current portion	624	—	—	—	—	—	624
Accounts receivable:							
Patient accounts receivable, less allowance for doubtful accounts of \$3,986	30,069	—	722	—	2,176	—	32,967
Other	4,283	1	2,490	(13)	182	—	6,943
Inventories	3,921	—	—	—	—	—	3,921
Prepaid expenses and other current assets	986	24	11	—	732	—	1,753
Total current assets	<u>53,363</u>	<u>25</u>	<u>3,580</u>	<u>3</u>	<u>3,493</u>	<u>—</u>	<u>60,464</u>
Investments	35,467	—	—	—	—	—	35,467
Assets limited as to use, less current portion:							
Debt service funds	—	—	—	—	—	—	—
Construction funds	5,078	—	—	—	—	—	5,078
Board designated and escrow funds	25,000	37,957	—	—	—	—	62,957
Self-insurance trust funds	16,275	—	—	—	—	—	16,275
Funds restricted by donor	4,137	21,603	—	—	—	—	25,740
Economic and beneficial interests in the net assets of related organizations	65,507	—	—	—	—	(62,657)	2,850
	<u>115,997</u>	<u>59,560</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(62,657)</u>	<u>112,900</u>
Property and equipment, net	127,156	3,584	554	—	1,754	—	133,048
Investments in joint ventures and other assets	11,959	21	—	—	—	(4,129)	7,851
Total assets	<u>\$ 343,942</u>	<u>63,190</u>	<u>4,134</u>	<u>3</u>	<u>5,247</u>	<u>(66,786)</u>	<u>349,730</u>

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

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

June 30, 2013

(In thousands)

Liabilities and Net Assets	Shore Health System, Inc.	Memorial Hospital Foundation, Inc. and Subsidiary	Care Health Services, Inc.	Shore Health Enterprises, Inc. and Subsidiary	Shore Clinical Foundation, Inc.	Eliminations	SHS consolidated total
Current liabilities:							
Trade accounts payable	\$ 11,913	15	113	—	2,333	—	14,374
Accrued payroll and benefits	17,025	18	359	—	2,183	—	19,585
Advances from third-party payors	5,627	—	—	—	—	—	5,627
Lines of credit	—	—	—	—	—	—	—
Other current liabilities	2,370	490	77	—	190	—	3,127
Current portion of long-term debt	3,021	—	—	—	—	—	3,021
Total current liabilities	39,956	523	549	—	4,706	—	45,734
Long-term debt, less current portion	96,505	—	—	—	—	—	96,505
Other long-term liabilities	13,836	10	—	—	—	—	13,846
Total liabilities	150,297	533	549	—	4,706	—	156,085
Net assets:							
Unrestricted	165,187	41,366	3,585	3	541	(45,495)	165,187
Temporarily restricted	14,601	10,427	—	—	—	(10,427)	14,601
Permanently restricted	13,857	10,864	—	—	—	(10,864)	13,857
Total net assets	193,645	62,657	3,585	3	541	(66,786)	193,645
Total liabilities and net assets	\$ 343,942	63,190	4,134	3	5,247	(66,786)	349,730

See accompanying independent auditors' report.

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

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

June 30, 2013

(In thousands)

Assets	Chester River Hospital Center	Chester River Manor	Chester River Home Care and Hospice	Chester River Health Foundation	Eliminations	CRHS consolidated total
Current assets:						
Cash and cash equivalents	\$ 2,313	1,152	725	1,719	—	5,909
Assets limited as to use, current portion	573	—	—	—	—	573
Accounts receivable:						
Patient accounts receivable, less allowance for doubtful accounts of \$1,357	5,063	621	290	—	—	5,974
Other	411	17	1	16	—	445
Inventories	405	—	—	—	—	405
Prepaid expenses and other current assets	—	40	—	—	—	40
Total current assets	8,765	1,830	1,016	1,735	—	13,346
Investments	3,792	—	1,221	714	—	5,727
Assets limited as to use, less current portion:						
Debt service funds	—	—	—	—	—	—
Construction funds	1,127	—	—	—	—	1,127
Board designated and escrow funds	5,000	—	—	—	—	5,000
Self-insurance trust funds	3,392	84	—	—	—	3,476
Funds restricted by donor	44	—	73	1,658	—	1,775
Economic interests in the net assets of related organizations	5,886	83	432	—	(6,401)	—
	15,449	167	505	1,658	(6,401)	11,378
Property and equipment, net	24,145	1,954	247	—	—	26,346
Investments in joint ventures and other assets	1,588	—	—	2,463	—	4,051
Total assets	\$ 53,739	3,951	2,989	6,570	(6,401)	60,848

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

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

June 30, 2013

(In thousands)

Liabilities and Net Assets	Chester River Hospital Center	Chester River Manor	Chester River Home Care and Hospice	Chester River Health Foundation	Eliminations	CRHS consolidated total
Current liabilities:						
Trade accounts payable	\$ 5,267	651	84	43	—	6,045
Accrued payroll and benefits	3,840	641	238	—	—	4,719
Advances from third-party payors	751	136	—	—	—	887
Lines of credit	—	—	—	—	—	—
Other current liabilities	(3,009)	71	16	30	—	(2,892)
Current portion of long-term debt	82	30	—	—	—	112
Total current liabilities	6,931	1,529	338	73	—	8,871
Long-term debt, less current portion	4,783	265	—	—	—	5,048
Other long-term liabilities	8,161	138	—	23	—	8,322
Total liabilities	19,875	1,932	338	96	—	22,241
Net assets:						
Unrestricted	32,161	2,019	2,579	4,814	(4,741)	36,832
Temporarily restricted	332	—	55	289	(289)	387
Permanently restricted	1,371	—	17	1,371	(1,371)	1,388
Total net assets	33,864	2,019	2,651	6,474	(6,401)	38,607
Total liabilities and net assets	\$ 53,739	3,951	2,989	6,570	(6,401)	60,848

See accompanying independent auditors' report.

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

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

June 30, 2013

(In thousands)

Assets	Charles Regional Health, Inc.	Charles Regional Medical Center, Inc.	Charles Regional Care Partners, Inc. and Subsidiary	Charles Regional Health Foundation, Inc.	Eliminations	Charles Regional consolidated total
Current assets:						
Cash and cash equivalents	\$ 62	28,125	137	482	—	28,806
Assets limited as to use, current portion	—	—	—	—	—	—
Accounts receivable:						
Patient accounts receivable, less allowance for doubtful accounts of \$7,147	—	11,705	403	—	—	12,108
Other	(10,667)	17,022	(5,216)	394	—	1,533
Inventories	—	1,459	—	—	—	1,459
Prepaid expenses and other current assets	—	460	66	28	—	554
Total current assets	(10,605)	58,771	(4,610)	904	—	44,460
Investments	—	—	—	1,621	—	1,621
Assets limited as to use, less current portion:						
Debt service funds	—	—	—	—	—	—
Construction funds	—	962	—	—	—	962
Board designated and escrow funds	3,485	—	—	95	—	3,580
Self-insurance trust funds	—	—	—	—	—	—
Funds restricted by donor	—	—	—	—	—	—
Economic interests in the net assets of related organizations	—	—	—	—	—	—
	3,485	962	—	95	—	4,542
Property and equipment, net	14,621	69,010	9,584	2,877	—	96,092
Investments in joint ventures and other assets	905	14,663	383	—	(4,574)	11,377
Total assets	\$ 8,406	143,406	5,357	5,497	(4,574)	158,092

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

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

June 30, 2013

(In thousands)

Liabilities and Net Assets	Charles Regional Health, Inc.	Charles Regional Medical Center, Inc.	Charles Regional Care Partners, Inc. and Subsidiary	Charles Regional Health Foundation, Inc.	Eliminations	Charles Regional consolidated total
Current liabilities:						
Trade accounts payable	\$ 3	7,136	328	44	—	7,511
Accrued payroll and benefits	—	4,978	159	—	—	5,137
Advances from third-party payors	—	3,235	—	—	—	3,235
Lines of credit	—	12,000	—	—	—	12,000
Other current liabilities	3,278	1,250	—	—	—	4,528
Current portion of long-term debt	130	1,966	258	22	—	2,376
Total current liabilities	3,411	30,565	745	66	—	34,787
Long-term debt, less current portion	978	61,349	3,957	857	—	67,141
Other long-term liabilities	—	12,100	—	—	—	12,100
Total liabilities	4,389	104,014	4,702	923	—	114,028
Net assets:						
Unrestricted	4,017	39,182	655	4,364	(4,364)	43,854
Temporarily restricted	—	210	—	210	(210)	210
Permanently restricted	—	—	—	—	—	—
Total net assets	4,017	39,392	655	4,574	(4,574)	44,064
Total liabilities and net assets	\$ 8,406	143,406	5,357	5,497	(4,574)	158,092

See accompanying independent auditors' report.

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

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

June 30, 2013

(In thousands)

Assets	St. Joseph Medical Center	St. Joseph Medical Group	St. Joseph Properties	St. Joseph Orthopaedics	O'Dea Medical Arts	St. Joseph Foundation	Eliminations	St. Joseph consolidated total
Current assets:								
Cash and cash equivalents	\$ (8,333)	(20)	49	12,776	1,750	176	—	6,398
Assets limited as to use, current portion	260	—	—	—	—	—	—	260
Accounts receivable:								
Patient accounts receivable, less allowance for doubtful accounts of \$6,754	40,360	2,791	—	2,969	—	—	—	46,120
Other	(27,966)	(6,175)	(3,365)	(22,840)	77	(1,286)	—	(61,555)
Inventories	4,496	—	—	27	—	—	—	4,523
Prepaid expenses and other current assets	735	344	165	—	10	6	—	1,260
Total current assets	<u>9,552</u>	<u>(3,060)</u>	<u>(3,151)</u>	<u>(7,068)</u>	<u>1,837</u>	<u>(1,104)</u>	<u>—</u>	<u>(2,994)</u>
Investments	—	—	—	—	—	10,220	—	10,220
Assets limited as to use, less current portion:								
Debt service funds	—	—	—	—	—	—	—	—
Construction funds	48,069	—	—	—	—	—	—	48,069
Board designated and escrow funds	—	—	—	—	—	—	—	—
Self-insurance trust funds	1,808	—	—	—	—	—	—	1,808
Funds restricted by donor	—	—	—	—	—	—	—	—
Economic interests in the net assets of related organizations	9,503	—	—	—	—	—	—	9,503
	<u>59,380</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>59,380</u>
Property and equipment, net	175,707	603	—	324	12,784	—	—	189,418
Investments in joint ventures and other assets	11,931	—	3,203	2,846	—	71	(3,203)	14,848
Total assets	<u>\$ 256,570</u>	<u>(2,457)</u>	<u>52</u>	<u>(3,898)</u>	<u>14,621</u>	<u>9,187</u>	<u>(3,203)</u>	<u>270,872</u>

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

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

June 30, 2013

(In thousands)

Liabilities and Net Assets	St. Joseph Medical Center	St. Joseph Medical Group	St. Joseph Properties	St. Joseph Orthopaedics	O'Dea Medical Arts	St. Joseph Foundation	Eliminations	St. Joseph consolidated total
Current liabilities:								
Trade accounts payable	\$ 17,679	1,114	357	1,327	145	21	—	20,643
Accrued payroll and benefits	15,085	2,859	—	864	—	—	—	18,808
Advances from third-party payors	10,454	—	—	—	—	—	—	10,454
Lines of credit	—	—	—	—	—	—	—	—
Other current liabilities	2,003	72	—	—	403	69	—	2,547
Current portion of long-term debt	4,362	—	—	—	9,272	—	—	13,634
Total current liabilities	49,583	4,045	357	2,191	9,820	90	—	66,086
Long-term debt, less current portion	248,861	—	—	—	—	—	—	248,861
Other long-term liabilities	3,775	—	—	360	—	—	—	4,135
Total liabilities	302,219	4,045	357	2,551	9,820	90	—	319,082
Net assets:								
Unrestricted	(45,650)	(6,502)	(305)	(6,449)	4,801	4,641	(3,203)	(52,667)
Temporarily restricted	1	—	—	—	—	4,106	—	4,107
Permanently restricted	—	—	—	—	—	350	—	350
Total net assets	(45,649)	(6,502)	(305)	(6,449)	4,801	9,097	(3,203)	(48,210)
Total liabilities and net assets	\$ 256,570	(2,457)	52	(3,898)	14,621	9,187	(3,203)	270,872

See accompanying independent auditors' report.

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

Consolidating Operations Information by Division

Year ended June 30, 2014

(In thousands)

	University of Maryland Medical Center	Rehabilitation & Orthopaedic Institute	Midtown	Baltimore Washington	Shore Regional	Charles Regional	St. Joseph Health	UCHS	UMMS Foundation	ECARE	Eliminations	Consolidated total
Unrestricted revenues, gains and other support:												
Patient Service Revenue (net of contractual adjustments)	\$ 1,357,791	108,350	207,823	415,668	318,581	132,411	370,036	232,656	—	—	(811)	3,142,505
Provision for bad debts	(86,664)	(8,878)	(26,864)	(44,480)	(16,820)	(9,410)	(19,567)	(12,988)	—	—	—	(225,671)
Net patient service revenue	1,271,127	99,472	180,959	371,188	301,761	123,001	350,469	219,668	—	—	(811)	2,916,834
Other operating revenue:												
State support	3,000	—	—	—	—	—	—	—	—	—	—	3,000
Other revenue	72,582	3,797	2,455	9,032	3,840	1,525	4,400	7,617	—	2,861	(1,097)	107,012
Total unrestricted revenue, gains and other support	1,346,709	103,269	183,414	380,220	305,601	124,526	354,869	227,285	—	2,861	(1,908)	3,026,846
Operating expenses:												
Salaries, wages and benefits	634,409	51,421	90,109	191,161	160,931	58,768	184,408	119,477	—	—	—	1,490,684
Expendable supplies	294,803	16,730	20,129	67,470	41,428	19,429	80,103	43,793	—	13	—	583,898
Purchased services	140,201	20,540	33,146	66,379	62,609	26,075	88,989	30,859	—	4,190	(1,308)	471,680
Contracted services	130,802	8,648	23,237	12,095	13,039	3,805	7,832	9,290	—	—	—	208,748
Depreciation and amortization	78,760	4,617	12,183	24,147	17,822	4,332	13,928	13,023	—	305	—	169,117
Interest expense	26,661	780	1,306	6,932	3,616	2,701	9,235	3,288	—	—	—	54,519
Total operating expenses	1,305,636	102,736	180,110	368,184	299,445	115,110	384,495	219,730	—	4,508	(1,308)	2,978,646
Operating income (loss)	41,073	533	3,304	12,036	6,156	9,416	(29,626)	7,555	—	(1,647)	(600)	48,200
Nonoperating income and expenses, net:												
Change in fair value of undesignated interest rate swaps	(4,450)	—	—	—	—	—	—	1,030	—	—	—	(3,420)
Other nonoperating gains and losses:												
Contributions	8,705	—	—	—	1,353	—	900	—	6,517	—	—	17,475
Equity in net income of joint ventures	8,440	—	(100)	—	216	68	924	—	—	—	—	9,548
Inherent contribution – UCHS	114,436	—	—	—	—	—	—	—	—	—	—	114,436
Investment income	8,187	373	16	1,312	6,616	19	(1,613)	2,160	3,985	—	—	21,055
Change in fair value of investments	30,708	1,310	—	5,119	9,422	94	973	1,786	1,582	—	—	50,994
Other nonoperating gains and losses	(12,202)	(414)	(615)	(3,616)	(2,457)	(1,366)	(5,279)	(2,947)	(3,505)	—	—	(32,401)
Total other nonoperating gains and losses	158,274	1,269	(699)	2,815	15,150	(1,185)	(4,095)	999	8,579	—	—	181,107
Excess (deficiency) of revenues over expenses	194,897	1,802	2,605	14,851	21,306	8,231	(33,721)	9,584	8,579	(1,647)	(600)	225,887
Net assets released from restrictions used for purchase of property and equipment	—	443	1,093	—	1,260	117	—	—	—	—	—	2,913
Change in unrealized gains on investments	—	—	—	—	—	—	—	—	—	—	—	—
Contribution to/economic interest in UCH Legacy Funding Corporation	(150,000)	—	—	—	—	—	—	—	—	—	—	(150,000)
Change in ownership interest of joint ventures	1,115	—	—	—	—	—	—	—	—	—	—	1,115
Capital transfers (to) from affiliate	4,090	—	1,633	5,163	9,400	4,868	—	—	(22,654)	—	(2,500)	—
Amortization of accumulated loss of discontinued designated interest rate swap	1,857	—	—	—	—	—	—	—	—	—	—	1,857
Change in funded status of defined benefit pension plans	—	—	607	(102)	726	(1,615)	—	8,395	—	—	—	8,011
Asset reclassifications at request of donor	—	—	—	—	(1,585)	—	—	—	100	—	—	(1,485)
Other	908	14	2	2	(319)	(596)	155	(1,013)	11	—	—	(836)
Increase (decrease) in unrestricted net assets	\$ 52,867	2,259	5,940	19,914	30,788	11,005	(33,566)	16,966	(13,964)	(1,647)	(3,100)	87,462

See accompanying independent auditors' report.

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

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

Year ended June 30, 2014

(In thousands)

	University of Maryland Medical Center			University Specialty	36 South Paca	University CARE	Eliminations	University of Maryland consolidated total
	University Hospital	Shock Trauma Center	Subtotal					
Unrestricted revenues, gains and other support:								
Patient service revenue (net of contractual adjustments)	\$ 1,146,727	208,603	1,355,330	—	—	2,461	—	1,357,791
Provision for bad debts	(49,649)	(37,219)	(86,868)	426	—	(222)	—	(86,664)
Net patient service revenue	1,097,078	171,384	1,268,462	426	—	2,239	—	1,271,127
Other operating revenue:								
State support	—	3,000	3,000	—	—	—	—	3,000
Other revenue	69,359	126	69,485	2	1,211	2,127	(243)	72,582
Total unrestricted revenue, gains and other support	1,166,437	174,510	1,340,947	428	1,211	4,366	(243)	1,346,709
Operating expenses:								
Salaries, wages and benefits	572,431	58,654	631,085	—	154	2,977	193	634,409
Expendable supplies	267,855	26,677	294,532	2	16	253	—	294,803
Purchased services	90,047	46,250	136,297	25	866	4,233	(1,220)	140,201
Contracted services	119,075	11,727	130,802	—	—	—	—	130,802
Depreciation and amortization	66,388	12,086	78,474	(106)	392	—	—	78,760
Interest expense	26,318	—	26,318	—	343	—	—	26,661
Total operating expenses	1,142,114	155,394	1,297,508	(79)	1,771	7,463	(1,027)	1,305,636
Operating income (loss)	24,323	19,116	43,439	507	(560)	(3,097)	784	41,073

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

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

Year ended June 30, 2014

(In thousands)

	University of Maryland Medical Center			University Specialty	36 South Paca	University CARE	Eliminations	University of Maryland consolidated total
	University Hospital	Shock Trauma Center	Subtotal					
Nonoperating income and expenses, net:								
Loss on early extinguishment of debt	\$ —	—	—	—	—	—	—	—
Change in fair value of undesignated interest rate swaps	(4,450)	—	(4,450)	—	—	—	—	(4,450)
Other nonoperating gains and losses:								
Contributions	8,705	—	8,705	—	—	—	—	8,705
Equity in net income of joint ventures	5,876	—	5,876	—	—	—	2,564	8,440
Inherent contribution – UCHS	114,436	—	114,436	—	—	—	—	114,436
Investment income	6,676	1,500	8,176	11	—	—	—	8,187
Change in fair value of investments	30,708	—	30,708	—	—	—	—	30,708
Other nonoperating gains and losses	(12,512)	—	(12,512)	—	—	—	310	(12,202)
Total other nonoperating gains and losses	153,889	1,500	155,389	11	—	—	2,874	158,274
Excess (deficiency) of revenues over expenses	173,762	20,616	194,378	518	(560)	(3,097)	3,658	194,897
Net assets released from restrictions used for purchase of property and equipment	—	—	—	—	—	—	—	—
Change in unrealized gains on investments	—	—	—	—	—	—	—	—
Contribution to/economic interest in UCH Legacy Funding Corporation	(150,000)	—	(150,000)	—	—	—	—	(150,000)
Change in ownership interest of joint ventures	2,158	—	2,158	—	—	—	(1,043)	1,115
Capital transfers (to) from affiliate	4,090	—	4,090	—	—	3,307	(3,307)	4,090
Amortization of accumulated loss of discontinued designated interest rate swap	1,857	—	1,857	—	—	—	—	1,857
Change in funded status of defined benefit pension plans	—	—	—	—	—	—	—	—
Other	909	—	909	19,572	(1)	—	(19,572)	908
Increase (decrease) in unrestricted net assets	\$ 32,776	20,616	53,392	20,090	(561)	210	(20,264)	52,867

See accompanying independent auditors' report.

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

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

Year ended June 30, 2014

(In thousands)

	UM Midtown Health Systems, Inc.	UMMC Midtown Campus	UM Midtown Clin. Prac. Group	Eliminations	Midtown consolidated total
Unrestricted revenues, gains and other support:					
Patient service revenue (net of contractual adjustments)	\$ —	206,188	7,491	(5,856)	207,823
Provision for bad debts	—	(25,203)	(1,661)	—	(26,864)
Net patient service revenue	—	180,985	5,830	(5,856)	180,959
Other operating revenue:					
State support	—	—	—	—	—
Other revenue	860	1,562	33	—	2,455
Total unrestricted revenue, gains and other support	860	182,547	5,863	(5,856)	183,414
Operating expenses:					
Salaries, wages and benefits	—	90,109	—	—	90,109
Expendable supplies	—	20,129	—	—	20,129
Purchased services	741	32,398	7	—	33,146
Contracted services	—	23,237	5,856	(5,856)	23,237
Depreciation and amortization	421	11,762	—	—	12,183
Interest expense	72	1,234	—	—	1,306
Total operating expenses	1,234	178,869	5,863	(5,856)	180,110
Operating income (loss)	(374)	3,678	—	—	3,304

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

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

Year ended June 30, 2014

(In thousands)

	UM Midtown Health Systems, Inc.	UMMC Midtown Campus	UM Midtown Clin. Prac. Group	Eliminations	Midtown consolidated total
Nonoperating income and expenses, net:					
Loss on early extinguishment of debt	\$ —	—	—	—	—
Change in fair value of undesignated interest rate swaps	—	—	—	—	—
Other nonoperating gains and losses:					
Contributions	—	—	—	—	—
Equity in net income of joint ventures	(100)	—	—	—	(100)
Investment income	—	16	—	—	16
Change in fair value of investments	—	—	—	—	—
Other nonoperating gains and losses	—	(615)	—	—	(615)
Total other nonoperating gains and losses	<u>(100)</u>	<u>(599)</u>	<u>—</u>	<u>—</u>	<u>(699)</u>
Excess of revenues over expenses	(474)	3,079	—	—	2,605
Net assets released from restrictions used for purchase of property and equipment	—	1,093	—	—	1,093
Change in unrealized gains on investments	—	—	—	—	—
Change in economic and beneficial interests in the net assets of related organizations	—	—	—	—	—
Change in ownership interest of joint ventures	—	—	—	—	—
Capital transfers (to) from affiliate	(1,875)	3,508	—	—	1,633
Change in fair value of designated interest rate swaps	—	—	—	—	—
Change in funded status of defined benefit pension plans	—	607	—	—	607
Other	—	2	—	—	2
Increase in unrestricted net assets	<u>\$ (2,349)</u>	<u>8,289</u>	<u>—</u>	<u>—</u>	<u>5,940</u>

See accompanying independent auditors' report.

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

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

Year ended June 30, 2014

(In thousands)

	Baltimore Washington Medical System, Inc.	Baltimore Washington Medical Center	Baltimore Washington Healthcare Services	Baltimore Washington Health Enterprises	North County Corporation	Shipley's	Eliminations	BWMS consolidated total
Unrestricted revenues, gains and other support:								
Patient service revenue (net of contractual adjustments)	\$ —	359,664	35,397	23,281	—	—	(2,674)	415,668
Provision for bad debts	—	(27,697)	(16,599)	(184)	—	—	—	(44,480)
Net patient service revenue	—	331,967	18,798	23,097	—	—	(2,674)	371,188
Other operating revenue:								
State support	—	—	—	—	—	—	—	—
Other revenue	3,606	3,433	—	3,435	2,299	515	(4,256)	9,032
Total unrestricted revenue, gains and other support	3,606	335,400	18,798	26,532	2,299	515	(6,930)	380,220
Operating expenses:								
Salaries, wages and benefits	3,542	160,741	11,023	15,855	—	—	—	191,161
Expendable supplies	1	61,394	2	5,949	122	2	—	67,470
Purchased services	63	59,665	5,685	6,351	1,145	400	(6,930)	66,379
Contracted services	—	8,649	—	3,446	—	—	—	12,095
Depreciation and amortization	—	22,234	—	1,059	583	271	—	24,147
Interest expense	—	6,348	—	498	86	—	—	6,932
Total operating expenses	3,606	319,031	16,710	33,158	1,936	673	(6,930)	368,184
Operating income (loss)	—	16,369	2,088	(6,626)	363	(158)	—	12,036

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

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

Year ended June 30, 2014

(In thousands)

	Baltimore Washington Medical System, Inc.	Baltimore Washington Medical Center	Baltimore Washington Healthcare Services	Baltimore Washington Health Enterprises	North County Corporation	Shipley's	Eliminations	BWMS consolidated total
Nonoperating income and expenses, net:								
Loss on early extinguishment of debt	\$ —	—	—	—	—	—	—	—
Change in fair value of undesignated interest rate swaps	—	—	—	—	—	—	—	—
Other nonoperating gains and losses:								
Contributions	—	—	—	—	—	—	—	—
Equity in net income of joint ventures	15,805	—	—	—	—	—	(15,805)	—
Investment income	—	1,312	—	—	—	—	—	1,312
Change in fair value of investments	—	5,119	—	—	—	—	—	5,119
Other nonoperating gains and losses	—	(3,328)	—	(288)	—	—	—	(3,616)
Total other nonoperating gains and losses	15,805	3,103	—	(288)	—	—	(15,805)	2,815
Excess (deficiency) of revenues over expenses	15,805	19,472	2,088	(6,914)	363	(158)	(15,805)	14,851
Net assets released from restrictions used for purchase of property and equipment	—	—	—	—	—	—	—	—
Change in unrealized gains on investments	—	—	—	—	—	—	—	—
Change in economic and beneficial interests in the net assets of related organizations	995	—	—	—	—	—	(995)	—
Change in ownership interest of joint ventures	—	—	—	—	—	10,327	(10,327)	—
Capital transfers (to) from affiliate	5,163	—	—	8,911	—	—	(8,911)	5,163
Change in fair value of designated interest rate swaps	—	—	—	—	—	—	—	—
Change in funded status of defined benefit pension plans	(102)	(102)	—	—	—	—	102	(102)
Other	1	1	(1)	—	3	—	(2)	2
Increase (decrease) in unrestricted net assets	\$ 21,862	19,371	2,087	1,997	366	10,169	(35,938)	19,914

See accompanying independent auditors' report.

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

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

Year ended June 30, 2014

(In thousands)

	Shore Health System, Inc.	Memorial Hospital Foundation, Inc. and Subsidiary	Care Health Services, Inc.	Shore Health Enterprises, Inc. and Subsidiary	Shore Clinical Foundation, Inc.	Chester River Consolidated Total	Eliminations	SHS consolidated total
Unrestricted revenues, gains and other support:								
Patient service revenue (net of contractual adjustments)	\$ 229,404	—	5,298	—	15,986	67,893	—	318,581
Provision for bad debts	(11,979)	—	(70)	—	—	(4,771)	—	(16,820)
Net patient service revenue	217,425	—	5,228	—	15,986	63,122	—	301,761
Other operating revenue:								
State support	—	—	—	—	—	—	—	—
Other revenue	3,080	—	279	—	846	345	(710)	3,840
Total unrestricted revenue, gains and other support	220,505	—	5,507	—	16,832	63,467	(710)	305,601
Operating expenses:								
Salaries, wages and benefits	105,002	—	4,266	—	21,930	29,733	—	160,931
Expendable supplies	33,684	—	200	—	1,320	6,224	—	41,428
Purchased services	43,976	—	912	—	4,626	13,328	(233)	62,609
Contracted services	7,951	—	2	—	533	5,195	(642)	13,039
Depreciation and amortization	14,032	—	75	—	340	3,375	—	17,822
Interest expense	3,442	—	—	—	—	174	—	3,616
Total operating expenses	208,087	—	5,455	—	28,749	58,029	(875)	299,445
Operating income (loss)	12,418	—	52	—	(11,917)	5,438	165	6,156

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

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

Year ended June 30, 2014

(In thousands)

	Shore Health System, Inc.	Memorial Hospital Foundation, Inc. and Subsidiary	Care Health Services, Inc.	Shore Health Enterprises, Inc. and Subsidiary	Shore Clinical Foundation, Inc.	Chester River Consolidated Total	Eliminations	SHS consolidated total
Nonoperating income and expenses, net:								
Loss on early extinguishment of debt	\$ —	—	—	—	—	—	—	—
Change in fair value of undesignated interest rate swaps	—	—	—	—	—	—	—	—
Other nonoperating gains and losses:								
Contributions	(31)	1,270	—	—	—	114	—	1,353
Equity in net income of joint ventures	216	—	—	—	—	—	—	216
Investment income (loss)	3,696	1,562	1	—	—	1,357	—	6,616
Change in fair value of investments	4,939	4,483	—	—	—	—	—	9,422
Other nonoperating gains and losses	(1,180)	(710)	—	—	—	(402)	(165)	(2,457)
Total other nonoperating gains and losses	7,640	6,605	1	—	—	1,069	(165)	15,150
Excess (deficiency) of revenues over expenses	20,058	6,605	53	—	(11,917)	6,507	—	21,306
Net assets released from restrictions used for purchase of property and equipment	343	—	—	—	69	848	—	1,260
Change in unrealized gains on investments	—	—	—	—	—	—	—	—
Change in economic and beneficial interests in the net assets of related organizations	(5,194)	—	—	—	12,004	(1,513)	(5,297)	—
Change in ownership interest of joint ventures	—	—	—	—	—	—	—	—
Capital transfers (to) from affiliate	9,400	—	—	—	—	—	—	9,400
Change in fair value of designated interest rate swaps	—	—	—	—	—	—	—	—
Change in funded status of defined benefit pension plans	—	—	—	—	—	726	—	726
Asset reclassifications at request of donor	—	—	—	—	—	(1,585)	—	(1,585)
Other	(322)	1	1	(3)	—	4	—	(319)
Increase (decrease) in unrestricted net assets	\$ 24,285	6,606	54	(3)	156	4,987	(5,297)	30,788

See accompanying independent auditors' report.

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

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

Year ended June 30, 2014

(In thousands)

	Chester River Hospital Center	Chester River Manor	Chester River Home Care and Hospice	Chester River Health Foundation	Chester River consolidated total
Unrestricted revenues, gains and other support:					
Patient service revenue (net of contractual allowances)	\$ 57,310	8,030	2,553	—	67,893
Provision for bad debts	(4,661)	(50)	(60)	—	(4,771)
Net patient service revenue	52,649	7,980	2,493	—	63,122
Other operating revenue:					
State support	—	—	—	—	—
Other revenue	284	3	57	1	345
Total unrestricted revenue, gains and other support	52,933	7,983	2,550	1	63,467
Operating expenses:					
Salaries, wages and benefits	23,193	4,502	2,038	—	29,733
Expendable supplies	5,393	779	52	—	6,224
Purchased services	10,317	2,579	432	—	13,328
Contracted services	5,187	8	—	—	5,195
Depreciation and amortization	3,098	238	39	—	3,375
Interest expense	166	8	—	—	174
Total operating expenses	47,354	8,114	2,561	—	58,029
Operating income	5,579	(131)	(11)	1	5,438

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

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

Year ended June 30, 2014

(In thousands)

	Chester River Hospital Center	Chester River Manor	Chester River Home Care and Hospice	Chester River Health Foundation	Chester River consolidated total
Nonoperating income and expenses, net:					
Loss on early extinguishment of debt	\$ —	—	—	—	—
Other nonoperating gains and losses:					
Contributions	—	—	—	114	114
Equity in net income of joint ventures	—	—	—	—	—
Investment income	1,041	—	157	159	1,357
Change in fair value of investments	—	—	—	—	—
Other nonoperating gains and losses	(72)	—	28	(358)	(402)
Total other nonoperating gains and losses	969	—	185	(85)	1,069
Excess of revenues over expenses	6,548	(131)	174	(84)	6,507
Net assets released from restrictions used for purchase of property and equipment	848	—	—	—	848
Change in unrealized gains on investments	—	—	—	—	—
Change in economic and beneficial interests in the net assets of related organizations	(1,455)	(64)	6	—	(1,513)
Change in ownership interest of joint ventures	—	—	—	—	—
Capital transfers (to) from affiliate	—	—	—	—	—
Change in fair value of designated interest rate swaps	—	—	—	—	—
Change in funded status of defined benefit pension plans	726	—	—	—	726
Asset reclassifications at request of donor	—	—	—	(1,585)	(1,585)
Other	(84)	4	1	83	4
Increase in unrestricted net assets	\$ 6,583	(191)	181	(1,586)	4,987

See accompanying independent auditors' report.

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

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

Year ended June 30, 2014

(In thousands)

	Charles Regional Health, Inc.	Charles Regional Medical Center, Inc.	Charles Regional Care Partners, Inc. and Subsidiary	Charles Regional Health Foundation, Inc.	Eliminations	Charles Regional consolidated total
Unrestricted revenues, gains and other support:						
Patient service revenue (net of contractual adjustments)	\$ —	128,305	4,106	—	—	132,411
Provision for bad debts	—	(9,064)	(346)	—	—	(9,410)
Net patient service revenue	—	119,241	3,760	—	—	123,001
Other operating revenue:						
State support	—	—	—	—	—	—
Other revenue	860	511	511	—	(357)	1,525
Total unrestricted revenue, gains and other support	860	119,752	4,271	—	(357)	124,526
Operating expenses:						
Salaries, wages and benefits	—	55,138	3,630	—	—	58,768
Expendable supplies	1	19,213	215	—	—	19,429
Purchased services	172	24,357	1,644	—	(98)	26,075
Contracted services	—	4,064	—	—	(259)	3,805
Depreciation and amortization	403	3,694	235	—	—	4,332
Interest expense	310	2,289	102	—	—	2,701
Total operating expenses	886	108,755	5,826	—	(357)	115,110
Operating income	(26)	10,997	(1,555)	—	—	9,416

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

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

Year ended June 30, 2014

(In thousands)

	Charles Regional Health, Inc.	Charles Regional Medical Center, Inc.	Charles Regional Care Partners, Inc. and Subsidiary	Charles Regional Health Foundation, Inc.	Eliminations	Charles Regional consolidated total
Nonoperating income and expenses, net:						
Loss on early extinguishment of debt	\$ —	—	—	—	—	—
Other nonoperating gains and losses:						
Contributions	—	—	—	—	—	—
Equity in net income of joint ventures	—	68	—	—	—	68
Investment income	—	19	—	—	—	19
Change in fair value of investments	—	94	—	—	—	94
Other nonoperating gains and losses	—	(1,009)	—	—	(357)	(1,366)
Total other nonoperating gains and losses	—	(828)	—	—	(357)	(1,185)
Excess of revenues over expenses	(26)	10,169	(1,555)	—	(357)	8,231
Net assets released from restrictions used for purchase of property and equipment	—	117	—	—	—	117
Change in unrealized gains on investments	—	—	—	—	—	—
Change in economic and beneficial interests in the net assets of related organizations	—	—	—	—	—	—
Change in ownership interest of joint ventures	—	—	—	—	—	—
Capital transfers (to) from affiliate	—	4,868	—	—	—	4,868
Change in fair value of designated interest rate swaps	—	—	—	—	—	—
Change in funded status of defined benefit pension plans	—	(1,615)	—	—	—	(1,615)
Other	1,928	(2,169)	(712)	485	(128)	(596)
Increase in unrestricted net assets	\$ 1,902	11,370	(2,267)	485	(485)	11,005

See accompanying independent auditors' report.

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

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

Year ended June 30, 2014

(In thousands)

	St. Joseph Medical Center	St. Joseph Medical Group	St. Joseph Properties	St. Joseph Orthopaedics	O'Dea Medical Arts	St. Joseph Foundation	Eliminations	St. Joseph consolidated total
Unrestricted revenues, gains and other support:								
Patient service revenue (net of contractual adjustments)	\$ 314,749	30,128	—	25,159	—	—	—	370,036
Provision for bad debts	(15,690)	(2,279)	—	(1,598)	—	—	—	(19,567)
Net patient service revenue	299,059	27,849	—	23,561	—	—	—	350,469
Other operating revenue:								
State support	—	—	—	—	—	—	—	—
Other revenue	3,156	6,485	1,340	—	2,595	—	(9,176)	4,400
Total unrestricted revenue, gains and other support	302,215	34,334	1,340	23,561	2,595	—	(9,176)	354,869
Operating expenses:								
Salaries, wages and benefits	128,340	38,165	—	17,903	—	—	—	184,408
Expendable supplies	79,055	881	—	167	—	—	—	80,103
Purchased services	67,220	9,904	2,113	11,197	1,338	—	(2,783)	88,989
Contracted services	14,180	45	—	—	—	—	(6,393)	7,832
Depreciation and amortization	13,286	109	—	100	433	—	—	13,928
Interest expense	8,852	—	—	—	383	—	—	9,235
Total operating expenses	310,933	49,104	2,113	29,367	2,154	—	(9,176)	384,495
Operating income (loss)	(8,718)	(14,770)	(773)	(5,806)	441	—	—	(29,626)

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

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

Year ended June 30, 2014

(In thousands)

	St. Joseph Medical Center	St. Joseph Medical Group	St. Joseph Properties	St. Joseph Orthopaedics	O'Dea Medical Arts	St. Joseph Foundation	Eliminations	St. Joseph consolidated total
Nonoperating income and expenses, net:								
Loss on early extinguishment of debt	\$ —	—	—	—	—	—	—	—
Other nonoperating gains and losses:								
Contributions	—	—	—	—	—	900	—	900
Equity in net income of joint ventures	924	—	—	—	—	—	—	924
Investment income	(2,824)	—	—	—	2	1,209	—	(1,613)
Change in fair value of investments	973	—	—	—	—	—	—	973
Other nonoperating gains and losses	(4,486)	63	—	—	40	(896)	—	(5,279)
Total other nonoperating gains and losses	(5,413)	63	—	—	42	1,213	—	(4,095)
Excess (deficiency) of revenues over expenses	(14,131)	(14,707)	(773)	(5,806)	483	1,213	—	(33,721)
Net assets released from restrictions used for purchase of property and equipment	—	—	—	—	—	—	—	—
Change in unrealized gains on investments	—	—	—	—	—	—	—	—
Change in economic and beneficial interests in the net assets of related organizations	—	—	—	—	—	—	—	—
Change in ownership interest of joint ventures	—	—	—	—	—	—	—	—
Capital transfers (to) from affiliate	—	—	—	—	—	—	—	—
Change in fair value of designated interest rate swaps	—	—	—	—	—	—	—	—
Change in funded status of defined benefit pension plans	—	—	—	—	—	—	—	—
Other	—	(1)	—	4	216	(64)	—	155
Increase (decrease) in unrestricted net assets	\$ <u>(14,131)</u>	<u>(14,708)</u>	<u>(773)</u>	<u>(5,802)</u>	<u>699</u>	<u>1,149</u>	<u>—</u>	<u>(33,566)</u>

See accompanying independent auditors' report.

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

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

Year ended June 30, 2014

(In thousands)

	Upper Chesapeake Medical Center	Harford Memorial Hospital	UCHS Properties	Health Ventures	Medical Services	Residential Hospice House	Upper Chesapeake Health Foundation	Upper Chesapeake Health System	Hospice of Harford County	Upper Chesapeake Insurance Co.	Upper Chesapeake Land Trust	Eliminations	Upper Chesapeake consolidated total
Unrestricted revenues, gains and other support:													
Patient service revenue (net of contractual adjustments)	\$ 153,663	54,856	—	—	23,927	210	—	—	—	—	—	—	232,656
Provision for bad debts	(7,016)	(4,469)	—	—	(1,482)	(21)	—	—	—	—	—	—	(12,988)
Net patient service revenue	146,647	50,387	—	—	22,445	189	—	—	—	—	—	—	219,668
Other operating revenue:													
State support	—	—	—	—	—	—	—	—	—	—	—	—	—
Other revenue	3,825	1,515	—	217	2,366	317	1,245	8,208	—	2,665	—	(12,741)	7,617
Total unrestricted revenue, gains and other support	150,472	51,902	—	217	24,811	506	1,245	8,208	—	2,665	—	(12,741)	227,285
Operating expenses:													
Salaries, wages and benefits	65,600	27,728	—	—	18,877	361	480	6,431	—	—	—	—	119,477
Expendable supplies	35,593	5,635	—	—	2,466	30	20	49	—	—	—	—	43,793
Purchased services	22,744	8,691	320	62	5,188	67	275	1,462	—	2,665	3	(10,618)	30,859
Contracted services	5,037	2,041	—	—	4,335	—	—	—	—	—	—	(2,123)	9,290
Depreciation and amortization	9,807	2,420	15	—	388	87	—	306	—	—	—	—	13,023
Interest expense	2,532	752	—	—	4	—	—	—	—	—	—	—	3,288
Total operating expenses	141,313	47,267	335	62	31,258	545	775	8,248	—	2,665	3	(12,741)	219,730
Operating income (loss)	9,159	4,635	(335)	155	(6,447)	(39)	470	(40)	—	—	(3)	—	7,555

**UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES**
Consolidating Operations Information by Division for Upper Chesapeake Health System (UCHS)
Year ended June 30, 2014
(In thousands)

	Upper Chesapeake Medical Center	Harford Memorial Hospital	UCHS Properties	Health Ventures	Medical Services	Residential Hospice House	Upper Chesapeake Health Foundation	Upper Chesapeake Health System	Hospice of Harford County	Upper Chesapeake Insurance Co.	Upper Chesapeake Land Trust	Eliminations	Upper Chesapeake consolidated total
Nonoperating income and expenses, net:													
Loss on early extinguishment of debt	\$ —	—	—	—	—	—	—	—	—	—	—	—	—
Change in fair value of undesignated interest rate swaps	1,030	—	—	—	—	—	—	—	—	—	—	—	1,030
Other nonoperating gains and losses:													
Contributions	—	—	—	—	—	—	—	—	—	—	—	—	—
Equity in net income of joint ventures	—	—	—	—	—	—	—	—	—	—	—	—	—
Investment income	308	925	—	—	4	—	923	—	—	—	—	—	2,160
Change in fair value of investments	—	1,786	—	—	—	—	—	—	—	—	—	—	1,786
Other nonoperating gains and losses	(2,626)	—	—	—	—	—	—	(321)	—	—	—	—	(2,947)
Total other nonoperating gains and losses	(2,318)	2,711	—	—	4	—	923	(321)	—	—	—	—	999
Excess (deficiency) of revenues over expenses	7,871	7,346	(335)	155	(6,443)	(39)	1,393	(361)	—	—	(3)	—	9,584
Net assets released from restrictions used for purchase of property and equipment	—	—	—	—	—	—	—	—	—	—	—	—	—
Change in unrealized gains on investments	—	—	—	—	—	—	—	—	—	—	—	—	—
Change in economic and beneficial interests in the net assets of related organizations	—	—	—	—	—	—	—	—	—	—	—	—	—
Change in ownership interest of joint ventures	—	—	—	—	—	—	—	—	—	—	—	—	—
Capital transfers (to) from affiliate	—	—	—	—	—	—	—	—	—	—	—	—	—
Change in fair value of designated interest rate swaps	—	—	—	—	—	—	—	—	—	—	—	—	—
Change in funded status of defined benefit pension plans	8,395	—	—	—	—	—	—	—	—	—	—	—	8,395
Other	(1,013)	—	—	—	—	—	—	—	—	—	—	—	(1,013)
Increase (decrease) in unrestricted net assets	\$ 15,253	7,346	(335)	155	(6,443)	(39)	1,393	(361)	—	—	(3)	—	16,966

See accompanying independent auditors' report.

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

Consolidating Operations Information by Division

Year ended June 30, 2013

(In thousands)

	University of Maryland Medical Center	Rehabilitation & Orthopaedic Institute	Midtown	Baltimore Washington	Shore Regional		Chales Regional	St. Joseph Health	UMMS Foundation	Shipley's	ECARE	Eliminations	Consolidated total
					Shore Health	Chester River							
Unrestricted revenues, gains and other support:													
Patient Service Revenue (net of contractual adjustments)	\$ 1,329,661	102,474	199,078	373,965	241,242	64,256	121,159	184,764	—	—	—	(1,009)	2,615,590
Provision for bad debts	(86,698)	(4,600)	(15,759)	(24,197)	(6,427)	(2,656)	(4,987)	(8,133)	—	—	—	—	(153,457)
Net patient service revenue	1,242,963	97,874	183,319	349,768	234,815	61,600	116,172	176,631	—	—	—	(1,009)	2,462,133
Other operating revenue:													
State support	3,000	—	—	—	—	—	—	—	—	—	—	—	3,000
Other revenue	82,559	2,471	2,392	8,542	4,494	367	1,758	4,672	—	705	415	(2,062)	106,313
Total unrestricted revenue, gains and other support	1,328,522	100,345	185,711	358,310	239,309	61,967	117,930	181,303	—	705	415	(3,071)	2,571,446
Operating expenses:													
Salaries, wages and benefits	614,986	53,836	97,609	195,223	134,290	32,634	58,277	108,561	—	—	—	—	1,295,416
Expendable supplies	270,481	16,163	21,058	61,568	33,038	7,067	19,207	42,144	—	—	13	—	470,739
Purchased services	171,383	18,992	26,549	63,729	46,294	12,980	21,198	57,519	—	426	1,288	(6,178)	414,180
Contracted services	122,151	8,068	31,039	11,287	11,767	6,152	3,861	13,003	—	—	—	3,693	211,021
Depreciation and amortization	73,083	3,862	11,702	25,254	13,754	3,304	4,499	9,015	—	198	—	—	144,671
Interest expense	28,564	712	1,426	7,791	3,486	214	3,122	3,884	—	—	—	—	49,199
Total operating expenses	1,280,648	101,633	189,383	364,852	242,629	62,351	110,164	234,126	—	624	1,301	(2,485)	2,585,226
Operating income (loss)	47,874	(1,288)	(3,672)	(6,542)	(3,320)	(384)	7,766	(52,823)	—	81	(886)	(586)	(13,780)
Nonoperating income and expenses, net:													
Loss on early extinguishment of debt	(111)	(22)	(35)	(187)	(86)	—	(2,956)	—	—	—	—	—	(3,397)
Change in fair value of undesignated interest rate swaps	69,206	—	—	—	—	—	—	—	—	—	—	—	69,206
Other nonoperating gains and losses:													
Contributions	—	—	—	—	96	1,046	25	42	6,265	—	—	—	7,474
Equity in net income of joint ventures	12,114	—	1,793	42	—	—	440	1,971	—	—	—	(81)	16,279
Investment income	10,756	116	57	1,098	922	964	99	527	2,709	—	—	—	17,248
Change in fair value of investments	15,335	906	224	3,337	9,772	(203)	196	(615)	615	—	—	—	29,567
Change in fair value of financial instrument	—	—	—	—	—	—	(2,917)	—	—	—	—	—	(2,917)
Other nonoperating gains and losses	(12,421)	(95)	(678)	(4,530)	(2,703)	(388)	(97)	(8,387)	(6,183)	—	—	—	(35,482)
Total other nonoperating gains and losses	25,784	927	1,396	(53)	8,087	1,419	(2,254)	(6,462)	3,406	—	—	(81)	32,169
Excess (deficiency) of revenues over expenses	142,753	(383)	(2,311)	(6,782)	4,681	1,035	2,556	(59,285)	3,406	81	(886)	(667)	84,198
Acquisition of St. Joseph Foundation	—	—	—	—	—	—	—	4,737	—	—	—	—	4,737
Net assets released from restrictions used	—	—	—	—	—	—	—	—	—	—	—	—	—
for purchase of property and equipment	16,503	4,030	2,143	641	580	—	(146)	330	—	—	—	—	24,081
Change in unrealized gains on investments	—	—	—	—	—	—	—	—	—	—	—	—	—
Change in economic and beneficial interests in the net assets of related organizations	—	—	—	—	—	—	—	—	—	—	—	—	—
Change in ownership interest of joint ventures	1,170	—	—	—	—	—	—	—	—	—	—	—	1,170
Capital transfers (to) from affiliate	(12,801)	—	8,537	—	(36)	4,300	2,500	—	—	—	—	(2,500)	3,046
Change in fair value of designated interest rate swaps	3,046	—	—	—	—	—	—	—	—	—	—	—	3,046
Change in funded status of defined benefit pension plans	—	—	9,922	3,340	—	2,934	3,626	—	—	—	—	—	19,822
Other	205,936	—	(16)	1	(609)	4	(385)	1,551	1,516	—	—	(205,687)	2,311
Increase (decrease) in unrestricted net assets	\$ 356,607	3,647	18,275	(2,800)	4,616	8,273	8,151	(52,667)	4,922	81	(886)	(208,854)	139,365

See accompanying independent auditors' report.

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

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

Year ended June 30, 2013

(In thousands)

	University of Maryland Medical Center			University Specialty	36 South Paca	University CARE	Eliminations	University of Maryland consolidated total
	University Hospital	Shock Trauma Center	Subtotal					
Unrestricted revenues, gains and other support:								
Patient service revenue (net of contractual adjustments)	\$ 1,127,771	197,320	1,325,091	1,238	—	3,332	—	1,329,661
Provision for bad debts	(48,601)	(39,288)	(87,889)	1,496	—	(305)	—	(86,698)
Net patient service revenue	1,079,170	158,032	1,237,202	2,734	—	3,027	—	1,242,963
Other operating revenue:								
State support	—	3,000	3,000	—	—	—	—	3,000
Other revenue	79,165	91	79,256	35	1,180	2,332	(244)	82,559
Total unrestricted revenue, gains and other support	1,158,335	161,123	1,319,458	2,769	1,180	5,359	(244)	1,328,522
Operating expenses:								
Salaries, wages and benefits	554,856	55,882	610,738	556	181	3,327	184	614,986
Expendable supplies	242,009	28,124	270,133	56	5	287	—	270,481
Purchased services	121,829	42,899	164,728	1,839	853	5,127	(1,164)	171,383
Contracted services	110,751	11,400	122,151	—	—	—	—	122,151
Depreciation and amortization	65,974	6,289	72,263	428	392	—	—	73,083
Interest expense	28,390	—	28,390	1	173	—	—	28,564
Total operating expenses	1,123,809	144,594	1,268,403	2,880	1,604	8,741	(980)	1,280,648
Operating income (loss)	34,526	16,529	51,055	(111)	(424)	(3,382)	736	47,874

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

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

Year ended June 30, 2013

(In thousands)

	University of Maryland Medical Center			University	36 South	University		University
	Hospital	Shock Trauma	Subtotal	Specialty	Paca	CARE	Eliminations	of Maryland
		Center						consolidated
								total
Nonoperating income and expenses, net:								
Loss on early extinguishment of debt	\$ (111)	—	(111)	—	—	—	—	(111)
Change in fair value of undesignated interest rate swaps	69,206	—	69,206	—	—	—	—	69,206
Other nonoperating gains and losses:								
Contributions	—	—	—	—	—	—	—	—
Equity in net income of joint ventures	9,045	—	9,045	—	—	—	3,069	12,114
Investment income	9,945	791	10,736	20	—	—	—	10,756
Change in fair value of investments	14,626	709	15,335	—	—	—	—	15,335
Other nonoperating gains and losses	(12,421)	—	(12,421)	—	—	—	—	(12,421)
Total other nonoperating gains and losses	21,195	1,500	22,695	20	—	—	3,069	25,784
Excess (deficiency) of revenues over expenses	124,816	18,029	142,845	(91)	(424)	(3,382)	3,805	142,753
Net assets released from restrictions used for purchase of property and equipment	16,503	—	16,503	—	—	—	—	16,503
Change in unrealized gains on investments	—	—	—	—	—	—	—	—
Change in economic and beneficial interests in the net assets of related organizations	—	—	—	—	—	—	—	—
Change in ownership interest of joint ventures	1,170	—	1,170	—	—	—	—	1,170
Capital transfers (to) from affiliate	(12,801)	—	(12,801)	—	—	2,526	(2,526)	(12,801)
Change in fair value of designated interest rate swaps	3,046	—	3,046	—	—	—	—	3,046
Change in funded status of defined benefit pension plans	—	—	—	—	—	—	—	—
Other	205,842	—	205,842	(1)	1	—	94	205,936
Increase (decrease) in unrestricted net assets	\$ 338,576	18,029	356,605	(92)	(423)	(856)	1,373	356,607

See accompanying independent auditors' report.

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

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

Year ended June 30, 2013

(In thousands)

	UM Midtown Health Systems, Inc.	UMMC Midtown Campus	UM Midtown Clin. Prac. Group	Eliminations	Midtown consolidated total
Unrestricted revenues, gains and other support:					
Patient service revenue (net of contractual adjustments)	\$ —	197,494	8,292	(6,708)	199,078
Provision for bad debts	—	(14,141)	(1,618)	—	(15,759)
Net patient service revenue	—	183,353	6,674	(6,708)	183,319
Other operating revenue:					
State support	—	—	—	—	—
Other revenue	873	1,483	36	—	2,392
Total unrestricted revenue, gains and other support	873	184,836	6,710	(6,708)	185,711
Operating expenses:					
Salaries, wages and benefits	—	97,609	—	—	97,609
Expendable supplies	—	21,058	—	—	21,058
Purchased services	750	25,797	2	—	26,549
Contracted services	—	31,039	6,708	(6,708)	31,039
Depreciation and amortization	459	11,243	—	—	11,702
Interest expense	83	1,343	—	—	1,426
Total operating expenses	1,292	188,089	6,710	(6,708)	189,383
Operating income (loss)	(419)	(3,253)	—	—	(3,672)

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

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

Year ended June 30, 2013

(In thousands)

	UM Midtown Health Systems, Inc.	UMMC Midtown Campus	UM Midtown Clin. Prac. Group	Eliminations	Midtown consolidated total
Nonoperating income and expenses, net:					
Loss on early extinguishment of debt	\$ —	(35)	—	—	(35)
Change in fair value of undesignated interest rate swaps	—	—	—	—	—
Other nonoperating gains and losses:					
Contributions	—	—	—	—	—
Equity in net income of joint ventures	1,793	—	—	—	1,793
Investment income	—	57	—	—	57
Change in fair value of investments	—	224	—	—	224
Other nonoperating gains and losses	—	(678)	—	—	(678)
Total other nonoperating gains and losses	<u>1,793</u>	<u>(397)</u>	<u>—</u>	<u>—</u>	<u>1,396</u>
Excess of revenues over expenses	1,374	(3,685)	—	—	(2,311)
Net assets released from restrictions used for purchase of property and equipment	—	2,143	—	—	2,143
Change in unrealized gains on investments	—	—	—	—	—
Change in economic and beneficial interests in the net assets of related organizations	—	—	—	—	—
Change in ownership interest of joint ventures	—	—	—	—	—
Capital transfers (to) from affiliate	1,000	7,537	—	—	8,537
Change in fair value of designated interest rate swaps	—	—	—	—	—
Change in funded status of defined benefit pension plans	—	9,922	—	—	9,922
Other	—	(16)	—	—	(16)
Increase in unrestricted net assets	<u>\$ 2,374</u>	<u>15,901</u>	<u>—</u>	<u>—</u>	<u>18,275</u>

See accompanying independent auditors' report.

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

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

Year ended June 30, 2013

(In thousands)

	Baltimore Washington Medical System, Inc.	Baltimore Washington Medical Center	Baltimore Washington Healthcare Services	Baltimore Washington Health Enterprises	North County Corporation	Eliminations	BWMS consolidated total
Unrestricted revenues, gains and other support:							
Patient service revenue (net of contractual adjustments)	\$ —	329,657	33,594	13,035	—	(2,321)	373,965
Provision for bad debts	—	(11,135)	(13,062)	—	—	—	(24,197)
Net patient service revenue	—	318,522	20,532	13,035	—	(2,321)	349,768
Other operating revenue:							
State support	—	—	—	—	—	—	—
Other revenue	3,573	4,066	—	4,210	2,234	(5,541)	8,542
Total unrestricted revenue, gains and other support	3,573	322,588	20,532	17,245	2,234	(7,862)	358,310
Operating expenses:							
Salaries, wages and benefits	3,565	168,709	11,492	11,457	—	—	195,223
Expendable supplies	—	60,662	—	906	—	—	61,568
Purchased services	8	58,982	6,078	5,230	1,293	(7,862)	63,729
Contracted services	—	8,156	—	3,131	—	—	11,287
Depreciation and amortization	—	23,467	—	1,068	719	—	25,254
Interest expense	—	7,021	—	680	90	—	7,791
Total operating expenses	3,573	326,997	17,570	22,472	2,102	(7,862)	364,852
Operating income (loss)	—	(4,409)	2,962	(5,227)	132	—	(6,542)

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

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

Year ended June 30, 2013

(In thousands)

	Baltimore Washington Medical System, Inc.	Baltimore Washington Medical Center	Baltimore Washington Healthcare Services	Baltimore Washington Health Enterprises	North County Corporation	Eliminations	BWMS consolidated total
Nonoperating income and expenses, net:							
Loss on early extinguishment of debt	\$ —	(187)	—	—	—	—	(187)
Change in fair value of undesignated interest rate swaps	—	—	—	—	—	—	—
Other nonoperating gains and losses:							
Contributions	—	—	—	—	—	—	—
Equity in net income of joint ventures	42	—	—	—	—	—	42
Investment income	(6,822)	1,087	—	12	—	6,821	1,098
Change in fair value of investments	—	3,337	—	—	—	—	3,337
Other nonoperating gains and losses	—	(4,208)	—	(322)	—	—	(4,530)
Total other nonoperating gains and losses	(6,780)	216	—	(310)	—	6,821	(53)
Excess (deficiency) of revenues over expenses	(6,780)	(4,380)	2,962	(5,537)	132	6,821	(6,782)
Net assets released from restrictions used for purchase of property and equipment	641	641	—	—	—	(641)	641
Change in unrealized gains on investments	—	—	—	—	—	—	—
Change in economic and beneficial interests in the net assets of related organizations	(359)	—	—	—	—	359	—
Change in ownership interest of joint ventures	—	—	—	—	—	—	—
Capital transfers (to) from affiliate	—	—	—	5,756	—	(5,756)	—
Change in fair value of designated interest rate swaps	—	—	—	—	—	—	—
Change in funded status of defined benefit pension plans	3,340	3,340	—	—	—	(3,340)	3,340
Other	—	(1)	—	—	—	2	1
Increase (decrease) in unrestricted net assets	\$ (3,158)	(400)	2,962	219	132	(2,555)	(2,800)

See accompanying independent auditors' report.

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

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

Year ended June 30, 2013

(In thousands)

	Shore Health System, Inc.	Memorial Hospital Foundation, Inc. and Subsidiary	Care Health Services, Inc.	Shore Health Enterprises, Inc. and Subsidiary	Shore Clinical Foundation, Inc.	Eliminations	SHS consolidated total
Unrestricted revenues, gains and other support:							
Patient service revenue (net of contractual adjustments)	\$ 222,399	—	5,522	—	13,321	—	241,242
Provision for bad debts	(6,353)	—	(74)	—	—	—	(6,427)
Net patient service revenue	216,046	—	5,448	—	13,321	—	234,815
Other operating revenue:							
State support	—	—	—	—	—	—	—
Other revenue	2,978	—	16	58	1,590	(148)	4,494
Total unrestricted revenue, gains and other support	219,024	—	5,464	58	14,911	(148)	239,309
Operating expenses:							
Salaries, wages and benefits	109,160	—	5,060	—	20,070	—	134,290
Expendable supplies	31,487	—	228	—	1,323	—	33,038
Purchased services	41,346	—	830	23	4,398	(303)	46,294
Contracted services	6,249	—	—	—	5,518	—	11,767
Depreciation and amortization	14,182	—	51	(772)	293	—	13,754
Interest expense	3,486	—	—	63	—	(63)	3,486
Total operating expenses	205,910	—	6,169	(686)	31,602	(366)	242,629
Operating income (loss)	13,114	—	(705)	744	(16,691)	218	(3,320)

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

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

Year ended June 30, 2013

(In thousands)

	Shore Health System, Inc.	Memorial Hospital Foundation, Inc. and Subsidiary	Care Health Services, Inc.	Shore Health Enterprises, Inc. and Subsidiary	Shore Clinical Foundation, Inc.	Eliminations	SHS consolidated total
Nonoperating income and expenses, net:							
Loss on early extinguishment of debt	\$ (86)	—	—	—	—	—	(86)
Change in fair value of undesignated interest rate swaps	—	—	—	—	—	—	—
Other nonoperating gains and losses:							
Contributions	25	59	12	—	—	—	96
Equity in net income of joint ventures	—	—	—	—	—	—	—
Investment income (loss)	651	333	1	—	—	(63)	922
Change in fair value of investments	5,597	4,175	—	—	—	—	9,772
Other nonoperating gains and losses	(1,758)	(790)	—	—	—	(155)	(2,703)
Total other nonoperating gains and losses	4,515	3,777	13	—	—	(218)	8,087
Excess (deficiency) of revenues over expenses	17,543	3,777	(692)	744	(16,691)	—	4,681
Net assets released from restrictions used for purchase of property and equipment	580	—	—	—	—	—	580
Change in unrealized gains on investments	—	—	—	—	—	—	—
Change in economic and beneficial interests in the net assets of related organizations	—	—	—	—	—	—	—
Change in ownership interest of joint ventures	—	—	—	—	—	—	—
Capital transfers (to) from affiliate	(12,433)	(291)	—	—	12,688	—	(36)
Change in fair value of designated interest rate swaps	—	—	—	—	—	—	—
Change in funded status of defined benefit pension plans	—	—	—	—	—	—	—
Net losses from nonconsolidated subsidiaries	—	—	—	—	—	—	—
Other	(1,074)	(1)	—	—	—	466	(609)
Increase (decrease) in unrestricted net assets	\$ 4,616	3,485	(692)	744	(4,003)	466	4,616

See accompanying independent auditors' report.

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

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

Year ended June 30, 2013

(In thousands)

	Chester River Hospital Center	Chester River Manor	Chester River Home Care and Hospice	Chester River Health Foundation	Eliminations	CRHS consolidated total
Unrestricted revenues, gains and other support:						
Patient service revenue (net of contractual allowances)	\$ 53,929	7,582	2,745	—	—	64,256
Provision for bad debts	(2,553)	(42)	(61)	—	—	(2,656)
Net patient service revenue	51,376	7,540	2,684	—	—	61,600
Other operating revenue:						
State support	—	—	—	—	—	—
Other revenue	304	8	55	—	—	367
Total unrestricted revenue, gains and other support	51,680	7,548	2,739	—	—	61,967
Operating expenses:						
Salaries, wages and benefits	26,253	4,318	2,063	—	—	32,634
Expendable supplies	6,190	799	78	—	—	7,067
Purchased services	10,073	2,498	409	—	—	12,980
Contracted services	6,144	8	—	—	—	6,152
Depreciation and amortization	3,000	249	55	—	—	3,304
Interest expense	206	8	—	—	—	214
Total operating expenses	51,866	7,880	2,605	—	—	62,351
Operating income	(186)	(332)	134	—	—	(384)

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

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

Year ended June 30, 2013

(In thousands)

	Chester River Hospital Center	Chester River Manor	Chester River Home Care and Hospice	Chester River Health Foundation	Eliminations	CRHS consolidated total
Nonoperating income and expenses, net:						
Loss on early extinguishment of debt	\$ —	—	—	—	—	—
Other nonoperating gains and losses:						
Contributions	—	—	—	1,046	—	1,046
Equity in net income of joint ventures	—	—	—	—	—	—
Investment income	897	—	19	48	—	964
Change in fair value of investments	(266)	—	66	(3)	—	(203)
Other nonoperating gains and losses	621	60	22	(366)	(725)	(388)
Total other nonoperating gains and losses	1,252	60	107	725	(725)	1,419
Excess of revenues over expenses	1,066	(272)	241	725	(725)	1,035
Net assets released from restrictions used for purchase of property and equipment	—	—	—	—	—	—
Change in unrealized gains on investments	—	—	—	—	—	—
Change in economic and beneficial interests in the net assets of related organizations	—	—	—	—	—	—
Change in ownership interest of joint ventures	—	—	—	—	—	—
Capital transfers (to) from affiliate	4,300	—	—	—	—	4,300
Change in fair value of designated interest rate swaps	—	—	—	—	—	—
Change in funded status of defined benefit pension plans	2,934	—	—	—	—	2,934
Other	(98)	19	—	(21)	104	4
Increase in unrestricted net assets	\$ 8,202	(253)	241	704	(621)	8,273

See accompanying independent auditors' report.

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

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

Year ended June 30, 2013

(In thousands)

	Charles Regional Health, Inc.	Charles Regional Medical Center, Inc.	Charles Regional Care Partners, Inc. and Subsidiary	Charles Regional Health Foundation, Inc.	Eliminations	Charles Regional consolidated total
Unrestricted revenues, gains and other support:						
Patient service revenue (net of contractual adjustments)	\$ —	118,309	2,850	—	—	121,159
Provision for bad debts	—	(4,922)	(65)	—	—	(4,987)
Net patient service revenue	—	113,387	2,785	—	—	116,172
Other operating revenue:						
State support	—	—	—	—	—	—
Other revenue	2,046	529	861	—	(1,678)	1,758
Total unrestricted revenue, gains and other support	2,046	113,916	3,646	—	(1,678)	117,930
Operating expenses:						
Salaries, wages and benefits	—	55,984	2,293	—	—	58,277
Expendable supplies	—	18,953	254	—	—	19,207
Purchased services	3,071	18,137	1,395	—	(1,405)	21,198
Contracted services	—	4,107	27	—	(273)	3,861
Depreciation and amortization	199	3,932	368	—	—	4,499
Interest expense	69	2,802	251	—	—	3,122
Total operating expenses	3,339	103,915	4,588	—	(1,678)	110,164
Operating income	(1,293)	10,001	(942)	—	—	7,766

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

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

Year ended June 30, 2013

(In thousands)

	Charles Regional Health, Inc.	Charles Regional Medical Center, Inc.	Charles Regional Care Partners, Inc. and Subsidiary	Charles Regional Health Foundation, Inc.	Eliminations	Charles Regional consolidated total
Nonoperating income and expenses, net:						
Loss on early extinguishment of debt	\$ —	(2,956)	—	—	—	(2,956)
Other nonoperating gains and losses:						
Contributions	—	28	—	(3)	—	25
Equity in net income of joint ventures	—	411	29	—	—	440
Investment income	28	40	—	31	—	99
Change in fair value of investments	—	(7)	—	203	—	196
Change in fair value of financial instrument	—	(2,917)	—	—	—	(2,917)
Other nonoperating gains and losses	—	134	—	270	(501)	(97)
Total other nonoperating gains and losses	28	(2,311)	29	501	(501)	(2,254)
Excess of revenues over expenses	(1,265)	4,734	(913)	501	(501)	2,556
Net assets released from restrictions used for purchase of property and equipment	—	(146)	—	—	—	(146)
Change in unrealized gains on investments	—	—	—	—	—	—
Change in economic and beneficial interests in the net assets of related organizations	—	—	—	—	—	—
Change in ownership interest of joint ventures	—	—	—	—	—	—
Capital transfers (to) from affiliate	2,500	—	—	—	—	2,500
Change in fair value of designated interest rate swaps	—	—	—	—	—	—
Change in funded status of defined benefit pension plans	—	3,626	—	—	—	3,626
Other	(583)	197	1	(18)	18	(385)
Increase in unrestricted net assets	\$ 652	8,411	(912)	483	(483)	8,151

See accompanying independent auditors' report.

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

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

Year ended June 30, 2013

(In thousands)

	St. Joseph Medical Center	St. Joseph Medical Group	St. Joseph Properties	St. Joseph Orthopaedics	O'Dea Medical Arts	St. Joseph Foundation	Eliminations	St. Joseph consolidated total
Unrestricted revenues, gains and other support:								
Patient service revenue (net of contractual adjustments)	\$ 146,993	13,386	—	24,385	—	—	—	184,764
Provision for bad debts	(5,066)	(1,161)	—	(1,906)	—	—	—	(8,133)
Net patient service revenue	141,927	12,225	—	22,479	—	—	—	176,631
Other operating revenue:								
State support	—	—	—	—	—	—	—	—
Other revenue	1,752	2,675	757	—	1,450	—	(1,962)	4,672
Total unrestricted revenue, gains and other support	143,679	14,900	757	22,479	1,450	—	(1,962)	181,303
Operating expenses:								
Salaries, wages and benefits	76,046	16,863	—	15,652	—	—	—	108,561
Expendable supplies	41,850	290	—	4	—	—	—	42,144
Purchased services	38,666	4,159	1,063	13,189	825	—	(383)	57,519
Contracted services	14,557	25	—	—	—	—	(1,579)	13,003
Depreciation and amortization	8,647	68	—	83	217	—	—	9,015
Interest expense	3,544	—	—	—	340	—	—	3,884
Total operating expenses	183,310	21,405	1,063	28,928	1,382	—	(1,962)	234,126
Operating income (loss)	(39,631)	(6,505)	(306)	(6,449)	68	—	—	(52,823)

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

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

Year ended June 30, 2013

(In thousands)

	St. Joseph Medical Center	St. Joseph Medical Group	St. Joseph Properties	St. Joseph Orthopaedics	O'Dea Medical Arts	St. Joseph Foundation	Eliminations	St. Joseph consolidated total
Nonoperating income and expenses, net:								
Loss on early extinguishment of debt	\$ —	—	—	—	—	—	—	—
Other nonoperating gains and losses:								
Contributions	—	—	—	—	—	42	—	42
Equity in net income of joint ventures	1,971	—	—	—	—	—	—	1,971
Investment income	—	—	—	—	—	527	—	527
Change in fair value of investments	—	—	—	—	—	(615)	—	(615)
Other nonoperating gains and losses	(8,150)	—	—	—	125	(362)	—	(8,387)
Total other nonoperating gains and losses	(6,179)	—	—	—	125	(408)	—	(6,462)
Excess (deficiency) of revenues over expenses	(45,810)	(6,505)	(306)	(6,449)	193	(408)	—	(59,285)
Acquisition of St. Joseph Foundation	—	—	—	—	—	4,737	—	4,737
Net assets released from restrictions used for purchase of property and equipment	330	—	—	—	—	—	—	330
Change in unrealized gains on investments	—	—	—	—	—	—	—	—
Change in economic and beneficial interests in the net assets of related organizations	—	—	—	—	—	—	—	—
Change in ownership interest of joint ventures	—	—	—	—	—	—	—	—
Capital transfers (to) from affiliate	—	—	—	—	—	—	—	—
Change in fair value of designated interest rate swaps	—	—	—	—	—	—	—	—
Change in funded status of defined benefit pension plans	—	—	—	—	—	—	—	—
Other	93	3	1	—	1,403	51	—	1,551
Increase (decrease) in unrestricted net assets	\$ (45,387)	(6,502)	(305)	(6,449)	1,596	4,380	—	(52,667)

See accompanying independent auditors' report.

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

Combining Balance Sheet Information – Obligated Group

June 30, 2014

(In thousands)

Assets	University of Maryland Medical Center	Rehabilitation & Orthopaedic Institute	University of Maryland Midtown Campus	Baltimore Washington Medical Center, Inc.	Shore Health System, Inc.	Chester River Medical Center	Charles Regional Medical Center	St. Joseph Medical Center	Upper Chesapeake Hospitals*	UMMS Foundation	Eliminations	Obligated group total
Current assets:												
Cash and cash equivalents	\$ 119,021	23,036	20,163	18,281	13,657	4,575	21,246	2,870	51,391	—	—	274,240
Assets limited as to use, current portion	45,943	—	993	1,140	645	265	912	477	2,123	—	—	52,498
Accounts receivable:												
Patient accounts receivable, less allowance												
for doubtful accounts of \$182,900	160,127	16,202	26,931	33,312	19,565	5,108	7,988	30,718	34,804	—	—	334,755
Other	165,030	1,681	3,593	701	16,090	(1,087)	13,707	(34,976)	—	—	(67,754)	96,985
Inventories	24,653	1,188	2,969	7,708	3,611	403	1,587	4,904	9,163	—	—	56,186
Prepaid expenses and other current assets	5,967	10	142	1,530	1,455	104	206	1,438	3,046	1,500	—	15,398
Total current assets	520,741	42,117	54,791	62,672	55,023	9,368	45,646	5,431	100,527	1,500	(67,754)	830,062
Investments	361,916	13,700	—	73,089	44,099	4,737	20,458	—	—	—	—	517,999
Assets limited as to use, less current portion:												
Investments held for collateral	60,418	—	—	8,000	—	—	—	—	27,952	—	—	96,370
Debt service funds	33,781	—	1,603	—	—	—	—	—	4,055	—	—	39,439
Construction funds	58,392	15,154	—	28,278	5,078	4,637	4,729	29,863	—	—	—	146,131
Board designated and escrow funds	—	—	—	—	25,000	5,000	—	—	100,234	23,740	—	153,974
Self-insurance trust funds	54,750	—	21,055	21,930	19,157	5,185	6,880	5,900	—	—	—	134,857
Funds restricted by donor	—	—	1,175	—	4,550	70	—	—	—	22,393	—	28,188
Economic interests in the net assets of related organizations	202,189	34,003	111	6,602	74,782	5,834	5,147	9,503	—	—	(63,998)	274,173
	409,530	49,157	23,944	64,810	128,567	20,726	16,756	45,266	132,241	46,133	(63,998)	873,132
Property and equipment, net	887,175	45,430	100,253	223,802	130,732	27,444	70,840	197,626	253,011	—	—	1,936,313
Investments in joint ventures and other assets	663,332	—	11,959	15,157	11,824	1,454	4,476	9,521	219,523	6,894	(655,528)	288,612
Total assets	\$ 2,842,694	150,404	190,947	439,530	370,245	63,729	158,176	257,844	705,302	54,527	(787,280)	4,446,118

* Includes both Upper Cheapeake Medical Center & Harford Memorial Hospital

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

Combining Balance Sheet Information – Obligated Group

June 30, 2014

(In thousands)

Liabilities and Net Assets	University of Maryland Medical Center	Rehabilitation & Orthopaedic Institute	University of Maryland Midtown Campus	Baltimore Washington Medical Center, Inc.	Shore Health System, Inc.	Chester River Medical Center	Charles Regional Medical Center	St. Joseph Medical Center	Upper Chesapeake Hospitals*	UMMS Foundation	Eliminations	Obligated group total
Current liabilities:												
Trade accounts payable	\$ 142,885	5,762	13,582	19,564	14,238	4,636	8,643	25,301	13,934	32	—	248,577
Accrued payroll and benefits	96,947	4,857	12,753	22,799	17,877	3,448	5,307	21,118	23,128	—	—	208,234
Advances from third-party payors	71,498	3,880	8,757	9,965	5,368	734	3,449	12,066	7,810	—	—	123,527
Lines of credit	105,000	—	—	—	—	—	12,000	—	—	—	—	117,000
Short-term financing	150,000	—	—	—	—	—	—	—	—	—	—	150,000
Other current liabilities	84,899	6,449	15,231	26,675	2,526	1,351	1,377	3,239	9,754	—	(67,754)	83,747
Long-term debt subject to short-term remarketing arrangements	77,574	—	—	—	—	—	—	—	—	—	—	77,574
Current portion of long-term debt	13,249	463	680	3,296	3,084	82	2,007	4,363	4,181	—	—	31,405
Total current liabilities	742,052	21,411	51,003	82,299	43,093	10,251	32,783	66,087	58,807	32	(67,754)	1,040,064
Long-term debt, less current portion	558,828	22,003	34,313	179,849	93,421	4,702	59,257	244,542	208,517	—	—	1,405,432
Other long-term liabilities	119,445	415	26,138	36,286	12,535	6,900	15,491	6,995	27,906	—	—	252,111
Interest rate swap liabilities	148,097	—	—	—	—	—	—	—	27,850	—	—	175,947
Total liabilities	1,568,422	43,829	111,454	298,434	149,049	21,853	107,531	317,624	323,080	32	(67,754)	2,873,554
Net assets:												
Unrestricted	1,049,843	72,572	78,207	134,494	189,472	38,744	50,552	(59,781)	220,832	28,935	(506,275)	1,297,595
Temporarily restricted	222,740	34,003	1,286	6,602	17,750	1,854	93	1	161,390	6,851	(211,975)	240,595
Permanently restricted	1,689	—	—	—	13,974	1,278	—	—	—	18,709	(1,276)	34,374
Total net assets	1,274,272	106,575	79,493	141,096	221,196	41,876	50,645	(59,780)	382,222	54,495	(719,526)	1,572,564
Total liabilities and net assets	\$ 2,842,694	150,404	190,947	439,530	370,245	63,729	158,176	257,844	705,302	54,527	(787,280)	4,446,118

* Includes both Upper Cheapeake Medical Center & Harford Memorial Hospital

See accompanying independent auditors' report.

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

Combining Balance Sheet Information – Obligated Group

June 30, 2013

(In thousands)

Assets	University of Maryland Medical Center	Rehabilitation & Orthopaedic Institute	University of Maryland Midtown Campus	Baltimore Washington Medical Center, Inc.	Shore Health System, Inc.	Chester River Medical Center	Charles Regional Medical Center	St. Joseph Medical Center	UMMS Foundation	Eliminations	Obligated group total
Current assets:											
Cash and cash equivalents	\$ 142,414	6,887	6,522	37,209	13,480	2,313	28,125	(8,333)	—	—	228,617
Assets limited as to use, current portion	42,900	—	1,001	985	624	573	—	260	—	—	46,343
Accounts receivable:											
Patient accounts receivable, less allowance for doubtful accounts of \$137,700	156,593	14,631	26,988	38,987	30,069	5,063	11,705	40,360	—	—	324,396
Other	194,804	17,699	1,722	332	4,283	411	17,022	(27,966)	(1,200)	(102,398)	104,709
Inventories	20,186	1,054	2,691	6,743	3,921	405	1,459	4,496	—	—	40,955
Prepaid expenses and other current assets	7,015	—	127	1,447	986	—	460	735	1,500	—	12,270
Total current assets	563,912	40,271	39,051	85,703	53,363	8,765	58,771	9,552	300	(102,398)	757,290
Investments	346,659	12,038	—	51,744	35,467	3,792	—	—	—	—	449,700
Assets limited as to use, less current portion:											
Investments held for collateral	58,642	—	—	8,000	—	—	—	—	—	—	66,642
Debt service funds	34,236	—	—	—	—	—	—	—	—	—	34,236
Construction funds	79,575	14,001	1,603	13,394	5,078	1,127	962	48,069	—	—	163,809
Board designated and escrow funds	—	—	—	—	25,000	5,000	—	—	38,467	—	68,467
Self-insurance trust funds	40,043	—	24,607	19,439	16,275	3,392	—	1,808	—	—	105,564
Funds restricted by donor	—	—	1,140	—	4,137	44	—	—	21,670	—	26,991
Economic interests in the net assets of related organizations	65,347	30,490	222	5,607	65,507	5,886	—	9,503	—	(77,008)	105,554
	277,843	44,491	27,572	46,440	115,997	15,449	962	59,380	60,137	(77,008)	571,263
Property and equipment, net	835,770	45,127	102,169	236,734	127,156	24,145	69,010	175,707	—	—	1,615,818
Investments in joint ventures and other assets	521,903	—	8,794	11,735	11,959	1,588	14,663	11,931	7,118	(277,733)	311,958
Total assets	\$ 2,546,087	141,927	177,586	432,356	343,942	53,739	143,406	256,570	67,555	(457,139)	3,706,029

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

Combining Balance Sheet Information – Obligated Group

June 30, 2013

(In thousands)

Liabilities and Net Assets	University of Maryland Medical Center	Rehabilitation & Orthopaedic Institute	University of Maryland Midtown Campus	Baltimore Washington Medical Center, Inc.	Shore Health System, Inc.	Chester River Medical Center	Charles Regional Medical Center	St. Joseph Medical Center	UMMS Foundation	Eliminations	Obligated group total
Current liabilities:											
Trade accounts payable	\$ 142,190	8,069	15,250	20,374	11,913	5,267	7,136	17,679	50	—	227,928
Accrued payroll and benefits	88,879	5,117	14,757	21,672	17,025	3,840	4,978	15,085	—	—	171,353
Advances from third-party payors	72,725	3,037	6,803	8,659	5,627	751	3,235	10,454	—	—	111,291
Lines of credit	83,000	—	—	—	—	—	12,000	—	—	—	95,000
Other current liabilities	163,631	1,860	8,677	40,634	2,370	(3,009)	1,250	2,003	—	(102,398)	115,018
Long-term debt subject to short-term remarketing arrangements	19,123	—	—	—	—	—	—	—	—	—	19,123
Current portion of long-term debt	14,616	463	604	3,161	3,021	82	1,966	4,362	—	—	28,275
Total current liabilities	584,164	18,546	46,091	94,500	39,956	6,931	30,565	49,583	50	(102,398)	767,988
Long-term debt, less current portion	631,325	22,393	34,993	183,145	96,505	4,783	61,349	248,861	—	—	1,283,354
Other long-term liabilities	108,965	415	25,222	33,981	13,836	8,161	12,100	3,775	—	—	206,455
Interest rate swap liabilities	145,504	—	—	—	—	—	—	—	—	—	145,504
Total liabilities	1,469,958	41,354	106,306	311,626	150,297	19,875	104,014	302,219	50	(102,398)	2,403,301
Net assets:											
Unrestricted	996,451	70,083	69,918	115,123	165,187	32,161	39,182	(45,650)	42,899	(286,747)	1,198,607
Temporarily restricted	79,265	30,490	1,362	5,607	14,601	332	210	1	6,603	(67,994)	70,477
Permanently restricted	413	—	—	—	13,857	1,371	—	—	18,003	—	33,644
Total net assets	1,076,129	100,573	71,280	120,730	193,645	33,864	39,392	(45,649)	67,505	(354,741)	1,302,728
Total liabilities and net assets	\$ 2,546,087	141,927	177,586	432,356	343,942	53,739	143,406	256,570	67,555	(457,139)	3,706,029

See accompanying independent auditors' report.

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

Combining Operations Information – Obligated Group

Year ended June 30, 2014

(In thousands)

	University of Maryland Medical Center	Rehabilitation & Orthopaedic Institute	University of Maryland Midtown Campus	Baltimore Washington Medical Center	Memorial Hospital	Shore Health System			Chester River Hospital Center	Charles Regional Medical Center	St. Joseph Medical Center	Upper Chesapeake Hospitals*	UMMS Foundation	Eliminations	Obligated group total
						Dorchester General	QAEC	Subtotal							
Unrestricted revenues, gains and other support:															
Patient service revenue (net of contractual adjustments)	\$ 1,355,330	107,626	206,188	359,664	175,910	49,049	4,445	229,404	57,310	128,305	314,749	208,519	—	(811)	2,966,284
Provision for bad debts	(86,868)	(8,765)	(25,203)	(27,697)	(8,438)	(3,353)	(188)	(11,979)	(4,661)	(9,064)	(15,690)	(11,485)	—	—	(201,412)
Net patient service revenue	1,268,462	98,861	180,985	331,967	167,472	45,696	4,257	217,425	52,649	119,241	299,059	197,034	—	(811)	2,764,872
Other operating revenue:															
State support	3,000	—	—	—	—	—	—	—	—	—	—	—	—	—	3,000
Other revenue	69,485	3,796	1,562	3,433	2,656	414	10	3,080	284	511	3,156	5,340	—	(1,097)	89,550
Total unrestricted revenue, gains and other support	1,340,947	102,657	182,547	335,400	170,128	46,110	4,267	220,505	52,933	119,752	302,215	202,374	—	(1,908)	2,857,422
Operating expenses:															
Salaries, wages, and benefits	631,085	50,791	90,109	160,741	79,457	22,301	3,244	105,002	23,193	55,138	128,340	93,328	—	—	1,337,727
Expendable supplies	294,532	16,731	20,129	61,394	29,362	3,859	463	33,684	5,393	19,213	79,055	41,228	—	—	571,359
Purchased services	136,297	20,327	32,398	59,665	34,111	8,612	1,253	43,976	10,317	24,357	67,220	31,435	—	(1,308)	424,684
Contracted services	130,802	8,648	23,237	8,649	4,552	2,442	957	7,951	5,187	4,064	14,180	7,078	—	—	209,796
Depreciation and amortization	78,474	4,615	11,762	22,234	10,613	2,269	1,150	14,032	3,098	3,694	13,286	12,227	—	—	163,422
Interest expense	26,318	780	1,234	6,348	2,734	191	517	3,442	166	2,289	8,852	3,284	—	—	52,713
Total operating expenses	1,297,508	101,892	178,869	319,031	160,829	39,674	7,584	208,087	47,354	108,755	310,933	188,580	—	(1,308)	2,759,701
Operating income (loss)	43,439	765	3,678	16,369	9,299	6,436	(3,317)	12,418	5,579	10,997	(8,718)	13,794	—	(600)	97,721
Nonoperating income and expenses, net:															
Change in fair value of undesignated interest rate swaps	(4,450)	—	—	—	—	—	—	—	—	—	—	1,030	—	—	(3,420)
Other nonoperating gains and losses:															
Contributions	8,705	—	—	—	(31)	—	—	(31)	—	—	—	—	6,517	—	15,191
Equity in net income of joint ventures	5,876	—	—	—	216	—	—	216	—	68	924	—	—	—	7,084
Inherent contribution – UCHS	114,436	—	—	—	—	—	—	—	—	—	—	—	—	—	114,436
Investment income	8,176	373	16	1,312	3,689	6	1	3,696	1,041	19	(2,824)	1,233	3,985	—	17,027
Change in fair value of investments	30,708	1,310	—	5,119	4,886	47	6	4,939	—	94	973	1,786	1,582	—	46,511
Other nonoperating gains and losses	(12,512)	(414)	(615)	(3,328)	(878)	(265)	(37)	(1,180)	(72)	(1,009)	(4,486)	(2,626)	(3,505)	—	(29,747)
Total other nonoperating gains and losses	155,389	1,269	(599)	3,103	7,882	(212)	(30)	7,640	969	(828)	(5,413)	393	8,579	—	170,502
Excess (deficiency) of revenues over expenses	194,378	2,034	3,079	19,472	17,181	6,224	(3,347)	20,058	6,548	10,169	(14,131)	15,217	8,579	(600)	264,803
Net assets released from restrictions used for purchase of property and equipment	—	443	1,093	—	343	—	—	343	848	117	—	—	—	—	2,844
Change in unrealized gains on investments	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Contribution to/economic interest in UCH Legacy Funding Corporation	(150,000)	—	—	—	(5,194)	—	—	(5,194)	(1,455)	—	—	—	—	—	(156,649)
Change in ownership interest of joint ventures	2,158	—	—	—	—	—	—	—	—	—	—	—	—	—	2,158
Capital transfers (to) from affiliate	4,090	—	3,508	—	9,400	—	—	9,400	—	4,868	—	—	(22,654)	(2,500)	(3,288)
Amortization of accumulated loss of discontinued designated interest rate swap	1,857	—	—	—	—	—	—	—	—	—	—	—	—	—	1,857
Change in funded status of defined benefit pension plans	—	—	607	(102)	—	—	—	—	726	(1,615)	—	8,395	—	—	8,011
Asset reclassifications at request of donor	—	—	—	—	—	—	—	—	—	—	—	—	100	—	100
Other	909	12	2	1	(322)	—	—	(322)	(84)	(2,169)	—	(1,013)	11	600	(2,053)
Increase (decrease) in unrestricted net assets	\$ 53,392	2,489	8,289	19,371	21,408	6,224	(3,347)	24,285	6,583	11,370	(14,131)	22,599	(13,964)	(2,500)	117,783

* Includes both Upper Cheapeake Medical Center & Harford Memorial Hospital

See accompanying independent auditors' report.

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

Combining Operations Information – Obligated Group

Year ended June 30, 2013

(In thousands)

	University of Maryland Medical Center	Rehabilitation & Orthopaedic Institute	University of Maryland Midtown Campus	Baltimore Washington Medical Center	Memorial Hospital	Shore Health System			Chester River Hospital Center	Chalres Regional Medical Center	St. Joseph Medical Center	UMMS Foundation	Eliminations	Obligated group total
						Dorchester General	QAEC	Subtotal						
Unrestricted revenues, gains and other support:														
Patient service revenue (net of contractual adjustments)	\$ 1,325,091	101,611	197,494	329,657	168,514	49,757	4,128	222,399	53,929	118,309	146,993	—	(1,009)	2,494,474
Provision for bad debts	(87,889)	(4,543)	(14,141)	(11,135)	(4,698)	(1,566)	(89)	(6,353)	(2,553)	(4,922)	(5,066)	—	—	(136,602)
Net patient service revenue	1,237,202	97,068	183,353	318,522	163,816	48,191	4,039	216,046	51,376	113,387	141,927	—	(1,009)	2,357,872
Other operating revenue:														
State support	3,000	—	—	—	—	—	—	—	—	—	—	—	—	3,000
Other revenue	79,256	2,471	1,483	4,066	2,570	393	15	2,978	304	529	1,752	—	(2,062)	90,777
Total unrestricted revenue, gains and other support	1,319,458	99,539	184,836	322,588	166,386	48,584	4,054	219,024	51,680	113,916	143,679	—	(3,071)	2,451,649
Operating expenses:														
Salaries, wages, and benefits	610,738	53,206	97,609	168,709	81,986	23,815	3,359	109,160	26,253	55,984	76,046	—	—	1,197,705
Expendable supplies	270,133	16,150	21,058	60,662	26,156	4,773	558	31,487	6,190	18,953	41,850	—	—	466,483
Purchased services	164,728	18,767	25,797	58,982	30,861	9,605	880	41,546	10,073	18,137	38,666	—	(6,178)	370,518
Contracted services	122,151	8,068	31,039	8,156	3,651	1,514	1,084	6,249	6,144	4,107	14,557	—	3,693	204,164
Depreciation and amortization	72,263	3,860	11,243	23,467	10,772	2,274	1,136	14,182	3,000	3,932	8,647	—	—	140,594
Interest expense	28,390	949	1,343	7,021	2,592	348	546	3,486	206	2,802	3,544	—	—	47,741
Total operating expenses	1,268,403	101,000	188,089	326,997	156,018	42,329	7,563	205,910	51,866	103,915	183,310	—	(2,485)	2,427,005
Operating income (loss)	51,055	(1,461)	(3,253)	(4,409)	10,368	6,255	(3,509)	13,114	(186)	10,001	(39,631)	—	(586)	24,644
Nonoperating income and expenses, net:														
Loss on early extinguishment of debt	(111)	(22)	(35)	(187)	(86)	—	—	(86)	—	(2,956)	—	—	—	(3,397)
Change in fair value of undesignated interest rate swaps	69,206	—	—	—	—	—	—	—	—	—	—	—	—	69,206
Other nonoperating gains and losses:														
Contributions	—	—	—	—	25	—	—	25	—	28	—	6,265	—	6,318
Equity in net income of joint ventures	9,045	—	—	—	—	—	—	—	—	411	1,971	—	—	11,427
Investment income	10,736	116	57	1,087	651	—	—	651	897	40	2,709	—	—	16,293
Change in fair value of investments	15,335	906	224	3,337	5,597	—	—	5,597	(266)	(7)	—	615	—	25,741
Change in fair value of financial instrument	—	—	—	—	—	—	—	—	—	(2,917)	—	—	—	(2,917)
Other nonoperating gains and losses	(12,421)	(129)	(678)	(4,208)	(1,758)	—	—	(1,758)	621	134	(8,150)	(6,183)	—	(32,772)
Total other nonoperating gains and losses	22,695	893	(397)	216	4,515	—	—	4,515	1,252	(2,311)	(6,179)	3,406	—	24,090
Excess (deficiency) of revenues over expenses	142,845	(590)	(3,685)	(4,380)	14,797	6,255	(3,509)	17,543	1,066	4,734	(45,810)	3,406	(586)	114,543
Net assets released from restrictions used for purchase of property and equipment	16,503	4,030	2,143	641	580	—	—	580	—	(146)	330	—	—	24,081
Change in unrealized gains on investments	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Change in economic and beneficial interests in the net assets of related organizations	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Change in ownership interest of joint ventures	1,170	—	—	—	—	—	—	—	—	—	—	—	—	1,170
Capital transfers (to) from affiliate	(12,801)	—	7,537	—	(12,433)	—	—	(12,433)	4,300	—	—	—	(2,500)	(15,897)
Change in fair value of designated interest rate swaps	3,046	—	—	—	—	—	—	—	—	—	—	—	—	3,046
Change in funded status of defined benefit pension plans	—	—	9,922	3,340	—	—	—	—	2,934	3,626	—	—	—	19,822
Net gains from nonconsolidated subsidiaries	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Other	205,842	2	(16)	(1)	(1,074)	—	—	(1,074)	(98)	197	93	1,516	(205,687)	774
Increase (decrease) in unrestricted net assets	\$ 356,605	3,442	15,901	(400)	1,870	6,255	(3,509)	4,616	8,202	8,411	(45,387)	4,922	(208,773)	147,539

See accompanying independent auditors' report.