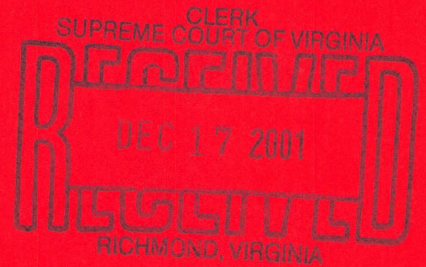


263 Va 520

IN THE  
SUPREME COURT OF VIRGINIA  
AT RICHMOND



---

RECORD NO. 011150

---

LASZLO N. TAUBER, LESLIE L. PETERS, IRWIN S. FREEDMAN, ESTATE OF SAMUEL BURTOFF, MICHAEL A. CORRADO, DAN J. FERIOZI, LESLIE P. GONDOR, REGINALD P. MCMANUS, MAGDOLNA A. IRANYI, ESTATE OF JAMES H. SCULLY, JEFFERSON MEMORIAL HOSPITAL JOINT VENTURE, JEFFERSON MEMORIAL HOSPITAL, INC., JEFFERSON MEMORIAL HOSPITAL ASSOCIATES, JEFFERSON MEMORIAL HOSPITAL CORPORATION, JEFFERSON CORPORATION OF ALEXANDRIA, THE TAUBER FOUNDATION, and THE CHARITABLE REMAINDER UNITRUST,

Appellants-Respondents,

v.

COMMONWEALTH OF VIRGINIA, *ex.rel.*, RANDOLPH A. BEALES, ACTING ATTORNEY GENERAL OF THE COMMONWEALTH OF VIRGINIA; RANDOLPH A. BEALES, ACTING ATTORNEY GENERAL OF THE COMMONWEALTH OF VIRGINIA; and THE COMMONWEALTH'S ATTORNEY FOR THE CITY OF ALEXANDRIA,

Appellees-Complainants.

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COUNCILOR, BUCHANAN & MITCHELL  
CERTIFIED PUBLIC ACCOUNTANTS

TAUBER 43910

Trial Exhibit  
No. 194.

**CONFIDENTIAL**

OUR REPORTS ARE ISSUED WITH THE UNDER-  
STANDING THAT, WITHOUT OUR CONSENT, THEY  
MAY BE REPRODUCED ONLY IN THEIR ENTIRETY.  
SHOULD IT BE DESIRED TO ISSUE OR PUBLISH  
A CONDENSATION OR A PORTION OF THIS REPORT  
AND OUR NAME IS TO BE USED IN CONNECTION  
THEREWITH, OUR APPROVAL MUST FIRST BE  
SECURED.

COUNCILOR. BUCHANAN & MITCHELL

TAUBER 43915

THIS REPORT CONSISTS OF **12** PAGES

J.APP. 3147

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MAY BE REPRODUCED ONLY IN THEIR ENTIRETY.  
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A CONDENSATION OR A PORTION OF THIS REPORT  
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SECURED.

COUNCILOR. SUCHANAN & MITCHELL

TAUBER 47946

THIS REPORT CONSISTS OF **12** PAGES

J.APP. 3148

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TAUBER 43917



**CONFIDENTIAL**

COUNCILOR BUCHANAN & MITCHELL  
CERTIFIED PUBLIC ACCOUNTANTS

May 3, 1971

1900 W. BROAD ST. ALEXANDRIA  
VA 22304  
TELEPHONE 331-1111

The Board of Directors,  
Jefferson Memorial Hospital,  
Alexandria, Virginia.

We have examined the Balance Sheet of Jefferson Memorial Hospital as of October 31, 1970 and the related Statements of Income and Source and Application of Funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, subject to Notes 8 and 9 included in this report, the accompanying Balance Sheet, Statements of Income and Source and Application of Funds present fairly the financial position of Jefferson Memorial Hospital at October 31, 1970 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

*Councilor, Buchanan & Mitchell*

Certified Public Accountants

TAUBER 43918

JEFFERSON MEMORIAL HOSPITAL

STATEMENT OF INCOME

FOR THE YEAR ENDED OCTOBER 31, 1970

REVENUE FROM SERVICES TO PATIENTS

(Schedule B-1):

Routine Services	\$1,886,098	
Special Services	<u>1,820,849</u>	\$3,706,947

DEDUCTIONS FROM REVENUE:

Adjustments and Allowances:

Contracting Agencies	\$ 309,377	
Non-Contractual Patients	7,170	
Employees and Professional Courtesy	10,742	
Provision for Uncollectible Accounts	<u>116,573</u>	<u>443,862</u>

Net Revenue from Services to Patients		\$3,263,085
---------------------------------------	--	-------------

OTHER OPERATING INCOME:

Sale of Meals	\$ 31,249	
Commissions	616	
Transcripts	914	
Sale of Supplies	424	
Miscellaneous	<u>576</u>	<u>33,779</u>

Total Operating Revenue		\$3,296,864
-------------------------	--	-------------

OPERATING EXPENSE (Schedule B-2):

Salaries and Wages	\$1,328,929	
Supplies and Expense	1,617,454	
Depreciation	28,626	
Rent of Land, Building and Equipment	112,670	
Taxes on Land and Building	<u>33,388</u>	<u>3,121,067</u>

Net Operating Income		\$ 175,797
----------------------	--	------------

OTHER INCOME AND EXPENSE (Schedule B-3)

( 3,605)

NET INCOME

\$ 172,192

The accompanying Notes to Financial Statements  
are an integral part of these statements.

TAUBER 43919

JEFFERSON MEMORIAL HOSPITAL  
STATEMENT OF SOURCE AND APPLICATION OF FUNDS  
FOR THE YEAR ENDED OCTOBER 31, 1970

FUNDS PROVIDED:

Net Income (Exhibit B)	\$172,192	
Add Expenses Not Requiring Funds:		
Depreciation	28,626	
Disposal of Major Movable Equipment	<u>65</u>	\$200,883
Collections on Notes Receivable		66,698
Sale of Bonds		31,000
Advance Deposit from Medicare		22,500
Proceeds from Note Payable		<u>40,000</u>
 TOTAL FUNDS PROVIDED		 <u>\$361,081</u>

FUNDS APPLIED:

Curtailments of Notes Payable	\$111,402
Retirement of Bonds Payable	90,500
Acquisition of Major Movable Equipment	41,343
Acquisition of Fixed Equipment	2,040
Additional Land Cost	<u>889</u>
 Total Funds Applied	 \$246,174
 Increase in Working Capital	 <u>114,907</u>
 TOTAL	 <u>\$361,081</u>

The accompanying Notes to Financial Statements  
are an integral part of these statements.

TAUBER 43920

JEFFERSON MEMORIAL HOSPITALOPERATING DEFICITOCTOBER 31, 1970

Balance, November 1, 1969		\$579,325
Deduct:		
Correction for Over-statement of Bond Payable	\$ 500	
Net Income for the Year Ended October 31, 1970 (Exhibit B)	<u>172,192</u>	<u>172,692</u>
BALANCE, OCTOBER 31, 1970		<u>\$406,633</u>

TAUBER 43921

JEFFERSON MEMORIAL HOSPITAL  
REVENUE FROM SERVICES TO PATIENTS  
FOR THE YEAR ENDED OCTOBER 31, 1970

	<u>Total</u>	<u>Inpatient</u>	<u>Outpatient</u>
<u>ROUTINE SERVICES:</u>			
Room and Board	\$1,886,098	\$1,886,098	\$ -
Total Routine Services	\$1,886,098	\$1,886,098	\$ -
<u>SPECIAL SERVICES:</u>			
Operating Room	\$ 275,296	\$ 257,630	\$ 17,666
Recovery Room	57,851	56,177	1,674
Central Supply	90,484	72,943	17,541
Intravenous	17,777	17,664	113
Emergency Service	134,978	6,682	128,296
Laboratory	179,911	170,149	9,762
Blood	14,113	13,968	145
Transfusion Trays	4,460	4,411	49
Electrocardiology	83,168	81,243	1,925
Radio Isotopes	47,927	25,170	22,757
Radiology	293,088	212,418	80,670
Pharmacy	272,152	267,611	4,541
Anesthesia Administration	133,069	129,716	3,253
Anesthesia Material	81,565	76,315	5,250
Inhalation Therapy	97,521	97,166	355
Physical Therapy	37,489	33,767	3,722
Total Special Services	\$1,820,849	\$1,523,030	\$297,819
TOTAL REVENUE FROM SERVICES TO PATIENTS	\$3,706,947	\$3,409,128	\$297,819

TAUBER 43922

## JEFFERSON MEMORIAL HOSPITAL

## OPERATING EXPENSE

FOR THE YEAR ENDED OCTOBER 31, 1970

	Total	Salaries and Wages	Supplies and Expense	Depreciation
Administration and General	\$ 310,534	\$ 180,208	\$ 126,941	\$ 3,385
Employees' Health and Welfare	106,132	13,621	92,444	67
Dietary	342,093	142,949	195,237	3,907
Housekeeping	155,091	-	154,885	206
Laundry and Linen	71,726	11,522	60,204	-
Operation of Plant	46,156	7,325	38,772	59
Repairs and Maintenance	39,755	23,672	15,841	242
Nursing Service	516,881	496,114	17,436	3,331
Pharmacy	187,085	-	186,999	86
Medical Records and Library	32,283	29,403	2,328	552
Operating Room	178,181	115,743	58,477	3,961
Recovery Room	35,240	33,698	1,344	198
Intensive Care	95,849	88,720	5,548	1,581
Laboratory	121,803	36,438	82,906	2,459
Radiology	287,598	50,902	236,621	75
Physical Therapy	33,253	9,662	23,543	48
Inhalation Therapy	56,157	16,857	39,240	60
Anesthesiology	126,422	-	126,002	420
Electrocardiology	35,418	21,702	13,642	74
Central Supply	60,120	18,691	40,675	754
Medical and Surgical Service	31,375	-	31,375	-
Blood Bank	10,812	-	10,812	-
Emergency	88,330	31,702	56,182	446
Depreciation on Land Improvements and Fixed Equipment	6,715	-	-	6,715
Total	\$2,975,009	\$1,328,929	\$1,617,454	\$28,626
Rent of Land, Building and Equipment	112,670			
Taxes on Land and Building	33,388			
TOTAL OPERATING EXPENSE	\$3,121,067			

TAUBER 43923

JEFFERSON MEMORIAL HOSPITAL

OTHER INCOME AND EXPENSE

FOR THE YEAR ENDED OCTOBER 31, 1970

INCOME:

Rents	\$31,813	
Interest	10,420	
Miscellaneous	<u>6,331</u>	\$48,564

EXPENSE:

Interest	\$42,826	
Miscellaneous	<u>9,343</u>	52,169

NET OTHER INCOME AND EXPENSE

(\$ 3,605)

TAUBER 43924

NOTES TO FINANCIAL STATEMENTSNOTE 1 - TAX STATUS

The Hospital has been granted an exemption from Federal taxes as a non-profit institution. However, a subsequent examination by the Internal Revenue Service revealed deficiencies in their tax-exempt status and a notice challenging this status has been issued by the Service. Since no final determination has been made at this time no Federal income tax has been accrued on the books of the Hospital.

The City of Alexandria has given the Hospital a tax-exempt status and it is expected that the State of Virginia will follow the City's ruling and declare the Hospital exempt from State income taxes. Therefore, although a Virginia income tax return has been filed, no tax was paid or accrued on the Hospital's books.

NOTE 2 - PLANT AND EQUIPMENT DEPRECIATION

An appraisal of plant and equipment has been made by Marshall and Stevens, Incorporated as of October 31, 1967 and the valuation as determined by them on the property owned or under lease, as explained in Note 6, is included in the accompanying Balance Sheet. Depreciation on this equipment is taken on the straight-line basis and the life years assigned is in accordance with the American Hospital Association guidelines of depreciable property.

Property below a cost of \$100 is expensed in the year acquired.

NOTE 3 - LEASE AGREEMENT - LAND

Two lease agreements have been made on the greater portion of land acquired by the Hospital. The term of one lease is for 99 years beginning

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NOTES TO FINANCIAL STATEMENTSNOTE 3 - LEASE AGREEMENT - LAND (Continued)

January 1, 1966. Under the lease agreement the basic annual rental is \$15,600 with a provision that on each tenth anniversary of the lease commencement date the annual rental can be adjusted by a formula based on the wholesale price index. The term of the other lease commenced on January 1, 1966 and is also for a period of 99 years with a rental of \$2,406.80 per annum.

NOTE 4 - LEASE AGREEMENT - BUILDING - ORIGINAL

The Hospital is leasing the building it occupies. The lease commenced on January 1, 1966 and is in effect for a period of 40 years with an option to renew for an additional 19 years. The basic annual rental is \$80,940 per annum with a provision that on each tenth anniversary of the commencement date of the lease the annual rental can be adjusted by a formula based on the wholesale price index. In addition, under the terms of the lease the Hospital will pay all maintenance, insurance and taxes on the property.

NOTE 5 - LEASE AGREEMENT - BUILDING - 1968 ADDITION

The Hospital leases the 24-bed addition completed in 1968. No final leasing agreement has been entered into at this time. However, the Hospital, based on the best information available, is accruing \$11,232 per annum to cover the amount when finally determined.

NOTE 6 - LEASE AGREEMENT - EQUIPMENT

Under a refinancing arrangement using a sale and leaseback the Hospital has entered into a leasing of equipment in the amount of \$340,000. The lease commenced on January 2, 1966 and extends for a period of ten years, at which time

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NOTES TO FINANCIAL STATEMENTSNOTE 6 - LEASE AGREEMENT - EQUIPMENT (Continued)

the equipment will be contributed to the Hospital at no additional cost. Under the terms of the lease agreement the basic annual rental is \$17,500 for the first two years; \$25,000 for the second two years; and \$42,500 for the subsequent six years. No curtailment of this liability has been made by the Hospital since 1968. In addition to the basic annual rental, the Hospital shall provide and pay all maintenance, repairs, taxes and insurance on the equipment.

The leased equipment has been entered on the books of the Hospital at the value determined by Marshall and Stevens, Incorporated and is being depreciated in accordance with their report.

The corresponding liability for the leased equipment has similarly been entered on the books and appears on the accompanying Balance Sheet as "Lease Agreement".

NOTE 7 - SETTLEMENT OF AMOUNT DUE UNDER CONTRACT  
WITH PATHOLOGIST

Included in the amount of the Contract Agencies payable on the Balance Sheet is \$221,756 due the pathologist, whose contract expired in March, 1970 and was not renewed. However, a disagreement has resulted as to the actual amount due the pathologist and counsel for both parties are currently working on an agreed sum for settlement. Until an actual amount is agreed upon, the Hospital will retain the above amount on its records as a liability.

NOTE 8 - PROVISION FOR GROUP HOSPITALIZATION, INC.  
ADJUSTMENT

The provision in the amount of \$74,000 is for an estimated liability for the years ended October 31, 1969 and 1970 to Group Hospitalization, Inc. under contract with the Hospital. An amount for reimbursement for services

NOTES TO FINANCIAL STATEMENTSNOTE 8 - PROVISION FOR GROUP HOSPITALIZATION, INC.  
ADJUSTMENT (Continued)

rendered to subscribers of GHI is determined for each fiscal year by that organization in accordance with a specified cost formula. During the year payments are received from GHI as services are rendered to its subscribers but these payments exceed the actual allowable charges to GHI for services under its contract. Although this provision is based on the best information available from GHI and the Hospital's books and records it is not possible to determine the exact amount of this liability.

NOTE 9 - PROVISION FOR FEDERAL MEDICARE PROGRAM ADJUSTMENT

Reimbursement for services rendered to patients under the Federal Medicare Program is determined for each fiscal year ended October 31 in accordance with a specified cost analysis. During the year payments are received from Group Hospitalization, Inc., the intermediary for Medicare, as hospital services are rendered to the patients. The cost analysis for the year ended October 31, 1969 shows a receivable due from the Medicare program in the amount of \$41,326 which appears on the Balance Sheet in that amount. However, for the year ended October 31, 1970 the Hospital has estimated that the amount of reimbursement has exceeded the amount due under the Medicare program and therefore a liability in the amount of \$78,000 appears on the Balance Sheet as a Provision for Contract Adjustment.

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OUR REPORTS ARE ISSUED WITH THE UNDER-  
STANDING THAT, WITHOUT OUR CONSENT, THEY  
MAY BE REPRODUCED ONLY IN THEIR ENTIRETY.  
SHOULD IT BE DESIRED TO ISSUE OR PUBLISH  
A CONDENSATION OR A PORTION OF THIS REPORT  
AND OUR NAME IS TO BE USED IN CONNECTION  
THEREWITH, OUR APPROVAL MUST FIRST BE  
SECURED.

COUNCILOR. BUCHANAN & MITCHELL

TAUBER 43964

THIS REPORT CONSISTS OF **12** PAGES

J.APP. 3162

**CONFIDENTIAL**

COUNCILOR. BUCHANAN & MITCHELL  
CERTIFIED PUBLIC ACCOUNTANTS

W BALDWIN BUCHANAN  
JAMES A COUNCILOR  
D J MITCHELL  
EDNA HUGHES VICK  
EUGENE W STOSSEL  
JULIUS D COLE  
DONALD F MULLIN  
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THOMAS A ONE  
E BLANKS WILKINSON  
CLARA A PARSONS

February 14, 1972

1900 WISCONSIN AVENUE  
WASHINGTON D C 20006  
TELEPHONE 937-0900

The Board of Directors,  
Jefferson Memorial Hospital,  
Alexandria, Virginia.

We have examined the balance sheet of Jefferson Memorial Hospital as of June 30, 1971 and the related statements of income and changes in financial position for the period November 1, 1970 to June 30, 1971. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, subject to Notes 9 and 10 included in this report, the aforementioned financial statements present fairly the financial position of Jefferson Memorial Hospital at June 30, 1971 and the results of its operations and the changes in its financial position for the period November 1, 1970 to June 30, 1971, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding period.

*Councilor, Buchanan & Mitchell*

Certified Public Accountants

TAUBER 43965

**CONFIDENTIAL**JEFFERSON MEMORIAL HOSPITALSTATEMENT OF INCOMEFOR THE PERIOD NOVEMBER 1, 1970 TO JUNE 30, 1971REVENUE FROM SERVICES TO PATIENTS(Schedule B-1):

Routine Services	\$1,441,616	
Special Services	<u>1,374,543</u>	\$2,816,159

DEDUCTIONS FROM REVENUE:

## Adjustments and Allowances:

Contracting Agencies	\$ 353,145	
Non-Contractual Patients	3,302	
Employees and Professional Courtesy	6,696	
Provision for Uncollectible Accounts -		
Net of Recoveries	<u>105,240</u>	<u>469,143</u>

Net Revenue from Services to Patients

\$2,347,016

OTHER OPERATING INCOME:

Sale of Meals	\$ 24,822	
Commissions	506	
Transcripts	637	
Sale of Supplies	424	
Miscellaneous	<u>69</u>	<u>26,458</u>

Total Operating Revenue

\$2,373,474

OPERATING EXPENSE (Schedule B-2):

Salaries and Wages	\$1,000,653	
Supplies and Expense	1,178,016	
Depreciation	21,747	
Rent of Land, Building and Equipment	72,623	
Taxes on Land and Building	<u>13,536</u>	<u>2,284,075</u>

Net Operating Income

\$ 89,400

OTHER INCOME AND EXPENSE (Schedule B-3)( 35,000 )

NET INCOME

\$ 54,400

The accompanying Notes to Financial Statements  
are an integral part of these statements.

TAUBER 43966

**CONFIDENTIAL**JEFFERSON MEMORIAL HOSPITALSTATEMENT OF CHANGES IN FINANCIAL POSITIONFOR THE PERIOD NOVEMBER 1, 1970 TO JUNE 30, 1971FUNDS PROVIDED:

Net Income (Exhibit B)	\$51,565	
Add Expenses Not Requiring Funds:		
Depreciation	21,747	
Disposal of Major Movable Equipment	<u>4,433</u>	\$ 77,745
Collections on Notes Receivable		90,453
Proceeds from Sale of Equipment		<u>100</u>
<b>TOTAL</b>		<b><u>\$168,303</u></b>

FUNDS APPLIED:

Curtailements of Notes Payable	\$ 36,195
Retirement of Bonds Payable	24,500
Acquisition of Major Movable Equipment	7,356
Acquisition of Fixed Equipment	4,861
Refund of Medicare Advance Deposit	<u>20,000</u>
<b>Total Funds Applied</b>	<b>\$ 92,912</b>
<b>Increase in Working Capital</b>	<b><u>75,391</u></b>
<b>TOTAL</b>	<b><u>\$168,303</u></b>

The accompanying Notes to Financial Statements  
are an integral part of these statements.

TAUBER 43967



JEFFERSON MEMORIAL HOSPITALOPERATING DEFICITJUNE 30, 1971

Balance, November 1, 1970		\$405,633
Add:		
Prior Year's Adjustment for the Liability to the Social Security Administration for the Medicare Program (Note 10)	\$67,111	
Prior Year's Adjustment for the Liability to Group Hospitalization, Inc. (Note 9)	<u>29,000</u>	<u>96,111</u>
		\$502,744
Deduct:		
Net Income for the Period November 1, 1970 to June 30, 1971 (Exhibit B)	\$51,565	
Reduction of Amount Due Pathologist (Note 7)	<u>38,560</u>	<u>90,125</u>
BALANCE, JUNE 30, 1971		<u>\$412,619</u>

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**CONFIDENTIAL**JEFFERSON MEMORIAL HOSPITALREVENUE FROM SERVICES TO PATIENTSFOR THE PERIOD NOVEMBER 1, 1970 TO JUNE 30, 1971

	<u>Total</u>	<u>Inpatient</u>	<u>Outpatient</u>
<u>ROUTINE SERVICES:</u>			
Room and Board	\$1,441,616	\$1,441,616	\$ -
Total Routine Services	\$1,441,616	\$1,441,616	\$ -
<u>SPECIAL SERVICES:</u>			
Operating Room	\$ 193,174	\$ 180,209	\$ 12,965
Recovery Room	42,148	40,794	1,354
Central Supply	54,972	44,439	10,533
Intravenous	11,391	11,364	27
Emergency Service	92,932	6,456	86,476
Laboratory	194,545	181,761	12,784
Blood	9,098	9,098	-
Transfusion Trays	2,318	2,318	-
Electrocardiology	53,361	51,776	1,585
Radio Isotopes	45,150	18,249	26,901
Radiology	138,033	134,597	63,435
Pharmacy	197,620	194,712	2,908
Anesthesia Administration	114,585	111,497	3,088
Anesthesia Material	56,629	52,654	3,975
Inhalation Therapy	84,427	84,113	309
Physical Therapy	24,165	22,391	1,774
Total Special Services	\$2,274,504	\$2,115,422	\$223,115
TOTAL REVENUE FROM SERVICES TO PATIENTS	\$2,816,164	\$2,553,049	\$228,115

TAUBER 43969

**CONFIDENTIAL**JEFFERSON MEMORIAL HOSPITALOPERATING EXPENSEFOR THE PERIOD NOVEMBER 1, 1970 TO JUNE 30, 1971

	<u>Total</u>	<u>Salaries and Wages</u>	<u>Supplies and Expense</u>	<u>Depreciation</u>
Administration and General	\$ 229,594	\$ 128,000	\$ 98,927	\$ 2,667
Employees' Health and Welfare	76,585	12,852	63,688	45
Dietary	247,413	107,342	137,323	2,748
Housekeeping	134,037	-	133,876	161
Laundry and Linen	52,881	8,245	44,636	-
Operation of Plant	33,389	4,419	28,931	39
Repairs and Maintenance	15,115	3,655	11,292	168
Nursing Service	396,803	382,879	11,674	2,250
Pharmacy	137,344	-	137,286	58
Medical Records and Library	23,944	22,639	1,013	292
Operating Room	131,279	90,206	38,375	2,698
Recovery Room	23,403	22,445	826	132
Intensive Care	62,037	56,911	4,119	1,007
Laboratory	146,847	50,828	92,694	3,325
Radiology	175,225	39,413	135,755	57
Physical Therapy	23,144	6,654	16,458	32
Inhalation Therapy	21,627	14,867	6,616	144
Anesthesiology	101,760	-	101,381	379
Electrocardiology	30,191	6,501	23,633	57
Central Supply	44,514	14,726	29,271	517
Medical and Surgical Service	29,884	-	29,884	-
Blood Bank	5,728	-	5,728	-
Emergency	53,008	28,081	24,630	297
Depreciation on Land Improvements and Fixed Equipment	4,674	-	-	4,674
<b>Total</b>	<b>\$2,200,426</b>	<b>\$1,000,663</b>	<b>\$1,178,016</b>	<b>\$21,747</b>
Rent of Land, Building and Equipment	72,686			
Taxes on Land and Building	13,535			
<b>TOTAL OPERATING EXPENSE</b>	<b><u>\$2,286,648</u></b>			

TAUBER 43970

**CONFIDENTIAL**JEFFERSON MEMORIAL HOSPITALOTHER INCOME AND EXPENSEFOR THE PERIOD NOVEMBER 1, 1970 TO JUNE 30, 1971INCOME:

Rents	\$ 6,500	
Interest	6,458	
Miscellaneous	<u>1,609</u>	\$14,557

EXPENSE:

Interest	\$34,990	
Loss on Disposal of Equipment	4,433	
Miscellaneous	<u>11,070</u>	50,493

NET OTHER INCOME AND EXPENSE

(335,925)

TAUBER 43971

NOTES TO FINANCIAL STATEMENTSNOTE 1 - TAX STATUS

The Hospital was granted an exemption from Federal taxes as a non-profit institution. However, a subsequent examination by the Internal Revenue Service revealed deficiencies in its tax-exempt status and a notice challenging this status has been issued by the Service. During 1971 counsel for the Hospital withdrew the Hospital's protest and the Hospital has accepted the revocation of its tax-exempt status. Federal corporation tax returns have been filed for all years from October 31, 1966 through October 31, 1970. However, due to operating loss carryforwards no Federal taxes are due and therefore no liability appears on the Corporation's balance sheet.

NOTE 2 - PENDING ACQUISITION

On July 1, 1971 Jefferson Memorial Hospital had entered into an agreement with a new corporation entitled Jefferson Memorial Hospital Corporation whereby all of the assets and liabilities of the Hospital as of June 30, 1971 will be acquired for an exchange of shares of stock of the new corporation.

Although the acquisition is not completed it will be accounted for as a pooling of interests on the new corporation's books.

NOTE 3 - PLANT AND EQUIPMENT DEPRECIATION

An appraisal of plant and equipment has been made by Marshall and Stevens, Incorporated as of October 31, 1967 and the valuation as determined by them on the property owned or under lease, as explained in Note 6, is included on the accompanying balance sheet. Depreciation on this equipment is computed by the straight-line method and the life assigned is in accordance with the American Hospital Association guidelines for depreciable property.

Property costing less than \$100 is expensed in the year acquired.

TAUBER 43972

NOTES TO FINANCIAL STATEMENTSNOTE 4 - LEASE AGREEMENT - LAND

Two lease agreements have been entered into by the Hospital for the greater portion of land which it uses. The term of one lease is for 99 years beginning January 1, 1966. This agreement provides for a basic annual rental of \$15,600 with a provision that on each tenth anniversary of the lease commencement date the annual rental can be adjusted by a formula based on the wholesale price index. The term of the other lease commenced on January 1, 1966 and is also for a period of 99 years with a rental of \$2,406.60 per annum.

NOTE 5 - LEASE AGREEMENT - BUILDING - ORIGINAL

The Hospital is leasing the building it occupies. The lease commenced on January 1, 1966 and is in effect for a period of 40 years with an option to renew for an additional 19 years. The basic annual rental is \$20,940 with a provision that on each tenth anniversary of the commencement date of the lease the annual rental can be adjusted by a formula based on the wholesale price index. In addition, under the terms of the lease the Hospital will pay all maintenance, insurance and taxes on the property.

NOTE 6 - LEASE AGREEMENT - BUILDING - 1968 ADDITION

The Hospital leases the 24-bed addition completed in 1968. No final leasing agreement has been entered into at this time. However, the Hospital, based on the best information available, is accruing \$11,232 per annum to cover the amount when finally determined.

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NOTES TO FINANCIAL STATEMENTSNOTE 7 - LEASE AGREEMENT - EQUIPMENT

Under a refinancing arrangement using a sale and leaseback the Hospital has entered into a lease of equipment in the amount of \$340,000. The lease commenced on January 2, 1966 and extends for a period of ten years, at which time the equipment will be contributed to the Hospital at no additional cost. Under the terms of the lease agreement the basic annual rental is \$17,500 for the first two years; \$25,000 for the second two years; and \$42,500 for the subsequent six years. No curtailment of this liability has been made by the Hospital since 1968. In addition to the basic annual rental, the Hospital shall provide and pay all maintenance, repairs, taxes and insurance on the equipment.

The leased equipment has been entered on the books of the Hospital at the value determined by Marshall and Stevens, Incorporated and is being depreciated in accordance with their report.

The corresponding liability for the leased equipment has similarly been entered on the books and appears on the accompanying Balance Sheet as "Lease Agreement".

NOTE 8 - SETTLEMENT OF AMOUNT DUE UNDER CONTRACT  
WITH PATHOLOGIST

In December, 1971 an agreement was reached between the Hospital and the pathologist. The liability as recorded on the books of the Hospital prior to settlement was \$221,756 and was included in the amount shown as Accounts Payable Contract Agencies on the Balance Sheet.

Settlement was agreed upon by both parties involved at \$183,196, payable in cash of \$10,000 plus an agreement to finance the balance of \$173,196 at \$2,836.60 per month at 6% interest until February 1, 1977. Although this settlement was subsequent to the balance sheet date, the adjustment has been reflected the accompanying Balance Sheet.

TAUBER 43974

NOTES TO FINANCIAL STATEMENTSNOTE 9 - PROVISION FOR GROUP HOSPITALIZATION, INC.  
ADJUSTMENT

The provision in the amount of \$193,000 is for an estimated liability for the period January 1, 1969 to June 30, 1971 to Group Hospitalization, Inc. under contract with the Hospital. An amount for reimbursement for services rendered to subscribers of GHI is determined for each fiscal year by that organization in accordance with a specified cost formula. During the year payments are received from GHI as services are rendered to its subscribers but these payments exceed the actual allowable charges to GHI for services under its contract. Although this provision is based on the best information available from GHI and the Hospital's books and records it is not possible to determine the exact amount of this liability.

NOTE 10 - PROVISION FOR FEDERAL MEDICARE PROGRAM  
ADJUSTMENT

Reimbursement for services rendered to patients under the Federal Medicare Program is determined for each fiscal year in accordance with a specified cost analysis. During the year payments are received from Group Hospitalization, Inc., the intermediary for Medicare, as hospital services are rendered to the patients. The provision of \$87,111 covers the amount due the Medicare program for overpayments for the period November 1, 1966 to June 30, 1971. Of this amount, \$32,854 is a final settlement for the year ended October 31, 1967. The balance of \$54,257 is based on the cost reports filed with the intermediary. However, audits will be performed by the intermediaries which undoubtedly will result in adjustments to this amount.

TAUBER 43975



## JEFFERSON MEMORIAL HOSPITAL CORPORATION

## BALANCE SHEET

AS OF July 31, 1971

CONFIDENTIAL

<u>ASSETS</u>			
<u>Current Assets</u>			
Cash in Banks & On Hand			\$ (137,168)
Deposits - Other			252,236
Accounts Receivable		\$ 389,232	
Allowance for Uncollectibles		(164,342)	
* Accounts Receivable - Other			704,249
Accrued Interest Receivable			84,646
Prepaid Expenses			36,141
Inventories			211,470
<u>Total Current Assets</u>			\$ 1,275,182
* Suspense			\$ 22,162.49
<u>Fixed Assets</u>	<u>Basis</u>	<u>Accum. Depr.</u>	<u>Book Value</u>
Building	\$	\$	\$
Land and Improvements	151,382.10	253,651	145,245.9
Fixed Equipment	118,636.79	356,562.28	82,974.51
Major Movable Equipment	226,622.01	114,645.92	256,376.87
	\$ 596,640.90	\$ 524,859.20	\$ 439,212.19
<u>TOTAL ASSETS</u>			\$ 1,714,394.19
<u>LIAB &amp; STOCKHOLDERS' EQUITY</u>			
<u>Current Liabilities</u>			
Withholdings Payable			\$ 150,358
Vendors Payable			176,022.77
Accounts Payable - Other			67,525.52
Notes & Loans Payable - due 1 yr.			53,314.73
Accrued Department Expenses			247,746.54
Accrued Expenses - Other			382,423.50
Current Financing (25%)			25,500.00
Prov. for GHI/HIP - Earliest Yr.			22,510.00
<u>Total Current Liabilities</u>			\$ 1,169,399.78
<u>Long Term Liabilities</u>			
Notes & Loans Payable - Over 1 Yr.			\$ 26,681.50
Current Financing (75%)			76,500.00
Prov. for GHI/HIP - Other Years			15,310.00
Bonds Payable			1,000.00
<u>Total Long Term Liabilities</u>			\$ 119,491.50
<u>Stockholder's Equity</u>			
Retained Earnings @ July 1, 1971			\$ 515,711.91
Net Income for Year			1,162.49
Balance @			\$ 516,874.40
Contribution in Excess of Par			
Capital Stock: 1,000,000 Shares			
Auth. @ \$.01 per Share. Shares			TAUBER 45864
Outstanding			
Less Treasury Stock			
<u>Total Stockholders' Equity</u>			\$ 516,874.40
<u>TTL LIAB &amp; STKHDRS EQUITY</u>			\$ 1,714,394.19

Trial Exhibit  
No. 196.

JEFFERSON MEMORIAL HOSPITAL CORPORATION  
INCOME STATEMENT

CONFIDENTIAL

July 31 1971

	IN		OUT	YEAR
	TOTAL	PATIENT	PATIENT	TO-DATE
<b>PATIENT REVENUE</b>				
Pediatrics	\$ 6,118.00	\$ 6,118.00	\$ 132 Pat. Days	\$ 6,118.00
Wards	31,270.00	31,270.00	540 " "	31,270.00
Semi-Privates	120,725.00	120,725.00	2,275 " "	120,725.00
Privates	9,800.00	9,800.00	14 " "	9,800.00
Intensive Care	10,270.00	10,270.00	92 " "	10,270.00
Adjustments	779.00	779.00		779.00
Total Room and Board	\$ 180,162.00	\$ 180,162.00		\$ 180,162.00
Operating Room	\$ 24,263.00	\$ 24,263.00	\$ 127,500	\$ 24,263.00
Recovery Room	4,655.50	4,655.50	92.00	4,655.50
Medical-Surgical Supplies	61,996.38	52,215.44	117,748.44	61,996.38
Intravenous Therapy	13,451.00	13,451.00	-	13,451.00
Emergency Room	14,117.50	14,117.50	13,102.50	14,117.50
Blood Bank	12,130.00	12,130.00	-	12,130.00
Electrocardiology	7,163.00	6,435.00	2,280.00	7,163.00
Radioisotopes	61,800.00	29,580.00	32,220.00	61,800.00
Radiology	27,026.00	18,779.00	8,247.00	27,026.00
Laboratory	25,079.60	23,054.60	2,025.00	25,079.60
Pharmacy - Medications	20,745.82	20,448.92	4,969.00	20,745.82
- Injections	1,713.00	1,711.50	150.00	1,713.00
Anesthesia Administration	14,108.00	13,826.00	2,720.00	14,108.00
Anesthesia Materials	6,663.00	6,283.00	3,800.00	6,663.00
Inhalation Therapy	5,341.35	5,339.85	150.00	5,341.35
Physical Therapy	2,772.00	2,376.00	3,960.00	2,772.00
TOTAL SPECIAL SERVICES	\$ 164,282.25	\$ 137,861.01	\$ 21,521.24	\$ 164,282.25
TOTAL PATIENT REVENUE	\$ 349,544.25	\$ 318,023.01	\$ 21,521.24	\$ 349,544.25
<b>DEDUCTIONS FROM REVENUE</b>				
Group Hospitalization, Inc.	\$ 20,913.83	20,750.00	163.83	\$ 20,913.83
Medicare	19,500.00	19,500.00		19,500.00
Medicaid	6,500.00	6,500.00		6,500.00
Charity	13,192.7	13,192.7		13,192.7
Discounts	221.25	(1,274.8)	3,493.3	221.25
Bad Debts	17,134.67	12,721.10	4,412.97	17,134.67
TOTAL DEDUCTIONS	\$ 65,562.45	\$ 60,662.89	\$ 4,966.13	\$ 65,562.45
NET PATIENT REVENUE	\$ 283,981.80	\$ 257,360.12	\$ 16,555.11	\$ 283,981.80
<b>OTHER REVENUE</b>				
Medical Supplies Sold	\$ 379.2			\$ 379.2
Cafeteria Sales	3,182.22			3,182.22
Rentals	812.50			812.50
Commissions	842.8			842.8
Medical Transcripts	72.00			72.00
Miscellaneous	351.7			351.7
TOTAL OTHER REVENUE	\$ 4,238.42			\$ 4,238.42
TOTAL REVENUE	\$ 288,220.22			\$ 288,220.22
TOTAL EXPENSES (Page 2)	\$ 294,822.77			\$ 294,822.77
NET PROFIT OR (LOSS)	\$ (6,602.55)			\$ (6,602.55)

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## JEFFERSON MEMORIAL HOSPITAL CORPORATION

## INCOME STATEMENT

JULY 31 1971

CONFIDENTIAL

SALARIES FEES & SUPPLIES & YEAR  
TOTAL WAGES CONTRACTS EXPENSES TO-DATE

EXPENSES	\$	\$	\$	\$	\$
Nursing Administration		3315.23		875	2324.5
East Unit		17672.13	1406.25	25821	19227.5
Central Unit		16443.23	1406.25	21223	18225.81
Pediatric Unit					
West Unit		9397.82	1406.25	42479	11428.42
Intensive Care Unit		7312.78		21725	7626.23
Operating Room		12467.57	1000.00	219160	18119.17
Recovery Room		2157.23		7076	3328.07
Emergency Room		5028.59	2358.75	24511	9232.41
Cost of Supplies Sold				3518.56	3512.56
Central Supply		1770.64		56729	23377.2
Electrocardiology		291.21	2832.50	9722	32216.1
Radioisotopes			3440.33	224.02	3264.52
Radiology		5268.73	9835.57	4275.22	19522.12
Pharmacy			15685.65	15.11	15700.65
Anesthesia Administration			10825.50		10825.50
Anesthesia Materials				944.19	944.19
Inhalation Therapy		2461.23		423.11	2295.10
Physical Therapy		922.29	11441.24	2722	25219.7
Director of Medical Education			200.00		200.00
Medical Records		3120.00		6223	3152.23
Laboratory		8039.48	8122.22	245227	18672.5
Blood				57.11	57.11
Dietary		15223.44	16756.74	7164	32050.21
Housekp/Mtn/Eng Contract			15864.48	2443.33	18307.81
Operations of Plant				2798.62	2792.62
Collection Agency Fees				12.32	12.32
Linen		10702.21	5127.70		6197.52
Personnel		2101.40		778.25	2279.65
Div of Pat Registration & Accts.		10203.01		2522.50	12725.51
Div of Fiscal Services		5508.83		5422.19	10931.02
Div of Materials Management		2178.80		442.12	2620.92
General Education & Misc.				52.11	52.11
Interest (Mortgage & Bond)				2122.27	2122.27
Television & Music				312.72	312.72
Depreciation				5374.40	5374.40
Insurance				2174.17	2174.17
Real Estate Taxes				2172.12	2172.12
Employee Benefits				1224.14	1224.14
Interest (Other)				124.12	124.12
Other				722.12	722.12
<b>TOTAL EXPENSES</b>	<b>\$</b>	<b>\$ 124147.11</b>	<b>\$ 41222.22</b>	<b>\$ 12222.22</b>	<b>\$ 177591.55</b>

TAUBER 45866

CONFIDENTIAL

JEFFERSON MEMORIAL HOSPITAL CORPORATION

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1962

COUNCIL OF BUREAUX - MEMPHIS

CERTIFIED PUBLIC ACCOUNTANTS

TAUBER 44018

Trial Exhibit  
No. 200.

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SHOULD IT BE DESIRED TO ISSUE OR PUBLISH  
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THEREWITH, OUR APPROVAL MUST FIRST BE  
SECURED.

COUNCILOR, BUCHANAN & MITCHELL

THIS REPORT CONSISTS OF 11 PAGES TAUBER 44019

J.APP. 3178

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COUNCILOR, BUCHANAN & MITCHELL  
CERTIFIED PUBLIC ACCOUNTANTS

W. SALDWIN BUCHANAN  
JAMES A. COUNCIOR  
D. L. MITCHELL  
EDNA HUMMER NICK  
EUGENE H. STOSSEL  
LOUIS O. COX  
DONALD F. McMULLEN  
LEWIS F. BIDDLE  
SYDNEY J. LAWRENCE  
THOMAS A. ONEIL  
E. BURNS MCLINDON  
CLAIR A. PARSONS  
GROVER S. RUSSELL, JR.

October 25, 1972

3900 WISCONSIN AVENUE  
WASHINGTON D. C. 20016  
TELEPHONE 537-0910

The Board of Directors,  
Jefferson Memorial Hospital Corporation,  
Alexandria, Virginia.

We have examined the balance sheet of Jefferson Memorial Hospital Corporation as of June 30, 1972 and the related statements of income and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned financial statements present fairly the financial position of Jefferson Memorial Hospital Corporation at June 30, 1972 and the results of its operations and the changes in its financial position for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

*Councilor, Buchanan & Mitchell*

Certified Public Accountants

TAUBER 44020

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COUNCILOR, BUCHANAN & MITCHELL  
CERTIFIED PUBLIC ACCOUNTANTS

W BALDWIN BUCHANAN  
JAMES A COUNCILOR  
D L MITCHELL  
EDNA HUMMER NICK  
EUGENE W STOSSEL  
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In our opinion, the aforementioned financial statements present fairly the financial position of Jefferson Memorial Hospital Corporation at June 30, 1972 and the results of its operations and the changes in its financial position for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

*Councilor, Buchanan & Mitchell*

Certified Public Accountants

TAUBER 44021

CONFIDENTIAL

## JEFFERSON MEMORIAL HOSPITAL CORPORATION

## BALANCE SHEET

JUNE 30, 1972

## ASSETS

CASH - UNRESTRICTED			\$	15,021	
CASH HELD IN ESCROW				4,834	
NOTES RECEIVABLE				19,775	
ACCOUNTS RECEIVABLE:					
Patients	\$1,045,614				
Less Allowance for Doubtful Accounts	<u>224,352</u>	\$	821,262		
Virginia Health Insurance Program - Medicaid			58,799		
Federal Health Insurance Program - Medicare			35,235		
Other			<u>15,609</u>	930,905	
ACCRUED INTEREST RECEIVABLE				8,704	
INVENTORIES				22,222	
PLANT AND EQUIPMENT (Note 5)					
	Cost	Accumulated Depreciation	Book Value		
Land	\$ 147,456	\$ -	\$ 147,456		
Land Improvements	3,927	3,037	890		
Building	624,302	32,214	592,088		
Fixed Equipment	136,461	41,930	94,531		
Major Movable Equipment	<u>321,802</u>	<u>135,096</u>	<u>186,706</u>		
Total	<u>\$1,233,948</u>	<u>\$212,277</u>	<u>\$1,021,671</u>	1,021,671	
OTHER ASSETS:					
Goodwill (Note 6)			\$	375,425	
Prepaid Expense				31,461	
Unamortized Loan and Settlement Fees				6,794	
Deposit				<u>3,000</u>	416,680
TOTAL ASSETS				<u>\$2,439,812</u>	

The Notes to Financial Statements are an integral part of these statements.

## LIABILITIES AND CAPITAL

ACCOUNTS PAYABLE:					
Trade	\$329,877				
Employees' Withholdings	<u>24,132</u>				
Other	<u>13,567</u>	\$	367,576		
CONTRACT PAYABLE (Note 7)				158,763	
ACCRUED EXPENSE				68,445	
INCOME TAXES PAYABLE				12,769	
PROVISION FOR CONTRACT ADJUSTMENTS (Note 8):					
Group Hospitalization, Inc.	\$163,587				
Federal Health Insurance Program - Medicare	<u>59,816</u>				
Virginia Health Insurance Program - Medicaid	<u>7,861</u>		231,264		
NOTES PAYABLE - UNSECURED				26,166	
NOTES PAYABLE - SECURED BY DEEDS OF TRUST ON REAL ESTATE (Note 9)				646,463	
BONDS PAYABLE				299,500	
ADVANCE DEPOSITS				103,000	
FUNDS HELD IN ESCROW				4,834	
CAPITAL:					
Common Stock - \$.01 Par Value					
Authorized 1,000,000 Shares					
Issued and Outstanding 245,000 Shares	\$ 2,450				
Capital in Excess of Par Value	<u>703,142</u>				
Donated Capital	<u>20,051</u>				
Retained Earnings (Deficit) (Exhibit B)	<u>\$725,643</u>				
	<u>(204,611)</u>		521,032		
TOTAL LIABILITIES AND CAPITAL			<u>\$2,439,812</u>		

TAUBER 44022

J.APP. 3181



Exhibit B  
**CONFIDENTIAL**

JEFFERSON MEMORIAL HOSPITAL CORPORATION  
STATEMENT OF INCOME AND RETAINED EARNINGS  
FOR THE YEAR ENDED JUNE 30, 1972

<u>REVENUE FROM SERVICES TO PATIENTS</u> <u>(Schedule B-1):</u>		
Routine Services	\$2,180,681	
Special Services	<u>2,273,411</u>	\$4,454,092
<u>DEDUCTIONS FROM REVENUE:</u>		
Adjustments and Allowances:		
Contracting Agencies	\$ 371,718	
Non-Contractual Patients	2,971	
Employees and Professional Courtesy	8,721	
Provision for Uncollectible Accounts		
Net of Recoveries	<u>152,336</u>	<u>535,746</u>
Net Revenue from Services to Patients		\$3,918,346
<u>OTHER OPERATING INCOME:</u>		
Sale of Meals	\$ 45,243	
Commissions	819	
Transcripts	1,151	
Sale of Supplies	<u>555</u>	<u>47,768</u>
Total Operating Revenue		\$3,966,114
<u>OPERATING EXPENSE (Schedule B-2)</u>		<u>3,689,721</u>
Net Operating Income		\$ 276,393
<u>OTHER INCOME AND EXPENSE (Schedule B-3)</u>		<u>( 55,615)</u>
Net Income Before Income Taxes	\$ 220,778	
Income Taxes (Note 3)	<u>12,769</u>	
Net Income	\$ 208,009	
Retained Earnings (Deficit) July 1, 1971	<u>( 412,620)</u>	
RETAINED EARNINGS (DEFICIT) JUNE 30, 1972		<u>(\$ 204,611)</u>
EARNINGS PER COMMON SHARE (Note 4)		<u>\$ .85</u>

The Notes to Financial Statements are  
an integral part of these statements.

TAUBER 44023

**CONFIDENTIAL**JEFFERSON MEMORIAL HOSPITAL CORPORATIONSTATEMENT OF CHANGES IN FINANCIAL POSITIONFOR THE YEAR ENDED JUNE 30, 1972FUNDS PROVIDED:

Net Income (Exhibit 2)	\$ 208,009	
Expenses Not Requiring Funds:		
Depreciation and Amortization	78,346	
Loss on Disposal of Equipment	<u>994</u>	\$ 287,349
Common Stock Issued in Connection		
With Acquisition of Partnership (Note 2)		1,392,618
Increase in Medicare Financing		1,000
Other		<u>180</u>
		\$1,681,347

FUNDS APPLIED:

Purchase of Partnership Assets:		
Building	\$ 631,663	
Equipment	9,313	
Goodwill	<u>386,804</u>	\$1,027,780
Curtailment of Lease Agreement		
Payable and Bonds Payable Through		
Partnership Acquisition	299,500	
Curtailment of Mortgage and Note Payable	99,151	
Curtailment of Pathologist Contract Payable	24,433	
Purchase of Equipment	<u>22,255</u>	1,473,119
NET INCREASE IN FUNDS		<u>\$ 208,228</u>

CONSISTING OF:

	<u>June 30,</u>		<u>Increase</u>
	<u>1972</u>	<u>1971</u>	<u>(Decrease)</u>
Cash	\$ 19,855	\$ 56,247	(\$ 36,392)
Accounts Receivable	930,905	741,431	189,474
Notes Receivable	19,775	4,600	15,175
Accrued Interest	8,704	7,239	1,465
Inventories	22,222	20,152	2,070
Other Assets	<u>34,461</u>	<u>29,757</u>	<u>4,704</u>
Total	<u>\$1,035,922</u>	<u>\$ 859,426</u>	<u>\$ 176,496</u>
Accounts Payable	\$ 367,576	\$ 289,913	\$ 77,663
Accrued Expense	81,214	142,701	( 61,487)
Provision for Group Hospitalization			
Insurance and Medicare	231,264	280,111	( 48,847)
Funds Held in Escrow	<u>4,834</u>	<u>3,895</u>	<u>939</u>
Total	<u>\$ 684,888</u>	<u>\$ 716,620</u>	<u>(\$ 31,732)</u>
NET FUNDS	<u>\$ 351,034</u>	<u>\$ 142,806</u>	<u>\$ 208,228</u>

The Notes to Financial Statements are  
an integral part of these statements.

TAUBER 44024

Schedule 3-1  
**CONFIDENTIAL**JEFFERSON MEMORIAL HOSPITAL CORPORATIONREVENUE FROM SERVICES TO PATIENTSFOR THE YEAR ENDED JUNE 30, 1972

	<u>Total</u>	<u>Inpatient</u>	<u>Outpatient</u>
<u>ROUTINE SERVICES:</u>			
Room and Board	\$2,180,681	\$2,180,681	\$ -
Total Routine Services	\$2,180,681	\$2,180,681	\$ -
<u>SPECIAL SERVICES:</u>			
Operating Room	\$ 313,407	\$ 297,267	\$ 16,140
Recovery Room	62,413	60,860	1,553
Central Supply	84,525	65,723	18,802
Intravenous	18,130	18,081	49
Emergency Service	188,965	15,059	173,906
Laboratory	346,627	323,520	23,107
Blood	14,330	14,240	90
Transfusion Trays	3,556	3,528	28
Electrocardiology	87,220	83,717	3,503
Radio Isotopes	70,450	32,761	37,689
Radiology	327,782	215,053	112,729
Pharmacy	303,540	297,378	6,162
Anesthesia Administration	206,422	201,709	4,713
Anesthesia Material	91,964	87,120	4,844
Inhalation Therapy	114,350	114,217	133
Physical Therapy	39,730	33,820	5,910
Total Special Services	\$2,273,411	\$1,864,053	\$409,358
TOTAL REVENUE FROM SERVICES TO PATIENTS	\$4,454,092	\$4,044,734	\$409,358

The Notes to Financial Statements are  
an integral part of these statements.

TAUBER 44025

**CONFIDENTIAL**JEFFERSON MEMORIAL HOSPITAL CORPORATIONOPERATING EXPENSEFOR THE YEAR ENDED JUNE 30, 1972

	Total	Salaries and Wages	Supplies and Expense	Depreciation
Administration and General	\$ 367,963	\$ 207,108	\$ 156,981	\$ 3,874
Employees' Health and Welfare	182,258	19,534	162,700	24
Dietary	385,173	170,035	210,920	4,218
Housekeeping	183,170	-	182,923	247
Laundry and Linen	80,226	13,614	66,612	-
Operation of Plant	79,283	35,249	43,974	60
Repairs and Maintenance	29,798	-	29,576	222
Nursing Service	604,528	579,163	21,932	3,433
Pharmacy	212,942	-	212,853	89
Medical Records and Library	36,866	33,723	2,754	389
Operating Room	207,149	152,330	50,610	4,209
Recovery Room	42,227	40,533	1,491	203
Intensive Care	98,206	90,350	6,297	1,559
Laboratory	220,622	83,588	131,902	5,132
Radiology	286,891	69,047	216,747	1,097
Physical Therapy	34,721	10,900	23,772	49
Inhalation Therapy	33,835	22,697	10,916	222
Anesthesiology	175,091	-	174,507	584
Electrocardiology	49,560	11,595	37,878	87
Central Supply	79,387	27,163	51,362	862
Medical and Surgical Service	36,663	-	36,663	-
Blood Bank	9,890	-	9,890	-
Emergency	149,675	54,004	95,194	477
Depreciation on Building, Land Improvements and Fixed Equipment	39,930	-	-	39,930
Total	\$3,626,054	\$1,620,633	\$1,938,454	\$66,967
Rent of Land	19,844			
Taxes - Other Than Payroll and Income	43,823			
TOTAL OPERATING EXPENSE	<u>\$3,689,721</u>			

The Notes to Financial Statements are  
an integral part of these statements.

TAUBER 44026

**CONFIDENTIAL**JEFFERSON MEMORIAL HOSPITAL CORPORATIONOTHER INCOME AND EXPENSEFOR THE YEAR ENDED JUNE 30, 1972INCOME:

Rents	\$ 9,750	
Interest	2,652	
Miscellaneous	<u>40,404</u>	\$ 52,606

EXPENSE:

Interest	\$93,872	
Loss on Disposal of Equipment	994	
Amortization of Goodwill	11,379	
Miscellaneous	<u>2,176</u>	<u>108,421</u>

NET OTHER INCOME AND EXPENSE

(\$ 55,615)

The Notes to Financial Statements are  
an integral part of these statements.

TAUBER 44027

NOTES TO FINANCIAL STATEMENTSNOTE 1 - HOSPITAL REORGANIZATION

On June 30, 1971 Jefferson Memorial Hospital, Inc. (JMHI) merged into Jefferson Memorial Hospital Corporation (JMHC), a new corporation incorporated in the State of Delaware. JMHC received all of the assets and assumed all of the liabilities of JMHI as of that date and 5,000 shares of JMHC common stock were given to the JMHI stockholders in exchange for all of the outstanding 5,000 shares of JMHI common stock. This exchange resulted in a mere change in name and state of organization with no change in management and percentage of ownership by each shareholder.

NOTE 2 - ACQUISITION OF PARTNERSHIP

On July 1, 1971, the hospital in exchange for 240,000 shares of its common stock acquired all of the assets and assumed all of the liabilities of Jefferson Memorial Hospital Associates, a partnership whose main source of income was from the rental of the hospital plant to the Hospital. The acquisition of the partnership was combined with the Hospital using the pooling of interest method.

The partners of Jefferson Memorial Hospital Associates were the sole shareholders of the Hospital holding the original 5,000 shares of common stock outstanding. The 240,000 additional shares were distributed so that each shareholder's percentage of ownership remained the same.

NOTE 3 - INCOME TAXES

The Hospital has no Federal income tax liability on account of the carryforwards of operating losses from prior years. As of June 30, 1972 there

TAUBER 44028

NOTES TO FINANCIAL STATEMENTSNOTE 3 - INCOME TAXES (Continued)

remains a net operating loss carryforward of \$8,860 and an investment credit carryover of \$5,180.

State income taxes have been accrued for the year ended June 30, 1972 and appear on Exhibit B in the amount of \$12,769.

NOTE 4 - EARNINGS PER COMMON SHARE

The Corporation has no potentially dilutive convertible securities, options, warrants or other stock rights. Earnings per common share were computed by dividing the net income by 245,000 shares outstanding during the year ended June 30, 1972.

NOTE 5 - PLANT AND EQUIPMENT DEPRECIATION

All capital assets are being depreciated by the straight-line method of depreciation with the following life-years by asset classification:

Land Improvements	5 Years
Building Shell - Used	34-37 Years
Building Components - Used	2-22 Years
Fixed Equipment	20 Years
Major Movable Equipment	5-20 Years

Capital assets costing \$100 or less are charged to expense when acquired.

NOTE 6 - GOODWILL

Goodwill in the amount of \$386,804 was acquired in the purchase of the Jefferson Memorial Hospital Associates as explained in Note 2 and is being amortized over a period of 34 years at the rate of \$11,376.50 per year. The amount of \$375,425 as shown on the accompanying balance sheet represents the unamortized portion as of June 30, 1972.

TAUBER 44029

CONFIDENTIAL

NOTES TO FINANCIAL STATEMENTS

NOTE 7 - CONTRACT PAYABLE

The amount of \$158,763 which appears on the accompanying balance sheet is the amount due as of June 30, 1972 on a settlement reached with the former pathologist under a prior contract with the Hospital. This amount is being curtailed at a monthly amount of \$2,886.60 plus interest at 6% on the unpaid balance until February 1, 1977.

NOTE 8 - PROVISION FOR CONTRACT ADJUSTMENTS

Reimbursement for services rendered to patients under the Group Hospitalization, Inc., Federal Health Insurance Program (Medicare) and Virginia Health Insurance Program (Medicaid) is determined for each fiscal year in accordance with a specified cost analysis. During the year payments are received from the insurer as hospital services are rendered to the patients. The provision of \$231,264 covers all amounts due or estimated for the year ended June 30, 1972 and prior years under the cost contracts as follows:

Group Hospitalization, Inc.	\$163,587
Medicare	59,816
Medicaid	<u>7,861</u>
Total	<u>\$231,264</u>

NOTE 9 - NOTES PAYABLE - SECURED BY DEEDS  
OF TRUST ON REAL ESTATE

The Hospital is obligated on two notes on the Hospital plant which are held by First Federal Savings and Loan Association of Arlington. One note in the amount of \$582,483.77 is secured by a first deed of trust on the Hospital's land and building and is payable in monthly installments of \$5,900.00 which includes interest at 6% per annum. The other note in the amount of \$63,978.77 is secured by a junior

TAUBER 44030

10



NOTES TO FINANCIAL STATEMENTSNOTE 9 - NOTES PAYABLE - SECURED BY DEEDS OF  
TRUST ON REAL ESTATE (Continued)

deed of trust on the Hospital's land and building and is payable in monthly installments of \$845.00 which includes interest at 6% per annum.

NOTE 10 - LEASE AGREEMENT - LAND

Two lease agreements have been entered into by the Hospital for the greater portion of land which it uses. The term of one lease is for 99 years beginning January 1, 1966 and provides for a basic annual rental of \$15,600 with a provision that on each tenth anniversary of the lease commencement date the annual rental can be adjusted by a formula based on the wholesale price index. The term of the other lease commenced on January 1, 1966 and it is also for a period of 99 years with a rental of \$2,406.80 per annum plus a portion of the real estate taxes. For the year ended June 30, 1972, the portion of real estate taxes paid was \$1,837.

TAUBER 44031

11

**JEFFERSON MEMORIAL HOSPITAL CORPORATION**  
**ALEXANDRIA, VIRGINIA**

---

**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 1973**

**COUNCILOR. BUCHANAN & MITCHELL**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**DT000058**

Trial Exhibit  
No. 201.

J.APP. 3191

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MAY BE REPRODUCED ONLY IN THEIR ENTIRETY.  
SHOULD IT BE DESIRED TO ISSUE OR PUBLISH  
A CONDENSATION OR A PORTION OF THIS REPORT  
AND OUR NAME IS TO BE USED IN CONNECTION  
THEREWITH, OUR APPROVAL MUST FIRST BE  
SECURED.

COUNCILOR. BUCHANAN & MITCHELL

THIS REPORT CONSISTS OF 11 PAGES

DT000059

**DT000060**

J.APP. 3193

COUNCILOR. BUCHANAN & MITCHELL  
CERTIFIED PUBLIC ACCOUNTANTS

W. BALDWIN BUCHANAN  
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J. S. J. JENSEN  
DONALD F. HULL  
J. H. J. JENSEN  
S. J. JENSEN, LAWRENCE  
THOMAS A. JENSEN  
E. J. JENSEN, HUGH  
J. A. JENSEN  
S. J. JENSEN, RUSSELL

October 1, 1973

3900 WISCONSIN AVENUE  
WASHINGTON D C 20008  
TELEPHONE 937-2300

The Board of Directors,  
Jefferson Memorial Hospital Corporation,  
Alexandria, Virginia.

We have examined the balance sheet of Jefferson Memorial Hospital Corporation as of June 30, 1973 and the related statements of income and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned financial statements present fairly the financial position of Jefferson Memorial Hospital Corporation at June 30, 1973 and the results of its operations and the changes in its financial position for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

*Councilor, Buchanan & Mitchell*

Certified Public Accountants

DT000061

J.APP. 3194

## JEFFERSON MEMORIAL HOSPITAL CORPORATION

## BALANCE SHEET

JUNE 30, 1973

## ASSETS

CASH - UNRESTRICTED		\$ 91,201	
CASH HELD IN ESCROW		6,143	
NOTES RECEIVABLE		18,775	
ACCOUNTS RECEIVABLE:			
Patients	\$1,437,830		
Less Allowance for Doubtful Accounts	<u>360,250</u>	\$1,077,580	
Virginia Health Insurance Program - Medicaid		38,880	
Federal Health Insurance Program - Medicare (Note 1)		30,000	
Other		<u>8,504</u>	1,154,964
ACCRUED INTEREST RECEIVABLE		8,206	
INVENTORIES - AT COST		23,413	
PLANT AND EQUIPMENT (Note 2):			
	Cost	Accumulated Depreciation	Book Value
Land	\$ 147,456	\$ -	\$ 147,456
Land Improvements	29,985	4,492	25,493
Building	624,302	64,429	559,873
Fixed Equipment	137,818	49,104	88,714
Major Movable Equipment	<u>328,960</u>	<u>163,038</u>	<u>165,922</u>
Total	\$1,268,521	\$ 281,063	\$ 987,458
OTHER ASSETS:			
Goodwill (Note 3)		\$ 364,048	
Prepaid Expenses		29,806	
Unamortized Loan and Settlement Fees		6,228	
Deposit		<u>4,390</u>	404,472
TOTAL ASSETS			\$2,694,632

## LIABILITIES AND CAPITAL

ACCOUNTS PAYABLE:			
Trade	\$103,651		
Employee's Withholdings	15,453		
Other	<u>13,567</u>	\$ 132,671	
ACCRUED EXPENSE		106,190	
INCOME TAXES PAYABLE (Note 4)		112,033	
CONTRACT PAYABLE (Note 5)		124,124	
PROVISION FOR CONTRACT ADJUSTMENTS (Note 6):			
Group Hospitalization, Inc.	\$ 58,438		
Federal Health Insurance Program - Medicare	62,751		
Virginia Health Insurance Program - Medicaid	<u>9,000</u>	130,189	
NOTES PAYABLE - UNSECURED		1,384	
NOTES PAYABLE - SECURED BY DEEDS OF TRUST ON REAL ESTATE (Note 7)		603,132	
BONDS PAYABLE (Note 9)		299,500	
ADVANCE DEPOSITS		98,000	
Funds HELD IN ESCROW		6,143	
CAPITAL:			
Common Stock - \$.01 Par Value			
Authorized 1,000,000 Shares			
Issued and Outstanding 305,000 Shares	\$ 3,050		
Capital in Excess of Par Value (Note 10)	922,802		
Donated Capital	<u>20,051</u>	\$95,903	
Retained Earnings (Exhibit B)		<u>( 64,637 )</u>	681,266
TOTAL LIABILITIES AND CAPITAL			\$2,694,632

The Notes to Financial Statements are an integral part of these statements.

JEFFERSON MEMORIAL HOSPITAL CORPORATION  
STATEMENT OF INCOME AND RETAINED EARNINGS  
FOR THE YEAR ENDED JUNE 30, 1973

REVENUE FROM SERVICES TO PATIENTS  
(Schedule B-1):

Routine Services	\$2,234,317	
Special Services	<u>2,515,128</u>	\$4,749,445

DEDUCTIONS FROM REVENUE:

Adjustments and Allowances:

Contracting Agencies	\$ 324,046	
Non-Contractual Patients	6,055	
Employees and Professional Courtesy	8,163	
Provision for Uncollectible Accounts		
Net of Recoveries	<u>210,261</u>	<u>548,525</u>

Net Revenue from Services to Patients		\$4,200,920
---------------------------------------	--	-------------

OTHER OPERATING INCOME:

Sale of Meals	\$ 42,151	
Commissions	803	
Transcripts	1,373	
Sale of Supplies	<u>788</u>	<u>45,115</u>

Total Operating Revenue		\$4,246,035
-------------------------	--	-------------

<u>OPERATING EXPENSE (Schedule B-2)</u>		<u>3,902,998</u>
---	--	------------------

Net Operating Income		\$ 343,037
----------------------	--	------------

<u>OTHER INCOME AND EXPENSE (Schedule B-3)</u>		<u>( 78,230)</u>
--	--	------------------

Net Income Before Income Taxes		\$ 264,807
Income Taxes (Note 4)		<u>124,833</u>

Net Income		\$ 139,974
Retained Earnings (Deficit) July 1, 1972		<u>( 204,611)</u>

RETAINED EARNINGS (DEFICIT) June 30, 1973		<u>(\$ 64,637)</u>
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EARNINGS PER COMMON SHARE (Note 11)		<u>\$ .45</u>
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The Notes to Financial Statements are  
an integral part of these statements.

JEFFERSON MEMORIAL HOSPITAL CORPORATION  
STATEMENT OF CHANGES IN FINANCIAL POSITION  
FOR THE YEAR ENDED JUNE 30, 1973

FUNDS PROVIDED:

Net Income (Exhibit B)	\$139,974	
Expenses Not Requiring Funds:		
Depreciation and Amortization	80,914	
Loss on Disposal of Equipment	<u>307</u>	\$221,195
Sale of Common Stock		221,260
Other		<u>200</u>
Total Funds Provided		\$442,655

FUNDS APPLIED:

Curtailment of Mortgage and Notes Payable	\$ 68,113	
Curtailment of Contracts Payable	34,639	
Purchase of Equipment	35,265	
Refund to Group Hospitalization, Inc. of Current Financing	<u>5,000</u>	<u>143,017</u>
NET INCREASE IN FUNDS		<u>\$299,638</u>

CONSISTING OF:

	Increase (Decrease)
Cash	\$ 77,489
Accounts Receivable	224,059
Accrued Interest Receivable	( 498)
Inventories	1,191
Other Assets	( 265)
Accounts Payable	34,905
Accrued Expense	( 137,009)
Provision for Contract Adjustment - Group Hospitalization, Inc. and Medicare	<u>99,766</u>
NET INCREASE IN FUNDS	<u>\$299,638</u>

The Notes to Financial Statements are  
an integral part of these statements.

DT000064



JEFFERSON MEMORIAL HOSPITAL CORPORATIONREVENUE FROM SERVICES TO PATIENTSFOR THE YEAR ENDED JUNE 30, 1973

	<u>Total</u>	<u>Inpatient</u>	<u>Outpatient</u>
<u>ROUTINE SERVICES:</u>			
Room and Board	\$2,234,317	\$2,234,317	\$ -
Total Routine Services	\$2,234,317	\$2,234,317	\$ -
<u>SPECIAL SERVICES:</u>			
Operating Room	\$ 305,038	\$ 289,916	\$ 15,122
Recovery Room	63,337	62,078	1,259
Central Supply	87,021	73,755	13,266
Intravenous	21,917	21,743	174
Emergency Service	221,266	16,877	204,389
Laboratory	M.S. 451,678	420,357	31,321
Blood	18,700	18,700	-
Transfusion Trays	4,935	4,935	-
Electrocardiology	M.S. 89,067	83,540	5,527
Radio Isotopes	M.S. 52,358	27,136	25,222
Radiology	M.S. 337,209	213,007	124,202
Pharmacy	371,253	363,524	7,729
Anesthesia Administration	M.S. 197,883	194,318	3,565
Anesthesia Material	94,472	89,796	4,676
Inhalation Therapy	149,399	149,334	65
Physical Therapy	45,235	38,616	6,619
Electroencephalography	M.S. 4,360	2,640	1,720
Total Special Services	\$2,515,128	\$2,070,272	\$444,856
TOTAL REVENUE FROM SERVICES TO PATIENTS	\$4,749,445	\$4,304,589	\$444,856

Total M.S.  $\frac{1,132,555}{4,749,445} = 23.8\%$

Room 4,491

822 -

1,132,555

23.8%

Patient Days 34,208

Operations  $\frac{2,608 \text{ (inpatient)}}{373 \text{ (outpatient)}}$   
2981

The Notes to Financial Statements are  
an integral part of these statements.

DT000065

J.APP. 3198

## JEFFERSON MEMORIAL HOSPITAL CORPORATION

## OPERATING EXPENSE

FOR THE YEAR ENDED JUNE 30, 1973

	Total	Salaries and Wages	Supplies and Expense	Depreciation
Administration and General	\$ 424,742	\$ 231,723	\$ 189,262	\$ 3,757
Employees' Health and Welfare	168,153	6,643	161,487	23
Dietary	401,163	171,940	225,098	4,125
Housekeeping	160,201	-	159,966	235
Laundry and Linen	88,640	14,613	74,027	-
Operation of Plant	97,641	52,444	45,138	59
Repairs and Maintenance	13,725	-	13,516	209
Nursing Service	680,604	618,241	58,965	3,398
Pharmacy	258,133	-	258,047	86
Medical Records and Library	41,227	36,706	4,070	451
Operating Room	211,921	144,741	62,742	4,438
Recovery Room	40,869	38,289	2,365	215
Intensive Care	104,578	92,800	10,164	1,614
Laboratory	232,302	91,058	136,226	5,018
Radiology	274,777	70,060	202,641	2,076
Physical Therapy	31,592	14,764	16,780	48
Inhalation Therapy	49,413	23,198	25,938	277
Anesthesiology	156,204	-	155,635	569
Electrocardiology	50,901	12,621	38,200	80
Central Supply	90,625	27,929	61,761	935
Electroencephalography	2,693	-	2,693	-
Blood Bank	11,679	-	11,679	-
Emergency	182,620	58,773	123,333	514
Depreciation on Building, Land Improvements and Fixed Equipment	41,410	-	-	41,410
Total	\$3,815,813	\$1,706,543 ✓	\$2,039,733	369,537.
Rent of Land	20,006 ✓			
Taxes - Other Than Payroll and Income	67,179 ✓			
TOTAL OPERATING EXPENSE	<u>\$3,902,998</u>			

The Notes to Financial Statements are  
an integral part of these statements.

DT000066

J.APP. 3199

JEFFERSON MEMORIAL HOSPITAL CORPORATIONOTHER INCOME AND EXPENSEFOR THE YEAR ENDED JUNE 30, 1973INCOME:

Rents	\$ 9,740	
Interest	1,538	
Miscellaneous	<u>746</u>	\$12,024

EXPENSE:

Interest	\$76,560	
Amortization of Goodwill	11,377	
Loss on Disposal of Equipment	307	
Miscellaneous	<u>2,010</u>	<u>90,254</u>

NET OTHER INCOME AND EXPENSE

(\$78,230)

The Notes to Financial Statements are  
an integral part of these statements.

DT000067

## NOTES TO FINANCIAL STATEMENTS

### NOTE 1 - ACCOUNTS RECEIVABLE - FEDERAL HEALTH INSURANCE PROGRAM - MEDICARE

The receivable due from the Medicare program in the amount of \$30,000 is an estimate of additional reimbursements for the year ended June 30, 1973. Although reimbursements are received periodically as services are rendered to Medicare patients, it is estimated that for the year ended June 30, 1973 the allowable cost exceeded the reimbursements by approximately \$30,000.

### NOTE 2 - PLANT AND EQUIPMENT DEPRECIATION

All capital assets are being depreciated by the straight-line-method of depreciation with the following life-years by asset classification:

Land Improvements	5-10 Years
Building Shell - Used	34-37 Years
Building Components - Used	2-22 Years
Fixed Equipment	10-20 Years
Major Movable Equipment	5-20 Years

Capital assets costing \$100 or less are charged to expense when acquired.

### NOTE 3 - GOODWILL

Goodwill in the amount of \$386,804 is being amortized over a period of 34 years at a rate of \$11,376.50 per year. The amount of \$364,048 as shown on the accompanying balance sheet represents the unamortized portion as of June 30, 1973.

### NOTE 4 - INCOME TAXES PAYABLE

The Internal Revenue Service has made no field examination of the Hospital's income tax returns. All net operating loss and investment credit carryforwards have been exhausted with the filing of the June 30, 1973 tax return.

DT000068

## NOTES TO FINANCIAL STATEMENTS

### NOTE 4 - INCOME TAXES PAYABLE (Continued)

The accounting methods used by the Corporation for recording on its books of account are the same as those used in the preparation of its income tax returns.

### NOTE 5 - CONTRACT PAYABLE

The amount of \$124,124 which appears on the accompanying balance sheet is the amount due as of June 30, 1973 on a settlement reached with the former pathologist under a prior contract with the Hospital. This amount is being curtailed at a monthly amount of \$2,886.60 plus interest at 6% on the unpaid balance until February 1, 1977.

### NOTE 6 - PROVISION FOR CONTRACT ADJUSTMENTS

Reimbursement for services rendered to patients under the Group Hospitalization, Inc., Federal Health Insurance Program (Medicare) and Virginia Health Insurance Program (Medicaid) is determined for each fiscal year in accordance with a specified cost analysis. During the year payments are received from the insurer as hospital services are rendered to the patients. The provision of \$130,189 covers all amounts due or estimated for the year ended June 30, 1973 and prior years under the cost contracts.

### NOTE 7 - NOTES PAYABLE - SECURED BY DEEDS OF TRUST ON REAL ESTATE

The Hospital is obligated on two notes on the Hospital plant which are held by First Federal Savings and Loan Association of Arlington. One note in the amount of \$545,630.27 is secured by a first deed of trust on the Hospital's land and building and is payable in monthly installments of \$5,900.00 which includes

NOTES TO FINANCIAL STATEMENTS

NOTE 7 - NOTES PAYABLE - SECURED BY DEEDS  
OF TRUST ON REAL ESTATE (Continued)

interest at 6% per annum. The other note in the amount of \$57,501.29 is secured by a junior deed of trust on the Hospital's land and building and is payable in monthly installments of \$845.00 which includes interest at 6% per annum.

NOTE 8 - LEASE AGREEMENT - LAND

Two lease agreements have been entered into by the Hospital for the greater portion of land which it uses. The term of one lease is for 99 years beginning January 1, 1966 and provides for a basic annual rental of \$15,600 with a provision that on each tenth anniversary of the lease commencement date the annual rental can be adjusted by a formula based on the wholesale price index. The term of the other lease commenced on January 1, 1966 and it is also for a period of 99 years with a rental of \$2,406.80 per annum plus a portion of the real estate taxes. For the year ended June 30, 1973, the portion of real estate taxes paid was \$2,000.

NOTE 9 - BOND REDEMPTION SINKING FUND REQUIREMENT

Bonds payable in the amount of \$299,500 as shown on the accompanying balance sheet mature in 1985. A requirement of the bond issue is the establishment of a retirement sinking fund, five years from the date of issue, for either an early redemption or a redemption at maturity.

As of June 30, 1973 the sinking fund requirement amounts to approximately \$28,000 for redemption at maturity but so far no fund has been established.

NOTES TO FINANCIAL STATEMENTS

NOTE 10 - CAPITAL IN EXCESS OF PAR VALUE

During the fiscal year the Hospital sold 60,000 shares of its common stock for \$221,260, which exceeds the par value of the stock in the amount of \$220,660. The excess over the par value is included in Capital in Excess of Par Value of \$922,802 as shown on the balance sheet.

NOTE 11 - EARNINGS PER SHARE

The Hospital has issued no dilutive convertible securities, options, warrants or other stock rights. Earnings per common share represent the net income for 1973 divided by 305,000 shares outstanding.

**DT000072**

J.APP. 3204



**JEFFERSON MEMORIAL HOSPITAL CORPORATION**  
**ALEXANDRIA, VIRGINIA**

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**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 1974**

**COUNCILOR, BUCHANAN & MITCHELL**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**DT000043**

Trial Exhibit  
No. 202.

J.APP. 3205

OUR REPORTS ARE ISSUED WITH THE UNDER-  
STANDING THAT, WITHOUT OUR CONSENT, THEY  
MAY BE REPRODUCED ONLY IN THEIR ENTIRETY.  
SHOULD IT BE DESIRED TO ISSUE OR PUBLISH  
A CONDENSATION OR A PORTION OF THIS REPORT  
AND OUR NAME IS TO BE USED IN CONNECTION  
THEREWITH, OUR APPROVAL MUST FIRST BE  
SECURED.

COUNCILOR. BUCHANAN & MITCHELL

THIS REPORT CONSISTS OF 11 PAGES

DT000044

J.APP. 3206

**DT000045**

J.APP. 3207

COUNCILOR, BUCHANAN & MITCHELL  
CERTIFIED PUBLIC ACCOUNTANTS

W BALDWIN BUCHANAN  
JAMES A COUNCILOR  
D L MITCHELL  
EDNA HUMMER NICK  
EUGENE W STOSSEL  
J L S D COX  
DONALD F McMULLEN  
J W S F BOLE  
STONER J LAWRENCE  
THOMAS A DYER  
C BURNS McLENDON  
CLARA A PARSONS  
GROVER B RUSSELL JR

February 13, 1975

3920 WISCONSIN AVENUE  
WASHINGTON D C 20008  
TELEPHONE 537 703

The Board of Directors,  
Jefferson Memorial Hospital Corporation,  
Alexandria, Virginia.

We have examined the balance sheets of Jefferson Memorial Hospital Corporation as of June 30, 1974 and June 30, 1973 and the related statements of income and retained earnings and changes in financial position for the years then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned financial statements present fairly the financial position of Jefferson Memorial Hospital Corporation at June 30, 1974 and the results of its operations and the changes in its financial position for the year then ended, in conformity with generally accepted accounting principles which, except for the change, with which we concur, in the recognition of contractual adjustments as described in Note 12 to the financial statements, have been applied on a consistent basis.

*Councilor, Buchanan & Mitchell*

Certified Public Accountants

DT000046

J.APP. 3208

## JEFFERSON MEMORIAL HOSPITAL CORPORATION

## BALANCE SHEET

JUNE 30, 1974 AND 1973

	1974	1973
<b>ASSETS</b>		
<u>CASH - UNRESTRICTED</u>	\$ 36,887	\$ 91,201
<u>CASH - HELD IN ESCROW</u>	\$ 6,002	\$ 6,143
<u>NOTES RECEIVABLE</u>	\$ 50,239	\$ 18,712
<u>ACCOUNTS RECEIVABLE:</u>		
Patients - Less Allowance for		
Uncollectible Accounts		
(245,617 and \$240,000,	\$ 642,079	\$1,071,280
respectively)	62,401	-
Federal and State Income Taxes	135,013	68,080
Contract Agencies (Note 1)	19,174	8,504
Other		
Total Accounts Receivable	\$ 912,667	\$1,154,864
<u>ACCRUED INTEREST RECEIVABLE</u>	\$ 7,658	\$ 8,206
<u>INVENTORIES - AT COST</u>	\$ 24,125	\$ 23,413
<u>PROPERTY, PLANT AND EQUIPMENT - NET</u>		
<u>(COST) (Note 2)</u>	\$ 955,200	\$ 987,458
<u>OTHER ASSETS:</u>		
Goodwill (Note 3)	\$ 352,672	\$ 364,048
Prepaid Expense	36,004	29,806
Other	8,662	10,618
Total Other Assets	\$ 397,338	\$ 404,472
<b>TOTAL ASSETS</b>	<b>\$1,220,116</b>	<b>\$1,694,014</b>

	1974	1973
<b>LIABILITIES AND CAPITAL</b>		
<u>ACCOUNTS PAYABLE:</u>		
Trade	\$ 241,235	\$ 303,051
Employees' Withholdings	9,558	15,453
Other	24,769	13,267
Total Accounts Payable	\$ 275,562	\$ 331,771
<u>ACCRUED EXPENSE</u>	\$ 76,772	\$ 100,190
<u>CONTRACT PAYABLE (Note 4)</u>	\$ 89,405	\$ 124,124
<u>INCOME TAXES PAYABLE (Note 5)</u>	\$ -	\$ 112,011
<u>LEASE AGREEMENT PAYABLE (Note 6)</u>	\$ 22,412	\$ -
<u>NOTES PAYABLE</u>	\$ 20,000	\$ 1,254
<u>NOTES PAYABLE - SECURED BY DEEDS</u>		
<u>OF TRUST ON REAL ESTATE (Note 7)</u>	\$ 227,144	\$ 103,112
<u>BONDS PAYABLE (Note 8)</u>	\$ 222,200	\$ 222,200
<u>PROVISION FOR CONTRACT ADJUSTMENT -</u>		
<u>MEDICARE (Note 9)</u>	\$ 7,571	\$ 130,189
<u>ADVANCE DEPOSITS</u>	\$ 22,000	\$ 50,000
<u>FUNDS HELD IN ESCROW</u>	\$ 6,002	\$ 6,143
<u>CAPITAL:</u>		
Common Stock - \$.01 Per Value Authorized		
1,000,000 Shares; Issued and Outstanding		
303,300 Shares and 305,000 Shares,	\$ 1,013	\$ 3,050
Respectively	296,573	282,082
Capital in Excess of Par Value	20,051	20,051
Donated Capital	(24,249)	(64,017)
Retained Earnings (Deficit) (Exhibit B)		
Total Capital	\$ 293,408	\$ 241,126
<b>TOTAL LIABILITIES AND CAPITAL</b>	<b>\$1,220,116</b>	<b>\$1,694,014</b>

DT0000047  
JAPP. 3209

JACKSON MEMORIAL HOSPITAL CORPORATION  
STATEMENT OF INCOME AND RETAINED EARNINGS  
FOR THE YEARS ENDED JUNE 30, 1974 AND 1973

	<u>1974</u>	<u>1973</u>
<u>REVENUE FROM SERVICES TO PATIENTS</u> (Schedule B-1):		
Routine Services	\$2,250,711	\$2,234,317
Special Services	3,067,073	2,555,133
	<u>\$5,337,784</u>	<u>\$4,789,450</u>
<u>DEDUCTIONS FROM REVENUE:</u>		
Adjustments and Allowances:		
Contracting Agencies	\$ 733,065	\$ 324,046
Non-contractual Patients	42,136	6,055
Employees and Professional Courtesy	3,376	3,263
Provision for Uncollectible Accounts		
Net of Recoveries	<u>113,360</u>	<u>210,261</u>
	<u>\$ 896,937</u>	<u>\$ 643,625</u>
Net Revenue from Services to Patients	<u>\$4,440,847</u>	<u>\$4,145,825</u>
<u>OTHER OPERATING INCOME:</u>		
Sale of Meals	\$ 42,231	\$ 41,331
Commissions	775	803
Transcripts	1,523	1,373
Sale of Supplies	62	133
	<u>\$ 44,591</u>	<u>\$ 43,637</u>
Total Operating Revenue	<u>\$4,485,438</u>	<u>\$4,189,462</u>
<u>OPERATING EXPENSE (Schedule B-2)</u>	<u>4,395,208</u>	<u>3,772,956</u>
Net Operating Income	<u>\$ 90,530</u>	<u>\$ 416,506</u>
<u>OTHER INCOME AND (EXPENSE) - NET</u>	<u>( 74,793)</u>	<u>( 2,070)</u>
Net Income Before Income Taxes	<u>\$ 15,737</u>	<u>\$ 414,436</u>
Income Taxes	<u>5,349</u>	<u>11,173</u>
Net Income	<u>\$ 10,388</u>	<u>\$ 403,263</u>
Retained Earnings (Deficit) July 1,	<u>( 64,637)</u>	<u>10,011</u>
RETAINED EARNINGS (DEFICIT) JUNE 30,	<u>(\$ 54,249)</u>	<u>\$ 413,274</u>
EARNINGS PER COMMON SHARE (1974)	<u>\$ .03</u>	<u>\$ .15</u>

DT000048

JEFFERSON MEMORIAL HOSPITAL CORPORATION  
STATEMENT OF CHANGES IN FINANCIAL POSITION  
FOR THE YEARS ENDED JUNE 30, 1974 AND 1973

	<u>1974</u>	<u>1973</u>
<u>SOURCE OF FUNDS:</u>		
Net Income (Exhibit B)	\$ 10,388	\$139,974
Expense Not Requiring Funds:		
Depreciation and Amortization	83,771	30,914
Loss on Disposal of Equipment	1,645	307
Total Funds Provided from Operations	\$ 95,804	\$221,195
Proceeds from Notes Payable	110,000	-
Proceeds from Sale of Corporation's Common Stock	55,662	221,260
Lease Agreement Payable for Equipment	29,768	-
Proceeds from Sale of Equipment	3,400	-
Other	-	200
Total Source of Funds	<u>\$293,634</u>	<u>\$142,555</u>
<u>APPLICATION OF FUNDS:</u>		
Curtailment of Mortgage and Notes Payable	\$ 67,350	\$ 68,113
Purchase of Corporation's Common Stock	43,908	-
Refund of Current Financing	39,000	5,000
Curtailment of Contract Payable	34,639	34,639
Purchase of Equipment	44,616	35,265
Curtailment of Lease Agreement Payable	3,356	-
Total Application of Funds	<u>\$232,869</u>	<u>\$143,017</u>
NET INCREASE IN FUNDS	<u>\$ 60,765</u>	<u>\$299,638</u>
<u>CONSISTING OF:</u>		
	Increase (Decrease)	
	in Funds	
Cash	(\$ 54,455)	\$ 77,489
Notes Receivable	31,464	-
Accounts Receivable	( 242,297)	224,059
Accrued Interest Receivable	( 548)	( 138)
Inventories	712	1,191
Other Assets	4,808	( 265)
Accounts Payable	56,900	34,305
Accrued Expense	141,485	( 137,009)
Provision for Contract Adjustments	122,696	39,766
NET INCREASE IN FUNDS	<u>\$ 60,765</u>	<u>\$299,638</u>

DT000049

J.APP. 3211

JEFFERSON MEMORIAL HOSPITAL CORPORATION

REVENUE FROM SERVICES TO PATIENTS

FOR THE YEARS ENDED JUNE 30, 1974 AND 1973

	1974			1973		
	Total	Inpatient	Outpatient	Total	Inpatient	Outpatient
<b>ROUTINE SERVICES:</b>						
Room and Board	\$2,250,711	\$2,250,711	\$ -	\$2,234,317	\$2,234,317	\$ -
Total Routine Services	\$2,250,711	\$2,250,711	\$ -	\$2,234,317	\$2,234,317	\$ -
<b>SPECIAL SERVICES:</b>						
Operating Room	\$ 323,917	\$ 295,796	\$ 28,121	\$ 305,038	\$ 289,916	\$ 15,122
Recovery Room	65,557	63,465	2,092	63,337	62,078	1,259
Central Supply	112,479	93,542	18,937	87,021	73,755	13,266
Intravenous	39,040	38,529	511	21,917	21,743	174
Emergency Service	274,157	18,405	255,752	221,266	16,877	204,389
Laboratory	544,113	512,573	31,540	451,678	420,357	31,321
Pulmonary Function Laboratory	37,890	37,449	441	-	-	-
Blood	18,870	18,870	-	18,700	18,700	-
Transfusion Trays	4,389	4,389	-	4,935	4,935	-
Electrocardiology	56,661	91,489	5,172	89,067	83,540	5,527
Endiology	448,408	267,799	180,609	389,567	240,147	149,424
Chemistry	459,633	451,011	8,622	371,253	363,524	7,729
Anesthesia Administration	195,296	190,143	5,153	197,883	194,118	3,765
Anesthesia Material	95,387	90,390	4,997	94,472	89,796	4,676
Radiation Therapy	300,555	300,154	401	149,399	149,334	65
Physical Therapy	58,476	45,456	13,020	45,235	38,616	6,619
Electroencephalography	12,245	6,990	5,255	4,360	2,640	1,720
Total Special Services	\$1,087,073	\$2,526,450	\$560,623	\$2,515,128	\$2,070,272	\$444,856
<b>TOTAL REVENUE FROM SERVICES TO PATIENTS</b>	<b>\$3,337,784</b>	<b>\$4,777,161</b>	<b>\$560,623</b>	<b>\$4,749,445</b>	<b>\$4,304,589</b>	<b>\$444,856</b>



## JEFFERSON MEMORIAL HOSPITAL CORPORATION

## OPERATING EXPENSE

FOR THE YEARS ENDED JUNE 30, 1974 AND 1973

	1974				1973			
	Total	Salaries and Wages	Supplies and Expense	Depreciation	Total	Salaries and Wages	Supplies and Expense	Depreciation
Administration and General	\$ 566,956	\$ 302,442	\$ 262,028	\$ 2,406	\$ 424,742	\$ 231,723	\$ 189,262	\$ 3,757
Employees' Health and Welfare	83,716	-	83,716	-	168,153	6,643	161,487	23
Dietary	442,507	181,629	256,199	4,679	401,163	171,940	229,093	4,125
Housekeeping	142,343	-	142,137	206	160,201	-	159,946	235
Laundry and Linen	96,716	16,191	80,525	-	88,640	14,613	74,027	-
Operation of Plant	110,870	57,159	53,600	111	97,641	52,444	45,138	59
Repairs and Maintenance	13,851	-	13,641	210	13,725	-	13,516	209
Nursing Service	766,703	670,633	92,597	3,473	680,604	618,241	62,363	3,398
Pharmacy	256,262	-	256,176	86	258,133	-	258,047	86
Medical Records and Library	48,504	42,241	5,427	836	41,227	36,706	4,070	451
Operating Room	222,554	144,243	72,661	5,650	211,921	144,741	67,142	4,438
Recovery Room	44,008	39,582	4,194	232	40,869	38,289	2,579	215
Intensive Care	108,918	87,868	19,012	2,038	104,578	92,800	10,164	1,614
Laboratory	271,149	108,467	158,217	4,465	232,302	91,058	140,226	5,018
Pulmonary Function	22,256	-	22,256	-	-	-	-	-
Radiology	303,298	75,611	225,217	2,470	274,777	70,060	204,641	2,076
Physical Therapy	41,828	20,327	21,453	48	31,592	14,744	16,740	40
Inhalation Therapy	186,571	-	185,965	606	49,413	23,198	26,215	277
Anesthesiology	156,499	-	155,935	564	156,204	-	155,635	569
Electrocardiology	58,264	16,032	42,180	52	50,901	12,621	38,200	80
Central Supply	98,604	31,410	66,154	1,040	90,625	27,329	61,761	235
Electroencephalography	6,410	-	6,410	-	2,693	-	2,693	-
Blood Bank	13,850	-	13,850	-	11,679	-	11,679	-
Emergency	209,092	82,164	126,235	693	182,620	58,773	123,333	514
Depreciation on Building, Land Improvements and Fixed Equipment	42,449	-	-	42,449	41,410	-	-	41,410
Total	\$4,314,178	\$1,875,972	\$2,422,782	\$72,394	\$3,815,813	\$1,706,543	\$2,084,133	\$62,517
Rent of Land	20,373	-	-	-	20,006	-	-	-
Taxes - Other Than Payroll and Income	60,657	-	-	-	67,172	-	-	-
TOTAL OPERATING EXPENSE	\$4,395,208				\$3,892,991			

J.A.P. 3213

DT000051

GENERAL INVESTMENT CORPORATION  
OTHER INCOME AND EXPENSE  
FOR THE YEARS ENDED MAY 31, 1974 AND 1973

	<u>1974</u>	<u>1973</u>
<u>INCOME:</u>		
Rents	\$ 7,950	\$ 8,700
Interest	1,033	1,533
Miscellaneous	13,228	704
Total	<u>\$22,211</u>	<u>\$10,937</u>
<u>EXPENSE:</u>		
Interest	\$76,423	\$76,560
Amortization of Goodwill	11,377	11,377
Loss on Disposal of Equipment	1,645	307
Miscellaneous	7,559	2,020
Total	<u>\$97,004</u>	<u>\$90,264</u>
NET OTHER INCOME AND EXPENSE	<u>(\$74,793)</u>	<u>(\$79,327)</u>

DT000052

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - ACCOUNTS RECEIVABLE - CONTRACT AGENCIES

An analysis of the receivables in the amount of \$135,013 due from contract agencies as shown on the accompanying balance sheet are as follows:

Virginia Health Insurance Program - Medicaid:		
Fiscal Year Ended June 30, 1973	\$ 4,013	
Fiscal Year Ended June 30, 1974	<u>59,000</u>	\$ 63,013
Group Hospitalization, Inc.:		
Fiscal Year Ended June 30, 1974		40,000
Federal Health Insurance Program - Medicare:		
Fiscal Year Ended June 30, 1974		<u>32,000</u>
Total		<u>\$135,013</u>

Although reimbursements are received periodically as services are rendered to the contract covered patients, it is estimated that for the above years the allowable cost exceeded the reimbursements by the amounts shown.

NOTE 2 - PLANT AND EQUIPMENT DEPRECIATION

All capital assets are being depreciated by the straight-line method of depreciation with the following life-years by asset classification:

Land Improvements	5-10 Years
Building Shell - Used	34-37 Years
Building Components - Used	2-22 Years
Fixed Equipment	3-20 Years
Major Movable Equipment	5-20 Years

Capital assets costing \$100 or less are charged to expense when acquired.

NOTE 3 - GOODWILL

Goodwill in the amount of \$386,304 is being amortized over a period of 34 years at the rate of \$11,362.18 per year. The amounts of \$352,672 and \$11,111 for the years ended June 30, 1974 and June 30, 1973, respectively, as shown on the accompanying balance sheet represent the unamortized portion.

DT000053

J.APP. 3215

NOTES TO FINANCIAL STATEMENTS

NOTE 4 - CONTRACT PAYABLE

The amount of \$89,485 which appears in the accompanying balance sheet is the amount due as of June 30, 1974 on a settlement reached with the former pathologist under a prior contract with the Hospital. This amount is being curtailed at the monthly amount of \$2,386.60 plus interest at 6% on the unpaid balance until February 1, 1977.

NOTE 5 - INCOME TAXES

The Internal Revenue Service has made no field examination of the Hospital's income tax returns. The accounting methods used by the Corporation for recording in its books of account are the same as those used in the preparation of its income tax returns.

NOTE 6 - LEASE AGREEMENT PAYABLE

The amount of \$25,412 represents the unpaid balance due under a lease-purchase agreement of hospital equipment. This amount is curtailed at \$479.43 per month for 60 months beginning December, 1973. The terms stipulate that at the end of the lease period the equipment may be purchased at the nominal value of \$1.

The assets covered under this lease agreement are recorded in the appropriate fixed asset account and are being depreciated over the estimated life-years assigned to each piece of equipment.

NOTE 7 - NOTES PAYABLE - SECURED BY DEEDS  
OF TRUST ON REAL ESTATE

The Hospital is obligated on two notes secured by the Hospital plant which are held by First Federal Savings and Loan Association of Arlington. The note, in the amount of \$506,536.02, is secured by a first deed of trust on the Hospital's land and building and is payable in monthly installments of \$5,900.00 which include

**DT000054**

J.APP. 3216

NOTES ON FINANCIAL STATEMENTS

NOTE 7 - NOTES PAYABLE - SECURED BY BONDS  
OF TRUST IN REAL ESTATE (Continued)

Interest at 6% per annum. The other note, in the amount of \$50,123.96, is secured by a junior deed of trust on the Hospital's land and building and is payable in monthly installments of \$245.00, which includes interest at 6% per annum.

NOTE 8 - BOND REDEMPTION SINKING FUND REQUIREMENT

Bonds payable in the amount of \$299,500 as shown on the accompanying balance sheet mature in 1985. A requirement of the bond issue is the establishment of a retirement sinking fund, five years from the date of issue, for either an early redemption or a redemption at maturity.

As of June 30, 1974 the sinking fund requirement amounts to approximately \$56,000 for redemption at maturity but so far no fund has been established.

NOTE 9 - PROVISION FOR CONTRACT ADJUSTMENT - MEDICARE

The amount of \$7,493 as shown on the accompanying balance sheet represents the refundable amount due to the intermediary, Group Hospitalization, Inc., for overpayment for services rendered Medicare patients for the year ended June 30, 1973.

NOTE 10 - LEASE AGREEMENT - LAND

Two lease agreements have been entered into by the Hospital for the greater portion of land which it uses. The term of one lease is for 99 years beginning January 1, 1966 and provides for a basic annual rental of \$15,600 with a provision that on each tenth anniversary of the lease commencement date the annual rental can be adjusted by a formula based on the wholesale price index. The term of the other lease commenced on January 1, 1966 and it is also for a period of 99 years with a rental of \$2,406.80 per annum plus a portion of the real estate taxes. For the year ended June 30, 1974 the portion of real estate taxes paid was \$1,375.

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J.APP. 3217

NOTES TO FINANCIAL STATEMENTS

NOTE 11 - EARNINGS PER SHARE

The Hospital has issued no dilutive convertible securities, options, warrants or other stock rights. Earnings per share represent the net income for the year divided by 303,300 shares outstanding for the year ended June 30, 1974 and 305,000 shares outstanding for the year ended June 30, 1973.

NOTE 12 - CHANGES IN ACCOUNTING POLICY

The Corporation prior to the year ended June 30, 1974 recognized contractual adjustments on patients' accounts at the time paid by the third party. In 1974 it changed this policy to recognize the contractual adjustment at the time the patient is discharged. This change results in a better comparison of the patient revenue with expense.

The cumulative effect on the retained earnings as of June 30, 1973 would be approximately \$116,000. The effect of this change retroactively applied to the year ended June 30, 1973 cannot be established because sufficient information is not available to make the calculation. However, it is believed that the effect on the year ended June 30, 1973 net income, after giving effect to income taxes, would be immaterial.

**DT000057**

J.APP. 3219

**CONFIDENTIAL**

**JEFFERSON MEMORIAL HOSPITAL CORPORATION**  
**ALEXANDRIA, VIRGINIA**



**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 1975**

**DAVID E. MERMELSTEIN**  
**CERTIFIED PUBLIC ACCOUNTANT**

Trial Exhibit  
No. 203.

**TAUBER 44146**

J.APP. 3220



**CONFIDENTIAL**

JEFFERSON MEMORIAL HOSPITAL CORPORATION  
TABLE OF CONTENTS  
JUNE 30, 1975

Scope of audit and auditors' opinion

Exhibit 'A' - Balance Sheet - As of June 30, 1975 and 1974.

Exhibit 'B' - Statement of Income and Retained Earnings  
for the years ended June 30, 1975 and 1974.

Exhibit 'C' - Statement of Changes in Financial Position  
for the years ended June 30, 1975 and 1974.

Schedule B-1 - Revenue from services to patients for the  
years ended June 30, 1975 and 1974.

Schedule B-2 - Statement of Operating Expenses for the  
years ended June 30, 1975 and 1974.

Schedule B-3 - Other Income and Expenses for the years ended  
June 30, 1975 and 1974.

Notes to Financial Statements

TAUBER 44147

J.APP. 3221

**CONFIDENTIAL**

DAVID E. MERMELSTEIN  
CERTIFIED PUBLIC ACCOUNTANT

Suite 930  
1120 Connecticut Avenue, N.W.  
Washington, D. C. 20036  
Telephone 223-1295  
January 5, 1975

The Board of Directors,  
Jefferson Memorial Hospital Corporation,  
Alexandria, Virginia 22302

I have examined the balance sheet of Jefferson Memorial Hospital Corporation as of June 30, 1975 and the related statements of income and retained earnings and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as I considered necessary in the circumstances. The Financial Statements for the prior period were audited by other Certified Public Accountants.

In my opinion, the aforementioned financial statements present fairly the financial position of Jefferson Memorial Hospital Corporation at June 30, 1975 and the results of its operations and the changes in its financial position for the year then ended, in conformity with generally accepted accounting principles which, for the change, with which I concur, in the recognition of contractual adjustments as described in Note 13 to the financial statements, have been applied on a consistent basis.

Respectfully Submitted,

*David E. Mermelstein*

David E. Mermelstein  
Certified Public Accountant, DC.

TAUBER 44148

CONFIDENTIAL

JEFFERSON MEMORIAL HOSPITAL CORPORATION  
BALANCE SHEET  
JUNE 30, 1975 and 1974

ASSETS	1975	1974
Cash-Unrestricted	\$ 20,802	\$ 36,887
Cash-Held in Escrow	3,200	6,002
Notes Receivable	15,805	50,239
Accounts Receivable-Patients	804,681	696,079
Less: Allow. for Uncoll. Acc'ts. (\$201,191 and \$245,617 Respect.)		
Contract Agencies (Note 1)	148,388	135,013
Accrued Interest Receivable	2,858	7,658
Other Receivables	8,865	19,174
<u>Total Current Assets</u>	<u>\$1,004,599</u>	<u>\$ 951,052</u>
<u>PROPERTY, PLANT AND EQUIPMENT</u>		
Net - Cost (Note 2 and 3)	1,227,947	955,200
<u>OTHER ASSETS:</u>		
Inventory - At Cost	\$ 28,146	\$ 24,125
Prepaid Expenses	102,240	44,666
Goodwill (Note 4)	341,295	352,672
<u>Total Other Assets</u>	<u>471,681</u>	<u>421,463</u>
<u>Total Assets</u>	<u>\$2,704,227</u>	<u>\$2,327,715</u>
<u>LIABILITIES AND CAPITAL</u>		
<u>LIABILITIES</u>		
Accounts Payable - Trade	\$447,223	\$241,235
Employees' Withholdings	10,878	9,928
Accrued Expenses	84,949	76,738
Contract Payable - (Note 5)	60,619	89,485
Corporation Income Taxes (Note 6)	68,795	(62,401)
Lease Agreement Payable (Note 7)	19,659	25,412
Notes Payable	119,755	90,000
Mortgage Payable (Note 8)	508,239	557,166
Bonds Payable (Note 9)	647,770	299,500
Provisions for Contract Adjustments		
Medicare (Note 10)	---	7,493
Advance Deposits	48,117	59,000
Other	12,193	30,751
<u>Total Liabilities</u>	<u>\$2,028,197</u>	<u>\$1,424,307</u>
<u>CAPITAL</u>		
Common Stock - \$.01 Par Value		
Authorized 1,000,000 Shares:		
Issued and Outstanding 345,000 and 303,300 Shares Respectively	\$ 2,450	\$ 3,033
Capital in Excess of Par Value	705,356	934,573
Donated Capital	20,051	20,051
Retained Earnings (Deficit) (Exhib.B)	(51,827)	(54,249)
<u>Total Capital</u>	<u>\$ 676,030</u>	<u>\$ 903,408</u>
<u>Total Liabilities and Capital</u>	<u>\$2,704,227</u>	<u>\$2,327,715</u>

TAUBER 44149

J.APP. 3223

Exhibit "B"  
**CONFIDENTIAL**

JEFFERSON MEMORIAL HOSPITAL CORPORATION  
STATEMENT OF INCOME AND RETAINED EARNINGS  
FOR THE YEARS ENDED JUNE 30, 1975 AND 1974

<u>REVENUE FROM SERVICES TO PATIENTS</u> <u>(Schedule B-1):</u>	<u>1975</u>	<u>1974</u>
Routine Services	\$ 2,646,905	\$ 2,250,711
Special Services	<u>3,656,912</u>	<u>3,087,073</u>
	<u>\$ 6,303,817</u>	<u>\$ 5,337,784</u>
<u>DEDUCTIONS FROM REVENUE:</u>		
Adjustments and Allowances:		
Contracting Agencies	\$ 674,622	\$ 733,065
Non-contractual Patients	21,278	42,136
Employees and Professional Courtesy	9,602	8,376
Provision for Uncollectible Accounts		
Net of Recoveries	<u>151,835</u>	<u>113,360</u>
	<u>\$ 857,337</u>	<u>\$ 896,937</u>
Net Revenue from Services to Patients	<u>\$ 5,446,480</u>	<u>\$ 4,440,847</u>
<u>OTHER OPERATING INCOME:</u>		
Sale of Meals	\$ 41,945	\$ 42,231
Commissions	1,471	775
Transcripts	2,129	1,823
Sale of Supplies	<u>501</u>	<u>62</u>
	<u>\$ 46,046</u>	<u>\$ 44,891</u>
Total Operating Revenue	<u>\$ 5,492,526</u>	<u>\$ 4,485,738</u>
<u>OPERATING EXPENSE (Schedule B-2)</u>	<u>5,215,707</u>	<u>4,395,208</u>
Net Operating Income	<u>\$ 276,819</u>	<u>\$ 90,530</u>
<u>OTHER INCOME AND (EXPENSE) - NET</u>	<u>(79,610)</u>	<u>(74,793)</u>
Net Income Before Income Taxes	<u>\$ 197,209</u>	<u>\$ 15,737</u>
Less: Income Taxes	<u>74,795</u>	<u>5,349</u>
Net Income	<u>\$ 122,414</u>	<u>\$ 10,388</u>
Retained Earnings (Deficit) July 1,	<u>(54,249)</u>	<u>(64,637)</u>
Redemption of 60,000 Shares	<u>(119,992)</u>	<u>---</u>
RETAINED EARNINGS (DEFICIT) JUNE 30,	<u>\$ (51,827)</u>	<u>\$ (54,249)</u>
<u>EARNINGS PER COMMON SHARE (Note 12)</u>	<u>\$ .50</u>	<u>\$ .03</u>

TAUBER 44150

Exhibit 'C'  
**CONFIDENTIAL**

JEFFERSON MEMORIAL HOSPITAL CORPORATION  
STATEMENT OF CHANGES IN FINANCIAL POSITION  
FOR THE YEARS ENDED JUNE 30, 1975 AND 1974

SOURCE OF FUNDS:

	1975	1974
Net Income (Exhibit B)	\$ 122,414	\$ 10,388
Expense Not Requiring Funds:		
Depreciation and Amortization	96,224	83,771
Loss on Disposal of Equipment	6,731	1,645
Total Funds Provided From Operations	\$ 225,369	\$ 95,804
Proceeds from Notes Payable	109,755	110,000
Proceeds from Sale of Corporation's Common Stock	10,200	55,662
Lease Agreement Payable for Equipment	----	28,768
Proceeds from Sale of Equipment	----	3,400
Total Source of Funds	\$ 345,324	\$ 293,634

APPLICATION OF FUNDS:

Curtailement of Mortgage and Notes Payable	\$ 128,927	\$ 67,350
Purchase of Corporation's Common Stock	11,738	43,908
Refund of Current Financing	10,883	39,000
Curtailement of Contract Payable	36,359	34,639
Purchase of Equipment	227,337	44,616
Curtailement of Lease Agreement Payable	5,753	3,356
Building Addition and Improvements	131,327	---
Total Application of Funds	\$ 552,324	\$ 232,869

NET INCREASE OR (DECREASE) IN FUNDS

\$(207,000)    \$ 60,765

CONSISTING OF:

INCREASE (DECREASE)  
IN FUNDS

Cash	\$ (16,085)	\$ (54,455)
Notes Receivable	(34,434)	31,464
Accounts Receivable	121,977	(242,297)
Accrued Interest Receivable	(4,800)	( 548)
Inventories	4,021	712
Other Assets	(15,683)	4,808
Accounts Payable	(205,988)	56,900
Accrued Expense	(48,515)	141,485
Provision for Contract Adjustments	(7,493)	122,696

NET INCREASE OR (DECREASE) IN FUNDS

\$(207,000)    \$ 60,765

TAUBER 44151

## Schedule B-1

**JEFFERSON MEMORIAL HOSPITAL CORPORATION**  
**REVENUE FROM SERVICES TO PATIENTS**  
**FOR THE YEARS ENDED JUNE 30, 1975 AND 1974**

	1 9 7 5			1 9 7 4		
ROUTINE SERVICES:	Total	Inpatient	Outpatient	Total	Inpatient	Outpatient
Room and Board	\$ 2,646,905	\$ 2,646,905	\$ ---	\$ 2,250,711	\$ 2,250,711	\$ ---
Total Routine Services	\$ 2,646,905	\$ 2,646,905	\$ ---	\$ 2,250,711	\$ 2,250,711	\$ ---
SPECIAL SERVICES:						
Operating Room	\$ 411,110	\$ 389,090	\$ 22,020	\$ 323,917	\$ 295,796	\$ 28,121
Recovery Room	80,305	78,280	2,025	65,557	63,465	2,092
Central Supply	171,735	158,272	13,463	112,479	93,542	18,937
Intravenous	? 92,008	91,586	422	39,040	38,529	511
Emergency Service	331,657	134,742	196,915	274,157	18,405	255,752
Laboratory	599,503	562,586	36,917	544,113	512,573	31,540
Pulmonary Function Laboratory	59,108	58,431	677	37,890	37,449	441
Blood	37,545	37,454	91	18,870	18,870	---
Transfusion Trays	6,803	6,803	---	4,389	4,389	---
Electrocardiology	110,746	105,272	5,474	96,661	91,489	5,172
Radiology	511,720	390,490	121,230	448,408	267,799	180,609
Pharmacy	499,691	471,090	28,601	459,633	451,011	8,622
Anesthesia Administration	206,205	202,281	3,924	195,296	190,143	5,153
Anesthesia Material	95,764	93,652	2,112	95,387	90,390	4,997
Inhalation Therapy	342,319	342,130	189	300,555	300,154	401
Physical Therapy	77,170	59,127	18,043	58,476	45,456	13,020
Electroencephalography	20,973	14,460	6,513	12,245	6,990	5,255
Renal Dialysis	2,550	---	2,550	---	---	---
Total Special Services	\$ 3,656,912	\$ 3,195,746	\$ 461,166	\$ 3,087,073	\$ 2,526,450	\$ 560,623
TOTAL REVENUE FROM SERVICES TO PATIENTS	\$ 6,303,817	\$ 5,842,651	\$ 461,166	\$ 5,337,784	\$ 4,777,161	\$ 560,623

TAUBER 44152

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**JEFFERSON MEMORIAL HOSPITAL CORPORATION**  
**OPERATING EXPENSE**  
**FOR THE YEARS ENDED JUNE 30, 1975 AND 1974**

Schedule B-2

	1 9 7 5			1 9 7 4		
	Total	Salaries and Wages	Supplies and Expenses	Total	Salaries and Wages	Supplies and Expense
Administration and General	\$ 650,808	\$ 362,934	\$ 287,874	\$ 527,974	\$ 302,442	\$ 225,532
Employees' Health and Welfare	67,654	---	67,654	83,716	---	83,716
Dietary	469,190	193,405	275,785	437,828	181,629	256,199
Housekeeping	156,796	---	156,796	142,137	---	142,137
Laundry and Linen	106,137	17,876	88,261	96,716	16,191	80,525
Insurance	43,153	---	43,153	36,496	---	36,496
Operation of Plant	137,474	68,231	69,243	110,759	57,159	53,600
Repairs and Maintenance	26,031	---	26,031	13,641	---	13,641
Nursing Service	973,774	865,797	107,977	763,230	670,633	92,597
Pharmacy	296,540	---	296,540	256,176	---	256,176
Medical Records and Library	59,389	52,221	7,168	47,668	42,241	5,427
Operating Room	261,352	172,553	88,799	216,904	144,243	72,661
Recovery Room	53,094	47,169	5,925	43,776	39,582	4,194
Intensive Care	163,569	137,326	26,243	106,880	87,868	19,012
Laboratory	290,156	104,469	185,687	266,684	108,467	158,217
Pulmonary Function	35,588	---	35,588	22,256	---	22,256
Radiology	354,420	92,913	261,507	300,828	75,611	225,217
Physical Therapy	44,892	27,335	17,557	41,780	20,327	21,453
Inhalation Therapy	209,701	---	209,701	185,965	---	185,965
Anesthesiology	166,260	---	166,260	155,935	---	155,935
Electrocardiology	68,125	24,068	44,057	58,212	16,032	42,180
Central Supply	130,509	37,407	93,102	97,564	31,410	66,154
Electroencephalography	11,027	---	11,027	6,410	---	6,410
Blood Bank	19,471	---	19,471	13,850	---	13,850
Emergency	250,945	76,772	174,173	208,399	82,164	126,235
Renal Dialysis	1,269	---	1,269	---	---	---
<b>Total</b>	<b>\$ 5,047,324</b>	<b>\$ 2,280,476</b>	<b>\$ 2,766,848</b>	<b>\$ 4,241,784</b>	<b>\$ 1,875,999</b>	<b>\$ 2,365,785</b>
Depreciation	84,948			72,394		
Rent of Land	21,055			20,373		
Taxes - other than Payroll and Income	62,380			60,657		
<b>TOTAL OPERATING EXPENSE</b>	<b>\$ 5,215,707</b>			<b>\$ 4,395,208</b>		

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TAUBER 44153

JAPP. 3227

**CONFIDENTIAL**

Schedule B-3

JEFFERSON MEMORIAL HOSPITAL CORPORATION  
OTHER INCOME AND EXPENSE  
FOR THE YEARS ENDED JUNE 30, 1975 AND 1974

INCOME:

	<u>1975</u>	<u>1974</u>
Rents	\$ 7,038	\$ 7,950
Interest	3,184	1,033
Miscellaneous	<u>162</u>	<u>13,228</u>
<u>Total</u>	<u>\$ 10,384</u>	<u>\$ 22,211</u>

EXPENSE:

Interest	\$ 71,404	\$ 76,423
Amortization of Goodwill	11,377	11,377
Loss on Disposal of Equipment	6,731	1,645
Miscellaneous	<u>482</u>	<u>7,559</u>
<u>Total</u>	<u>\$ 89,994</u>	<u>\$ 97,004</u>

<u>NET OTHER INCOME AND EXPENSE</u>	<u><u>\$ (79,610)</u></u>	<u><u>\$ (74,793)</u></u>
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TAUBER 44154



NOTES TO FINANCIAL STATEMENTS

NOTE 1 - ACCOUNTS RECEIVABLE - CONTRACT AGENCIES

An analysis of the receivables in the amount of \$148,388 due from contract agencies as shown on the accompanying balance sheet are as follows:

Virginia Health Insurance Program - Medicaid:	
Fiscal Year Ended June 30, 1975	\$ 30,034
Group Hospitalization, Inc.:	
Fiscal Year Ended June 30, 1975	93,437
Federal Health Insurance Program - Medicare:	
Fiscal Year Ended June 30, 1975	<u>24,917</u>
Total	<u>\$ 148,388</u>

Although reimbursements are received periodically as services are rendered to the contract covered patients, it is estimated that for the above year the allowable cost exceeded the reimbursements by the amounts shown.

NOTE 2 - PLANT AND EQUIPMENT DEPRECIATION

All Capital Assets are being depreciated by the straight-line method of depreciation with the following life-years by asset classification:

Land Improvements	5-10 Years
Building Shell - Used	34-37 Years
Building Components - Used	2-22 Years
Fixed Equipment	3-20 Years
Major Movable Equipment	5-20 Years

Capital assets costing \$100 or less are charged to expense when acquired.

NOTE 3 - PENDING SALE OF LAND AND IMPROVEMENTS WITH A LEASE BACK AGREEMENT

On July 1, 1975 Jefferson Memorial Hospital Corporation had entered into an agreement with a new venture entitled - "Jefferson Memorial Hospital Joint Venture" whereby all of the land and Buildings owned by the Corporation will be acquired for the sum of \$240,000 and the assumption of the existing mortgage payable in the amount of \$508,238.57.

The payment will be made by a redemption of \$229,250 Bonds maturing 1990 and the balance in Cash.

TAUBER 44155

NOTES TO FINANCIAL STATEMENTSNOTE 3 - PENDING SALE OF LAND AND IMPROVEMENTS  
WITH A LEASE BACK AGREEMENT (Continued)

The lease Agreement will commence on July 1, 1975 for a period of 20 years with option to renew for an additional 20 years. The basic annual rental will be \$112,000 per year on a net net lease. In addition, under the terms of the lease the Corporation will pay all maintenance, insurance and taxes on the property.

NOTE 4 - GOODWILL

Goodwill in the amount of \$386,804 is being amortized over a period of 34 years at the rate of \$11,376.50 per year. The amounts of \$341,295 and \$352,672 for the years ended June 30, 1975 and June 30, 1974, respectively, as shown on the accompanying balance sheet represent the unamortized portion.

NOTE 5 - CONTRACT PAYABLE

The amount of \$60,619 which appears on the accompanying balance sheet is the amount due as of June 30, 1975 on a settlement reached with the former pathologist under a prior contract with the Hospital. This amount is being curtailed at the monthly amount of \$2,886.00 plus interest at 6% on the unpaid balance until February 1, 1977.

NOTE 6 - INCOME TAXES

The Internal Revenue Service has made no field examination of the Hospital's income tax returns. The accounting methods used by the Corporation for the recording in its books of account are the same as those used in the preparation of its income tax returns.

NOTE 7 - LEASE AGREEMENT PAYABLE

The amount of \$19,659 represents the unpaid balance due under a lease-purchase agreement of hospital equipment. This amount is curtailed at \$479.48 per month for 60 months beginning December, 1973. The terms stipulate that at the end of the lease period the equipment may be purchased at the nominal value of \$1.

TAUBER 44156

NOTES TO FINANCIAL STATEMENTSNOTE 7 - LEASE AGREEMENT PAYABLE (Continued)

The assets covered under this lease agreement are recorded in the appropriate fixed asset account and are being depreciated over the estimated life-years, assigned to each piece of equipment.

NOTE 8 - NOTES PAYABLE - SECURED BY DEEDS OF TRUST ON REAL ESTATE

The Hospital is obligated on two notes secured by the Hospital plant which are held by First Federal Savings and Loan Association of Arlington. One note, in the amount of \$464,921 is secured by a first deed of trust on the Hospital's land and building and is payable in monthly installments of \$5,900 which includes interest at 6% per annum. The other note, in the amount of \$43,317.57 is secured by a junior deed of trust on the Hospital's land and building and is payable in monthly installments of \$845 which includes interest at 6% per annum.

NOTE 9 - BOND REDEMPTION SINKING FUND REQUIREMENT

Bonds payable, as shown on the accompanying balance sheet, in the amount of \$299,500 mature in 1985 and \$348,270 mature in 1990. A requirement of the bond issue is the establishment of a retirement sinking fund, five years from the date of issue, for either an early redemption or a redemption at maturity.

As of June 30, 1975 the sinking fund requirement amounts to approximately \$67,500 for redemption at maturity but so far no fund has been established.

NOTE 10 - PROVISION FOR CONTRACT ADJUSTMENT - MEDICARE

The amount of \$7,493 as shown on the accompanying balance sheet represents the refundable amount due to the intermediary, Group Hospitalization, Inc. for overpayment for services rendered Medicare Patients for the year ended June 30, 1973.

NOTE 11 - LEASE AGREEMENT - LAND

The lease agreements have been entered into by the Hospital for the greater portion of land which it uses. The term of one lease is for 99 years beginning January 1, 1966 and provides for a basic annual rental of \$15,600 with a provision

NOTES TO FINANCIAL STATEMENTSNOTE 11 - LEASE AGREEMENT - LAND (Continued)

that on each tenth anniversary of the lease commencement date the annual rental can be adjusted by a formula based on the wholesale price index. The term of the other lease commenced on January 1, 1966 and it is also for a period of 99 years with a rental of \$2,406.80 per annum plus a portion of the real estate taxes. For the year ended June 30, 1975 the portion of real estate taxes paid was \$3,366.00.

NOTE 11 - EARNINGS PER SHARE

The Hospital has issued no dilutive convertible securities, options, warrants or other stock rights. Earnings per share represent the net income for the year divided by 245,000 shares outstanding for the year ended June 30, 1975 and 303,300 shares outstanding for the year ended June 30, 1974.

NOTE 13 - CHANGES IN ACCOUNTING POLICY

The Corporation prior to the year ended June 30, 1974 recognized contractual adjustments on patients' accounts at the time paid by the third party. In 1974 it changed this policy to recognize the contractual adjustment at the time the patient is discharged. This change results in a better comparison of the patient revenue with expense.

The cumulative effect on the retained earnings as of June 30, 1973 would be approximately \$116,000. The effect of this change retroactively applied to the year ended June 30, 1973 cannot be established because sufficient information is not available to make the calculation. However, it is believed that the effect on the year ended June 30, 1973 net income, after giving effect to income taxes, would be immaterial.

TAUBER 44158

**CONFIDENTIAL**

Questions:

Let Page - Last Page of Arch'd notes .. seems to be missing Part of message --  
Let him run left off!

1 = we transfer ... we show to 56 PM show to 5360,00 in Bonds needed to  
... with only 5348,00 outstanding ? ... with 3 + 9 compare ...

TAUBER 44159

JAPP. 3233

JEFFERSON MEMORIAL HOSPITAL CORPORATION  
ALEXANDRIA, VIRGINIA



FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1976

DAVID E. MERMELSTEIN  
CERTIFIED PUBLIC ACCOUNTANT

Trial Exhibit  
No. 204.

**DT000014**

**DT000015**

J.APP. 3235

JEFFERSON MEMORIAL HOSPITAL CORPORATION  
JUNE 30, 1976

Scope of audit and auditors' opinion

Exhibit 'A' - Balance Sheet - As of June 30, 1976 and 1975.

Exhibit 'B' - Statement of Income and Retained Earnings  
for the years ended June 30, 1976 and 1975.

Exhibit 'C' - Statement of Changes in Financial Position  
for the years ended June 30, 1976 and 1975.

Schedule B-1 - Revenue from services to patients for the  
years ended June 30, 1976 and 1975.

Schedule B-2 - Statement of Operating Expenses for the  
years ended June 30, 1976 and 1975.

Schedule B-3 - Other Income and Expenses for the years ended  
June 30, 1976 and 1975.

Notes to Financial Statements

**DT000016**

J.APP. 3236



DAVID E. MERMELSTEIN  
CERTIFIED PUBLIC ACCOUNTANT

Suite 102  
4850 Connecticut Avenue, N.W.  
Washington, D.C. 20008  
Telephone 244-1942  
September 29, 1976

The Board of Directors,  
Jefferson Memorial Hospital Corporation,  
Alexandria, Virginia 22302

I have examined the balance sheets of Jefferson Memorial Hospital Corporation as of June 30, 1976 and 1975 and the related statements of income and retained earnings and changes in financial position for the years then ended. My examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as I considered necessary in the circumstances.

In my opinion, the aforementioned financial statements present fairly the financial position of Jefferson Memorial Hospital Corporation at June 30, 1976 and 1975 and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles which, for the change, with which I concur, in the recognition of contractual adjustments as described in Note 13 to the financial statements, have been applied on a consistent basis.

Respectfully submitted,



David E. Mermelstein  
Certified Public Accountant, D.C.

DT000017

JEFFERSON MEMORIAL HOSPITAL CORPORATION  
BALANCE SHEET  
JUNE 30, 1976 and 1975

Exhibit 'A'

<u>ASSETS</u>	<u>1976</u>	<u>1975</u>
Cash In Banks	\$ 29,589	\$ 20,802
Cash-Held in Escrow	15,500	3,200
Notes Receivable	24,000	15,805
Accounts Receivable-Patients	393,322	804,681
Less: Allow. for Uncoll. Acc'ts. (\$251,963 and \$201,191 Respect.)		
Contract Agencies (Note 1)	138,474	148,388
Accrued Interest Receivable	--- ---	2,858
Other Receivables	4,743	8,865
<u>Total Current Assets</u>	<u>\$ 1,105,628</u>	<u>\$ 1,004,599</u>
<u>PROPERTY, PLANT AND EQUIPMENT</u>		
Net - Cost (Note 2 and 3)	432,040	1,227,947
<u>OTHER ASSETS:</u>		
Inventory - At Cost	\$ 34,258	\$ 28,146
Prepaid Expenses	85,812	102,240
Goodwill (Note 4)	329,919	341,295
<u>Total Other Assets</u>	<u>449,989</u>	<u>471,681</u>
<u>Total Assets</u>	<u>\$ 1,987,657</u>	<u>\$ 2,704,227</u>
<u>LIABILITIES AND CAPITAL</u>		
<u>LIABILITIES</u>		
Accounts Payable - Trade	\$ 438,784	\$ 447,223
Employees' Withholding	5,177	10,878
Accrued Expenses	88,937	84,949
Contract Payable - (Note 5)	20,206	60,619
Corporation Income Taxes (Note 6)	56,382	68,795
Lease Agreement Payable (Note 7)	13,905	19,659
Notes Payable	177,617	119,755
Mortgage Payable (Note 8)	--- ---	508,239
Bonds Payable (Note 9)	634,850	647,770
Provisions for Contract Adjustments		
Medicare (Note 10)	14,287	--- ---
Advance Deposits	-- ---	48,117
Other	33,941	12,193
<u>Total Liabilities</u>	<u>\$ 1,484,086</u>	<u>\$ 2,028,197</u>
<u>CAPITAL</u>		
Common Stock - \$.01 Par Value		
Authorized 1,000,000 Shares:		
Issued and Outstanding 207,814 and		
245,000 Shares Respectively	\$ 2,078	\$ 2,450
Capital in Excess of Par Value	562,024	705,356
Donated Capital	20,051	20,051
Retained Earnings (Deficit)(Exhib.8)	(80,582)	(51,827)
<u>Total Capital</u>	<u>503,571</u>	<u>676,030</u>
<u>Total Liabilities and Capital</u>	<u>\$1,987,657</u>	<u>\$ 2,704,227</u>

DT000018

JEFFERSON MEMORIAL HOSPITAL CORPORATION  
STATEMENT OF INCOME AND RETAINED EARNINGS  
FOR THE YEARS ENDED JUNE 30, 1976 AND 1975

Exhibit 'B'

REVENUE FROM SERVICES TO PATIENTS (Schedule B-1):	1976	1975
Routine Services	\$ 2,949,900	\$ 2,646,905
Special Services	4,001,698	3,656,912
	<u>\$ 6,951,598</u>	<u>\$ 6,303,817</u>
<u>DEDUCTIONS FROM REVENUE:</u>		
Adjustments and Allowances:		
Contracting Agencies	\$ 486,487	\$ 674,622
Non-contractual Patients	16,763	21,278
Employees and Professional Courtesy	8,309	9,602
Provision for Uncollectible Accounts		
Net of Recoveries	<u>293,093</u>	<u>151,835</u>
	<u>\$ 804,652</u>	<u>\$ 857,337</u>
Net Revenue from Services to Patients	<u>\$ 6,146,946</u>	<u>\$ 5,446,480</u>
<u>OTHER OPERATING INCOME:</u>		
Sale of Meals	\$ 28,855	\$ 41,945
Commissions	1,987	1,471
Transcripts	3,064	2,129
Sale of Supplies	<u>1,086</u>	<u>501</u>
	<u>\$ 34,992</u>	<u>\$ 46,046</u>
Total Operating Revenue	<u>\$ 6,181,938</u>	<u>\$ 5,492,526</u>
<u>OPERATING EXPENSE (Schedule B-2)</u>	<u>5,851,180</u>	<u>5,215,707</u>
Net Operating Income	<u>\$ 330,758</u>	<u>\$ 276,819</u>
<u>OTHER INCOME AND (EXPENSE) - NET (Schedule B-3)</u>	<u>(130,349)</u>	<u>(79,610)</u>
Net Income Before Income Taxes	<u>\$ 200,409</u>	<u>\$ 197,209</u>
Less: Income Taxes	<u>87,382</u>	<u>74,795</u>
Net Income	<u>\$ 113,027</u>	<u>\$ 122,414</u>
Retained Earnings (Deficit) July 1,	(51,827)	(54,249)
Redemption of 39,706 and 60,000 Shares Respectively	(79,412)	(119,992)
Abandonment of Assets	<u>(62,370)</u>	<u>---</u>
RETAINED EARNINGS (DEFICIT) JUNE 30,	<u>\$ (80,582)</u>	<u>\$ (51,827)</u>
<u>EARNINGS PER COMMON SHARE (Note 12)</u>	<u>\$ .54</u>	<u>\$ .50</u>

DT000019

J.APP. 3239

**JEFFERSON MEMORIAL HOSPITAL CORPORATION**  
**STATEMENT OF CHANGES IN FINANCIAL POSITION**  
**FOR THE YEARS ENDED JUNE 30, 1976 AND 1975**

Exhibit 'C'

**SOURCE OF FUNDS:**

	1976	1975
Net Income (Exhibit-B)	\$ 113,028	\$ 122,414
Expense Not Requiring Funds:		
Depreciation and Amortization	77,462	96,224
Loss on Disposal of Equipment	32,400	6,731
	<hr/>	<hr/>
Total Funds Provided From Operations	\$ 222,890	\$ 225,369
Proceeds from Notes Payable	57,862	109,755
Proceeds from Sale of Corporation's Common Stock	15,145	10,200
Sale of Land and Building	805,248	---
Proceeds from Sale of Bonds Payable	24,000	---
	<hr/>	<hr/>
Total Source of Funds	\$ 1,125,145	\$ 345,324

**APPLICATION OF FUNDS:**

Curtailment of Mortgage and Notes Payable	\$ 508,239	\$ 128,927
Purchase of Corporation's Common Stock	386	11,738
Refund of Current Financing	--	10,883
Curtailment of Contract Payable	40,413	36,359
Purchase of Equipment	170,223	227,337
Curtailment of Lease Agreement Payable	5,754	5,753
Building Addition and Improvements	--	131,327
Redemption of Bonds Payable	274,770	---
	<hr/>	<hr/>
Total Application of Funds	\$ 999,785	\$ 552,324
	<hr/>	<hr/>
<b><u>NET INCREASE OR (DECREASE) IN FUNDS</u></b>	<b>\$ 125,360</b>	<b>\$ (207,000)</b>

**CONSISTING OF:**

	INCREASE	(DECREASE)
	IN FUND	IN FUND
Cash	\$ 21,087	\$ (16,085)
Notes Receivable	8,195	(34,434)
Accounts Receivable	78,727	121,977
Accrued Interest Receivable	(2,858)	(4,800)
Inventories	6,112	4,021
Other Assets	(20,550)	(15,683)
Accounts Payable	8,439	(205,988)
Accrued Expense	40,495	(48,515)
Provision for Contract Adjustments	(14,287)	(7,493)
	<hr/>	<hr/>
<b><u>NET INCREASE OR (DECREASE) IN FUNDS</u></b>	<b>\$ 125,360</b>	<b>\$ (207,000)</b>

**DT000020**

J.APP. 3240

**JEFFERSON MEMORIAL HOSPITAL CORPORATION**  
**REVENUE FROM SERVICES TO PATIENTS**  
**FOR THE YEARS ENDED JUNE 30, 1976 AND 1975**

Schedule B-1

	1 9 7 6			1 9 7 5		
	Total	Inpatient	Outpatient	Total	Inpatient	Outpatient
<b>ROUTINE SERVICES:</b>						
Room and Board	\$2,949,900	\$ 2,949,900	\$ -- --	\$2,646,905	\$ 2,646,905	\$ -- --
<b>Total Routine Services</b>	<b>\$2,949,900</b>	<b>\$ 2,949,900</b>	<b>\$ -- --</b>	<b>\$2,646,905</b>	<b>\$ 2,646,905</b>	<b>\$ -- --</b>
<b>SPECIAL SERVICES:</b>						
Operating Room	\$ 471,293	\$ 433,988	\$ 37,305	\$ 411,110	\$ 389,090	\$ 22,020
Recovery Room	108,540	105,980	2,560	80,305	78,280	2,025
Central Supply	203,996	181,542	22,454	171,735	158,272	13,463
Intravenous	87,743	87,106	637	92,008	91,586	422
Emergency Service	380,617	27,300	353,317	331,657	134,742	196,915
Laboratory	562,528	497,388	65,140	599,503	562,586	36,917
Pulmonary Function Laboratory	67,835	67,052	783	59,108	58,431	677
Blood	61,090	61,030	60	37,545	37,454	91
Transfusion Trays	7,660	7,660	-- --	6,803	6,803	-- --
Electrocardiology	117,074	107,607	9,467	110,746	105,272	5,474
Radiology	543,761	340,895	202,866	511,720	390,490	121,230
Pharmacy	565,038	527,108	37,930	499,691	471,090	28,601
Stress Test	6,055	1,330	4,725	-- --	-- --	-- --
Anesthesia Administration	245,221	239,115	6,106	206,205	202,281	3,924
Anesthesia Material	98,357	93,673	4,684	95,764	93,652	2,112
Inhalation Therapy	314,972	314,797	175	342,319	342,130	189
Physical Therapy	134,943	93,295	41,648	77,170	59,127	18,043
Electroencephalography	24,975	15,250	9,725	20,973	14,460	6,513
Renal Dialysis	-- --	-- --	-- --	2,550	-- --	2,550
<b>Total Special Services</b>	<b>\$4,001,698</b>	<b>\$ 3,202,116</b>	<b>\$ 799,582</b>	<b>\$3,656,912</b>	<b>\$3,195,746</b>	<b>\$ 461,166</b>
<b>TOTAL REVENUE FROM SERVICES TO PATIENTS</b>	<b>\$6,951,598</b>	<b>\$ 6,152,016</b>	<b>\$ 799,582</b>	<b>\$6,303,817</b>	<b>\$5,842,651</b>	<b>\$ 461,166</b>

DT0000021

**JEFFERSON MEMORIAL HOSPITAL CORPORATION**  
**OPERATING EXPENSE**  
**FOR THE YEARS ENDED JUNE 30, 1976 AND 1975**

Schedule B-2

	1 9 7 6			1 9 7 5		
	Total	Salaries and Wages	Supplies and Expenses	Total	Salaries and Wages	Supplies and Expenses
Administration and General	\$ 718,376	\$ 404,061	\$ 314,315	\$ 650,808	\$ 362,934	\$ 287,874
Employees' Health and Welfare	86,544	---	86,544	67,654	---	67,654
Dietary	447,749	199,553	248,196	469,190	193,405	275,785
Housekeeping	162,905	---	162,905	156,796	---	156,796
Laundry and Linen	114,863	19,523	95,340	106,137	17,876	88,261
Insurance	64,084	---	64,084	43,153	---	43,153
Operation of Plant	177,141	92,331	84,810	137,474	68,231	69,243
Repairs and Maintenance	28,346	---	28,346	26,031	---	26,031
Nursing Service	1,082,243	933,264	148,979	973,774	865,797	107,977
Pharmacy	332,623	---	332,623	296,540	---	296,540
Medical Records and Library	65,247	56,941	8,306	59,389	52,221	7,168
Operating Room	278,069	175,554	102,515	261,352	172,553	88,799
Recovery Room	48,468	43,968	4,500	53,094	47,169	5,925
Intensive Care	179,682	151,636	28,046	163,569	137,326	26,243
Laboratory	297,565	56,658	240,907	290,156	104,469	185,687
Pulmonary Function	37,206	---	37,206	35,588	---	35,588
Radiology	397,418	106,330	291,088	354,420	92,913	261,507
Physical Therapy	72,802	38,468	34,334	44,892	27,335	17,557
Inhalation Therapy	185,412	---	185,412	209,701	---	209,701
Anesthesiology	196,129	---	196,129	166,260	---	166,260
Electrocardiology	81,548	30,157	51,391	68,125	24,068	44,057
Central Supply	147,353	40,783	106,570	130,509	37,407	93,102
Electroencephalography	12,718	---	12,718	11,027	---	11,027
Blood Bank	27,344	---	27,344	19,471	---	19,471
Emergency	297,217	94,529	202,688	250,945	76,772	174,173
Miscellaneous Services	2,854	---	2,854	1,269	---	1,269
Employee Pension Plan	29,457	---	29,457	---	---	---
<b>Total</b>	<b>\$ 5,571,363</b>	<b>\$ 2,443,756</b>	<b>\$ 3,127,607</b>	<b>\$ 5,047,324</b>	<b>\$ 2,280,476</b>	<b>\$ 2,766,848</b>
Depreciation	59,241			84,948		
Rent of Land, Building and Equipment	150,305			21,055		
Taxes - other than Payroll and Income	70,271			62,380		
	<b>\$ 5,851,180</b>			<b>\$ 5,215,707</b>		

DTCC022

JAPP.3242

JEFFERSON MEMORIAL HOSPITAL CORPORATION  
OTHER INCOME AND EXPENSE  
FOR THE YEARS ENDED JUNE 30, 1976 AND 1975

<u>INCOME:</u>	<u>1976</u>	<u>1975</u>
Rents	\$ 4,100	\$ 7,038
Interest	- - -	3,184
Miscellaneous	81	162
<u>Total</u>	<u>\$ 4,181</u>	<u>\$ 10,384</u>
<u>EXPENSE:</u>		
Interest	\$ 57,670	\$ 71,404
Amortization of Goodwill	11,377	11,377
Loss on Disposal of Equipment	13,643	6,731
Miscellaneous	- - -	482
Loss on Disposal of Land and Building	51,840	- - -
<u>Total</u>	<u>\$ 134,530</u>	<u>\$ 89,994</u>
<u>NET OTHER INCOME AND EXPENSE</u>	<u><u>\$(130,349)</u></u>	<u><u>\$(79,610)</u></u>

DT000023

## NOTES TO FINANCIAL STATEMENTS

### NOTE 1 - ACCOUNTS RECEIVABLE - CONTRACT AGENCIES

An analysis of the receivables in the amount of \$138,474 due from contract agencies as shown on the accompanying balance sheet are as follows:

Virginia Health Insurance Program - Medicaid: Fiscal Year Ended June 30, 1976	\$ 60,792
Group Hospitalization, Inc.: Fiscal Year Ended June 30, 1976	72,682
Federal Health Insurance Program - Medicare: Fiscal Year Ended June 30, 1976	<u>5,000</u>
Total	<u>\$138,474</u>

Although reimbursements are received periodically as services are rendered to the contract covered patients, it is estimated that for the above year the allowable cost exceeded the reimbursements by the amounts shown.

### NOTE 2 - PLANT AND EQUIPMENT DEPRECIATION

All Capital Assets are being depreciated by the straight-line method of depreciation with the following life-years by asset classification:

Fixed Equipment	3-20 Years
Major Movable Equipment	5-20 Years
Leasehold Improvements	5-20 Years

Capital assets costing \$100 or less are charged to expense when acquired.

### NOTE 3 - SALE OF LAND AND IMPROVEMENTS WITH A LEASE BACK AGREEMENT

On July 1, 1975 Jefferson Memorial Hospital Corporation had entered into a sale leaseback agreement with a new venture entitled - "Jefferson Memorial Hospital Joint Venture" whereby all of the Land and Buildings owned by the Corporation was acquired by the venture for the sum of \$240,000 and the assumption of the existing mortgage payable in the amount of \$508,238.57.

The payment was made by a redemption of \$229,250 Bonds maturing 1990 and the balance in Cash.

DT:0002



## NOTES TO FINANCIAL STATEMENTS

### NOTE 3 - SALE OF LAND AND IMPROVEMENTS WITH A LEASE BACK AGREEMENT (Continued)

The ~~lease~~ Agreement commenced on July 1, 1975 for a period of 20 years with option to renew for an additional 20 years. The basic annual rental is \$112,000 per year on a net net lease. In addition, under the terms of the lease the Corporation will pay all maintenance, insurance and taxes on the property.

### NOTE 4 - GOODWILL

Goodwill in the amount of \$386,804 is being amortized over a period of 34 years at the rate of \$11,376.50 per year. The amounts of \$329,919 and \$341,295 for the years ended June 30, 1976 and June 30, 1975, respectively, as shown on the accompanying balance sheet represent the unamortized portion.

### NOTE 5 - CONTRACT PAYABLE

The amount of \$20,206 which appears on the accompanying balance sheet is the amount due as of June 30, 1976 on a settlement reached with the former pathologist under a prior contract with the Hospital. This amount is being curtailed at the monthly amount of \$2,886.00 plus interest at 6% on the unpaid balance until February 1, 1977.

### NOTE 6 - INCOME TAXES

The Internal Revenue Service has made a field examination of the Hospital's income tax return for the Fiscal Year ended June 30, 1974. The examination resulted in no change to income and the company's return was accepted as filed. The accounting methods used by the Corporation for the recording in its books of account are the same as those used in the preparation of its income tax returns.

### NOTE 7 - LEASE AGREEMENT PAYABLE

The amount of \$13,905 represents the unpaid balance due under a lease-purchase agreement of hospital equipment. This amount is curtailed at \$479.48 per month for

DT000025

## NOTES TO FINANCIAL STATEMENTS

### NOTE 7 - LEASE AGREEMENT PAYABLE (continued)

60 months beginning December, 1973. The terms stipulate that at the end of the lease period the equipment may be purchased at the nominal value of \$1.

The assets covered under this lease agreement are recorded in the appropriate fixed asset account and are being depreciated over the estimated life-years assigned to each piece of equipment.

The Corporation has signed a seven year lease ending March 1, 1981 for its television equipment with a balance remaining \$49,169.40 as of June 30, 1976. The stipulation of the terms are the same as above.

In addition, during the fiscal year ended, the Hospital entered into a lease with General Electric Company in renting two "Portable X-Ray Units." The terms of the leases are five years with an aggregate amount of \$60,000 for the period.

### NOTE 8 - NOTES PAYABLE - SECURED BY DEEDS OF TRUST ON REAL ESTATE

The Hospital was obligated on two notes secured by the Hospital plant which were held by First Federal Savings and Loan Association of Arlington. One note, in the amount of \$464,921 was secured by a first deed of trust on the Hospital's land and building and was payable in monthly installments of \$5,900 which included interest at 6% per annum. The other note, in the amount of \$43,317.57 was secured by a junior deed of trust on the Hospital's land and building and was payable in monthly installments of \$845 which included interest at 6% annum.

### NOTE 9 - BOND REDEMPTION SINKING FUND REQUIREMENT

Bonds payable, as shown on the accompanying balance sheet, in the amount of \$243,500 mature in 1985, \$153,500 mature in 1990, and \$237,850 mature in 1996. A requirement of the bond issue is the establishment of a retirement sinking fund, five years from the date of issue, for either an early redemption or a redemption at maturity.

DT000026

## NOTES TO FINANCIAL STATEMENTS

### NOTE 9 - BOND REDEMPTION SINKING FUND REQUIREMENT (Continued)

As of June 30, 1976 the sinking fund requirement amounts to approximately \$97,400 for redemption at maturity. During the fiscal year the corporation has redeemed bonds payable in the amount of \$274,770 and had a sinking fund balance of \$57,300 at year end.

### NOTE 10 - PROVISION FOR CONTRACT ADJUSTMENT - MEDICARE

The amount of \$14,287 as shown on the accompanying balance sheet represents the refundable amount due to the intermediary, Group Hospitalization, Inc. for overpayment for services rendered Medicare Patients for the year ended June 30, 1975.

### NOTE 11 - LEASE AGREEMENT - LAND

The lease agreements have been entered into by the Hospital for the greater portion of land which it uses. The term of one lease is for 99 years beginning January 1, 1966 and provides for a basic annual rental of \$15,600 with a provision that on each tenth anniversary of the lease commencement date the annual rental can be adjusted by a formula based on the wholesale price index. The term of the other lease commenced on January 1, 1966 and it is also for a period of 99 years with a rental of \$2,406.80 per annum plus a portion of the real estate taxes. For the year ended June 30, 1976 the portion of real estate taxes paid was \$3,364.37.

### NOTE 12 - EARNINGS PER SHARE

The Hospital has issued no dilutive convertible securities, options, warrants or other stock rights. Earnings per share represent the net income for the year divided by 207,814 shares outstanding for the year ended June 30, 1976 and 245,000 shares outstanding for the year ended June 30, 1975.

DT000027

J.APP. 3247

## NOTES TO FINANCIAL STATEMENTS

### NOTE 13 - CHANGES IN ACCOUNTING POLICY

The Corporation prior to the year ended June 30, 1974 recognized contractual adjustments on patients' accounts at the time paid by the third party. In 1974 it changed this policy to recognize the contractual adjustment at the time the patient is discharged. This change results in a better comparison of the patient revenue with expense.

The cumulative effect on the retained earnings as of June 30, 1973 would be approximately \$116,000. The effect of this change retroactively applied to the year ended June 30, 1973 cannot be established because sufficient information is not available to make the calculation. However, it is believed that the effect on the year ended June 30, 1973 net income, after giving effect to income taxes, would be immaterial.

### NOTE 14 - EMPLOYEE PENSION PLAN AND TRUST

The Corporation entered into a employee pension plan effective date December 1, 1975. The amount of the Employer's contribution is based upon Participant's Annual Compensation at the rate of 3%  $\text{\$}$  annum. It is estimated that the cost of the plan will be approximately \$50,000 per year.

**DT000028**

J.APP. 3248

**U.S. Corporation Income Tax Return**

For calendar year 1975 or other taxable year beginning  
**July 1** 1975, ending **June 30,** 1976  
(PLEASE TYPE OR PRINT)

**CONFIDENTIAL**

Copy  
**1975**

Check if a—  
A Consolidated return ☐  
B Personal Holding Co. ☐  
C Business Code No. (See page 7 of instructions)  
**8099**

Name **JEFFERSON MEMORIAL HOSPITAL CORPORATION**  
Number and street  
**1600 King Street**  
City or town, State, and ZIP code  
**Alexandria, Virginia 22302**

D Employer identification number  
**51-0781092**

E Date incorporated  
**June 3rd 1971**

F Enter total assets from line 14, column (D), Schedule L (See instruction R)  
**2 253 551 78**

**IMPORTANT—Fill in all applicable lines and schedules. If the lines on the schedules are not sufficient, see instruction N.**

<b>GROSS INCOME</b>	1	Gross receipts or gross sales	<b>6 251 573 41</b>	Less: Returns and allowances	<b>511 538 34</b>	1	<b>6 440 039 27</b>
	2	Less: Cost of goods sold (Schedule A) and/or operations (attach schedule)				2	<b>5 437 080 52</b>
	3	Gross profit				3	<b>1 022 552 73</b>
	4	Dividends (Schedule C)				4	
	5	Interest on obligations of the United States and U.S. instrumentalities				5	
	6	Other interest				6	
	7	Gross rents				7	<b>4 343 99</b>
	8	Gross royalties				8	
	9(a)	Net capital gains (attach separate Schedule D)				9(a)	
	9(b)	Ordinary gain or (loss) from Part II, Form 4797 (attach Form 4797)				9(b)	<b>(51 840 13)</b>
	10	Other income (see instructions—attach schedule)				10	<b>134 566 16</b>
11	TOTAL income—Add lines 3 through 10				11	<b>1 027 784 75</b>	
<b>DEDUCTIONS</b>	12	Compensation of officers (Schedule E)				12	<b>18 174 32</b>
	13	Salaries and wages (not deducted elsewhere)				13	
	14	Repairs (see instructions)				14	
	15	Bad debts (Schedule F if reserve method is used)				15	<b>223 525 01</b>
	16	Rents				16	<b>150 305 07</b>
	17	Taxes (attach schedule)				17	<b>82 978 51</b>
	18	Interest				18	<b>57 670 42</b>
	19	Contributions (not over 5% of line 30 adjusted per instructions—attach schedule)				19	
	20	Amortization (attach schedule)				20	
	21	Depreciation (Schedule G)				21	<b>59 240 64</b>
	22	Depletion				22	
	23	Advertising				23	
	24	Pension, profit-sharing, etc. plans (see instructions) (enter number of plans <b>04E</b> )				24	<b>29 456 85</b>
	25	Employee benefit programs (see instructions)				25	
	26	Other deductions (attach schedule)				26	<b>98 293 98</b>
	27	TOTAL deductions—Add lines 12 through 26				27	<b>888 705 70</b>
	28	Taxable income before net operating loss deduction and special deductions (line 11 less line 27)				28	<b>129 079 05</b>
	<b>TAX</b>	29	Less: (a) Net operating loss deduction (see instructions—attach schedule)		29(a)		
		(b) Special deductions (Schedule I)		29(b)			
30		Taxable income (line 28 less line 29)				30	<b>129 079 05</b>
31		TOTAL TAX (Schedule J)				31	<b>74 674 87</b>
32		Credits: (a) Overpayment from 1974 allowed as a credit					
		(b) 1975 estimated tax payments	<b>36,000.00</b>				
		(c) Less refund of 1975 estimated tax applied for on Form 4466		<b>36,000.00</b>			
		(d) Tax deposited with Form 7004 (attach copy)					
		(e) Tax deposited with Form 7005 (attach copy)					
		(f) Credit from regulated investment companies (attach Form 2439)					
	(g) U.S. tax on special fuels, nonhighway gas and lubricating oil (attach Form 4136)						
33	TAX DUE (line 31 less line 32). See instruction G for depository method of payment				33	<b>36 000 00</b>	
34	OVERPAYMENT (line 32 less line 31)				34	<b>32 674 87</b>	
35	Enter amount of line 34 you want: Credited to 1976 estimated tax <input type="checkbox"/> Refunded <input type="checkbox"/>				35		

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

The Internal Revenue Service does not require a seal on this form, but if one is used, please place it here.

Date \_\_\_\_\_  
Date \_\_\_\_\_

Signature of officer \_\_\_\_\_  
Signature of individual or firm preparing the return  
**DAVID H. HARRIS**

Title \_\_\_\_\_  
Preparer's address  
**4850 Commonwealth Ave. D.C.**

**TAUBER 43362**

J.APP. 3249

**CONFIDENTIAL**

Page 2

**Schedule A** Cost of Goods Sold (See instruction 2)

1 Inventory at beginning of year	
2 Merchandise bought for manufacture or sale	SEE
3 Salaries and wages	SCHEDULE
4 Other costs (attach schedule)	
5 Total	
6 Less: Inventory at end of year	
7 Cost of goods sold—Enter on line 2, page 1	5,439,050.11

Method of inventory valuation

N/A

Was there any substantial change in determining quantities, cost, or valuations between opening and closing inventory? ☐ Yes ☐ No

If "Yes," attach explanation.

**Schedule C** Dividends (See instruction 4)

1 Domestic corporations subject to 85% deduction	
2 Certain preferred stock of public utilities	
3 Foreign corporations subject to 85% deduction	
4 Dividends from wholly-owned foreign subsidiaries subject to 100% deduction (section 245(b))	
5 Other dividends from foreign corporations	
6 Includable income from controlled foreign corporations under subpart F (attach Forms 3646)	
7 Foreign dividend gross-up (section 78)	
8 Qualifying dividends received from affiliated groups and subject to the 100% deduction (section 243 (3))	
9 Qualifying dividends received from affiliated groups and subject to the provisions of section 1564(b)	
10 Taxable dividends from a DISC or former-DISC not included in line 1 (section 246(d))	
11 Other dividends	
12 Total—Enter here and on line 4, page 1	

**Schedule E** Compensation of Officers (See instruction 12)

1. Name of officer	2. Social security number	3. Title	4. Time devoted to business	Percent of corporation stock owned	7. Amount of compensation	8. Expense account allowances
IRVIN FREEDMAN, MD	160-26-5075	PRES.	PART	5. Common 6. Preferred	11,350.00	N
STEPHEN KAUFMAN, MD	186-30-2751	V. PRES.	PART		6,794.32	N
						N
						C
Total compensation of officers—Enter here and on line 12, page 1					18,174.32	

**Schedule F** Bad Debts—Reserve Method (See instruction 15)

1. Year	2. Trade notes and accounts receivable outstanding at end of year	3. Sales on account	4. Current year's provision	5. Recoveries	6. Amount charged against reserve	7. Reserve for bad debts at end of year
1970	854,754.00	2,347,681.00	126,131.00	1	63,755.00	170,246.00
1971	1,045,017.00	4,070,652.00	200,266.00	1	146,210.00	2,513,332.00
1972	1,131,530.00	4,411,151.00	237,470.00	1	152,013.00	3,102,350.00
1973	941,676.00	5,337,754.00	167,697.00	1	352,335.00	2,415,617.00
1974	1,005,571.00	6,303,323.00	210,111.00	1	254,537.00	3,011,191.00
1975	1,145,285.00	6,951,592.00	392,556.00	1	341,514.00	2,511,953.00

**Schedule G** Depreciation (See instructions for Schedule G) Note: If depreciation is computed by using the Class Life (ADR) System or the Guideline Class Life System, you must file Form 4832 (Class Life (ADR) System) or Form 5006 (Guideline Class Life System) with your return. Check box(es) if you made an election this taxable year to use ☐ Class Life (ADR) System and/or ☐ Guideline Class Life System. See Publication 534.

1. Group and guideline class or description of property	2. Date acquired	3. Cost or other basis	4. Depreciation allowed or allowable in prior years	5. Method of computing depreciation	6. Life or rate	7. Depreciation for this year
1 Total additional first-year depreciation (do not include in items below)						
2 Depreciation from Form 4832						
3 Depreciation from Form 5006						
4 Other depreciation:						
Buildings						
Furniture and fixtures						
Transportation equipment						
Machinery and other equipment						
Other (specify)						
MAJOR MOVABLE	VARIOUS	541,145.37	156,337.36	5.6	VARIOUS	48,469.36
FIXED EQUIPMENT	"	140,611.32	59,513.30	"	"	9,600.22
LEASEHOLD IMPROVEMENTS	1975/6	25,455.45	59.15	"	"	1,171.06
5 Totals		707,215.14				59,240.64
6 Less: Amount of depreciation claimed in Schedule A						
7 Balance—Enter here and on line 21, page 1						59,240.64

TAUBER 43363

J.APP. 3250

JEFFERSON MEMORIAL HOSPITAL CORPORATION  
ALEXANDRIA VIRGINIA  
COST OF OPERATIONS F.Y.E. 6-30-'76

**CONFIDENTIAL**

	TOTAL	SALARIES AND WAGES	SUPPLIES AND EXPENSES
ADMINISTRATION + GENERAL	\$ 57620253	\$ 35451299	\$ 22168954
EMPLOYEE'S HEALTH AND WELFARE	8654400	-	8654400
DIETARY	44774962	19955328	24819634
HOUSEKEEPING	16290515	-	16290515
LAUNDRY + LINEN	11486311	1952215	9534036
OPERATION OF PLANT	17114122	9233103	8421019
REPAIRS + MAINTENANCE	2834643	-	2834643
NURSING SERVICE	102224329	93326360	14897969
PHARMACY	33262302	-	33262302
MEDICAL RECORDS + LIBRARY	6524675	5694073	830602
OPERATING ROOM	27806878	17555409	10251469
RECOVERY ROOM	4846760	4396760	450000
INTENSIVE CARE	17963213	15163611	2804602
LABORATORY	29156509	5665796	24090713
PULMONORY FUNCTION	3720640	-	3720640
RADIOLOGY	39141802	10633046	29108756
PHYSICAL THERAPY	7280178	3846752	3433420
INHALATION THERAPY	18541203	-	18541203
ANESTHESIOLOGY	19612914	-	19612914
ELECTRO CARDIOLOGY	8154840	3015750	5139090
ELECTRO ENCEPHALOGRAPHY	1271795	-	1271795
CENTRAL SUPPLY	14735294	4078327	10656967
BLOOD BANK	2734432	-	2734432
EMERGENCY	29721682	9452918	20268764
STRESS TEST	285400	-	285400
DATA PROCESSING	10343002	3137360	7205642
<u>TOTAL COST OF OPERATIONS</u>	<u>\$ 543978754</u>	<u>\$ 242558173</u>	<u>\$ 301349881</u>

TAUBER 43364

**CONFIDENTIAL**

JEFFERSON MEMORIAL HOSPITAL CORPORATION

ALEXANDRIA, VIRGINIA

SCHEDULES - - F.Y.E. 6-30-76

<u>SCHEDULE OF OTHER INCOME</u>			
CAFETERIA SALES		# 2225450	
MEDICAL TRANSCRIPTS		306400	
COMMISSIONS		198712	
RECOVERY OF BAD DEBTS		9949291	
NON-PATIENT SUPPLIES		108654	
MISCELLANEOUS		2109	
<u>TOTAL OTHER INCOME</u>			# 13456616
<u>SCHEDULE OF TAXES</u>			
REAL ESTATE		# 4071700	
BUSINESS LICENSE		1543600	
SALES TAX		907360	
FRANCHISE TAX		100300	
PERSONAL PROPERTY		404174	
STATE INCOME TAX		1270717	
<u>TOTAL TAXES</u>			# 8297851
<u>SCHEDULE OF OTHER DEDUCTIONS</u>			
INSURANCE		# 6408375	
LOSS ON DISPOSAL OF EQUIPMENT		1364133	
SECURITY		2056890	
<u>TOTAL OTHER DEDUCTIONS</u>			# 9829398
		TAUBER 43365	



Schedule J- Special Deductions		Schedule J- Tax Computation	
1	(a) 85% of line 1, Schedule C . . . . .	1	Taxable income (line 30, page 1) . . . . .
	(b) 60.208% of line 2, Schedule C . . . . .	2	Enter line 1 or \$25,000, whichever is lesser. (Members of a controlled group, see instructions) . . . . .
	(c) 85% of line 3, Schedule C . . . . .	3	Line 1 less line 2 . . . . .
	(d) 100% of line 4, Schedule C . . . . .	4	Enter line 3 or \$25,000, whichever is lesser. (Members of a controlled group, see instructions) . . . . .
2	Total—See instructions for limitation . . . . .	5	Line 3 less line 4 . . . . .
3	100% of line 8, Schedule C . . . . .	6	20% of line 2 . . . . .
4	Enter dividends-received deduction allowed for dividends reported on line 9, Sch. C. See section 1564(b) for computation . . . . .	7	22% of line 4 . . . . .
5	Dividends paid on certain preferred stock of public utilities (see instructions) . . . . .	8	48% of line 5 . . . . .
6	Western Hemisphere trade corporations (see instructions) . . . . .	9	Income tax (Sum of lines 6, 7 and 8 or alternative tax from separate Schedule D, whichever is lesser; fiscal year corps., enter amount from line 5, Part III, Form 1120-FY 1975-76) . . . . .
7	Total special deductions—Add lines 2 through 6. Enter here and on line 29(b), page 1 . . . . .	10	(a) Foreign tax credit (attach Form 1118) . . . . .
			(b) Investment credit (attach Form 3468) . . . . .
			(c) Work incentive (WIN) credit (attach Form 4874) . . . . .
		11	Total of lines 10(a), (b), and (c) . . . . .
		12	Line 9 less line 11 . . . . .
		13	Personal holding company tax (attach Schedule PH (Form 1120)) . . . . .
		14	Tax from recomputing a prior year investment credit (attach Form 4255) . . . . .
		15	Tax from recomputing a prior year WIN credit (see instructions—attach computation) . . . . .
		16	Minimum tax on tax preference items (see instructions—attach Form 4626) . . . . .
		17	Total tax—Add lines 12 through 16. Enter here and on line 31, page 1 . . . . .

Serial number of Form 503	Date of deposit	Amount	Serial number of Form 503	Date of deposit	Amount	Serial number of Form 503	Date of deposit	Amount
1183	2-13-76	9000.00	488	7-9-76	9000.00			
483	4-9-76	9000.00						
1184	6-15-76	9000.00						

<b>G</b> Did you claim a deduction for expenses connected with:		<b>L</b> Were you a member of a controlled group subject to the provisions of Section 1561?	
(1) Entertainment facility (boat, resort, ranch, etc.)?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	If "Yes," check the type of relationship: (1) <input type="checkbox"/> parent-subsidiary (2) <input type="checkbox"/> brother-sister (3) <input type="checkbox"/> combination of (1) and (2) (See section 1563.)	
(2) Living accommodations (except for employees on business)?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<b>M</b> Refer to page 7 of instructions and state the principal: Business activity: <u>HOSPITAL</u> Product or service: <u>MEDICAL SERVICE</u>	
(3) Employees' families at conventions or meetings?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<b>N</b> Did you file all required Forms 1087, 1096 and 1099?	
(4) Employee or family vacations not reported on Form W-2?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<b>O</b> Were you a U.S. shareholder of any controlled foreign corporation? (See sections 951 and 957.)	
<b>H</b> (1) Did you at the end of the taxable year own, directly or indirectly, 50% or more of the voting stock of a domestic corporation? (For rules of attribution, see section 267(c).)	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	If "Yes," attach Form 3616 for each such corporation.	
If "Yes," attach a schedule showing: (a) name, address, and identifying number; (b) percentage owned; and (c) taxable income or (loss) (e.g., if a Form 1120: from line 30, page 1, Form 1120) of such corporation for the taxable year ending with or within your taxable year.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<b>P</b> If you are a farmers' cooperative, check type: <input type="checkbox"/> purchasing <input type="checkbox"/> marketing <input type="checkbox"/> service <input type="checkbox"/> other (explain)	
(2) Did any individual, partnership, corporation, estate or trust at the end of the taxable year own, directly or indirectly, 50% or more of your voting stock? (For rules of attribution, see section 267(c).)	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<b>Q</b> During this taxable year, did you pay dividends (other than stock dividends and distributions in exchange for stock) in excess of your current and accumulated earnings and profits? (See sections 301 and 316.)	
If "Yes:" (a) Attach a schedule showing name, address, and identifying number. (b) Enter percentage owned. <u>                    </u> (c) Was the owner of such voting stock a person other than a U.S. person?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	If "Yes," file Schedule A, Form 1096. If this is a consolidated return, answer here for parent corporation and on Form 851, Affiliations Schedule, for each subsidiary.	
If "Yes," enter owner's country: <u>                    </u> (See instruction T.)	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No		
<b>I</b> Did you ever declare a stock dividend?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No		
<b>J</b> Did you exclude income under section 931?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No		
<b>K</b> Taxable income or (loss) from line 30, page 1, Form 1120 for your taxable year beginning in:	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No		
1972 <u>250,753</u> . . . 1973 <u>25,487</u> . . . 1974 <u>194,970</u>			

TAUBER 43366

J.APP. 3253

# Computation of Investment Credit

▶ Attach to your tax return

**1975**  
**CONFIDENTIAL**

Name

JEFFERSON ALABAMA POWER CO.

Identifying number as shown on page 1 of your tax return

51-0784092

Note: Include your share of investment in property made by a partnership, estate, trust, small business corporation, or lessor.

- 1 Qualified investment in property acquired or constructed prior to January 22, 1975 and placed in service during the taxable year. (See instructions C and D for eligible property.)

Type of property	Line	(1) Life years	(2) Cost or basis (See instruction G)	(3) Applicable percentage	(4) Qualified investment (Column 2 x column 3)
New property	(a)	3 or more but less than 5		33 1/3	
	(b)	5 or more but less than 7		66 2/3	
	(c)	7 or more		100	
Used property (See instructions for dollar limitation)	(d)	3 or more but less than 5		33 1/3	
	(e)	5 or more but less than 7		66 2/3	
	(f)	7 or more		100	

- 2 Add lines 1(a) through (f)

- 3 7% of line 2 (4% for public utility property)

- 4 Qualified investment in property acquired or constructed after January 21, 1975 and placed in service during the taxable year, and qualified progress expenditures made after January 21, 1975.

New property	(a)	3 or more but less than 5	9,045.88	33 1/3	3,031.65
	(b)	5 or more but less than 7	27,565.02	66 2/3	18,376.77
	(c)	7 or more	52,422.23	100	52,422.23
Qualified progress expenditures	1974	(d)		20	
	1975	(e)		20	
Used property (See instructions for dollar limitation)	(f)	3 or more but less than 5		33 1/3	
	(g)	5 or more but less than 7		66 2/3	
	(h)	7 or more		100	

- 5 Add lines 4(a) through (h)

- 6 10% of line 5

- 7 Electing corporations with qualifying employee stock ownership plan—Enter 1% of line 5. (Attach election statement.)

- 8 Carryback and carryover of unused credit(s). (See instruction F and instruction for line 8—attach computation.)

- 9 Tentative investment credit—Add lines 3, 6, 7, and 8

## Limitation

- 10 (a) Individuals—Enter amount from line 16(c), page 1, Form 1040

- (b) Estates and trusts—Enter amount from line 24 or 25, page 1, Form 1041

- (c) Corporations—Enter amount from line 9, Schedule J, page 3, Form 1120

- 11 Less:

- (a) Foreign tax credit

- (b) Retirement income credit (individuals only)

- (c) Tax on lump-sum distributions. (See instruction for line 11.)

- 12 Total—Add lines 11(a), (b), and (c)

- 13 Line 10 less line 12

- 14 (a) Enter amount on line 13 or \$25,000, whichever is lesser. (Married persons filing separately, controlled corporate groups, estates, and trusts, see instruction for line 14.)

- (b) If line 13 exceeds line 14(a), enter 50% of the excess. (For public utility property, see section 46(a)(6).)

- 15 Total—Add lines 14(a) and (b)

- 16 Investment credit—Amount from line 9 or line 15, whichever is lesser (enter here and on line 49, Form 1040; line 10(b), Schedule J, page 3, Form 1120; or the appropriate line on other returns)

Schedule A.—If any part of your investment in lines 1 or 4 above was made by a partnership, estate, trust, small business corporation, or lessor, complete the following statement and identify property qualifying for the 7% or 10% investment credit and qualified progress expenditures.

Name (Partnership, estate, trust, etc.)	Address	Property		
		New	Used	Life years
		\$	\$	

If property is disposed of prior to the life years used in computing the investment credit, see instruction E.

# Supplemental Schedule of Gains and Losses

Sales, Exchanges and Involuntary Conversions under  
Sections 1231, 1245, 1250, 1251, and 1252

To be filed with Form 1040, 1041, 1065, 1120, etc.—See Separate Instructions

**CONFIDENTIAL** 1975

Name(s) as shown on return

JEFFERSON MEMORIAL HOSPITAL CORP.

Identifying number

54-0784092

## Part I

### Sales or Exchanges of Property Used in Trade or Business, and Involuntary Conversions (Section 1231)

#### SECTION A.—Involuntary Conversions Due to Casualty and Theft (See Instruction E)

a. Kind of property (if necessary, attach additional descriptive details not shown below)	b. Date acquired (mo., day, yr.)	c. Date sold (mo., day, yr.)	d. Gross sales price	e. Depreciation allowed (or allowable) since acquisition	f. Cost or other basis, cost of subsequent improvements (if not purchased, attach explanation) and expense of sale	g. Gain or (loss) (d plus e less f)
1						

2 Combine the amounts on line 1. Enter here, and on the appropriate line as follows

(a) For all except partnership returns:

(1) If line 2 is zero or a gain, enter such amount in column g, line 3.

(2) If line 2 is a loss, enter the loss on line 5.

(b) For partnership returns: Enter the amount shown on line 2 above, on Schedule K (Form 1065), line 6.

#### SECTION B.—Sales or Exchanges of Property Used in Trade or Business and Certain Involuntary Conversions (Not Reportable in Section A) (See Instruction E)

3	1250 PROPERTY	7-1-71	7-1-75	742,232.51	138,284.71	938,363.41	(51,840.13)

4 Combine the amounts on line 3. Enter here, and on the appropriate line as follows

(a) For all except partnership returns:

(1) If line 4 is a gain, enter such gain as a long-term capital gain on Schedule D (Form 1040, 1120, etc.) that is being filed. See instruction E.

(2) If line 4 is zero or a loss, enter such amount on line 6.

(b) For partnership returns: Enter the amount shown on line 4 above, on Schedule K (Form 1065), line 7.

## Part II

### Ordinary Gains and Losses

a. Kind of property (if necessary, attach additional descriptive details not shown below)	b. Date acquired (mo., day, yr.)	c. Date sold (mo., day, yr.)	d. Gross sales price	e. Depreciation allowed (or allowable) since acquisition	f. Cost or other basis, cost of subsequent improvements (if not purchased, attach explanation) and expense of sale	g. Gain or (loss) (d plus e less f)
5	Amount, if any, from line 2(a)(2)					(51,840.13)
6	Amount, if any, from line 4(a)(2)					
7	Gain, if any, from page 2, line 21					
8						

9 Combine amounts on lines 5 through 8. Enter here, and on the appropriate line as follows

(a) For all except individual returns: Enter the gain or (loss) shown on line 9, on the line provided for on the return (Form 1120, etc.) being filed. See instruction F for specific line reference.

(b) For individual returns:

(1) If the gain or (loss) on line 9, includes losses which are to be treated as an itemized deduction on Schedule A (Form 1040) (see instruction F), enter the total of such loss(es) here and include on Schedule A (Form 1040), line 29—identify as "loss from Form 4797, line 9(b)(1)"

(2) Redetermine the gain or (loss) on line 9, excluding the loss (if any) entered on line 9(b)(1). Enter here and on Form 1040, line 30

Form 4797 (1975)

TAUBER 43368

J.APP. 3255

**Part III**

Gain From Disposition of Property Under Sections 1245, 1250, 1251, 1252—Assets Held More than Six Months (See Separate Instructions)

Disregard lines 18 and 19 if there are no dispositions of farm property or farmland, or if this form is filed by a partnership.

10 Description of sections 1245, 1250, 1251, and 1252 property:				Date acquired (mo., day, yr.)	Date sold (mo., day, yr.)
(A)	LAND AND BUILDING - USED IN TRADE			7-1-71	7-1-75
(B)					
(C)					
(D)					
(E)					
Relate lines 10(A) through 10(E) to these columns ▶ ▶ ▶ ▶				Property (A)	Property (B)
				Property (C)	Property (D)
				Property (E)	
11	Gross sales price . . . . .	748,238.57			
12	Cost or other basis and expense of sale . . . . .	938,363.41			
13	Depreciation allowed (or allowable) . . . . .	138,284.71			
14	Adjusted basis, line 12 less line 13 . . . . .	800,078.70			
15	Total gain, line 11 less line 14 . . . . .	(51,840.13)			
16	If section 1245 property:				
	(a) Depreciation allowed (or allowable) after applicable date (see instructions) . . . . .				
	(b) Enter smaller of line 15 or 16(a) . . . . .				
17	If section 1250 property:				
	(a) Enter additional depreciation after 12/31/63 and before 1/1/70 . . . . .				
	(b) Enter additional depreciation after 12/31/69 . . . . .	NONE			
	(c) Enter smaller of line 15 or 17(b) . . . . .	NONE			
	(d) Line 17(c) times applicable percentage (see instruction G.4) . . . . .				
	(e) Enter any excess of line 15 over line 17(b) . . . . .				
	(f) Enter smaller of line 17(a) or 17(e) . . . . .				
	(g) Line 17(f) times applicable percentage (see instruction G.4) . . . . .				
	(h) Add lines 17(d) and 17(g) . . . . .	NONE			
18	If section 1251 property:				
	(a) If farmland, enter soil, water, and land clearing expenses for current year and the four preceding years . . . . .				
	(b) If farm property other than land, subtract line 16(b) from line 15; OR, if farmland, enter smaller of line 15 or 18(a) (see instruction G.5) . . . . .				
	(c) Excess deductions account (see instruction G.5) . . . . .				
	(d) Enter smaller of line 18(b) or 18(c) . . . . .				
19	If section 1252 property:				
	(a) Enter soil, water, and land clearing expenses made after 12/31/69 . . . . .				
	(b) Enter amount from line 18(d), if none enter a zero . . . . .				
	(c) Enter any excess of line 19(a) over line 19(b) . . . . .				
	(d) Line 19(c) times applicable percentage (see instruction G.5) . . . . .				
	(e) Line 15 less line 19(b) . . . . .				
	(f) Enter smaller of line 19(d) or 19(e) . . . . .				
<b>Summary of Part III Gains (Complete Property columns (A) through (E) through line 19(f) before going to line 20)</b>					
20	Total gains for all properties (add columns (A) through (E), line 15) . . . . .				
21	Add columns (A) through (E), lines 16(b), 17(h), 18(d), and 19(f). Enter here and on line 7 . . . . .				
22	Subtract line 21 from line 20. Enter here and in appropriate Section in Part I (see instructions E and G.2) . . . . .				

**Schedule L Balance Sheets**

	Beginning of taxable year		CONFIDENTIAL	
	(A) Amount	(B) Total	(C) Amount	(D) Total
<b>ASSETS</b>				
1 Cash . . . . .		20,551.71		20,551.71
2 Trade notes and accounts receivable . . . . .	1,170,004.51		1,312,502.11	
(a) Less allowance for bad debts . . . . .	201,190.65	965,313.53	251,463.00	1,060,539.11
3 Inventories . . . . .		28,146.50		31,258.41
4 Gov't obligations: (a) U.S. and instrumentalities (b) State, subdivisions thereof, etc. . . . .				
5 Other current assets (attach schedule) <b>PREPAID</b> . . . . .		111,262.54		167,465.35
6 Loans to stockholders . . . . .				
7 Mortgage and real estate loans . . . . .				
8 Other investments (attach schedule) . . . . .				
9 Buildings and other fixed depreciable assets . . . . .	1,416,258.15		707,215.14	
(a) Less accumulated depreciation . . . . .	400,962.34	1,015,295.81	275,175.45	432,039.69
10 Depletable assets . . . . .				
(a) Less accumulated depletion . . . . .				
11 Land (net of any amortization) . . . . .		141,455.60		
12 Intangible assets (amortizable only) . . . . .	311,425.00		315,425.00	
(a) Less accumulated amortization . . . . .	34,124.98	311,295.00	45,506.46	329,918.54
13 Other assets (attach schedule) . . . . .		5,095.74		2,742.17
14 Total assets . . . . .		2,704,236.75		2,056,551.93
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>				
15 Accounts payable . . . . .		441,223.24		519,224.41
16 Mtes., notes, bonds payable in less than 1 yr. . . . .		150,873.00		77,644.30
17 Other current liabilities (attach schedule) . . . . .		161,215.00		130,796.43
18 Loans from stockholders . . . . .		9,600.00		
19 Mtes., notes, bonds payable in 1 yr. or more . . . . .		1,205,117.51		765,933.73
20 Other liabilities (attach schedule) . . . . .		48,117.30		56,352.64
21 Capital stock: (a) Preferred stock . . . . . (b) Common stock . . . . .		2,410.00	2,075.14	2,075.14
22 Paid-in or capital surplus . . . . .		725,106.11		532,714.67
23 Retained earnings—Appropriated (attach sch.) . . . . .				
24 Retained earnings—Unappropriated . . . . .		(51,581.50)		(80,581.50)
25 Less cost of treasury stock . . . . .				
26 Total liabilities and stockholders' equity . . . . .		2,704,236.75		2,056,551.93

**Schedule M-1 Reconciliation of Income Per Books With Income Per Return**

1 Net income per books . . . . .	113,027.70	7 Income recorded on books this year not included in this return (itemize) (a) Tax-exempt interest \$ . . . . .	
2 Federal income tax . . . . .	74,674.51		
3 Excess of capital losses over capital gains . . . . .			
4 Taxable income not recorded on books this year (itemize) . . . . .		8 Deductions in this tax return not charged against book income this year (itemize) (a) Depreciation . . \$ . . . . . (b) Depletion . . \$ . . . . .	
5 Expenses recorded on books this year not deducted in this return (itemize) (a) Depreciation . . . . \$ . . . . . (b) Depletion . . . . \$ . . . . . <b>AMORTIZATION OF GOODWILL</b> . . . . .	11,316.45		
6 Total of lines 1 through 5 . . . . .	199,079.05	9 Total of lines 7 and 8 . . . . .	
		10 Income (line 26, page 1)—line 6 less 9 . . . . .	149,674.03

**Schedule M-2 Analysis of Unappropriated Retained Earnings Per Books (line 24 above)**

1 Balance at beginning of year . . . . .	(51,581.50)	5 Distributions: (a) Cash . . . . .	
2 Net income per books . . . . .	113,027.70	(b) Stock . . . . .	
3 Other increases (itemize) . . . . .		(c) Property . . . . .	
		6 Other decreases (itemize) <b>LESS AN</b> <b>REDEMPTION OF ASSETS</b> . . . . .	62,370.24
		<b>REDEMPTION OF STOCK</b> . . . . .	79,412.00
		7 Total of lines 5 and 6 . . . . .	141,782.24
4 Total of lines 1, 2, and 3 . . . . .	61,300.40	8 Balance at end of year (line 4 less 7) . . . . .	(80,551.80)

Department of Taxation  
Box 1500  
Richmond, Va. 23212

# Virginia Corporation Income Tax Return

# 1975

For calendar year 1975 or taxable year beginning

1975, and ending

19

Check if —

Consolidated return ☐

Final return ☐

(Withdrawal or dissolution)

Amended return ☐

JEFFERSON MEMORIAL HOSP INC 540784092  
4200 KING ST  
ALEXANDRIA VA 22302

Official use only

Federal Business Code No.

8000

Date incorporated JUNE 3, 1971 State or country DELAWARE

Principal business activity MEDICAL SERVICE - (HOSPITAL)

Employer Identification Number

54-0784092

IMPORTANT: ATTACH A COPY OF YOUR FEDERAL RETURN TO THIS RETURN

		Amount
1	Federal taxable income (from attached Federal return).....	199 079 05
2	Additions (from line 25).....	12 707 17
3	Total (add lines 1 and 2).....	211 786 22
4	Subtractions (from line 31).....	-
5	Total (line 3 minus line 4).....	211 786 22
6	Savings and loan assoc.'s bad debt deduction--Federal allowable percent times line 5.....	-
7	Virginia taxable income (line 5 minus line 6).....	211 786 22
8	Virginia taxable income of a multistate corporation (Schedule A).....	
9	Tax (6% of line 7 or line 8).....	12 707 17
10	Credits:	
	(a) 1975 estimated Virginia income tax payments.....	6 000 00
	(b) Prior year's overpayment.....	-
	(c) Payments with extension request and other payments.....	-
	Total credits (add lines (a), (b), and (c)).....	6 000 00
11	Tax due (subtract line 10 from line 9).....	6 707 17
12	5% penalty of line 11 if filed after due date or extension of time date.....	-
13	Interest for late filing (see instructions).....	-
14	Total due (add lines 11, 12 and 13). This amount must be paid with return.....	6 707 17
15	Overpayment (if line 10 is larger than line 9 enter overpayment).....	
16	Amount to be credited on 1976 estimated tax.....	
17	Amount to be refunded (subtract line 16 from line 15).....	

Mail this return to the Department of Taxation, P. O. Box 1500, Richmond, Virginia 23212, on or before the fifteenth day of the fourth month following the close of the taxable year. Checks should be made payable to the Department of Taxation.

## DECLARATION

I, the undersigned president, vice president, treasurer, assistant treasurer, chief accounting officer, or other officer duly authorized to act, of the corporation for which this return is made, declare under the penalties provided by law that this return (including any accompanying schedules and statements) has been examined by me and is, to the best of my knowledge and belief, a true, correct, and complete return, made in good faith, for the taxable year stated, pursuant to the income tax laws of the Commonwealth of Virginia. If prepared by a person other than taxpayer, his declaration is based on all information of which he has any knowledge.

(Date)

(Signature of officer)

(Title)

(Date)

(Individual or firm signature of preparer)

(Address)

DAVID M. FLETCHER

4250 Commonwealth Blvd. WACH, D.C.

TAG 002805

J.APP. 3258

**PART I - Additions to Federal taxable income (attach schedules):**

1	Income taxes and other taxes which are based on, measured by, or computed with reference to net income .....	18	12707.17
19	Interest on state obligations other than Virginia.....	19	
20	Capital loss carryovers from years beginning on or before December 31, 1971.....	20	
21	Contribution carryovers from years beginning on or before December 31, 1971 .....	21	
22	Net operating loss carryovers from years beginning on or before December 31, 1971 .....	22	
23	Savings and loan association's Federal bad debt deduction.....	23	
24	Other.....	24	
25	Total - Enter this amount on line 2.....	25	12707.17

**PART II - Subtractions from Federal taxable income (attach schedules):**

26	Interest or dividends on obligations or securities of the United States exempt from state income taxes but not from Federal income taxes.....	26	
	Excludable dividends.....	27	
28	Refund or credit of income taxes included in Federal taxable income.....	28	
29	Adjustment in sale or exchange of nondepreciable property.....	29	
30	Other.....	30	
31	Total--Enter this amount on line 4.....	31	NONE

**PART III - Questions**

- 32 The corporation's books are in care of THE CORPORATION Located at ALEXANDRIA, VA.
- 33 Check if the corporation is a farmers' marketing or a farmers' purchasing cooperative association \_\_\_\_\_, a consumers' cooperative association \_\_\_\_\_, or other cooperative association \_\_\_\_\_.
- 34 Was the corporation's Federal tax adjusted during the taxable year? Yes \_\_\_\_\_ No X . Have all such corrections been reported to the Department of Taxation as required? Yes \_\_\_\_\_ No \_\_\_\_\_ . If "No", attach statement of adjustments for each year examined.

TAG 002806

THE AMERICAN RESCUE WORKERS, INC.  
716 Ritchie Rd., Forestville, Md. 20027  
Phone: 336-6200

Receipt No: C-4024

Date: Sept. 17, 1976

Jefferson Memorial Hospital, Inc.  
4600 King Street  
Alexandria, Virginia 22302

Dear Sirs;

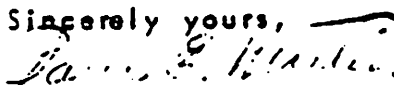
The following listed items were contributed to and received by the American Rescue Workers, Inc., in the quantity and condition as

<u>Quantity</u>	<u>Nomenclature</u>	<u>Condition</u>
-----------------	---------------------	------------------

( See attached 1 page itemized list(s)) As stated by donor.

Note to Contributor: If this receipt is used for tax purposes, the monetary value placed on the foregoing described articles is the privilege and responsibility of the donor.

Thanking you for your kind consideration, I am

Sincerely yours,   
Paul E. Martin  
Officer in Charge

TAG 002807

J.APP. 3260



C 4024

AMERICAN RESCUE WORKERS, INC.

710 Ritchie Road, Forestville, Maryland 20027

PHONE: 330-0200

\*\*\* Application for Income Tax Deduction Certificate  
( Please Print and Use Ink or Typewriter )

Mr.

Pick up Date:

17 September 1974

Mrs.

Jefferson Memorial Hospital, Inc.

Phone:

811 3626

**Present**

**Address:**

4600 King Street

Apr. 4

City: Alexandria

State:

Virginia

File Code

22302

**Old Address:**

" This is to certify that the following items were donated to the American Rescue  
Workers. "

**Donated Items:**

75 (seventy-five)

### Dish Covers, Stainless Steel

Condition:  
GOOD

**Driver's Name:**

**Thank You for your donation.**

TAG 002808

J.APP. 3261

**CONFIDENTIAL**

JEFFERSON MEMORIAL HOSPITAL CORPORATION  
ALEXANDRIA, VIRGINIA



FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1977

DAVID E. MERMELSTEIN  
CERTIFIED PUBLIC ACCOUNTANT

TAUBER 44363

Trial Exhibit  
No. 205.

J.APP. 3262

**CONFIDENTIAL**

TAUBER 44364

J.APP. 3263

JEFFERSON MEMORIAL HOSPITAL CORPORATION

JUNE 30, 1977

Scope of audit and auditors' opinion

Exhibit 'A' - Balance Sheet - As of June 30, 1977 and 1976.

Exhibit 'B' - Statement of Income and Retained Earnings  
for the years ended June 30, 1977 and 1976.

Exhibit 'C' - Statement of Changes in Financial Position  
for the years ended June 30, 1977 and 1976.

Schedule B-1 - Revenue from Services to Patients for the  
years ended June 30, 1977 and 1976.

Schedule B-2 - Statement of Operating Expenses for the  
years ended June 30, 1977 and 1976.

Schedule B-3 - Other Income and Expenses for the years ended  
June 30, 1977 and 1976.

Notes to Financial Statements

TAUBER 44365

**CONFIDENTIAL**

DAVID E. MERMELSTEIN  
CERTIFIED PUBLIC ACCOUNTANT

Suite 102  
4550 Connecticut Avenue, N.W.  
Washington, D.C. 20008  
Telephone 244-1942

September 25, 1977

The Board of Directors,  
Jefferson Memorial Hospital Corporation,  
Alexandria, Virginia 22302

I have examined the balance sheets of Jefferson Memorial Hospital Corporation as of June 30, 1977 and 1976 and the related statements of income and retained earnings and changes in financial position for the years then ended. My examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as I considered necessary in the circumstances.

In my opinion, the aforementioned financial statements present fairly the financial position of Jefferson Memorial Hospital Corporation at June 30, 1977 and 1976 and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles which, for the change, with which I concur, in the recognition of contractual adjustments as described in Note 11 to the financial statements, have been applied on a consistent basis.

Respectfully submitted,

*David E. Mermelstein*

David E. Mermelstein  
Certified Public Accountant, D. C.

TAUBER 44366

CONFIDENTIAL

EXHIBIT 'A'

## JEFFERSON MEMORIAL HOSPITAL CORPORATION

## BALANCE SHEET

JUNE 30, 1977 and 1976

<u>ASSETS</u>	<u>1977</u>	<u>1976</u>
Cash In Banks	\$ 221,949	\$ 29,589
Cash-Held in Escrow	12,500	15,500
Notes Receivable	-- --	24,000
Accounts Receivable - Patients	819,478	893,322
Less: Allow. for Uncoll. Acc'ts. (S245,985 and S251,963 Respect.)		
Contract Agencies (Note 1)	42,000	138,474
Other Receivables	8,951	4,743
<u>Total Current Assets</u>	\$ 1,104,878	\$ 1,105,628
<u>PROPERTY, PLANT AND EQUIPMENT</u>		
Net - Cost (Note 2)	411,746	432,040
<u>OTHER ASSETS:</u>		
Inventory - At Cost	\$ 31,802	\$ 34,258
Prepaid Expenses	85,001	85,812
Goodwill (Note 3)	318,542	329,919
<u>Total Other Assets</u>	435,345	449,989
<u>Total Assets</u>	<u>\$ 1,951,969</u>	<u>\$ 1,987,657</u>
<u>LIABILITIES AND CAPITAL</u>		
<u>LIABILITIES</u>		
Accounts Payable - Trade	\$ 362,498	\$ 438,784
Employees' Withholding	8,990	5,177
Accrued Expenses	115,108	88,937
Contract Payable - (Note 4)	---	20,206
Corporation Income Taxes (Note 5)	(22,948)	56,382
Lease Agreement Payable (Note 6)	8,151	13,905
Notes Payable	129,049	177,617
Bonds Payable (Note 7)	613,850	634,850
Provisions for Contract Adjustments		
Medicare (Note 8)	52,452	14,287
Advance Deposits	39,121	-- --
Other	37,991	33,941
<u>Total Liabilities</u>	\$ 1,344,262	\$ 1,484,086
<u>CAPITAL</u>		
Common Stock - \$.01 Par Value		
Authorized 1,000,000 Shares:		
Issued and Outstanding 205,982		
and 207,814 Sh. Respectively	\$ 2,060	\$ 2,078
Capital in Excess of Par Value	551,050	562,024
Donated Capital	20,051	20,051
Retained Earnings (Deficit) Ex.B)	34,546	(80,582)
<u>Total Capital</u>	607,707	503,571
<u>Total Liabilities and Capital</u>	<u>\$ 1,951,969</u>	<u>\$ 1,987,657</u>

TAUBER 44367

J.APP. 3266

**CONFIDENTIAL**

Exhibit 'B'

**JEFFERSON MEMORIAL HOSPITAL CORPORATION**  
**STATEMENT OF INCOME AND RETAINED EARNINGS**  
**FOR THE YEARS ENDED JUNE 30, 1977 and 1976**

<u>REVENUE FROM SERVICES TO PATIENTS</u> (Schedule B-1):	<u>1977</u>	<u>1976</u>
Routine Services	\$ 3,019,368	\$ 2,949,900
Special Services	<u>4,654,289</u>	<u>4,001,698</u>
	<u>\$ 7,673,657</u>	<u>\$ 6,951,598</u>
<u>DEDUCTIONS FROM REVENUE:</u>		
Adjustments and Allowances:		
Contracting Agencies	\$ 472,016	\$ 486,487
Non-contractual Patients	16,661	16,763
Employees and Professional Courtesy	12,592	8,309
Provision for Uncollectible Accounts		
Net of Recoveries	<u>357,191</u>	<u>293,093</u>
	<u>\$ 858,460</u>	<u>\$ 804,652</u>
Net Revenue from Services to Patients	<u>\$ 6,815,197</u>	<u>\$ 6,146,946</u>
<u>OTHER OPERATING INCOME:</u>		
Sale of Meals	\$ -- --	\$ 28,355
Commissions	1,150	1,987
Transcripts	4,251	3,064
Sale of Supplies	<u>413</u>	<u>1,086</u>
	<u>\$ 5,814</u>	<u>\$ 34,992</u>
Total Operating Revenue	<u>\$ 6,821,011</u>	<u>\$ 6,181,938</u>
<u>OPERATING EXPENSE (Schedule B-2)</u>	<u>6,540,781</u>	<u>5,851,190</u>
Net Operating Income	<u>\$ 280,230</u>	<u>\$ 330,758</u>
<u>OTHER INCOME AND (EXPENSE) - NET (Schedule B-3)</u>	<u>(67,925)</u>	<u>(130,349)</u>
Net Income Before Income Taxes	\$ 212,305	\$ 200,409
Less: Income Taxes	<u>97,177</u>	<u>87,382</u>
Net Income	<u>\$ 115,128</u>	<u>\$ 113,027</u>
Retained Earnings (Deficit) July 1	(80,582)	(51,827)
Redemption of 39,706 Shares	-- --	(79,412)
Abandonment of Assets	<u>-- --</u>	<u>(62,370)</u>
RETAINED EARNINGS (DEFICIT) JUNE 30,	<u>\$ 34,546</u>	<u>\$ (80,582)</u>
<u>EARNINGS PER COMMON SHARE (Note 10)</u>	<u>\$ .56</u>	<u>\$ .54</u>

TAUBER 44368

J.APP. 3267

CONFIDENTIAL

Exhibit 101

JEFFERSON MEMORIAL HOSPITAL CORPORATION  
STATEMENT OF CHANGES IN FINANCIAL POSITION  
FOR THE YEARS ENDED JUNE 30, 1977 and 1976

SOURCE OF FUNDS:

	1977	1976
Net Income (Exhibit B)	\$ 115,128	\$ 113,028
Expense Not Requiring Funds:		
Depreciation and Amortization	75,740	77,462
Loss on Disposal of Equipment	1,897	32,400
Total Funds Provided From Operations	\$ 192,765	\$ 222,890
Proceeds from Notes Payable	-- ---	57,862
Proceeds from Sale of Corporation's Common Stock	7,008	15,145
Sale of Land and Building	-- ---	305,248
Proceeds from Sale of Bonds Payable	-- ---	24,000
Total Source of Funds	\$ 199,773	\$ 1,125,145

APPLICATION OF FUNDS:

Curtailment of Mortgage Payable	\$ -- ---	\$ 508,239
Purchase of Corporation's Common Stock	18,000	386
Curtailment of Notes Payable	48,568	-- ---
Curtailment of Contract Payable	20,206	40,413
Purchase of Equipment	45,966	170,223
Curtailment of Lease Agreement Payable	5,754	5,754
Redemption of Bonds Payable	21,000	274,770
Total Application of Funds	\$ 159,494	\$ 999,785
<u>NET INCREASE OR IN FUNDS</u>	<u>\$ 40,279</u>	<u>\$ 125,360</u>

CONSISTING OF:

	INCREASE	(DECREASE)
	IN FUND	
Cash	\$ 189,360	\$ 21,087
Notes Receivable	(24,000)	8,195
Accounts Receivable	(170,318)	78,727
Accrued Interest Receivable	-- ---	(2,858)
Inventories	(2,456)	6,112
Other Assets	3,397	(20,550)
Accounts Payable	76,286	8,439
Accrued Expense	6,175	40,495
Provision for Contract Adjustments	(38,165)	(14,287)
<u>NET INCREASE OR (DECREASE) IN FUNDS</u>	<u>\$ 40,279</u>	<u>\$ 125,360</u>

TAUBER 44369



## Schedule B-1

**JEFFERSON MEMORIAL HOSPITAL CORPORATION**  
**REVENUE FROM SERVICES TO PATIENTS**  
**FOR THE YEARS ENDED JUNE 30, 1977 and 1976**

	1 9 7 7			1 9 7 6		
<u>ROUTINE SERVICES:</u>	<u>TOTAL</u>	<u>INPATIENT</u>	<u>OUTPATIENT</u>	<u>TOTAL</u>	<u>INPATIENT</u>	<u>OUTPATIENT</u>
Room and Board	\$ 3,019,368	\$ 3,019,368	\$ -- --	\$ 2,949,900	\$ 2,949,900	\$ -- --
<b>Total Routine Services</b>	<b>\$ 3,019,368</b>	<b>\$ 3,019,368</b>	<b>\$ -- --</b>	<b>\$ 2,949,900</b>	<b>\$ 2,949,900</b>	<b>\$ -- --</b>
<u>SPECIAL SERVICES:</u>						
Operating Room	\$ 533,764	\$ 498,630	\$ 35,134	\$ 471,293	\$ 433,988	\$ 37,305
Recovery Room	143,550	140,510	3,040	108,540	105,980	2,560
Central Supply	244,625	218,618	26,007	203,996	181,542	22,454
Intravenous	125,428	124,566	862	87,743	87,106	637
Emergency Service	399,345	30,825	368,520	380,617	27,800	352,817
Laboratory	705,688	628,983	76,705	562,528	497,388	65,140
Pulmonary Function Laboratory	63,830	62,043	1,787	67,835	67,052	783
Blood	70,134	69,969	165	61,090	61,030	60
Transfusion Trays	8,952	8,941	11	7,660	7,660	-- --
Electrocardiology	121,788	113,071	8,717	117,074	107,607	9,467
Radiology	601,310	377,058	224,252	543,761	340,895	202,866
Pharmacy	586,451	563,548	22,903	565,038	527,108	37,930
Stress Test	15,810	8,495	7,315	6,055	1,330	4,725
Anesthesia Administration	340,557	332,763	7,794	245,221	239,115	6,106
Anesthesia Material	108,898	104,531	4,367	98,357	93,673	4,684
Inhalation Therapy	309,019	307,969	1,050	314,972	314,797	175
Physical Therapy	250,205	158,033	92,172	134,943	93,295	41,648
Electroencephalography	23,735	14,370	9,365	24,975	15,250	9,725
Renal Dialysis	1,200	1,200	-- --	-- --	-- --	-- --
<b>Total Special Services</b>	<b>\$ 4,654,289</b>	<b>\$ 3,764,123</b>	<b>\$ 890,166</b>	<b>\$ 4,001,698</b>	<b>\$ 3,202,116</b>	<b>\$ 799,582</b>
<b>TOTAL REVENUE FROM SERVICES TO PATIENTS</b>	<b>\$ 7,673,657</b>	<b>\$ 6,783,491</b>	<b>\$ 890,166</b>	<b>\$ 6,951,598</b>	<b>\$ 6,152,016</b>	<b>\$ 799,582</b>

TAUBER 44370

**JEFFERSON MEMORIAL HOSPITAL CORPORATION**  
**OPERATING EXPENSE**  
**FOR THE YEARS ENDED JUNE 30, 1977 AND 1976**

**TAUBER 44371**

CONFIDENTIAL

Schedule B-3

JEFFERSON MEMORIAL HOSPITAL CORPORATION  
OTHER INCOME AND EXPENSE  
FOR THE YEARS ENDED JUNE 30, 1977 And 1976

	<u>1977</u>	<u>1976</u>
<u>INCOME:</u>		
Rents	\$ 3,600	\$ 4,100
Interest	5,673	- ---
Miscellaneous	<u>2,755</u>	<u>81</u>
<u>TOTAL</u>	<u>\$ 12,028</u>	<u>\$ 4,181</u>
<u>EXPENSE</u>		
Interest	\$ 65,545	\$ 57,670
Amortization of Goodwill	11,377	11,377
Loss on Disposal of Equipment	1,896	13,643
Miscellaneous	1,135	-- ---
Loss on Disposal of Land and Building	<u>-- ---</u>	<u>51,840</u>
<u>TOTAL</u>	<u>\$ 79,953</u>	<u>\$ 134,530</u>
<u>NET OTHER INCOME AND EXPENSE</u>	<u>\$ (67,925)</u>	<u>\$ (130,349)</u>

TAUBER 44772

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - ACCOUNTS RECEIVABLE - CONTRACT AGENCIES

An analysis of the receivables in the amount of \$42,000 due from contract agencies as shown on the accompanying balance sheet is as follows:

Virginia Health Insurance Program - Medicaid:	
Fiscal Year Ended June 30, 1977	\$ 18,000
Group Hospitalization, Inc.:	
Fiscal Year Ended June 30, 1977	12,000
Federal Health Insurance Program - Medicare:	
Fiscal Year Ended June 30, 1977	<u>12,000</u>
<u>Total</u>	<u>\$ 42,000</u>

Although reimbursements are received periodically as services are rendered to the contract covered patients, it is estimated that for the above year the allowable cost exceeded the reimbursements by the amounts shown.

NOTE 2 - PLANT AND EQUIPMENT DEPRECIATION

All Capital Assets are being depreciated by the straight-line method of depreciation with the following life-years by asset classification:

Fixed Equipment	3-20 Years	\$ 10,982
Major Movable Equipment	5-20 Years	51,169
Leasehold Improvements	5-20 Years	2,211

NOTE 3 - GOODWILL

Goodwill in the amount of \$386,804 is being amortized over a period of 34 years at the rate of \$11,376.50 per year. The amounts of \$318,542 and \$329,919 for the years ended June 30, 1977 and June 30, 1976 respectively, as shown on the accompanying balance sheet represent the unamortized portion.

NOTE 4 - CONTRACT PAYABLE

The amount of \$20,206 which appears on the accompanying balance sheet was the amount due as of June 30, 1976 on a settlement reached with the former

TAUBER 4437

NOTES TO FINANCIAL STATEMENTSNOTE 4 - CONTRACT PAYABLE (Continued)

pathologist under a prior contract with the Hospital. This amount was being curtailed at the monthly amount of \$2,886.00 plus interest at 6% on the unpaid balance. The final payment was made February 1, 1977.

NOTE 5 - INCOME TAXES

The Internal Revenue Service has made a field examination of the Hospital's income tax return for the Fiscal Year ended June 30, 1974. The examination resulted in no change to income and the company's return was accepted as filed. The accounting methods used by the Corporation for the recording in its books of account are the same as those used in the preparation of its income tax returns.

NOTE 6 - LEASE AGREEMENT PAYABLE

The amount of \$8,151 represents the unpaid balance due under a lease-purchase agreement of hospital equipment. This amount is curtailed at \$479.48 per month for 60 months beginning December, 1973. The terms stipulate that at the end of the lease period the equipment may be purchased at the nominal value of \$1.

The assets covered under this lease agreement are recorded in the appropriate fixed asset account and are being depreciated over the estimated life-years assigned to each piece of equipment.

NOTE 7 - BOND REDEMPTION SINKING FUND REQUIREMENT

Bonds payable, as shown on the accompanying balance sheet, in the amount of \$222,500 mature in 1985, \$153,500 mature in 1990, and \$237,850 mature in 1996. A requirement of the bond issue is the establishment of a retirement sinking fund, five years from the date of issue, for either an early redemption or a redemption at maturity.

As of June 30, 1977 the sinking fund requirement amounts to approximately

TAUBER 44376

NOTES TO FINANCIAL STATEMENTSNOTE 7 - BOND REDEMPTION SINKING FUND REQUIREMENT (Continued)

\$103,833 for redemption at maturity. During the fiscal year the Corporation has redeemed bonds payable in the amount of \$21,000 and had a sinking fund balance of \$103,833 at year end.

NOTE 8 - PROVISION FOR CONTRACT ADJUSTMENT - MEDICARE AND GROUP HOSPITALIZATION, INC.

The amount of \$52,452 as shown on the accompanying balance sheet represents the refundable amount due to the intermediary, Group Hospitalization, Inc. for estimated overpayment for services rendered Medicare and Group Hospitalization, Inc. Patients for the year ended June 30, 1976. Subsequently the amount determined by the Intermediaries was \$82,153.

NOTE 9 - LEASE AGREEMENT - LAND

The lease agreements have been entered into by the Hospital for the greater portion of land which it uses. The term of one lease is for 99 years beginning January 1, 1966 and provides for a basic annual rental of \$15,600 with a provision that on each tenth anniversary of the lease commencement date the annual rental can be adjusted by a formula based on the wholesale price index. The term of the other lease commenced on January 1, 1966 and it is also for a period of 99 years with a rental of \$2,406.80 per annum plus a portion of the real estate taxes. For the year ended June 30, 1977 the portion of real estate taxes paid was \$1,723.27.

NOTE 10 - EARNINGS PER SHARE

The Hospital has issued no dilutive convertible securities, options, warrants or other stock rights. Earnings per share represent the net income for the year divided by 205,982 shares outstanding for the year ended June 30, 1977 and 207,814 shares outstanding for the year ended June 30, 1976.

TAUBER 44375

NOTES TO FINANCIAL STATEMENTSNOTE 11 - CHANGES IN ACCOUNTING POLICY

The Corporation prior to the year ended June 30, 1974 recognized contractual adjustments on patients' accounts at the time paid by the third party. In 1974 it changed this policy to recognize the contractual adjustment at the time the patient is discharged. This change results in a better comparison of the patient revenue with expense.

The cumulative effect on the retained earnings as of June 30, 1973 would be approximately \$116,000. The effect of this change retroactively applied to the year ended June 30, 1973 cannot be established because sufficient information is not available to make the calculation. However, it is believed that the effect on the year ended June 30, 1973 net income, after giving effect to income taxes, would be immaterial.

NOTE 12 - EMPLOYEE PENSION PLAN AND TRUST

The Corporation entered into an employee pension plan effective date December 1, 1975. The amount of the Employer's contribution is based upon Participant's Annual Compensation at the rate of 3% @ annum. It is estimated that the cost of the plan will be approximately \$50,000 per year.

NOTE 13 - LONG-TERM COMMITMENTS

Jefferson Memorial Hospital Corporation has long-term lease commitments as follows:

Contracts with the Radio Corporation of America for the use of televisions and remote patient units. The contracts expire March 1, 1981 and require annual payments of \$7,024.20. Under the terms of the contracts, at the expiration, the equipment may be purchased by the Corporation at the nominal value of \$1.00 for each equipment unit leased hereunder.

TAUBER 44376

NOTES TO FINANCIAL STATEMENTSNOTE 13 - LONG-TERM COMMITMENTS (Continued)

Contracts with the General Electric Company in renting two "portable x-ray units". The contracts expire June 17, 1980 and February 4, 1981 and require annual payments of \$12,983.40. Under the terms of the contracts the equipment remains the sole property of the Lessor at the termination of the contract period.

The Corporation entered into a lease agreement with "Jefferson Memorial Hospital Joint Venture" to rent the building and parking facilities which was effective as of July 1, 1975. The lease is for a term of twenty years with an option to renew for an additional twenty years. The basic annual rental is \$112,000 per year on a net lease. In addition, under the terms of the lease the Corporation will pay all maintenance, insurance and taxes on the property.

NOTE 14 - LITIGATION

During the fiscal year ended June 30, 1977 Jefferson Memorial Hospital Corporation made an out of court settlement in the amount of \$8,077.22 to Columbia Medical Laboratories in a previously filed suit. The total amount of \$8,077.22 is included in the operating costs of the Hospital for the year ended June 30, 1977.

There are three pending claims open against the Corporation with an estimated amount of \$27,700. Correspondence with the insurance companies revealed that there is adequate coverage of insurance to settle the above claims.

TAUBER 44377



**CONFIDENTIAL**

JEFFERSON MEMORIAL HOSPITAL CORPORATION  
ALEXANDRIA, VIRGINIA



FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1978

DAVID E. MERMELSTEIN  
CERTIFIED PUBLIC ACCOUNTANT

TAUBER 44442

Trial Exhibit  
No. 206.

J.APP. 3277

JEFFERSON MEMORIAL HOSPITAL CORPORATION

JUNE 30, 1978

Scope of audit and auditors' opinion

Exhibit 'A' - Balance Sheet - As of June 30, 1978 and 1977.

Exhibit 'B' - Statement of Income and Retained Earnings  
for the years ended June 30, 1978 and 1977.

Exhibit 'C' - Statement of Changes in Financial Position  
for the years ended June 30, 1978 and 1977.

Schedule B-1 - Revenue from Services to Patients for the  
years ended June 30, 1978 and 1977.

Schedule B-2 - Statement of Operating Expenses for the  
years ended June 30, 1978 and 1977.

Schedule B-3 - Other Income and Expenses for the years ended  
June 30, 1978 and 1977.

Notes to Financial Statements

TAUBER 44443

**CONFIDENTIAL**

DAVID E. MERMELSTEIN  
CERTIFIED PUBLIC ACCOUNTANT

Suite 102  
4850 Connecticut Avenue, N.W.  
Washington, D.C. 20008  
Telephone 244-1942

The Board of Directors,  
Jefferson Memorial Hospital Corporation,  
Alexandria, Virginia 22302

I have examined the balance sheets of Jefferson Memorial Hospital Corporation as of June 30, 1978 and 1977 and the related statements of income and retained earnings and changes in financial position for the years then ended. My examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as I considered necessary in the circumstances.

In my opinion, the aforementioned financial statements present fairly the financial position of Jefferson Memorial Hospital Corporation at June 30, 1978 and 1977 and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles which, for the change, with which I concur, in the recognition of contractual adjustments as described in Note 11 to the financial statements, have been applied on a consistent basis.

Respectfully submitted,

*David E. Mermelstein*

David E. Mermelstein  
Certified Public Accountant, D. C.

Washington, D. C.  
September 27, 1978

TAUBER 44444

**CONFIDENTIAL**  
EXHIBIT 'A'

JEFFERSON MEMORIAL HOSPITAL CORPORATION  
BALANCE SHEET  
JUNE 30, 1978 and 1977

<u>ASSETS</u>	<u>1978</u>	<u>1977</u>
Cash In Banks	\$ 131,892	\$ 221,949
Cash-Held in Escrow	12,500	12,500
Accounts Receivable - Patients	1,067,298	819,478
Less: Allow. for Uncoll. Acc'ts. (\$275,035 and \$245,985 Respect.)		
Contract Agencies (Note 1)	77,480	42,000
Other Receivables	<u>13,845</u>	<u>18,951</u>
<u>Total Current Assets</u>	\$1,303,015	\$ 1,104,878
<u>PROPERTY, PLANT AND EQUIPMENT</u>		
Net - Cost (Note 2)	388,404	411,746
<u>OTHER ASSETS:</u>		
Inventory - At Cost	\$ 43,062	31,802
Investment - Lost Cr. Part (Note 4)	(66,623)	---
Prepaid Expenses	97,133	85,001
Goodwill (Note 3)	<u>307,058</u>	<u>318,542</u>
<u>Total Other Assets</u>	<u>380,630</u>	<u>435,345</u>
<u>Total Assets</u>	<u>\$2,072,049</u>	<u>\$ 1,951,969</u>
<u>LIABILITIES AND CAPITAL</u>		
<u>LIABILITIES</u>		
Accounts Payable - Trade	\$ 424,968	\$ 362,498
Employees' Withholding	10,115	8,990
Accrued Expenses	140,276	115,108
Corporation Income Taxes (Note 5)	(7,967)	(22,948)
Lease Agreement Payable (Note 6)	2,397	8,151
Notes Payable	182,922	129,049
Bonds Payable (Note 7)	564,850	613,850
Provisions for Contract Adjustments		
Medicare (Note 8)	---	52,452
Advance Deposits	---	39,121
Other	<u>8,892</u>	<u>37,991</u>
<u>Total Liabilities</u>	\$ 1,326,453	\$ 1,344,262
<u>CAPITAL</u>		
Common Stock - \$.01 Par Value		TAUBER 44445
Authorized 1,000,000 Shares:		
Issued and Outstanding 218,255 and 205,982 Sh. Respectively	\$ 2,183	\$ 2,060
Capital in Excess of Par Value	606,589	551,050
Donated Capital	20,051	20,051
Retained Earnings (Exhibit B)	<u>116,773</u>	<u>34,546</u>
<u>Total Capital</u>	<u>745,596</u>	<u>607,707</u>
<u>Total Liabilities and Capital</u>	<u>\$ 2,072,049</u>	<u>\$ 1,951,969</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

JEFFERSON MEMORIAL HOSPITAL CORPORATION  
STATEMENT OF INCOME AND RETAINED EARNINGS  
FOR THE YEARS ENDED JUNE 30, 1978 and 1977

<u>REVENUE FROM SERVICES TO PATIENTS</u> <u>(Schedule B-1):</u>	<u>1978</u>	<u>1977</u>
Routine Services	\$ 3,423,862	\$ 3,019,368
Special Services	<u>5,171,012</u>	<u>4,654,289</u>
	\$ 8,594,874	\$ 7,673,657
<u>DEDUCTIONS FROM REVENUE:</u>		
Adjustments and Allowances:		
Contracting Agencies	\$ 676,143	472,016
Non-contractual Patients	24,368	16,661
Employees and Professional Courtesy	9,305	12,592
Provision for Uncollectible Accounts		
Net of Recoveries	<u>321,296</u>	<u>357,191</u>
	\$ 1,031,112	858,460
Net Revenue from Services to Patients	<u>\$ 7,563,762</u>	<u>\$ 6,815,197</u>
<u>OTHER OPERATING INCOME:</u>		
PSRO Revenue	\$ 10,121	\$ -- --
Commissions	1,343	1,150
Transcripts	5,302	4,251
Sale of Supplies	<u>201</u>	<u>413</u>
	\$ 16,967	\$ 5,814
Total Operating Revenue	\$ 7,580,729	\$ 6,821,011
<u>OPERATING EXPENSE (Schedule B-2)</u>	<u>7,203,673</u>	<u>6,540,781</u>
Net Operating Income	\$ 377,056	\$ 280,230
<u>OTHER INCOME AND (EXPENSE) - NET (Schedule B-3)</u>	<u>(252,765)</u>	<u>( 67,925)</u>
Net Income Before Income Taxes	\$ 124,291	\$ 212,305
Less: Income Taxes	<u>48,034</u>	<u>97,177</u>
Net Income	\$ 76,257	\$ 115,128
Retained Earnings (Deficit) July 1	34,546	(80,582)
Gain on Reacquisition of Corp Stock..	6,000	-- --
Dividends	<u>(30)</u>	<u>-- --</u>
RETAINED EARNINGS JUNE 30,	<u>\$ 116,773</u>	<u>\$ 34,546</u>
EARNINGS PER COMMON SHARE (Notes 4 and 10)	<u>\$ .35</u>	<u>\$ .56</u>

TAUBER 44446

The Accompanying Notes are an Integral Part of These Financial Statements.

**CONFIDENTIAL**  
Exhibit 'C'

JEFFERSON MEMORIAL HOSPITAL CORPORATION  
STATEMENT OF CHANGES IN FINANCIAL POSITION  
FOR THE YEARS ENDED JUNE 30, 1978 and 1977

SOURCE OF FUNDS:

	1978	1977
Net Income (Exhibit B)	\$ 76,257	115,128
Expense Not Requiring Funds:		
Depreciation and Amortization	77,102	75,740
Loss on Disposal of Equipment	20,532	1,897
Loss Generated by Partnership	<u>170,623</u>	<u>-- --</u>
Total Funds Provided From Operations	\$ 344,514	\$ 192,765
Proceeds from Notes Payable	98,051	-- --
Proceeds from Sale of Corporation's Common Stock	<u>63,648</u>	<u>7,008</u>
Total Source of Funds	<u>\$ 506,213</u>	<u>\$ 199,773</u>

APPLICATION OF FUNDS:

Investment - Lost Creek Partnership	\$ 104,000	\$ -- --
Purchase of Corporation's Common Stock	12,000	18,000
Curtailement of Notes Payable	44,178	48,568
Curtailement of Contract Payable	-- --	20,206
Purchase of Equipment	52,794	45,966
Curtailement of Lease Agreement Payable	5,754	5,754
Redemption of Bonds Payable	49,000	21,000
Dividends	<u>30</u>	<u>-- --</u>
Total Application of Funds	<u>\$ 267,756</u>	<u>\$ 159,494</u>
<u>NET INCREASE IN FUNDS</u>	<u>\$ 238,457</u>	<u>\$ 40,279</u>

CONSISTING OF:

	INCREASE	(DECREASE)
	IN FUND	
Cash	\$ (90,057)	\$ 189,360
Notes Receivable	-- --	(24,000)
Accounts Receivable	283,300	(170,318)
Inventories	11,260	( 2,456)
Prepayments and other Current Assets	17,026	3,397
Accounts Payable	(62,470)	76,286
Accrued Liabilities	26,946	6,175
Provision for Contract Adjustments	<u>52,452</u>	<u>(38,165)</u>
<u>NET INCREASE IN FUNDS</u>	<u>\$ 238,457</u>	<u>\$ 40,279</u>

TAUBER 44447

The Accompanying Notes are an Integral Part of These Financial Statements.

Schedule E-1

**JEFFERSON MEMORIAL HOSPITAL CORPORATION**  
**REVENUE FROM SERVICES TO PATIENTS**  
**FOR THE YEARS ENDED JUNE 30, 1978 and 1977**

	1 9 7 8			1 9 7 7		
<u>ROUTINE SERVICES:</u>	<u>TOTAL</u>	<u>INPATIENT</u>	<u>OUTPATIENT</u>	<u>TOTAL</u>	<u>INPATIENT</u>	<u>OUTPATIENT</u>
Room and Board	\$ 3,423,862	\$ 3,423,862	\$ -- --	\$ 3,019,368	\$ 3,019,368	\$ -- --
<b>Total Routine Services</b>	<b>\$ 3,423,862</b>	<b>\$ 3,423,862</b>	<b>\$ -- --</b>	<b>\$ 3,019,368</b>	<b>\$ 3,019,368</b>	<b>\$ -- --</b>
<u>SPECIAL SERVICES:</u>						
Operating Room	\$ 606,120	\$ 569,315	\$ 36,805	\$ 533,764	\$ 498,630	\$ 35,134
Recovery Room	161,072	157,694	3,378	143,550	140,510	3,040
Central Supply	309,073	285,917	23,156	244,625	218,618	26,007
Intravenous	145,373	144,414	959	125,428	124,566	862
Emergency Service	446,994	35,048	411,946	399,345	30,825	368,520
Laboratory	718,744	626,732	92,012	705,688	628,983	76,705
Pulmonary Function Laboratory	81,006	77,929	3,077	63,830	62,043	1,787
Blood	60,532	59,989	543	70,134	69,969	165
Transfusion Trays	7,202	7,136	66	8,952	8,941	11
Electrocardiology	118,168	110,637	7,531	121,788	113,071	8,717
Radiology	653,598	407,030	246,568	601,310	377,058	224,252
Pharmacy	646,419	638,972	7,447	586,451	563,548	22,903
Stress Test	24,840	13,905	10,935	15,810	8,495	7,315
Anesthesia Administration	363,847	357,152	6,695	340,557	332,763	7,794
Anesthesia Material	109,825	105,878	3,947	108,898	104,531	4,367
Inhalation Therapy	407,491	405,820	1,671	309,019	307,969	1,050
Physical Therapy	285,453	196,692	88,761	250,205	158,033	92,172
Electroencephalography	18,480	11,770	6,710	23,735	14,370	9,365
Renal Dialysis	6,775	6,775	-- --	1,200	1,200	-- --
<b>Total Special Services</b>	<b>\$ 5,171,012</b>	<b>\$ 4,218,805</b>	<b>\$ 952,207</b>	<b>\$ 4,654,289</b>	<b>\$ 3,764,123</b>	<b>\$ 890,166</b>
<b>TOTAL REVENUE FROM SERVICES TO PATIENTS</b>	<b>\$ 8,594,874</b>	<b>\$ 7,642,667</b>	<b>\$ 952,207</b>	<b>\$ 7,673,657</b>	<b>\$ 6,783,491</b>	<b>\$ 890,166</b>

The Accompanying Notes are an Integral Part of These Financial Statements.

TAUBER 44448

J.A.P. 3283

CONFIDENTIAL

**JEFFERSON MEMORIAL HOSPITAL CORPORATION**  
**OPERATING EXPENSE**  
**FOR THE YEARS ENDED JUNE 30, 1978 AND 1977**

	1978			1977		
	Total	Salaries and Wages	Supplies and Expenses	Total	Salaries and Wages	Supplies and Expenses
Administration and General	\$ 809,368	\$ 467,560	\$ 341,808	\$ 794,899	\$ 449,285	\$ 345,614
Employees' Health and Welfare	121,501	9,890	111,611	98,171	---	98,171
Dietary	419,427	195,158	224,269	413,410	189,632	223,778
Housekeeping	152,679	---	152,679	152,631	---	152,631
Laundry and Linen	131,776	21,478	110,298	126,616	21,290	105,326
Insurance	93,953	---	93,953	68,524	---	68,524
Operation of Plant	215,942	108,105	107,837	192,264	99,067	93,197
Repairs and Maintenance	51,868	---	51,868	26,433	---	26,433
Nursing Service	1,467,824	1,307,190	160,634	1,336,128	1,191,494	144,634
Pharmacy	408,120	---	408,120	356,266	---	356,266
Medical Records and Library	73,813	59,681	14,132	71,553	63,052	8,501
Operating Room	366,126	219,914	146,212	310,430	201,607	108,823
Recovery Room	63,807	58,115	5,692	67,231	58,442	8,789
Intensive Care	243,150	200,470	42,680	213,620	178,698	34,922
Laboratory	405,290	165,686	239,604	368,693	151,122	217,571
Pulmonary Function	45,210	---	45,210	35,745	---	35,745
Radiology	391,928	119,842	272,086	391,834	112,000	279,834
Physical Therapy	134,617	57,968	76,649	116,714	48,312	68,402
Inhalation Therapy	238,934	---	238,934	182,347	---	182,347
Anesthesiology	291,690	---	291,690	267,710	---	267,710
Electrocardiology	81,181	30,767	50,414	86,742	35,795	50,947
Central Supply	199,783	51,874	147,909	170,699	48,234	122,465
Electroencephalography	9,941	---	9,941	12,518	---	12,518
Blood Bank	27,335	---	27,335	26,918	---	26,918
Emergency	348,822	110,090	238,732	300,585	103,836	196,749
Miscellaneous Services	43,961	25,640	18,321	6,776	---	6,776
Employee Pension Plan	55,394	---	55,394	50,000	---	50,000
<b>Total</b>	<b>\$ 6,893,440</b>	<b>\$ 3,209,428</b>	<b>\$ 3,684,012</b>	<b>\$ 6,245,457</b>	<b>\$ 2,951,866</b>	<b>\$ 3,293,591</b>
Depreciation	65,618			64,363		
Rent of Land, Building and Equipment	171,691			159,073		
Taxes - other than Payroll and Income	72,924			71,888		
<b>TOTAL OPERATING EXPENSE</b>	<b>\$ 7,203,673</b>			<b>\$ 6,540,781</b>		

The Accompanying Notes  
are an Integral Part  
of these Financial  
Statements

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Schedule B-3

JEFFERSON MEMORIAL HOSPITAL CORPORATION  
OTHER INCOME AND EXPENSE  
FOR THE YEARS ENDED JUNE 30, 1978 And 1977

	<u>1978</u>	<u>1977</u>
<u>INCOME:</u>		
Rents	\$ 3,900	\$ 3,600
Interest	9,562	5,673
Miscellaneous	<u>- ---</u>	<u>2,755</u>
<u>TOTAL</u>	<u>\$ 13,462</u>	<u>\$ 12,028</u>
<u>EXPENSE</u>		
Interest	\$ 63,588	\$ 65,545
Amortization of Goodwill	11,484	11,377
Loss on Disposal of Equipment	20,532	1,896
Miscellaneous	<u>-- ---</u>	<u>1,135</u>
Loss from Partnership - Lost Creek	<u>170,623</u>	<u>-- ---</u>
<u>TOTAL</u>	<u>\$ 266,227</u>	<u>\$ 79,953</u>
<u>NET OTHER INCOME AND EXPENSE</u>	<u><u>\$ (252,765)</u></u>	<u><u>\$ (67,925)</u></u>

The Accompanying Notes are an Integral Part of These Financial Statements.

TAUBER 44450

J.APP. 3285

NOTES TO FINANCIAL STATEMENTSNOTE 1 - ACCOUNTS RECEIVABLE - CONTRACT AGENCIES

An analysis of the receivables in the amount of \$77,480 due from contract agencies as shown on the accompanying balance sheet is as follows:

Virginia Health Insurance Program - Medicaid:	
Fiscal Year Ended June 30, 1978	\$ 18,000
Group Hospitalization, Inc.:	
Fiscal Year Ended June 30, 1978	37,480
Federal Health Insurance Program - Medicare:	
Fiscal Year Ended June 30, 1978	<u>22,000</u>
<u>Total</u>	<u>\$ 77,480</u>

Although reimbursements are received periodically as services are rendered to the contract covered patients, it is estimated that for the above year the allowable cost exceeded the reimbursements by the amounts shown.

NOTE 2 - PLANT AND EQUIPMENT DEPRECIATION

All Capital Assets are being depreciated by the straight-line method of depreciation with the following life-years by asset classification:

Fixed Equipment	3-20 Years	\$ 11,441
Major Movable Equipment	5-20 Years	51,088
Leasehold Improvements	5-20 Years	3,089

NOTE 3 - GOODWILL

Goodwill in the amount of \$386,804 is being amortized over a period of 34 years at the rate of \$11,484 per year. The amounts of \$307,058 and \$318,542 for the years ended June 30, 1978 and June 30, 1977 respectively, as shown on the accompanying balance sheet represent the unamortized portion.

NOTE 4 - INVESTMENT LOST CREEK PARTNERSHIP

During Fiscal Year 1978, the corporation acquired 11.20% of a partnership known as "Lost Creek Partnership". The operations of the partnership are Production of

TAUBER 44451

NOTES TO FINANCIAL STATEMENTSNOTE 4 - INVESTMENT LOST CREEK PARTNERSHIP (Continued)

Thermoplastic Children's Playthings, and Sublease Coal property - extract and sell coal. The Partnerships' taxable year ended December 31, 1977 and the Corporation's proportionate share of loss amounted to \$170,623 which was deducted against Corporation's Income. As a result, Federal and State Income Tax Savings amounted to \$87,222 or .40 per share. The investment in the partnership is carried on an equity basis adjusted by the loss. There were no provisions made for the contingent liability by the corporation of \$143,696 nor any additional income tax should the Internal Revenue Service disallow the above loss claimed.

NOTE 5 - INCOME TAXES

The Internal Revenue Service has made a field examination of the Hospital's income tax return for the Fiscal Year ended June 30, 1974. The examination resulted in no change to income and the company's return was accepted as filed. The accounting methods used by the Corporation for the recording in its books of account are the same as those used in the preparation of its income tax returns.

NOTE 6 - LEASE AGREEMENT PAYABLE

The amount of \$2,397 represents the unpaid balance due under a lease-purchase agreement of hospital equipment. This amount is curtailed at \$479.48 per month for 60 months beginning December, 1973. The terms stipulate that at the end of the lease period the equipment may be purchased at the nominal value of \$1.

The assets covered under this lease agreement are recorded in the appropriate fixed asset account and are being depreciated over the estimated life-years assigned to each piece of equipment.

TAUBER 44452

NOTES TO FINANCIAL STATEMENTSNOTE 7 - BOND REDEMPTION SINKING FUND REQUIREMENT

Bonds payable, as shown on the accompanying balance sheet, in the amount of \$173,500 mature in 1985, \$153,500 mature in 1990, and \$237,850 mature in 1996. A requirement of the bond issue is the establishment of a retirement sinking fund, five years from the date of issue, for either an early redemption or a redemption at maturity.

As of June 30, 1978 the sinking fund requirement amounts to approximately \$92,536 for redemption at maturity. During the fiscal year the Corporation has redeemed bonds payable in the amount of \$49,000 and had a sinking fund balance of \$95,938 at year end.

NOTE 8 - PROVISION FOR CONTRACT ADJUSTMENT - MEDICARE AND GROUP HOSPITALIZATION, INC.

The amount of \$52,452 as shown on the accompanying balance sheet represents the refundable amount due to the intermediary, Group Hospitalization, Inc. for estimated overpayment for services rendered Medicare and Group Hospitalization, Inc. Patients for the year ended June 30, 1976. Subsequently the amount determined by the Intermediaries was \$82,153.

NOTE 9 - LEASE AGREEMENT - LAND

The lease agreements have been entered into by the Hospital for the greater portion of land which it uses. The term of one lease is for 99 years beginning January 1, 1966 and provides for a basic annual rental of \$15,600 with a provision that on each tenth anniversary of the lease commencement date the annual rental can be adjusted by a formula based on the wholesale price index. The term of the other lease commenced on January 1, 1966 and it is also for a period of 99 years with a rental of \$2,406.80 per annum plus a portion of the real estate taxes. For the year ended June 30, 1978 the portion of real estate taxes paid was \$1,618.87.

TAUBER 44453

NOTES TO FINANCIAL STATEMENTSNOTE 10 - EARNINGS PER SHARE

The Hospital has issued no dilutive convertible securities, options, warrants or other stock rights. Earnings per share represent the net income for the year divided by 218,255 shares outstanding for the year ended June 30, 1978 and 205,982 shares outstanding for the year ended June 30, 1977.

NOTE 11 - CHANGES IN ACCOUNTING POLICY

The Corporation prior to the year ended June 30, 1974 recognized contractual adjustments on patients' accounts at the time paid by the third party. In 1974 it changed this policy to recognize the contractual adjustment at the time the patient is discharged. This change results in a better comparison of the patient revenue with expense.

The cumulative effect on the retained earnings as of June 30, 1973 would be approximately \$116,000. The effect of this change retroactively applied to the year ended June 30, 1973 cannot be established because sufficient information is not available to make the calculation. However, it is believed that the effect on the year ended June 30, 1973 net income, after giving effect to income taxes, would be immaterial.

NOTE 12 - EMPLOYEE PENSION PLAN AND TRUST

The Corporation entered into an employee pension plan effective date December 1, 1971. The amount of the Employer's contribution is based upon Participant's Annual Compensation at the rate of 3% @ annum. It is estimated that the cost of the plan will be approximately \$55,394 per year.

NOTE 13 - LONG-TERM COMMITMENTS

Jefferson Memorial Hospital Corporation has long-term lease commitments as follows:

Contracts with the Radio Corporation of America for the use of televisions

TAUBER 44454

NOTES TO FINANCIAL STATEMENTSNOTE 13 - LONG-TERM COMMITMENTS (Continued)

and remote patient units. The contracts expire March 1, 1981 and require annual payments of \$7,024.20. Under the terms of the contracts, at the expiration, the equipment may be purchased by the Corporation at the nominal value of \$1.00 for each equipment unit leased hereunder.

Contracts with the General Electric Company in renting two "portable x-ray units". The contracts expire June 17, 1980 and February 4, 1981 and require annual payments of \$12,983.40. Under the terms of the contracts the equipment remains the sole property of the Lessor at the termination of the contract period.

Contract with Equico Lessors in renting "Monitoring Equipment for Intensive Care Unit". The contract expires November 30, 1984 and requires an annual payment of \$14,675.28 for the first five years, and \$1,672.47 for the sixth and seventh year. Under the terms of the contract the equipment remains the sole property of the Lessor at the termination of the contract period.

Contract with Kenneth R. Fox, M.D. Leasing "Ophthalmic Equipment" for a period of five years commencing May 1, 1978 was entered with an annual rental of \$6,866.28.

The Corporation entered into a lease agreement with "Jefferson Memorial Hospital Joint Venture" to rent the building and parking facilities which was effective as of July 1, 1975. The lease is for a term of twenty years with an option to renew for an additional twenty years. The basic annual rental for the first ten years of the term is \$112,00 per year, and for the second ten years of the term \$60,000 per year on a net lease. In addition, under the terms of the lease the Corporation will pay all maintenance, insurance and taxes on the property.

NOTE 14 - LITIGATION

TAUBER 44455

During the fiscal year ended June 30, 1977 Jefferson Memorial Hospital Corporation made an out of court settlement in the amount of \$8,077.22 to

**CONFIDENTIAL**

NOTES TO FINANCIAL STATEMENTS

NOTE 14 - LITIGATION (Continued)

Columbia Medical Laboratories in a previously filed suit. The total amount of \$8,077.22 is included in the operating costs of the Hospital for the year ended June 30, 1977.

At the Fiscal Year end, there were two claims pending against the corporation. One of the claimes was recently dismissed without prejudice and it is the belief of the defense attorney that there is not much merit to the other case. Correspondence with the insurance companies revealed that there is adequate coverage of insurance to settle the above claims.

TAUBER 44456

**U.S. Corporation Income Tax Return**

For calendar year 1977 or other taxable year beginning

1977, ending 19.....  
(PLEASE TYPE OR PRINT)

**1977**

Check if —  
A Consolidated return ☐  
B Personal Holding Co. ☐  
C Business Code No. (See Page 8 of instructions)  
**8099**

Use IRS label. Otherwise print or type.  
TO 54-0784092 JUN 30, 1978 054 M  
JEFFERSON MEMORIAL HOSPITAL INC  
4600 KING ST  
ALEXANDRIA VA 22302

D Employer identification number  
**54-0784092**

E Date incorporated  
**JUNE 30 1971**

F Enter total assets from line 14, column (D), Schedule L (See specific instructions)

IMPORTANT—Fill in all applicable lines and schedules. If the lines on the schedules are not sufficient, see instruction N.

GROSS INCOME	1	Gross receipts or gross sales	<b>8,594,874.15</b>	Less: Returns and allowances	<b>709,813.56</b>	1	<b>7,885,060.59</b>
	2	Less: Cost of goods sold (Schedule A) and/or operations (attach schedule)				2	<b>6,758,888.26</b>
	3	Gross profit				3	<b>1,126,172.33</b>
	4	Dividends (Schedule C)				4	
	5	Interest on obligations of the United States and U.S. instrumentalities				5	
	6	Other interest				6	<b>9,562.39</b>
	7	Gross rents				7	<b>3,900.00</b>
	8	Gross royalties				8	
	9(a)	Capital gain net income (attach separate Schedule D)				9(a)	
	9(b)	Net gain or (loss) from line 9, Part II, Form 4797 (attach Form 4797)				9(b)	
	10	Other income (see instructions—attach schedule) <b>(Loss)</b>				10	<b>(1,761.75)</b>
11	TOTAL income—Add lines 3 through 10				11	<b>1,137,872.97</b>	
DEDUCTIONS	12	Compensation of officers (Schedule E)				12	
	13	Salaries and wages (not deducted elsewhere)				13	
	14	Repairs (see instructions)				14	
	15	Bad debts (Schedule F if reserve method is used)				15	<b>473,190.23</b>
	16	Rents				16	<b>134,766.72</b>
	17	Taxes (attach schedule)				17	<b>80,152.75</b>
	18	Interest				18	<b>63,588.03</b>
	19	Contributions (not over 5% of line 30 adjusted per instructions—attach schedule)				19	
	20	Amortization (attach schedule)				20	
	21	Depreciation from Form 4562 (attach Form 4562) less depreciation claimed in Schedule A and elsewhere on return				21	<b>65,618.07</b>
	22	Depletion				22	
	23	Advertising				23	
	24	Pension, profit-sharing, etc. plans (see instructions) (enter number of plans <b>one</b> )				24	<b>53,394.00</b>
	25	Employee benefit programs (see instructions)				25	
	26	Other deductions (attach schedule)				26	<b>137,538.79</b>
	27	TOTAL deductions—Add lines 12 through 26				27	<b>1,010,248.79</b>
	28	Taxable income before net operating loss deduction and special deductions (line 11 less line 27)				28	<b>127,624.18</b>
	TAX	29	Less: (a) Net operating loss deduction (see instructions—attach schedule)		29(a)		
		(b) Special deductions (Schedule I)		29(b)			
30		Taxable income (line 28 less line 29)				30	<b>127,624.18</b>
31		TOTAL TAX (Schedule J)				31	<b>39,882.40</b>
32		Credits: (a) Overpayment from 1976 allowed as a credit	<b>19,871.17</b>				
		(b) 1977 estimated tax payments	<b>27,129.00</b>				
		(c) Less refund of 1977 estimated tax applied for on Form 4465	<b>(47,000.27)</b>				
		(d) Tax deposited with Form 7004 (attach copy)					
		(e) Tax deposited with Form 7005 (attach copy)					
		(f) Credit from regulated investment companies (attach Form 2439)					
	(g) U.S. tax on special fuels, nonhighway gas and lubricating oil (attach Form 4136)						
33	TAX DUE (line 31 less line 32). See instruction G for depository method of payment				33	<b>47,000.27</b>	
34	OVERPAYMENT (line 32 less line 31)				34	<b>7,117.87</b>	
35	Enter amount of line 34 you want Credited to 1978 estimated tax	<b>7,117.87</b>	Refunded		35		

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

Signature of officer **Frederic L. S. S. S. S.** Date **9/14/77**

Signature of preparer and identifying number (see instructions) **4/12/73**

**PREPARENT**

4550 CONN. AVE. N.W., WASHINGTON, D.C.

**086-24-8067**

and preparer's address (or employer's name, address and identifying number)



FILE COPY

1977

Form **1120**  
Department of the Treasury  
Internal Revenue Service**U.S. Corporation Income Tax Return**

For calendar year 1977 or other taxable year beginning

1977, ending 19

(PLEASE TYPE OR PRINT)

Check if —

A Consolidated return ☐B Personal Holding Co. ☐C Business Code No. (See  
Page 3 of instructions)

8099

Use IRS label.  
Otherwise  
print or type.TO 54-0784092 JUN 30, 1978 054 M  
JEFFERSON MEMORIAL HOSPITAL INC  
4600 KING ST  
ALEXANDRIA VA 22302D Employer identification number  
54-0784092E Date incorporated  
JUNE 3<sup>RD</sup> 1971F Enter total assets from line 14,  
column (D), Schedule L (See specific  
instructions)

\$ 2062 836 01

**IMPORTANT—**Fill in all applicable lines and schedules. If the lines on the schedules are not sufficient, see instruction N.

GROSS INCOME	1	Gross receipts or gross sales	8,594,874.15	Less: Returns and allowances	709,813.56	1	7,885,060.59
	2	Less: Cost of goods sold (Schedule A) and/or operations (attach schedule)				2	6,758,888.26
	3	Gross profit				3	1,126,172.33
	4	Dividends (Schedule C)				4	
	5	Interest on obligations of the United States and U.S. instrumentalities				5	
	6	Other interest				6	9,562.39
	7	Gross rents				7	3,900.00
	8	Gross royalties				8	
	9(a)	(a) Capital gain net income (attach separate Schedule D)				9(a)	
	9(b)	(b) Net gain or (loss) from line 9, Part II, Form 4797 (attach Form 4797)				9(b)	
	10	Other income (see instructions—attach schedule)	(2,033)			10	(1,761.75)
11	TOTAL income—Add lines 3 through 10				11	1,137,872.97	
DEDUCTIONS	12	Compensation of officers (Schedule E)				12	
	13	Salaries and wages (not deducted elsewhere)				13	
	14	Repairs (see instructions)				14	
	15	Bad debts (Schedule F if reserve method is used)				15	473,190.33
	16	Rents				16	134,766.72
	17	Taxes (attach schedule)				17	80,152.93
	18	Interest				18	63,588.03
	19	Contributions (not over 5% of line 30 adjusted per instructions—attach schedule)				19	
	20	Amortization (attach schedule)				20	
	21	Depreciation from Form 4562 (attach Form 4562) less depreciation claimed in Schedule A and elsewhere on return Balance				21	65,618.07
	22	Depletion				22	
	23	Advertising				23	
	24	Pension, profit-sharing, etc. plans (see instructions) (enter number of plans ONE)				24	55,394.00
	25	Employee benefit programs (see instructions)				25	
	26	Other deductions (attach schedule)				26	137,538.79
	27	TOTAL deductions—Add lines 12 through 26				27	1,010,248.77
	28	Taxable income before net operating loss deduction and special deductions (line 11 less line 27)				28	127,624.18
	TAX	29	Less: (a) Net operating loss deduction (see instructions—attach schedule) 29(a)				
		(b) Special deductions (Schedule I) 29(b)					
30		Taxable income (line 28 less line 29)				30	127,624.18
31		TOTAL TAX (Schedule J)				31	39,882.40
32		Credits: (a) Overpayment from 1976 allowed as a credit	19,871.17				
		(b) 1977 estimated tax payments	27,129.00				
		(c) Less refund of 1977 estimated tax applied for on Form 4466		47,000.27			
		(d) Tax deposited with Form 7004 (attach copy)					
		(e) Tax deposited with Form 7005 (attach copy)					
		(f) Credit from regulated investment companies (attach Form 2439)					
	(g) U.S. tax on special fuels, nonhighway gas and lubricating oil (attach Form 4136)					47,000.27	
33	TAX DUE (line 31 less line 32). See instruction G for depository method of payment				33		
34	OVERPAYMENT (line 32 less line 31)				34	7,117.87	
35	Enter amount of line 34 you want: Credited to 1978 estimated tax 7,117.87 Refunded				35		

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

Signature of officer *Robert H. Miller* 9/14/77 Date

Paid preparer's signature and identifying number (see instructions)

4850 CONN. AVE. N.W., WASHINGTON, D.C.  
086-24-8067

Paid preparer's address (or employer's name, address and identifying number)

JAPP. 3293

**Schedule A** **Cost of Goods Sold (See Instruction 2)**

- |   |  |
|---|--|
| 1 Inventory at beginning of year . . . . .  |  |
| 2 Merchandise bought for manufacture or sale . . . . .  | See Schedule Attached                                    |
| 3 Salaries and wages . . . . .  |  |
| 4 Other costs (attach schedule) . . . . .   |  |
| 5 Total . . . . .   |  |
| 6 Less: Inventory at end of year . . . . .  |  |
| 7 Cost of goods sold—Enter here and on line 2, page 1 . . . . .   | 6,758,888.26   |
| 8 (a) Check valuation method(s) used for total closing inventory:   |  |
| <input type="checkbox"/> Cost <input type="checkbox"/> Lower of cost or market <input type="checkbox"/> Other (if "other," attach explanation)    |  |
| (b) Check if this is the first year LIFO inventory method was adopted and used . . . . .  | <input type="checkbox"/>                                 |
| If checked, attach Form 970.  |  |
| (c) If the LIFO inventory method was used for this taxable year, enter percentage (or amounts) of closing inventory computed under LIFO . . . . . | N/A  |
| (d) If you are a manufacturer, check if you valued your inventory in accordance with regulations section 1.471-11 . . . . .                       | <input type="checkbox"/>                                 |
| (e) Was there any substantial change in determining quantities, cost, or valuations between opening and closing inventory? . . . . .              | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| If "Yes," attach explanation.   |  |

**Schedule D Dividends (See instruction 4)**

- |    |  |  |
|----|--|--|
| 1  | Domestic corporations subject to 85% deduction   |  |
| 2  | Certain preferred stock of public utilities  |  |
| 3  | Foreign corporations subject to 85% deduction  |  |
| 4  | Dividends from wholly-owned foreign subsidiaries subject to 100% deduction (section 245(b))                |  |
| 5  | Other dividends from foreign corporations  |  |
| 6  | Includable income from controlled foreign corporations under subpart F (attach Forms 3646)                 |  |
| 7  | Foreign dividend gross-up (section 78)   |  |
| 8  | Qualifying dividends received from affiliated groups and subject to the 100% deduction (section 243(a)(3)) |  |
| 9  | Qualifying dividends received from affiliated groups and subject to the provisions of section 1564(b)      |  |
| 10 | Taxable dividends from a DISC or former DISC not included in line 1 (section 246(d))                       |  |
| 11 | Other dividends  |  |
| 12 | Total—Enter here and on line 4, page 1   |  |

<b>Schedule 3</b>	<b>Compensation of Officers (See instruction 12)</b>
-------------------	--

[illegible]

**Schedule B** **Bad Debts—Reserve Method (See instruction 15)**

1. Year	2. Trade notes and accounts receivable outstanding at end of year	3. Sales on account	Amount added to reserve		6. Amount charged against reserve	7. Reserve for bad debts at end of year
			4. Current year's provision	5. Recoveries		
1972	1 437 830	4 411 181	237 970		102 073	360 250
1973	941 696	5 337 784	167 692		282 325	245 617
1974	1 005 872	6 303 823	210 111		254 537	201 171
1975	1 145 283	6 251 592	392 586		341 814	251 473
1976	1 107 463	7 673 657	132 606		438 584	245 955
1977	1 342 333	8 594 874	473 190		444 140	275 035

**Schedule I Special Deductions**

- |   |  |  |
|---|--|--|
| 1 | (a) 85% of line 1, Schedule C . . . . .  |  |
|   | (b) 60.208% of line 2, Schedule C . . . . .  |  |
|   | (c) 85% of line 3, Schedule C . . . . .  |  |
|   | (d) 100% of line 4, Schedule C . . . . .   |  |
| 2 | Total—See instructions for limitation . . . . .  |  |
| 3 | 100% of line 8, Schedule C . . . . .   |  |
| 4 | Enter dividends received deduction allowed for dividends reported on line 9, Sch. C. See section 1564(b) for computation . . . . . |  |
| 5 | Dividends paid on certain preferred stock of public utilities (see instructions) . . . . .   |  |
| 6 | Western Hemisphere trade corporations (see instructions) . . . . .   |  |
| 7 | Total special deductions—§ 111 . . . . .   |  |

## Schedule J Tax Computation

1	Taxable income (line 30, page 1)	127,624.18
2	Enter line 1 or \$25,000, whichever is lesser. (Members of a controlled group, see instructions)	25,000.00
3	Line 1 less line 2	102,624.18
4	Enter line 3 or \$25,000, whichever is lesser. (Members of a controlled group, see instructions)	25,000.00
5	Line 3 less line 4	77,624.18
6	20% of line 2	5,000.00
7	22% of line 4	5,500.00
8	48% of line 5	37,259.60
9	Income tax (Sum of lines 6, 7 and 8 or alternative tax from separate Schedule D, whichever is lesser)	47,759.60
10	(a) Foreign tax credit (attach Form 1118)	
	(b) Investment credit (attach Form 3468)	
	(c) Work incentive (WIN) credit (attach Form 4874)	
	(d) New jobs credit (attach Form 5884)	7,877.20
11	Total of lines 10(a), (b), (c), and (d)	7,877.20
12	Line 9 less line 11	39,882.40
13	Personal holding company tax (attach Schedule PH (Form 1120))	
14	Tax from recomputing a prior year investment credit (attach Form 4255)	
15	Tax from recomputing a prior year WIN credit (see instructions—attach computation)	
16	Minimum tax on tax preference items (see instructions—attach Form 4626)	
17	Total tax—Add lines 12 through 16. Enter here and on line 31, page 1.	39,882.40

Schedule K Record of Federal Tax Deposits Tax Class Number 503  
(List deposits in order of date made—See instruction G)

Date of deposit	Amount	Date of deposit	Amount	Date of deposit	Amount
10-14-77	1,069.00	6-14-78	4,120.00		
12-15-77	20,940.00				
3-15-78	1,000.00				

<p><b>G</b> Did you claim a deduction for expenses connected with:</p> <p>(1) Entertainment facility (boat, resort ranch, etc.)? <input checked="" type="checkbox"/></p> <p>(2) Living accommodations (except for employees on business)? <input checked="" type="checkbox"/></p> <p>(3) Employee's families at conventions or meetings? <input checked="" type="checkbox"/></p> <p>(4) Employee or family vacations not reported on Form W-2? <input checked="" type="checkbox"/></p> <p>Enter total amount of deduction(s) on Form 1120 that are claimed under section 274 (entertainment, gifts, etc.) ▶</p>	<p><b>H</b> (1) Did you at the end of the taxable year own, directly or indirectly, 50% or more of the voting stock of a domestic corporation? (For rules of attribution, see section 267(c).) <input checked="" type="checkbox"/></p> <p>If "Yes," attach a schedule showing:</p> <p>(a) name, address, and identifying number;</p> <p>(b) percentage owned; and</p> <p>(c) taxable income or (loss) (e.g., if a Form 1120: from line 28, page 1, Form 1120) of such corporation for the taxable year ending with or within your taxable year.</p> <p>(2) Did any individual, partnership, corporation, estate or trust at the end of the taxable year own, directly or indirectly, 50% or more of your voting stock? (For rules of attribution, see section 267(c).) <input checked="" type="checkbox"/></p> <p>If "Yes:"</p> <p>(a) Attach a schedule showing name, address, and identifying number.</p> <p>(b) Enter percentage owned ▶</p> <p>(c) Was the owner of such voting stock a person other than a U.S. person? (See instruction S.) <input checked="" type="checkbox"/></p> <p>If "Yes," enter owner's country ▶</p>	<p><b>I</b> Did you ever declare a stock dividend? <input checked="" type="checkbox"/></p> <p>Taxable income or (loss) from line 28, page 1, Form 1120 for your taxable year beginning in:</p> <p>1974: 196,910. 1975: 199,079. 1976: 210,258</p>	<p><b>K</b> Were you a member of a controlled group subject to the provisions of section 1561? <input checked="" type="checkbox"/></p> <p>If "Yes," check the type of relationship:</p> <p>(1) <input type="checkbox"/> parent-subsidiary (2) <input type="checkbox"/> brother-sister</p> <p>(3) <input type="checkbox"/> combination of (1) and (2) (See section 1563.)</p> <p><b>L</b> Refer to page 8 of instructions and state the principal:</p> <p>Business activity: HOSPITAL</p> <p>Product or service: MEDICAL SERVICE</p> <p><b>M</b> Did you file all required Forms 1087, 1096 and 1099? <input checked="" type="checkbox"/></p> <p><b>N</b> Were you a U.S. shareholder of any controlled foreign corporation? (See sections 951 and 957.) <input checked="" type="checkbox"/></p> <p>If "Yes," attach Form 3646 for each such corporation.</p> <p><b>O</b> Was this firm in business at the end of 1977? <input checked="" type="checkbox"/></p> <p><b>P</b> How many months in 1977 was this firm in business? 12</p> <p><b>Q</b> During this taxable year, did you pay dividends (other than stock dividends and distributions in exchange for stock) in excess of your current and accumulated earnings and profits? (See sections 301 and 316.) <input checked="" type="checkbox"/></p> <p>If "Yes," file Form 5452. If this is a consolidated return, answer here for parent corporation and on Form 851, Affiliation Schedule, for each subsidiary.</p> <p><b>R</b> If you are a farmers' cooperative, check type:</p> <p><input type="checkbox"/> purchasing <input type="checkbox"/> marketing <input type="checkbox"/> service</p> <p><input type="checkbox"/> other (explain) ▶</p> <p><b>S</b> Did you, at any time during the taxable year, have any interest in or signature or other authority over a bank, securities or other financial account in a foreign country (except in a U.S. military banking facility operated by a U.S. financial institution)? If "Yes," see instruction V. <input checked="" type="checkbox"/></p> <p><b>T</b> Were you the grantor of, or transferee to, a foreign trust during any taxable year, which foreign trust was in being during the current taxable year, whether or not you have any beneficial interest in such trust? If "Yes," you may be required to file Forms 3520, 3520-A, or 926. <input checked="" type="checkbox"/></p>
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**Schedule L Balance Sheets**

	Beginning of taxable year		End of taxable year	
	(A) Amount	(B) Total	(C) Amount	(D) Total
<b>ASSETS</b>				
1 Cash . . . . .	1,053,265.54	221,949.47	1,342,333.15	131,891.62
2 Trade notes and accounts receivable . . . . .	245,985.00	807,280.54	275,035.00	106,769.15
(a) Less allowance for bad debts . . . . .		31,802.00		43,061.95
3 Inventories . . . . .				
4 Gov't obligations: (a) U.S. and instrumentalities . . . . .				
(b) State, subdivisions thereof, etc. . . . .				
5 Other current assets (attach schedule) <b>PREPAID</b> . . . . .		120,448.64		191,745.99
6 Loans to stockholders . . . . .				
7 Mortgage and real estate loans . . . . .				
8 Other investments (attach schedule) <b>Partnership</b> . . . . .				(66,623.00)
9 Buildings and other fixed depreciable assets . . . . .	732,660.84		754,229.70	
(a) Less accumulated depreciation . . . . .	320,914.44	411,746.40	365,825.98	388,403.72
10 Depletable assets . . . . .				
(a) Less accumulated depletion . . . . .				
11 Land (net of any amortization) . . . . .	375,425.00		375,425.00	
12 Intangible assets (amortizable only) . . . . .	56,882.94	318,542.06	68,367.42	307,057.58
(a) Less accumulated amortization . . . . .				
13 Other assets (attach schedule) . . . . .				
14 Total assets . . . . .		1,911,769.11		2,062,836.01
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>				
15 Accounts payable . . . . .		530,058.15		547,543.51
16 Mtes., notes, bonds payable in less than 1 yr. . . . .		58,971.72		73,163.65
17 Other current liabilities (attach schedule) . . . . .		22,953.98		19,527.75
18 Loans from stockholders . . . . .				
19 Mtes., notes, bonds payable in 1 yr. or more . . . . .		692,078.68		677,005.22
20 Other liabilities (attach schedule) . . . . .				
21 Capital stock: (a) Preferred stock . . . . .				
(b) Common stock . . . . .	2,059.82	2,059.82	2,182.53	2,182.55
22 Paid-in or capital surplus . . . . .		571,100.99		626,640.27
23 Retained earnings—Appropriated (attach sch.) . . . . .				
24 Retained earnings—Unappropriated . . . . .		34,545.77		116,773.06
25 Less cost of treasury stock . . . . .		( )		( )
26 Total liabilities and stockholders' equity . . . . .		1,911,769.11		2,062,836.01

**Schedule M-1 Reconciliation of Income Per Books With Income Per Return**

1 Net income per books . . . . .	76,257.30	7 Income recorded on books this year not included in this return (itemize)	
2 Federal income tax . . . . .	39,882.40	(a) Tax-exempt interest \$ . . . . .	
3 Excess of capital losses over capital gains . . . . .			
4 Income subject to tax not recorded on books this year (itemize) . . . . .			
5 Expenses recorded on books this year not deducted in this return (itemize)		8 Deductions in this tax return not charged against book income this year (itemize)	
(a) Depreciation . . . . . \$ . . . . .		(a) Depreciation . . . . . \$ . . . . .	
(b) Depletion . . . . . \$ . . . . .		(b) Depletion . . . . . \$ . . . . .	
<b>AMORTIZATION OF GOODWILL</b> . . . . .	11,484.48		
6 Total of lines 1 through 5 . . . . .	127,624.18	9 Total of lines 7 and 8 . . . . .	
		10 Income (line 28, page 1)—line 6 less 9 . . . . .	127,624.18

**Schedule M-2 Analysis of Unappropriated Retained Earnings Per Books (line 24 above)**

1 Balance at beginning of year . . . . .	34,545.77	5 Distributions: (a) Cash . . . . .	
2 Net income per books . . . . .	76,257.30	(b) Stock . . . . .	
3 Other increases (itemize)		(c) Property . . . . .	
<b>Gain of Reacquisition of Stock</b> . . . . .	59,699.99	6 Other decreases (itemize)	
4 Total of lines 1, 2, and 3 . . . . .	116,773.06	7 Total of lines 5 and 6 . . . . .	
		8 Balance at end of year (line 4 less 7) . . . . .	116,773.06

# Computation of Investment Credit

► Attach to your tax return.

**1977**

Name

**JEFFERSON MEMORIAL HOSPITAL INC.**

Identifying number as shown on page 1 of your tax return

**54-0784092**

1 Use schedule below to list qualified investment in new and used property acquired or constructed and placed in service during the taxable year; and also list qualified progress expenditures made during the 1977 taxable year and qualified progress expenditures made in 1974, 1975, and 1976 taxable years providing a proper election as prescribed in section 46(d)(6) was made for such prior years. If progress expenditure property is placed in service during the taxable year, do not list qualified progress expenditures for this property. See instruction for line 1.

If 100% investment credit is being claimed on certain ships, check this block. ☐ See Instruction K for details.

Note: Include your share of investment in property made by a partnership, estate, trust, small business corporation, or lessor.

Type of property	Line	(1) Life years	(2) Cost or basis (See instruction G)	(3) Applicable percentage	(4) Qualified investment (Column 2 x column 3)
New property	(a)	3 or more but less than 5		33½	
	(b)	5 or more but less than 7	10,283.16	66½	6,855.44
	(c)	7 or more	71,916.51	100	71,916.51
Qualified progress expenditures	(d)	7 or more		20	
	(e)	7 or more		60	
	(f)	7 or more		33½	
Used property (See instructions for dollar limitation)	(g)	3 or more but less than 5		66½	
	(h)	5 or more but less than 7		100	
	(i)	7 or more			

2 Qualified investment—add lines 1(a) through (h) . . . . .

**78,771.95**

3 10% of line 2 . . . . .

**7,877.20**

4 7% (4% for public utility property) of certain property (see instruction for line 1) . . . . .

5 Corporations electing the additional investment credit for contributions to Employee Stock Ownership Plans—Attach election statement. (See instruction I and instruction for line 5.)

(a) Additional 1% credit—Enter 1% of line 2 . . . . .

(b) Additional credit not to exceed .5%—Enter allowable percentage times adjusted line 2 (attach schedule) . . . . .

6 Carryback and carryover of unused credit(s). See instruction F—attach computation . . . . .

7 Tentative investment credit—Add lines 3 through 6 . . . . .

**7,877.20**

## Limitation

8 (a) Individuals—Enter amount from line 37, page 2, Form 1040 . . . . .

(b) Estates and trusts—Enter amount from line 26 or 27, page 1, Form 1041 . . . . .

(c) Corporations—Enter amount from line 9, Schedule J, page 3, Form 1120 . . . . .

9 (a) Credit for the elderly (individuals only) . . . . .

(b) Foreign tax credit . . . . .

(c) Tax on lump-sum distributions (see instruction for line 9(c)) . . . . .

(d) Possession Tax Credit (corporations only) . . . . .

(e) Section 72(m)(5) penalty tax . . . . .

10 Total—Add lines 9(a) through (e) . . . . .

11 Line 8 less line 10 . . . . .

**47,759.60**

12 (a) Enter amount on line 11 or \$25,000, whichever is lesser. (Married persons filing separately, controlled corporate groups, estates, and trusts, see instruction for line 12.) . . . . .

**25,000.00**

(b) If line 11 exceeds line 12(a), enter 50% of the excess. (Public utilities, railroads, and airlines, see instruction J.) . . . . .

**11,379.80**

13 Total—Add lines 12(a) and (b) . . . . .

**36,379.80**

14 Investment credit—Amount from line 7 or line 13, whichever is lesser. Enter here and on line 41, Form 1040; line 10(b), Schedule J, page 3, Form 1120; or the appropriate line on other returns . . . . .

**7,877.20**

**Schedule A** If any part of your investment in line 1 or 4 above was made by a partnership, estate, trust, small business corporation, or lessor, complete the following statement and identify property qualifying for the 7% or 10% investment credit.

Name (Partnership, estate, trust, etc.)	Address	Property			Life year
		Progress expenditures	New	Used	
		\$	\$	\$	

If property is disposed of prior to the life year . . . . .

See instruction F

7169

TAG 002719

J.APP. 3297

54-0784092

e. Description of property	b. Date acquired	c. Cost or other basis	d. Depreciation allowed or allowable in prior years	e. Method of computing depreciation	f. Life or rate	g. Depreciation for this year
<b>1 Total additional first-year depreciation (do not include in items below)</b> →						
<b>2 Depreciation from Form 4832 . . . . .</b>						
<b>3 Other depreciation:</b>						
Buildings . . . . .						
Furniture and fixtures . . .						
Transportation equipment . .						
Machinery and other equipment.						
Other (Specify) _____						
MAJOR NONREAL ESTATE	VARIOUS	542,352.90	224,485.60	SL	Var.	51,088.03
FIXED EQUIPMENT	"	171,537.35	72,782.39	SL	Var.	11,441.19
LEASEHOLD IMPROVEMENTS	"	40,339.45	2,939.92	SL	Var.	3,088.85
<b>4 Totals</b>		<b>754,229.70</b>				<b>65,618.07</b>

**Individual, partnership, and fiduciary filers should include totals from line 4 on the corresponding lines of their regular depreciation schedule. Form 1120 or any of the Form 1120 series (Form 1120S, 1120F, etc.) filers should attach Form 4562 to their return and enter total of line 4, column g, on appropriate depreciation expense line in "Deductions" section of return.**

(Continued on back

J.APP. 3298

JEFFERSON MEMORIAL HOSPITAL INC.

SCHEDULES F.Y.E. JUNE 30, 1978

E.I. # 54-0784092

SCHEDULE OF OTHER INCOME

MEDICAL SUPPLIES & TRANSCRIPTS	\$ 550335
COMMISSIONS - VENDING MACHINES	134291
RECOVERY OF BAD DEBTS	15189449
PSRO REVENUE	1012050
LOST CREEK PARTNERS - ORDINARY (LOSS) - A-1	(17062300)
WEST PALM BEACH, FLA E.I. # Pending	

TOTAL OTHER INCOME

\$ (176175)

SCHEDULE OF TAXES

REAL ESTATE	\$ 3391475
LICENSES	1919400
PERSONAL PROPERTY & MISCELLANEOUS	1391832
SALES TAX	497434
STATE CORPORATION INCOME TAX	815154

TOTAL TAXES

\$ 8015295

SCHEDULE OF OTHER DEDUCTIONS

INSURANCE	\$ 6068819
LOSS ON DISPOSITION OF EQUIPMENT	2053205
SECURITY	2475200
COLLECTION AGENCY EXPENSE	454664
GENERAL EDUCATION	539393
POSTAGE & SHIPPING EXPENSE	1306050
TELEVISION AND MUSIC RENTAL	856548

TOTAL OTHER DEDUCTIONS

\$ 13753879

TAG 002721

J.APP. 3299

# JEFFERSON MEMORIAL HOSPITAL, INC.

COST OF OPERATIONS - F.Y. ENDED JUNE 30, 1978

E.T. # 54-0784092

		TOTAL	SALARIES AND WAGES	SUPPLIES AND EXPENSES
1	NURSING SERVICES	151957725	130719013	21238712
2	INTENSIVE CARE	25096425	20046976	5049449
3	OPERATING ROOM	37483716	21991429	15492287
4	RECOVERY ROOM	6636917	5811471	825446
5	CENTRAL SUPPLY	20183307	5187443	14995864
6	EMERGENCY	35330595	11209038	24321557
7	LABORATORY	41182251	16568575	24613676
8	PULMONARY FUNCTION	5681864	-	5681864
9	BLOOD BANK	2733503	-	2733503
10	ELECTRO CARDIOLOGY	8271859	3076712	5195147
11	ELECTRO ENCEPHALOGRAPHY	994134	-	994134
12	STRESS TEST + Renal Dialysis	1287675	-	1287675
13	RADIOLOGY	39679610	11984240	27695370
14	PHARMACY	40811968	-	40811968
15	ANESTHESIOLOGY	29169003	-	29169003
16	INHALATION THERAPY	23893364	-	23893364
17	PHYSICAL THERAPY	13124988	5796797	7328191
18	MEDICAL RECORDS	7650241	5968083	1682158
19	DIETARY	42742590	19515779	23246811
20	P.S.R.O.	3089334	2564073	525261
21	OPERATION OF PLANT	22029593	10810551	11219042
22	REPAIRS AND MAINTENANCE	5186794	-	5186794
23	HOUSEKEEPING	15267894	-	15267894
24	LAUNDRY + LINEN	13267276	2147823	11119453
25	DATA PROCESSING	11115366	3508749	7606617
26	ADMINISTRATIVE	72400834	44236347	28364487
27				
28	<u>Totals</u>	<u>675888826</u>	<u>320943099</u>	<u>354945727</u>
29				
30				

TAG 002722



# Virginia Corporation Income Tax Return

For calendar year 1981 or taxable year beginning 7-1-1977 and ending 6-30-1978

1977

Check if - <input type="checkbox"/> Consolidated return <input type="checkbox"/> Combined return <input type="checkbox"/> Final return (withdrawal or dissolution) <input type="checkbox"/> Amended return	Name <b>JEFFERSON MEMORIAL HOSPITAL CORPORATION</b>	Official use only  <b>FILE COPY</b>  Federal Employer Identification Number <b>54-0784092</b>
	Number and street <b>4600 KING STREET</b>	
	City or town, state, and ZIP Code <b>ALEXANDRIA VIRGINIA 22302</b>	
	Date incorporated <b>JUNE 3, 1971</b> State or Country <b>DELAWARE</b>	
Federal Business Code No. <b>8099</b>	Principal business activity <b>MEDICAL SERVICE - (HOSPITAL)</b>	

IMPORTANT: ATTACH A COPY OF YOUR FEDERAL RETURN TO THIS RETURN

	Amount
1 Federal taxable income (from attached Federal return) ... <u>PER FEDERAL AUDIT REPORT</u>	66,622 00
2 Additions (from line 24)	- - -
3 Total (add lines 1 and 2)	66,622 00
4 Subtractions (from line 34)	-
5 Total (line 3 minus line 4)	66,623 00
6 Savings and loan assoc.'s bad debt deduction—Federal allowable percent times line 5	-
7 Virginia taxable income (line 5 minus line 6)	66,623 00
8 Income of a multistate corporation subject to Virginia tax (Schedule A)	
9 Income tax (6% of line 7 or line 8)	3,997 38
10 Credits: (a) 1981 estimated Virginia income tax payments (b) Prior year's overpayment (c) Payments with extension request and other payments Total credits (add lines (a), (b), and (c))	
11 Tax due (subtract line 10 from line 9)	3,997 38
12 Penalty (see instructions)	- - -
13 Interest (see instructions). <u>COMPUTER FIRM 10-15-78 ... 9-1-82</u>	1734 26
14 Addition to the tax (attach Form 500-C)	
15 Total due (add lines 11, 12, 13, and 14). This amount must be paid with return	5,731 64
16 Overpayment (if line 10 is larger than line 9 enter overpayment)	
17 Amount to be credited on 1982 estimated tax	
18 Amount to be refunded (subtract line 17 from line 16)	

Mail this return to the Department of Taxation, P. O. Box 1500, Richmond, Virginia 23212 on or before the fifteenth day of the fourth month following the close of the taxable year. Checks should be made payable to the Department of Taxation.

## DECLARATION

I, the undersigned president, vice-president, treasurer, assistant treasurer, chief accounting officer, or other officer duly authorized to act, of the corporation for which this return is made, declare under the penalties provided by law that this return (including any accompanying schedules and statements) has been examined by me and is, to the best of my knowledge and belief, a true, correct, and complete return, made in good faith, for the taxable year stated, pursuant to the income tax laws of the Commonwealth of Virginia. If prepared by a person other than taxpayer, his declaration is based on all information of which he has any knowledge.

(Date)	(Signature of officer)	(Title)
(Date)	(Individual or firm signature of preparer)	(Address)
2001.004	DAVID MEMMELT ... 2.P.A.	13075 GOWN AVE. SILVER SPRING, MD

TAG 002679

J.APP. 3301

Name(s) of Taxpayer(s)		Tax years ended	
Hocket No. 23018-81 (1806 only)		6/30/78 6/30/79	
Jefferson Memorial Hospital			
1. Adjustments to income			
a. Partnership loss - Lost Creek Partners	\$ (104,000.00)	\$ -0-	
b.			
c.			
d.			
e.			
f.			
g.			
2. Total adjustments		<104,000.00> -0-	
3a. <input checked="" type="checkbox"/> Taxable income <input type="checkbox"/> Adjusted gross income			
b. As shown in: <input checked="" type="checkbox"/> 7906 <input type="checkbox"/> Tax table income			
<input checked="" type="checkbox"/> Preliminary letter dated 7-10-81 <input checked="" type="checkbox"/> Notice of deficiency dated 6-11-81 <input type="checkbox"/> Return as filed		298,247.18 250,610.83	
4. <input checked="" type="checkbox"/> Taxable income as revised <input type="checkbox"/> Tax table income as revised		194,247.18 250,610.83	
<input type="checkbox"/> Adjusted gross income as revised <input type="checkbox"/> Tax rate schedules		79,738.64 101,456.32	
5. Tax from <input type="checkbox"/> Tax tables <input type="checkbox"/> Tax rate schedules			
6. Alternative tax (if applicable from page _____)			
7. Tax surcharge			
8. Corrected tax liability (lesser of line 5 or 6, plus line 7)		79,738.64 101,456.32	
9. Less credits (specify)		71,861.44 18,536.57	
a. Investment credit		13,176.28	
b. New Jobs credit			
c.			
10. Balance (line 8 less amounts on lines 9a through 9c)		71,861.44 69,743.45	
a. Tax from recomputing prior year investment credit		154.43	
11. Plus			
b. Self-employment tax			
c.			
12. Total corrected income tax liability (line 10 plus amounts on lines 11a through 11c)		71,861.44 69,902.88	
13. Total tax shown on return or as previously adjusted		39,882.40 46,108.96	
14. Increase or (decrease) in tax (difference between lines 12 and 13)		31,979.04 23,793.92	
15. Additions to the tax (listed below)			
Proof \$170,623		* Per return \$48,300.06	
-104,000		R+fund <2,141.00>	
\$66,623 x .48 = \$31,979.04		Partial repayment 549.90	
		\$46,105.96	

Form 5278 (Rev. 5-78)

TAG 002681

Internal Revenue Service  
Regional Commissioner

Department of the Treasury

Date: 25 March 1981

In re:  
Jefferson Memorial Hospital, Inc.  
Income Tax Return  
Year or Period:  
June 30, 1978  
Contact Telephone Number:  
202 - 376-0662

Mr. Leslie L. Peters  
Jefferson Memorial Hospital  
4600 King Street  
Alexandria, Virginia 22302

— Dear Mr. Peters:

This case has been referred to us for consideration as you requested.

I will write or call you soon to arrange a mutually satisfactory date for a hearing.

If you want to contact me in the meantime, you may write to me at the address below or call me at the number shown above.

Sincerely yours,



Albert E. Danon  
Appeals Officer

**AUDIT CHARGES - PARTNERSHIPS, FIDUCIARIES AND SMALL BUSINESS CORPORATIONS**

East Creek Partners  
Indor Michael, General Partner  
S. Ocean Blvd.  
Palm Beach, Fla 33480

55-0589076

FORM NO.  
1065

Case not discussed

Account Name	Year 1973	Year	Year
Minimum Advance Royalty	334,800.00		
Interest Expense	71,151.00		
Management Fees	30,000.00		
Engineering - Amortization	5,826.00		
Roadwork - Amortization	1,081.00		
Bonding and Permit - Amortization	3,194.00		
TOTAL ADJUSTMENTS TO OPERATING EXPENSES	451,233.00		
OPERATING INCOME	(452,838.00)		
OTHER INCOME	(905.00)		
OTHER ADJUSTMENTS			
(1) Adjustment			
(2) Adjustment			
(3) Adjustment			
ADDITIONAL ADJUSTMENTS			
(1) Adjustment			
(2) Adjustment			
(3) Adjustment			

1934

מחלקת המבחנים

ព្រះបាទ ជ័យវរ្ម័ន

Sept 10, 1950

**TAG 002683**

J.APP. 3304

Form 991-A Schedule A-1	EXPLANATION OF ITEMS	GENERAL INSTRUCTIONS 1-A
NAME OF PARTNER	Lost Creek Partners	YEAR PERIOD ENDED 1978

Minimum Advance Royalties	\$334,850.00
Per Return	\$334,850.00
As Corrected	-0-
Net Change	\$334,850.00

Facts: The following items constitute Minimum Annual Royalty on the Partnership return:

Minimum Annual Royalty	\$330,000.00
Royalty Payments - Paul Burchell	1,350.00
Royalty Payments - Garland Fitch	1,350.00
Royalty Payments - Rice Bros Mineral Corp	1,700.00
Lease Expense - Frank Blanton	450.00
Total	334,850.00

Argument and Law: Section 1.461 (a)(2) of the Income Tax Regulations, in part, states that any expenditure which results in the creation of an asset having a useful life which extends substantially beyond the close of the taxable year may not be deductible, or may be deductible only in part, for the taxable year which incurred. Refer to Revenue Ruling 79-229 and cases cited therein which deal with material distortion of income. The deduction for Minimum Annual Royalty is not allowable because it would not qualify as a current deduction as an advanced mineral royalty paid or accrued in connection with mineral property as a result of a minimum royalty provision, because the life of the lease is for a period of 10 years ending December 31, 1987 and will continue thereafter from year to year until all the leaseable and merchantable coal has been mined and removed from the property. The Regulations 1.612-3(b)(3)

Form 996-A (REV. APRIL 1974)	EXPLANATION OF ITEMS	SCHEDULE NO. ON EXHIBIT 1-A
NAME OF PARTNER	Lost Creek Partners	YEAR PERIOD ENDED 1978

State, in part, that a minimum royalty provision requires a substantially uniform amount of royalty be paid at least annually either over the life of the lease or for a period of at least 20 years, in the absence of mineral production requiring payments of aggregate royalties in a greater amount. Since the life of the coal lease is indefinite, the minimum royalty provision does not apply and advanced royalties are deductible in the year the coal is sold.

It is to be noted that the reserves as set out in the private placement memorandum estimated coal reserves of about 910,000 tons which were considered to be inferred reserves. Based on the findings of the Internal Revenue Service Engineer, the project was not economically and financially feasible, the note payable for advance royalties,

absence of proof that the partners are liable, would not be includible in the basis of the partners, because the liability is considered contingent.

The Minimum Advance Royalties in the full amount are not allowed because of the substance of the transaction was for tax benefits and was not economically feasible. The substance is the intent of the transaction whereas the form is the transaction itself to produce an end result, as in this case tax write-offs. Tax Court Case Hilton Et Al 74TC No23 indicates substance is over form.

If Advance Royalties are allowed then the depletion would have to be allowed pursuant to Section 612, Cost Depletion, of the Internal Revenue Code of 1954. It must be remembered the reserves as stated in the private placement memorandum were inferred.

The royalty payments to Paul Berchell, Carl L. Cook and Rice Bros Mining Corporation and lease expense to Frank Blumenthal

do not constitute a business purpose.

Page 1

TAG 002685

J.APP. 3306

FORM 836-A 1969 APRIL 1970	EXPLANATION OF ITEMS	1-A
NAME OF PARTNER		YEAR PERIOD ENDED
Lost Creek Partners		1973

establish for the payments pursuant to Section 162, Internal Revenue Code of 1954, as amended. Information available to this office indicates the property owner was Homer Radcliff who held title to 53 acres of land in Carter County, Kentucky. The partnership was formed by the purchase of 100 shares of stock at \$1.00 a share. Apparently B & F Coal Corp is owned by Garland Fitch and Paul Burchell, the contract miner for the partnership.

FORM 336-A REV. APRIL 1964	EXPLANATION OF ITEMS	SCHEMATIC NO. OR EXHIBIT 1-A
NAME OF TAXPAYER Lost Creek Partners		YEAR PERIOD COVERED 1978

b. Interest Expense \$76,980.00

Per Return \$76,980.00

As Corrected -0-

Net Adjustment \$76,980.00

Facts: The partnership accrued interest on a \$440,000.00 notes payable on Advance Minimum Royalties and a \$843,000.00 Toy Mold Note. In 1977, the partnership was required, according to the private placement memorandum, to pay \$330,000.00 Minimum Annual Royalty and sign a 6 percent recourse promissory note for \$440,000.00 to cover the Minimum Annual Royalty for the year 1978 and a portion of 1979. The note is payable solely out of production proceeds and will require the personal liability on a several basis of all the partners.

The private placement memorandum states that the partnership would acquire tools, dies and molds for the manufacture of thermoplastic toys/ <sup>from</sup> Annarose Securities Corporation for \$1,093,000.00, payable by \$250,000.00 in cash and \$843,000.00 by a 6 percent recourse note, which is due on December 15, 1989, with full recourse to the note holder from the individual partners. The partnership will pledge the tools, dies and molds as collateral for the note and, as additional collateral has agreed to make payments on this note to the extent of 50 percent of the cash flow from its coal operation.

Argument and law: The interest deduction is not allowed because the partnership has not furnished adequate documentation to confirm the existence of a recourse note for advance royalties and a recourse note on the toy molds. The partnership has to

show the factual business purpose in accordance with Section 162, 1954 Internal Revenue

DEPARTMENT OF THE TREASURY, INTERNAL REVENUE SERVICE

FORM 336-A (Rev. 4-64)

Page 2

TAG 002687

J.APP. 3308



Form 836-A REV. APRIL 1969	EXPLANATION OF ITEMS	CHARTER NO. OR SERIAL 1-A
NAME OF PARTNER		YEAR PERIOD ENDED
Lost Creek Partners		1978

Code in order to receive a deduction. Based upon the Internal Revenue Service Engineer for 1977, the coal project was not considered economically and financially feasible and therefore the liability for advance royalties was contingent since the partnership has failed to establish the fair market value of the property pledged.

Also, the same rationale holds forth concerning the toy molds and dies. Section 1.446-1(a)(ii) of the Income Tax Regulations implies that under the accrual basis of accounting, expenses are deductible when all events have occurred which determine the fact of the liability and the amount with reasonable accuracy. Gidson Products vs US, AFTR 2nd, 79-406 states that an accrual of a deduction is permitted only in the taxable year when the obligation to pay is unconditionally fixed. Franklin, Est vs Commissioner 38 AFTR 2d, 76-6164; 76-2 USTC ¶ 9312 states that if the fair market value of the property is less than the non-recourse note, the note cannot be used in the basis or for the accrual of a deduction for tax purposes.

Payments on the toy mold note is based upon coal production and only 1,080 tons of coal was mined in 1978 and it is not know from what lease.

The substance of this transaction was for tax write-offs and not for profit, Tax Court, Hilton, Et Al 74TC No 23.

FORM 985-A (REV. APRIL 1964)	EXPLANATION OF ITEMS	SCHEDULE NO. ON EXHIBIT 1-A
NAME OF PARTNER	Lost Creek Partners	YEAR PERIOD ENDED 1978

c. Management Fees	\$30,000.00
Per Return	\$30,000.00
Is Corrected	-0-
Net Adjustment	\$30,000.00

Facts: HEMCO Coal Management Inc charged the partnership a management fee of \$2,500.00 a month. It is not known what services were rendered by HEMCO because it has closed its offices and left the Charleston, West Virginia area. HEMCO is owned by Herbert S. Cannon who put this partnership and other abusive coal tax shelter partnerships together. The Management Fee is more than Gross Receipts of the partnership.

Argument and Law: The management Fee is not allowed as an expense because the partnership was formulated primarily for tax avoidance. The partnership is one that lacks economic reality and viability when viewed in its entirety because the property secured by the partnership does not have the economic potential as indicated in the prospectus. The Management Fees are unreasonable and are disallowed pursuant to Section 162 of the Internal Revenue Code of 1954, as amended. As pointed out in Tax Court Case, Hilton, Et Al 74 TC 2023 the substance underlies all outward manifestations whereas the form is the pattern, method, or scheme that appears of the face of the transaction.

Form 936-A REV. APRIL 1959	EXPLANATION OF ITEMS	SCHEDULE NO. OR EXHIBIT 1-A
NAME OF TAXPAYER Lost Creek Partners		YEAR PERIOD ENDED 1977

d. Engineering - Amortization	\$5,828.00
Per Return	\$11,655.00
As Corrected	<u>5,827.00</u>
Net Adjustment	\$ 5,828.00
e. Roadwork - Amortization	\$1,081.00
Per Return	\$2,163.00
As Corrected	<u>1,082.00</u>
Net Adjustment	\$1,081.00
f. Bonding and Permits - Amortization	\$3,194.00
Per Return	\$5,829.00
As Corrected	<u>2,635.00</u>
Net Adjustment	\$3,194.00

Facts: The partnership deducted the above listed items as an amortization deductions over 5 years.

Argument and Law: Sections 162 and 167 of the Internal Revenue Code of 1954, as amended, and Income Tax Regulations 1.162-11(b)(1) and 1.167(a)-4 states the cost of capital items is deductible as depreciation over the useful life of the improvements or as amortization over the unexpired term of the lease plus renewal periods.

Internal Revenue Service  
Regional Commissioner

Department of the Treasury

Date: 25 March 1981

In re:  
Jefferson Memorial Hospital, Inc.  
Income Tax Return  
Year or Period:  
June 30, 1978  
Contact Telephone Number:  
202 - 376-0662

Mr. Leslie L. Peters  
Jefferson Memorial Hospital  
4600 King Street  
Alexandria, Virginia 22302

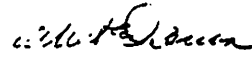
Dear Mr. Peters:

This case has been referred to us for consideration as you requested.

I will write or call you soon to arrange a mutually satisfactory date for a hearing.

If you want to contact me in the meantime, you may write to me at the address below or call me at the number shown above.

Sincerely yours,



Albert E. Danon  
Appeals Officer

CONFIDENTIAL

BAER, PACHELI AND PERRY  
CERTIFIED PUBLIC ACCOUNTANTS  
PUBLIC NATIONAL BANK BUILDING  
WASHINGTON, D. C. 20005  
DISTRICT 7-3911

March 15, 1972

Jefferson Memorial Hospital Associates  
c/o Dr. L. N. Tauber  
4600 King Street  
Alexandria, Virginia

Dear Sir:

In accordance with your request, we have examined the records of Jefferson Memorial Hospital Associates as at June 30, 1971 for the express purpose of preparing Financial and Income Tax data for the year then ended. Based upon our examination, we submit herewith the following Exhibits and Schedule:

EXHIBIT "A"

- Schedule of Assets and Liabilities at Book Value as transferred to Jefferson Memorial Hospital, Inc. as at June 30, 1971

SCHEDULE - 1

- Schedule of Partners' Capital Balances and Share of Operating Loss for the Six Months ended June 30, 1971

EXHIBIT "B"

- Statement of Profit and Loss for the Six Months Ended June 30, 1971

Respectfully submitted,

BAER, PACHELI AND PERRY

BY: *William Baer*

NOTE: Schedule -1 reflects under accelerated depreciation, the amount of tax preference items from this partnership for each individual partner, as well as their share of losses.

TAUBER 45164

Trial Exhibit  
No. 211.  
J.APP. 3313

JEFFERSON MEMORIAL HOSPITAL ASSOCIATES**CONFIDENTIAL**

SCHEDULE OF ASSETS AND LIABILITIES AT BOOK VALUE  
AS TRANSFERRED TO JEFFERSON MEMORIAL HOSPITAL, INC.  
AS AT JUNE 30, 1971

ASSETS:

Cash in Bank		\$ 1,552.80
Bonds - Jeff. Memorial Hospital, Inc.		20,000.00
Notes Receivable Partners		15,971.83(1)
Goodwill		386,803.71
Buildings (Cost)	\$ 1,048,305.11	
Loan & Settlement Fees (Bldgs.)	11,188.25	
Equipment	361,644.00	
Total	\$ 1,421,137.36	
Less: Depreciation Reserves	<u>687,552.54</u>	<u>733,584.82</u>

Total Net Assets

\$ 1,157,913.16

LIABILITIES:Mortgages Payable:

1st Fed. Savings & Loan Ass'n. of Arl.	\$ 617,196.28
1st Fed. Savings & Loan Ass'n of Arl.	<u>70,079.94</u>

Total Liabilities687,276.22NET BOOK VALUE OF ASSETS & LIABILITIES\$ 470,636.94(1) Notes Receivable Partners:

Dr. Stephen Kaufman	\$ 796.83
Dr. John Promiski	1,000.00
Dr. Reginald McManus	10,000.00
Dr. Joseph Nichols	4,175.00
Total	<u>\$ 15,971.83</u>

The above represents principal balances only. They do not include any accrual for interest.

JEFFERSON MEMORIAL HOSPITAL ASSOCIATES

CONFIDENTIAL

SCHEDULE OF PARTNERS' CAPITAL BALANCES  
AND SHARE OF OPERATING LOSS  
AS AT JUNE 30, 1971

<u>NAME</u>	<u>PERCENTAGE OF OWNERSHIP</u>	<u>CAPITAL BALANCE 1/1/71</u>	<u>LOSS FOR YEAR</u>	<u>CAPITAL(1) BALANCE 6/30/71</u>	<u>ACCELERATED DEPRECIATION</u>
Dr. L. N. Tauber 578-62-8466 5300 Westbard Ave. Bethesda, Md.	24.5%	\$121,373.29	\$ 6,067.25	\$115,306.04	\$ 813.09
Dr. Leslie Gondor 229-60-3429 3541 N. Braddock Rd. Alexandria, Va.	12.5	61,925.14	3,095.53	58,829.61	414.84
Dr. Samuel Burtoff 201-10-8917 916 19th St., N. W. Washington, D. C.	7.5	37,155.10	1,857.32	35,297.78	248.91
Irwin S. Freedman 50-26-8075 1337 Kingston Ave. Alexandria, Va.	3.5	17,339.03	866.75	16,472.28	116.16
Dr. Chas. A. Hufnagel 578-44-1430 Georgetown Univ. Hosp. Washington, D. C.	1.0	4,954.01	247.64	4,706.37	33.19
Dr. Leslie Peters 367-36-6583 Arlington Towers Arlington, Va.	5.0	24,770.06	1,238.22	23,531.84	165.93
Dr. Laszlo K. Cszary 1600 S. Eades Street Arlington, Va.	.5	2,477.01	123.82	2,353.19	16.59
Dr. George Ware 013-13-1878 1835 I Street, N. W. Washington, D. C.	7.5	37,155.10	1,857.32	32,297.78	248.91

JEFFERSON MEMORIAL HOSPITAL ASSOCIATES

CONFIDENTIAL

SCHEDULE OF PARTNERS' CAPITAL BALANCES  
AND SHARE OF OPERATING LOSS  
AS AT JUNE 30, 1971

<u>NAME</u>	<u>PERCENTAGE OF OWNERSHIP</u>	<u>CAPITAL BALANCE 1/1/71</u>	<u>LOSS FOR YEAR</u>	<u>CAPITAL(1) BALANCE 6/30/71</u>	<u>ACCELERATED DEPRECIATION</u>
Dr. James Scully 577-38-3026 1835 I St., N. W. Washington, D. C.	5.5%	\$ 27,247.07	\$ 1,362.03	\$ 25,885.04	\$ 182.53
Dr. Abbas Bashir 3213 Graham Road Falls Church, Va.	1.0	4,954.01	247.64	4,706.37	33.19
Dr. Michael A. Corrado 578-22-1090 7 Corners Medical Bldg. Falls Church, Va.	7.5	37,155.10	1,857.32	35,297.78	248.91
Dr. Dan J. Feriozi 78-03-2954 222 N. Buchanan Street Arlington, Va.	4.0	19,816.06	990.57	18,825.49	132.75
Dr. Cesare Luccioli 152-32-8195 9327 Pentland Place Fairfax, Va.	5.0	24,770.06	1,238.22	23,531.84	165.93
Dr. Reginald P. McManus 007-24-8015 5300 Juxon Place Springfield, Va.	1.5	7,431.02	371.46	7,059.56	49.78
Dr. M. Roy Nicholson 226-62-9706 18015 Arlington Blvd. Arlington, Va.	2.5	12,385.02	619.11	11,765.91	82.97
Dr. Mounzer Sibay 578-54-4555 6300 Leesburg Pike Falls Church, Va.	2.5	12,385.02	619.11	11,765.91	82.97



JEFFERSON MEMORIAL HOSPITAL ASSOCIATES

CONFIDENTIAL

SCHEDULE OF PARTNERS' CAPITAL BALANCES  
AND SHARE OF OPERATING LOSS  
AS AT JUNE 30, 1971

<u>NAME</u>	<u>PERCENTAGE OF OWNERSHIP</u>	<u>CAPITAL BALANCE 1/1/71</u>	<u>LOSS FOR YEAR</u>	<u>CAPITAL(1) BALANCE 6/30/71</u>	<u>ACCELERATED DEPRECIATION</u>
Dr. Melvin D. Small 028-12-6105 D. C. General Hospital Washington, D. C.	7.5%	\$ 37,155.10	\$ 1,857.32	\$ 35,297.78	\$ 248.91
Dr. Michael M. Vlahos 905 Sterling Blvd. Sterling, Va.	<u>1.0</u>	<u>4,954.01</u>	<u>247.64</u>	<u>4,706.37</u>	<u>33.19</u>
	<u>100.0%</u>	<u>\$495,401.21</u>	<u>\$24,764.27</u>	<u>\$470,636.94</u>	<u>\$ 3,318.75</u>

- (1) Capital Balances at June 30, 1971 represents the balance of Partners' Capital at the time of transfer of all assets and liabilities at book value to Jefferson Memorial Hospital, Inc. in exchange for stock, said stock having been distributed to Partners' Proportionately. These Capital balances are the balances as previously adjusted for goodwill and do not necessarily represent their basis for the stock of Jefferson Memorial Hospital, Inc. which they received in exchange.

JEFFERSON MEMORIAL HOSPITAL ASSOCIATESSTATEMENT OF PROFIT AND LOSS  
FOR THE SIX MONTHS ENDED JUNE 30, 1971

CONFIDENTIAL

INCOME:

Building	\$ 40,470.00
Interest Income	<u>1,180.00</u>
Isotope Machine	

Total Income	\$ 41,650.00
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EXPENSES:

Interest Expense - Mortgages	\$ 20,928.21
Amortization - Settlement and	
Loan Fees	294.43
Depreciation - Building	24,985.04
Depreciation - Equipment	19,556.59
Audit	<u>650.00</u>

Total Expenses	<u>66,414.27</u>
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TOTAL (LOSS) FOR THE SIX MONTHS	\$ <u>(24,764.27)</u>
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**CONFIDENTIAL**

Jefferson Memorial Hospital - Annapolis  
Hospital Account Analyzer  
1966

	RECEIPTS	CAPITAL	GOODWILL	CHAS. D.H.	CASH
	11/1/66	11/1/66	11/1/66	11/1/66	11/1/66
Dr. L.H. Tauber	31	25.5	15327516	2040000	
Dr. Leslie Gombor	28	12.5	5938503	1000000	
Dr. Samuel Burrott	5	2.5	1139361	200000	
Bernard Krakow	7	1.0	85529	80000	
Andrew Habs	2	1.0	762872	80000	
Dr. Chas. A. Hutwagner	2	1.0	344256	80000	
Dr. Leslee Peters	5	2.5	92821	200000	
Mrs. Judith Ruohi	1	1.5	18564	40000	
Dr. George Lebre	2	1.0	37130	80000	
Dr. James Scully	5	2.5	96038	200000	
Dr. Abbas Bashir		1.0			100000
Dr. Michael Corrado		2.5			100000
Dr. Dan Feriozi		4.0			
Dr. Brian Freedman		2.5			
Dr. Cesare Luciolli		5.0			
Dr. Reginald P. McMahon		1.5			
Dr. Roy Nicholson		2.5			
Dr. Mounzer Sibay		2.5			
Dr. Melvin Small		2.5			
Dr. Michael Vlahos		1.0			

CONFIDENTIAL

JEFFERSON MEMORIAL HOSPITAL JOINT VENTURE

1600 KING STREET

ALEXANDRIA, VIRGINIA 22302

TAUBER 19138

Trial Exhibit  
No. 213.

JAPP. 3320

DAVID E. MERMELSTEIN  
CERTIFIED PUBLIC ACCOUNTANT

CONFIDENTIAL

Suite 102  
4850 Connecticut Avenue, N.W.  
Washington, D.C. 20008  
Telephone 244-1942

February 10, 1977

Jefferson Memorial Hospital Joint Venture  
Laszlo M. Tauber, M. D., Trustee  
4600 King Street  
Alexandria, Virginia 22302

Gentlemen:

I have prepared the accompanying financial statements from the books and records of Jefferson Memorial Hospital Joint Venture and submit herewith the following exhibits and schedule:

EXHIBIT

- 'A' Balance Sheet at December 31, 1976
- 'B' Statement of Operations for the Twelve Months Ended December 31, 1976

SCHEDULE

- A-1 Venturers Equity at December 31, 1976

These statements were not audited and accordingly I do not express an opinion on them.

Respectfully,

David E. Mermelstein  
Certified Public Accountant, D.C.

TAUBER 19139

EXHIBIT 'A'JEFFERSON MEMORIAL HOSPITAL JOINT VENTUREBALANCE SHEET  
DECEMBER 31, 1976UNAUDITEDASSETS

Cash in Bank		\$ 4,423.72
Accounts Receivable		3,600.00
Land		83,368.75
Building	\$ 664,869.82	
Less: Accumulated Depreciation	<u>33,243.49</u>	<u>631,626.33</u>
<u>TOTAL ASSETS</u>		<u>\$ 723,018.80</u>

LIABILITIES

Accounts Payables	\$ 3,400.00	
Mortgage Payable #1	397,722.43	
Mortgage Payable #2	<u>31,507.30</u>	
Total Liabilities		\$ 432,630.23

MEMBER'S EQUITY - (See Schedule A-1)		<u>290,388.57</u>
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<u>TOTAL LIABILITIES AND MEMBER'S EQUITY</u>		<u>\$ 723,018.80</u>
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EXHIBIT 'B'STATEMENT SHOWING RESULTS OF OPERATIONS  
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 1976INCOME

Rental Collected	\$ 112,000.00
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EXPENSES

Bank Service Charges	\$ 8.64	
Depreciation	22,162.33	
Interest	27,506.30	
Postage	65.00	
Professional Fees	<u>950.00</u>	
Total Expenses		<u>50,692.27</u>

<u>NET INCOME</u>	<u>\$ 61,307.73</u>
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These financial statements are subject to the comments contained in the accompanying accountants' report.

TAUBER 19140

CONFIDENTIAL

JEFFERSON MEMORIAL HOSPITAL JOINT VENTURE  
STATEMENT OF VENTURER'S CAPITAL (UNAUDITED)  
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 1976

<u>VENTURER</u>	<u>PERCENTAGE OF OWNERSHIP</u>	<u>CAPITAL AT 1/1/76</u>	<u>ADJUSTMENTS TRANSFERS CONTRIBUTIONS</u>	<u>NET INCOME</u>	<u>DISTRIBUTIONS</u>	<u>CAPITAL AT 12/31/76</u>
Laszlo N. Tauber, M.D.	25.0000	\$ 64,377.04	\$ 1,957.32	\$ 16,094.86	\$ 7,500.00	\$ 74,929.22
Leslie P. Gondor, M.D.	12.5000	32,188.52	978.66	8,047.42	3,750.00	37,466.50
Samuel Burtoff, M.D., Trust	- -	28,325.89	(29,473.85)	2,247.96	1,100.00	- -
Samuel Burtoff, M.D., P.C.	- -	- -	- -	- -	- -	- -
Employee's Pension Trust	11.0000	- -	30,335.07	4,833.80	2,200.00	32,963.87
Irwin S. Freedman, M.D.	- -	25,750.82	(26,544.41)	2,043.59	1,250.00	- -
Charles A. Hufnagel, M.D.	.7750	1,995.71	60.68	498.96	232.44	2,322.91
Leslie L. Peters, M.D.	- -	10,300.33	(10,617.77)	817.44	500.00	- -
Leslie L. Peters, M.D. Ltd.	10.0000	10,300.33	16,200.70	4,644.13	2,000.00	29,145.16
Pension Plan	- -	- -	- -	- -	- -	- -
Laszlo K. Csatory, M.D.	2.0000	5,150.15	156.58	1,287.57	600.00	5,994.31
James N. Scully, M.D.	4.5000	11,587.87	352.32	2,897.06	1,350.00	13,487.25
Rose Crenca Guardian of	- -	- -	- -	- -	- -	- -
Leslie Corrado	4.8625	12,521.35	380.70	3,130.46	1,453.72	14,573.79
Rose Crenca Guardian of	- -	- -	- -	- -	- -	- -
Christopher Corrado	4.8625	12,521.35	380.70	3,130.46	1,458.72	14,573.79
Dan J. Feriozzi, M.D.	2.0000	5,150.15	156.58	1,287.57	600.00	5,994.31
M. Ray Nicholson, M.D.	3.3000	8,497.77	258.36	2,124.52	990.00	9,890.65
Melvin Small M.D.	1.0000	2,575.08	78.29	643.79	300.00	2,997.16
Werner Prinz, M.D.	1.0000	2,575.08	78.29	643.79	300.00	2,997.16
Dr. R. & K. McManus	3.7000	4,635.15	289.68	1,562.33	635.00	5,852.15
Michael Vlahos, M.D.	- -	9,012.79	(9,290.54)	715.25	437.50	- -
Michael Vlahos, M.D.	5.0000	- -	13,282.00	1,538.02	612.50	14,207.52
Pension Plan	- -	- -	- -	- -	- -	- -
Sava Nedelcovych, M.D.	- -	4,892.56	(5,284.87)	819.71	427.50	- -
Richard F. Sappington, M.D.	3.6250	2,575.08	6,583.81	1,052.25	475.00	9,736.14
Dr. Arthur A. Coster	1.0000	2,575.08	78.29	643.79	300.00	2,997.16
Michael Davidov, M.D.	3.0000	- -	7,434.88	465.81	150.00	7,741.69
Wilfrido Buhain, M.D.	.8750	- -	2,168.53	134.19	- -	2,304.72
<b>TOTAL</b>	<b>100.0000</b>	<b>\$ 257,508.22</b>	<b>\$ None</b>	<b>\$ 61,307.73</b>	<b>\$ 28,627.38</b>	<b>\$ 290,188.57</b>

TAUBER 19141

J.A.P. 3323

These financial statements are subject to the comments contained in the accompanying accountants' report.





### Schedule A—COST OF GOODS SOLD

1. Opening inventory\*
  2. Purchases.....  
Less: Cost of items  
withdrawn for  
personal use.....
  3. Cost of labor, supplies, etc.....
  4. Total of lines 1, 2, and 3.....
  5. Less: Closing inventory.....
  6. Cost of goods sold. Enter here and on  
-line 2, page 1.....
- \* If different from last year's closing inventory, attach explanation.

1. Was inventory valued at—cost ☐; lower of cost or market ☐; LIFO ☐; other ☐? If other, attach explanation.
2. Have write-downs been made to inventory? Yes ☐ No ☐. If "Yes," were the write-downs computed on the basis of:
- (a) ☐ Percentage reductions from parts of the inventory
- (b) ☐ Percentage reductions from the total inventory
- (c) ☐ Valuation of individual items \_\_\_\_\_
- If "a" or "b" is checked, enter the percentage of write-downs \_\_\_\_\_, "c" or "a," "b," or "c" enter the dollar amount of write-downs \$ \_\_\_\_\_ (if not available, estimate and indicate that the figure is an estimate).
3. Was the inventory verified by physical count during the year? Yes ☐ No ☐. If "No," attach explanation of how the closing inventory was determined. \_\_\_\_\_
4. Was there any substantial change in the manner of determining quantities, costs, or valuations between the opening and closing inventories? \_\_\_\_\_
- Yes ☐ No ☐. If "Yes," attach explanation.
- NOTE: If a direct answer cannot be given to a question, attach explanation.

**Note:** Any items specially allocated to the partners should be included in the appropriate column of Schedule E, instead of the items included by Schedules B through J. (See General Instructions.)

**VERBODEN TOEGANG**

**ENCLOSURE 1: 1980-1981**

1. Description of activity	2. Amount of cash	3. Description of activity in Schedule D	4. Amount of cash (caption in Schedule D-1)	5. Other expenses (caption in Schedule D-1)
1. Total				

1. Totals, actual and proposed, are:

2. Net turnover (gross) (sum of 2 less sum of columns 3, 4, and 5): (Enter on line 7, page 1)

**Schedule B-1. EXPLANATION OF COLUMNS 4 AND 5 OF SCHEDULE B**

Column	Amount	Column	Amount
1	100.00	2	100.00
3	100.00	4	100.00
5	100.00	6	100.00
7	100.00	8	100.00
9	100.00	10	100.00
11	100.00	12	100.00
13	100.00	14	100.00
15	100.00	16	100.00
17	100.00	18	100.00
19	100.00	20	100.00
21	100.00	22	100.00
23	100.00	24	100.00
25	100.00	26	100.00
27	100.00	28	100.00
29	100.00	30	100.00
31	100.00	32	100.00
33	100.00	34	100.00
35	100.00	36	100.00
37	100.00	38	100.00
39	100.00	40	100.00
41	100.00	42	100.00
43	100.00	44	100.00
45	100.00	46	100.00
47	100.00	48	100.00
49	100.00	50	100.00
51	100.00	52	100.00
53	100.00	54	100.00
55	100.00	56	100.00
57	100.00	58	100.00
59	100.00	60	100.00
61	100.00	62	100.00
63	100.00	64	100.00
65	100.00	66	100.00
67	100.00	68	100.00
69	100.00	70	100.00
71	100.00	72	100.00
73	100.00	74	100.00
75	100.00	76	100.00
77	100.00	78	100.00
79	100.00	80	100.00
81	100.00	82	100.00
83	100.00	84	100.00
85	100.00	86	100.00
87	100.00	88	100.00
89	100.00	90	100.00
91	100.00	92	100.00
93	100.00	94	100.00
95	100.00	96	100.00
97	100.00	98	100.00
99	100.00	100	100.00

## Schedule C - EXPLANATION OF INTEREST AND TAXES (Lines 16 and 17, Page 1)

[illegible]

**16-703 Schedule D.—ATTACH SCHEDULE D (Form 1000) TO REPORT SALES OR EXCHANGES OF PROPERTY**

**Schedule E.—BAD DEBTS. (See Instruction 19)**

1. Taxable C. year	2. Notes and accounts receivable outstanding at end of year	3. Sales on account	4. Gross amount added to reserve	5. Amount charged against reserve	6. Reserve for bad debts at end of year
1960...					
1961...					
1962...					
1963...					

NOTE—Securities which are capital assets and which became worthless within the taxable year should be reported in separate Schedule D, Form 1065.

TAUBER 45133

Page 35

[illegible]

**Schedule J.—OTHER DEDUCTIONS.** (See Instructions.)

Description of Work		Amount	Date		Number
1.	...	...	...	...	...
2.	...	...	...	...	...
3.	...	...	...	...	...
4.	...	...	...	...	...
Total		...	...		...

Total (order here and on line 25, page 11)...

### Schedule K—PARTNERS' SHARES OF INCOME, CREDITS, AND DEDUCTIONS

[illegible]

## Continuation of Schedule M

	6. Payments to partners—salaries and interest (See 14, page 1)	7. Net short-term gain (or loss) from sale or exchange of capital assets (From line 8, Schedule D)	8. Net long-term gain (or loss) from sale or exchange of capital assets (From line 13, Schedule D)	9. Net gain (or loss) under section 1221 (From line 8, Schedule D)	10. Net earnings from self-employment (Other See 14, Schedule F)	11. Expense account allowance (See instructions)
(a) ...						
(b) ...						
(c) ...						
(d) ...						
e) ...						
Total						

**NOTE.**—See the instructions for other items required to be reported separately including property subject to investment credit.

TAUBER 45134

J-APP. 3326

CONFIDENTIAL

Form 1065-1963

Schedule L—BALANCE SHEETS

Page 4

ASSETS	Beginning of taxable year		End of taxable year	
	Amount	Total	Amount	Total
1. Cash			138,378.10	137.89
2. Notes and accounts receivable			795,675.25	
(a) Less: Reserve for bad debts			924,053.35	924,053.35
3. Inventories				
4. Investments in Government obligations				
5. Other current assets (attach schedule)				
6. Other investments (attach schedule)				
7. Buildings and other fixed depreciable assets				
(b) Less: Accumulated amortization and depreciation				102,662.00
8. Depletable assets				
(a) Less: Accumulated depletion				
9. Land (net of any amortization)				202,883.40
10. Intangible assets (amortizable only)				
(a) Less: Accumulated amortization				
11. Other assets (attach schedule)				
12. Total assets				218,736.61
LIABILITIES AND CAPITAL				
13. Accounts payable				102,714.50
14. Mortgages, notes, and bonds payable in less than 1 year				
15. Other current liabilities (attach schedule)				
16. Mortgages, notes, and bonds payable in 1 year or more				938,212.25
17. Other liabilities (attach schedule)				
18. Partners' capital accounts				218,809.89
19. Total liabilities and capital				1,239,736.61

Schedule M—RECONCILIATION OF PARTNERS' CAPITAL ACCOUNTS						
	1. Capital account at beginning of year	2. Capital contributed during year	3. Income not included in return & plus cap. transactions	4. Ordinary income (or loss) from line 27, page 1	5. Losses not included in return & plus unallowed deductions	6. Withdrawals and distributions
(a)						
(b)						
(c)						
(d)						
(e)						
Totals						218,809.89

Schedule N—COMPUTATION OF NET EARNINGS FROM SELF-EMPLOYMENT. (See instructions for Schedule N)	
1. Ordinary income increased by casualty losses (line 27 plus line 18, page 1). Do not include income received for the performance of services as a director of a corporation	
2. Add: Payments to partners—salaries and interest (line 14, page 1)	
3. Net loss from sale or exchange of property other than capital assets (line 10, page 1)	
4. Total	
5. Less: Portion of line 4, page 1, which does not constitute net earnings from self-employment	
6. Nonqualifying dividends (from line 5, page 1)	
7. Interest (see instructions)	
8. Net rentals from real estate	
9. Net gain from sale or exchange of property other than capital assets (line 10, page 1)	
10. Net earnings from self-employment. (Enter in column 11, Schedule K)	

ADDITIONAL INFORMATION REQUIRED

- Is this business within the legal boundaries of the city or town shown in address on page 1? ☒ YES ☐ NO
- Did you file an Employer Quarterly Tax Return, Form 941, for any quarter of 1963? ☐ YES ☒ NO
- Did you own this business on December 31, 1963? ☒ YES ☐ NO
- How many months in the year did you own this business? 12

U.S. GOVERNMENT PRINTING OFFICE: 1963-O-485-285

TAUBER 45135

J.APP. 3327

CONFIDENTIAL

WESTWOOD MANAGEMENT COMPANY

5300 Westbard Avenue  
Bethesda 14, Maryland  
Oliver 4-4512

KING STREET JOINT VENTURE  
FOR BUILDING JEFFERSON MEMORIAL HOSPITAL  
STATEMENT OF PROFIT AND LOSS  
DECEMBER 31, 1963

Income:

Rental Income	\$190.00
---------------	----------

Expenses:

Ground Lease	\$2,406.00	
Real Estate Taxes	2,409.25	
Tax on Lease	83.00	
Alexandria City Stamps	305.80	
State of Virginia Stamps	370.00	
State of Virginia Tax	1,600.00	
State Corporation Commission	65.00	
Interest on Mortgage	9,214.07	
Construction Fee	8,000.00	
Bank Service Charge	.50	<u>24,453.55</u>

Net Income or (Loss)	<u>(24,263.55)</u>
----------------------	--------------------

Net Loss per 1% = \$242.64

Leslie N. Tauber, M.D.  
Trustee

TAUBER 43136

FORM 1065

U.S. Treasury Department  
Internal Revenue ServiceU.S. PARTNERSHIP RETURN OF INCOME **CONFIDENTIAL**  
1964

(To be filed also by syndicates, pools, joint ventures, etc.)

FOR CALENDAR YEAR 1964

A. Date business commenced  
Jan. 1, 1963

B. Country in which located  
Alexandria

C. Principal business activity  
(See General Inst. K)  
Real Estate Investment

D. Principal product or service

or other taxable  
year beginning ..... 1964, and ending ..... 19....  
(PLEASE TYPE OR PRINT PLAINLY)

Name  
KING STREET JOINT VENTURE

Number and street  
906 N. TAUBER - 5300 WESTBARD AVE

City or town and State  
Bethesda MARYLAND

Postal ZIP code  
20014

E. Employer identification  
number

IMPORTANT—All applicable lines and schedules must be filled in. If the lines on the schedules are not sufficient, see Instruction R.

Line and instruction No.

## INCOME

1. Gross receipts or gross sales ..... Less: Returns and allowances .....
2. Less: Cost of goods sold (Schedule A) and/or operations (attach schedule) .....
3. Gross profit (line 1 less line 2) .....
4. Income (or loss) from other partnerships, syndicates, etc. (attach statement) .....
5. Nonqualifying dividends (attach itemized list—see Instruction S) .....
6. Interest .....
7. Rents (Schedule B) .....
8. Royalties (attach schedule) .....
9. Net farm profit (or loss) (Schedule F, Form 1040) .....
10. Net gain (or loss) from sale or exchange of property other than capital assets  
(from line 16, Separate Schedule D, Form 1065) .....
11. Other income (attach schedule) .....
12. Total income (lines 3 through 11) .....

## DEDUCTIONS

13. Salaries and wages (other than to partners) .....
14. Payments to partners—salaries and interest .....
15. Rent .....
16. Interest (explain in Schedule C) .....
17. Taxes (explain in Schedule C) .....
18. Losses by fire, storm, shipwreck, or other casualty or theft (attach statement) .....
19. Bad debts (from Schedule H if reserve method is used) .....
20. Repairs .....
21. Depreciation (Schedule D) .....
22. Amortization (attach schedule) .....
23. Depletion of mines, oil and gas wells, timber, etc. (attach schedule) .....
24. Retirement plans, etc. (other than for partners—see instructions) .....
25. Other deductions authorized by law (explain in Schedule I) .....
26. Total deductions (lines 13 through 25) .....
27. Ordinary income (or loss) (line 12 less line 26) .....

None

24,512.88  
4,499.21

2,419.51

33,481.70  
(33,481.70)

## ADDITIONAL INFORMATION

- F. Is any member of the partnership related by blood or marriage to any other member? ☐ YES ☒ NO
- G. Is any member of the partnership a trust for the benefit of any person related by blood or marriage to any other member? ☐ YES ☒ NO
- H. Did the partnership, during the taxable year, have any contracts or subcontracts subject to the Renegotiation Act of 1951? ☐ YES ☒ NO

If "YES," see General Instruction P and enter appropriate amount here. 3

- I. Did you claim a deduction for expenses connected with: (If answer to any question is "YES," check applicable boxes within that question.)
1. A hunting lodge ☐ working ranch or farm ☐ fishing camp ☐  
resort property ☐ pleasure boat or yacht ☐ or other similar  
facility ☐ (Other than where operation of facility was the  
partnership's principal business.) ☐ YES ☒ NO
  2. Vacations for partners or members of their families or em-  
ployees or members of their families? (Other than vacation  
pay reported on Form W-2.) ☐ YES ☒ NO
  3. The leasing, renting, or ownership of a hotel room or suite ☐  
apartment ☐ or other dwelling ☐ which was used by part-  
ners, customers, employees, or members of their families?  
(Other than use by partners or employees while in business  
travel status.) ☐ YES ☒ NO
  4. Attendance of members of partners' families or of your  
employees' families at conventions or business meetings? ☐ YES ☒ NO

Under penalties of perjury, I declare that I have examined this return (including accompanying schedules and statements) and to the best of my knowledge and belief it is true, correct, and complete. If prepared by a person other than taxpayer, his declaration is based on all information of which he has any knowledge.

Sign here

Signature of partner or owner

Date

Sign here

Signature of preparer other than partner or member

Address

Date 10-10-1964

Trial Exhibit  
No. 217.

TAUBER 45323

J.APP. 3329





ASSETS	Beginning of taxable year		End of taxable year	
	Amount	Total	Amount	Total
1. Cash .....		137.89		3,275.04
2. Notes and accounts receivable .....	934,053.35		68,779.11	
(a) Less: Reserve for bad debts .....		934,053.35		68,779.11
3. Inventories .....				
4. Investments in Government obligations .....				
5. Other current assets (attach schedule) .....				
6. Other investments (attach schedule) .....				
7. Buildings and other fixed depreciable assets, in process .....	102,662.00		864,946.88	
(a) Less: Accumulated amortization and depreciation .....		102,662.00		864,946.88
8. Depletable assets .....				
(a) Less: Accumulated depletion .....				
9. Land (net of any amortization) .....		202,893.10		
10. Intangible assets (amortizable only) .....				
(a) Less: Accumulated amortization .....				
11. Other assets (attach schedule) .....				
12. Total assets .....		1,239,736.64		937,501.03
<b>LIABILITIES AND CAPITAL</b>				
13. Accounts payable .....		82,714.50		
14. Mortgages, notes, and bonds payable in less than 1 year .....				32,178.40
15. Other current liabilities (attach schedule) .....				
16. Mortgages, notes, and bonds payable in 1 year or more .....		938,212.25		800,000.00
17. Other liabilities (attach schedule) .....				
18. Partners' capital accounts .....		218,809.99		105,322.63
19. Total liabilities and capital .....		1,239,736.64		937,501.03

## Schedule M.—RECONCILIATION OF PARTNERS' CAPITAL ACCOUNTS

	1. Capital account at beginning of year	2. Capital contributed during year	3. Income not included in column 4 plus non-taxable income	4. Ordinary income (or loss) from (line 27, page 1)	5. Losses not included in column 4, plus nonallowable deductions	6. Withdrawals and distributions	7. Capital account at end of year
(a) ...							
(b) ...							
(c) ...							
(d) ...							
(e) ...							
Totals	218,809.99	165,863.56		33,441.70		245,869.12	105,322.63

## Schedule N.—COMPUTATION OF NET EARNINGS FROM SELF-EMPLOYMENT. (See instruction for Schedule N)

1. Ordinary income increased by casualty losses (line 27 plus line 18, page 1). Do not include income received for the performance of services as a doctor of medicine .....	None
2. Add: Payments to partners—salaries and interest (line 14, page 1) .....	
3. Net loss from sale or exchange of property other than capital assets (line 10, page 1) .....	
4. Total .....	
5. Less: Portion of line 4, page 1, which does not constitute net earnings from self-employment .....	
6. Nonqualifying dividends (from line 5, page 1) .....	
7. Interest (see instructions) .....	
8. Net rentals from real estate .....	
9. Net gain from sale or exchange of property other than capital assets (line 10, page 1) .....	
10. Net earnings from self-employment. (Enter in column 11, Schedule K) .....	None



King Street Joint Venture  
Schedule of Partners' Capital  
December 31, 1964

J.APP. 3333

**CONFIDENTIAL**

	Distance
1	12/31/47
2	1348047
3	64R541
4	58020
5	<1105247>
6	1230091
7	580229
8	<1093080>
9	<1133437>
10	348047
11	71132
12	232094
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NUMBER 45128

FORM 1065

U.S. Treasury Department  
Internal Revenue Service

## U.S. PARTNERSHIP RETURN OF INCOME

(To be filed also by syndicates, pools, joint ventures, etc.)

FOR CALENDAR YEAR 1965

1965

A. Date business commenced

Jan. 1, 1963

or other taxable

year beginning 1963, and ending 1965

(PLEASE TYPE OR PRINT PLAINLY)

B. County in which located

Alexandria

Name

King Street Joint Venture

C. Principal business activity

Real Estate-Invest

Number and street

610 L.N. TAUBER - 5300 Westward Ave

D. Principal product or service

Rental-Bldg

City or town and State

Bethesda Maryland

Postal ZIP code

20014

E. Employer identifica-  
tion number

IMPORTANT—All applicable lines and schedules must be filled in. If the lines on the schedules are not sufficient, see Instruction R.

Use and Instructions No.

## INCOME

1. Gross receipts or gross sales Less: Returns and allowances

2. Less: Cost of goods sold (Schedule A) and/or operations (attach schedule)

3. Gross profit (line 1 less line 2)

4. Income (or loss) from other partnerships, syndicates, etc. (attach statement)

5. Nonqualifying dividends (attach itemized list—see Instruction 5)

6. Interest

7. Rents (Schedule B)

8. Royalties (attach schedule)

9. Net farm profit (or loss) (Schedule F, Form 1040)

10. Net gain (or loss) from sale or exchange of property other than capital assets  
(from line 16, Separate Schedule D, Form 1065)

11. Other income (attach schedule)

12. Total income (lines 3 through 11)

&lt;loss&gt;

&lt;58,481.77&gt;

&lt;58,481.77&gt;

## DEDUCTIONS

13. Salaries and wages (other than to partners)

14. Payments to partners—salaries and interest

15. Rent

16. Interest (explain in Schedule C)

17. Taxes (explain in Schedule C)

18. Losses by fire, storm, shipwreck, or other casualty or theft (attach statement)

19. Bad debts (from Schedule H if reserve method is used)

20. Repairs

21. Depreciation (Schedule D)

22. Amortization (attach schedule)

23. Depletion of mines, oil and gas wells, timber, etc. (attach schedule)

24. Retirement plans, etc. (other than for partners—see instructions)

25. Other deductions authorized by law (explain in Schedule I)

26. Total deductions (lines 13 through 25)

27. Ordinary income (or loss) (line 12 less line 26)

&lt;loss&gt;

&lt;58,481.77&gt;

F. Is any member of the partnership related by blood or marriage to any other member?

☐ YES ☒ NO

G. Is any member of the partnership a trust for the benefit of any person related by blood or marriage to any other member?

☐ YES ☒ NO

H. Did the partnership, during the taxable year, have any contracts or subcontracts subject to the Renegotiation Act?

☐ YES ☒ NO

If "YES," see General Instruction P and enter appropriate amount here \$

I. Did you claim a deduction for expenses connected with: (If answer to any question is "YES," check applicable boxes within that question.)

1. A hunting lodge ☐ working ranch or farm ☐ fishing camp ☐  
resort property ☐ pleasure boat or yacht ☐ or other similar  
facility ☐ (Other than where operation of facility was the  
partnership's principal business.) ☐ YES ☒ NO2. Vacations for partners or members of their families or em-  
ployees or members of their families? (Other than vacation  
pay reported on Form W-2.) ☐ YES ☒ NO3. The leasing, renting, or ownership of a hotel room or suite ☐  
apartment ☐ or other dwelling ☐ which was used by part-  
ners, customers, employees, or members of their families?  
(Other than use by partners or employees while in business  
travel status.) ☐ YES ☒ NO4. Attendance of members of partners' families or your  
employees' families at conventions or business meetings?  
☐ YES ☒ NO

Under penalties of perjury, I declare that I have examined this return (including accompanying schedules and statements) and to the best of my knowledge and belief it is true, correct, and complete. If prepared by a person other than taxpayer, his declaration is based on all information of which he has any knowledge.

Sign here

Signature of partner or member

BAER PACHELI &amp; PERRY

Date

Sign here

Signature of preparer other than partner or member

1430 G. ST., N.W.

WASHINGTON, D. C. 20008

Date

MMRW 012158

Trial Exhibit  
No. 219.

J.APP.3335

## Schedule A.—COST OF GOODS SOLD

1. Opening inventory*		5. Total of lines 1, 2, 3, and 4.....	
2. Purchases.....		6. Less: Closing inventory.....	
Less: Cost of items withdrawn for personal use.....		7. Cost of goods sold. Enter here and on page 1, line 2.....	
3. Cost of labor.....		*If different from last year's closing inventory, attach explanation.	
4. Other costs per books (attach schedule)...			

Was there any substantial change in the manner of determining quantities, costs or valuations between the opening and closing inventories? Yes ☐ No ☐ If "Yes," attach explanation.

Were you liable for filing Forms 1096 and 1099 or 1087 for the calendar year 1965? Yes ☐ No ☐.

If "Yes," where were they filed? .....

Note: Any items specially allocated to the partners should be included in the appropriate column of Schedule K, instead of the lines indicated by Schedules B through J. (See General Instruction O)

## Schedule B.—INCOME FROM RENTS

1. Kind and location of property	2. Amount of rent	3. Depreciation (explain in Schedule I)	4. Repairs (explain in Schedule B-1)	5. Other expenses (explain in Schedule B-1)
Ring - Hospital - Alex, Va.	72,396.62	85,018.90		45,859.49
1. Totals.....	72,396.62	85,018.90		45,859.49
2. Net income (or loss) (column 2 less sum of columns 3, 4, and 5). (Enter here and on page 1, line 7)....	<loss>... <58,481.77>			

## Schedule B-1.—EXPLANATION OF COLUMNS 4 AND 5 OF SCHEDULE B

Column	Explanation	Amount	Column	Explanation	Amount
S	INTEREST EXPENSE	45,216.54			
S	BANK CHARGES	4.15			
S	AUDIT & LEGAL	590.00			

## Schedule C.—EXPLANATION OF INTEREST AND TAXES (Lines 16 and 17, Page 1)

Explanation	Amount	Explanation	Amount

## Schedule H.—BAD DEBTS. (See Instruction 19)

1. Taxable year	2. Notes and accounts receivable outstanding at end of year	3. Sales on account	4. Gross amount added to reserve	5. Amount charged against reserve	6. Reserve for bad debts at end of year
1960...					
1961...					
1962...					
1963...					
1964...					
1965...					

NOTE.—Securities which are capital assets and which became worthless within the taxable year should be reported in separate Schedule D, Form 1065.



ASSETS	Beginning of taxable year		End of taxable year	
	Amount	Total	Amount	Total
1. Cash .....		3,773.04		
2. Notes and accounts receivable .....	68,779.11		16,539.64	
(a) Less: Reserve for bad debts .....		68,779.11		16,539.64
3. Inventories .....				
4. Investments in Government obligations .....				
5. Other current assets (attach schedule) .....				
6. Other investments (attach schedule) .....				
7. Buildings and other fixed depreciable assets .....	864,946.88		954,544.27	
(a) Less: Accumulated amortization and depreciation .....		864,946.88	85,018.90	869,525.37
8. Depletable assets .....				
(a) Less: Accumulated depletion .....				
9. Land (net of any amortization) .....				
10. Intangible assets (amortizable only) .....				
(a) Less: Accumulated amortization .....				
11. Other assets (attach schedule) .....				
12. Total assets .....		937,501.03		886,065.01
LIABILITIES AND CAPITAL				
13. Accounts payable .....				
14. Mortgages, notes, and bonds payable in less than 1 year .....		32,178.40		
15. Other current liabilities (attach schedule) .....				
16. Mortgages, notes, and bonds payable in 1 year or more .....		800,000.00		872,868.22
17. Other liabilities (attach schedule) .....				
18. Partners' capital accounts .....		105,322.63		13,196.29
19. Total liabilities and capital .....		937,501.03		886,065.01

## Schedule M.—RECONCILIATION OF PARTNERS' CAPITAL ACCOUNTS

	1. Capital account at beginning of year	2. Capital contributed during year	3. Income not included in column 4 plus non-taxable income	4. Ordinary income (or loss) from line 27, page 1	5. Losses not included in column 4, plus unallowable deductions	6. Withdrawals and distributions	7. Capital account at end of year
(a) .....							
(b) .....							
(c) .....							
(d) .....							
(e) .....							
Totals	105,322.63	6786.67		(58,481.77)		40,431.24	13,196.29

## Schedule N.—COMPUTATION OF NET EARNINGS FROM SELF-EMPLOYMENT. (See instruction for Schedule N.)

1. Ordinary income increased by casualty losses (line 27 plus line 18, page 1). Include income from the performance of services as a doctor of medicine .....	
2. Add: Payments to partners—salaries and interest (line 14, page 1) .....	
3. Net loss from sale or exchange of property other than capital assets (line 10, page 1) .....	
4. Total .....	
5. Less: Portion of line 4, page 1, which does not constitute net earnings from self-employment .....	
6. Nonqualifying dividends (from line 5, page 1) .....	
7. Interest (see instructions) .....	
8. Net rentals from real estate .....	
9. Net gain from sale or exchange of property other than capital assets (line 10, page 1) .....	
10. Net earnings from self-employment. (Enter in column 11, Schedule K) .....	

MMRW 012161

~~CONFIDENTIAL~~

King Street Joint Venture  
Schedule of Partners' Shares of Losses And  
Reconciliation of Capital Accounts  
As At December 31, 1965

	<u>Balance</u> <u>1/1/65</u>	<u>Capital</u> <u>Contributions</u> <u>1965</u>	<u>Ordinary</u> <u>Losses</u> <u>1965</u>	<u>Withdrawals</u> <u>1965</u>	<u>Capital</u> <u>Balance</u> <u>12/31/65</u>
Dr. L.N. Tauber 578-62-8466 # 5300 West Bard Ave, Beth, MD.	< 531.96 > #	2203.74 #	29825.70 #	21321.24 #	< 4925.16 >
Dr. Leslie Gondor 229-60-3429 431 Juliana Pl., Alex, Va.	64985.41		14620.44	9750.00	40614.97
Dr. Samuel Burdett 201-10-8917 1201 Cathedral Ave, N.W., Wash DC.	13480.47		2924.08	1950.00	8606.39
Bernard Krakow 577-10-7420 2416 Harmon Rd, Silver Spring, MD.	< 1105.64 >	3000.00	1169.64	780.00	< 655.28 >
Arnold N. Nuss 330-14-2052 5300 West Bard Ave, Beth, MD.	2320.92		1169.64	780.00	871.28
Dr. Chas. A. Huttnagel 578-44-1430 1240 Nebraska Ave, N.W., Wash DC.	5392.20		1169.64	780.00	3442.56
Dr. Leslie Peters 362-36-6583 Irvington Towers, W-313, Arl., Va.	5802.29		2924.08	1950.00	928.21
Mrs. Judith Rudnai 090-24-5801 Karen, Nairobi, Kenya, East Africa	< 722.47 >	1582.93	584.82	290.00	185.64
Dr. George W. Wure 013-18-1878 1411 Highland Dr, Silver Spring, MD.	2320.94		1169.64	780.00	871.30
Dr. James H. Scully 577-38-3026 5001-35th St, N.W., Wash, DC.	13480.47		2924.09	1950.00	8606.38
<b>TOTALS</b>	<b>\$105022.63</b>	<b>6786.67</b>	<b>\$58481.77</b>	<b>\$4043.24</b>	<b>\$13196.22</b>
MMRW 012162					

## DEPRECIATION SCHEDULE

### Schedule '11

150000 1 F 3501

Name King Street Joint Venture

**Social Security or Identification No.**

Address 106 N. TAUBER - 5300 WESTBARD AVE. BETH MD

Year Ending December 31

1965

[illegible]

CODE: SL . Straight line  
DB . Declining Balance  
SY . Sum of the Years

Amount of additional first-year depreciation included above

NONE

**Cost or other basis of fully depreciated assets still in use.**

None



FORM 1065

U.S. Treasury Department  
Internal Revenue Service

## U.S. Partnership Return of Income

(To be filed also by syndicates, pools, joint ventures, etc.)

FOR CALENDAR YEAR 1966 or other taxable year beginning

1966, and ending  
(PLEASE TYPE OR PRINT)

CONFIDENTIAL

1966

A Date of partnership formation January 1, 1965	Name <u>James H. Schmitt Memorial Hospital Associates</u> (Partnership - King Street Joint Venture)	D Effective date of formation
B Principal business activity (See General Instruction A)	Number and street 4100 E.W. Tauber, 4000 King Street	E City or other location
C Principal occupation or service Rentals	City, town and State Alexandria, Virginia	ZIP code

IMPORTANT—All applicable lines and schedules must be filled in. If the lines on the schedules are not sufficient, see Instruction R.

INCOME	1 Gross receipts or gross sales	Less: Returns and allowances	
	2 Less: Cost of goods sold (Schedule A) and or operations (attach schedule)		
	3 Gross profit		
	4 Income (loss) from other partnerships, syndicates, etc. (attach statement)		
	5 Nonqualifying dividends (attach list—see Instruction 5)		
	6 Interest		
	7 Rents (Schedule B)	<Loss>	<90,311.00>
	8 Royalties (attach schedule)		
	9 Net farm profit (loss) (Schedule F, Form 1040)		
	10 Net gain (loss) from sale or exchange of property other than capital assets (line 16, Schedule D, Form 1065)		
	11 Other income (attach schedule)		
	12 TOTAL income (lines 3 through 11)		<90,311.00>
DEDUCTIONS	13 Salaries and wages (other than to partners)		
	14 Payments to partners—salaries and interest		
	15 Rent		
	16 Interest (Schedule C)		
	17 Taxes (Schedule C)		
	18 Losses by fire, storm, shipwreck, other casualty or theft (attach statement)		
	19 Bad debts (Schedule H if reserve method is used)		
	20 Repairs		
	21 Depreciation (Schedule I)		
	22 Amortization (attach schedule)		
	23 Depletion (attach schedule)		
	24 Retirement plans, etc. (other than for partners—see instructions)		
	25 Other deductions (Schedule J)		
	26 TOTAL deductions (lines 13 through 25)		
	27 Ordinary income (loss) (line 12 less line 26)	<Loss>	<90,311.00>

- F Is any member of the partnership related by blood or marriage to any other member? ☐ YES ☒ NO
- G Is any member of the partnership a trust for the benefit of any person related by blood or marriage to any other member? ☐ YES ☒ NO
- H Did the partnership, during the taxable year, have any contracts or subcontracts subject to the Renegotiation Act? ☐ YES ☒ NO

If "YES," see General Instruction P and enter appropriate amount here \$

- I Did you claim a deduction for expenses connected with: (If answer to any question is "Yes," check applicable boxes within that question.)
- |   |  |
|---|--|
| 1 A hunting lodge <input type="checkbox"/> , working ranch or farm <input type="checkbox"/> , fishing camp <input type="checkbox"/> , resort property <input type="checkbox"/> , pleasure boat or yacht <input type="checkbox"/> , or other similar facility <input type="checkbox"/> (Other than where operation of facility was the partnership's principal business) <input type="checkbox"/> YES <input checked="" type="checkbox"/> NO | 3 The leasing, renting, or ownership of a hotel room or suite <input type="checkbox"/> , apartment <input type="checkbox"/> , or other dwelling <input type="checkbox"/> , which was used by partners, customers, employees, or members of their families (Other than use by partners or employees while in business travel status.) <input type="checkbox"/> YES <input checked="" type="checkbox"/> NO |
| 2 Vacations for partners or members of their families or employees or members of their families? (Other than vacation day reported on Form W-2) <input type="checkbox"/> YES <input checked="" type="checkbox"/> NO   | 4 Attendance of members of partners' families or your employees' families at conventions or business meetings? <input type="checkbox"/> YES <input checked="" type="checkbox"/> NO   |

Under penalties of perjury I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct, and complete. If prepared by a person other than taxpayer, his declaration is based on all information of which he has any knowledge.

Sign here \_\_\_\_\_ Date \_\_\_\_\_  
Signature of partner or memberSign here \_\_\_\_\_ Date \_\_\_\_\_  
Signature of preparer other than partner or member

Address

16-70200-1

Date

TAUBER 45092

Trial Exhibit  
No. 220.

J.APP. 3341

## Schedule A—COST OF GOODS SOLD

**CONFIDENTIAL**

1 Inventory at beginning of year	5 Total of lines 1, 2, 3, and 4
2 Purchases Less: Cost of items with- drawn for personal use	6 Less: Inventory at end of year
3 Cost of labor	7 Cost of goods sold. Enter here and on page 1, line 2 If different from last year's closing inventory, attach explanation. (Method of Inventory Evaluation)
4 Other costs (attach schedule)	

Was there any substantial change in the manner of determining quantities, costs or valuations between the opening and closing inventories?  
Yes ☐ No ☐ If "Yes," attach explanation.

Were you liable for filing Forms 1096 and 1099 or 1087 for the calendar year 1966? Yes ☐ No ☐

If "Yes," where were they filed?

NOTE: Any items specially allocated to the partners should be included in the appropriate column of Schedule K, instead of the lines indicated by Schedules B through J. (See General Instruction Q)

## Schedule B—INCOME FROM RENTS

1. Kind and location of property	2. Amount of rent	3. Depreciation (explain in Schedule I)	4. Repairs (explain in Schedule B-1)	5. Other expenses (explain in Schedule B-1)
Building - Hospital - Alex, Va.	80,940.00	73,947.77		51,573.29
Equipment - Hospital - Alex, Va.	17,500.00	63,750.00		
1 Totals	98,440.00	137,697.77		51,573.29
2 Net income (loss); (column 2 less sum of columns 3, 4, and 5)	Enter here and on page 1, line 7 <b>&lt;1055&gt;</b> <b>&lt;90,317.01&gt;</b>			

## Schedule B-1—COLUMNS 4 AND 5 OF SCHEDULE B

Column	Explanation	Amount	Column	Explanation	Amount
5	Interest - Mortgage	51,573.29			

## Schedule C—INTEREST AND TAXES (See Instructions 16 and 17)

Explanation	Amount	Explanation	Amount

## Schedule H—BAD DEBTS (See Instruction 19)

1. year	2. Trade notes and accounts receivable outstanding at end of year	3. Sales on account	4. Amount added to reserve a. Current year's additions	5. Recoveries	6. Amount charged against reserve	7. Reserve for bad debts at end of year
1961						
1962						
1963						
1964						
1965						
1966						

NOTE: Securities which are capital assets and which become worthless within the taxable year should be reported in separate Schedule D, Form 1065.

TAUBER 45093

J.APP. 3342

# DEPRE ON SCHEDULE

Form 10-2000

Name Jefferson Memorial Hospital Associates  
Address 510 Dr. L. N. Tauber, 4600 King St., A.L.V., Va.

Year Ended December 31, 1965  
Social Security or Identification No. \_\_\_\_\_

Social Security or Identification No.										10. DEPRECIATION THIS YEAR	
1. Kind of Property	2. Date Acquired	3. Cost or Basis to Begin	4. BASIS ADJUSTMENTS		5. Adjusted Cost or Basis at End	6. Depreciation Allowed Prior Years	7. Life (Years)	8. Method Used	9. Rate	Special First Year	Regular Depreciation
11/10/65 - Component Parts:											
Shall	11/10/65	40,701.51				20,005.00	40	0.15	2		16,301.84
Plumbing	11/10/65	121,375.21				12,137.02	20		10		10,913.21
Electrical	11/10/65	103,217.81				10,322.78	20		10		9,290.30
Mechanical-Air Cond.	11/10/65	122,501.17				12,250.12	20		10		11,030.11
Roofing	11/10/65	14,505.51				1,450.55	20		10		1,332.50
Plastering	11/10/65	51,119.99				5,111.99	20		10		4,645.00
Painting	11/10/65	12,015.12				6,007.56	20		10		5,455.00
Tile - Ceramic	11/10/65	17,018.55				1,433.48	25		5		3,003.18
Acoustical Tile-Ceiling	11/10/65	10,450.12				2,090.02	10		20		1,819.51
Packing Lot-Paving Alkali	11/10/65	19,321.65				3,864.33	10		20		1,633.40
Acoustical Tile-Resilient Flooring	11/10/65	17,955.12				4,488.51	5	0.0	25		3,365.66
Acoustical Tile-Ceiling	11/10/65	11,188.25				525.21	15	5.1			502.56
Acoustical Tile-Ceiling	11/10/65	24,000.00					5	10.0	15.1		4,750.00
TOTALS 1,294,504.27											
TOTAL DEPRECIATION 14,015.15											

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TAUBER 45094

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TAUBER 45094

Atkinson Memorial Hospital Associates  
Schedule 1 - Balance Sheet  
For the Year

**CONFIDENTIAL**

Assets  
Current Assets  
Cash

Beginning Ending  
11.53 11.53  
16,529.11

Total Other Current Assets

16,539.49 11.53

TAUBER 45095

# Schedule I—DEPRECIATION. (See Instruction 21)

This schedule is designed for taxpayers using the alternative guidelines and administrative procedures described in Revenue Procedures 62-21 and 65-13 as well as for those taxpayers who wish to continue using practices authorized prior to these revenue procedures. Where double headings appear use the first heading for depreciation under Revenue Procedures 62-21 and 65-13 and the second heading for other authorized practices.

1. Total additional first year depreciation (do not include in items below)	2. Total	3. Less: Amount of depreciation claimed on line 1 above and in Schedules A and B	4. Balance—Enter here and on page 1, line 21
---	----------	--	--

1. Total additional first year depreciation (do not include in items below)

2. Total

3. Less: Amount of depreciation claimed on line 1 above and in Schedules A and B

4. Balance—Enter here and on page 1, line 21

## SUMMARY OF DEPRECIATION

1. Under Rev. Proc. 62-21	2. Other	3. Sum of the years' digits	4. Units of production	5. Additional first year (section 179)	6. Other (specify)	7. Total
---------------------------	----------	-----------------------------	------------------------	--	--------------------	----------

# Schedule J—OTHER DEDUCTIONS. (See Instruction 25)

1. Description	2. Amount	3. Explanation	4. Amount
----------------	-----------	----------------	-----------

Total (enter here and on line 25, page 1)

# Schedule K—PARTNERS' SHARES OF INCOME, CREDITS, AND DEDUCTIONS

1. State name and address of each partner. (Designate nonresident aliens, if any.) Where return of partner or member is filed in another internal revenue district, specify district	2. Social Security number	3. Percentage of time devoted to business	4. Ordinary income (loss) (line 27, page 1)	5. Additional first-year depreciation
--	---------------------------	---	---	---------------------------------------

## Continuation of Schedule K

6. Payments to partners—salaries and interest (line 14, page 1)	7. Qualifying dividends (attach list)	8. Net short-term gain (loss) from sale or exchange of capital assets (line 9, Schedule D)	9. Net long-term gain (loss) from sale or exchange of capital assets (line 10, Schedule D)	10. Net gain (loss) under section 1231 (line 6, Schedule D)	11. Net earnings from self-employment (line 10, Schedule M)	12. Expense account allowance (see instructions)
---	---------------------------------------	--	--	---	---	--

NOTE: See the instructions for other items required to be reported.

including property subject to investment credit.

10-7090-1

TAUBER 45074

J.APP. 3345

## Schedule L—BALANCE SHEETS

	Beginning of taxable year		End of taxable year	
	Amount	Total	Amount	Total
<b>ASSETS</b>				
1 Cash				
2 Trade notes and accounts receivable				
(a) Less allowance for bad debts				
3 Inventories				
4 Gov't obligations: (a) U.S. and instrumentalities				
(b) State, subdivisions thereof, etc.				
5 Other current assets (attach schedule)		10,539.04		11.53
6 Mortgage and real estate loans				
7 Other investments (attach schedule)				11,500.00
8 Buildings and other fixed depreciable assets	454,544.27		1,244,544.27	
(a) Less accumulated depreciation	55,615.91	507,525.37	212,696.11	1,031,847.60
9 Depletable assets				
(a) Less accumulated depletion				
10 Land (net of any amortization)				
11 Intangible assets (amortizable only)				
(a) Less accumulated amortization				
12 Other assets (attach schedule)	500.00			336,502.21
13 Total assets		536,065.01		1,536,162.53
<b>LIABILITIES AND CAPITAL</b>				
14 Accounts payable				
15 Mortgages, notes, and bonds payable in less than 1 year				
16 Other current liabilities (attach schedule)				
17 Mortgages, notes, and bonds payable in 1 year or more		872,808.72		873,502.01
18 Other liabilities (attach schedule)				
19 Partners' capital accounts		17,196.29		672,160.53
20 Total liabilities and capital		536,065.01		1,536,162.53

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## Schedule M—RECONCILIATION OF PARTNERS' CAPITAL ACCOUNTS

	1. Capital account at beginning of year	2. Capital contributed during year	3. Income not included in column 1 plus non-taxable income	4. Ordinary income (loss) from line 27, page 1	5. Losses not included in column 4 plus allowable deductions	6. Withdrawals and distributions	7. Capital account at end of year
(a)							
(b)							
(c)							
(d)							
(e)							
Totals	17,196.29	786,963.71		(905,110.00)	116,502.11		672,160.53

## Schedule N—COMPUTATION OF NET EARNINGS FROM SELF-EMPLOYMENT. (See instruction for Schedule N)

1 Ordinary income increased by casualty losses (line 27 plus line 18, page 1)		NONE
2 Add: Payments to partners—salaries and interest (line 14, page 1)		
3 Net loss from sale or exchange of property other than capital assets (line 10, page 1)		
4 Total		
5 Less: Portion of line 4, page 1, which does not constitute net earnings from self employment		
6 Nonqualifying dividends (line 5, page 1)		
7 Interest (see instructions)		
8 Net rentals from real estate		
9 Net gain from sale or exchange of property other than capital assets (line 10, page 1)		
10 Net earnings from self employment. Enter in column 11, Schedule K		NONE

TAUBER 45097

J.APP. 3346

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Terrerson Memorial Hospital Associates

Statement of Capital Accounts

As of December 31, 1964

	Percentage	Amount	Share	Balance
or	of	or	or	or
Shareholder	of	Share	Share	Share
	Share	Share	Share	Share
Dr. L. N. Tauber	✓ 25.5%	100,000.00	100,000.00	100,000.00
Dr. Leslie Gordon	✓ 12.5%	50,000.00	50,000.00	50,000.00
Dr. Samuel Barrett	✓ 7.5%	30,000.00	30,000.00	30,000.00
Mr. Bernard Krahaw	✓ 1.0%	4,000.00	4,000.00	4,000.00
Mr. Andrew Nabas	✓ 1.0%	4,000.00	4,000.00	4,000.00
Dr. Chas. A. Hutzinger	✓ 1.0%	4,000.00	4,000.00	4,000.00
Dr. Leslie Peters	✓ 5.0%	20,000.00	20,000.00	20,000.00
Mrs. Judith Ruonai	✓ .5%	2,000.00	2,000.00	2,000.00
Dr. George W. Hise	✓ 7.5%	30,000.00	30,000.00	30,000.00
Dr. James Scully	✓ 5.5%	22,000.00	22,000.00	22,000.00
Dr. Abbas Bashir	✓ 1.0%	4,000.00	4,000.00	4,000.00
Dr. Michael Corrado	✓ 7.5%	30,000.00	30,000.00	30,000.00
Dr. Dan Ferlaci	✓ 4.0%	16,000.00	16,000.00	16,000.00
Dr. Irwin Freeman	✓ 2.5%	10,000.00	10,000.00	10,000.00
Dr. Cesare Luciali	✓ 5.0%	20,000.00	20,000.00	20,000.00
Dr. Reginald P. McManus	✓ 1.5%	6,000.00	6,000.00	6,000.00
Dr. Roy Nicholson	✓ 2.5%	10,000.00	10,000.00	10,000.00
Dr. Mounzer Sioay	✓ 2.5%	10,000.00	10,000.00	10,000.00
Dr. Melvin Small	✓ 7.5%	30,000.00	30,000.00	30,000.00
Dr. Michael Vilanos	✓ 1.0%	4,000.00	4,000.00	4,000.00
<b>TOTALS</b>		<b>1,000,000.00</b>	<b>1,000,000.00</b>	<b>1,000,000.00</b>

1) See also Board minutes for notes where applicable

TAUBER 45329

...END...

Form **1065**Department of the Treasury  
Internal Revenue Service**U.S. Partnership Return of Income**

FOR CALENDAR YEAR 1969 or other taxable year beginning

1969, and ending 19

**CONFIDENTIAL**  
**1969**A Principal business activity  
(See General Instruction I)

JUN 1969

Name

Jettisoned Material H. Spinal H. Spinal  
CLARE L. N. F. W.

C Employer identification No.

24-005-514

B Principal product or service  
(See General Instruction I)

K. 1001-1001

Number and street

4111 1st Street

D County in which located

H. 1001-1001

City or town, State, and ZIP code

AL-1001-1001 V. 1001-1001

E Date business commenced

JUN 1, 1969

**IMPORTANT**—All applicable lines and schedules must be filled in. If the lines on the schedules are not sufficient, see Instruction R.

INCOME	1	Gross receipts or gross sales	Less: Returns and allowances	
	2	Less: Cost of goods sold (Schedule A) and/or operations (attach schedule)		
	3	Gross profit		
	4	Income (loss) from other partnerships, syndicates, etc. (attach statement)		
	5	Nonqualifying dividends (attach list—see Instruction 5)		
	6	Interest		
	7	Rents (Schedule B)	(Loss)	2,100.00
	8	Royalties (attach schedule)		(29,295.11)
	9	Net farm profit (loss) (Schedule F, Form 1040)		
	10	Net gain (loss) from sale or exchange of property other than capital assets (line 16, Schedule D, Form 1065)		
11	Other income (attach schedule)			
12	TOTAL income (lines 3 through 11)	(Loss)	(27,195.11)	
DEDUCTIONS	13	Salaries and wages (other than to partners)		
	14	Payments to partners—salaries and interest		
	15	Rent		
	16	Interest (Schedule J)		
	17	Taxes (Schedule J)		
	18	Losses by fire, storm, shipwreck, other casualty or theft (attach statement)		
	19	Bad debts (Schedule H if reserve method is used)		
	20	Repairs		
	21	Depreciation (Schedule I)		
	22	Amortization (attach schedule)		
	23	Depletion (attach schedule)		
	24	Retirement plans, etc. (other than for partners—see Instruction 24)		
	25	Other deductions (Schedule J)		
	26	TOTAL deductions (lines 13 through 25)		
	27	Ordinary income (loss) (line 12 less line 26) (see General Instruction G)	(Loss)	(27,195.11)

**Schedule A—COST OF GOODS SOLD**

1	Inventory at beginning of year (if different from last year's closing inventory, attach explanation)	
2	Purchases	
	Less: Cost of items withdrawn for personal use	
3	Cost of labor	
4	Material and supplies	
5	Other costs (attach schedule)	
6	Total of lines 1 through 5	
7	Less: Inventory at end of year	
8	Cost of goods sold. Enter here and on line 2 above (Method of inventory valuation)	

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct, and complete. If prepared by a person other than taxpayer, his declaration is based on all information of which he has any knowledge.

Signature of partner or member	Date
<i>John P. Bora</i>	3/23/70
Signature of preparer other than partner or member	Date

TAUBER 45228

Trial Exhibit  
No. 226.

J.APP. 3348



NOTE: Any items specially allocated to the partners should be shown in a separate schedule instead of being reflected on the numbered lines of page 1, Schedules B through J, or Schedule K. (See General Instruction Q)

Schedule B—INCOME FROM RENTS

1. Kind and location of property	2. Amount of rent	3. Depreciation (explain in Schedule I)	4. Repairs (explain in Schedule I)	5. Other expenses (explain in Schedule I)
Bldg. 10000 H. St. N. W. Alex. Va.	20,121.12	60,247.54		7,144.00
H. 2222 1/2 St. N. W. Alex. Va.	27,210.00	34,214.53		
H. 1111 1/2 St. N. W. Alex. Va.	11,544.00	2,622.17		1,145.00

1 Totals 116,075.64 97,084.24 4,659.00  
 2 Net income (loss) (column 2 less sum of columns 3, 4, and 5). Enter here and on page 1, line 7. 18,332.40

Schedule H—BAD DEBTS (See Instruction 19)

1. Year	2. Trade notes and accounts receivable outstanding at end of year	3. Sales on account	Amount added to reserve		6. Amount charged against reserve	7. Reserve for bad debts at end of year
			4. Current year's provision	5. Recoveries		
1964						
1965						
1966						
1967						
1968						
1969						

Schedule I—DEPRECIATION (See Instruction 21) Taxpayers using Revenue Procedures 62-21 and 65-13: Make no entry in column 2, enter the cost or other basis of assets held at end of year in column 3, and enter the accumulated depreciation at end of year in column 4. Note: You may (1) group depreciable assets in accordance with the categories specified below or (2) continue to list your assets in the same manner as in prior years. If you need more space, use Form 4562.

1. Group and guideline class or description of property	2. Date acquired	3. Cost or other basis	4. Depreciation claimed or allowable in prior years	5. Method of computing depreciation	6. Life or rate	7. Depreciation for this year
1 Total additional first-year depreciation (do not include in items below). (Enter here and allocate to each partner in column 5 of Schedule K)						
Buildings						
Furniture and fixtures						
Transportation equipment						
Machinery and other equipment						
Other (specify)						

2 Totals 47,502.61  
 3 Less amount of depreciation claimed in Schedules A and B 99,502.61  
 4 Balance—Enter here and on page 1, line 21.

SUMMARY OF DEPRECIATION

	Straight line	Declining balance	Sum of the years' digits	Units of production	Additional first-year (section 179)	Other (specify)	Total
1 Under Rev. Proc. 62-21 and 65-13							
2 Other							97,502.61

Schedule J—EXPLANATION OF LINES 16, 17, AND 25 ON PAGE 1, AND OF COLUMNS 4 AND 5 OF SCHEDULE B

Line or column	Explanation	Amount	Line or column	Explanation	Amount
5	Interest on mortgage	45,814.10			
5	Loan fee, Fidelity	1,500.00			
5	Bank charges	7.00			
5	Audit	625.00			
5	Interest on auto loan, Fidelity	1,150.51			

Jefferson Memorial Hospital Associates  
 4600 King St. Alexandria, Va.

Social Security or Identification No. 54-6083514  
 Year Ending December 31, 1969

CONFIDENTIAL

1. Kind of Property	2. Date Acquired	3. Cost or Basis To Begin	BASIS ADJUSTMENTS		6. Adjusted Cost or Basis at End	7. Method	8. Rate & Life (Years)	9. Depreciation Allowed Prior Years	10. Remaining Basis to Be Recovered	11. Regular Depreciation This Year
			4. Salvage Value	5. Special First Year Depreciation						
<u>Building &amp; Component Parts:</u>										
Shelf	11/1/65				401,301.87	DB	40	14,438.99	326,862.88	16,343.14
Plumbing					121,375.21		20	41,740.93	79,634.28	7,963.43
Electrical					103,227.81		20	35,500.04	67,727.77	6,772.78
Mechanical-Air Cond.					172,501.17		20	59,460.72	113,040.45	11,304.05
Roofing					14,805.51		20	5,091.62	9,713.89	971.39
Plastering					51,669.79		20	17,169.24	33,900.55	3,390.05
Tile-Ceramic					17,918.55		20	5,081.83	12,836.72	1,283.67
Painting					12,015.12		4	12,015.12	-	-
Acoustical Tile-Ceiling					10,459.12		10	6,135.06	4,284.06	856.81
Parking Lot-Paving & Gravel					19,726.65		10	11,644.61	8,080.04	1,616.01
Vinyl Tile-Resilient Flooring	11/1/65				17,955.22	DB	8	12,274.08	5,681.14	1,430.29
								Total		51,704.89
<u>Building Addition &amp; Component Parts:</u>										
Shelf	6/20/68				59,177.84	DB	40	14,794.45	57,698.49	2,984.92
Plumbing					14,227.91		20	7,114.00	13,516.51	1,351.65
Electrical					15,986.60		20	7,968.33	15,139.77	1,513.98
Air Cond. on roof					4,975.00		20	2,487.50	4,726.25	472.63
Roofing					2,900.00		20	1,450.00	2,756.00	275.60
Plastering					2,005.00		20	1,002.50	1,904.75	190.48
Tile-Ceramic					1,390.00		25	53.60	1,286.40	102.91
Acoustical Tile-Ceiling					2,364.16		10	236.42	2,127.74	425.55
Resilient Flooring					1,247.82		8	155.89	1,091.93	272.98
Painting	6/20/68				774.56	DB	4	193.64	580.92	290.46
								Total		7,781.06
<u>Interest &amp; Loan Fees</u>	11/1/65				11,188.25	SL	19	2,356.44	8,932.81	588.86
<u>Equipment - Used</u>	11/1/66				340,000.00	DB	8	157,681.84	182,318.16	34,154.63
<u>Equipment - New</u>	9/15/67				21,644.00	DB	10	5,475.14	16,168.86	3,233.77
										97,502.61
										-
										97,502.61

CODE: SL - Straight Line  
 DB - Declining Balance  
 SY - Sum of the Years

Plus additional special first year depreciation for this year  
**TOTAL DEPRECIATION**

TAUBER 45230

J.A.P. 3350

## Schedule K—PARTNERS' SHARES OF INCOME, CREDITS, DEDUCTIONS, ETC.

1. Give name, address, and social security number of each partner. (Designate nonresident aliens, if any.) Where return of partner or member is filed in another Internal Revenue district or in an Internal Revenue service center, specify district or service center.	2. Percent- age of time devoted to business	3. COST OR BASIS OF INVESTMENT IN PROPERTY		
		(i) Life Years	(ii) Basis of new property	(iii) Cost of used property
(a) .....		4 or more but less than 6 6 or more but less than 8 8 or more		
(b) .....		4 or more but less than 6 6 or more but less than 8 8 or more		
(c) .....		4 or more but less than 6 6 or more but less than 8 8 or more		
(d) .....		4 or more but less than 6 6 or more but less than 8 8 or more		
(e) .....		4 or more but less than 6 6 or more but less than 8 8 or more		
Totals .....			N	N

	4. Ordinary income (loss) (line 27, page 1)	5. Additional first-year depreciation (line 1, Schedule I)	6. Payments to partners—salaries and interest (line 14, page 1)	7. Qualifying dividends (attach list)	8. Net short-term gain (loss) from sale or exchange of capital as- sets (line 9, Schedule D)
(a) .....					
(b) .....					
(c) .....					
(d) .....					
(e) .....					
Totals	126,359.27	NONE	NONE	NONE	NONE

	9. Net long-term gain (loss) from sale or exchange of capital assets (line 13, Schedule D)	10. Net gain (loss) under section 1231 (line 6, Schedule D)	11. Net earnings from self-employment (line 10, Schedule M)	12. Contributions (see Sch. K instructions)	13. Expense account allowance (see Sch. K instructions)
(a) .....					
(b) .....					
(c) .....					
(d) .....					
(e) .....					
Totals	NONE	NONE	NONE	NONE	

NOTE: See the instructions for Schedule K, paragraphs (a) through (d), for each partner's distributive share of other items required to be reported in a separate schedule.

- F Was there any substantial change in the manner of determining quantities, costs or valuations between the opening and closing inventories?  
☐ YES ☐ NO. If "Yes," attach explanation.
- G Were you liable for filing Forms 1096 and 1099 or 1087 for the calendar year 1969? ☐ YES ☒ NO  
 If "Yes," where were they filed? .....
- H Is any member of the partnership related by blood or marriage to any other member? ☐ YES ☒ NO
- I Is any member of the partnership a trust for the benefit of any person related by blood or marriage to any other member? ☐ YES ☒ NO
- J Did the partnership, during the taxable year, have any contracts or subcontracts subject to the Renegotiation Act of 1951? ☐ YES ☒ NO  
 If "YES," see General Instruction P and enter appropriate amount here: \$ .....
- K Did you claim a deduction for expenses connected with:
- (1) Entertainment facility (boat, resort, ranch, etc.)? ☐ YES ☒ NO
  - (2) Living accommodations (except employees on business)? ☐ YES ☒ NO
  - (3) Employees' families at conventions or meetings? ☐ YES ☒ NO
  - (4) Employee or family vacations not reported on Form W-2? ☐ YES ☒ NO

TAUBER 45231

J.APP. 3351

JEFFERSON MEMORIAL HOSPITAL ASSOCIATES

SCHEDULE OF PARTNERS' CAPITAL BALANCES  
AND SHARE OF OPERATING LOSS  
FOR THE YEAR ENDED DECEMBER 31, 1969

CONFIDENTIAL

<u>NAME</u>	<u>PERCENTAGE OF OWNERSHIP</u>	<u>CAPITAL BALANCE 1/1/69</u>	<u>LOSS FOR YEAR</u>	<u>CAPITAL BALANCE 12/31/69</u>
Dr. L. N. Tauber 578-62-8466 5300 Westbard Ave. Bethesda, Md.	24.5%	\$140,303.02	\$ 6,467.00	\$133,836.02
Dr. Leslie Gondor 229-60-3429 3541 N. Braddock Rd. Alexandria, Va.	12.5	71,583.17	3,299.49	68,283.68
Dr. Samuel Burtoff 201-10-8917 916 19th St., N. W. Washington, D. C.	7.5	42,949.91	1,979.69	40,970.22
Dr. Irwin S. Freedman 160-26-8075 1337 Kingston Ave. Alexandria, Va.	3.5	20,043.28	923.86	19,119.42
Dr. Chas. A. Hufnagel 578-44-1430 Georgetown Univ. Hosp. Washington, D. C.	1.0	5,726.65	263.96	5,462.69
Dr. Leslie Peters 367-36-6583 Arlington Towers Arlington, Va.	5.0	28,633.27	1,319.80	27,313.47
Dr. Laszlo K. Cszary 1600 S. Eades St. Arlington, Va.	.5	2,863.33	131.98	2,731.35
Dr. George Ware 013-13-1878 1835 I St., N. W. Washington, D. C.	7.5	42,949.91	1,979.69	40,970.22

BAER, PACHELI AND PERRY  
CERTIFIED PUBLIC ACCOUNTANTS

TAUBER 85232

J.APP. 3352

JEFFERSON MEMORIAL HOSPITAL ASSOCIATES

SCHEDULE OF PARTNERS' CAPITAL BALANCES  
AND SHARE OF OPERATING LOSS  
FOR THE YEAR ENDED DECEMBER 31, 1969

CONFIDENTIAL

<u>NAME</u>	<u>PERCENTAGE OF OWNERSHIP</u>	<u>CAPITAL BALANCE 1/1/69</u>	<u>LOSS FOR YEAR</u>	<u>CAPITAL BALANCE 12/31/69</u>
Dr. James Scully 577-38-3026 1835 I St., N. W. Washington, D. C.	5.5%	\$ 31,496.60	\$' 1,451.77	\$ 30,044.83
Dr. Abbas Bashir 3213 Graham Rd. Falls Church, Va.	1.0	5,726.65	263.96	5,462.69
Dr. Michael A. Corrado 578-22-1090 7 Corners Medical Bldg. Falls Church, Va.	7.5	42,949.91	1,979.69	40,970.22
Dr. Dan J. Feriozi 578-03-2954 2222 N. Buchanan St. Arlington, Va.	4.0	22,906.63	1,055.84	21,850.79
Dr. Cesare Luccioli 152-32-8195 9327 Pentland Place Fairfax, Va.	5.0	28,633.27	1,319.80	27,313.47
Dr. Reginald P. McManus 007-24-8015 5300 Juxon Place Springfield, Va.	1.5	8,589.98	395.94	8,194.04
Dr. M. Roy Nicholson 226-62-9706 18015 Arlington Blvd. Arlington, Va.	2.5	14,316.64	659.90	13,656.74
Dr. Mounzer Sibay 578-54-4555 6300 Leesburg Pike Falls Church, Va.	2.5	14,316.64	659.90	13,656.74

BAER, PACHELLI AND PERRY  
CERTIFIED PUBLIC ACCOUNTANTS

TAUBER 45233

JEFFERSON MEMORIAL HOSPITAL ASSOCIATES

SCHEDULE OF PARTNERS' CAPITAL BALANCES  
AND SHARE OF OPERATING LOSS  
FOR THE YEAR ENDED DECEMBER 31, 1969

CONFIDENTIAL

<u>NAME</u>	<u>PERCENTAGE OF OWNERSHIP</u>	<u>CAPITAL BALANCE 1/1/69</u>	<u>LOSS FOR YEAR</u>	<u>CAPITAL BALANCE 12/31/69</u>
Dr. Melvin D. Small 028-12-6105 D. C. General Hospital Washington, D. C.	7.5%	\$ 42,949.91	\$ 1,979.69	\$ 40,970.22
Dr. Michael M. Vlahos 905 Sterling Blvd. Sterling, Va.	<u>1.0</u>	<u>5,726.65</u>	<u>263.96</u>	<u>5,462.69</u>
TOTALS	<u>100.0%</u>	<u>\$572,665.42</u>	<u>\$ 26,395.92</u>	<u>\$546,269.50</u>

## Schedule L—BALANCE SHEETS (See General Instruction J)

ASSETS	Beginning of taxable year		End of taxable year	
	Amount	Total	Amount	Total
1 Cash . . . . .		192.75		1,251.24 ✓
2 Trade notes and accounts receivable . . . . .				
(a) Less allowance for bad debts . . . . .				
3 Inventories . . . . .				
4 Gov't obligations: (a) U.S. and instrumentalities . . . . .				
(b) State, subdivisions thereof, etc. . . . .				
5 Other current assets (attach schedule) . . . . .		46,426.53		35,536.64 ✓
6 Mortgage and real estate loans . . . . .				
7 Other investments (attach schedule) . . . . .				
8 Buildings and other fixed depreciable assets . . . . .	1,421,157.36		1,421,157.36	
(a) Less accumulated depreciation . . . . .	450,711.99	970,445.37	549,750.00	871,407.36 ✓
9 Depletable assets . . . . .				
(a) Less accumulated depletion . . . . .				
10 Land (net of any amortization) . . . . .				
11 Intangible assets (amortizable only) . . . . .				
(a) Less accumulated amortization . . . . .				
12 Other assets (attach schedule) . . . . .		30,103.44		34,957.31
13 Total assets . . . . .		1,407,896.50		1,247,606.45 ✓
LIABILITIES AND CAPITAL				
14 Accounts payable . . . . .		389.10		
15 Mortgages, notes, and bonds payable in less than 1 year . . . . .		37,010.00		
16 Other current liabilities (attach schedule) . . . . .				
17 Mortgages, notes, and bonds payable in 1 year or more . . . . .		794,229.45		751,236.35
18 Other liabilities (attach schedule) . . . . .				
19 Partners' capital accounts . . . . .		572,665.42		546,269.50
20 Total liabilities and capital . . . . .		1,407,896.50		1,247,606.45 ✓

## Schedule M—RECONCILIATION OF PARTNERS' CAPITAL ACCOUNTS (See instruction for Schedule M)

	1. Capital amount at beginning of year	2. Capital contributed during year	3. Ordinary income (loss) from line 27, page 1	4. Income not included in column 3 plus non-taxable income	5. Losses not included in column 3, plus allowable deductions	6. Withdrawals and distributions	7. Capital amount at end of year
(a) . . . . .							
(b) . . . . .							
(c) . . . . .			See Schedule Attached				
(d) . . . . .							
(e) . . . . .							
Totals	572,665.42	NONE	(216,395.92)	NONE	NONE	NONE	546,269.50

## Schedule N—COMPUTATION OF NET EARNINGS FROM SELF-EMPLOYMENT (See instruction for Schedule N)

1 Ordinary income increased by casualty losses (line 27 plus line 18, page 1) . . . . .	(4055)	(26,395.92)
2 Add: Payments to partners—salaries and interest (line 14, page 1) . . . . .		
3 Net loss from sale or exchange of property other than capital assets (line 10, page 1) . . . . .		
4 Total . . . . .		
5 Less: Portion of line 4, page 1, which does not constitute net earnings from self-employment . . . . .		
6 Nonqualifying dividends (line 5, page 1) . . . . .		
7 Interest (see instruction for Schedule N) . . . . .		
8 Net rentals from real estate (see instruction for Schedule N) . . . . .		
9 Net gain from sale or exchange of property other than capital assets (line 10, page 1) . . . . .		
10 Net earnings from self-employment. Enter in column 11, Schedule K . . . . .		NONE

TAUBER 45235

J.APP. 3355

Jetterdon Memorial Hospital Assoc.  
Income Tax Schedules  
Year 1969

CONFIDENTIAL

Form 1065 - Schedule L

Balance Sheets

Other Current Assets:

Note Receivable

Due From Partners

Due From Jett. Mem. Hosp. Medical Assoc.

Total Other Current Assets

Beginning - Ending

	Beginning	Ending
Note Receivable	\$ 11.53	\$ 11.53
Due From Partners	46,225.00	35,125.11
Due From Jett. Mem. Hosp. Medical Assoc.	-	400.00
<u>Total Other Current Assets</u>	<u>\$ 46,236.53</u>	<u>\$ 35,536.64</u>

Other Assets:

Goodwill

Prepaid Interest

Loan Fee Deposit

Total Other Assets

	Beginning	Ending
Goodwill	\$ 386,803.71	\$ 386,803.71
Prepaid Interest	2,300.21	1,150.10
Loan Fee Deposit	1,000.00	-
<u>Total Other Assets</u>	<u>\$ 390,103.92</u>	<u>\$ 387,953.81</u>

TAUBER 45236

J.APP. 3356



COMMONWEALTH OF VIRGINIA  
PARTNERSHIP RETURN OF INCOME

(To be filed also by syndicates, pools, joint ventures, etc.)

FOR CALENDAR YEAR 1969

1969

CONFIDENTIAL

OR FISCAL YEAR BEGINNING 1969 AND ENDING 1970

File this return with the Department of Taxation, Richmond, Virginia 23215, on or before April 15, 1970, if a calendar year return; or on or before the fifteenth day of the fourth month following the close of the fiscal year, if a fiscal year return.

The income to be reported on this return is the income for the calendar year ending December 31, 1969, or for the fiscal year as above stated. All partnerships should report their entire income, wherever earned, except that partnerships all of whose members are non-residents of Virginia should report only the income derived from sources in this State.

(PRINT PLAINLY TRADE NAME AND BUSINESS ADDRESS OF THE PARTNERSHIP OR JOINT ENTERPRISE)		Employer identification number:
JENNIFER HOSPITAL ASSOCIATES		
400 KING STREET		
Alexandria	Virginia	22304
(City, town, or post office)	(State)	(ZIP code)
Business or Profession: HOSPITALITY		

Item and Instruction No.	GROSS INCOME		
1. Gross receipts from business or profession		\$	
2. Less cost of goods sold:			
(a) Inventory at beginning of year	\$		
(b) Merchandise bought for sale			
(c) Cost of labor, supplies, etc.			
(d) Total of lines (a), (b), and (c)	\$		
(e) Less inventory at end of year		\$	
3. Gross profit (or loss) from business or profession (Item 1 less Item 2)		\$	
4. Income (or loss) from other partnerships, syndicates, pools, etc.			
{ State separately name, address, and amount }			
5. Interest on bank deposits, notes, corporation bonds, etc.			3,100.00
6. Rents			112,602.90
7. Royalties			
8. Net gain (or loss) from sale or exchange of real estate and stocks, bonds and other personal property (From Line 2, Schedule A)			
9. Dividends taxable (From Schedule B)			
10. Other income (State nature of income)			
11. Total income in Items 3 to 10		\$	119,702.90
DEDUCTIONS			
12. Salaries and wages (Do not include compensation for partners)		\$	
13. Rent			
14. Interest on indebtedness (Explain in Schedule F; do not include interest on capital invested in the business by any partner)			11,967.21
15. Taxes (From Schedule C)			
16. Losses by fire, storm, shipwreck, or other casualty, or theft (Submit schedule)			
17. Bad debts (From Schedule D)			
18. Depreciation (From Schedule E)			97,562.11
19. Repairs			
20. Depletion of mines, oil and gas wells, timber, etc. (Submit schedule)			
21. Other deductions authorized by law (From Schedule F)			1,632.00
22. Total deductions in Items 12 to 21		\$	146,098.82
23. Net income (Item 11 less Item 22)		\$	21,359.72

## DECLARATION

I declare under the penalties provided by law that this return, including the accompanying schedules and statements, has been examined by me, and to the best of my knowledge and belief is a true, correct, and complete return.

(Signature of person, other than partner or member, preparing return) \_\_\_\_\_ (Date) \_\_\_\_\_  
 (Signature of partner or member) \_\_\_\_\_ (Date) \_\_\_\_\_

(Name of firm or employer, if any)

(Address of partner or member)

WASH. 11 1969

TAUBER 45237

Trial Exhibit  
No. 227.

J.APP. 3357

**Schedule A.—GAINS AND LOSSES FROM SALES OR EXCHANGES OF REAL ESTATE AND STOCKS,  
BONDS AND OTHER PERSONAL PROPERTY (See Instruction 8)**

1. Kind of property	2. Date acquired Mo. Day Year	3. Date sold Mo. Day Year	4. Gross sales price (Contract price)	5. Depreciation allowed (or allowable) since acquisition or March 1, 1913 (Explain in Schedule E)	6. Cost or other basis and cost of subsequent improvements (if not purchased, attach explanation)	7. Expense of sale
			\$	\$	\$	\$
<b>1. Totals</b>			\$	\$	\$	\$
<b>2. Total net gain or loss (Columns 4 plus 5 minus the sum of Columns 6 and 7). Enter as Item 8, Page 1</b>						\$

**Schedule B.—INCOME FROM DIVIDENDS (See instruction 9)**

1. Name of paying corporation	2. Taxable and non-taxable dividends received	3 Non-taxable dividends received	4. Taxable dividends received
	\$ .....	\$ .....	\$ .....
Totals. Enter total of Column 4 as Item 9, Page 1.....	\$ .....	\$ .....	\$ .....

**Schedule C.—TAXES (See Instruction 15)**

1. Nature	2. Amount	1. Nature (continued)	2. Amount (continued)
	\$ .....		\$ .....
		Total. Enter as Item 15, Page 1.....	\$ .....

**Schedule D.—BAD DEBTS (See Instruction 17)**

1. Taxable year	2. Net income reported	3. Sales on account	4. Bad debts of organization if no reserve is carried on books	If organization carried a reserve	
				5. Gross amount added to reserve	6. Amount charged against reserve
1966	\$	\$	\$	\$	\$
1967					
1968					
1969					

**NOTE**—Check whether deduction claimed represents debts which have become worthless ☐, or is an addition to a reserve ☐.

**Schedule E.—DEPRECIATION (See Instruction 18)**

1. Kind of property (If building, state material of which constructed). Exclude land and other nondepreciable property	2. Date acquired	3. Cost or other basis (Exclude land)	4. Depreciation allowed (or allowable) in prior years	5. Method of computing depreciation	6. Rate (%) or life (years)	7. Depreciation allowable this year
		\$	\$			\$
see Schedule A Attachment						
Total Enter as Item 18, Page 1.						\$99,302

### Schedule F.—EXPLANATION OF DEDUCTIONS CLAIMED IN ITEMS 14 AND 21

1. Item No.	2. Explanation	3. Amount	1. Item No. (continued)	2. Explanation (continued)	3. Amount (continued)
17	1st Fed. Sav. & Loan Bk.	\$35.24			\$
	1st Natl. Bank of MD.	1.12			
21	STURIT	6.50			
	Bank charges	1.00			
	Loss - loan F&E furnished	1,000.00			

TAUBER 45238

J.APP. 3358



## Schedule H.—BALANCE SHEETS

CONFIDENTIAL

ASSETS	Beginning of taxable year		End of taxable year	
	Amount	Total	Amount	Total
1. Cash.....		\$ 712.45		\$ 1,000.00
2. Notes and accounts receivable (less reserve).....		16,000.00		25,500.00
3. Inventories.....				
4. Investments.....				
5. Depreciable assets:				
(a) Buildings.....	\$1,051,123.76		\$1,051,123.76	
(b) Machinery and equipment.....	35,000.00		35,000.00	
(c) Furniture and fixtures.....				
(d) Delivery equipment.....				
(e) Other.....				
Total depreciable assets.....	1,086,123.76		1,086,123.76	
Less: Reserve for depreciation.....	450,000.00	936,359.41	542,230.00	972,851.76
6. Land.....				
7. Other assets.....				337,953.81
8. Total assets.....		\$1,407,896.50		\$1,297,106.45
LIABILITIES				
9. Accounts payable.....		\$ 2,851.10		\$
10. Notes payable.....		15,000.00		1,000.00
11. Mortgages payable.....		115,251.15		115,251.15
12. Accrued expenses.....				
13. Other liabilities.....		31,010.00		
14. Partners' capital accounts:				
(a) See.....	\$		\$	
(b) Schedule.....				
(c) Attached.....				
(d).....				
(e).....		572,165.42		546,219.50
15. Total liabilities.....		\$1,407,896.50		\$1,297,106.45

## Schedule I.—PARTNERS' SHARES OF INCOME (See instruction for Schedule I)

(Prepare a Form 501-A for each partner listed below in accordance with instructions for this Schedule)

1. FULL NAME, SOCIAL SECURITY NUMBER AND COMPLETE HOME ADDRESS OF EACH PARTNER (Complete home address of each partner includes NUMBER AND STREET or RURAL ROUTE, name of COUNTY or CITY, name of STATE in which each partner resides and ZIP CODE)	2. Net income (Item 25, Page 1)	3. Charitable contribu- tions (From Schedule G)
(a) .....	\$	\$
(b) .....		
(c) See Schedule Attached.....		
(d) .....		
(e) .....		
(f) .....		
Totals.....	16,000.00	None

TAUBER 45240

CONFIDENTIAL

1065

## U.S. Partnership Return of Income

FOR CALENDAR YEAR 1970 or other taxable year beginning

1970

Form  
Department of the Treasury  
Internal Revenue Service

1970, and ending 19

A Principal business activity (See instructions)	Name	D Employer identification No.
B Principal product or service (See instructions)	Number and street	E Business Code No.
C Enter total assets from line 13, column (D), Schedule L	City or town, State, and ZIP code	F County in which located
		G Date business commenced

**IMPORTANT**—All applicable lines and schedules must be filled in. If the lines on the schedules are not sufficient, see Instruction Q.

INCOME	1 Gross receipts or gross sales	Less: Returns and allowances	
	2 Less: Cost of goods sold (Schedule A) and/or operations (attach schedule)		
	3 Gross profit		
	4 Income (loss) from other partnerships, syndicates, etc. (attach statement)		
	5 Nonqualifying dividends (attach list—see Instruction 5)		
	6 Interest		
	7 Rents (Schedule B)		
	8 Royalties (attach schedule)		
	9 Net farm profit (loss) (Schedule F, Form 1040)		
	10 Net ordinary gain (loss) (line 10, Schedule D, Form 1065)		
	11 Other income (attach schedule)		
12 TOTAL income (lines 3 through 11)			50,548.29
DEDUCTIONS	13 Salaries and wages (other than to partners)		
	14 Payments to partners—salaries and interest		
	15 Rent		
	16 Interest (Schedule J)		
	17 Taxes (Schedule J)		
	18 Bad debts (Schedule H if reserve method is used)		
	19 Repairs		
	20 Depreciation (Schedule I)		
	21 Amortization (attach schedule)		
	22 Depletion (attach schedule)		
23 Retirement plans, etc. (other than contributions made on partners' behalf—see Instruction 23)			
24 Other deductions (Schedule J)			
25 TOTAL deductions (lines 13 through 24)			
26 Ordinary income (loss) (line 12 less line 25) (see General Instruction G)			50,548.29

## Schedule A—COST OF GOODS SOLD

1 Inventory at beginning of year (If different from last year's closing inventory, attach explanation)	
2 Purchases	
Less: Cost of inventory for personal use	
3 Cost of labor	
4 Material and supplies	
5 Other costs (attach explanation)	
6 Total of lines 1 through 5	
7 Less: Inventory at end of year	
8 Cost of goods sold. Enter here and on line 2, above (Method of inventory valuation)	

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct, and complete. If prepared by a person other than taxpayer, his declaration is based on all information of which he has any knowledge.

Signature of partner or member	Date
Signature of preparer other than partner or member	Date
Address	

TAUBER 44887

Trial Exhibit  
No. 228.

J.APP.3361

## Schedule B—INCOME FROM RENTS

**Schedule H—BAD DEBTS (See instruction 18)**

**Schedule I—DEPRECIATION** (See instruction 20) Taxpayers using Revenue Procedures 62-21 and 65-13: Make no entry in column 2, enter the cost or other basis of assets held at end of year in column 3, and enter the accumulated depreciation at end of year in column 4. **Note:** You may (1) group depreciable assets in accordance with the categories specified below or (2) continue to list your assets in the same manner as in prior years. If you need more space, use Form 4562.

### SUMMARY OF DEPRECIATION

Schedule J—EXPLANATION OF LINES 16, 17, AND 24 ON PAGE 1, AND OF COLUMNS 4 AND 5 OF SCHEDULE B[illegible]

Page 3

2 Percentage of time devoted to business

### Partner A

### Partner B

**Partner C**

### Paragraf D

**Note:** Schedule K instructions correspond with the line numbers. However, see paragraphs (a) through (d), for each partner's distributive share of other items required to be reported in a separate schedule.

J.APP. 3363

Jetterson Memorial Hospital Associates  
Income Tax Sched 23  
Year 1970

CONFIDENTIAL

Form 1065 - Schedule L

Balance Sheets

Beginning - Ending

Other Current Assets:

Note Receivable

\$ 11.53

Due From Partners

35125.11 15971.83

Due From Jett. Mem. Hospital Assoc.

40000 40000

Total Other Current Assets

\$ 35536.64 16371.83

Other Assets:

Goodwill

\$ 386803.71 386803.71

Prepaid Interest

1150.10

Total Other Assets

\$ 387953.81 386903.71



JEFFERSON MEMORIAL HOSPITAL ASSOCIATES

**CONFIDENTIAL**

SCHEDULE OF PARTNERS' CAPITAL BALANCES  
AND SHARE OF OPERATING LOSS  
FOR THE YEAR ENDING DECEMBER 31, 1970

<u>NAME</u>	<u>PERCENTAGE OF OWNERSHIP</u>	<u>CAPITAL BALANCE 1/1/70</u>	<u>LOSS FOR YEAR</u>	<u>CAPITAL BALANCE 12/31/70</u>	<u>ACCELERATED DEPRECIATION</u>
Dr. L. N. Tauber 573-62-8466 5300 Westbard Ave. Bethesda, Md.	24.5%	\$133,836.02	\$12,462.73	\$121,373.29	\$ 2,666.55
Dr. Leslie Gondor 229-60-3429 3541 N. Braddock Rd. Alexandria, Va.	12.5	68,293.68	6,358.54	61,925.14	1,360.48
Dr. Samuel Burtoff 201-10-8917 916 19th St., N. W. Washington, D. C.	7.5	40,970.22	3,815.12	37,155.10	816.29
Dr. Irwin S. Freedman 160-26-8075 1337 Kingston Avenue Alexandria, Va.	3.5	19,119.42	1,780.39	17,339.03	380.94
Dr. Chas. A. Hufnagel 578-44-1430 Georgetown Univ. Hosp. Washington, D. C.	1.0	5,462.69	508.68	4,954.01	108.94
Dr. Leslie Peters 367-36-6583 Arlington Towers Arlington, Va.	5.0	27,313.47	2,543.41	24,770.06	544.19
Dr. Laszlo K. Cszary 1600 S. Eades Street Arlington, Va.	.5	2,731.35	254.34	2,477.01	54.42
Dr. George Ware 013-13-1878 1835 I Street, N. W. Washington, D. C.	7.5	40,970.22	3,815.12	37,155.10	816.29

BANK OF AMERICA AND PERRY,  
CERTIFIED PUBLIC ACCOUNTANTS

TAUBER 44891

J.APP. 3365

JEFFERSON MEDICAL CAPITAL ASSOCIATES

**CONFIDENTIAL**

SCHEDULE OF PARTNERS' CAPITAL BALANCES  
AND SHARE OF OPERATING LOSS  
FOR THE YEAR ENDING DECEMBER 31, 1970

<u>NAME</u>	<u>PERCENTAGE OF OWNERSHIP</u>	<u>CAPITAL BALANCE 1/1/70</u>	<u>LOSS FOR YEAR</u>	<u>CAPITAL BALANCE 12/31/70</u>	<u>ACCELERATED DEPRECIATION</u>
Dr. James Scully 577-38-3026 1835 I St., N. W. Washington, D. C.	5.5%	\$ 30,044.83	\$ 2,797.76	\$ 27,247.07	\$ 598.61
Dr. Abbas Bashir 3213 Graham Road Falls Church, Va.	1.0	5,462.69	508.68	4,954.01	108.94
Dr. Michael A. Corrado 578-22-1090 7 Corners Medical Bldg. Falls Church, Va.	7.5	40,970.22	3,815.12	37,155.10	816.29
Dr. Dan J. Feriozi 578-03-2954 2222 N. Buchanan Street Arlington, Va.	4.0	21,850.79	2,034.73	19,816.06	435.35
Dr. Cesare Luccioli 152-32-8195 9327 Pentland Place Fairfax, Va.	5.0	27,313.47	2,543.41	24,770.06	544.19
Dr. Reginald P. McManus 007-24-8015 5300 Juxon Place Springfield, Va.	1.5	8,194.04	763.02	7,431.02	163.26
Dr. M. Roy Nicholson 226-62-9706 18015 Arlington Blvd. Arlington, Va.	2.5	13,656.74	1,271.72	12,385.02	272.10
Dr. Mounzer Sibay 578-54-4555 6300 Leesburg Pike Falls Church, Va.	2.5	13,656.74	1,271.72	12,385.02	272.10

JEFFERSON MEMORIAL HOSPITAL ASSOCIATES

CONFIDENTIAL

SCHEDULE OF PARTNERS' CAPITAL BALANCES  
AND SHARE OF OPERATING LOSS  
FOR THE YEAR ENDED DECEMBER 31, 1970

<u>NAME</u>	<u>PERCENTAGE OF OWNERSHIP</u>	<u>CAPITAL BALANCE 1/1/70</u>	<u>LOSS FOR YEAR</u>	<u>CAPITAL BALANCE 12/31/70</u>	<u>ACCELERATED DEPRECIATION</u>
Dr. Melvin D. Small 029-12-6105 D. C. General Hospital Washington, D. C.	7.5%	\$ 40,970.22	\$ 3,915.12	\$ 37,155.10	\$ 316.29
Dr. Michael M. Vlahos 905 Sterling Blvd. Sterling, Va.	<u>1.0</u>	<u>5,462.69</u>	<u>508.68</u>	<u>4,954.01</u>	<u>108.84</u>
TOTALS	<u>100.0%</u>	<u>\$546,269.50</u>	<u>\$50,868.29</u>	<u>\$495,401.21</u>	<u>\$10,383.87</u>

CONFIDENTIAL

ASSETS	Beginning of taxable year		End of taxable year	
	(A) Amount	(B) Total	(C) Amount	(D) Total
1 Cash . . . . .				
2 Trade notes and accounts receivable . . . . .				
(a) Less allowance for bad debts . . . . .				
3 Inventories . . . . .				
4 Gov't obligations: (a) U.S. and instrumentalities . . . . .				
(b) State, subdivisions thereof, etc. . . . .				
5 Other current assets (attach schedule) . . . . .				
6 Mortgage and real estate loans . . . . .				
7 Other investments (attach schedule) . . . . .				
8 Buildings and other fixed depreciable assets . . . . .				
(a) Less accumulated depreciation . . . . .				
9 Depletable assets . . . . .				
(a) Less accumulated depletion . . . . .				
10 Land (net of any amortization) . . . . .				
11 Intangible assets (amortizable only) . . . . .				
(a) Less accumulated amortization . . . . .				
12 Other assets (attach schedule) . . . . .				
13 Total assets . . . . .				
<b>LIABILITIES AND CAPITAL</b>				
14 Accounts payable . . . . .				
15 Mortgages, notes, and bonds payable in less than 1 year . . . . .				
16 Other current liabilities (attach schedule) . . . . .				
17 Mortgages, notes, and bonds payable in 1 year or more . . . . .				
18 Other liabilities (attach schedule) . . . . .				
19 Partners' capital accounts . . . . .				
20 Total liabilities and capital . . . . .				

## Schedule M—RECONCILIATION OF PARTNERS' CAPITAL ACCOUNTS (See instruction for Schedule M)

Partner	1. Capital account at beginning of year	2. Capital contributed during year	3. Ordinary income (loss) from line 26, page 1	4. Income not included in column 3 plus non-taxable income	5. Losses not included in column 3, plus unallowable deductions	6. Withdrawals and distributions	7. Capital account at end of year
A . . . . .							
B . . . . .							
C . . . . .							
D . . . . .							
Totals							

## Schedule N—COMPUTATION OF NET EARNINGS FROM SELF-EMPLOYMENT (See instruction for Schedule N)

1 Ordinary income (line 26, page 1) . . . . .	
2 Add: Payments to partners—salaries and interest (line 14, page 1) . . . . .	
3 Net ordinary loss (line 10, page 1) . . . . .	
4 Total . . . . .	
5 Less: Portion of line 4, page 1, which does not constitute net earnings from self-employment . . . . .	
6 Nonqualifying deductions (line 10, page 1) . . . . .	
7 Interest (see instruction for Schedule N) . . . . .	
8 Net rentals from real estate (see instruction for Schedule N) . . . . .	
9 Net ordinary loss (line 10, page 1) . . . . .	
10 Net earnings from self-employment. Enter in line 11, Schedule K . . . . .	

- H Did the partnership, at any time during the taxable year, have any interest in or signature or other authority over a bank, securities, or other financial account in a foreign country? ☐ Yes ☒ No. If "Yes," attach Form 4683. (For definitions, see Form 4683.)
- I Was there any substantial change in the manner of determining quantities, costs or valuations between the opening and closing inventories?  
☐ YES ☐ NO. If "Yes," attach explanation.
- J Were you liable for filing Forms 1096 and 1099 or 1087 for 1970? ☐ Yes ☒ No. If "Yes," where filed?
- K Is any member of the partnership related by blood or marriage to any other member? ☐ YES ☒ NO
- L Is any member of the partnership a trust for the benefit of any person related by blood or marriage to any other member? ☐ YES ☒ NO
- M Did the partnership, during the taxable year, have any contracts or subcontracts subject to the Renegotiation Act of 1951? ☐ YES ☒ NO  
If "Yes," see General Instruction O and enter appropriate amount here \$ . . . . .
- N Did you claim a deduction for expenses connected with: (1) Employee or family vacations not reported on Form W-2? ☐ YES ☒ NO  
(2) Entertainment facility (boat, resort, ranch, etc.)? ☐ YES ☒ NO (3) Employees' families at conventions or meetings? ☐ YES ☒ NO  
(4) Living accommodations (except employees on business)? ☐ YES ☒ NO

TAUBER 44896

1065  
Form 1065  
Department of the Treasury  
Internal Revenue Service

U.S. Partnership Return of Income  
FOR CALENDAR YEAR 1971 or other taxable year beginning

CONFIDENTIAL  
1971

A Principal business activity  
(See page 6 of instructions)

Name

D Employer identification No.

Investments

Jetterson Memorial Hospital Associates

54-6083514

B Principal product or service  
(See page 6 of instructions)

Number and street

E Business Code No. (See page 6 of instructions)

Rent 31-81024

4600 King Street

F County in which located

C Enter total amount from line 13, column (D), Schedule L

City or town, State, and ZIP code

G Date business commenced

3-0-

Alexandria Virginia 22300

Jan 1, 1971

IMPORTANT—All applicable lines and schedules must be filed in. If the lines on the schedules are not sufficient, see instruction Q.

INCOME	
1a Gross receipts or sales \$	1b Less returns and allowances \$
2 Less: Cost of goods sold (line 34, Schedule A) and/or operations (attach schedule)	3 Gross profit
4 Ordinary income (loss) from other partnerships, syndicates, etc. (attach statement)	5 Nonqualifying dividends (attach list—see instruction 5)
6 Interest	7 Rents (Schedule H)
8 Royalties (attach schedule)	9 Net farm profit (loss) (attach Schedule F (Form 1040))
10 Net ordinary gain (loss) (line 9, Form 4797)	11 Other income (attach schedule)
12 TOTAL income (lines 3 through 11)	

DEDUCTIONS	
13 Salaries and wages (other than to partners)	14 Payments to partners—Salaries and interest
15 Rent	16 Interest (attach schedule)
17 Taxes (attach schedule)	18 Bad debts (Schedule I if reserve method is used)
19 Repairs	20 Depreciation (Schedule J)
21 Amortization (attach schedule)	22 Depletion (attach schedule)
23a Retirement plans, etc. (other than contributions made on partners' behalf—see instruction 23a)	23b Employee benefit programs (see instruction 23b)
24 Other deductions (attach schedule)	25 TOTAL deductions (lines 13 through 24)
26 Ordinary income (loss) (line 12 less line 25) (see General instruction G)	

Schedule A—COST OF GOODS SOLD (See instruction 2)

27 Inventory at beginning of year (if different from last year's closing inventory, attach explanation)	28a Purchases \$	28b Less cost of items withdrawn for personal use \$
29 Cost of labor	30 Material and supplies	31 Other costs (attach schedule)
32 Total of lines 27 through 31	33 Less: Inventory at end of year	34 Cost of goods sold. Enter here and on line 2, above

Method of inventory valuation

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct, and complete. If prepared by a person other than taxpayer, his declaration is based on all information of which he has any knowledge.

Signature of partner or member

Date

Signature of preparer other than partner or member

Address

3/15/72

Date

Trial Exhibit  
No. 230.

TAUBER 45182

J.APP. 3369

name Jetterson Memorial Hospital Associates  
address 4600 King St, Alex, Va.

Social Security or Identification No. 54-6083514  
Year Ending December 31, 1971

[illegible]

TAUBER 45183  
J.APP. 3370

CONFIDENTIAL

Form 1065-1971

Page 2

Notes: Any items specially allocated to the partners should be entered in line 18 of Schedule K instead of being reflected in the numbered lines of page 1 or Schedules M through J. (See General Instruction O)

**Schedule M—INCOME FROM RENTS**

a. Kind and location of property	b. Amount of rent	c. Depreciation (attach in Schedule J)	d. Repairs (attach schedule)	e. Other expenses (attach schedule)
Bldg. & Hospital Equip.	40,470.00	44,836.06	Insurance	2,918.21
			Repair	650.00
1 Totals	40,470.00	44,836.06		2,1578.21
2 Net income (loss) (column b less sum of columns c, d, and e). Enter here and on page 1, line 7	6,105.73			

**Schedule I—BAD DEBTS (See instruction 18)**

a. Year	b. Trade debts and accounts receivable outstanding at end of year	c. Sales on account	Amount added to reserve		f. Amount charged against reserve	g. Reserve for bad debts at end of year
			d. Current year's provision	e. Recoveries		
1966						
1967						
1968						
1969						
1970						
1971						

**Schedule J—DEPRECIATION (See instruction 20)**

Notes: For new depreciation rules, see Form 4832 (Revised). Form 4832 (Revised) also explains the effect the new rules have on guidelines listed under Rev. Proc. 62-21 and 65-13. Taxpayers using these rules: Make no entry in column b, enter amounts in column c for assets held at end of year, and enter accumulated depreciation at end of year in column d. You may (1) group depreciable assets in accordance with the categories shown below, or (2) continue to list your assets in the same manner as in prior years. IF YOU NEED MORE SPACE, USE FORM 4562.

a. Group and guideline class or description of property	b. Date acquired	c. Cost or other basis	d. Depreciation allowed or allowable in prior years	e. Method of computing depreciation	f. Life or rate	g. Depreciation for this year
1 Total additional first-year depreciation (do not include in items below). (Enter here and allocate to each partner in line 4 of Schedule K)						
2 Depreciation from Form 4832						
3 Other depreciation:						
Buildings						
Furniture and fixtures						
Transportation equipment						
Machinery and other equipment						
Other (specify)						
4 Totals						44,836.06
5 Less amount of depreciation claimed in Schedules A and H						44,836.06
6 Balance—Enter here and on page 1, line 20						NONE

**SUMMARY OF DEPRECIATION (Other than Additional First-Year Depreciation)**

	Other (specify)	Doubling balance	Sum of the years'-digits	Units of production	Other (specify)	Total
1 Under Rev. Proc. 62-21 and 65-13						
2 Dep. from Form 4832						
3 Other						44,836.06

**Schedule K—PARTNERS' SHARES OF INCOME, CREDITS, DEDUCTIONS, ETC.**

1 Give name, address, and social security number of each partner. (Designate nonresident aliens, if any.) If return of partner is filed in another Internal Revenue service center, specify service center.	2 Percentage of:	
	Profit sharing	Time devoted to business
Partner A	See	
Partner B	Schedules	
Partner C	Attached	
Partner D		

TAUBER 45184

J.APP. 3371





**CONFIDENTIAL**

Page 1

JEFFERSON MEMORIAL HOSPITAL ASSOCIATESSCHEDULE OF PARTNERS' CAPITAL BALANCES  
AND SHARE OF OPERATING LOSS  
AS AT JUNE 30, 1971

<u>NAME</u>	<u>PERCENTAGE OF OWNERSHIP</u>	<u>CAPITAL BALANCE 1/1/71</u>	<u>LOSS FOR YEAR</u>	<u>CAPITAL(1) BALANCE 6/30/71</u>	<u>ACCELERATED DEPRECIATION</u>
Dr. L. N. Tauber 578-62-8466 5300 Westbard Ave. Bethesda, Md.	24.5%	\$121,373.29	\$ 6,067.25	\$115,306.04	\$ 813.09
Dr. Leslie Gondor 229-60-3429 3541 N. Braddock Rd. Alexandria, Va.	12.5	61,925.14	3,095.53	58,829.61	414.84
Dr. Samuel Burtoff 201-10-8917 916 19th St., N. W. Washington, D. C.	7.5	37,155.10	1,857.32	35,297.78	248.91
Dr. Irwin S. Freedman 160-26-8075 1337 Kingston Ave. Alexandria, Va.	3.5	17,339.03	866.75	16,472.28	116.16
Dr. Chas. A. Hufnagel 578-44-1430 Georgetown Univ. Hosp. Washington, D. C.	1.0	4,954.01	247.64	4,706.37	33.19
Dr. Leslie Peters 367-36-6583 Arlington Towers Arlington, Va.	5.0	24,770.06	1,238.22	23,531.84	165.93
Dr. Laszlo K. Cszary 1600 S. Eades Street Arlington, Va.	.5	2,477.01	123.82	2,353.19	16.59
Dr. George Ware 013-13-1878 1835 I Street, N. W. Washington, D. C.	7.5	37,155.10	1,857.32	32,297.78	248.91

BAER, PACNELI AND PERRY  
CERTIFIED PUBLIC ACCOUNTANTS

TAUBER 45186

J.APP. 3373

**CONFIDENTIAL**  
JEFFERSON MEMORIAL HOSPITAL ASSOCIATES

SCHEDULE OF PARTNERS' CAPITAL BALANCES  
 AND SHARE OF OPERATING LOSS  
AS AT JUNE 30, 1971

<u>NAME</u>	<u>PERCENTAGE OF OWNERSHIP</u>	<u>CAPITAL BALANCE 1/1/71</u>	<u>LOSS FOR YEAR</u>	<u>CAPITAL (1) BALANCE 6/30/71</u>	<u>ACCELERATED DEPRECIATION</u>
Dr. James Scully 577-38-3026 1835 I St., N. W. Washington, D. C.	5.5%	\$ 27,247.07	\$ 1,362.03	\$ 25,885.04	\$ 182.53
Dr. Abbas Bashir 3213 Graham Road Falls Church, Va.	1.0	4,954.01	247.64	4,706.37	33.19
Dr. Michael A. Corrado 578-22-1090 7 Corners Medical Bldg. Falls Church, Va.	7.5	37,155.10	1,857.32	35,297.78	248.91
Dr. Dan J. Feriozi 78-03-2954 222 N. Buchanan Street Arlington, Va.	4.0	19,816.06	990.57	18,825.49	132.75
Dr. Cesare Luccioli 152-32-8195 9327 Pentland Place Fairfax, Va.	5.0	24,770.06	1,238.22	23,531.84	165.93
Dr. Reginald P. McManus 007-24-8015 5300 Juxon Place Springfield, Va.	1.5	7,431.02	371.46	7,059.56	49.78
Dr. M. Roy Nicholson 226-62-9706 18015 Arlington Blvd. Arlington, Va.	2.5	12,385.02	619.11	11,765.91	82.97
Dr. Mounzer Sibay 578-54-4555 6300 Leesburg Pike Falls Church, Va.	2.5	12,385.02	619.11	11,765.91	82.97

BAER, PACHELI AND PERLEY  
 CERTIFIED PUBLIC ACCOUNTANTS

TAUBER 45127

J.APP. 3374

# CONFIDENTIAL

SCHEDULE -1  
Page 3

## JEFFERSON MEMORIAL HOSPITAL ASSOCIATES

### SCHEDULE OF PARTNERS' CAPITAL BALANCES AND SHARE OF OPERATING LOSS AS AT JUNE 30, 1971

<u>NAME</u>	<u>PERCENTAGE OF OWNERSHIP</u>	<u>CAPITAL BALANCE 1/1/71</u>	<u>LOSS FOR YEAR</u>	<u>CAPITAL(1) BALANCE 6/30/71</u>	<u>ACCELERATED DEPRECIATION</u>
Dr. Melvin D. Small 028-12-6105 D. C. General Hospital Washington, D. C.	7.5%	\$ 37,155.10	\$ 1,857.32	\$ 35,297.78	\$ 248.91
Dr. Michael M. Vlahos 905 Sterling Blvd. Sterling, Va.	<u>1.0</u>	<u>4,954.01</u>	<u>247.64</u>	<u>4,706.37</u>	<u>33.19</u>
	<u>100.0%</u>	<u>\$495,401.21</u>	<u>\$24,764.27</u>	<u>\$470,636.94</u>	<u>\$ 3,318.75</u>

(1) Represents Capital Balances June 30, 1971, which were reduced to zero by proportionate distribution of stock received from Jefferson Memorial Hospital, Inc. in exchange for all assets and liabilities of Jefferson Memorial Hospital Associates.

CONFIDENTIAL

Form 1065-1971

Schedule L—BALANCE SHEETS (See General Instruction J)

Page 4

ASSETS	Beginning of taxable year		End of taxable year	
	(A) Amount	(B) Total	(C) Amount	(D) Total
1 Cash . . . . .		622.80		
2 Trade notes and accounts receivable . . . . .				
(a) Less allowance for bad debts . . . . .				
3 Inventories . . . . .				
4 Gov't obligations: (a) U.S. and instrumentalities . . . . .				
(b) State, subdivisions thereof, etc. . . . .				
5 Other current assets (attach schedule) . . . . .		16,371.82		
6 Mortgage and real estate loans . . . . .				
7 Other investments (attach schedule) Bonds . . . . .		20,000.00		
8 Buildings and other fixed depreciable assets . . . . .	14,211.32			
(a) Less accumulated depreciation . . . . .	64276.78	778,420.88		
9 Depletable assets . . . . .				
(a) Less accumulated depletion . . . . .				
10 Land (net of any amortization) . . . . .				
11 Intangible assets (amortizable only) . . . . .				
(a) Less accumulated amortization . . . . .				
12 Other assets (attach schedule) 5000 will . . . . .		346,803.71		
13 Total assets . . . . .		1202,219.22		NONE
LIABILITIES AND CAPITAL				
14 Accounts payable . . . . .				
15 Mortgages, notes, and bonds payable in less than 1 year . . . . .				
16 Other current liabilities (attach schedule) . . . . .				
17 Mortgages, notes, and bonds payable in 1 year or more . . . . .		706,818.01		
18 Other liabilities (attach schedule) . . . . .				
19 Partners' capital accounts . . . . .		495,401.21		
20 Total liabilities and capital . . . . .		1202,219.22		NONE

Schedule M—RECONCILIATION OF PARTNERS' CAPITAL ACCOUNTS (See Instruction for Schedule M)

Partner	a. Capital account at beginning of year	b. Capital contributed during year	c. Ordinary income (loss) from line 28, page 1	d. Income not included in income c, plus non-taxable income	e. Losses not included in income c, plus non-deductible deductions	f. Withdrawals and distributions	g. Capital account at end of year
A . . . . .							
B . . . . .							
C . . . . .							
D . . . . .							
Totals	495,401.21	-0-	24,764.27	-0-	-0-	470,636.94	NONE

Schedule N—COMPUTATION OF NET EARNINGS FROM SELF-EMPLOYMENT (See Instruction for Schedule N)

1 Ordinary income (line 28, page 1) . . . . .	10.55	24,764.27
2 Add: Payments to partners—salaries and interest (line 14, page 1) . . . . .		
3 Net ordinary loss (line 10, page 1) . . . . .		
4 Total . . . . .		24,764.27
5 Less: Nonqualifying dividends (line 8, page 1) . . . . .		
6 Interest (see instruction for Schedule M) . . . . .	1,180.00	
7 Net rentals from real estate (see instruction for Schedule N) . . . . .	25,944.27	24,764.27
8 Net ordinary loss (line 10, page 1) . . . . .		
9 Net earnings from self-employment. Enter in line 11, Schedule K . . . . .		NONE
H Did the partnership, at any time during the taxable year, have any interest in or signature or other authority over a bank, securities, or other financial account in a foreign country? If "Yes," attach Form 4683. (For definitions, see Form 4683.)		Yes No
		X
I Was there any substantial change in the manner of determining quantities, costs or valuations between the opening and closing inventories? If "Yes," attach explanation.		Yes No
J Were you liable for filing Forms 1066 and 1069 or 1067 for 1971? If "Yes," where filed? >		Yes No
		X
K Is any member of the partnership related by blood or marriage to any other member?		Yes No
		X
L Is any member of the partnership a trust for the benefit of any person related by blood or marriage to any other member?		Yes No
		X
M Did the partnership, during the taxable year, have any contracts or subcontracts subject to the Renegotiation Act of 1951? If "Yes," see General Instruction P and enter appropriate amount here > \$		Yes No
		X
N Did you claim a deduction for expenses connected with:		Yes No
(1) Employee or family vacations not reported on Form W-2?		X
(2) Entertainment facility (boat, resort, ranch, etc.)?		X
(3) Employees' families at conventions or meetings?		X
(4) Living accommodations (except employees on business)?		X

TAUBER 45189

J.APP. 3376

**U.S. Corporation Income Tax Return**  
for calendar year 1971 or other taxable year beginning  
JULY 1 1971, ending JUNE 30 19 72  
(PLEASE TYPE OR PRINT)

**1971**

Check if a— <b>A</b> Consolidated return <input type="checkbox"/> <b>B</b> Personal Holding Co. <input type="checkbox"/> <b>C</b> Business Code No. (See page 7 of instructions.) <u>2010</u>	Name <u>LEFFERS MEDICAL HOSPITAL CORPORATION</u> Number and street <u>4100 PINE STREET</u> City or town, State, and ZIP code <u>ALEXANDRIA VIRGINIA 22302</u>	D Employer Identification No. <u>54-0701072</u> E County in which located <u>LEVIN</u> F Enter total assets from line 14, column (D), Schedule L (See instructions R) <u>\$2,439,812</u>
---	--	---

**IMPORTANT—Fill in all applicable lines and schedules. If the lines on the schedules are not sufficient, see instruction N.**

<b>GROSS INCOME</b>	1 Gross receipts or gross sales <u>225,292</u> Less: Returns and allowances <u>393,413</u>	1	<u>4,070,622</u>
	2 Less: Cost of goods sold (Schedule A) and/or operations (attach schedule) <u>SCHEDULE ATTACHED</u>	2	<u>3,559,097</u>
	3 Gross profit	3	<u>511,525</u>
	4 Dividends (Schedule C)	4	
	5 Interest on obligations of the United States and U.S. instrumentalities	5	
	6 Other interest	6	<u>2,652</u>
	7 Gross rents	7	<u>9,750</u>
	8 Gross royalties	8	
	9 (a) Net capital gains—(separate Schedule D)	9(a)	
	(b) Ordinary gain or (loss) from Part II, Form 4797 (attach Form 4797)	9(b)	
	10 Other income (see instructions—attach schedule) <u>SCHEDULE ATTACHED</u>	10	<u>88,172</u>
11 TOTAL income—Add lines 3 through 10	11	<u>612,169</u>	

<b>DEDUCTIONS</b>	12 Compensation of officers (Schedule E)	12	
	13 Salaries and wages (not deducted elsewhere)	13	
	14 Repairs (see instructions)	14	
	15 Bad debts (Schedule F if reserve method is used)	15	<u>152,336</u>
	16 Rents	16	<u>19,844</u>
	17 Taxes (attach schedule) <u>SCHEDULE ATTACHED</u>	17	<u>56,532</u>
	18 Interest	18	<u>93,772</u>
	19 Contributions (not over 5% of line 28 adjusted per instructions—attach schedule)	19	
	20 Amortization (attach schedule)	20	
	21 Depreciation (Schedule G)	21	<u>66,401</u>
	22 Depletion	22	
	23 Advertising	23	
	24 Pension, profit-sharing, etc. plans (see instructions)	24	
	25 Employee benefit programs (see instructions)	25	
	26 Other deductions (attach schedule) <u>SCHEDULE ATTACHED</u>	26	<u>3,726</u>
	27 TOTAL deductions—Add lines 12 through 26	27	<u>328,791</u>
	28 Taxable income before net operating loss deduction and special deductions (line 11 less line 27)	28	<u>283,378</u>
	29 Less: (a) Net operating loss deduction (see instructions—attach schedule) <u>SCHEDULE ATTACHED</u> 29(a) <u>219,388</u>	29(a)	
(b) Special deductions (Schedule I) 29(b)	29(b)		
30 Taxable income (line 28 less line 29)	30	<u>219,388</u>	

<b>TAX</b>	31 TOTAL TAX (Schedule J)	31	
	32 Credits: (a) Overpayment from 1970 allowed as a credit		
	(b) 1971 estimated tax payments		
	(c) Less refund of 1971 estimated tax applied for on Form 4468		
	(d) Tax deposited with Form 7004 (attach copy)		
	(e) Tax deposited with Form 7005 (attach copy)		
	(f) Credit from regulated investment companies (attach Form 2439)		
	(g) U.S. tax on special fuels, nonhighway gas and lubricating oil (attach Form 4136)		
	33 TAX DUE (line 31 less line 32). See instruction G for depository method of payment	33	
	34 OVERPAYMENT (line 32 less line 31)	34	
35 Enter amount of line 34 you want: Credited to 1972 estimated tax Refunded	35		

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct, and complete. If prepared by a person other than the taxpayer, his declaration is based on all information of which he has any knowledge.

The Internal Revenue Service does not require a seal on this form, but if one is used, please place it here.

Date 10-12-72 Signature of officer Counciler Buchanan & Mitchell Title 3900 Wisconsin Ave, Washington, D.C.  
Signature of individual or firm preparing the return

TAG 002904

# Application for Automatic Extension to File Corporation Income Tax Return

(Under section 6081(b) of the Internal Revenue Code)

**E:** Prepare this form in duplicate. File the original with the Internal Revenue office where you are required to file your income tax return. Attach the duplicate to your income tax return.

Name of corporation <b>JEFFERSON MEMORIAL HOSPITAL CORPORATION</b>	Employer Identification Number <b>21-558028</b>
Number and street <b>4600 King Street</b>	Check type of return to be filed: <input checked="" type="checkbox"/> Form 1120 <input type="checkbox"/> Form 1120-F <input type="checkbox"/> Form 1120-L <input type="checkbox"/> Form 1120-M <input type="checkbox"/> Form 1120-S <input type="checkbox"/> Form 990-C <input type="checkbox"/> Form 990-T
City or town, State, and ZIP code <b>Alexandria, Virginia 22302</b>	

An automatic 3-month extension of time until **November 15, 1972**, is hereby requested in which to file the income tax return of the corporation named above for the taxable year beginning **July 1, 1971**, and ending **June 30, 1972**.

1. If the taxable year above is for a period of less than 12 months, is the short period attributable to a change in accounting period? . . . . . Yes ☐ No ☒
2. Does this application also cover subsidiaries to be included in a consolidated return? . . . . . Yes ☐ No ☒
- If "Yes," complete the following:

Name and Address of Each Member of the Affiliated Group	Employer Identification No.

3. At least 50 percent of the tax tentatively determined to be due (line 3(c)) must be deposited on or before the original due date of the corporation's income tax return. See instructions for depository method of payment.

- (a) Tentative amount of income tax for the taxable year including any—

Minimum tax on tax preference items  
Personal holding company tax  
Tax from recomputing a prior year investment credit  
Foreign tax credit  
Investment credit  
Credit from regulated investment companies  
Credit for Federal tax on special fuels, nonhighway gasoline, and lubricating oil

- (b) Less: (i) Overpayment from prior year allowed as a credit . . . . .  
(ii) Estimated tax payments (deposits) for the taxable year . . . . .  
(iii) Less refund of estimated tax for the taxable year applied for on Form 4466 ( )

(c) Balance due . . . . .

(d) Amount required to be deposited—at least 50 percent of line 3(c) . . . . .

## SIGNATURE (See instruction 9)

Under penalties of perjury, I declare that I have been authorized by the above-named corporation to make this application, that to the best of my knowledge and belief the statements made herein are true, correct, and complete, and that I am: ☐ an officer of the corporation; ☐ an agent enrolled to practice before the Internal Revenue Service; ☐ an attorney in good standing of the bar of the highest court of . . . . .; or ☒ a certified public accountant duly qualified to practice

in **District of Columbia**

(Specify jurisdiction)  
*Clair A. Parsons*  
(Signature of officer or agent)

*Certified Public Accountant* *9/6/72*  
(Title) (Date)

A Copy of This Application Must Be Attached to the Corporation's Income Tax Return

TAG 00290

# JEFFERSON MEMORIAL HOSPITAL CORPORATION

ALEXANDRIA, VIRGINIA

COST OF OPERATIONS - F. Y. E. 6/30/72

	TOTAL	SALARY AND BENEFITS	SUPPLIES AND EXPENSES
ADMINISTRATIVE AND GENERAL	364,089	507,157	153,981
EMPLOYEES' HEALTH AND WELFARE	152,234	1,152	162,430
DIETARY	380,955	172,035	310,173
HOUSEKEEPING	182,923	—	182,923
LAUNDRY AND LINEN	80,226	13,644	144,612
OPERATION OF PLANT	79,223	35,042	413,774
PHYSICIAN AND MEDICAL STAFF	295,761	—	355,761
NURSING SERVICE	601,095	511,162	319,225
PHARMACY	212,853	—	310,053
MEDICAL EQUIPMENT AND SUPPLIES	36,477	23,723	57,541
LABORATORY	202,940	152,332	52,612
RESEARCH	42,024	40,533	1,491
INSTRUMENTS	96,617	90,353	6,264
LIBRARY	215,490	82,577	132,913
RECORDS	285,794	43,577	71,217
PHYSICIAN TRAVEL	34,672	10,133	24,539
PHYSICIAN TRAVEL	33,613	20,133	13,480
PHYSICIAN TRAVEL	174,537	—	174,537
PHYSICIAN TRAVEL	49,472	1,533	2,939
CASH ON HAND	78,525	27,125	51,400
MAINTENANCE - SURGICAL SERVICE	36,663	—	36,663
PHYSICIAN TRAVEL	98,900	—	98,900
PHYSICIAN TRAVEL	140,152	—	95,190
TOTAL	3,559,087	1,620,237	1,532,254

TAG 002907

OTHER INCOME - F.Y.E. 6/3-1/72

[illegible]



TAXES - FYE 6/30/72

TAG 002909

OTHER DEDUCTIONS - F.Y.E. 6/30/72.

**TAG 002910**

JEFFERSON MEMORIAL HOSPITAL CORPORATION

ALEXANDRIA, VIRGINIA

STATEMENT OF REORGANIZATION -- FILE 6/30/72

ON JUNE 30, 1971 JEFFERSON MEMORIAL HOSPITAL, INC.,  
A MARYLAND CORPORATION, UNDERWENT A "F"  
REORGANIZATION THROUGH A MERGE CHANGE OF  
THE PLACE OF ORGANIZATION AND A CHANGE  
OF NAME TO JEFFERSON MEMORIAL HOSPITAL CORPORATION,  
A DELAWARE CORPORATION, BEING THE SURVIVING  
CORPORATION.

A COPY OF THE PLAN AND STATEMENT OF  
REORGANIZATION IS INCLUDED WITH THIS  
RETURN ALONG WITH A COPY OF THE  
BALANCE SHEET OF JEFFERSON MEMORIAL  
HOSPITAL AS OF JUNE 30, 1971

TAG 002911

JAPP. 3383

PLAN AND AGREEMENT OF REORGANIZATION  
FOR MERGER OF  
JEFFERSON MEMORIAL HOSPITAL, INC.  
WITH AND INTO  
JEFFERSON MEMORIAL HOSPITAL CORPORATION

Plan and Agreement of Reorganization entered into on the 30th day of June, 1971, by and between Jefferson Memorial Hospital, Inc. (hereinafter called "JMHI") and Jefferson Memorial Hospital Corporation (hereinafter called "JMHC").

W I T N E S S E T H:

WHEREAS, JMHI is a corporation duly organized and existing under the laws of the State of Maryland and JMHC is a corporation duly organized and existing under the laws of the State of Delaware; and

WHEREAS, the Boards of Directors of JMHI and JMHC deem it advisable and for the benefit of JMHI and JMHC and their stockholders that JMHI be merged with and into JMHC on the terms hereinafter set forth and have each approved this Plan and Agreement of Reorganization (hereinafter called the "Agreement");

NOW, THEREFORE, JMHI and JMHC agree that pursuant to the applicable statutes of the State of Delaware, as amended, and of the State of Maryland, as amended, JMHI be merged with and into JMHC, subject to and in accordance with the following terms and conditions:

TAG 002912

J.APP. 3384

ARTICLE I  
EFFECT OF MERGER

At the time of merger, JMHI shall be merged into JMHC, the separate existence of JMHI shall cease, and JMHC, as the surviving Corporation, shall continue to exist by virtue of and shall be governed by the laws of the State of Delaware. None of the property of JMHC of any description shall be affected by the merger, and JMHC shall, upon the merger, without further act or deed, own and possess all of the property of JMHI of every description, whether real, personal or mixed, including without limitation, any interest, rights, privileges, powers and franchises of JMHI. All rights of creditors and of any persons dealing with JMHI and JMHC and all liens upon any property of JMHI and JMHC shall be preserved unimpaired by the merger, except for options to purchase JMHI Common Stock, which shall be assumed by JMHC as provided in Article III hereof; and all debts, liabilities, obligations and duties of JMHI shall thenceforth attach to JMHC and may be enforced against it to the same extent as if the same had been incurred by it.

ARTICLE II  
CERTIFICATE OF INCORPORATION OF SURVIVING CORPORATION

The Certificate of Incorporation of the Surviving Corporation shall be the Certificate of Incorporation of JMHC as in effect on the date of the recording of a certified copy of this Agreement as filed in the office of the Secretary of State of the State of Delaware (hereinafter the "effective date of the merger").

ARTICLE III  
MANNER OF CONVERTING SHARES OF JMHI  
INTO SHARES OF JMHC

JMHC, the Surviving Corporation, will issue in the merger shares of its Common Stock of the par value of \$.01 each (hereinafter "JMHC Common Stock"), for all of the outstanding shares of the Common Stock, no par value, of JMHI (hereinafter "JMHI Common Stock"), at the rate of one share of JMHC Common Stock for each share of JMHI Common Stock outstanding on the effective date of the merger.

The manner of converting shares of JMHI into shares of JMHC, the Surviving Corporation, shall be as follows:

1. As promptly as practicable after the effective date of the merger, each holder of an outstanding certificate or certificates representing shares of JMHI Common Stock shall surrender the same to JMHC or to an agent to be appointed by it, and such holder shall be entitled upon such surrender to receive in exchange therefor a certificate or certificates representing the number of full shares of JMHC Common Stock into which the shares of JMHI theretofore represented by the certificate or certificates so surrendered shall have been changed and converted on the effective date of the merger. Until so surrendered, each outstanding certificate for JMHI Common Stock shall be deemed for all corporate purposes to evidence ownership of the number of full shares of JMHC Common Stock into which the same shall have been changed and converted.

2. Fractional shares will result from the conversion of shares of JMHI stock into shares of JMHC stock, and JMHC is authorized to issue fractional shares of its stock in exchange for the fractional shares of JMHI.

TAG 002914

3. On the effective date of the merger each option to purchase JMHI Common Stock theretofore granted by JMHI shall be assumed by JMHC and become an option to purchase one share of JMHC Common Stock for each share of JMHI Common Stock subject to the option immediately prior to the time of merger, and the option price per share for the shares of JMHC Common Stock shall be unchanged. Each such option shall otherwise be on the same terms and conditions and have the same provisions as contained therein immediately prior to the time of merger.

#### ARTICLE IV

##### DIRECTORS OF THE SURVIVING CORPORATION

The initial directors of the Surviving Corporation shall upon the effective date of the merger be the directors of JMHC at the effective date of the merger.

#### ARTICLE V

##### APPROVAL BY STOCKHOLDERS; EFFECTIVE DATE

This Plan and Agreement of Reorganization for Merger shall be submitted for approval in writing by each of the stockholders of JMHI as provided by the laws of the State of Maryland and shall be submitted for approval in writing by each of the stockholders of JMHC as provided by the laws for the State of Delaware, and if it is duly approved by all the stockholders and is not terminated or abandoned pursuant to the provisions of Article VI hereof, it will be filed and recorded in accordance with the laws of the State of Delaware and the State of Maryland. The merger shall become effective upon the recording of this

Merger Agreement, certified by the Secretary of the State of Delaware, in the office of the Recorder of Newcastle County.

ARTICLE VI

TERMINATION OF MERGER

This Plan and Agreement of Reorganization for Merger shall be terminated and the merger abandoned if this Agreement is not duly approved by all of the holders of every class of all of the issued and outstanding stock of the two corporations parties hereto, voting separately by classes.

IN WITNESS WHEREOF, each party to this Agreement, pursuant to authority duly given by its respective Board of Directors, has caused this Agreement to be executed and its corporate seal to be hereunto affixed and attested by its Secretary as of the day and year first above written.

JEFFERSON MEMORIAL HOSPITAL, INC.

(Corporate Seal)

By L. N. Tauber, M.D.  
L. N. Tauber, M.D., President

Attest:

L. N. Tauber  
Secretary

JEFFERSON MEMORIAL HOSPITAL CORPORATION

(Corporate Seal)

By L. N. Tauber, M.D.  
L. N. Tauber, M.D., President

Attest:

L. N. Tauber  
Secretary

TAG 002916

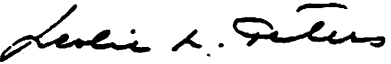
J.APP. 3388



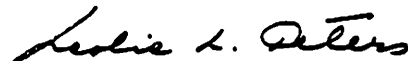
CERTIFICATE

The undersigned, Secretaries of Jefferson Memorial Hospital Corporation and Jefferson Memorial Hospital, Inc., do make this certificate, hereby declaring and certifying that the foregoing Plan and Agreement of Reorganization for Merger was duly adopted in writing by the holders of all of the total number of outstanding shares of the capital stock of each corporation in accordance with the laws of the state of incorporation of each corporation at special meetings of the stockholders separately called for that purpose, and accordingly have hereunto set our hands and seals this 26<sup>th</sup> day of September, 1972.

(Corporate Seal)

  
Secretary, Jefferson Memorial  
Hospital, Inc.

(Corporate Seal)

  
Secretary, Jefferson Memorial  
Hospital Corporation

THE ABOVE AGREEMENT OF MERGER, having been executed on behalf of each corporate party thereto, and having been adopted separately by each corporate party thereto, in accordance with the provisions of the General Corporation Law of the State of Delaware, and the Corporation Law of the State of Maryland, the President of each corporate party thereto does now hereby execute the said Agreement of Merger and the Secretary of each

TAG 002917

J.APP. 3389

corporate party thereto does now hereby attest the said Agreement of Merger under the corporate seals of their respective corporations, by authority of the directors and stockholders thereof, as the respective act, deed and agreement of each of said corporation, on this 26<sup>th</sup> day of September, 1972.

JEFFERSON MEMORIAL HOSPITAL, INC.

(Corporate Seal)

Gayle E. Butler, D.D.  
President

Attest:

Julie L. Peters  
Secretary

JEFFERSON MEMORIAL HOSPITAL CORPORATION

(Corporate Seal)

Gayle E. Butler, D.D.  
President

Attest:

Julie L. Peters  
Secretary

TAG 002918

STATE OF VIRGINIA ) ss:

BE IT REMEMBERED that on this 27th day of September, 1972, personally came before me, a Notary Public in and for the District aforesaid, L. N. Tauber, President of JEFFERSON MEMORIAL HOSPITAL, INC. and of JEFFERSON MEMORIAL HOSPITAL CORPORATION, and he duly executed said certificate before me and acknowledged the said certificate to be his act and deed and the act and deed of said corporation and the facts stated therein are true; and that the seals affixed to said certificate and attested by the Secretary of said corporations are the common or corporate seals of said corporations.

IN WITNESS WHEREOF, I have hereunto set my hand and seal of office the day and year aforesaid.

Lynn A. Russell Bastick  
NOTARY PUBLIC

My Commission Expires My Commission Expires October 9, 1972

## JEFFERSON MEMORIAL HOSPITAL

## BALANCE SHEET

JUNE 30, 1971

## ASSETS

## CASH:

Checking Accounts	\$ 51,256	
Savings Accounts	1,053	
Held in Escrow	3,663	
Petty Cash	<u>275</u>	\$ 56,247

## NOTES RECEIVABLE

4,600

## ACCOUNTS RECEIVABLE:

Patients	\$854,784	
Less Allowance for Doubtful Accounts	<u>170,296</u>	\$684,488
Jefferson Memorial Hospital Associates		29,355
Doctors		1,366
Employees		655
Other		13,790
Virginia Health Insurance Program - Medicaid		<u>11,777</u>
		741,431

## ACCRUED INTEREST RECEIVABLE

7,239

## INVENTORIES

20,152

## PLANT AND EQUIPMENT (Notes 3, 4, 5, 6 and 7):

	Cost	Accumulated Depreciation	Book Value	
Land	\$147,456	\$ -	\$147,456	
Land Improvements	3,927	2,532	1,395	
Fixed Equipment	123,498	35,285	88,213	
Major Movable Equipment	<u>305,807</u>	<u>109,546</u>	<u>196,261</u>	
Total	\$580,688	\$147,363	\$433,325	433,325

## OTHER ASSETS:

Prepaid Expense	\$ 26,757	
Deposit - Marriott Hot Shoppes, Inc.	<u>3,000</u>	29,757

## TOTAL ASSETS

\$1,292,751

## LIABILITIES AND DEFICIT

## ACCOUNTS PAYABLE:

Trade	\$137,154	
Contract Agencies (Note 8)	248,636	
Jefferson Memorial Hospital Associates	43,114	
Jefferson Memorial Hospital Medical Associates	37,010	
Employees' Withholdings	6,202	
Unclaimed Wages	<u>993</u>	\$ 473,109

## ACCRUED EXPENSE:

Real Estate Taxes	\$ 72,802	
Salaries	12,559	
Interest	6,696	
Rent	41,852	
Professional Fees	7,406	
Other	<u>1,386</u>	142,701

## PROVISION FOR CONTRACT ADJUSTMENTS:

Group Hospitalization, Inc. (Note 9)	\$193,000	
Federal Health Insurance Program - Medicare (Note 10)	<u>87,111</u>	280,111

## NOTES PAYABLE

84,503

## LEASE AGREEMENT (Note 7)

280,000

## BOND PAYABLE - 6% INTEREST PER ANNUM

319,000

## ADVANCE DEPOSITS:

Federal Health Insurance Program - Medicare	\$ 43,000	
Group Hospitalization, Inc.	<u>59,000</u>	102,000

## FUNDS HELD IN ESCROW

3,895

## DEFICIT:

Operating (Schedule A-1)	(\$412,619)	
Donated Capital	<u>20,051</u>	( 392,568)

## TOTAL LIABILITIES AND DEFICIT

\$1,292,751

The accompanying Notes to Financial Statements are an integral part of these statements.

TAG 002920

J.APP. 3392

# Computation of Job Development Investment Credit

► Attach to your tax return.  
Use this form for—Calendar year 1971.  
Fiscal years beginning in 1970 and ending in 1971, and  
Fiscal years beginning in 1971 and ending in 1972.

**1971**

The investment credit has been restored for property ordered by the taxpayer after March 31, 1971, or acquired by the taxpayer after August 15, 1971, regardless of when ordered.

The credit has also been restored for property where construction, reconstruction, or erection was begun by the taxpayer after March 31, 1971, or where the construction, reconstruction, or erection was completed by the taxpayer after

August 15, 1971, regardless of when begun. In the case of property (except pre-termination property) where construction, reconstruction, or erection is begun by the taxpayer before April 1, 1971, only that portion of the basis attributable to construction, reconstruction, or erection after August 15, 1971, is taken into account in determining the credit.

For pre-termination property eligible for credit under prior law, see the instructions for the different life years.

Name JEFFERSON MEMORIAL HOSPITAL CORPORATION Identifying number as shown on page 1 of your tax return 54-074392

**1 Qualified investment in new and used property (See instruction C for eligible property)**

NOTE: Include your share of investment in property by a partnership, estate, trust, small business corporation, or lessor.

Type of property	Line	(1) Life years	(2) Cost or basis	(3) Applicable percentage	(4) Qualified investment (Column 2 x column 3)
New Property	(a)	3 or more but less than 5		33 1/3	
	(b)	5 or more but less than 7	1,168	66 2/3	779
	(c)	7 or more	7,147	100	7,147
Used Property (See instructions for dollar limitation)	(d)	3 or more but less than 5		33 1/3	
	(e)	5 or more but less than 7	7,313	66 2/3	6,209
	(f)	7 or more		100	

2 Total qualified investment—Add lines 1(a) through 1(f)	16,135
3 Tentative investment credit—7% (4% for public utility property) of line 2	1,129
4 Carryback and carryover of unused credit(s). (See instruction 4 for special limitation—attach computation.)	4,571
5 Total—Add lines 3 and 4	5,120

**Limitation**

6 (a) Individuals—Enter amount from line 19, page 1, Form 1040	
(b) Estates and trusts—Enter amount from line 24 or 25, page 1, Form 1041	
(c) Corporations—Enter amount from line 7, Schedule J, Form 1120	
7 Individuals, estates, and trusts: (a) Foreign tax credit	
(b) Retirement income credit	
8 Total—Add lines 7(a) and (b)	
9 Line 6 less line 8 (Married persons filing separately, controlled corporate groups, estates and trusts, see instruction 10)	
10 (a) Enter amount on line 9 or \$25,000, whichever is lesser	
(b) If line 9 exceeds \$25,000, enter 50% of the excess	
11 Total—Add lines 10(a) and (b)	
12 Investment credit—Enter amount from line 5 or line 11, whichever is lesser	

**Schedule A**

If any part of your investment in 1 above was made by a partnership, estate, trust, small business corporation, or lessor, complete the following:

Name (Partnership, estate, trust, etc.)	Address	Property		
		New	Used	Life years
		\$	\$	

TAG 002925

10-81a20-1

JEFFERSON MEMORIAL HOSPITAL CORPORATION

ALEXANDRIA VIRGINIA

ACQUISITION OF PARTNERSHIP - F.Y.E. 6/30/72

ON JULY 1, 1971 JEFFERSON MEMORIAL HOSPITAL CORPORATION RECEIVED ALL OF THE ASSETS AND LIABILITIES OF JEFFERSON MEMORIAL HOSPITAL ASSOCIATES, A PARTNERSHIP, WHOSE PARTNERS ARE THE SOLE STOCKHOLDERS OF JEFFERSON MEMORIAL HOSPITAL CORPORATION, IN EXCHANGE FOR 240,000 SHARES OF THE CORPORATION'S COMMON STOCK.

THE DISTRIBUTION WAS MADE IN THE SAME PROPORTION AS THE SHARES HELD BEFORE THE DISTRIBUTION, THEREFORE, RESULTING IN NO PROPORTIONATE CHANGE OF OWNERSHIP IN JEFFERSON MEMORIAL HOSPITAL CORPORATION BY EACH SHAREHOLDER.

THE BALANCE SHEET AS OF JULY 1, 1971 F.Y.E. JEFFERSON MEMORIAL HOSPITAL ASSOCIATES IS INCLUDED IN THIS RETURN

TAG 002921

BALANCE SHEET OF JEFFERSON MEMORIAL HOSPITAL  
ASSOCIATES AS OF JULY 1, 1971

ASSETS:		
CASH		1553
RECEIVABLES		387,370
SECURITIES		19,450
GOODWILL		226,564
BUILDING, HOSPITAL		620,562
LOAN AND SETTLEMENT FEE - UNPAID		72,611
<b>TOTAL ASSETS</b>		<b>1,433,500</b>
LIABILITIES AND CAPITAL		
ACCOUNTS PAYABLE		293,550
ACCUMULATED DEPRECIATION		46,117
MORTGAGE PAYABLE		687,376
CAPITAL		406,500
<b>TOTAL LIABILITIES AND CAPITAL</b>		<b>1,433,500</b>

TAG 002922

OPERATING LOSS CARRYOVER - F.Y.E. 6/30/71

J.APP. 3396



JEFFERSON MEMORIAL HOSPITAL CORPORATION

MEMPHIS, VIRGINIA

PAID-IN SURPLUS - FILE 6/30/72

BALANCE JULY 1, 1971

20091

EXCESS OF PAR VALUE OF COMMON  
STOCK ISSUED IN PURCHASE OF  
PARTNERSHIP

103142

BALANCE, JUNE 30, 1972

123142

TAG 002924

JEFFERSON MEMORIAL HOSPITAL CORPORATION

ALEXANDRIA, VIRGINIA

CARRYOVER OF INVESTMENT CREDIT - F.Y.E. 6/30/72

FROM 1971 FEDERAL INCOME

TAX CREDIT

4290

LESS RECAPTURE OF INVESTMENT

CREDIT FOR THE YEAR 1966

INVESTMENT CREDIT HAS NOT

BEEN USED TO OFFSET TAX

LIABILITY. (FORM 1125-TC)

47

CARRYOVER TO FUTURE YEARS

11951

TAG 002926

# Tax from Recomputing a Prior Year Investment Credit

(Computation of Recapture Tax)

► Attach to your income tax return.

(See General Instructions on the back for exceptions to the recapture tax.)

For the calendar year 19....., or other taxable year beginning JULY 1, 19 71, and ending JUNE 30, 19 72.

Name

Identifying number as shown on page 1 of your tax return

Jefferson Newman Harris

54-0784092

If there is an unused investment credit attributable to the disposed asset, compute the recapture tax on a separate schedule. (See example (c) on the back.) Do not use this form.

1. Original Investment Credit							Recomputed Investment Credit					Recapture Tax
(1) Description of property (also state whether new or used)	(2) Date placed in service	(3) Cost or basis	(4) Esti- mated useful life	(5) Appli- cable per- centage	(6) Qualified investment (column 3 x column 5)	(7) Original investment credit (column 6 x 7%)	(8) Date item ceased to be investment credit property	(9) Actual useful life	(10) Appli- cable per- centage	(11) Qualified investment (column 3 x column 10)	(12) Recomputed investment credit (column 11 x 7%)	(13) Column 7 less column 12
(A) Equip.	1966	2,070	10	100	2,070	144	1972	6	60 1/3	1,380	97	47
(B)												
(C)												
(D)												
(E)												
(F)												
(G)												

2. Total tax from recomputing a prior year investment credit—add lines 1(A) through 1(G) and, if applicable, combine this total tax (line 2) with any other recapture tax that has been computed on a separate schedule as indicated by example (c) on the back. Enter on the line provided on your tax return

Note: The recapture tax is an addition to your income tax for the year in which you dispose of investment credit property. Do not use the recapture tax to offset the current year's investment credit on Form 3468.

47

**Schedule I—SPECIAL DEDUCTIONS**

1 (a) 85% of line 1, Schedule C . . . . .	
(b) 60.208% of line 2, Schedule C . . . . .	
(c) 85% of line 3, Schedule C . . . . .	
(d) 100% of line 4, Schedule C . . . . .	
2 Total—See page 6 of instructions for limitation . . . . .	
3 100% of line 8, Schedule C . . . . .	
4 Enter dividends-received deduction allowed for dividends reported on line 9, Schedule C. See section 1554(b) for computation . . . . .	
5 Dividends paid on certain preferred stock of public utilities (see instructions) . . . . .	
6 Western Hemisphere trade corporations (see instructions) . . . . .	
7 Total special deductions—Add lines 2 through 6. Enter here and on line 29(b), page 1 . . . . .	

**Schedule J—TAX COMPUTATION**

1 Taxable income (line 30, page 1) . . . . .	
2 Surtax exemption—Enter line 1 or \$25,000, whichever is lesser. (Component members of a controlled group—see page 6 of instructions and enter your surtax exemption or line 1, whichever is lesser) . . . . .	
3 Line 1 less line 2 . . . . .	
4 (a) 22% of line 1 . . . . .	
(b) 26% of line 3 . . . . .	
(c) If multiple surtax exemption is elected under section 1562, enter 6% of line 2 . . . . .	
5 Income tax (line 4, or alternative tax from separate Schedule D, whichever is lesser) . . . . .	
6 Foreign tax credit (attach Form 1116) . . . . .	
7 Line 5 less line 6 . . . . .	
8 Investment credit (attach Form 3468) . . . . .	
9 Line 7 less line 8 . . . . .	
10 Personal holding company tax (attach Schedule 1120 PH) . . . . .	
11 Tax from recomputing a prior year investment credit (attach Form 4255) . . . . .	
12 Minimum tax on tax preference items (see page 6 of instructions). Check here <input type="checkbox"/> if Form 4626 is attached . . . . .	
13 Total tax—Add lines 9 through 12. Enter here and on line 31, page 1 . . . . .	

**Schedule K—RECORD OF FORM 503 FEDERAL TAX DEPOSITS (List deposits in order of date made—See instruction G)**

Serial number of Form 503	Date of deposit	Amount	Serial number of Form 503	Date of deposit	Amount	Serial number of Form 503	Date of deposit	Amount

G Date incorporated JUNE 2, 1971H (1) Did you at the end of the taxable year own, directly or indirectly, 50% or more of the voting stock of a domestic corporation? ☐ Yes ☒ No(2) Did any corporation, individual, partnership, trust, or association at the end of the taxable year own, directly or indirectly, 50% or more of your voting stock? ☐ Yes ☒ No

(For rules of attribution, see section 267(c).)

If the answer to (1) or (2) is "Yes," attach a schedule showing:

- (a) name, address, and identifying number; and  
(b) percentage owned.

If the answer to (1) above is "Yes," show the taxable income or (loss) from line 30, page 1, Form 1120 of such corporation for the taxable year ending with or within your taxable year.

If the answer to (2) above is "Yes," was the owner of such voting stock an alien individual or a foreign corporation, partnership, trust or association? ☐ Yes ☒ NoI Did you have any contracts or subcontracts subject to the Renegotiation Act of 1951? ☐ Yes ☒ No. If "Yes," enter the aggregate gross dollar amount billed during the year.J Did you ever declare a stock dividend? ☐ Yes ☒ No

K Did you claim a deduction for expenses connected with: Yes No

- (1) Entertainment facility (boat, resort, ranch, etc.)? ☐ Yes ☒ No  
(2) Living accommodations (except employees on business)? ☐ Yes ☒ No  
(3) Employees' families at conventions or meetings? ☐ Yes ☒ No  
(4) Employees or family vacations not reported on Form W-2? ☐ Yes ☒ No

L Taxable income or (loss) from line 30, page 1, Form 1120 for: 1968 327,227 1969 172,112 1970 5986

M Refer to page 7 of instructions and state the principal:

Business activity HOSPITALProduct or service MEDICAL SERVICES

N Were you a member of a controlled group subject to the provisions of:

(1) Section 1561? ☐ Yes ☒ No (2) Section 1562? ☐ Yes ☒ No

If answer to (1) or (2) is "Yes," check type of relationship:

(a) parent-subsidiary ☐ (b) brother-sister ☐(c) combination of (a) and (b) ☐ (See section 1563.)If answer to (2) is "Yes," does section 1562(b)(1)(A) apply (nonapplication of 6% additional tax under section 1562)? ☐ Yes ☒ NoO Did the corporation, at any time during the taxable year, have any interest in or signature or other authority over a bank, securities, or other financial account in a foreign country? ☐ Yes ☒ No

If "Yes," attach Form 4683. (For definitions, see Form 4683.)

P Were you a U.S. shareholder of any controlled foreign corporation? ☐ Yes ☒ No. (See sections 951 and 957.) If "Yes," attach Forms 3646 for each such corporation.Q During this taxable year, did you pay dividends (other than stock dividends and distributions in exchange for stock) in excess of your current and accumulated earnings and profits? ☐ Yes ☒ No. (See sections 301 and 316.)

If "Yes," file Schedule A, Form 1098. If this is a consolidated return, answer here for parent corporation and on Form 851, Affiliations Schedule, for each subsidiary.

R Did you file all required Forms 1099, 1096 and 1067? ☒ Yes ☐ No

TAG 002928

J.APP. 3400

## Schedule L—BALANCE SHEETS

	Beginning of taxable year		End of taxable year	
	(A) Amount	(B) Total	(C) Amount	(D) Total
<b>ASSETS</b>				
1 Cash . . . . .		56,247		19,855
2 Trade notes and accounts receivable . . . . .	916,327		1,175,032	
(a) Less allowance for bad debts . . . . .	170,296	746,031	224,352	950,680
3 Inventories . . . . .		20,152		22,222
4 Gov't obligations: (a) U.S. and instrumentalities . . . . .				
(b) State, subdivisions thereof, etc. . . . .				
5 Other current assets (attach schedule) . . . . .		23,996		40,165
6 Loans to stockholders . . . . .				
7 Mortgage and real estate loans . . . . .				
8 Other investments (attach schedule) . . . . .				
9 Buildings and other fixed depreciable assets . . . . .	433,232		1,086,462	
(a) Less accumulated depreciation . . . . .	147,363	285,869	212,277	874,215
10 Depletable assets . . . . .				
(a) Less accumulated depletion . . . . .				
11 Land (net of any amortization) . . . . .		147,456		147,456
12 Intangible assets (amortizable only) . . . . .			386,804	
(a) Less accumulated amortization . . . . .			11,379	375,425
13 Other assets (attach schedule) . . . . .		3,000		9,794
14 Total assets . . . . .		1,292,751		2,439,812
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>				
15 Accounts payable . . . . .		473,109		267,576
16 Mises., notes, bonds payable in less than 1 yr. . . . .				
17 Other current liabilities (attach schedule) . . . . .		142,701		81,214
18 Loans from stockholders . . . . .				
19 Mises., notes, bonds payable in 1 yr. or more . . . . .		683,503		972,129
20 Other liabilities (attach schedule) . . . . .		386,007		497,861
21 Capital stock: (a) Preferred stock . . . . .				
(b) Common stock . . . . .				2,450
22 Paid-in or capital surplus (attach reconciliation) . . . . .		20,051		723,193
23 Retained earnings—Appropriated (attach sch.) . . . . .				
24 Retained earnings—Unappropriated . . . . .		(412,620)		(204,611)
25 Less cost of treasury stock . . . . .				
26 Total liabilities and stockholders' equity . . . . .		1,292,751		2,439,812

## Schedule M-1—RECONCILIATION OF INCOME PER BOOKS WITH INCOME PER RETURN

1 Net income per books . . . . .	208,009	7 Income recorded on books this year not included in this return (itemize)	
2 Federal income tax . . . . .		(a) Tax-exempt interest \$ . . . . .	
3 Excess of capital losses over capital gains . . . . .			
4 Taxable income not recorded on books this year (itemize) . . . . .		8 Deductions in this tax return not charged against book income this year (itemize)	
5 Expenses recorded on books this year not deducted in this return (itemize)		(a) Depreciation . . . . .	
(a) Depreciation . . . . .		(b) Depletion . . . . .	
(b) Depletion . . . . .			
AMORTIZATION OF			
GOODWILL	11,379	9 Total of lines 7 and 8 . . . . .	
6 Total of lines 1 through 5 . . . . .	219,388	10 Income (line 28, page 1)—line 6 less 9 . . . . .	219,388

## Schedule M-2—ANALYSIS OF UNAPPROPRIATED RETAINED EARNINGS PER BOOKS (line 24 above)

1 Balance at beginning of year . . . . .	412,620	5 Distributions: (a) Cash . . . . .	
2 Net income per books . . . . .	208,009	(b) Stock . . . . .	
3 Other increases (itemize) . . . . .		(c) Property . . . . .	
		6 Other decreases (itemize) . . . . .	
4 Total of lines 1, 2, and 3 . . . . .	204,611	7 Total of lines 5 and 6 . . . . .	
		8 Balance at end of year (line 4 less 7) . . . . .	204,611

COMMONWEALTH OF VIRGINIA  
CORPORATION INCOME TAX RETURN

1971

FOR CALENDAR YEAR 1971

CONFIDENTIAL

OR FISCAL YEAR BEGINNING JULY 1 1971 AND ENDING JUNE 30 1972

File this return with the Department of Taxation, P. O. Box 6-L, Richmond, Virginia 23215, on or before April 15, 1972, if a calendar year return; or on or before the fifteenth day of the fourth month following the close of the fiscal year, if a fiscal year return. Checks should be made payable to the State Tax Commissioner.

Name JEFFERSON MEDICAL HOLDING CORPORATION  
Number and street 4600 KINGS STREET  
City or town, State, and ZIP code FALLS CHURCH VIRGINIA  
Date incorporated FEB 18, 1963 State or country MARYLAND  
Principal business activity MEDICAL SERVICE

Employer Identification No. 54-1234567

Line 28 is for use by a corporation transacting or conducting part of its business within any part without this State. A corporation to which Line 28 is applicable must fill in and attach Schedule M (printed separately).

IMPORTANT - All applicable lines and schedules of this form must be filled in. Where additional space is needed for schedules, attachments must conform to the official form and totals must be entered in the form schedules.

GROSS INCOME	1. Gross receipts or gross sales	<u>14,454,292</u>	Less: Returns and allowances	<u>302,410</u>	<u>14,151,882</u>
	2. Less: Cost of goods sold (Schedule A) and/or operations (Schedule B)	<u>SCHEDULE ATTACHED</u>			<u>3,559,287</u>
	3. Gross profit				<u>10,592,595</u>
	4. Dividends taxable (From Schedule C)				
	5. Interest				<u>2,657</u>
	6. Rents				<u>9,750</u>
	7. Royalties				
	8. Net gain (or loss) from sale or exchange of real or personal property (From Schedule D)				
	9. Other income (Attach schedule)	<u>SCHEDULE ATTACHED</u>			<u>88,172</u>
	10. Total income in Lines 3 through 9				<u>10,729,174</u>
DEDUCTIONS	11. Compensation of officers (From Schedule E)				
	12. Salaries and wages (not deducted elsewhere)				
	13. Repairs (Do not include cost of improvements or capital expenditures)				<u>152,336</u>
	14. Bad debts (From Schedule F)				<u>19,804</u>
	15. Rent				<u>43,803</u>
	16. Taxes (From Schedule G)	<u>SCHEDULE ATTACHED</u>			<u>92,273</u>
	17. Interest				
	18. Contributions or gifts paid (From Schedule H)				
	19. Losses by fire, storm, shipwreck, or other casualty, or theft (Attach schedule)				
	20. Amortization (Attach schedule)				
	21. Depreciation (From Schedule I)				<u>66,401</u>
	22. Depletion (Attach schedule)				
	23. Advertising				
24. Amounts contributed under a pension, annuity, stock bonus, or profit-sharing plan, etc.				<u>3,736</u>	
25. Other deductions authorized by law (From Schedule J)	<u>SCHEDULE ATTACHED</u>			<u>380,012</u>	
26. Total deductions in Lines 11 through 25				<u>1,125,329</u>	
27. Net income (Line 10 less Line 26)				<u>9,603,845</u>	
28. Income subject to Virginia tax, if Schedule M is applicable (From Line 15, Schedule M)					
TAX	29. Amount of Virginia tax (5% of Line 27 or Line 28, whichever is applicable)				<u>480,192</u>
	30. Credits: (a) Payments of 1971 estimated Virginia income tax				
	(b) Other credits (Attach schedule)				
	31. TAX DUE AND PAYABLE (Line 29 less Line 30) (Attach separate remittance for this amount)				<u>480,192</u>
	32. OVERPAYMENT (Line 30 less Line 29)				
33. Amount in Line 32 desired to be: (a) Credited to 1972 estimated tax (b) Refunded					

DECLARATION (See Instruction E)

I, the undersigned president, vice-president, treasurer, assistant treasurer, chief accounting officer, or other officer duly authorized to act, of the corporation for which this return is made, declare under the penalties provided by law that this return (including any accompanying schedules and statements) has been examined by me and is, to the best of my knowledge and belief, a true, correct, and complete return, made in good faith, for the taxable year stated, pursuant to the income tax laws of the Commonwealth of Virginia. If prepared by a person other than taxpayer, my declaration is based on all information of which he has any knowledge.



10-12-72  
(Date)

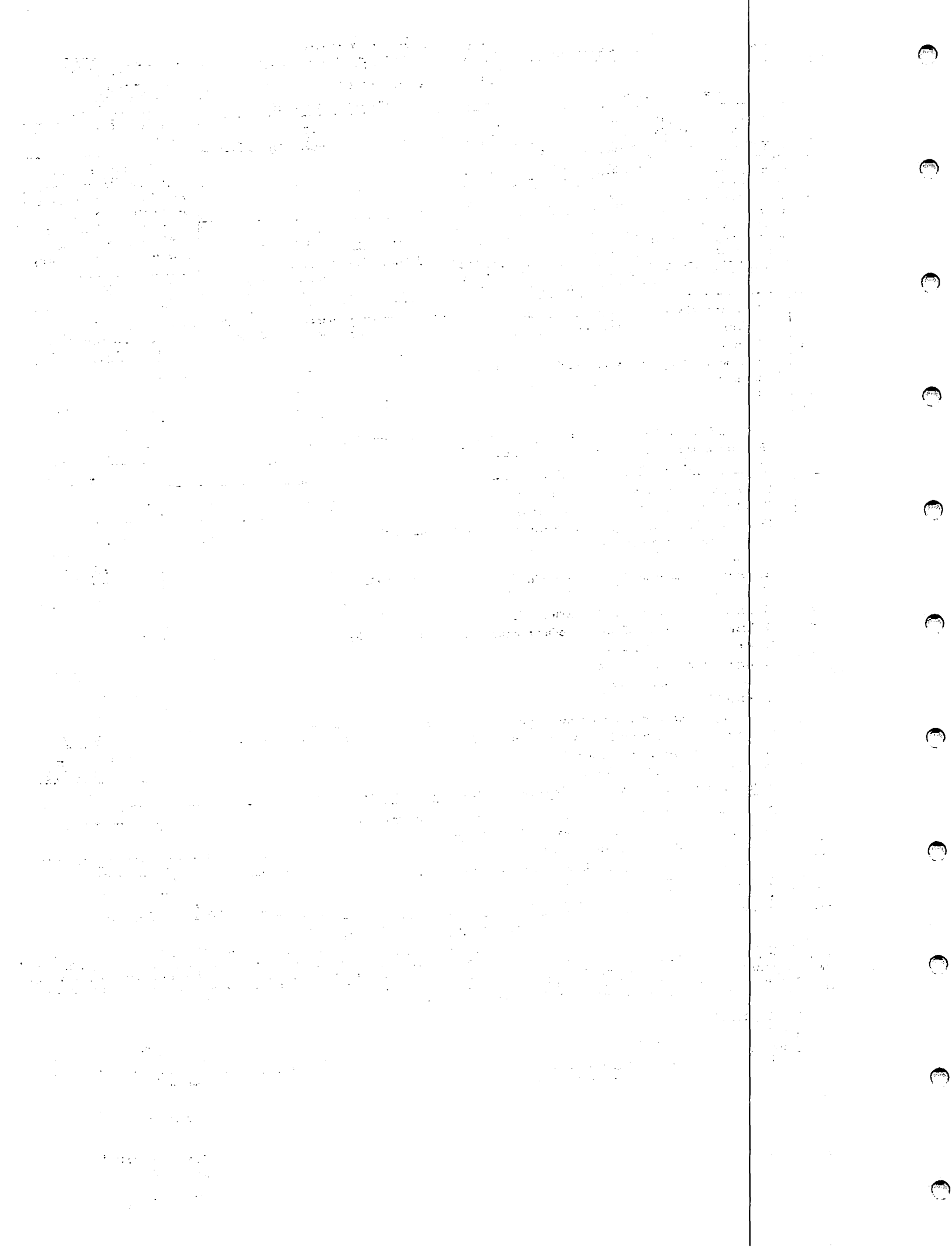
(Date) Councilor Buchanan & Mitchell  
(Signature of officer)  
(Individual or firm signature of preparer)

(Title) 3700 Wisconsin Ave., Washington, D.C.  
(Address)

TAUBER 43487

Trial Exhibit  
No. 236.

J.APP. 3402



**CONFIDENTIAL**

**Schedule A.—COST OF GOODS SOLD (See Instruction 2)**  
**(Where inventories are an income-determining factor)**

**Schedule B.—COST OF OPERATIONS**  
(Where inventories are not an income-determining factor)

Page 2

Inventory at beginning of year		Salaries and wages	
Merchandise bought for manufacture or sale		Other costs (to be detailed):	
Salaries and wages		(a)	
Other costs (Attach schedule)		(b)	
Total		(c)	
Less: Inventory at end of year		(d)	
Cost of goods sold (Enter as Line 2, page 1)		(e)	
		Total (Enter as Line 2, page 1)	

**Schedule C.—INCOME FROM DIVIDENDS (See instruction 4)**[illegible]**Schedule D.—GAINS AND LOSSES FROM SALES OR EXCHANGES OF REAL ESTATE AND STOCKS, BONDS, AND OTHER PERSONAL PROPERTY (See Instruction 8)**[illegible]

### Schedule E.—COMPENSATION OF OFFICERS

[illegible]**Schedule F.—BAD DEBTS (See Instruction 14)**

1. Taxable year	2. Net income reported	3. Sales on account	4. Bad debts of corporation if no reserve is carried on books	If corporation carries a reserve—	
				5. Gross amount added to reserve	6. Amount charged against reserve
58					
1969					
1970					
1971					

TAUBER 43488



**CONFIDENTIAL**

JEFFERSON MEMORIAL HOSPITAL CORPORATION

ALEXANDRIA, VIRGINIA

COST OF OPERATIONS - F. Y. E. 6/30/72

	TOTAL	SALARY AND WAGES	SUPPLIES AND EXPENSE
ADMINISTRATIVE AND GENERAL	364089	233108	156981
EMPLOYEES' HEALTH AND WELFARE	182234	15534	162700
DIETARY	380255	2035	210920
HOUSEKEEPING	182223	—	182223
LAUNDRY AND LINEN	80226	13644	66612
OPERATION OF PLANT	79223	35049	42374
REPAIRS AND MAINTENANCE	29576	—	29576
NURSING SERVICE	601095	573163	21932
PHARMACY	212953	—	212953
MEDICAL RECORDS AND LIBRARY	36477	33723	2754
OPERATING ROOM	202940	152230	50610
RECOVERY ROOM	42024	40533	1491
INTENSIVE CARE	96447	90350	6297
LABORATORY	215490	83557	131932
PATHOLOGY	285994	63547	311647
PHYSICAL THERAPY	34672	10780	23772
RADIATION THERAPY	33613	3257	10916
ANESTHESIOLOGY	174507	—	174507
ELECTROLOGY	49422	11575	27872
CENTRAL SUPPLY	78525	27165	51360
MEDICAL AND SURGICAL SERVICE	36663	—	36663
BLOOD BANK	9890	—	9890
ENTIREMENT	140390	54204	95194
<b>TOTAL</b>	<b>3559487</b>	<b>1672637</b>	<b>1886850</b>

TAUBER 43489





OTHER DEDUCTIONS - F.Y.E. 6/30/72

TAUBER 43492

CONFIDENTIAL

JEFFERSON MEMORIAL HOSPITAL CORPORATION

ALEXANDRIA, VIRGINIA

STATEMENT OF REORGANIZATION - F.Y.E. 6/30/72

ON JUNE 30, 1971 JEFFERSON MEMORIAL HOSPITAL, INC.,  
A MARYLAND CORPORATION, UNDERWENT A "F"  
REORGANIZATION THROUGH A MERGE CHANGE OF  
THE PLACE OF ORGANIZATION AND A CHANGE  
OF NAME TO JEFFERSON MEMORIAL HOSPITAL CORPORATION,  
A DELAWARE CORPORATION, BEING THE SURVIVING  
CORPORATION.

A COPY OF THE PLAN AND AGREEMENT OF  
REORGANIZATION IS INCLUDED WITH THIS  
RETURN ALONG WITH A COPY OF THE  
BALANCE SHEET OF JEFFERSON MEMORIAL  
HOSPITAL AS OF JUNE 30, 1971

TAUBER 43493

CONFIDENTIAL

COUNCILOR BUCHANAN & MITCHELL  
CERTIFIED PUBLIC ACCOUNTANTS

TAUBER 43437

Trial Exhibit  
No. 237.

J.APP. 3409

**CONFIDENTIAL**

[illegible]

1988-12-28 14:28:14  
1988-12-28 14:28:14  
1988-12-28 14:28:14

Dear Mr. Rytter:

The original of the Federal return should be signed and filed by December 15, 1973 with the Internal Revenue Service Center, 3131 Democrat Road, Memphis, Tennessee, 38110. The balance of the tax due is \$53,262. A check for this amount payable to your bank should be deposited with the bank prior to December 15, accompanied by a Federal Depositary Receipt (Form 503).

The originals of the Virginia return and declaration should be signed and filed by October 15, 1973 with the Department of Taxation, P. O. Box 760, Richmond, Virginia, 23206, accompanied by checks in the respective amounts of \$3,771 and \$4,250.

Very truly yours,

By: Edna H. Niek

J.APP. 3410

**Application for Automatic Extension of Time  
to File Corporation Income Tax Return**  
(Under section 6081(b) of the Internal Revenue Code)

**CONFIDENTIAL**

Note: Prepare this form in duplicate. File the original with the Internal Revenue Service Center where you are required to file your income tax return. Attach the duplicate to your income tax return.  
For taxable years ending on or after December 31, 1972, a penalty for failure to pay tax will generally be assessed if the tax shown on line 3(a) of Form 7004 is less than the total tax shown on your income tax return. See instruction 6.

Name of corporation <b>JEFFERSON MEMORIAL HOSPITAL</b>	Employer Identification Number <b>54-0784092</b>
Number and street <b>4600 King Street</b>	Check type of return to be filed: <input checked="" type="checkbox"/> Form 1120 <input type="checkbox"/> Form 1120S <input type="checkbox"/> Form 1120L <input type="checkbox"/> Form 990-C <input type="checkbox"/> Form 1120M <input type="checkbox"/> Form 990-T <input type="checkbox"/> Form 1120F—Check here <input type="checkbox"/> if you do not have an office or place of business in the U.S.
City or town, State, and ZIP code <b>Alexandria, Virginia, 22302</b>	

An automatic 3-month extension of time until Dec. 15, 1973, is hereby requested in which to file the income tax return of the corporation named above for the taxable year beginning July 1, 1972, and ending June 30, 1973.

1. If the taxable year above is for a period of less than 12 months, is the short period attributable to a change in accounting period? . . . . . Yes ☐ No ☐
2. Does this application also cover subsidiaries to be included in a consolidated return? . . . . . Yes ☐ No ☒
- If "Yes," complete the following:

Name and Address of Each Member of the Affiliated Group	Employer Identification No.

3. At least 50 percent of the tax tentatively determined to be due (line 3(c)) must be deposited on or before the original due date of the corporation's income tax return. See instructions for depository method of payment.

A penalty will generally be imposed if the tentative amount of tax shown on line 3(a) is less than the total tax shown on your income tax return. See instruction 6.

- (a) Tentative amount of income tax for the taxable year including any—

Minimum tax on tax preference items  
Personal holding company tax  
Tax from recomputing a prior year investment credit  
Foreign tax credit  
Investment credit  
Work incentive (WIN) credit

110,000

- (b) Less: (i) Overpayment from prior year allowed as a credit . . . . .  
(ii) Estimated tax payments (deposits) for the taxable year . . . . .  
(iii) Less refund of estimated tax for the taxable year applied for on Form 4466 ( )  
(iv) Credit from regulated investment companies . . . . .  
(v) Credit for U.S. tax on special fuels, nonhighway gas and lubricating oil. . . . .

(c) Balance due . . . . . 110,000

(d) Amount required to be deposited—at least 50 percent of line 3(c) . . . . . 55,000

**SIGNATURE (See instruction 9)**

Under penalties of perjury, I declare that I have been authorized by the above-named corporation to make this application, that to the best of my knowledge and belief the statements made herein are true, correct, and complete, and that I am: ☐ an officer of the corporation; ☐ a duly authorized agent holding a power of attorney; ☐ an agent enrolled to practice before the Internal Revenue Service; ☐ an attorney in good standing of the bar of the highest court of . . . . . (Specify jurisdiction)

or ☒ a certified public accountant duly qualified to practice in District of Columbia . . . . . (Specify jurisdiction)

Clair Alfred Parsons CPA 9/14/73  
(Signature of officer or agent) (Title) (Date)

A Copy of This Application Must Be Attached to the Corporation's Income Tax Return

TAUBER 43439



COUNCILOR. BUCHANAN & MITCHELL  
CERTIFIED PUBLIC ACCOUNTANTS

CONFIDENTIAL

W. BUCHANAN BUCHANAN  
JAMES A. BUCHANAN  
J. W. MITCHELL  
EDNA HUNTER  
EUGENE W. STOSSEL  
J. S. D. COE  
DONALD F. McMULLEN  
J. S. F. BOLE  
SYDNEY J. LAWRENCE  
THOMAS A. O'NEIL  
E. BURNS McMINSON  
CLARA A. PARSONS  
ROBERT B. RUSSELL JR.

October 9, 1973

3900 WISCONSIN AVENUE  
WASHINGTON D C 200 5  
TELEPHONE 937-29 5

Mr. Richard Rytter,  
Jefferson Memorial Hospital,  
4600 King Street,  
Alexandria, Virginia. 22302

Dear Mr. Rytter:

We are listing below the amounts and due dates of the Corporation's  
estimated income tax payments for the year ending June 30, 1974 to be  
deposited with Form 503 in the bank as indicated:

<u>Due Date</u>	<u>Amount of Installment</u>
October 15, 1973	\$27,500
December 15, 1973	27,500
March 15, 1974	27,500
June 15, 1974	27,500

If you desire any further explanation, please let us know.

Very truly yours,

*Councilor, Buchanan & Mitchell*

TAUBER 43440

J.APP. 3412

**CONFIDENTIAL**

Form 500-ES Department of Taxation	<b>VIRGINIA DECLARATION OF ESTIMATED INCOME TAX FOR CORPORATIONS</b>	<b>1973</b>	DO NOT USE THIS SPACE
Name and address of corporation (Number, street, city, town, or post office, state, and ZIP code): <b>JEFFERSON MEMORIAL HOSPITAL 4600 King Street Alexandria, Virginia 22302</b>			Employer's Identification Number: <b>54-0784092</b>
this declaration is not for calendar year 1973, indicate taxable year beginning <b>July 1</b> , 1973, and ending <b>June 30</b> , 1974			
Corporation's 1972 Virginia income tax \$ <b>16,571</b> ; estimate of 1973 Virginia income tax <b>Oct.</b>			\$ <b>17,000</b>
If this declaration is due to be filed on: <input type="checkbox"/> <del>Sept.</del> 15, 1973, enter 1/4 of Line 1 <input type="checkbox"/> Sept. 15, 1973, enter 1/2 of Line 1 <input type="checkbox"/> June 15, 1973, enter 1/3 of Line 1 <input type="checkbox"/> Dec. 15, 1973, enter 100% of Line 1			\$ <b>4,250</b>
Amount of 1972 overpayment elected as credit against 1973 estimated income tax			\$ <b>-</b>
Amount of installment to be paid with this declaration (Line 2 less Line 3) (Attach separate remittance)			\$ <b>4,250</b>
this is an amendment of prior declaration, check <input type="checkbox"/> I CERTIFY that this is a true, correct and complete declaration.			

Signature of authorized officer or agent

Title

Date

TAUBER 43441

J.APP. 3413

Form **1120**  
Department of the Treasury  
Internal Revenue Service

# U.S. Corporation Income Tax Return

For calendar year 1972 or other taxable year beginning  
**July 1**, 1972, ending **June 30**, 1973  
(PLEASE TYPE OR PRINT)

**CONFIDENTIAL**  
**1972**

Check if ☐ **A Consolidated return** ☐ **B Personal Holding Co.** ☐ **C Business Code No.** (See page 7 of instructions.) **8010**

Name **JEFFERSON MEMORIAL HOSPITAL CORPORATION**  
Number and street **4600 King Street**  
City or town, State, and ZIP code **Alexandria, Virginia 22302**

D Employer identification No. **54-0764092**  
E County in which located **Alexandria**  
F Enter total assets from line 14, column (D), Schedule L (See instruction R) **\$ 2,694,632**

**IMPORTANT—Fill in all applicable lines and schedules. If the lines on the schedules are not sufficient, see instruction N.**

GROSS INCOME	
1	Gross receipts or gross sales <b>4,749,445</b> Less: Returns and allowances <b>738,964</b>
2	Less: Cost of goods sold (Schedule A) and/or operations (attach schedule) <b>Attached</b>
3	Gross profit <b>3,271,516</b>
4	Dividends (Schedule C)
5	Interest on obligations of the United States and U.S. instrumentalities
6	Other interest
7	Gross rents
8	Gross royalties
9(a)	Net capital gains—(separate Schedule D)
9(b)	Ordinary gain or (loss) from Part II, Form 4797 (attach Form 4797)
10	Other income (see instructions—attach schedule) <b>Schedule Attached</b>
11	<b>TOTAL income—Add lines 3 through 10</b> <b>722,044</b>

DEDUCTIONS	
12	Compensation of officers (Schedule E)
13	Salaries and wages (not deducted elsewhere)
14	Repairs (see instructions)
15	Bad debts (Schedule F if reserve method is used)
16	Rents
17	Taxes (attach schedule) <b>Schedule Attached</b>
18	Interest
19	Contributions (not over 5% of line 28 adjusted per instructions—attach schedule)
20	Amortization (attach schedule)
21	Depreciation (Schedule G)
22	Depletion
23	Advertising
24	Pension, profit-sharing, etc. plans (see instructions)
25	Employee benefit programs (see instructions)
26	Other deductions (attach schedule) <b>Schedule Attached</b>
27	<b>TOTAL deductions—Add lines 12 through 26</b> <b>462,431</b>
28	<b>Taxable income before net operating loss deduction and special deductions (line 11 less line 27)</b> <b>259,613</b>
29	Less: (a) Net operating loss deduction (see instructions—attach schedule) <b>29(a) 8,860</b> (b) Special deductions (Schedule I) <b>29(b) 8,860</b>
30	<b>Taxable income (line 28 less line 29)</b> <b>250,753</b>

TAX	
31	<b>TOTAL TAX (Schedule J)</b> <b>108,262</b>
32	Credits: (a) Overpayment from 1971 allowed as a credit
	(b) 1972 estimated tax payments
	(c) Less refund of 1972 estimated tax applied for on Form 4466
	(d) Tax deposited with Form 7004 (attach copy) <b>55,000</b>
	(e) Tax deposited with Form 7005 (attach copy)
	(f) Credit from regulated investment companies (attach Form 2439)
	(g) U.S. tax on special fuels, nonhighway gas and lubricating oil (attach Form 4136) <b>55,000</b>
33	<b>TAX DUE (line 31 less line 32). See instruction G for depository method of payment</b> <b>53,262</b>
34	<b>OVERPAYMENT (line 32 less line 31)</b>
35	Enter amount of line 34 you want: Credited to 1973 estimated tax <input type="checkbox"/> Refunded <input type="checkbox"/>

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct, and complete. If prepared by a person other than the taxpayer, his declaration is based on all information of which he has any knowledge.

The Internal Revenue Service does not require a seal on this form, but if one is used, please place it here.

Date **10/11/73** Signature of officer **3900 Wisconsin Avenue**  
Signature of individual or firm preparing the return **Washington, D. C. 20016** **53-0180442**  
Preparer's address Emp. Ident. or Sec. Ser. No.

TAUBER 43443

J.APP. 3414

Form 7004

(Rev. Nov. 1972)  
Department of the Treasury  
Internal Revenue Service

# Application for Automatic Extension of Time to File Corporation Income Tax Return

(Under section 6081(b) of the Internal Revenue Code)

**Notes:** Prepare this form in duplicate. File the original with the Internal Revenue Service Center where you are required to file your income tax return. Attach the duplicate to your income tax return.  
For taxable years ending on or after December 31, 1972, a penalty for failure to pay tax will generally be assessed if the tax shown on line 3(a) of Form 7004 is less than the total tax shown on your income tax return. See instruction 6.

Name of corporation <b>JEFFERSON MEMORIAL HOSPITAL</b>	
Number and street <b>4000 King Street</b>	
City or town, State, and ZIP code <b>Alexandria, Virginia, 22302</b>	
Check type of return to be filed: <input type="checkbox"/> Form 1120 <input type="checkbox"/> Form 1120-C <input type="checkbox"/> Form 1120-L <input type="checkbox"/> Form 1120-1 <input type="checkbox"/> Form 1120-1-1 <input type="checkbox"/> Form 1120-1-1-1 <input checked="" type="checkbox"/> Form 1120-1-1-1-1	Employer identification number <b>64-0784082</b> If you do not have an office or place of business in the U.S.

An automatic 3-month extension of time until **Dec. 15, 1973**, is hereby requested in which to file the income tax return of the corporation named above for the taxable year beginning **July 1, 1972**, and ending **June 30, 1973**.  
1. If the taxable year above is for a period of less than 12 months, is the short period attributable to a change in accounting period? ☐ Yes ☒ No  
2. Does this application also cover subsidiaries to be included in a consolidated return? ☐ Yes ☒ No  
If "Yes," complete the following:

Name and Address of Each Member of the Affiliated Group	Employer Identification No.

3. At least 50 percent of the tax tentatively determined to be due (line 3(c)) must be deposited on or before the original due date of the corporation's income tax return. See instructions for depositary method of payment.  
A penalty will generally be imposed if the tentative amount of tax shown on line 3(a) is less than the total tax shown on your income tax return. See instruction 6.

(a) Tentative amount of income tax for the taxable year including any— Minimum tax on tax preference items Personal holding company tax Tax from recomputing a prior year investment credit Foreign tax credit Investment credit Work incentive (WIN) credit	110,000
(b) Less: (i) Overpayment from prior year allowed as a credit (ii) Estimated tax payments (deposits) for the taxable year (iii) Less refund of estimated tax for the taxable year applied for on Form 4466 (iv) Credit for qualified investment companies (v) Credit for special fuel, nonhighway gas and nonhighway oil	110,000
(c) Balance due	55,000
(d) Amount required to be deposited—at least 50 percent of line 3(c)	55,000

**SIGNATURE** (See instruction 7)  
Under penalties of perjury, I declare that I have been authorized by the above-named corporation to make this application, that to the best of my knowledge and belief the statements made herein are true, correct, and complete, and that I am: ☐ an officer of the corporation; ☐ a duly authorized agent holding a power of attorney; ☐ an agent enrolled to practice before the Internal Revenue Service; ☐ an attorney in good standing of the bar of the highest court of \_\_\_\_\_ (Specify jurisdiction) \_\_\_\_\_ or ☒ a certified public accountant duly qualified to practice in \_\_\_\_\_ (Specify jurisdiction) **District of Columbia**  
(Signature of officer or agent) *Clara M. [illegible]* (Title) \_\_\_\_\_ (Date) **9/14/73**  
A Copy of This Application Must Be Attached to the Corporation's Income Tax Return

**CONFIDENTIAL**

JEFFERSON MEMORIAL HOSPITAL CORPORATION

ALEXANDRIA, VIRGINIA

OTHER DEVIATIONS - F.Y.E. 6/3/73

[illegible]

TAUBER 43445

J.APP. 3416

OPERATING LOSS CARRYOVER - F.Y.E. 6/30/73

TAUBER 43446

100-100000

COST OF OPERATIONS - F.Y.E. 6/30/79

	TOTAL	SALARY AND WAGES	SUPPLIES AND EXPENSE
ADMINISTRATION AND GENERAL	\$ 420,985	\$ 221,723	\$ 119,262
EMPLOYEES' HEALTH AND WELFARE	169,130	66,443	102,687
DIETARY	397,038	171,940	225,098
HOUSEKEEPING	159,966	—	159,966
LAUNDRY AND LINEN	88,640	14,613	74,027
OPERATION OF PLANT	97,582	52,444	45,138
REPAIRS AND MAINTENANCE	13,516	—	13,516
NURSING SERVICE	677,306	618,241	58,965
PHARMACY	258,047	—	258,047
MEDICAL RECORDS AND LIBRARY	40,776	36,706	4,070
EATING ROOM	267,653	154,711	112,942
COVERY ROOM	46,654	31,289	15,365
INTENSIVE CARE	102,964	92,111	10,853
LABORATORY	227,284	91,058	136,226
RADIOLOGY	272,761	70,636	202,125
PHYSICAL THERAPY	31,544	14,764	16,780
INHALATION THERAPY	29,136	25,197	3,939
ANESTHESIOLOGY	155,435	—	155,435
ELECTROCARDIOLOGY	56,421	12,626	43,795
CENTRAL SUPPLY	94,630	27,429	67,201
ELECTROENCEPHALOGRAPHY	2,433	—	2,433
BLOOD BANK	11,679	—	11,679
EMERGENCY	182,064	26,775	155,289
<b>TOTAL</b>	<b>\$ 3,746,276</b>	<b>\$ 1,766,545</b>	<b>\$ 1,979,731</b>

TAUBER 43447





**CONFIDENTIAL**

JEFFERSON MEMORIAL HOSPITAL CORPORATION

ALEXANDRIA, VIRGINIA

TAXES - F.Y.E. 6/30/73

[illegible]

TAUBER 43449

J.APP. 3420

**Schedule A—COST OF GOODS SOLD (See instruction 2)**

### Method of inventory valuation

Was there any substantial change in the manner of determining quantities, costs, or valuations between opening and closing inventory? ☐ Yes ☐ No

If "Yes," attach an explanation.

**Schedule C—DIVIDENDS (See instruction 4)**

- 1 Domestic corporations subject to 85% deduction . . . . .
- 2 Certain preferred stock of public utilities . . . . .
- 3 Foreign corporations subject to 85% deduction . . . . .
- 4 Dividends from wholly-owned foreign subsidiaries  
subject to 100% deduction (section 245(b)) . . . . .
- 5 Other dividends from foreign corporations . . . . .
- 6 Includable income from controlled foreign corporations  
(Subpart F; attach Forms 3646) . . . . .
- 7 Foreign dividend gross-up (section 78) . . . . .
- 8 Qualifying dividends received from affiliated  
groups and subject to the 100% deduction  
(section 243(a)(3)) . . . . .
- 9 Qualifying dividends received from affiliated  
groups and subject to the provisions of section  
1564(b) . . . . .
- 10 Dividends from a DISC or former DISC not in-  
cluded in line 1 (section 246(d)) . . . . .
- 11 Other dividends . . . . .
- 12 Total—Enter here and on line 4, page 1 . . . . .

**Schedule E—COMPENSATION OF OFFICERS (See instruction 12)**[illegible]**Schedule F—BAD DEBTS—RESERVE METHOD (See instruction 15)**

1. Year	2. Trade notes and accounts receivable outstanding at end of year	3. Sales on account	Amount added to reserve		6. Amount charged against reserve	7. Reserve for bad debts at end of year
			4. Current year's provision	5. Recoveries		
1967	661,243	1,869,462	163,237		136,613	104,607
1968	684,644	2,295,582	182,484		178,119	108,912
1969	740,893	3,263,085	176,406		177,488	107,920
1970	854,704	3,347,681	126,131		63,755	170,296
1971	1,045,614	4,070,682	200,266		146,210	224,352
1972	1,437,830	4,411,181	237,970		102,072	360,250

**Schedule G—DEPRECIATION (See instructions for Schedule G)** **Note:** If depreciation is computed by using the Class Life (ADR) System for assets placed in service after December 31, 1970, or the Guideline Class Life System for assets placed in service before January 1, 1971, you must file Form 4832 (Class Life (ADR) System) or Form 5506 (Guideline Class Life System) with your return. Except as otherwise expressly provided in the Regulations under sections 1.167 (a)-11 (b) (5) (v) and 1.167 (a)-12, the provisions of Revenue Procedure 82-21 and 85-13 are not applicable for taxable years ending after December 31, 1970.

Check box(es) if you made an election this taxable year to use ☐ Class Life ADR System and/or ☐ Guideline Class Life System.

1. Group and guideline class or description of property	2. Date acquired	3. Cost or other basis	4. Depreciation allowed or allowable in prior years	5. Method of computing depreciation	6. Life or rate	7. Depreciation for this year
1 Total additional first-year depreciation (do not include in items below) <span style="float: right;">→</span>						
2 Depreciation from Form 4832						
3 Depreciation from Form 5006						
4 Other depreciation:						
Buildings	7/1/77	624,308	32,214	8/L	Var.	32,215
Furniture and fixtures	Various	466,778	176,842	8/L	Var.	35,301
Transportation equipment						
Machinery and other equipment						
Other (specify).....						
Land Improvements	Various	29,985	3,037	8/L	5 Yrs.	1,455
		1,121,065				68,971
5 Totals						68,971
6 Less amount of depreciation claimed in Schedule A						
7 Balance—Enter here and on line 21, page 1						68,971

## Schedule H—SUMMARY OF DEPRECIATION (Other than additional first-year depreciation)

	Straight line	Declining balance	Sum of the years digits	Units of production	Other (specify)	Total
1 Depreciation from Form 4832						
2 Depreciation from Form 5006						
3 Other	68.97					68.97

**CONFIDENTIAL**

Form 1120 (1972)

Page **3**

**Schedule I—SPECIAL DEDUCTIONS**

1 (a) 85% of line 1, Schedule C . . . . .  
 (b) 60.208% of line 2, Schedule C . . . . .  
 (c) 85% of line 3, Schedule C . . . . .  
 (d) 100% of line 4, Schedule C . . . . .  
 2 Total—See page 6 of instructions for limitation . . . . .  
 3 100% of line 8, Schedule C . . . . .  
 4 Enter dividends-received deduction allowed for dividends reported on line 9, Schedule C. See section 1564(b) for computation . . . . .  
 5 Dividends paid on certain preferred stock of public utilities (see instructions) . . . . .  
 6 Western Hemisphere trade corporations (see instructions) . . . . .  
 7 Total special deductions—Add lines 2 through 6. Enter here and on line 29(b), page 1 . . . . .

**Schedule J—TAX COMPUTATION**

1 Taxable income (line 30, page 1). (If DISC inter-company pricing rules (section 994(a)) apply, check here ☐ attach a computation of taxable income under section 994(a), and enter the recomputed taxable income here) . . . . . **250,753**  
 2 Surtax exemption—Enter line 1 or \$25,000, whichever is lesser. (Component members of a controlled group—see page 6 of instructions and enter your surtax exemption or line 1, whichever is lesser.) . . . . . **25,000**  
 3 Line 1 less line 2 . . . . . **225,753**  
 4 (a) 22% of line 1 . . . . . **55,166**  
 (b) 26% of line 3 . . . . . **58,696**  
 (c) If multiple surtax exemption is elected under section 1562, enter 6% of line 2 . . . . . **113,862**  
 5 Income tax (line 4, or alternative tax from separate Schedule D, whichever is lesser) . . . . . **113,862**  
 6 (a) Foreign tax credit (attach Form 1118) . . . . .  
 (b) Investment credit (attach Form 3468) . . . . . **5,600**  
 (c) Work incentive (WIN) credit (attach Form 4874) . . . . .  
 7 Total of lines 6(a), (b), and (c) . . . . . **5,600**  
 8 Line 5 less line 7 . . . . . **108,262**  
 9 Personal holding company tax (attach Schedule 1120 PH) . . . . .  
 10 Tax from recomputing a prior year investment credit (attach Form 4255) . . . . .  
 11 Minimum tax on tax preference items (see page 6 of instructions). Check here ☐ if Form 4626 is attached . . . . .  
 12 Total tax—Add lines 8 through 11. Enter here and on line 31, page 1 . . . . . **108,262**

**Schedule K—RECORD OF FORM 503 FEDERAL TAX DEPOSITS** (List deposits in order of date made—See instruction G)

Serial number of Form 503	Date of deposit	Amount	Serial number of Form 503	Date of deposit	Amount	Serial number of Form 503	Date of deposit	Amount
<b>075</b>	<b>9/17/73</b>	<b>55,000</b>						

G Date incorporated **June 3, 1971**

H (1) Did you at the end of the taxable year own, directly or indirectly, 50% or more of the voting stock of a domestic corporation? ☐ Yes ☒ No  
 (2) Did any corporation, individual, partnership, trust, or association at the end of the taxable year own, directly or indirectly, 50% or more of your voting stock? ☐ Yes ☒ No  
 (For rules of attribution, see section 267(c).)  
 If the answer to (1) or (2) is "Yes," attach a schedule showing:  
 (a) name, address, and identifying number; and  
 (b) percentage owned.  
 If the answer to (1) above is "Yes," show the taxable income or (loss) from line 30, page 1, Form 1120 of such corporation for the taxable year ending with or within your taxable year.  
 If the answer to (2) above is "Yes," was the owner of such voting stock an alien individual or a foreign corporation, partnership, trust, or association? ☐ Yes ☒ No  
 I Did you have any contracts or subcontracts subject to the Renegotiation Act of 1951? ☐ Yes ☒ No. If "Yes," enter the aggregate gross dollar amount billed during the year.  
 J Did you ever declare a stock dividend? ☐ Yes ☒ No  
 K Did you claim a deduction for expenses connected with: Yes No  
 (1) Entertainment facility (boat, resort, ranch, etc.)? ☐ Yes ☒ No  
 (2) Living accommodations (except employees on business)? ☐ Yes ☒ No  
 (3) Employees' families at conventions or meetings? ☐ Yes ☒ No  
 (4) Employee or family vacations not reported on Form W-2? ☐ Yes ☒ No  
 L Taxable income or (loss) from line 30, page 1, Form 1120 for: 1969 **172,192** 1970 **(5,965)** 1971 . . . . .  
 M Refer to page 7 of instructions and state the principal:  
 Business activity **Hospital**  
 Product or service **Medical Services**  
 N Were you a member of a controlled group subject to the provisions of: (1) Section 1561? ☐ Yes ☒ No (2) Section 1562? ☐ Yes ☒ No  
 If answer to (1) or (2) is "Yes," check type of relationship:  
 (a) parent-subsidiary ☐ (b) brother-sister ☐  
 (c) combination of (a) and (b) ☐ (See section 1563.)  
 If answer to (2) is "Yes," does section 1562(b)(1)(A) apply (nonapplication of 6% additional tax under section 1562)? ☐ Yes ☒ No  
 O Did the corporation, at any time during the taxable year, have any interest in or signature or other authority over a bank, securities, or other financial account in a foreign country? ☐ Yes ☒ No  
 If "Yes," attach Form 4683. (For definitions, see Form 4683.)  
 P Were you a U.S. shareholder of any controlled foreign corporation? ☐ Yes ☒ No. (See sections 951 and 957.) If "Yes," attach Form 3646 for each such corporation.  
 Q During this taxable year, did you pay dividends (other than stock dividends and distributions in exchange for stock) in excess of your current and accumulated earnings and profits? ☐ Yes ☒ No. (See sections 301 and 316.)  
 If "Yes," file Schedule A, Form 1096. If this is a consolidated return, answer here for parent corporation and on Form 851, Affiliations Schedule, for each subsidiary.  
 R Did you file all required Forms 1099, 1096 and 1087? ☒ Yes ☐ No

TAUBER 43451

J.APP. 3422

3468

Department of the Treasury  
Internal Revenue Service

## Computation of Investment Credit

▶ Attach to your tax return.

For calendar year 1972 or other taxable year beginning

July 1

1972, and ending

June 30

1973

CONFIDENTIAL

1972

The investment credit has been restored for property ordered by the taxpayer after March 31, 1971, or acquired by the taxpayer after August 15, 1971, regardless of when ordered.

The credit has also been restored for property whose construction, reconstruction, or erection was begun by the taxpayer after March 31, 1971, or whose construction, recon-

struction, or erection was completed by the taxpayer after August 15, 1971, regardless of when begun. In the case of property whose construction, reconstruction, or erection was begun by the taxpayer before April 1, 1971, only that portion of the basis attributable to construction, reconstruction, or erection after August 15, 1971, may be taken into account in determining the credit.

Name

JEFFERSON MEMORIAL HOSPITAL

Identifying number as shown on  
page 1 of your tax return

54-0784092

## 1 Qualified investment in new and used property (See instruction C for eligible property)

NOTE: Include your share of investment property by a partnership, estate, trust, small business corporation, or lessor.

Type of property	Line	(1) Life years	(2) Cost or basis	(3) Applicable percentage	(4) Qualified investment (Column 2 x column 3)
New Property	(a)	3 or more but less than 5	139	33 1/3	46
	(b)	5 or more but less than 7	4,817	66 2/3	3,211
	(c)	7 or more	2,742	100	2,742
Used Property (Instructions for limitation)	(d)	3 or more but less than 5		33 1/3	
	(e)	5 or more but less than 7		66 2/3	
	(f)	7 or more		100	

Total qualified investment—Add lines 1(a) through 1(f)

5,999

3 Tentative investment credit—7% (4% for public utility property) of line 2

420

4 Carryback and carryover of unused credit(s). (See instruction 4—attach computation.)

5,180

5 Total—Add lines 3 and 4

5,600

## Limitation

6 (a) Individuals—Enter amount from line 18, page 1, Form 1040.	
(b) Estates and trusts—Enter amount from line 24 or 25, page 1, Form 1041.	113,862
(c) Corporations—Enter amount from line 5, Schedule J, Form 1120.	
7 Less: (a) Foreign tax credit.	
(b) Retirement income credit (individuals only).	
8 Total—Add lines 7(a) and (b)	113,862
9 Line 6 less line 8	25,000
10 (a) Enter amount on line 9 or \$25,000, whichever is lesser. (Married persons filing separately, controlled corporate groups, estates, and trusts, see instruction 10.)	44,431
(b) If line 9 exceeds \$25,000, enter 50% of the excess.	
11 Total—Add lines 10(a) and (b)	69,431
12 Investment credit—Enter amount from line 5 or line 11, whichever is lesser	5,600

## Schedule A

If any part of your investment in 1 above was made by a partnership, estate, trust, small business corporation, or lessor, complete the following:

Name (Partnership, estate, trust, etc.)	Address	Property		
		New	Used	Life years
		\$	\$	

TAUBER 43452

J.APP. 3423

**CONFIDENTIAL**

Jefferson Memorial Hospital Corporation

*Asterias, Vignola*

STATEMENT OF INVESTMENT CREDIT - F.Y.E. 6/30/73

Total (Chayover) १०१  
 ७/३/७२  
 १०१  
 १०१

5180

TAUBER 43453

J.A.P.P. 3424

ASSETS	Beginning of taxable year		CONFIDENTIAL	
	(A) Amount	(B) Total	(C) Amount	(D) Total
1 Cash . . . . .		19,855		97,344
2 Trade notes and accounts receivable . . . . .	1,175,032		1,533,989	
(a) Less allowance for bad debts . . . . .	284,322	950,680	360,250	1,173,739
3 Inventories . . . . .		22,222		23,413
4 Gov't obligations: (a) U.S. and instrumentalities . . . . .				
(b) State, subdivisions thereof, etc. . . . .				
5 Other current assets (attach schedule) . . . . .		40,165		38,012
6 Loans to stockholders . . . . .				
7 Mortgage and real estate loans . . . . .				
8 Other investments (attach schedule) . . . . .				
9 Buildings and other fixed depreciable assets . . . . .	1,085,452		1,181,065	
(a) Less accumulated depreciation . . . . .	212,277	873,215	280,063	840,002
10 Depletable assets . . . . .				
(a) Less accumulated depletion . . . . .				
11 Land (net of any amortization) . . . . .		147,456		147,456
12 Intangible assets (amortizable only) . . . . .	365,804		375,485	
(a) Less accumulated amortization . . . . .	11,379	375,485	11,377	364,048
13 Other assets (attach schedule) . . . . .		9,794		10,618
14 Total assets . . . . .		2,439,812		2,694,632
LIABILITIES AND STOCKHOLDERS' EQUITY				
15 Accounts payable . . . . .		357,576		332,671
16 Mtges., notes, bonds payable in less than 1 yr. . . . .				
17 Other current liabilities (attach schedule) . . . . .		61,214		212,293
18 Loans from stockholders . . . . .				
19 Mtges., notes, bonds payable in 1 yr. or more . . . . .		922,129		904,016
20 Other liabilities (attach schedule) . . . . .		497,861		358,456
21 Capital stock: (a) Preferred stock . . . . .				
(b) Common stock . . . . .		2,450		3,050
22 Paid-in or capital surplus (attach reconciliation) . . . . .		723,199		942,853
23 Retained earnings—Appropriated (attach sch.) . . . . .				
24 Retained earnings—Unappropriated . . . . .		( 204,611 )		( 64,637 )
25 Less cost of treasury stock . . . . .				
26 Total liabilities and stockholders' equity . . . . .		2,439,812		2,694,632

## Schedule M-1—RECONCILIATION OF INCOME PER BOOKS WITH INCOME PER RETURN

1 Net income per books . . . . .	139,974	7 Income recorded on books this year not included in this return (itemize)	
2 Federal income tax . . . . .	168,882	(a) Tax-exempt interest \$ . . . . .	
3 Excess of capital losses over capital gains . . . . .			
4 Taxable income not recorded on books this year (itemize) . . . . .		8 Deductions in this tax return not charged against book income this year (itemize)	
5 Expenses recorded on books this year not deducted in this return (itemize)		(a) Depreciation . . \$ . . . . .	
(a) Depreciation . . . . .		(b) Depletion . . . \$ . . . . .	
(b) Depletion . . . . .			
Amortization of			
Goodwill	11,377	9 Total of lines 7 and 8 . . . . .	-
6 Total of lines 1 through 5 . . . . .	259,613	10 Income (line 28, page 1)—line 6 less 9 . . . . .	259,613

## Schedule M-2—ANALYSIS OF UNAPPROPRIATED RETAINED EARNINGS PER BOOKS (line 24 above)

1 Balance at beginning of year . . . . .	(204,611)	5 Distributions: (a) Cash . . . . .	
2 Net income per books . . . . .	139,974	(b) Stock . . . . .	
3 Other increases (itemize) . . . . .		(c) Property . . . . .	
		6 Other decreases (itemize) . . . . .	
		7 Total of lines 5 and 6 . . . . .	
4 Total of lines 1, 2, and 3 . . . . .	( 64,637 )	8 Balance at end of year (line 4 less 7) . . . . .	( 64,637 )

**CONFIDENTIAL**

**FORM 500**  
 Corporation Tax Processing  
 Department of Taxation  
 Box 760  
 Richmond, Va. 23206

# Virginia Corporation Income Tax Return

# 1972

For calendar year 1972 or taxable year beginning July 1, 1972, and ending June 30, 1973

Check if —	Name	Official use only
A Consolidated return <input type="checkbox"/>	<b>JEFFERSON MEMORIAL HOSPITAL CORPORATION</b>	
B Final return <input type="checkbox"/>	Number and street	
C Amended return <input type="checkbox"/>	<b>4600 King Street</b>	
	City or town, state, and ZIP Code	
	<b>Alexandria, Virginia 22302</b>	
Federal Business Code No.	Date incorporated <u>June 3, 1971</u> State or country <u>Delaware</u>	Employer Identification Number
<b>8010</b>	Principal business activity <u>Hospital</u>	<b>54-0784092</b>

**IMPORTANT: ATTACH A COPY OF YOUR FEDERAL RETURN TO THIS RETURN**

	Amount
1 Federal taxable income (from attached Federal return)	250,753
2 Additions (from line 26)	25,431
3 Total (add lines 1 and 2)	276,184
4 Subtractions (from line 34)	
5 Total (line 3 minus line 4)	276,184
6 Savings and loan assoc.'s had debt deduction—Federal allowable percent times line 5	
7 Virginia taxable income (line 5 minus line 6)	276,184
8 Virginia taxable income of a multistate corporation (Schedule M)	
9 Tax (6% of line 7 or line 8)	16,571
10 Credits:	
(a) 1972 estimated Virginia income tax payments	12,800
(b) Prior year's overpayment	
(c) Payments with extension request and other payments	
Total credits (add lines (a), (b), and (c))	12,800
11 Tax due (subtract line 10 from line 9)	3,771
12 5% penalty of line 11 if filed after due date or extension of time date	
13 Interest for late filing (see instructions)	
14 Total due (add lines 11, 12 and 13). This amount must be paid with return	3,771
15 Overpayment (if line 10 is larger than line 9 enter overpayment)	
16 Amount to be credited on 1973 estimated tax	
17 Amount to be refunded (subtract line 16 from line 15)	

Mail this return to Corporation Tax Processing, Department of Taxation, P. O. Box 760, Richmond, Virginia 23206 on or before the fifteenth day of the fourth month following the close of the taxable year. Checks should be made payable to the Department of Taxation.

## DECLARATION

I, the undersigned president, vice-president, treasurer, assistant treasurer, chief accounting officer, or other officer duly authorized to act, of the corporation for which this return is made, declare under the penalties provided by law that this return (including any accompanying schedules and statements) has been examined by me and is, to the best of my knowledge and belief, a true, correct, and complete return, made in good faith, for the taxable year stated, pursuant to the income tax laws of the Commonwealth of Virginia. If prepared by a person other than taxpayer, his declaration is based on all information of which he has any knowledge.

**TAUBER 43455**

(Date)	(Signature of officer)	(Title)
<u>10/11/73</u>	<u>Conceita P. Robinson</u>	<u>3900 Wisconsin Avenue, Washington, D.</u>
(Date)	(Individual or firm signature of preparer)	(Address)
		<u>20016</u>

Trial Exhibit  
No. 238.

J.APP. 3426

**PART I—Additions to Federal taxable income (attach schedules):**

18	Income taxes of this state or any other taxing jurisdiction.....	18	16,571
19	Interest on state obligations other than Virginia.....	19	
20	Interest or dividends on obligations or securities of the United States exempt from Federal income taxes but not from state income taxes.....	20	
21	Capital loss carryovers from years beginning on or before December 31, 1971.....	21	
22	Contribution carryovers from years beginning on or before December 31, 1971.....	22	
23	Net operating loss carryovers from years beginning on or before December 31, 1971.....	23	8,860
24	Savings and loan association's Federal bad debt deduction.....	24	
25	Other.....	25	
26	Total—Enter this amount on line 2.....	26	25,431

**PART II—Subtractions from Federal taxable income (attach schedules):**

27	Interest or dividends on obligations or securities of the United States exempt from state income taxes but not from Federal income taxes.....	27	
28	Interest on obligations of this state or of any political subdivision or instrumentality of this state...	28	
29	Excludable dividends.....	29	
30	Refund or credit of income taxes included in Federal taxable income.....	30	
31	Depreciation adjustment.....	31	
32	Adjustment in sale or exchange of nondepreciable property.....	32	
33	Other.....	33	
34	Total—Enter this amount on line 4.....	34	

**PART III—Questions**

- 35 The corporation's books are in care of The Corporation Located at 4600 King St., Alexandria,
- 36 Check if the corporation is a farmers' marketing or a farmers' purchasing cooperative association — a consumers' co-operative association —, or other cooperative association —.
- 37 What is the last taxable year for which the corporation's Federal tax return has been corrected by the Internal Revenue Service? None Have all such corrections been reported to the Department of Taxation as required? Yes \_\_\_ No \_\_\_ If "No", attach statement of adjustments for each year examined.

TAUBER 43456



# Virginia Corporation Income Tax Return

1974

Richmond, Va. 23212 For calendar year 1974 or taxable year beginning JULY 1 1974, and ending JUNE 30 1975

Check if — A Consolidated return <input type="checkbox"/> B Final return (withdrawal or dissolution) <input type="checkbox"/> C Amended return <input type="checkbox"/>	Name <u>JEFFERSON MEMORIAL HOSPITAL CORPORATION</u>	Official use only <b>CONFIDENTIAL</b>
	Number and street <u>4600 KING STREET</u>	
	City or town, state, and ZIP Code <u>ALEXANDRIA, VIRGINIA 22302</u>	
Federal Business Code No. <u>8099</u>	Date incorporated <u>JUNE 3, 1971</u> State or country <u>DELAWARE</u>	Employer Identification Number <u>54-0781092</u>
	Principal business activity <u>MEDICAL SERVICE - (HOSPITAL)</u>	

IMPORTANT: ATTACH A COPY OF YOUR FEDERAL RETURN TO THIS RETURN

	Amount
1 Federal taxable income (from attached Federal return).....	1 193 070 35
2 Additions (from line 25).....	2 12 515 13
3 Total (add lines 1 and 2).....	3 205 585 48
4 Subtractions (from line 31).....	4 -
5 Total (line 3 minus line 4).....	5 205 585 48
6 Savings and loan assoc.'s bad debt deduction—Federal allowable percent times line 5.....	6 -
7 Virginia taxable income (line 5 minus line 6).....	7 205 585 48
8 Virginia taxable income of a multistate corporation (Schedule A).....	8 -
9 Tax (6% of line 7 or line 8).....	9 12 515 13
10 Credits:	
(a) 1974 estimated Virginia income tax payments.....	
(b) Prior year's overpayment.....	2000 00
(c) Payments with extension request and other payments.....	
Total credits (add lines (a), (b), and (c)).....	10 2000 00
11 Tax due (subtract line 10 from line 9).....	11 10 515 13
12 5% penalty of line 11 if filed after due date or extension of time date.....	12 -
13 Interest for late filing (see instructions).....	13 105 15
14 Total due (add lines 11, 12 and 13). This amount must be paid with return.....	14 10 620 28
15 Overpayment (if line 10 is larger than line 9 enter overpayment).....	15 -
16 Amount to be credited for 1975 estimated tax.....	16 -
17 Amount to be refunded (subtract line 16 from line 15).....	17 -

Mail this return to the Department of Taxation, P. O. Box 1500, Richmond, Virginia 23212, on or before the fifteenth day of the fourth month following the close of the taxable year. Checks should be made payable to the Department of Taxation.

## DECLARATION

I, the undersigned president, vice-president, treasurer, assistant treasurer, chief accounting officer, or other officer duly authorized to act, of the corporation for which this return is made, declare under the penalties provided by law that this return (including any accompanying schedules and statements) has been examined by me and is, to the best of my knowledge and belief, a true, correct, and complete return, made in good faith, for the taxable year stated, pursuant to the income tax laws of the Commonwealth of Virginia. If prepared by a person other than taxpayer, his declaration is based on all information of which he has any knowledge.

(Date)	(Signature of officer)	(Title)
		1120 CONNECTICUT AVE, N.W., WASHINGTON, D.C. 20036
(Date)	(Individual or firm signature of preparer)	(Address)

TAUBER 43420

Trial Exhibit  
No. 241.

J.APP. 3428

**CONFIDENTIAL**

Page 2

**PART I—Additions to Federal taxable income (attach schedules):**

18	Income taxes of this state or any other taxing jurisdiction.....	18	12.515	13
19	Interest on state obligations other than Virginia.....	19		
20	Capital loss carryovers from years beginning on or before December 31, 1971.....	20		
21	Contribution carryovers from years beginning on or before December 31, 1971.....	21		
22	Net operating loss carryovers from years beginning on or before December 31, 1971 (see instructions for exceptions) .....	22		
23	Savings and loan association's Federal bad debt deduction.....	23		
24	Other.....	24		
25	Total—Enter this amount on line 2.....	25	12.515	13

**PART II—Subtractions from Federal taxable income (attach schedules):**

26	Interest or dividends on obligations or securities of the United States exempt from state income taxes but not from Federal income taxes.....	26		
27	Excludable dividends.....	27		
28	Refund or credit of income taxes included in Federal taxable income.....	28		
29	Adjustment in sale or exchange of nondepreciable property.....	29		
30	Other.....	30		
31	Total—Enter this amount on line 4.....	31	None	

**PART III—Questions**

- 32 The corporation's books are in care of THE CORPORATION Located at ALEXANDRIA, VIRGINIA
- 33 Check if the corporation is a farmers' marketing or a farmers' purchasing cooperative association\_\_\_\_\_, a consumers' cooperative association\_\_\_\_\_, or other cooperative association\_\_\_\_\_.
- 34 Was the corporation's Federal tax adjusted during the taxable year? Yes \_\_\_\_\_ No X . Have all such corrections been reported to the Department of Taxation as required? Yes \_\_\_\_\_ No \_\_\_\_\_ . If "No", attach statement of adjustments for each year examined.

TAUBER 43421

J.APP. 3429

**Application for Automatic Extension of Time  
to File Corporation Income Tax Return**

(Under section 6081(b) of the Internal Revenue Code)

**CONFIDENTIAL**

Note: Prepare this form in duplicate. File the original with the Internal Revenue Service Center where you are required to file your income tax return. Attach the duplicate to your income tax return.

A penalty for failure to pay tax will generally be imposed upon any corporation which files Form 7004 and underestimates by more than 10% its tentative amount of income tax for the taxable year. See instruction F.

Name of corporation <u>Jefferson Memorial Hospital Corporation</u>	Employer Identification Number <u>54-0784002</u>
Number and street <u>4600 King Street</u>	Check type of return to be filed: <input type="checkbox"/> Form 1120 <input type="checkbox"/> Form 1120S <input type="checkbox"/> Form 1120L <input type="checkbox"/> Form 990-C <input type="checkbox"/> Form 1120M <input type="checkbox"/> Form 990-T <input type="checkbox"/> Form 1120F—Check here if you do not have an office or place of business in the U.S.
City or town, State, and ZIP code <u>Alexandria, Virginia</u>	

An automatic 3-month extension of time until Dec. 15, 1975, is hereby requested in which to file the income tax return of the corporation named above for the taxable year beginning July 1, 1974, and ending June 30, 1975.

1. If the taxable year above is for a period of less than 12 months, check here if the short period is due to:
- ☐ change in accounting period
  - ☐ filing of initial tax return
  - ☐ filing of final tax return
  - ☐ other (attach explanation)

2. Does this application also cover subsidiaries to be included in a consolidated return? . . . . . Yes ☐ No ☐  
If "Yes," complete the following:

Name and Address of Each Member of the Affiliated Group	Employer Identification No.

3. At least 50% of the tax tentatively determined to be due (line 3(c)) must be deposited on or before the original due date of the corporation's income tax return. See instructions for depositary method of payment.

A penalty for failure to pay tax will generally be imposed upon any corporation which files Form 7004 and underestimates by more than 10% its tentative amount of income tax for the taxable year. See instruction F.

(a) Tentative amount of income tax for the taxable year including any—	
Minimum tax on tax preference items	} <u>\$45,000.00</u>
Personal holding company tax	
Tax from recomputing a prior year investment credit	
Tax from recomputing a prior year work incentive (WIN) credit	
Foreign tax credit	
Investment credit	
WIN credit	
(b) Less: (i) Overpayment from prior year allowed as a credit . . . . . <u>\$6,000.00</u>	
(ii) Estimated tax payments (deposits) for the taxable year . . . . . ( )	
(iii) Less refund of estimated tax for the taxable year applied for on Form 4466 . . . . . ( )	
(iv) Credit from regulated investment companies . . . . . ( )	
(v) Credit for U.S. tax on special fuels, nonhighway gas and lubricating oil . . . . . <u>6,000.00</u>	
(c) Balance due . . . . . <u>61,000.00</u>	
(d) Amount required to be deposited—at least 50% of line 3(c) . . . . . <u>30,500.00</u>	

**SIGNATURE (See instruction I)**

Under penalties of perjury, I declare that I have been authorized by the above-named corporation to make this application, that to the best of my knowledge and belief the statements made herein are true, correct, and complete, and that I am:

- ☐ an officer of the corporation;
- ☐ a duly authorized agent holding a power of attorney;
- ☐ an agent enrolled to practice before the Internal Revenue Service;
- ☐ an attorney in good standing of the bar of the highest court of \_\_\_\_\_;

(Specify jurisdiction)

X ☐ a certified public accountant duly qualified to practice in District of Columbia

(Specify jurisdiction)

Certified Public Accountant

(Signature of officer or agent)

(Title)

9-9-75

(Date)

TAUBER 43422

A Copy of This Application Must Be Attached to the Corporation's Income Tax Return

FORM 100  
Department of Taxation  
Box 1500  
Richmond, Va. 23212 For calendar year 1975 or taxable year beginning

# Virginia Corporation Income Tax Return

# 1975

1975, and ending

Check if —

- A Consolidated return ☐  
B Final return (withdrawal or dissolution) ☐  
C Amended return ☐

JEFFERSON MEMORIAL HOSP INC 540784092  
4100 KING ST  
ALEXANDRIA VA 22312

Official use only

CONFIDENTIAL

Federal Business Code No.

Date incorporated JUNE 3, 1971 State or country DELAWARE

Employer Identification Number

5000

Principal business activity MEDICAL SERVICE - (HOSPITAL)

54-0784092

IMPORTANT: ATTACH A COPY OF YOUR FEDERAL RETURN TO THIS RETURN

	Amount
1 Federal taxable income (from attached Federal return).....	199 079 05
2 Additions (from line 25).....	12 707 17
3 Total (add lines 1 and 2).....	211 786 22
4 Subtractions (from line 31).....	-
5 Total (line 3 minus line 4).....	211 786 22
6 Savings and loan assoc.'s bad debt deduction—Federal allowable percent times line 5.....	-
7 Virginia taxable income (line 5 minus line 6).....	211 786 22
8 Virginia taxable income of a multistate corporation (Schedule A).....	-
9 Tax (6% of line 7 or line 8).....	12 707 17
10 Credits:	
(a) 1975 estimated Virginia income tax payments.....	6 000 00
(b) Prior year's overpayment.....	-
(c) Payments with extension request and other payments.....	-
Total credits (add lines (a), (b), and (c)).....	6 000 00
11 Tax due (subtract line 10 from line 9).....	6 707 17
12 5% penalty of line 11 if filed after due date or extension of time date.....	-
13 Interest for late filing (see instructions).....	-
14 Total due (add lines 11, 12 and 13). This amount must be paid with return.....	6 707 17
15 Overpayment (if line 10 is larger than line 9 enter overpayment).....	-
16 Amount to be credited on 1976 estimated tax.....	-
17 Amount to be refunded (subtract line 16 from line 15).....	-

Mail this return to the Department of Taxation, P. O. Box 1500, Richmond, Virginia 23212, on or before the fifteenth day of the fourth month following the close of the taxable year. Checks should be made payable to the Department of Taxation.

## DECLARATION

I, the undersigned president, vice-president, treasurer, assistant treasurer, chief accounting officer, or other officer duly authorized to act, of the corporation for which this return is made, declare under the penalties provided by law that this return (including any accompanying schedules and statements) has been examined by me and is, to the best of my knowledge and belief, a true, correct, and complete return, made in good faith, for the taxable year stated, pursuant to the income tax laws of the Commonwealth of Virginia. If prepared by a person other than taxpayer, his declaration is based on all information of which he has any knowledge.

(Date)

(Signature of officer)

(Title)

(Date)

(Individual or firm signature of preparer)

(Address)

DAVID M. ROSENSTEIN

4850 Greenway Dr. Wren, Va.

TAUBER 43360

Trial Exhibit  
No. 243.

J.APP. 3431

**CONFIDENTIAL****PART I — Additions to Federal taxable income (attach schedules).**

18	Income taxes and other taxes which are based on, measured by, or computed with reference to net income .....	18	12707 17
19	Interest on state obligations other than Virginia.....	19	
20	Capital loss carryovers from years beginning on or before December 31, 1971 .....	20	
21	Contribution carryovers from years beginning on or before December 31, 1971 .....	21	
22	Net operating loss carryovers from years beginning on or before December 31, 1971 .....	22	
23	Savings and loan association's Federal bad debt deduction.....	23	
24	Other.....	24	
25	Total—Enter this amount on line 2.....	25	12707 17

**PART II — Subtractions from Federal taxable income (attach schedules):**

26	Interest or dividends on obligations or securities of the United States exempt from state income taxes but not from Federal income taxes.....	26	
27	Excludable dividends.....	27	
28	Refund or credit of income taxes included in Federal taxable income.....	28	
29	Adjustment in sale or exchange of nondepreciable property.....	29	
30	Other.....	30	
31	Total—Enter this amount on line 4.....	31	NONE

**PART III — Questions**

32 The corporation's books are in care of THE CORPORATION Located at ALEXANDRIA, VA.

33 Check if the corporation is a farmers' marketing or a farmers' purchasing cooperative association \_\_\_\_\_, a consumers' cooperative association \_\_\_\_\_, or other cooperative association \_\_\_\_\_.

34 Was the corporation's Federal tax adjusted during the taxable year? Yes \_\_\_\_\_ No X . Have all such corrections been reported to the Department of Taxation as required? Yes \_\_\_\_\_ No \_\_\_\_\_ . If "No", attach statement of adjustments for each year examined.

TAUBER 43361

**U.S. Corporation** **1977** **CONFIDENTIAL**  
For calendar year 1977 or other taxable year beginning  
1977, ending 1977.  
(PLEASE TYPE OR PRINT)

Check if —  
A Consolidated return ☐  
B Personal Holding Co. ☐  
C Business Code No. (See Page 8 of instructions)  
**8099**

TO 54-0784092 JUN 30, 1978 054 M  
JEFFERSON MEMORIAL HOSPITAL INC  
4500 KING ST  
ALEXANDRIA VA 22302

D Employer identification number  
**54-0784092**  
E Date incorporated  
**JUNE 30 1971**

F Enter total assets from line 14, column (D), Schedule L (See specific instructions)

IMPORTANT—Fill in all applicable lines and schedules. If the lines on the schedules are not sufficient, see instruction N.

GROSS INCOME	1	Gross receipts or gross sales.....	<b>8,594,874.15</b>	Less: Returns and allowances.....	<b>709,813.56</b>	1	<b>7,885,060.59</b>
	2	Less: Cost of goods sold (Schedule A) and/or operations (attach schedule) . . . . .				2	<b>6,758,888.26</b>
	3	Gross profit . . . . .				3	<b>1,126,172.33</b>
	4	Dividends (Schedule C) . . . . .				4	
	5	Interest on obligations of the United States and U.S. instrumentalities . . . . .				5	
	6	Other interest . . . . .				6	<b>9,562.39</b>
	7	Gross rents . . . . .				7	<b>3,900.00</b>
	8	Gross royalties . . . . .				8	
	9	(a) Capital gain net income (attach separate Schedule D) . . . . .				9(a)	
		(b) Net gain or (loss) from line 9, Part II, Form 4797 (attach Form 4797) . . . . .				9(b)	
	10	Other income (see instructions—attach schedule) . . . . .	<b>(4,053)</b>			10	<b>(1,761.75)</b>
11	TOTAL income—Add lines 3 through 10 . . . . .				11	<b>1,137,872.97</b>	
DEDUCTIONS	12	Compensation of officers (Schedule E) . . . . .				12	
	13	Salaries and wages (not deducted elsewhere) . . . . .				13	
	14	Repairs (see instructions) . . . . .				14	
	15	Bad debts (Schedule F if reserve method is used) . . . . .				15	<b>473,190.83</b>
	16	Rents . . . . .				16	<b>134,766.72</b>
	17	Taxes (attach schedule) . . . . .				17	<b>80,152.93</b>
	18	Interest . . . . .				18	<b>63,588.03</b>
	19	Contributions (not over 5% of line 30 adjusted per instructions—attach schedule) . . . . .				19	
	20	Amortization (attach schedule) . . . . .				20	
	21	Depreciation from Form 4562 (attach Form 4562) . . . . . less depreciation claimed in Schedule A and elsewhere on return . . . . . Balance ▶				21	<b>65,618.07</b>
	22	Depletion . . . . .				22	
23	Advertising . . . . .				23		
24	Pension, profit-sharing, etc. plans (see instructions) (enter number of plans ▶ <b>one</b> ) . . . . .				24	<b>58,324.00</b>	
25	Employee benefit programs (see instructions) . . . . .				25		
26	Other deductions (attach schedule) . . . . .				26	<b>137,538.79</b>	
27	TOTAL deductions—Add lines 12 through 26 . . . . .				27	<b>1,010,248.77</b>	
28	Taxable income before net operating loss deduction and special deductions (line 11 less line 27) . . . . .				28	<b>127,624.18</b>	
29	Less: (a) Net operating loss deduction (see instructions—attach schedule) . . . . . 29(a)						
	(b) Special deductions (Schedule I) . . . . . 29(b)						
30	Taxable income (line 28 less line 29) . . . . .				30	<b>127,624.18</b>	
TAX	31	TOTAL TAX (Schedule J) . . . . .				31	<b>39,882.40</b>
	32	Credits: (a) Overpayment from 1976 allowed as a credit . . . . . <b>12,871.17</b>					
		(b) 1977 estimated tax payments . . . . . <b>27,139.00</b>					
		(c) Less refund of 1977 estimated tax applied for on Form 4456 . . . . . <b>(47,000.27)</b>					
		(d) Tax deposited with Form 7004 (attach copy) . . . . .					
		(e) Tax deposited with Form 7005 (attach copy) . . . . .					
		(f) Credit from regulated investment companies (attach Form 2439) . . . . .					
		(g) U.S. tax on special fuels, nonhighway gas and lubricating oil (attach Form 4136) . . . . .					
	33	TAX DUE (line 31 less line 32). See instruction G for depository method of payment . . . . .				33	<b>47,000.27</b>
	34	OVERPAYMENT (line 32 less line 31) . . . . .				34	<b>7,117.87</b>
	35	Enter amount of line 34 you want: Credited to 1978 estimated tax ▶ <b>7,117.87</b> Refunded ▶				35	

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

Signature of officer **Merle H. DeLoe** 9/14/78 Date

Paid preparer's signature and identifying number (see instructions) **David M. G. CFA** 9/12/78

**PRESENT**

4850 CONN. AVE. N.W., WASHINGTON, D.C.  
086-24-8067

Paid preparer's address (or employer's name, address and identifying number)

TAUBER 43263

Trial Exhibit  
No. 246.

J.APP. 3433

FILE COPY

Form **1120**  
Department of the Treasury  
Internal Revenue Service**U.S. Corporation Income Tax Return**

For calendar year 1977 or other taxable year beginning

**CONFIDENTIAL 1977**1977, ending 19  
(PLEASE TYPE OR PRINT)Check if —  
A Consolidated return ☐  
B Personal Holding Co. ☐  
C Business Code No. (See  
Page 8 of instructions)

8099

Use IRS label  
Otherwise  
print or type.TO 54-0784092 JUN 30, 1978 054 M  
JEFFERSON MEMORIAL HOSPITAL INC  
4600 KING ST  
ALEXANDRIA VA 22302

D Employer identification number

54-0784092

E Date incorporated

JUNE 30 1971

F Enter total assets from line 14,  
column (D), Schedule L (See specific  
instructions)

\$ 2062 836 01

IMPORTANT—Fill in all applicable lines and schedules. If the lines on the schedules are not sufficient, see instruction N.

GROSS INCOME	1	Gross receipts or gross sales	8,594,974.00	Less: Returns and allowances	709,813.56	1	7,885,060.59
	2	Less: Cost of goods sold (Schedule A) and/or operations (attach schedule)				2	6,758,888.26
	3	Gross profit				3	1,126,172.33
	4	Dividends (Schedule C)				4	
	5	Interest on obligations of the United States and U.S. instrumentalities				5	
	6	Other interest				6	9,562.39
	7	Gross rents				7	3,900.00
	8	Gross royalties				8	
	9	(a) Capital gain net income (attach separate Schedule D)				9(a)	
		(b) Net gain or (loss) from line 9, Part II, Form 4797 (attach Form 4797)				9(b)	
	10	Other income (see instructions—attach schedule)	(Loss)			10	(1,761.75)
11	TOTAL income—Add lines 3 through 10				11	1,137,872.97	
DEDUCTIONS	12	Compensation of officers (Schedule E)				12	
	13	Salaries and wages (not deducted elsewhere)				13	
	14	Repairs (see instructions)				14	
	15	Bad debts (Schedule F if reserve method is used)				15	473,190.23
	16	Rents				16	134,766.72
	17	Taxes (attach schedule)				17	80,152.93
	18	Interest				18	63,588.03
	19	Contributions (not over 5% of line 30 adjusted per instructions—attach schedule)				19	
	20	Amortization (attach schedule)				20	
	21	Depreciation from Form 4562 (attach Form 4562) less depreciation claimed in Schedule A and elsewhere on return				21	65,618.07
	22	Depletion				22	
	23	Advertising				23	
	24	Pension, profit-sharing, etc. plans (see instructions) (enter number of plans — one —)				24	53,394.00
	25	Employee benefit programs (see instructions)				25	
	26	Other deductions (attach schedule)				26	137,538.79
	27	TOTAL deductions—Add lines 12 through 26				27	1,010,248.79
	28	Taxable income before net operating loss deduction and special deductions (line 11 less line 27)				28	127,624.18
	29	Less: (a) Net operating loss deduction (see instructions—attach schedule)	29(a)				
	(b) Special deductions (Schedule I)	29(b)					
30	Taxable income (line 28 less line 29)				30	127,624.18	
TAX	31	TOTAL TAX (Schedule J)				31	39,882.40
	32	Credits: (a) Overpayment from 1976 allowed as a credit	12,871.17				
		(b) 1977 estimated tax payments	27,129.00				
		(c) Less refund of 1977 estimated tax applied for on Form 4466		47,000.27			
		(d) Tax deposited with Form 7004 (attach copy)					
		(e) Tax deposited with Form 7005 (attach copy)					
		(f) Credit from regulated investment companies (attach Form 2439)					
		(g) U.S. tax on special fuels, nonhighway gas and lubricating oil (attach Form 4136)					
	33	TAX DUE (line 31 less line 32). See instruction G for depositary method of payment				33	47,000.27
	34	OVERPAYMENT (line 32 less line 31)				34	7,117.87
35	Enter amount of line 34 you want: Credited to 1978 estimated tax	7,117.87	Refunded		35		

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

Signature of officer *Robert H. Tauber* 9/14/78 Date

Paid preparer's signature and identifying number (see instructions)

4850 CONN. AVE. N.W., WASHINGTON, D.C.

086-24-8067

Paid preparer's address (or employer's name, address and identifying number)

TAUBER 43264

**Schedule A** Cost of Goods Sold (See instruction 2)

- 1 Inventory at beginning of year . . . . .
- 2 Merchandise bought for manufacture or sale . . . . . *See Schedule Attached*
- 3 Salaries and wages . . . . .
- 4 Other costs (attach schedule) . . . . .
- 5 Total . . . . .
- 6 Less: Inventory at end of year . . . . .
- 7 Cost of goods sold—Enter here and on line 2, page 1 . . . . . 6,758,888.26
- 8 (a) Check valuation method(s) used for total closing inventory:  
☐ Cost ☐ Lower of cost or market ☐ Other (if "other," attach explanation)
- (b) Check if this is the first year LIFO inventory method was adopted and used . . . . . ☐
- (c) If the LIFO inventory method was used for this taxable year, enter percentage (or amounts) of closing inventory computed under LIFO . . . . . N/A
- (d) If you are a manufacturer, check if you valued your inventory in accordance with regulations section 1.471-11 . . . . . ☐
- (e) Was there any substantial change in determining quantities, cost, or valuations between opening and closing inventory? . . . . . ☐ Yes ☐ No
- If "Yes," attach explanation.

**Schedule C** Dividends (See instruction 4)

- 1 Domestic corporations subject to 85% deduction . . . . .
- 2 Certain preferred stock of public utilities . . . . .
- 3 Foreign corporations subject to 85% deduction . . . . .
- 4 Dividends from wholly-owned foreign subsidiaries subject to 100% deduction (section 245(b)) . . . . .
- 5 Other dividends from foreign corporations . . . . .
- 6 Includable income from controlled foreign corporations under subpart F (attach Forms 3646) . . . . .
- 7 Foreign dividend gross-up (section 78) . . . . .
- 8 Qualifying dividends received from affiliated groups and subject to the 100% deduction (section 243(a)(3)) . . . . .
- 9 Qualifying dividends received from affiliated groups and subject to the provisions of section 1564(b) . . . . .
- 10 Taxable dividends from a DISC or former DISC not included in line 1 (section 246(d)) . . . . .
- 11 Other dividends . . . . .
- 12 Total—Enter here and on line 4, page 1 . . . . .

**Schedule E** Compensation of Officers (See instruction 12)

1. Name of officer	2. Social security number	3. Time devoted to business	Percent of corporation stock owned		6. Amount of compensation	7. Expense account allowances
			4. Common	5. Preferred		

Total compensation of officers—Enter here and on line 12, page 1

**Schedule D** Bad Debts—Reserve Method (See instruction 15)

1. Year	2. Trade notes and accounts receivable outstanding at end of year	3. Sales on account	Amount added to reserve		6. Amount charged against reserve	7. Reserve for bad debts at end of year
			4. Current year's provision	5. Recoveries		
1972	<u>1,437,830</u>	<u>4,411,181</u>	<u>237,970</u>		<u>102,078</u>	<u>360,250</u>
1973	<u>941,696</u>	<u>5,337,784</u>	<u>167,692</u>		<u>282,325</u>	<u>245,617</u>
1974	<u>1,005,873</u>	<u>6,303,823</u>	<u>210,111</u>		<u>254,537</u>	<u>201,191</u>
1975	<u>1,145,283</u>	<u>6,957,592</u>	<u>392,586</u>		<u>341,814</u>	<u>257,953</u>
1976	<u>1,107,463</u>	<u>7,673,657</u>	<u>432,606</u>		<u>438,584</u>	<u>248,985</u>
1977	<u>1,342,333</u>	<u>8,594,874</u>	<u>473,190</u>		<u>444,140</u>	<u>275,035</u>

**Schedule F** Special Deductions

- 1 (a) 85% of line 1, Schedule C . . . . .
- (b) 60.208% of line 2, Schedule C . . . . .
- (c) 85% of line 3, Schedule C . . . . .
- (d) 100% of line 4, Schedule C . . . . .
- 2 Total—See instructions for limitation . . . . .
- 3 100% of line 8, Schedule C . . . . .
- 4 Enter dividends-received deduction allowed for dividends reported on line 9, Sch. C. See section 1564(b) for computation . . . . .
- 5 Dividends paid on certain preferred stock of public utilities (see instructions) . . . . .
- 6 Western Hemisphere trade corporations (see instructions) . . . . .
- 7 Total special deductions . . . . .

TAUBER 43265

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## Schedule U Tax Computation

1 Taxable income (line 30, page 1) . . . . .	127,624.18
2 Enter line 1 or \$25,000, whichever is lesser. (Members of a controlled group, see instructions) . . . . .	25,000.00
3 Line 1 less line 2 . . . . .	102,624.18
4 Enter line 3 or \$25,000, whichever is lesser. (Members of a controlled group, see instructions) . . . . .	25,000.00
5 Line 3 less line 4 . . . . .	77,624.18
6 20% of line 2 . . . . .	5,000.00
7 22% of line 4 . . . . .	5,500.00
8 48% of line 5 . . . . .	37,259.60
9 Income tax (Sum of lines 6, 7 and 8 or alternative tax from separate Schedule D, whichever is lesser) . . . . .	47,759.60
10 (a) Foreign tax credit (attach Form 1118) . . . . .	
(b) Investment credit (attach Form 3468) . . . . .	7,877.20
(c) Work Incentive (WIN) credit (attach Form 4874) . . . . .	
(d) New jobs credit (attach Form 5884) . . . . .	
11 Total of lines 10(a), (b), (c), and (d) . . . . .	7,877.20
12 Line 9 less line 11 . . . . .	39,882.40
13 Personal holding company tax (attach Schedule PH (Form 1120)) . . . . .	
14 Tax from recomputing a prior year investment credit (attach Form 4255) . . . . .	
15 Tax from recomputing a prior year WIN credit (see instructions—attach computation) . . . . .	
16 Minimum tax on tax preference items (see instructions—attach Form 4626) . . . . .	
17 Total tax—Add lines 12 through 16. Enter here and on line 31, page 1 . . . . .	39,882.40

Schedule K Record of Federal Tax Deposits Tax Class Number 503  
(List deposits in order of date made—See instruction G)

Date of deposit	Amount	Date of deposit	Amount	Date of deposit	Amount
10-14-77	1,069.00	6-14-78	4,120.00		
12-15-77	20,940.00				
3-15-78	1,600.00				

<p><b>G</b> Did you claim a deduction for expenses connected with:</p> <p>(1) Entertainment facility (boat, resort ranch, etc.)? . . . . .</p> <p>(2) Living accommodations (except for employees on business)? . . . . .</p> <p>(3) Employee's families at conventions or meetings? . . . . .</p> <p>(4) Employee or family vacations not reported on Form W-2? . . . . .</p> <p>Enter total amount of deduction(s) on Form 1120 that are claimed under section 274 (entertainment, gifts, etc.) ▶ . . . . .</p> <p><b>H</b> (1) Did you at the end of the taxable year own, directly or indirectly, 50% or more of the voting stock of a domestic corporation? (For rules of attribution, see section 267(c).) . . . . .</p> <p>If "Yes," attach a schedule showing:</p> <p>(a) name, address, and identifying number;</p> <p>(b) percentage owned; and</p> <p>(c) taxable income or (loss) (e.g., if a Form 1120: from line 28, page 1, Form 1120) of such corporation for the taxable year ending with or within your taxable year.</p> <p>(2) Did any individual, partnership, corporation, estate or trust at the end of the taxable year own, directly or indirectly, 50% or more of your voting stock? (For rules of attribution, see section 267(c).) . . . . .</p> <p>If "Yes:"</p> <p>(a) Attach a schedule showing name, address, and identifying number.</p> <p>(b) Enter percentage owned ▶ . . . . .</p> <p>(c) Was the owner of such voting stock a person other than a U.S. person? (See instruction S.) . . . . .</p> <p>If "Yes," enter owner's country ▶ . . . . .</p> <p><b>I</b> Did you ever declare a stock dividend? . . . . .</p> <p><b>J</b> Taxable income or (loss) from line 28, page 1, Form 1120 for your taxable year beginning in:</p> <p>1974. 196,070. 1975. 199,079. 1976. 210,258</p>	<p><b>K</b> Were you a member of a controlled group subject to the provisions of section 1561? . . . . .</p> <p>If "Yes," check the type of relationship:</p> <p>(1) <input type="checkbox"/> parent-subsidiary (2) <input type="checkbox"/> brother-sister</p> <p>(3) <input type="checkbox"/> combination of (1) and (2) (See section 1563.)</p> <p><b>L</b> Refer to page 8 of instructions and state the principal:</p> <p>Business activity. <u>HOSPITAL</u></p> <p>Product or service. <u>MEDICAL SERVICE</u></p> <p><b>M</b> Did you file all required Forms 1087, 1096 and 1099? . . . . .</p> <p><b>N</b> Were you a U.S. shareholder of any controlled foreign corporation? (See sections 951 and 957.) . . . . .</p> <p>If "Yes," attach Form 3646 for each such corporation.</p> <p><b>O</b> Was this firm in business at the end of 1977? . . . . .</p> <p><b>P</b> How many months in 1977 was this firm in business? <u>12</u></p> <p><b>Q</b> During this taxable year, did you pay dividends (other than stock dividends and distributions in exchange for stock) in excess of your current and accumulated earnings and profits? (See sections 301 and 316.) . . . . .</p> <p>If "Yes," file Form 5452. If this is a consolidated return, answer here for parent corporation and on Form 851, Affiliation Schedule, for each subsidiary.</p> <p><b>R</b> If you are a farmers' cooperative, check type:</p> <p><input type="checkbox"/> purchasing <input type="checkbox"/> marketing <input type="checkbox"/> service</p> <p><input type="checkbox"/> other (explain) ▶ . . . . .</p> <p><b>S</b> Did you, at any time during the taxable year, have any interest in or signature or other authority over a bank, securities or other financial account in a foreign country (except in a U.S. military banking facility operated by a U.S. financial institution)? If "Yes," see instruction V . . . . .</p> <p><b>T</b> Were you the grantor of, or transferor to, a foreign trust during any taxable year, which foreign trust was in being during the current taxable year, whether or not you have any beneficial interest in such trust? If "Yes," you may be required to file Forms 3520, 3520-A, or 926 . . . . .</p>
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TAUBER 43266

J.APP. 3436

**CONFIDENTIAL**

Page 4

**Schedule L Balance Sheets**

	Beginning of taxable year		End of taxable year	
	(A) Amount	(B) Total	(C) Amount	(D) Total
<b>ASSETS</b>				
1 Cash . . . . .		221,949.47		131,891.62
2 Trade notes and accounts receivable . . . . .	1,053,265.54		1,342,333.15	
(a) Less allowance for bad debts . . . . .	245,985.00	807,280.54	275,035.00	1,067,298.15
3 Inventories . . . . .		31,802.00		43,061.95
4 Gov't obligations: (a) U.S. and instrumentalities . . . . .				
(b) State, subdivisions thereof, etc. . . . .				
5 Other current assets (attach schedule) <b>PREPAID</b> . . . . .		120,448.64		191,743.99
6 Loans to stockholders . . . . .				
7 Mortgage and real estate loans . . . . .				
8 Other investments (attach schedule) <b>Partnership</b> . . . . .				(66,623.00)
9 Buildings and other fixed depreciable assets . . . . .	732,660.84		754,229.70	
(a) Less accumulated depreciation . . . . .	320,914.44	411,746.40	365,825.98	388,403.72
10 Depletable assets . . . . .				
(a) Less accumulated depletion . . . . .				
11 Land (net of any amortization) . . . . .				
12 Intangible assets (amortizable only) . . . . .	375,425.00		375,425.00	
(a) Less accumulated amortization . . . . .	56,882.94	318,542.06	68,367.42	307,057.58
13 Other assets (attach schedule) . . . . .		1,911,769.11		2,062,836.01
14 Total assets . . . . .				
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>				
15 Accounts payable . . . . .		530,058.15		547,543.51
16 Mtgs., notes, bonds payable in less than 1 yr. . . . .		58,971.72		73,163.65
17 Other current liabilities (attach schedule) . . . . .		22,953.98		19,327.75
18 Loans from stockholders . . . . .				
19 Mtgs., notes, bonds payable in 1 yr. or more . . . . .		692,078.68		677,005.22
20 Other liabilities (attach schedule) . . . . .				
21 Capital stock: (a) Preferred stock . . . . .				
(b) Common stock . . . . .	2,059.82	2,059.82	2,182.55	2,182.55
22 Paid-in or capital surplus . . . . .		571,100.99		626,640.27
23 Retained earnings—Appropriated (attach sch.) . . . . .				
24 Retained earnings—Unappropriated . . . . .		34,545.77		116,773.06
25 Less cost of treasury stock . . . . .				
26 Total liabilities and stockholders' equity . . . . .		1,911,769.11		2,062,836.01

**Schedule M-1 Reconciliation of Income Per Books With Income Per Return**

1 Net income per books . . . . .	76,257.30	7 Income recorded on books this year not included in this return (itemize)	
2 Federal income tax . . . . .	39,882.40	(a) Tax-exempt interest \$ . . . . .	
3 Excess of capital losses over capital gains . . . . .			
4 Income subject to tax not recorded on books this year (itemize) . . . . .		8 Deductions in this tax return not charged against book income this year (itemize)	
5 Expenses recorded on books this year not deducted in this return (itemize)		(a) Depreciation . . \$ . . . . .	
(a) Depreciation . . . . . \$ . . . . .		(b) Depletion . . \$ . . . . .	
(b) Depletion . . . . . \$ . . . . .			
<b>AMORTIZATION OF GOODWILL</b> . . . . .	11,484.48	9 Total of lines 7 and 8 . . . . .	
6 Total of lines 1 through 5 . . . . .	127,624.18	10 Income (line 28, page 1)—line 6 less 9 . . . . .	127,624.18

**Schedule M-2 Analysis of Unappropriated Retained Earnings Per Books (line 24 above)**

1 Balance at beginning of year . . . . .	34,545.77	5 Distributions: (a) Cash . . . . .	
2 Net income per books . . . . .	76,257.30	(b) Stock . . . . .	
3 Other increases (itemize)		(c) Property . . . . .	
<b>Gain of RE Acquisition of Stock</b> . . . . .	59,699.99	6 Other decreases (itemize)	
4 Total of lines 1, 2, and 3 . . . . .	116,773.06	7 Total of lines 5 and 6 . . . . .	
		8 Balance at end of year (line 4 less 7) . . . . .	116,773.06

TAUBER 43267

J.APP. 3437

# Computation of Investment Credit

► Attach to your tax return.

**1977**

**CONFIDENTIAL**

Name

JEFFERSON MEMORIAL HOSPITAL INC.

Identifying number as shown on page 1 of your tax return

54-0784092

1 Use schedule below to list qualified investment in new and used property acquired or constructed and placed in service during the taxable year; and also list qualified progress expenditures made during the 1977 taxable year and qualified progress expenditures made in 1974, 1975, and 1976 taxable years providing a proper election as prescribed in section 46(d)(6) was made for such prior years. If progress expenditure property is placed in service during the taxable year, do not list qualified progress expenditures for this property. See instruction for line 1.

If 100% investment credit is being claimed on certain ships, check this block. ☐ See Instruction K for details.

Note: Include your share of investment in property made by a partnership, estate, trust, small business corporation, or lessor.

Type of property	Line	(1) Life years	(2) Cost or basis (See instruction G)	(3) Applicable percentage	(4) Qualified investment (Column 2 x column 3)
New property	(a)	3 or more but less than 5		33 1/3	
	(b)	5 or more but less than 7	<u>10,283.16</u>	66 2/3	<u>6,855.44</u>
	(c)	7 or more	<u>71,916.51</u>	100	<u>71,916.51</u>
Qualified progress expenditures	(d)	7 or more		.20	
	(e)	7 or more		.60	
	(f)	3 or more but less than 5		33 1/3	
	(g)	5 or more but less than 7		66 2/3	
Used property (See instructions for dollar limitation)	(h)	7 or more		100	

2 Qualified investment—add lines 1(a) through (h) . . . . . 78,771.95

3 10% of line 2 . . . . . 7,877.20

4 7% (4% for public utility property) of certain property (see instruction for line 1) . . . . .

5 Corporations electing the additional investment credit for contributions to Employee Stock Ownership Plans—Attach election statement. (See instruction I and instruction for line 5.)

(a) Additional 1% credit—Enter 1% of line 2 . . . . .

(b) Additional credit not to exceed .5%—Enter allowable percentage times adjusted line 2 (attach schedule) . . . . .

6 Carryback and carryover of unused credit(s). See instruction F—attach computation . . . . .

7 Tentative investment credit—Add lines 3 through 6 . . . . . 7,877.20

## Limitation

8 (a) Individuals—Enter amount from line 37, page 2, Form 1040 . . . . .  
(b) Estates and trusts—Enter amount from line 26 or 27, page 1, Form 1041. . . . .  
(c) Corporations—Enter amount from line 9, Schedule J, page 3, Form 1120. . . . .

9 (a) Credit for the elderly (individuals only) . . . . .

(b) Foreign tax credit . . . . .

(c) Tax on lump-sum distributions (see instruction for line 9(c)) . . . . .

(d) Possession Tax Credit (corporations only) . . . . .

(e) Section 72(m)(5) penalty tax . . . . .

10 Total—Add lines 9(a) through (e) . . . . .

11 Line 8 less line 10 . . . . . 47,759.60

12 (a) Enter amount on line 11 or \$25,000, whichever is lesser. (Married persons filing separately, controlled corporate groups, estates, and trusts, see instruction for line 12.) . . . . . 25,000.00

(b) If line 11 exceeds line 12(a), enter 50% of the excess. (Public utilities, railroads, and airlines, see instruction J.) . . . . . 11,379.80

13 Total—Add lines 12(a) and (b) . . . . . 36,379.80

14 Investment credit—Amount from line 7 or line 13, whichever is lesser. Enter here and on line 41, Form 1040; line 10(b), Schedule J, page 3, Form 1120; or the appropriate line on other returns . . . . . 7,877.20

**Schedule A** If any part of your investment in line 1 or 4 above was made by a partnership, estate, trust, small business corporation, or lessor, complete the following statement and identify property qualifying for the 7% or 10% investment credit.

Name (Partnership, estate, trust, etc.)	Address	Property			Life years
		Progress expenditures	New	Used	
		\$	\$	\$	

If property is disposed of prior to the life years . . . . .

TAUBER 43268

J.APP. 3438



JEFFERSON MEMORIAL HOSPITAL INC.

SCHEDULES F.Y.E. JUNE 30, 1978

F.I. # 54-0784092

CONFIDENTIAL

SCHEDULE OF OTHER INCOME

1	MEDICAL SUPPLIES & TRANSCRIPTS	\$ 550335
2	COMMISSIONS - VENDING MACHINES	134291
3	RECOVERY OF BAD DEBTS	15189449
4	PSRO REVENUE	1012050
5	LOST CREEK PARTNERS - ORDINARY (LOSS) - A-1	(17062300)
6	WEST PALM BEACH, FLA. E.I. & Pending	
7		
8	TOTAL OTHER INCOME	\$ (176175)

SCHEDULE OF TAXES

11	REAL ESTATE	\$ 3391475
12	LICENSES	1919400
13	PERSONAL PROPERTY & MISCELLANEOUS	1391832
14	SALES TAX	497434
	STATE CORPORATION INCOME TAX	815154
17	TOTAL TAXES	\$ 8015295

SCHEDULE OF OTHER DEDUCTIONS

20	INSURANCE	\$ 6068819
21	LOSS ON DISPOSITION OF EQUIPMENT	2053205
22	SECURITY	2425200
23	COLLECTION AGENCY EXPENSE	454664
24	GENERAL EDUCATION	939393
25	POSTAGE & SHIPPING EXPENSE	1306050
26	TELEVISION AND MUSIC RENTAL	856548
28	TOTAL OTHER DEDUCTIONS	\$ 13753879

TAUBER 43270

J.APP. 3440

JEFFERSON MEMORIAL HOSPITAL, INC.  
 COST OF OPERATIONS - F.Y. ENDED JUNE 30, 1978  
 E.T. # 54-0784092

**CONFIDENTIAL**

		TOTAL	SALARIES AND WAGES	SUPPLIES AND EXPENSES
1	NURSING SERVICES	151957725	130719013	21238712
2	INTENSIVE CARE	25096425	20046976	5049449
3	OPERATING ROOM	37483716	21991429	15492287
4	RECOVERY ROOM	6636917	5811471	825446
5	CENTRAL SUPPLY	20183307	5187443	14995864
6	EMERGENCY	35330595	11009038	24321557
7	LABORATORY	41182251	16508575	24613676
8	PULMONARY FUNCTION	5081864	-	5081864
9	BLOOD BANK	2733503	-	2733503
10	ELECTRO CARDIOLOGY	8271859	3076712	5195147
11	ELECTRO ENCEPHALOGRAPHY	994134	-	994134
12	STRESS TEST + Renal Dialysis	1287675	-	1287675
13	RADIOLOGY	39679610	11984240	27695370
	PHARMACY	40811968	-	40811968
	ANESTHESIOLOGY	29169003	-	29169003
16	INHALATION THERAPY	23893364	-	23893364
17	PHYSICAL THERAPY	13124988	5796797	7328191
18	MEDICAL RECORDS	7650241	5968083	1682158
19	DIETARY	42762590	19515779	23246811
20	P.S.R.O.	3089334	2564073	525261
21	OPERATION OF PLANT	22029593	10810551	11219042
22	REPAIRS AND MAINTENANCE	5186794	-	5186794
23	HOUSEKEEPING	15267894	-	15267894
24	LAUNDRY & LINEN	13267276	2147823	11119453
25	DATA PROCESSING	11115366	3508749	7606617
26	ADMINISTRATIVE	72600834	44236347	28364487
27				
28	<u>Totals</u>	<u>675888826</u>	<u>320943099</u>	<u>354945727</u>
29				
30				
31				

TAUBER 43271

J.APP. 3441

Form **1120**  
Department of the Treasury  
Internal Revenue Service

# U.S. Corporation Income Tax Return

For calendar year 1978 or for taxable year beginning  
July 1, 1978 ending June 30, 1979

**CONFIDENTIAL** 4078

Check if —  
A Consolidated return ☐  
B Personal Holding Co. ☐  
C Business Code No. (See Page 8 of instructions)  
0099

Use IRS label. Otherwise please print or type.

Name  
**JEFFERSON MEMORIAL HOSPITAL, INC.**  
Number and street  
**1600 King Street**  
City or town, State, and ZIP code  
**Alexandria, Virginia 22302**

D Employer identification number  
(see instructions)  
**51-711712**  
E Date incorporated  
**June 3rd 1971**

F Enter total assets (see instruction J)  
**\$ 2,469,160.02**

Gross Income	1	Gross receipts or gross sales	9,584,189.41	Less: Returns and allowances	893,266.19	1	8,690,923.22
	2	Less: Cost of goods sold (Schedule A) and/or operations (attach schedule)				2	7,006,949.13
	3	Gross profit				3	1,683,973.94
	4	Dividends (Schedule C)				4	
	5	Interest on obligations of the United States and U.S. instrumentalities				5	
	6	Other interest				6	8316.60
	7	Gross rents				7	4724.25
	8	Gross royalties				8	
	9(a)	Capital gain net income (attach separate Schedule D)				9(a)	
	9(b)	Net gain or (loss) from Form 4797, line 11, Part II (attach Form 4797)				9(b)	
	10	Other income (see instructions—attach schedule)				10	146,886.15
11	TOTAL income—Add lines 3 through 10				11	1,843,900.94	
Deductions	12	Compensation of officers (Schedule E)				12	
	13(a)	Salaries and wages	441,583.87	13(b) Less new jobs credit	13,176.28	13(c)	428,407.59
	14	Repairs (see instructions)				14	
	15	Bad debts (Schedule F if reserve method is used)				15	571,995.00
	16	Rents				16	140,761.92
	17	Taxes				17	9236.14
	18	Interest				18	64,252.00
	19	Contributions (not over 5% of line 30 adjusted per instructions—attach schedule)				19	
	20	Amortization (attach schedule)				20	
	21	Depreciation from Form 4562 (attach Form 4562) less depreciation claimed in Schedule A and elsewhere on return				21	73,576.82
	22	Depletion				22	
	23	Advertising				23	
	24	Pension, profit-sharing, etc. plans (see instructions) (enter number of plans ▶ ONE)				24	55,030.00
	25	Employee benefit programs (see instructions)				25	
	26	Other deductions (attach schedule)				26	217,521.14
	27	TOTAL deductions—Add lines 12 through 26				27	1,643,906.25
	28	Taxable income before net operating loss deduction and special deductions (subtract line 27 from line 11)				28	199,994.19
	29(a)	Less: (a) Net operating loss deduction (see instructions—attach schedule)				29(a)	
	29(b)	(b) Special deductions (Schedule I)				29(b)	
30	Taxable income (subtract line 29 from line 28)				30	199,994.19	
Tax	31	TOTAL TAX (Schedule J)				31	48,300.06
	32	Credits: (a) Overpayment from 1977 allowed as a credit	7117.87				
		(b) 1978 estimated tax payments	65,832.13				
		(c) Less refund of 1978 estimated tax applied for on Form 4466		73,000.00			
		(d) Tax deposited: Form 7004 Form 7005 (attach) Total ▶					
		(e) Credit from regulated investment companies (attach Form 2439)					
		(f) U.S. tax on special fuels, nonhighway gas and lubricating oil (attach Form 4136)				32	73,000.00
33	TAX DUE (subtract line 32 from line 31). See instruction G for depository method of payment. (Check ▶ [ ] if Form 2220 is attached. See page 3 of instructions.) ▶ \$				33		
34	OVERPAYMENT (subtract line 31 from line 32)				34	24,699.94	
35	Enter amount of line 34 you want: Credited to 1979 estimated tax ▶ 24,699.94 Refunded ▶				35		

Please Sign Here

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

Signature of officer **George E. Reuber, D.O.** Date **9.14.79.** Title **Secretary**

Paid Preparer's Information

Preparer's signature **David E. Mermelstein, C. P. A.** Preparer's social security no. **086 21 0067** Check if self-employed ☒  
Firm's name (or yours if self-employed), address and ZIP code **1870 Conn. Ave., Washington, D. C.** E.I. No. **414/79**

TAUBER 43194

Trial Exhibit  
No. 249.

J.APP. 3442

**Schedule A** Cost of Goods Sold (See instruction 2)**CONFIDENTIAL**

1 Inventory at beginning of year . . . . .		
2 Merchandise bought for manufacture or sale . . . . .		
3 Salaries and wages . . . . .	SEE SCHEDULE ATTACHED	
4 Other costs (attach schedule) . . . . .		
5 Total . . . . .		
6 Less: Inventory at end of year . . . . .		
7 Cost of goods sold—Enter here and on line 2, page 1 . . . . .		7006949.28
8 (a) Check valuation method(s) used for total closing inventory:		
<input type="checkbox"/> Cost <input type="checkbox"/> Lower of cost or market <input type="checkbox"/> Other (if "other," attach explanation)		
(b) Check if this is the first year LIFO inventory method was adopted and used. (If checked, attach Form 970.) . . . . . <input type="checkbox"/>		
(c) If the LIFO inventory method was used for this taxable year, enter percentage (or amounts) of closing inventory computed under LIFO . . . . . <u>N/A</u>		
(d) Is the corporation engaged in manufacturing activities? . . . . . <input type="checkbox"/> Yes <input type="checkbox"/> No		
If "Yes," are inventories valued under Regulations section 1.471-11 (full absorption accounting method)? . . . . . <input type="checkbox"/> Yes <input type="checkbox"/> No		
(e) Was there any substantial change in determining quantities, cost, or valuations between opening and closing inventory? . . . . . <input type="checkbox"/> Yes <input type="checkbox"/> No		
If "Yes," attach explanation.		

**Schedule C** Dividends (See instruction 4)

1 Domestic corporations subject to 85% deduction . . . . .	
2 Certain preferred stock of public utilities . . . . .	
3 Foreign corporations subject to 85% deduction . . . . .	
4 Dividends from wholly-owned foreign subsidiaries subject to 100% deduction (section 245(b)) . . . . .	
5 Other dividends from foreign corporations . . . . .	
6 Includable income from controlled foreign corporations under subpart F (attach Forms 3646) . . . . .	
7 Foreign dividend gross-up (section 78) . . . . .	
8 Qualifying dividends received from affiliated groups and subject to the 100% deduction (section 243(a)(3)) . . . . .	
9 Taxable dividends from a DISC or former DISC not included in line 1 (section 246(d)) . . . . .	
10 Other dividends . . . . .	
11 Total—Enter here and on line 4, page 1 . . . . .	

**Schedule E** Compensation of Officers (See instruction 12)

1. Name of officer	2. Social security number	3. Time devoted to business	Percent of corporation stock owned		6. Amount of compensation	7. Expense account allowances
			4. Common	5. Preferred		

Total compensation of officers—Enter here and on line 12, page 1

**Schedule F** Bad Debts—Reserve Method (See instruction 15)

1. Year	2. Trade notes and accounts receivable outstanding at end of year	3. Sales on account	Amount added to reserve		6. Amount charged against reserve	7. Reserve for bad debts at end of year
			4. Current year's provision	5. Recoveries		
1973	941,696	5,337,784	167,692		282,325	245,617
1974	1,095,872	6,303,272	210,111		254,537	261,191
1975	1,145,285	6,951,592	392,586		341,814	251,963
1976	1,107,463	7,673,657	432,606		438,584	245,985
1977	1,342,333	8,594,874	473,190		444,140	275,225
1978	1,702,620	9,584,189	571,995		506,506	340,524

**Schedule I** Special Deductions

1 (a) 85% of Schedule C, line 1 . . . . .	
(b) 60.208% of Schedule C, line 2 . . . . .	
(c) 85% of Schedule C, line 3 . . . . .	
(d) 100% of Schedule C, line 4 . . . . .	
2 Total—See instructions for limitation . . . . .	
3 100% of Schedule C, line 8 . . . . .	
4 Dividends paid on certain preferred stock of public utilities (see instructions) . . . . .	
5 Western Hemisphere trade corporations (see instructions) . . . . .	
6 Total special deductions—Add lines 2 through 5. Enter here and on line 29(b), page 1 . . . . .	

TAUBER 43195



# 11-11-79 **11-11-79** Tax Computation

**CONFIDENTIAL**

(Fiscal year corporations, unit lines 1 through 8 and enter on line 9, the amount from Form 1120-FY (1978-79), line 5, Part III)

1	Taxable income (line 30, page 1)	
2	Enter line 1 or \$25,000, whichever is less. (Members of a controlled group enter one-half of surtax allocation, see instructions)	
3	Subtract line 2 from line 1	
4	Enter line 3 or \$25,000, whichever is less. (Members of a controlled group enter one-half of surtax allocation, see instructions)	
5	Subtract line 4 from line 3	
6	20% of line 2	
7	22% of line 4	
8	48% of line 5	
9	Income tax (Sum of lines 6, 7 and 8 or alternative tax from separate Schedule D, whichever is less)	77,662.34
10	(a) Foreign tax credit (attach Form 1118)	
	(b) Investment credit (attach Form 3468)	16,345.43
	(c) Work incentive (WIN) credit (attach Form 4874)	
	(d) New jobs credit (attach Form 5884)	13,176.28
11	Total of lines 10(a), (b), (c), and (d)	29,521.71
12	Subtract line 11 from line 9	48,140.63
13	Personal holding company tax (attach Schedule PH (Form 1120))	
14	Tax from recomputing a prior year investment credit (attach Form 4255)	159.43
15	Tax from recomputing a prior year WIN credit (see instructions—attach computation)	
16	Minimum tax on tax preference items (see instructions—attach Form 4626)	
17	Total tax—Add lines 12 through 16. Enter here and on line 31, page 1	48,300.06

## **Schedule K** Record of Federal Tax Deposits Tax Class Number 503 (List deposits in order of date made—See instruction G)

Date of deposit	Amount	Date of deposit	Amount
10-13-78	16,882.13	3-15-79	24,000.00
1-15-79	24,000.00	6-15-79	1,000.00

<p><b>G</b> (1) Did you claim a deduction for expenses connected with:</p> <p>(a) Entertainment facility (boat, resort, ranch, etc.)? <input checked="" type="checkbox"/></p> <p>(b) Living accommodations (except for employees on business)? <input checked="" type="checkbox"/></p> <p>(c) Employee's families at conventions or meetings? <input checked="" type="checkbox"/></p> <p>If "Yes," were any of these conventions or meetings outside the United States or its possessions? <input checked="" type="checkbox"/></p> <p>(d) Employee or family vacations not reported on Form W-2? <input checked="" type="checkbox"/></p> <p>(2) Enter total amount claimed on Form 1120 for entertainment, entertainment facilities, gifts, travel, and conventions of the type for which substantiation is required under section 274(j). (See instruction Y.) <u>NONE</u></p> <p><b>H</b> (1) Did you at the end of the taxable year own, directly or indirectly, 50% or more of the voting stock of a domestic corporation? (For rules of attribution, see section 267(c).) <input checked="" type="checkbox"/></p> <p>If "Yes," attach a schedule showing: (a) name, address, and identifying number; (b) percentage owned; (c) taxable income or (loss) (e.g., if a Form 1120: from Form 1120, line 28, page 1) of such corporation for the taxable year ending with or within your taxable year; (d) highest amount owed by you to such corporation during the year; and (e) highest amount owed to you by such corporation during the year.</p> <p>(2) Did any individual, partnership, corporation, estate or trust at the end of the taxable year own, directly or indirectly, 50% or more of your voting stock? (For rules of attribution, see section 267(c).) If "Yes," complete (a) through (e).</p> <p>(a) Attach a schedule showing name, address, and identifying number; (b) Enter percentage owned <input checked="" type="checkbox"/></p> <p>(c) Was the owner of such voting stock a person other than a U.S. person? (See instruction S.) <input checked="" type="checkbox"/></p> <p>If "Yes," enter owner's country <input checked="" type="checkbox"/></p> <p>(d) Enter highest amount owed by you to such owner during the year <input checked="" type="checkbox"/></p>	<p>(e) Enter highest amount owed to you by such owner during the year <input checked="" type="checkbox"/></p> <p>(Note: For purposes of H(1) and H(2), "highest amount owed" includes loans and accounts receivable/payable.)</p> <p><b>I</b> Did you ever declare a stock dividend? <input checked="" type="checkbox"/></p> <p><b>J</b> Taxable income or (loss) from Form 1120, line 28, page 1, for your taxable year beginning in:</p> <p>1975 199,019, 1976 210,258, 1977 127,624</p> <p><b>K</b> Were you a member of a controlled group subject to the provisions of section 1561? If "Yes," check the type of relationship.</p> <p>(1) <input type="checkbox"/> parent subsidiary (2) <input type="checkbox"/> brother-sister</p> <p>(3) <input type="checkbox"/> combination of (1) and (2) (See section 1563.)</p> <p><b>L</b> Refer to page 8 of instructions and state the principal:</p> <p>Business activity <u>HOSPITAL</u></p> <p>Product or service <u>MEDICAL SERVICE</u></p> <p><b>M</b> Did you file all required Forms 1087, 1096 and 1099? <input checked="" type="checkbox"/></p> <p><b>N</b> Were you a U.S. shareholder of any controlled foreign corporation? (See sections 951 and 957.) If "Yes," attach Form 3646 for each such corporation. <input checked="" type="checkbox"/></p> <p><b>O</b> Did you, at any time during the taxable year, have an interest in or signature or other authority over a bank, securities or other financial account in a foreign country (see instruction V)? <input checked="" type="checkbox"/></p> <p><b>P</b> Were you the grantor of, or transferor to, a foreign trust during any taxable year, which foreign trust was in being during the current taxable year, whether or not you have any beneficial interest in such trust? If "Yes," you may be required to file Forms 3520, 3520-A, or 926. <input checked="" type="checkbox"/></p> <p><b>Q</b> During this taxable year, did you pay dividends (other than stock dividends and distributions in exchange for stock) in excess of your current and accumulated earnings and profits? (See sections 301 and 316.) <input checked="" type="checkbox"/></p> <p>If "Yes," file form 5452. If this is a consolidated return, answer here for parent corporation and on Form 851, Affiliation Schedule, for each subsidiary.</p>
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TAUBER 43196

J.APP. 3444

**Schedule J Tax Computation**

(fiscal year corporations, omit lines 1 through 8 and enter on line 9, the amount from Form 1120-FT (1978-79), line 5, Part III)

Page 3  
**CONFIDENTIAL**

1	Taxable income (line 30, page 1)	
2	Enter line 1 or \$25,000, whichever is less. (Members of a controlled group enter one half of surtax allocation, see instructions)	
3	Subtract line 2 from line 1	
4	Enter line 3 or \$25,000, whichever is less. (Members of a controlled group enter one half of surtax allocation, see instructions)	
5	Subtract line 4 from line 3	
6	20% of line 2	
7	72% of line 4	
8	48% of line 5	
9	Income tax (Sum of lines 6, 7 and 8 or alternative tax from separate Schedule D, whichever is less)	77,662.34
10	(a) Foreign tax credit (attach Form 1118)	
	(b) Investment credit (attach Form 3468)	16,342.43
	(c) Work incentive (WIN) credit (attach Form 4874)	
	(d) New jobs credit (attach Form 5884)	13,176.28
11	Total of lines 10(a), (b), (c), and (d)	29,521.71
12	Subtract line 11 from line 9	48,140.63
13	Personal holding company tax (attach Schedule PH (Form 1120))	
14	Tax from recomputing a prior year investment credit (attach Form 4255)	159.43
15	Tax from recomputing a prior year WIN credit (see instructions—attach computation)	
16	Minimum tax on tax preference items (see instructions—attach Form 4626)	
17	Total tax—Add lines 12 through 16. Enter here and on line 31, page 1	48,300.06

**Schedule K Record of Federal Tax Deposits Tax Class Number 503**  
(List deposits in order of date made—See instruction G)

Date of deposit	Amount	Date of deposit	Amount
10-13-78	16,882.13	3-15-79	24,000.00
1-15-79	24,000.00	6-15-79	1,000.00

<p><b>G</b> (1) Did you claim a deduction for expenses connected with:</p> <p>(a) Entertainment facility (boat, resort, ranch, etc.)? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>(b) Living accommodations (except for employees on business)? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>(c) Employee's families at conventions or meetings? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>If "Yes," were any of these conventions or meetings outside the United States or its possessions? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>(d) Employee or family vacations not reported on Form W-2? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>(2) Enter total amount claimed on Form 1120 for entertainment, entertainment facilities, gifts, travel, and conventions of the type for which substantiation is required under section 274(d). (See instruction Y.) <u>NONE</u></p> <p><b>H</b> (1) Did you at the end of the taxable year own, directly or indirectly, 50% or more of the voting stock of a domestic corporation? (For rules of attribution, see section 267(c).) <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>If "Yes," attach a schedule showing: (a) name, address, and identifying number; (b) percentage owned; (c) taxable income or (loss) (e.g., if a Form 1120: from Form 1120, line 28, page 1) of such corporation for the taxable year ending with or within your taxable year; (d) highest amount owed by you to such corporation during the year; and (e) highest amount owed to you by such corporation during the year.</p> <p>(2) Did any individual, partnership, corporation, estate or trust at the end of the taxable year own, directly or indirectly, 50% or more of your voting stock? (For rules of attribution, see section 267(c).) If "Yes," complete (a) through (e). <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>(a) Attach a schedule showing name, address, and identifying number; (b) Enter percentage owned <u>          </u></p> <p>(c) Was the owner of such voting stock a person other than a U.S. person? (See instruction S.) <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>If "Yes," enter owner's country <u>          </u></p> <p>(d) Enter highest amount owed by you to such owner during the year <u>          </u></p>	<p>(e) Enter highest amount owed to you by such owner during the year <u>          </u></p> <p>(Note: For purposes of H(1) and H(2), "highest amount owed" includes loans and accounts receivable/payable.)</p> <p><b>I</b> Did you ever declare a stock dividend? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p><b>J</b> Taxable income or (loss) from Form 1120, line 28, page 1, for your taxable year beginning in:</p> <p>1975 <u>199,019</u>, 1976 <u>210,258</u>, 1977 <u>127,624</u></p> <p><b>K</b> Were you a member of a controlled group subject to the provisions of section 1561? If "Yes," check the type of relationship:</p> <p>(1) <input type="checkbox"/> parent subsidiary (2) <input type="checkbox"/> brother sister</p> <p>(3) <input type="checkbox"/> combination of (1) and (2) (See section 1563.)</p> <p><b>L</b> Refer to page 8 of instructions and state the principal:</p> <p>Business activity <u>HOSPITAL</u></p> <p>Product or service <u>MEDICAL SERVICE</u></p> <p><b>M</b> Did you file all required Forms 1087, 1096 and 1099? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p><b>N</b> Were you a U.S. shareholder of any controlled foreign corporation? (See sections 951 and 957.) If "Yes," attach Form 3646 for each such corporation. <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p><b>O</b> Did you, at any time during the taxable year, have an interest in or signature or other authority over a bank, securities or other financial account in a foreign country (see instruction V)? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p><b>P</b> Were you the grantor of, or transferor to, a foreign trust during any taxable year, which foreign trust was in being during the current taxable year, whether or not you have any beneficial interest in such trust? If "Yes," you may be required to file Forms 3520, 3520-A, or 926. <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p><b>Q</b> During this taxable year, did you pay dividends (other than stock dividends and distributions in exchange for stock) in excess of your current and accumulated earnings and profits? (See sections 301 and 316.) <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>If "Yes," file Form 5452. If this is a consolidated return, answer here for parent corporation and on Form 851, Affiliation Schedule, for each subsidiary.</p>
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TAUBER 43197

J.APP. 3445

**CONFIDENTIAL**

**Schedule L Balance Sheets**

	Beginning of taxable year		End of taxable year	
	(A) Amount	(B) Total	(C) Amount	(D) Total
<b>ASSETS</b>				
1 Cash		131,891.62		17,569.91
2 Trade notes and accounts receivable	1,342,333.15		1,702,620.58	
(a) Less allowance for bad debts	25,025.00	1,067,298.15	340,524.00	1,362,096.58
3 Inventories		43,061.95		67,037.17
4 Gov't obligations: (a) U.S. and instrumentalities				
(b) State, subdivisions thereof, etc.				
5 Other current assets (attach schedule)		191,745.99		409,364.44
6 Loans to stockholders				
7 Mortgage and real estate loans				
8 Other investments (attach schedule)		(66,623.00)		(117,341.00)
9 Buildings and other fixed depreciable assets	754,229.70		850,324.27	
(a) Less accumulated depreciation	365,825.98	388,403.72	412,261.29	438,062.98
10 Depletable assets				
(a) Less accumulated depletion				
11 Land (net of any amortization)				
12 Intangible assets (amortizable only)	375,425.00		375,425.00	
(a) Less accumulated amortization	68,367.42	307,057.58	79,744.00	295,681.00
13 Other assets (attach schedule)				
14 Total assets		2,062,836.01		2,469,760.08
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>				
15 Accounts payable		547,543.51		908,672.61
16 Mtges., notes, bonds payable in less than 1 yr.		73,163.65		91,633.44
17 Other current liabilities (attach schedule)		19,527.75		288.88
18 Loans from stockholders				
19 Mtges., notes, bonds payable in 1 yr. or more		677,005.22		586,156.00
20 Other liabilities (attach schedule)				
21 Capital stock: (a) Preferred stock				
(b) Common stock	2,182.55	2,182.55	2,198.67	2,198.67
22 Paid in or capital surplus		626,640.27		636,296.15
23 Retained earnings—Appropriated (attach sch.)				
24 Retained earnings—Unappropriated		116,773.06		243,914.33
25 Less cost of treasury stock		( )		( )
26 Total liabilities and stockholders' equity		2,062,836.01		2,469,760.08

**Schedule M-1 Reconciliation of Income Per Books With Income Per Return**

1 Net income per books	127,141.27	7 Income recorded on books this year not included in this return (itemize)	
2 Federal income tax	48,300.06	(a) Tax-exempt interest \$	
3 Excess of capital losses over capital gains			
4 Income subject to tax not recorded on books this year (itemize)			
5 Expenses recorded on books this year not deducted in this return (itemize)		8 Deductions in this tax return not charged against book income this year (itemize)	
(a) Depreciation		(a) Depreciation	
(b) Depletion		(b) Depletion	
AMORTIZATION OF GOODWILL	11,376.58		
JOBS CREDIT	13,176.28		
6 Total of lines 1 through 5	199,994.19	9 Total of lines 7 and 8	
		10 Income (line 28, page 1)—line 6 less 9	199,994.19

**Schedule M-2 Analysis of Unappropriated Retained Earnings Per Books (line 24 above)**

1 Balance at beginning of year	116,773.06	5 Distributions: (a) Cash	
2 Net income per books	127,141.27	(b) Stock	
3 Other increases (itemize)		(c) Property	
		6 Other decreases (itemize)	
4 Total of lines 1, 2, and 3	243,914.33	7 Total of lines 5 and 6	
		8 Balance at end of year (line 4 less 7)	243,914.33

Revenue Act of 1978  
Corporation Fiscal Year  
Tax Computation Schedule

CONFIDENTIAL  
FY 1978-79

▶ Attach to your tax return.

This schedule is to be used in lieu of certain lines of the Tax Computation Schedule on 1978 Forms 1120, 1120F, 990-C, 990-T and Schedule D (Form 1120).

Name Jefferson Memorial Hospital, Inc. Employer identification number 54-0784092

Address (Number and street) 4600 King Street

City or town, State, and ZIP code Alexandria, Virginia 22302

Part I Computation of Regular Tax

Computation at Tax Rates Applicable Before 1/1/79

1	Taxable income	(see instruction A, page 3)	199 994 19
2	Enter line 1 or \$25,000, whichever is less. (Members of a controlled group enter one-half of surtax allocation, see instructions)		25 000 00
3	Subtract line 2 from line 1		174 994 19
4	Enter line 3 or \$25,000, whichever is less. (Members of a controlled group enter one-half of surtax allocation, see instructions)		25 000 00
5	Subtract line 4 from line 3		149 994 19
6	20% of line 2		5 000 00
7	22% of line 4		5 500 00
8	48% of line 5		71 997 21
9	Total of lines 6, 7 and 8. If applicable, enter here and on line 1, Part III		82 497 21

Computation at Tax Rates Applicable After 12/31/78

10	Enter amount from line 1, Part I (see instruction A, page 3)	199 994 19
11	Enter line 10 or \$25,000, whichever is less. (Members of a controlled group, see instructions)	25 000 00
12	Subtract line 11 from line 10	174 994 19
13	Enter line 12 or \$25,000, whichever is less. (Members of a controlled group, see instructions)	25 000 00
14	Subtract line 13 from line 12	149 994 19
15	Enter line 14 or \$25,000, whichever is less. (Members of a controlled group, see instructions)	25 000 00
16	Subtract line 15 from line 14	124 994 19
17	Enter line 16 or \$25,000, whichever is less. (Members of a controlled group, see instructions)	25 000 00
18	Subtract line 17 from line 16	99 994 19
19	17% of line 11	4 250 00
20	20% of line 13	5 000 00
21	30% of line 15	7 500 00
22	40% of line 17	10 000 00
23	46% of line 18	45 997 33
24	Total of lines 19 through 23. If applicable, enter here and on line 3, Part III	72 747 33

Form 1120-FY (1978-79)

TAUBER 43199

J.APP. 3447

**Part II** Computation of Alternative Tax

Page 2

**CONFIDENTIAL**

## Computation at Tax Rates Applicable Before 1/1/79

- 1 Taxable income (line 1, Part I) . . . . .
- 2 (a) Excess of net long term capital gain over net short term capital loss (Schedule D, line 8, column f) . . . . .
- (b) Excess of net long-term capital gain over any net short-term capital loss on transactions completed after December 31, 1978, but not more than the amount entered on line 2(a) (Schedule D, line 8, column g) . . . . .
- (c) Subtract line 2(b) from line 2(a) . . . . .
- 3 Subtract line 2(a) from line 1 . . . . .
- 4 Enter line 3 or \$25,000, whichever is less. (Members of a controlled group, see instructions for lines 2 and 4, Part I) . . . . .
- 5 Subtract line 4 from line 3 . . . . .
- 6 Enter line 5 or \$25,000, whichever is less. (Members of a controlled group, see instructions for lines 2 and 4, Part I) . . . . .
- 7 Subtract line 6 from line 5 . . . . .
- 8 20% of line 4 . . . . .
- 9 22% of line 6 . . . . .
- 10 48% of line 7 . . . . .
- 11 28% of line 2(b) . . . . .
- 12 30% of line 2(c) . . . . .
- 13 Alternative tax—total of lines 8 through 12. If this amount is less than the regular tax on line 9, Part I, enter here and on line 1, Part III . . . . .

## Computation at Tax Rates Applicable After 12/31/78

- 14 Taxable Income (line 10, Part I) . . . . .
- 15 (a) Excess of net long term capital gain over net short-term capital loss (Schedule D, line 8, column f) . . . . .
- (b) Excess of net long-term capital gain over any net short-term capital loss on transactions completed after December 31, 1978, but not more than the amount entered on line 15(a) (Schedule D, line 8, column g) . . . . .
- (c) Subtract line 15(b) from line 15(a) . . . . .
- 16 Subtract line 15(a) from line 14 . . . . .
- 17 Enter line 16 or \$25,000, whichever is less. (Members of a controlled group, see instructions for lines 11, 13, 15, and 17, Part I) . . . . .
- 18 Subtract line 17 from line 16 . . . . .
- 19 Enter line 18 or \$25,000, whichever is less. (Members of a controlled group, see instructions for lines 11, 13, 15, and 17, Part I) . . . . .
- 20 Subtract line 19 from line 18 . . . . .
- 21 Enter line 20 or \$25,000, whichever is less. (Members of a controlled group, see instructions for lines 11, 13, 15, and 17, Part I) . . . . .
- 22 Subtract line 21 from line 20 . . . . .
- 23 Enter line 22 or \$25,000, whichever is less. (Members of a controlled group, see instructions for lines 11, 13, 15, and 17, Part I) . . . . .
- 24 Subtract line 23 from line 22 . . . . .
- 25 17% of line 17 . . . . .
- 26 20% of line 19 . . . . .
- 27 30% of line 21 . . . . .
- 28 40% of line 23 . . . . .
- 29 46% of line 24 . . . . .
- 30 28% of line 15(b) . . . . .
- 31 30% of line 15(c) . . . . .
- 32 Alternative tax—total of lines 25 through 31. If this amount is less than the regular tax on line 24, Part I, enter here and on line 3, Part III . . . . .

**Part III** Proration of Tentative Taxes

- |   |           |           |
|---|-----------|-----------|
| 1 Tentative tax (regular tax from line 9, Part I or alternative tax from line 13, Part II, whichever is less) . . . . .   | 82,497.21 |           |
| 2 Portion of tentative tax before 1/1/79—see instructions for computation . . . . .   |           | 41,587.67 |
| 3 Tentative tax (regular tax from line 24, Part I or alternative tax from line 32, Part II, whichever is less) . . . . .  | 72,747.33 |           |
| 4 Portion of tentative tax after 12/31/78—see instructions for computation . . . . .  |           | 36,074.67 |
| 5 Income tax—add lines 2 and 4. Enter here and on Form 1120, line 9, Schedule J, page 3; Form 1120F, line 9, Schedule J, page 5; Form 990-C line 6, Schedule J, page 3; Form 990-T, line 13, page 1 . . . . . |           | 77,662.34 |

TAUBER 43200

J.APP. 3448

1978  
CONFIDENTIAL

Name

Jefferson Memorial Hospital, Inc.

Identifying number as shown on page 1 of your tax return 51-0764092

1 Use the format below to list qualified investment in new and used property acquired or constructed and placed in service during the tax year. Also list qualified progress expenditures made during the 1978 tax year and qualified progress expenditures made in 1974, 1975, 1976, and 1977 if you made the proper election prescribed in section 46(d)(6) for those tax years. If progress expenditure property is placed in service during the tax year, do not list qualified progress expenditures for this property. See instruction for line 1.

If you are claiming 100% investment credit on certain ships, check this block ☐. See instruction K for details.

Note: Include your share of investment in property made by a partnership, estate, trust, small business corporation, or lessor.

Type of property	Line	(1) Life years	(2) Cost or basis (See instruction G)	(3) Applicable percentage	(4) Qualified investment (Column 2 x column 3)
New property	(a)	3 or more but less than 5	1376.76	33 1/3	465.54
	(b)	5 or more but less than 7	28437.67	66 2/3	18,959.39
	(c)	7 or more	144,029.37	100	144,029.37
	(d)	7 or more		20	
Qualified progress expenditures 1974, 1975, 1976 and 1977 1978	(e)	7 or more		80	
	(f)	3 or more but less than 5		33 1/3	
	(g)	5 or more but less than 7		66 2/3	
	(h)	7 or more		100	

2 Qualified investment—Add lines 1(a) through (h) (see instruction M for special limits) . . . . . 163,454.30

3 10% of line 2 . . . . . 16,345.43

4 7% (4% for public utility property) of certain property (see instructions M and N) . . . . .

5 Corporations electing the additional investment credit for contributions to Employee Stock Ownership Plans—Attach election statement (see instruction I and instruction for line 5)

(a) Additional 1% credit—Enter 1% of line 2 . . . . .

(b) Additional credit (not more than .5%)—Enter allowable percentage times adjusted line 2 (attach schedule) . . . . .

6 Carryback and carryover of unused credit(s)—Attach computation (see instruction F) . . . . .

7 Tentative investment credit—Add lines 3 through 6 . . . . . 16,345.43

8 (a) Individuals—Enter amount from Form 1040, line 37, page 2 . . . . .

(b) Estates and trusts—Enter amount from Form 1041, line 27 or 28, page 1 . . . . . 77,662.34

(c) Corporations—Enter amount from Schedule J (Form 1120), line 9, page 3 . . . . .

9 (a) Credit for the elderly (individuals only) . . . . .

(b) Foreign tax credit . . . . .

(c) Tax on lump-sum distributions (see instruction for line 9(c)) . . . . .

(d) Possession tax credit (corporations only) . . . . .

(e) Section 72(m)(5) penalty tax (individuals only) . . . . .

10 Total—Add lines 9(a) through (e) . . . . .

11 Subtract line 10 from line 8 . . . . . 77,662.34

12 (a) Enter smaller of line 11 or \$25,000. See instruction M for special limits. (Married persons filing separately, controlled corporate groups, estates, and trusts, see instruction for line 12.) . . . . . 25,000.00

(b) If line 11 is more than line 12(a) and your tax year ends in 1978, enter 50% of the excess (if your tax year ends in 1979, enter 60% of the excess). (Public utilities, railroads, and airlines, see instruction J.) . . . . . 31,597.40

13 Total—Add lines 12(a) and (b) . . . . . 56,597.40

14 Enter smaller of line 7 or line 13 . . . . . 16,345.43

15 Subtract line 14 from line 11 . . . . . 61,316.91

16 Enter energy property credit from line 3 of Schedule B (Form 3468) . . . . .

17 Enter smaller of line 15 or line 16 (if there is no entry on line 16, enter zero) . . . . .

18 Total Investment Credit—Add lines 14 and 17. Enter here and on Form 1040, line 41; Schedule J (Form 1120), line 10(b), page 3; or the appropriate line on other returns . . . . . 16,345.43

**Schedule A** If any part of your investment in line 1 or 4 above was made by a partnership, estate, trust, small business corporation, or lessor, complete the following statement and identify property qualifying for the 7% or 10% investment credit.

Name (Partnership, estate, trust, etc.)	Address	Property			Life years
		Progress expenditures	New	Used	
		\$	\$	\$	

Property is disposed of prior to the life years used in figuring the investment credit, see instruction E.

Form 3468 (1978)

4255

Oct. 1977  
Department of the Treasury  
Revenue Service**Tax from Recomputing a Prior Year Investment Credit**

(Computation of Recapture Tax)

▶ Attach to your income tax return.

For the calendar year 19 ....., or other taxable year beginning ..... July 1, ....., 19 78, and ending ..... June 30, ....., 19 79...

JEFFERSON MEMORIAL HOSPITAL, INC.

Identifying number as shown on page 1 of your tax return

54-0784092

Do not use this form if (1) there is an unused investment credit attributable to the disposed asset or (2) the disposed asset is progress expenditure property. (See example (c) and instructions for line 2, column 13 on the back.) Compute the recapture tax for these items on separate schedules.

Original Investment Credit							Recomputed Investment Credit					Recapture Tax
(1) Description of property (also whether is or used)	(2) Date placed in service	(3) Cost or basis	(4) Esti- mated useful life	(5) Appli- cable per- centage	(6) Qualified investment (column 3 x column 5)	(7) Original investment credit (column 6 x applicable rate)	(8) Date item ceased to be investment credit property	(9) Actual useful life	(10) Appli- cable per- centage	(11) Qualified investment (column 3 x column 10)	(12) Recomputed investment credit (column 11 x applicable rate)	(13) Column 7 less column 12
1st	7-'75	275.00	5	66.6	183.34	18.33	5-79	4	33.3	91.67	9.17	9.16
2nd	7-'75	254.00	10	100.0	254.00	25.40	5-79	4	33.3	84.66	8.47	16.93
3rd	7-'74	4000.00	5	66.6	2,666.67	266.67	5-79	4	33.3	1333.33	133.33	133.34

Tax from recomputing a prior year investment credit—add lines (A) through (G), column (13), and, if applicable, combine this total tax (line 2) with any other re-  
capture tax that has been computed on separate schedule(s). Enter this total on the line provided on your tax return.Recapture tax is an addition to your income tax for the year in which you dispose of investment credit property. Do not use the recapture tax to offset the current year's inv-  
estment credit on Form 3468.

Form 4255 (Rev. 10-77)

CONFIDENTIAL

JAPP.3450  
TAUBER 43202

▶ Attach this form to your return.

NAME(S) as shown on return

Jefferson Memorial Hospital, Inc.

Identify:

54-0784092

**CONFIDENTIAL**

Use this form as an attachment to an individual, partnership, fiduciary, or corporation return.

[illegible]

Individual, partnership, and fiduciary filers should include totals from line 4 on the corresponding lines of their regular depreciation schedule. Form 1120 or any of the Form 1120 series (Form 1120S, 1120F, etc.) filers should attach Form 4562 to their return and enter total of line 4, column g, on appropriate depreciation expense line in "Deductions" section of return.

The Energy Bill recently passed by Congress limits depreciation to the straight line method for certain boilers fueled by oil or gas. For more information, please get Publication 534, Tax Information on Depreciation.

## Instructions

(Section references are to the Internal Revenue Code unless otherwise specified.)

Note: Information on Class Life Asset Depreciation Range (CLADR) System is

contained in Publication 534, Tax Information on Depreciation.

**Reasonable Allowance.**—You may deduct a reasonable allowance for the exhaustion, wear and tear, and obsolescence of property used in a trade or business, or held for the production of income. The allowance is not allowed for stock in trade, inventories, land, or personal assets. To figure the allowance, write off the cost or other basis to be recovered over the expected useful life of the property.

Depreciation begins when the asset is placed in service and ends when it is re-

lired from service. To figure the depreciation basis for personal property other than livestock, you need not take into account salvage value that is not more than 10% of its cost or other basis. If the salvage value is more than 10%, take only the excess into account. These rules apply to property with a useful life of three or more years.

**Depreciation Methods.**—The methods of depreciation under section 167(b) are:

**Straight Line Method.**—To figure the depreciation on property for each year, di-

(Continued on back)

---

Form 4562 (1978)

TAUBER 43203



Form 5884

Department of the Treasury  
Internal Revenue Service

## New Jobs Credit

- See separate instructions.  
► Attach to your tax return.

CONFIDENTIAL  
Identifying number  
Your tax return  
54-0781092

1078

Name

Jefferson Memorial Hospital, Inc.

Important—The employer's wage and salary deduction must be reduced by the new jobs credit on line 13. (See instruction G.)

If you are a small business corporation, partnership, estate, or trust which apportions the credit to shareholders, partners, or beneficiaries, complete only lines 1 through 13.

If you are an individual shareholder, partner, or beneficiary who receives the credit from the above entities and have no

other jobs credit, complete only lines 16 through 19, enter the apportioned credit on line 20, 21, or 22, respectively and complete the balance of the form as applicable.

If you are an individual who has more than one new jobs credit, see instruction for line 13.

Note: If you are a member of a group of trades or businesses that are under common control or if you are an estate or trust that apportions the new jobs credit between itself and its beneficiaries, please see instruction H and the instruction for line 13 before completing the form.

1 Enter the total unemployment insurance wages (limited to \$4,200 for each employee) paid during calendar year 1978 (see instruction for line 1) . . . . .	1512627.25
2 Enter 102% of the total unemployment insurance wages (limited to \$4,200 for each employee) paid during calendar year 1977 (see instruction for line 2) . . . . .	1486274.68
3 Subtract line 2 from line 1 . . . . .	26352.57
4 Enter 50% of line 1 . . . . .	756313.62
5 Enter the smaller of line 3 or line 4 . . . . .	26352.57
6 Enter total wages paid in calendar year 1978 (see instruction for line 6) . . . . .	3,341,893.47
7 Enter 105% of total wages paid in calendar year 1977 (see instruction for line 6) . . . . .	3,260,098.15
8 Subtract line 7 from line 6 . . . . .	81,795.32
9 Enter 50% of the smaller of line 5 or line 8 . . . . .	13,176.28
10 Enter the smaller of line 9 or \$100,000 (married individuals filing separately, estates and trusts, see instruction for line 10) . . . . .	13,176.28
11 Enter the unemployment insurance wages (limited to \$4,200 for each employee) paid to vocational rehabilitation referral employees during calendar year 1978 (see instruction E) . . . . .	-
12 Enter the smaller of (a) 10% of line 11 or (b) 20% of line 9 . . . . .	-
13 Current year new jobs credit—Add lines 10 and 12 (see instruction I for special limits). (Members of a group of trades or business under common control, small business corporations, partnerships, estates, and trusts, see instruction for line 13) . . . . .	13,176.28
14 Carryback and carryover of unused credit(s) (attach computation—see instruction F) . . . . .	-
15 Tentative new jobs credit—Add lines 13 and 14 . . . . .	13,176.28

## Limitation

16 (a) Individuals—Enter amount from Form 1040, line 37, page 2 . . . . .	}	77,662.31	
(b) Estates and trusts—Enter amount from Form 1041, line 27 or 28, page 1 . . . . .			
(c) Corporations—Enter amount from Schedule J (Form 1120), line 9, page 3 . . . . .			
17 (a) Credit for the elderly (individuals only) . . . . .			
(b) Foreign tax credit . . . . .			
(c) Investment credit . . . . .	}	16,345.43	
(d) WIN credit . . . . .			
(e) Credit for political contributions (individuals only) . . . . .			
(f) Credit for child and dependent care expenses (individuals only) . . . . .			
(g) Possession tax credit (corporations only) . . . . .			
(h) Tax on lump-sum distributions (see instruction for line 17(h)) . . . . .	}		
(i) Section 72(m)(5) penalty tax (individuals only) . . . . .			
18 Total (add lines 17(a) through (i)) . . . . .			16,345.43
19 Subtract line 18 from line 16. (All filers, other than shareholders, partners, or beneficiaries to which lines 20, 21, or 22 apply, are to skip lines 20 through 23; enter zero on line 24, and complete lines 25 through 27.) . . . . .			61,316.91
20 Shareholder's credit from Schedule K-1 (Form 1120S) plus unused new jobs credit (see instruction for line 13) . . . . .			
21 Partner's credit from Schedule K-1 (Form 1065) plus unused new jobs credit (see instruction for line 13) . . . . .			
22 Beneficiary's credit from Schedule K-1 (Form 1041) plus unused new jobs credit (see instruction for line 13) . . . . .			
23 Line 20, 21, and 22 limits:			
(a) Enter the smaller of line 20 or the amount figured by using the formula in the line 23 instruction . . . . .			
(b) Enter the smaller of line 21 or the amount figured by using the formula in the line 23 instruction . . . . .			
(c) Enter the smaller of line 22 or the amount figured by using the formula in the line 23 instruction . . . . .			
24 Add lines 23(a), (b), and (c) . . . . .		61,316.91	
25 Subtract line 24 from line 19 . . . . .		13,176.28	
26 Enter the smaller of line 15 or line 25 (if there is no entry on line 15, enter zero) . . . . .			
27 Total allowable new jobs credit (add lines 24 and 26). Enter here and on Form 1040, line 44; Schedule J (Form 1120), line 10(d), page 3; or the appropriate line on other returns . . . . .		13,176.28	

TAUBER 43204

J.APP. 3452

**CONFIDENTIAL**

JEFFERSON MEMORIAL HOSPITAL, INC.  
 COST OF OPERATIONS - FISCAL YEAR ENDED JUNE 30, 1979  
 E. I. # 34-0734092

	<u>TOTAL</u>	<u>SALARIES AND IVARES</u>	<u>SUPPLIES AND EXPENSES</u>
NURSING SERVICES	\$170431134	143533292	26897842
INTENSIVE CARE	27750596	21161287	6589309
OPERATING ROOM	43938402	24437948	19500454
RECOVERY ROOM	7268178	6387594	880584
CENTRAL SUPPLY	22495522	5588791	16906731
EMERGENCY ROOM	43632538	12130863	31501675
LABORATORY	40792151	17761786	23030365
PULMONARY FUNCTION	2919734	-	2919734
BLOOD BANK	3020882	-	3020882
ELECTRO CARDIOLOGY	9572178	3315729	6256449
ELECTRO ENCEPHALOGRAPHY	838601	-	838601
RENAL DIALYSIS	470250	-	470250
STRESS TEST	1266506	-	1266506
RADIOLOGY	45995334	12715211	33280128
PHARMACY	41261043	-	41261043
ANESTHESIOLOGY	31318238	-	31318238
INTILATION THERAPY	23163398	-	23163398
PHYSICAL THERAPY	15460921	6879924	8580997
MEDICAL RECORDS	9243915	7159629	2084286
P.S.R.D.	2278321	1854834	423487
DIETARY	45009800	21630364	23379436
OPERATION OF PLANT	27195815	11500053	15695762
REPAIRS & MAINTENANCE	4738951	-	4738951
SECURITY	2722099	-	2722099
HOUSEKEEPING	16262975	-	16262975
LAUNDRY	15184649	2304398	12885301
DATA PROCESSING	11424658	3339844	5084814
ADMINISTRATIVE	27295664	-	27295664
ADMITTING	7737420	6343855	1393565
<u>TOTAL COST OF OPERATIONS</u>	<u>\$700644928</u>	<u>\$308045402</u>	<u>\$392649526</u>

TAUBER 43205

JEFFERSON MEMORIAL HOSPITAL INC.

CONFIDENTIAL

SCHEDULES - FISCAL YEAR ENDED JUNE 30, 1977

E.I. # 54-0784092

SCHEDULE OF OTHER INCOME

MEDICAL SUPPLIES & TRANSCRIPTS  
PSRO REVENUE  
COMMISSIONS - VENDING MACHINES  
RECOVERY OF BAD DEBTS  
LOST CREEK PARTNERS - ORDINARY (LOSS) K-1  
WEST PALM BEACH, FLA. E.I. # 55-0588076

# 675464  
120900  
166872  
18797177  
(5071800)

TOTAL OTHER INCOME

# 14688615

SCHEDULE OF TAXES

REAL ESTATE  
LICENSES  
PERSONAL PROPERTY & MISCELLANEOUS  
SALES TAX  
VA. STATE CORPORATION INCOME TAX

# 4232710  
2083075  
1045400  
622022  
1192987

TOTAL TAXES

# 9236194

SCHEDULE OF OTHER DEDUCTIONS

INSURANCE  
LOSS ON DISPOSITION OF EQUIPMENT  
COLLECTION AGENCY FEE  
GENERAL EDUCATION  
POSTAGE & SHIPPING EXPENSE  
TELEVISION & MUSIC  
LEASE & RENTAL OF EQUIPMENT  
CREDIT CARD FEES

# 9341295  
1091587  
21193137  
334344  
1511860  
1004473  
5931092  
443214

TOTAL OTHER DEDUCTIONS

# 21752114

TAUBER 43206

JAPP. 3454

JEFFERSON MEMORIAL HOSPITAL, INC. **CONFIDENTIAL**  
 SCHEDULE OF OTHER CURRENT ASSETS  
 FISCAL YEAR ENDED JUNE 30 1968/1969 54-0784092

	6-30-78	6-30-79
<u>OTHER CURRENT ASSETS</u>		
ESCROW DEPOSITS	\$ 12,500.00	\$ 12,500.00
PREPAID INSURANCE	69,043.12	86,998.91
PREPAID FINANCIAL COSTS	24,196.66	16,447.16
PREPAID LICENSES & PERM. PROP.	3,293.41	2,441.14
ACCOUNTS RECEIVABLE DOCTORS & EMPLOYEES	13,836.01	43,867.05
ACCOUNTS RECEIVABLE CONTRACT AGENCIES	68,276.76	24,931.21
<u>TOTAL OTHER CURRENT ASSETS</u>	\$ 191,745.99	\$ 409,364.44
<u>OTHER INVESTMENTS</u>		
LOST CREEK PARTNERS - WEST PALM BEACH, FLA	\$ (66,623.00)	\$ (117,341.00)

TAUBER 43207

# U.S. Corporation Income Tax Return

For calendar year 1979 or other taxable year beginning

**1979**

Check if —  
A Consolidated return ☐  
B Personal Holding Co. ☐  
C Business Code No. (See Page 8 of instructions)

Use  
IRS  
label.  
Other-  
wise  
please  
print  
or type.

TO 54-2784092 JUN 30, 1980 054 M  
JEFFERSON MEMORIAL HOSPITAL INC  
4600 KING ST  
ALEXANDRIA VA 22302

D Employer identification number  
(see instruction W)  
54-0784092  
E Date incorporated  
JUNE 30, 1971  
F Enter total assets (see instruction X)  
\$ 2,545,765.08

Gross Income	1 (a) Gross receipts or sales \$11,309,113.88 (b) Less returns and allowances \$ 971,864.81 Balance ▶	1(c)	10,328,244.03
	2 Less: Cost of goods sold (Schedule A) and/or operations (attach schedule)	2	8,079,165.99
	3 Gross profit	3	2,249,083.04
	4 Dividends (Schedule C)	4	
	5 Interest on obligations of the United States and U.S. instrumentalities	5	
	6 Other interest	6	5,148.02
	7 Gross rents	7	
	8 Gross royalties	8	
	9 (a) Capital gain net income (attach separate Schedule D)	9(a)	
	(b) Net gain or (loss) from Form 4797, line 11, Part II (attach Form 4797)	9(b)	
	10 Other income (see instructions—attach schedule)	10	147,439.35
11 TOTAL Income—Add lines 3 through 10	11	2,401,690.41	
Deductions	12 Compensation of officers (Schedule E)	12	
	13 (a) Salaries and wages 448,725.26 13(b) Less WIN and jobs credit(s) -0- Balance ▶	13(c)	448,725.26
	14 Repairs (see instructions)	14	
	15 Bad debts (Schedule F if reserve method is used)	15	752,599.00
	16 Rents	16	220,431.91
	17 Taxes	17	148,096.41
	18 Interest	18	61,499.64
	19 Contributions (not over 5% of line 30 adjusted per instructions—attach schedule)	19	
	20 Amortization (attach schedule)	20	
	21 Depreciation from Form 4562 (attach Form 4562) less depreciation claimed in Schedule A and elsewhere on return Balance ▶	21	84,180.37
	22 Depletion	22	
	23 Advertising	23	
	24 Pension, profit-sharing, etc. plans (see instructions) (enter number of plans ▶ ONE)	24	57,000.00
	25 Employee benefit programs (see instructions)	25	97,046.62
	26 Other deductions (attach schedule)	26	278,165.36
	27 TOTAL deductions—Add lines 12 through 26	27	2,184,744.57
	28 Taxable income before net operating loss deduction and special deductions (subtract line 27 from line 11)	28	216,945.84
	29 Less: (a) Net operating loss deduction (see instructions—attach schedule) 29(a)	29	
(b) Special deductions (Schedule I) 29(b)	29		
30 Taxable income (subtract line 29 from line 28)	30	216,945.84	
Tax	31 TOTAL TAX (Schedule J)	31	48,687.14
	32 Credits: (a) Overpayment from 1978 allowed as a credit 24,699.94		
	(b) 1979 estimated tax payments 24,699.94		
	(c) Less refund of 1979 estimated tax applied for on Form 4466 ( ) 48,699.94		
	(d) Tax deposited: Form 7004 Form 7005 (attach) Total ▶		
	(e) Credit from regulated investment companies (attach Form 2439)		
	(f) Federal tax on special fuels and oils (attach Form 4136 or 4136-T)		
	33 TAX DUE (subtract line 32 from line 31). See instruction G for depositary method of payment. (Check <input type="checkbox"/> if Form 2220 is attached. See page 3 of instructions.) ▶ \$ 48,699.94	32	48,699.94
	34 OVERPAYMENT (subtract line 31 from line 32)	33	
	35 Enter amount of line 34 you want: Credited to 1980 estimated tax ▶ 12.80 Refunded ▶	34	12.80
35	35		

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

Signature of officer *James H. Miller* Date *9-11-80* Title *PRESIDENT*  
Preparer's signature and date *James Miller*  
Firm's name (or yours, if self-employed) *JEFFERSON MEMORIAL HOSPITAL INC*  
Check if self-employed ☒ Preparer's social security no. *016-241-0867*  
C.I. No.   
ZIP code

FILE COPY

1979

Form **1120**  
Department of the Treasury  
Internal Revenue Service**U.S. Corporation Income Tax Return**

For calendar year 1979 or other taxable year beginning

1979, ending 19.....

Check if —

A Consolidated return ☐B Personal Holding Co. ☐C Business Code No. (See  
Page 3 of instructions)

8099

Use  
IRS  
label.  
Other-  
wise  
please  
print  
or type.TO 54-0784092 JUN 30, 1980 D54 M  
JEFFERSON MEMORIAL HOSPITAL INC  
4600 KING ST  
ALEXANDRIA VA 22302D Employer identification number  
(see instruction W)  
54-0784092

E Date incorporated

JULIE 3RD 1971

F Enter total assets (see instruction X)

\$ 2,595,765.08

Gross Income

1 (a) Gross receipts or sales \$11,300,113.88 (b) Less returns and allowances \$... Balance ►

2 Less: Cost of goods sold (Schedule A) and/or operations (attach schedule) . . . . .

3 Gross profit . . . . .

4 Dividends (Schedule C) . . . . .

5 Interest on obligations of the United States and U.S. instrumentalities . . . . .

6 Other interest . . . . .

7 Gross rents . . . . .

8 Gross royalties . . . . .

9 (a) Capital gain net income (attach separate Schedule D) . . . . .

(b) Net gain or (loss) from Form 4797, line 11, Part II (attach Form 4797) . . . . .

10 Other income (see instructions—attach schedule) . . . . .

11 TOTAL income—Add lines 3 through 10 . . . . .

1(c) 10,320,200.00

2 8,079,165.00

3 2,249,035.00

4

5

6 5,143.00

7

8

9(a)

9(b)

10 147,459.35

11 2,401,690.41

Deductions

12 Compensation of officers (Schedule E) . . . . .

13 (a) Salaries and wages 455,725.26 13(b) Less WIN and jobs credit(s) . . . . . Balance ►

14 Repairs (see instructions) . . . . .

15 Bad debts (Schedule F if reserve method is used) . . . . .

16 Rents . . . . .

17 Taxes . . . . .

18 Interest . . . . .

19 Contributions (not over 5% of line 30 adjusted per instructions—attach schedule) . . . . .

20 Amortization (attach schedule) . . . . .

21 Depreciation from Form 4562 (attach Form 4562) . . . . ., less depreciation  
claimed in Schedule A and elsewhere on return . . . . ., Balance ►

22 Depletion . . . . .

23 Advertising . . . . .

24 Pension, profit-sharing, etc. plans (see instructions) (enter number of plans ► ONE . . . . .)

25 Employee benefit programs (see instructions) . . . . .

26 Other deductions (attach schedule) . . . . .

27 TOTAL deductions—Add lines 12 through 26 . . . . .

28 Taxable income before net operating loss deduction and special deductions (subtract line 27 from line 11) . . . . .

29 Less: (a) Net operating loss deduction (see instructions—attach schedule) . . . . . 29(a)

(b) Special deductions (Schedule I) . . . . . 29(b)

30 Taxable income (subtract line 29 from line 28) . . . . .

12

13(c) 455,725.26

14

15 752,599.00

16 222,431.91

17 148,096.41

18 61,499.64

19

20

21 84,150.37

22

23

24 57,000.00

25 97,046.65

26 278,150.00

27 2,184,744.57

28 216,943.84

29

30 216,943.84

Tax

31 TOTAL TAX (Schedule J) . . . . .

32 Credits: (a) Overpayment from 1978 allowed as a credit . . . . . 24,699.94

(b) 1979 estimated tax payments . . . . . 24,000.00

(c) Less refund of 1979 estimated tax applied for on Form 4466 . . . . . ( ) 48,699.94

(d) Tax deposited: Form 7004 . . . . . Form 7005 (attach) . . . . . Total ►

(e) Credit from regulated investment companies (attach Form 2439) . . . . .

(f) Federal tax on special fuels and oils (attach Form 4136 or 4136-T) . . . . .

33 TAX DUE (subtract line 32 from line 31). See instruction G for depository method of payment . . . . .

(Check ► ☐ if Form 2220 is attached. See page 3 of instructions.) ► \$ . . . . .

34 OVERPAYMENT (subtract line 31 from line 32) . . . . . 12.50

35 Enter amount of line 34 you want: Credited to 1980 estimated tax ► 12.50 Refunded ►

31 48,697.17

32 48,699.94

33

34 12.50

35

Please Sign Here

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

Signature of officer \_\_\_\_\_ Date \_\_\_\_\_

Preparer's signature and date \_\_\_\_\_

Firm's name (or yours, if self-employed) and address JEFFERSON MEMORIAL HOSPITAL INC \_\_\_\_\_

Preparer's title \_\_\_\_\_

Check if self-employed ☒ Preparer's social security no. 056 14 3057

E.I. No. \_\_\_\_\_

ZIP code 22302

1 Inventory at beginning of year . . . . .	SEE
2 Merchandise bought for manufacture or sale . . . . .	SCHEDULE
3 Salaries and wages . . . . .	ATTACHED
4 Other costs (attach schedule) . . . . .	
5 Total . . . . .	
6 Less: Inventory at end of year . . . . .	
7 Cost of goods sold—Enter here and on line 2, page 1 . . . . .	8079.165.95
8 (a) Check all methods used for valuing closing inventory: (i) <input type="checkbox"/> Cost (ii) <input type="checkbox"/> Lower of cost or market as described in Regulations section 1.471-4 (see Instructions) (iii) <input type="checkbox"/> Writedown of "subnormal" goods as described in Regulations section 1.471-2(c) (see instructions)	
(b) Did you use any other method of inventory valuation not described above? . . . . .	<input type="checkbox"/> Yes <input type="checkbox"/> No
If "Yes," specify method used and attach explanation ▶	
(c) Check if this is the first year LIFO inventory method was adopted and used. (If checked, attach Form 970.) . . . . .	<input type="checkbox"/>
(d) If the LIFO inventory method was used for this taxable year, enter percentage (or amounts) of closing inventory computed under LIFO . . . . .	N/A
(e) Is the corporation engaged in manufacturing activities? . . . . .	<input type="checkbox"/> Yes <input type="checkbox"/> No
If "Yes," are inventories valued under Regulations section 1.471-11 (full absorption accounting method)? . . . . .	<input type="checkbox"/> Yes <input type="checkbox"/> No
(f) Was there any substantial change in determining quantities, cost, or valuations between opening and closing inventory? . . . . .	<input type="checkbox"/> Yes <input type="checkbox"/> No
If "Yes," attach explanation.	

**Schedule C Dividends (See instruction 4)**

1 Domestic corporations subject to 85% deduction . . . . .	_____
2 Certain preferred stock of public utilities . . . . .	_____
3 Foreign corporations subject to 85% deduction . . . . .	_____
4 Dividends from wholly-owned foreign subsidiaries subject to 100% deduction (section 245(b)) . . . . .	_____
5 Other dividends from foreign corporations . . . . .	_____
6 Includible income from controlled foreign corporations under subpart F (attach Forms 3646) . . . . .	_____
7 Foreign dividend gross-up (section 78) . . . . .	_____
8 Qualifying dividends received from affiliated groups and subject to the 100% deduction (section 243(a)(3)) . . . . .	_____
9 Taxable dividends from a DISC or former DISC not included in line 1 (section 246(d)) . . . . .	_____
10 Other dividends . . . . .	_____
11 Total—Enter here and on line 4, page 1 . . . . .	_____

**Schedule B Compensation of Officers (See instruction 12)**

1. Name of officer	2. Social security number	3. Time devoted to business	Percent of corporation stock owned		6. Amount of compensation	7. Expense account allowances
			4. Common	5. Preferred		
<b>Total compensation of officers—Enter here and on line 12, page 1</b>						

**Schedule B** **Bad Debts—Reserve Method (See instruction 15)**

1. Year	2. Trade notes and accounts receivable outstanding at end of year	3. Sales on account	Amount added to reserve		6. Amount charged against reserve	7. Reserve for bad debts at end of year
			4. Current year's provision	5. Recoveries		
1974	1 025 872	6 303 823	210 111		254 537	201 191
1975	1 145 285	6 951 592	342 546		341 814	251 842
1976	1 157 453	7 673 601	422 634		511 731	287 983
1977	1 302 322	8 590 814	473 130		444 152	277 035
1978	1 302 500	8 525 114	371 222		506 506	345 534
1979	1 311 133	11 300 114	753 230		694 503	343 620

**Schedule** **Special Deductions (See instructions for Schedule I)**

1	(a) 85% of Schedule C, line 1 . . . . .	_____
	(b) 59.13% of Schedule C, line 2 . . . . .	_____
	(c) 85% of Schedule C, line 3 . . . . .	_____
	(d) 100% of Schedule C, line 4 . . . . .	_____
2	Total—See instructions for limitation . . . . .	_____
3	100% of Schedule C, line 8 . . . . .	_____
4	Deduction for dividends paid on certain preferred stock of public utilities (see instructions) . . . . .	_____
5	Deduction for Western Hemisphere trade corporations (see instructions) . . . . .	_____
6	Total special deductions—Add lines 2 through 5. Enter here and on line 29(b), page 1 . . . . .	_____

**Schedule M Tax Computation**

1 Taxable income (line 30, page 1)	216,945.54
2 (a) Are you a member of a controlled group? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
(b) If "Yes," see instructions and enter your portion of the \$25,000 amount in each taxable income bracket:	
(i) \$..... (ii) \$..... (iii) \$..... (iv) \$.....	
3 Income tax (see instructions to figure the tax; enter this tax or alternative tax from Schedule D, whichever is less). Check if from Schedule D <input type="checkbox"/>	80,545.04
4 (a) Foreign tax credit (attach Form 1118)	
(b) Investment credit (attach Form 3468)	31,857.95
(c) Work incentive (WIN) credit (attach Form 4874)	
(d) Jobs credit (attach Form 5884)	
5 Total of lines 4(a), (b), (c), and (d)	31,857.95
6 Subtract line 5 from line 3	48,687.14
7 Personal holding company tax (attach Schedule PH (Form 1120))	
8 Tax from recomputing prior-year investment credit (attach Form 4255)	
9 Tax from recomputing prior-year WIN credit (attach computation)	
10 Minimum tax on tax preference items (see instructions—attach Form 4626)	
11 Total tax—Add lines 6 through 10. Enter here and on line 31, page 1	48,687.14

**Schedule K Record of Federal Tax Deposit Forms 503**  
(List deposits in order of date made—See instruction G)

Date of deposit	Amount	Date of deposit	Amount
10-15-79	12,000.00	6-13-80	11,000.00
12-14-79	500.00		
3-14-80	500.00		

<p><b>G (1)</b> Did you claim a deduction for expenses connected with:</p> <p>(a) Entertainment facility (boat, resort, ranch, etc.)? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>(b) Living accommodations (except employees on business)? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>(c) Employees attending conventions or meetings outside the U.S. or its possessions? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>(d) Employee's families at conventions or meetings? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>If "Yes," were any of these conventions or meetings outside the United States or its possessions? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>(e) Employee or family vacations not reported on Form W-27 <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p><b>(2)</b> Enter total amount claimed on Form 1120 for entertainment, entertainment facilities, gifts, travel, and conventions of the type for which substantiation is required under section 274(d). (See instruction Y.) <u>N/A</u></p> <p><b>H (1)</b> Did you at the end of the taxable year own, directly or indirectly, 50% or more of the voting stock of a domestic corporation? (For rules of attribution, see section 267(c).) <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>If "Yes," attach a schedule showing: (a) name, address, and identifying number; (b) percentage owned; (c) taxable income or (loss) (e.g., if a Form 1120: from Form 1120, line 28, page 1) of such corporation for the taxable year ending with or within your taxable year; (d) highest amount owed by you to such corporation during the year; and (e) highest amount owed to you by such corporation during the year.</p> <p><b>(2)</b> Did any individual, partnership, corporation, estate or trust at the end of the taxable year own, directly or indirectly, 50% or more of your voting stock? (For rules of attribution, see section 267(c).) If "Yes," complete (a) through (e) <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>(a) Attach a schedule showing name, address, and identifying number; (b) Enter percentage owned <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>(c) Was the owner of such voting stock a person other than a U.S. person? (See instruction S.) <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>If "Yes," enter owner's country <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>(d) Enter highest amount owed by you to such owner during the year <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>(e) Enter highest amount owed to you by such owner during the year <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>(Note: For purposes of H(1) and H(2), "highest amount owed" includes loans and accounts receivable/payable.)</p>	<p><b>I</b> Did you ever declare a stock dividend? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p><b>J</b> Taxable income or (loss) from Form 1120, line 28, page 1, for your taxable year beginning in:</p> <p>1976 <u>210,258</u> 1977 <u>127,624</u> 1978 <u>199,994</u></p> <p><b>K</b> If you were a member of a controlled group subject to the provisions of section 1561, check the type of relationship:</p> <p>(1) <input type="checkbox"/> parent-subsidiary (2) <input type="checkbox"/> brother-sister</p> <p>(3) <input type="checkbox"/> combination of (1) and (2) (See section 1563.)</p> <p><b>L</b> Refer to page 8 of instructions and state the principal:</p> <p>Business activity <u>HOSPITAL</u></p> <p>Product or service <u>MEDICAL SERVICE</u></p> <p><b>M</b> Did you file all required Forms 1087, 1096 and 1099? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p><b>N</b> Were you a U.S. shareholder of any controlled foreign corporation? (See sections 951 and 957.) If "Yes," attach Form 3646 for each such corporation <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p><b>O</b> At any time during the tax year, did you have an interest in or a signature or other authority over a bank account, securities account, or other financial account in a foreign country (see instruction V)? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p><b>P</b> Were you the grantor of, or transferor to, a foreign trust which existed during the current tax year, whether or not you have any beneficial interest in it? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>If "Yes" you may have to file Forms 3520, 3520-A or 926.</p> <p><b>Q</b> During this taxable year, did you pay dividends (other than stock dividends and distributions in exchange for stock) in excess of your current and accumulated earnings and profits? (See sections 301 and 316.) <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>If "Yes," file Form 5452. If this is a consolidated return, answer here for parent corporation and on Form 851, Affiliations Schedule, for each subsidiary.</p> <p><b>R</b> During this tax year was any part of your tax accounting records maintained on a computerized system? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p><b>S (1)</b> Did you elect to claim amortization (under section 191) or depreciation (under section 167(e)) for a rehabilitated certified historic structure (see Instructions for line 20)? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p><b>(2)</b> Amortizable basis (see instructions for line 20):</p>
---	--



**Schedule M-1 Balance Sheets**

	Beginning of taxable year		End of taxable year	
	(A) Amount	(B) Total	(C) Amount	(D) Total
<b>ASSETS</b>				
1 Cash . . . . .		14,256.91		119,059.63
2 Trade notes and accounts receivable . . . . .	1,702,620.58		1,811,187.76	
(a) Less allowance for bad debts . . . . .	340,524.00	1,362,096.58	398,620.28	1,412,567.48
3 Inventories . . . . .		67,039.17		79,025.88
4 Gov't obligations: (a) U.S. and instrumentalities . . . . .				
(b) State, subdivisions thereof, etc. . . . .				
5 Other current assets (attach schedule) . . . . .		409,364.44		348,972.52
6 Loans to stockholders . . . . .				
7 Mortgage and real estate loans . . . . .				
8 Other investments (attach schedule) . . . . .		(117,341.00)		(143,646.00)
9 Buildings and other fixed depreciable assets . . . . .	850,324.27		991,975.81	
(a) Less accumulated depreciation . . . . .	412,261.29	438,062.98	496,441.66	495,534.15
10 Depletable assets . . . . .				
(a) Less accumulated depletion . . . . .				
11 Land (net of any amortization) . . . . .				
12 Intangible assets (amortizable only) . . . . .	375,425.00		375,425.00	
(a) Less accumulated amortization . . . . .	70,744.00	295,681.00	41,120.58	284,304.42
13 Other assets (attach schedule) . . . . .				
14 Total assets . . . . .		2,545,765.08		2,545,765.08
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>				
15 Accounts payable . . . . .		402,672.61		750,819.17
16 Mtges., notes, bonds payable in less than 1 yr. . . . .		91,633.44		50,064.70
17 Other current liabilities (attach schedule) . . . . .		288.88		225,704.36
18 Loans from stockholders . . . . .				
19 Mtges., notes, bonds payable in 1 yr. or more . . . . .		586,156.00		548,986.58
20 Other liabilities (attach schedule) . . . . .				
21 Capital stock: (a) Preferred stock . . . . .				
(b) Common stock . . . . .	2,198.67	2,198.67	2,166.84	2,166.84
22 Paid-in or capital surplus . . . . .		636,296.15		617,229.98
23 Retained earnings—Appropriated (attach sch.) . . . . .				
24 Retained earnings—Unappropriated . . . . .		243,914.33		400,796.45
25 Less cost of treasury stock . . . . .		( )		( )
26 Total liabilities and stockholders' equity . . . . .		2,545,765.08		2,545,765.08

**Schedule M-2 Reconciliation of Income Per Books With Income Per Return**

1 Net income per books . . . . .	156,882.12	7 Income recorded on books this year not included in this return (itemize)	
2 Federal income tax . . . . .	48,687.14	(a) Tax-exempt interest \$ . . . . .	
3 Excess of capital losses over capital gains . . . . .			
4 Income subject to tax not recorded on books this year (itemize) . . . . .			
		8 Deductions in this tax return not charged against book income this year (itemize)	
5 Expenses recorded on books this year not deducted in this return (itemize)		(a) Depreciation . . . \$ . . . . .	
(a) Depreciation . . . . . \$ . . . . .		(b) Depletion . . . \$ . . . . .	
(b) Depletion . . . . . \$ . . . . .			
ADDITIONAL INFORMATION		9 Total of lines 7 and 8 . . . . .	1
6 Total of lines 1 through 5 . . . . .	11,376.58	10 Income (line 28, page 1)—line 6 less 9 . . . . .	216,945.84

**Schedule M-3 Analysis of Unappropriated Retained Earnings Per Books (line 24 above)**

1 Balance, beginning of year . . . . .	243,914.33	5 Distributions: (a) Cash . . . . .	
2 Net income per books . . . . .	156,882.12	(b) Stock . . . . .	
3 Other increases (itemize) . . . . .		(c) Property . . . . .	
		6 Other decreases (itemize) . . . . .	
4 Total of lines 1, 2, and 3 . . . . .	400,796.45	7 Total of lines 5 and 6 . . . . .	400,796.45
		8 Balance at end of year (line 4 less 7) . . . . .	

# Computation of Investment Credit

**1979**  
22

▶ Attach to your tax return.

Name

JEFFERSON MEMORIAL HOSPITAL, INC.

Identifying number as shown on page 1  
of your tax return

54-0784092

Check the applicable box(es) below to elect the provisions of the specified code section(s):

- A** The corporation elects the basic or basic and matching ESOP percentage under section 48(n)(1) . . . . . ☐  
**B** I elect to increase my qualified investment to 100% for certain commuter highway vehicles under section 46(c)(5) . . . . . ☒  
**C** I elect to increase my qualified investment under section 46(d) by all qualified progress expenditures made in the tax year and all subsequent years . . . . . ☐

**1** Use the format below to list your qualified investment in new or used property acquired or constructed and placed in service during the tax year. Also list (a) qualified progress expenditures made during the tax year and certain prior tax years and (b) qualified rehabilitation expenditures for the year. See the instructions for line 1(a) through 1(j).

If you are claiming 100% investment credit on certain ships, check this block ☐. See instruction K for details.

Note: Include your share of investment in property made by a partnership, estate, trust, small business corporation, or lessor.

Type of property	Line	(1) Life years	(2) Cost or basis (See instruction G)	(3) Applicable percentage	(4) Qualified investment (Column 2 x column 3)
New property	(a)	3 or more but less than 5	256766	33 1/3	85582
	(b)	5 or more but less than 7	3359459	66 2/3	2239830
	(c)	7 or more	28724103	100	28724103
Commuter highway vehicle	(d)	3 or more	808420	100	808420
Qualified progress expenditures	1974 through 1978	(e)		20	
	1979	(f)		100	
Used property (See instructions for dollar limits)	(g)	3 or more but less than 5		33 1/3	
	(h)	5 or more but less than 7		66 2/3	
	(i)	7 or more		100	
Commuter highway vehicle	(j)	3 or more		100	

- 2** Qualified investment—Add lines 1(a) through (j) (see instruction M for special limits) . . . . . 31857950  
**3** 10% of line 2 . . . . . 3185795  
**4** 7% (4% for public utility property) of certain property (see instruction Q) . . . . .  
**5** Corporations electing the basic or basic and matching ESOP percentage for contributions to ESOPs—  
Check election box A above (see instruction I and instruction for line 5)  
(a) Basic 1% credit—Enter 1% of line 2 . . . . .  
(b) Matching credit (not more than 0.5%)—Enter allowable percentage times adjusted line 2 (attach schedule) . . . . .  
**6** Patron's regular investment credit—Enter credit allocated from cooperative . . . . .  
**7** Total—Add lines 3 through 6 . . . . . 3185795  
**8** Carryover of unused credit(s) . . . . .  
**9** Carryback of unused credit(s) . . . . .  
**10** Tentative regular investment credit—Add lines 7, 8, and 9 . . . . . 3185795

## Tax Liability Limitations

- 11** (a) Individuals—Enter amount from Form 1040, line 37, page 2 . . . . .  
(b) Estates and trusts—Enter amount from Form 1041, line 27, page 1 . . . . .  
(c) Corporations—Enter amount from Schedule J (Form 1120), line 3, page 3 . . . . .  
**12** (a) Credit for the elderly (individuals only) . . . . .  
(b) Foreign tax credit . . . . .  
(c) Tax on lump-sum distribution from Form 4972 or Form 5544 . . . . .  
(d) Possessions corporation tax credit (corporations only) . . . . .  
(e) Section 72(m)(5) penalty tax (individuals only) . . . . .  
**13** Total—Add lines 12(a) through (e) . . . . .  
**14** Subtract line 13 from line 11 . . . . . 8054509  
**15** (a) Enter smaller of line 14 or \$25,000. See instruction M for special limits. (Married persons filing separately, controlled corporate groups, estates, and trusts, see instruction for line 15) . . . . . 25000.00  
(b) If line 14 is more than line 15(a) and you are a 1979 calendar year taxpayer, enter 60% of the excess (if your tax year ends in 1980, enter 70% of the excess). (Public utilities, railroads, and airlines, see instruction J.) . . . . . 38881.56  
**16** Regular investment credit limitation—Add lines 15(a) and (b) . . . . . 63881.56

(Continue computation on back.)

TAG 002571

Form 3468 (1979)

17 Allowed regular investment credit—Enter smaller of line 10 or line 16 . . . . .

31,857.95

Note: If line 10 exceeds line 16, the excess is an unused regular investment credit. See instruction F.

18 Nonrefundable business energy investment credit limitation—Subtract line 17 from line 14 . . . . .

48,687.14

19 Enter nonrefundable business energy investment credit from line 8 of Schedule B (Form 3468) . . . . .

-

20 Allowed nonrefundable business energy investment credit—Enter smaller of line 18 or line 19 . . . . .

-

Note: If line 19 exceeds line 18, the excess is an unused nonrefundable business energy investment credit. See instruction F.

21 Total allowed regular investment credit and nonrefundable business energy investment credit—Add lines 17 and 20. Enter here and on Form 1040, line 41; Schedule J (Form 1120), line 4(b), page 3; or the appropriate line on other returns . . . . .

31,857.95

**Schedule A.** If any part of your investment in line 1 or 4 above was made by a partnership, estate, trust, small business corporation, or lessor, complete the following statement and identify property qualifying for the 7% or 10% investment credit.

Name (Partnership, estate, trust, etc.)	Address	Property			
		Progress expenditures	New	Used	Life years
		\$	\$	\$	

(If property is disposed of prior to the life years used in figuring the investment credit, see instruction E.)

★ U.S. GOVERNMENT PRINTING OFFICE : 1979—O-283-388 13-2687299

TAG 002572

J.APP. 3462

Name(s) as shown on return

JEFFERSON MEMORIAL HOSPITAL INC.

Identifying number

54-0784292

Use this form as an attachment to an individual, partnership, fiduciary, or corporation return.

Form 4562 (1979)

JEFFERSON MEMORIAL HOSPITAL, INC.  
COST OF OPERATIONS - FISCAL YEAR ENDED JUNE 30, 1980  
FI # 54-0784092

	TOTAL	SALARIES AND WAGES	SUPPLIES AND EXPENSES
NURSING SERVICES	176493054	152725336	23767718
INTENSIVE CARE	35201920	23580456	11621464
OPERATING ROOM	53383783	28127893	25255890
RECOVERY ROOM	8131097	7216126	914971
CENTRAL SUPPLY	29250261	6520898	22729363
EMERGENCY ROOM	49947581	14413280	35534301
LABORATORY	45769774	20320453	25449321
PULMONARY FUNCTION	3582340	-	3582340
BLOOD BANK	3458100	-	3458100
ELECTRO CARDIOLOGY	10134997	3899304	6235643
ELECTRO ENCEPHALOGRAPHY	795182	-	795182
RENAL DIALYSIS	569250	-	569250
STRESS TEST	1578400	-	1578400
RADIOLOGY	62550950	14185562	48365388
PHARMACY	49986210	-	49986210
ANESTHESIOLOGY	36557767	-	36557767
INHALATION THERAPY	23753911	-	23753911
PHYSICAL THERAPY	74865930	8446823	11419047
MEDICAL RECORDS	11080939	9329625	1751314
PSRO	2025394	1750306	275088
DIETARY	48190172	23417395	24772777
OPERATION OF PLANT	23879071	-	23879071
REPAIRS & MAINTENANCE	15346859	13623982	1722871
SECURITY	4194648	-	4194648
HOUSEKEEPING	18664379	-	18664379
LAUNDRY	17380571	2463754	14916817
DATA PROCESSING	12379769	3491534	8888235
ADMINISTRATIVE	35610017	-	35610017
ADMITTING	8154273	6682114	1472159
	<u>807916599</u>	<u>340194907</u>	<u>467721102</u>

TAG 002574

J.APP. 3464

JEFFERSON MEMORIAL HOSPITAL, INC.  
SCHEDULES - FISCAL YEAR ENDED JUNE 30, 1980  
EI # 54-0784C92

SCHEDULE OF OTHER INCOME

MEDICAL SUPPLIES & TRANSCRIPTS	\$ 73,167.4	
COMMISSIONS - VENDING MACHINES & Misc.	19,101.0	
RECOVERY OF BAD DEBTS	164,587.51	
LOST CREEK PARTNERS - ORDINARY (LOSS) K-1	(263,550.0)	
WEST PALM BEACH, FLA. EI # 55-0588076		
TOTAL OTHER INCOME		\$ 147,459.35

SCHEDULE OF TAXES

REAL ESTATE	\$ 652,182.8	
PERSONAL PROPERTY	873,548	
LICENSES & MISCELLANEOUS	259,576.9	
SALES TAX	44,192.0	
FEDERAL & STATE UNEMPLOYMENT INS.	299,128.3	
VIRGINIA STATE CORPORATION INCOME TAX	138,529.3	
TOTAL TAXES		\$ 1,480,967.41

SCHEDULE OF OTHER DEDUCTIONS

INSURANCE	\$ 972,426.9	
COLLECTION AGENCY EXPENSE	271,596.4	
GENERAL EDUCATION	638,650	
POSTAGE & SHIPPING EXPENSE	180,836.7	
TELEVISION & MUSIC SERVICE	93,757.8	
LEASE & RENTAL EQUIPMENT	1,199,170.8	
TOTAL OTHER DEDUCTIONS		\$ 2,781,653.6

TAG 002575

JEFFERSON MEMORIAL HOSPITAL, INC

SCHEDULE OF OTHER CURRENT ASSETS

FISCAL YEAR ENDED JUNE 30, 1979/80

54-0784092

	6-30-79	6-30-80
<u>OTHER CURRENT ASSETS</u>		
ESCROW DEPOSITS	\$ 125,000.00	\$ 125,000.00
PREPAID INSURANCE AND DUES	86,998.91	55,988.62
PREPAID FINANCIAL COSTS	16,447.16	52,818.31
PREPAID LICENSES & PERSONAL PROP.	2,441.14	3,972.22
ACCOUNTS RECEIVABLE DOCTORS & EMPLOYEES	43,862.05	48,542.37
ACCOUNTS RECEIVABLE CONTRACT AGENCIES	24,931.218	22,626.248
<u>TOTAL OTHER CURRENT ASSETS</u>	\$ 409,364.44	\$ 348,972.52
<u>OTHER INVESTMENTS</u>		
LOST CREEK PARTNERS - WEST PALM BEACH FLA.	\$ (11,734.00)	\$ (14,369.60)
<u>OTHER CURRENT LIABILITIES</u>		
ACCRUED SALARIES		\$ 122,672.54
ACCRUED PAYROLL TAXES		60,153.34
ACCRUED INSURANCE PAYABLE		36,302.22
ACCRUED REAL ESTATE & LICENSE TAX		13,473.14
ACCRUED EXPENSES		20,774.62
<u>TOTAL CURRENT LIABILITIES</u>		\$ 225,704.36

TAG 002576