

Form 990

Department of the Treasury
Internal Revenue Service

Return of Organization Exempt From Income Tax

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

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

OMB No 1545-0047

2012

Open to Public Inspection

A For the 2012 calendar year, or tax year beginning 01-01-2012 , 2012, and ending 12-31-2012

☐ B Check if applicable

☐ Address change

☐ Name change

☐ Initial return

☐ Terminated

☐ Amended return

☐ Application pending

C Name of organization
KALEIDA HEALTH

Doing Business As

Number and street (or P O box if mail is not delivered to street address)Room/suite

726 EXCHANGE STREETSuite 200

City or town, state or country, and ZIP + 4
BUFFALO, NY 14210

F Name and address of principal officer
JAMES KASKIE
726 EXCHANGE STREET SUITE 500
BUFFALO, NY 14210

H(a) Is this a group return for affiliates?

☐ Yes☒ No

H(b) Are all affiliates included?

☐ Yes☐ No

If "No," attach a list (see instructions)

H(c) Group exemption number ▶

I Tax-exempt status

☒ 501(c)(3)☐ 501(c) () ◀(insert no)☐ 4947(a)(1) or☐ 527

J Website: ▶ WWW.KALEIDAHEALTH.ORG

K Form of organization

☒ Corporation☐ Trust☐ Association☐ Other ▶

L Year of formation 1998

M State of legal domicile NY

Part I

Summary

Activities & Governance	1	Briefly describe the organization's mission or most significant activities KALEIDA HEALTH IS THE LARGEST HEALTHCARE PROVIDER IN WNY, SERVING THE AREA'S 8 COUNTIES WITH COMPREHENSIVE SERVICES & PROGRAMS PROVIDED AT 4 ACUTE CARE, 2 LT CARE, AS WELL AS OUTPATIENT & PRIMARY CARE SITES		
	2	Check this box <input type="checkbox"/> if the organization discontinued its operations or disposed of more than 25% of its net assets		
	3	Number of voting members of the governing body (Part VI, line 1a)	3	14
	4	Number of independent voting members of the governing body (Part VI, line 1b)	4	12
	5	Total number of individuals employed in calendar year 2012 (Part V, line 2a)	5	9,570
	6	Total number of volunteers (estimate if necessary)	6	1,539
	7a	Total unrelated business revenue from Part VIII, column (C), line 12	7a	3,874,713
Revenue	b	Net unrelated business taxable income from Form 990-T, line 34	7b	
	8	Contributions and grants (Part VIII, line 1h)	Prior Year	Current Year
	9	Program service revenue (Part VIII, line 2g)	18,385,104	18,003,436
	10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	1,077,197,344	1,095,513,299
	11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	15,876,877	5,761,717
	12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	7,627,938	18,607,954
	12		1,119,087,263	1,137,886,406
Expenses	13	Grants and similar amounts paid (Part IX, column (A), lines 1–3)	392,500	1,100,400
	14	Benefits paid to or for members (Part IX, column (A), line 4)	0	0
	15	Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	627,869,038	624,258,217
	16a	Professional fundraising fees (Part IX, column (A), line 11e)	0	0
	b	Total fundraising expenses (Part IX, column (D), line 25) ▶ ⁰		
	17	Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	503,822,481	500,508,726
	18	Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	1,132,084,019	1,125,867,343
Net Assets or Fund Balances	19	Revenue less expenses Subtract line 18 from line 12	-12,996,756	12,019,063
	20	Total assets (Part X, line 16)	Beginning of Current Year	End of Year
	21	Total liabilities (Part X, line 26)	1,073,480,481	1,107,799,605
	22	Net assets or fund balances Subtract line 21 from line 20	938,525,536	927,906,004
Paid Preparer Use Only	Firm's name ▶ KPMG LLP		Firm's EIN ▶	
	Firm's address ▶ 515 Broadway 4th Floor Albany, NY 122072974		Phone no (518) 427-4600	
	Prnt/Type preparer's name		Preparer's signature	Date

Part II

Signature Block

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

Sign Here

Signature of officer

Joseph M Kessler EVP, CFO

Type or print name and title

2013-11-13

Date

Paid Preparer Use Only

Prnt/Type preparer's name

Firm's name ▶ KPMG LLP

Firm's address ▶ 515 Broadway 4th Floor
Albany, NY 122072974

Preparer's signature

Check ☐ if self-employed

PTIN

Date

Firm's EIN ▶

Phone no (518) 427-4600

May the IRS discuss this return with the preparer shown above? (see instructions)

☒ Yes☐ No

For Paperwork Reduction Act Notice, see the separate instructions.

Cat No 11282Y

Form 990 (2012)

Check if Schedule O contains a response to any question in this Part III ☒

KALEIDA HEALTH IS A VOLUNTARY, NOT-FOR-PROFIT, NEW YORK STATE DEPARTMENT OF HEALTH ARTICLE 28 LICENSED HOSPITAL-BASED HEALTHCARE DELIVERY SYSTEM SERVING THE COMMUNITIES OF WESTERN NEW YORK STATE AT VARIOUS LEVELS AND WITH FACILITIES IN MULTIPLE LOCATIONS THROUGHOUT THE REGION. KALEIDA HEALTH INCLUDES THE BUFFALO GENERAL MEDICAL CENTER (BUFFALO GENERAL), MILLARD FILLMORE SUBURBAN HOSPITAL (MILLARD SUBURBAN), WOMEN AND CHILDREN'S HOSPITAL OF BUFFALO (WOMEN & CHILDREN'S), AND DEGRAFF MEMORIAL HOSPITAL (DEGRAFF). IN ADDITION TO THE FOUR KALEIDA HEALTH (KALEIDA) HOSPITALS, KALEIDA OPERATES TWO SKILLED NURSING FACILITIES, AND NUMEROUS OUTPATIENT CLINICS. THE ABOVE FACILITIES OPERATE UNDER ONE TAX IDENTIFICATION NUMBER. OUR FAMILY OF HEALTH CARE ORGANIZATIONS IS BONDED TOGETHER INTO ONE FRAMEWORK FOR LEADERSHIP, GOVERNANCE, SHARED SERVICES, FINANCIAL INFRASTRUCTURE AND INFORMATION TECHNOLOGY PLATFORMS. COLLECTIVELY, KALEIDA HEALTH'S MARKET SHARE IS 31.3% IN WESTERN NEW YORK, 40.5% IN ERIE COU.

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





















If "Yes," describe these changes on Schedule O

4a (Code) (Expenses \$ 934,969,952 including grants of \$ 1,100,400) (Revenue \$ 1,105,486,519)
See Attachment 1

[illegible]

4e	Total program service expenses	934,969,952
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Part IV Checklist of Required Schedules

	Yes	No
1 Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? If "Yes," complete Schedule A 	1 Yes	
2 Is the organization required to complete Schedule B, Schedule of Contributors (see instructions)? 	2 Yes	
3 Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? If "Yes," complete Schedule C, Part I 	3	No
4 Section 501(c)(3) organizations. Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? If "Yes," complete Schedule C, Part II 	4 Yes	
5 Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? If "Yes," complete Schedule C, Part III 	5	No
6 Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? If "Yes," complete Schedule D, Part I 	6	No
7 Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas, or historic structures? If "Yes," complete Schedule D, Part II 	7	No
8 Did the organization maintain collections of works of art, historical treasures, or other similar assets? If "Yes," complete Schedule D, Part III 	8	No
9 Did the organization report an amount in Part X, line 21 for escrow or custodial account liability, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? If "Yes," complete Schedule D, Part IV 	9	No
10 Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? If "Yes," complete Schedule D, Part V 	10 Yes	
11 If the organization's answer to any of the following questions is "Yes," then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable		
a Did the organization report an amount for land, buildings, and equipment in Part X, line 10? If "Yes," complete Schedule D, Part VI 	11a Yes	
b Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VII 	11b Yes	
c Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VIII 	11c	No
d Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part IX 	11d Yes	
e Did the organization report an amount for other liabilities in Part X, line 25? If "Yes," complete Schedule D, Part X 	11e Yes	
f Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? If "Yes," complete Schedule D, Part X 	11f Yes	
12a Did the organization obtain separate, independent audited financial statements for the tax year? If "Yes," complete Schedule D, Parts XI and XII 	12a Yes	
b Was the organization included in consolidated, independent audited financial statements for the tax year? If "Yes," and if the organization answered "No" to line 12a, then completing Schedule D, Parts XI and XII is optional 	12b Yes	
13 Is the organization a school described in section 170(b)(1)(A)(ii)? If "Yes," complete Schedule E	13	No
14a Did the organization maintain an office, employees, or agents outside of the United States?	14a	No
b Did the organization have aggregate revenues or expenses of more than \$10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at \$100,000 or more? If "Yes," complete Schedule F, Parts I and IV	14b	No
15 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of grants or assistance to any organization or entity located outside the United States? If "Yes," complete Schedule F, Parts II and IV	15	No
16 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of aggregate grants or assistance to individuals located outside the United States? If "Yes," complete Schedule F, Parts III and IV	16	No
17 Did the organization report a total of more than \$15,000 of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? If "Yes," complete Schedule G, Part I (see instructions)	17	No
18 Did the organization report more than \$15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? If "Yes," complete Schedule G, Part II	18	No
19 Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? If "Yes," complete Schedule G, Part III	19	No
20a Did the organization operate one or more hospital facilities? If "Yes," complete Schedule H 	20a Yes	
b If "Yes" to line 20a, did the organization attach a copy of its audited financial statements to this return? 	20b Yes	

Part IV

Checklist of Required Schedules (continued)

21	Did the organization report more than \$5,000 of grants and other assistance to any government or organization in the United States on Part IX, column (A), line 1? <i>If "Yes," complete Schedule I, Parts I and II</i>	21	Yes	
22	Did the organization report more than \$5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? <i>If "Yes," complete Schedule I, Parts I and III</i>	22		No
23	Did the organization answer "Yes" to Part VII, Section A, line 3, 4, or 5 about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? <i>If "Yes," complete Schedule J</i>	23	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? <i>If "Yes," answer lines 24b through 24d and complete Schedule K. If "No," go to line 25</i>	24a	Yes	
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	24b		No
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	24c		No
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	24d		No
25a	Section 501(c)(3) and 501(c)(4) organizations. Did the organization engage in an excess benefit transaction with a disqualified person during the year? <i>If "Yes," complete Schedule L, Part I</i>	25a		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? <i>If "Yes," complete Schedule L, Part I</i>	25b		No
26	Was a loan to or by a current or former officer, director, trustee, key employee, highest compensated employee, or disqualified person outstanding as of the end of the organization's tax year? <i>If "Yes," complete Schedule L, Part II</i>	26	Yes	
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor or employee thereof, a grant selection committee member, or to a 35% controlled entity or family member of any of these persons? <i>If "Yes," complete Schedule L, Part III</i>	27		No
28	Was the organization a party to a business transaction with one of the following parties (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28a	Yes	
b	A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28b	Yes	
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? <i>If "Yes," complete Schedule L, Part IV</i>	28c	Yes	
29	Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i>	29	Yes	
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i>	30		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i>	31		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i>	32		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? <i>If "Yes," complete Schedule R, Part I</i>	33	Yes	
34	Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1</i>	34	Yes	
35a	Did the organization have a controlled entity within the meaning of section 512(b)(13)?	35a	Yes	
b	If 'Yes' to line 35a, did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? <i>If "Yes," complete Schedule R, Part V, line 2</i>	35b	Yes	
36	Section 501(c)(3) organizations. Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2</i>	36		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? <i>If "Yes," complete Schedule R, Part VI</i>	37		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11b and 19? Note. All Form 990 filers are required to complete Schedule O	38	Yes	

Part V

Statements Regarding Other IRS Filings and Tax Compliance

Check if Schedule O contains a response to any question in this Part V

		Yes	No
1a	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable.	1a	453
b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.	1b	0
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	1c	Yes
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return.	2a	9,570
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns? Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions).	2b	Yes
3a	Did the organization have unrelated business gross income of \$1,000 or more during the year?	3a	Yes
b	If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O.	3b	Yes
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?	4a	No
b	If "Yes," enter the name of the foreign country: _____ See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.		
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?	5a	No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	5b	No
c	If "Yes," to line 5a or 5b, did the organization file Form 8886-T?	5c	
6a	Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible as charitable contributions?	6a	No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	6b	
7 Organizations that may receive deductible contributions under section 170(c).			
a	Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?	7a	No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?	7b	
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8822?	7c	No
d	If "Yes," indicate the number of Forms 8822 filed during the year.	7d	
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	7e	No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?	7f	No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	7g	
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	7h	
8 Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations. Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?		8	
9 Sponsoring organizations maintaining donor advised funds.			
a	Did the organization make any taxable distributions under section 4966?	9a	
b	Did the organization make a distribution to a donor, donor advisor, or related person?	9b	
10 Section 501(c)(7) organizations. Enter			
a	Initiation fees and capital contributions included on Part VIII, line 12.	10a	
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities.	10b	
11 Section 501(c)(12) organizations. Enter			
a	Gross income from members or shareholders.	11a	
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them).	11b	
12a Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041?		12a	
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year.	12b	
13 Section 501(c)(29) qualified nonprofit health insurance issuers.			
a	Is the organization licensed to issue qualified health plans in more than one state? Note. See the instructions for additional information the organization must report on Schedule O.	13a	
b	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans.	13b	
c	Enter the amount of reserves on hand.	13c	
14a	Did the organization receive any payments for indoor tanning services during the tax year?	14a	No
b	If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O.	14b	

Part VI

Governance, Management, and Disclosure

For each "Yes" response to lines 2 through 7b below, and for a "No" response to lines 8a, 8b, or 10b below, describe the circumstances, processes, or changes in Schedule O. See instructions.

Check if Schedule O contains a response to any question in this Part VI

Section A. Governing Body and Management

		Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year	14	
If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain in Schedule O			
1b	Enter the number of voting members included in line 1a, above, who are independent	12	
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	2	No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person?	3	Yes
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	4	No
5	Did the organization become aware during the year of a significant diversion of the organization's assets?	5	No
6	Did the organization have members or stockholders?	6	No
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?	7a	No
7b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	7b	No
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following		
8a	The governing body?	8a	Yes
8b	Each committee with authority to act on behalf of the governing body?	8b	Yes
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O	9	No

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

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

Section C. Disclosure

17	List the States with which a copy of this Form 990 is required to be filed	NY
18	Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply. <input checked="" type="checkbox"/> Own website <input type="checkbox"/> Another's website <input checked="" type="checkbox"/> Upon request <input type="checkbox"/> Other (explain in Schedule O)	
19	Describe in Schedule O whether (and if so, how), the organization made its governing documents, conflict of interest policy, and financial statements available to the public during the tax year	
20	State the name, physical address, and telephone number of the person who possesses the books and records of the organization	JON SWIATKOWSKI 726 EXCHANGE STREET SUITE 200 BUFFALO, NY (716) 859-8527

Check if Schedule O contains a response to any question in this Part VII ☐

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

- List all of the organization's **current** key employees, if any. See instructions for definition of "key employee."

- List the organization's five **current** highest compensated employees (other than an officer, director, trustee or key employee) who received reportable compensation (Box 5 of Form W-2 and/or Box 7 of Form 1099-MISC) of more than \$100,000 from the organization and any related organizations

- List all of the organization's **former** officers, key employees, or highest compensated employees who received more than \$100,000 of reportable compensation from the organization and any related organizations

- List all of the organization's **former directors or trustees** that received, in the capacity as a former director or trustee of the organization, more than \$10,000 of reportable compensation from the organization and any related organizations

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

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

[illegible]

Part VII

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
1b	Sub-Total									
c	Total from continuation sheets to Part VII, Section A									
d	Total (add lines 1b and 1c)							9,158,093	0	913,222

2 Total number of individuals (including but not limited to those listed above) who received more than \$100,000 of reportable compensation from the organization: 392

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

Section B. Independent Contractors

1 Complete this table for your five highest compensated independent contractors that received more than \$100,000 of compensation from the organization. Report compensation for the calendar year ending with or within the organization's tax year.

(A) Name and business address	(B) Description of services	(C) Compensation
DELOITTE CONSULTING , 250 EAST 5TH ST PO BOX 5340 CINCINNATI OH 452739626	CONSULTING	6,112,935
WNY RADIOLOGY LLC , PO BOX 4029 BUFFALO NY 14240	RADIOLOGY SERVICES	4,551,278
SODEXHO MANAGEMENT INC , PO BOXES 81049 WOBURN NY 018131049	CLEANING & LAUNDRY	4,395,733
NUANCE COMMUNICATIONS INC , PO BOX 7247-6924 PHILADELPHIA PA 191706924	DICTATION SERVICES	1,739,643
VIRTUAL RADIOLOGY , PO BOX 4029 BUFFALO NY 14240	RADIOLOGY SERVICES	1,159,691

2 Total number of independent contractors (including but not limited to those listed above) who received more than \$100,000 of compensation from the organization 53

Part VIII

Statement of Revenue

Check if Schedule O contains a response to any question in this Part VIII

			(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514
Contributions, Gifts, Grants and Other Similar Amounts	1a	Federated campaigns 1a				
	b	Membership dues 1b				
	c	Fundraising events 1c				
	d	Related organizations 1d	2,013,668			
	e	Government grants (contributions) 1e	11,940,539			
	f	All other contributions, gifts, grants, and similar amounts not included above 1f	4,049,229			
	g	Noncash contributions included in lines 1a-1f \$	2,082,668			
	h	Total. Add lines 1a-1f	18,003,436			
Program Service Revenue	2a	SERVICE REVENUE	Business Code 623990	1,092,039,947	1,092,039,947	
	b	MANAGEMENT FEES	561000	74,100	74,100	
	c	LABORATORY SERV	621500	3,399,252	3,399,252	
	d					
	e					
	f	All other program service revenue				
	g	Total. Add lines 2a-2f	1,095,513,299			
Other Revenue	3	Investment income (including dividends, interest, and other similar amounts)	4,667,796	52,720	79,342	4,535,734
	4	Income from investment of tax-exempt bond proceeds	0			
	5	Royalties	0			
	6a	Gross rents	(i) Real 2,340,562	(ii) Personal		
	b	Less rental expenses				
	c	Rental income or (loss)	2,340,562	0		
	d	Net rental income or (loss)	2,340,562		58,483	2,282,079
	7a	Gross amount from sales of assets other than inventory	(i) Securities 121,553,054	(ii) Other 326,715		
	b	Less cost or other basis and sales expenses	120,117,192	668,656		
	c	Gain or (loss)	1,435,862	-341,941		
	d	Net gain or (loss)	1,093,921			1,093,921
	8a	Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18	a			
	b	Less direct expenses	b			
	c	Net income or (loss) from fundraising events		0		
	9a	Gross income from gaming activities See Part IV, line 19	a			
	b	Less direct expenses	b			
	c	Net income or (loss) from gaming activities		0		
	10a	Gross sales of inventory, less returns and allowances	a			
	b	Less cost of goods sold	b			
	c	Net income or (loss) from sales of inventory		0		
		Miscellaneous Revenue	Business Code			
	11a	REBATE REVENUE	900099	3,778,588		3,778,588
	b	MEDICAL RESIDENT TAX REFUND	900099	8,935,446	8,935,446	
	c	UNIVERSITY LEASE INCOME	531120	718,892		718,892
	d	All other revenue		2,834,466	985,054	263,536
	e	Total. Add lines 11a-11d		16,267,392		
	12	Total revenue. See Instructions		1,137,886,406	1,102,013,167	3,874,713
						13,995,090

Part IX

Statement of Functional Expenses

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

Check if Schedule O contains a response to any question in this Part IX

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.		(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1	Grants and other assistance to governments and organizations in the United States. See Part IV, line 21.	1,100,400	1,100,400		
2	Grants and other assistance to individuals in the United States. See Part IV, line 22.	0			
3	Grants and other assistance to governments, organizations, and individuals outside the United States. See Part IV, lines 15 and 16.	0			
4	Benefits paid to or for members.	0			
5	Compensation of current officers, directors, trustees, and key employees.	5,757,081		5,757,081	
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B).	0			
7	Other salaries and wages.	454,538,220	415,211,216	39,327,004	
8	Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions).	38,141,827		38,141,827	
9	Other employee benefits.	91,984,298	62,542,945	29,441,353	
10	Payroll taxes.	33,836,791	30,872,907	2,963,884	
11	Fees for services (non-employees):				
a	Management.	0			
b	Legal.	2,303,098	1,102,069	1,201,029	
c	Accounting.	525,000		525,000	
d	Lobbying.	103,414		103,414	
e	Professional fundraising services. See Part IV, line 17.	0			
f	Investment management fees.	0			
g	Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O).	110,028,191	96,375,869	13,652,322	
12	Advertising and promotion.	3,723,577	994,328	2,729,249	
13	Office expenses.	2,902,035	2,035,667	866,368	
14	Information technology.	0			
15	Royalties.	0			
16	Occupancy.	6,702,717	3,553,022	3,149,695	
17	Travel.	900,032	563,599	336,433	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials.	0			
19	Conferences, conventions, and meetings.	0			
20	Interest.	15,253,165	12,181,964	3,071,201	
21	Payments to affiliates.	0			
22	Depreciation, depletion, and amortization.	67,423,014	53,938,411	13,484,603	
23	Insurance.	18,723,774	14,103,040	4,620,734	
24	Other expenses. Itemize expenses not covered above (List miscellaneous expenses in line 24e. If line 24e amount exceeds 10% of line 25, column (A) amount, list line 24e expenses on Schedule O):				
a	HEALTH CARE SUPPLIES	175,626,614	174,557,298	1,069,316	
b	EQUIPMENT RENTAL & MAINT	25,886,628	11,527,063	14,359,565	
c	BAD DEBT EXPENSE	21,302,447	21,302,447		
d	SERVICE CONTRACTS	8,816,541	6,938,609	1,877,932	
e	All other expenses	40,288,479	26,069,098	14,219,381	
25	Total functional expenses. Add lines 1 through 24e.	1,125,867,343	934,969,952	190,897,391	0
26	Joint costs. Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation. Check here <input type="checkbox"/> if following SOP 98-2 (ASC 958-720).				

Part X

Balance Sheet

Check if Schedule O contains a response to any question in this Part X

☐

				(A)		(B)
				Beginning of year		End of year
Assets	1	Cash—non-interest-bearing		475,006	1	1,457,388
	2	Savings and temporary cash investments		77,494,154	2	82,227,233
	3	Pledges and grants receivable, net		0	3	0
	4	Accounts receivable, net		133,854,817	4	131,420,998
	5	Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L		0	5	0
	6	Loans and other receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions) Complete Part II of Schedule L		0	6	0
	7	Notes and loans receivable, net		0	7	0
	8	Inventories for sale or use		19,127,555	8	19,236,308
	9	Prepaid expenses and deferred charges		10,999,998	9	10,274,623
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a1,613,430,920			
	b	Less accumulated depreciation	10b1,125,916,796	462,955,694	10c	487,514,124
	11	Investments—publicly traded securities		84,453,285	11	92,601,963
	12	Investments—other securities See Part IV, line 11		98,633,160	12	78,093,244
	13	Investments—program-related See Part IV, line 11		0	13	0
	14	Intangible assets		0	14	0
	15	Other assets See Part IV, line 11		185,486,812	15	204,973,724
	16	Total assets. Add lines 1 through 15 (must equal line 34)		1,073,480,481	16	1,107,799,605
Liabilities	17	Accounts payable and accrued expenses		140,360,464	17	120,073,296
	18	Grants payable		0	18	0
	19	Deferred revenue		0	19	0
	20	Tax-exempt bond liabilities		177,398,754	20	104,986,553
	21	Escrow or custodial account liability Complete Part IV of Schedule D		0	21	0
	22	Loans and other payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons Complete Part II of Schedule L		0	22	0
	23	Secured mortgages and notes payable to unrelated third parties		106,426,054	23	209,813,681
	24	Unsecured notes and loans payable to unrelated third parties		0	24	0
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17–24) Complete Part X of Schedule D		514,340,264	25	493,032,474
	26	Total liabilities. Add lines 17 through 25		938,525,536	26	927,906,004
Net Assets or Fund Balances	Organizations that follow SFAS 117 (ASC 958), check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.					
	27	Unrestricted net assets		31,887,201	27	89,356,905
	28	Temporarily restricted net assets		87,667,527	28	75,136,479
	29	Permanently restricted net assets		15,400,217	29	15,400,217
	Organizations that do not follow SFAS 117 (ASC 958), check here <input type="checkbox"/> and complete lines 30 through 34.					
	30	Capital stock or trust principal, or current funds			30	
	31	Paid-in or capital surplus, or land, building or equipment fund			31	
	32	Retained earnings, endowment, accumulated income, or other funds			32	
	33	Total net assets or fund balances		134,954,945	33	179,893,601
	34	Total liabilities and net assets/fund balances		1,073,480,481	34	1,107,799,605

Part XI Reconciliation of Net Assets

Check if Schedule O contains a response to any question in this Part XI

1	Total revenue (must equal Part VIII, column (A), line 12)	1	1,137,886,406
2	Total expenses (must equal Part IX, column (A), line 25)	2	1,125,867,343
3	Revenue less expenses Subtract line 2 from line 1	3	12,019,063
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	134,954,945
5	Net unrealized gains (losses) on investments	5	16,784,531
6	Donated services and use of facilities	6	
7	Investment expenses	7	
8	Prior period adjustments	8	
9	Other changes in net assets or fund balances (explain in Schedule O)	9	16,135,062
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	179,893,601

Part XII Financial Statements and Reporting

Check if Schedule O contains a response to any question in this Part XII

		Yes	No
1	Accounting method used to prepare the Form 990 <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Accrual <input type="checkbox"/> Other _____ If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O		
2a	Were the organization's financial statements compiled or reviewed by an independent accountant? If "Yes," check a box below to indicate whether the financial statements for the year were compiled or reviewed on a separate basis, consolidated basis, or both <input type="checkbox"/> Separate basis <input type="checkbox"/> Consolidated basis <input type="checkbox"/> Both consolidated and separate basis		No
2b	Were the organization's financial statements audited by an independent accountant? If "Yes," check a box below to indicate whether the financial statements for the year were audited on a separate basis, consolidated basis, or both <input type="checkbox"/> Separate basis <input checked="" type="checkbox"/> Consolidated basis <input type="checkbox"/> Both consolidated and separate basis	Yes	
2c	If "Yes," to line 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant? If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O	Yes	
3a	As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133?	Yes	
3b	If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits	Yes	

Additional Data

Software ID:

Software Version:

EIN: 16-1533232

Name: KALEIDA HEALTH

Form 990, Part VII - Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
ROBERT M ZAK VICE CHAIRMAN	1 0 0 0	X						0	0	0
MATTHEW L BROWN DIRECTOR	1 0 0 0	X						0	0	0
EVAN EVANS MD DIRECTOR	1 0 0 0	X						51,000	0	0
ROBERT J HALONEN PhD DIRECTOR	1 0 0 0	X						0	0	0
DARREN J KING DIRECTOR	1 0 0 0	X						0	0	0
JAMES KASKIE PRES/CEO EX-OFFICIO WITH VOTE	38 0 0 0	X		X				1,317,412	0	56,548
JOHN R KOELMEL CHAIRMAN	1 0 0 0	X						0	0	0
DAVID A MILLING MD DIRECTOR	1 0 0 0	X						0	0	0
HERMAN S MOGAVERO Jr MD TREASURER	1 0 0 0	X						0	0	0
DALE N SCHUMACHER DIRECTOR	1 0 0 0	X						0	0	0
FRANCISCO M VASQUEZ PhD SECRETARY	1 0 0 0	X						0	0	0
AMY L CLIFTON DIRECTOR	0 0 0 0	X						0	0	0
CHRISTOPHER T GREENE ESQ DIRECTOR	1 0 0 0	X						0	0	0
FRANK CURCI DIRECTOR - WCHOB FDN BOD	1 0 1 0	X						0	0	0
KEVIN GIBBONS MD DIRECTOR	1 0 0 0	X						0	0	0
GEORGE MATTHEWS DIRECTOR	1 0 0 0	X						0	0	0
ROBERT NOLAN GENERAL COUNSEL	38 0 1 0			X				414,021	0	51,029
CONNIE VARI COO/PRESIDENT BGMC	38 0 0 0			X				887,473	0	32,674
JOSEPH KESSLER CFO	38 0 1 0			X				499,219	0	229,174
MARGARET PAROSKI MD CMO	38 0 0 0			X				590,839	0	0
TONI BOOKER EVP HUMAN RESOURCES OFFICER	38 0 0 0			X				328,058	0	82,485
CHERYL KLOSS PRESIDENT-WCHOB	38 0 0 0				X			521,908	0	101,871
DONALD BOYD SVP BUSINESS DEVELOPMENT	38 0 0 0				X			473,107	0	70,247
CHRISTOPHER LANE PRESIDENT-MFS	38 0 0 0				X			331,342	0	60,520
TAMARA OWEN VP OF INTEGRATION	38 0 0 0				X			342,701	0	67,913

Form 990, Part VII - Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors										
(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
PUNEET GUPTA MD EMPLOYED PHYSICIAN	38 0 0 0					X		385,646	0	14,266
CARINA ALFARO-FRANCO MD EMPLOYED PHYSICIAN	38 0 0 0					X		367,628	0	10,264
LUCY CAMPBELL MD EMPLOYED PHYSICIAN	38 0 0 0					X		432,896	0	52,797
VINCENT CALLANAN MD EMPLOYED PHYSICIAN	38 0 0 0					X		431,679	0	49,731
JOHN FITZPATRICK MD EMPLOYED PHYSICIAN	38 0 0 0					X		357,404	0	29,975
JAMES FOSTER MD FORMER EMPLOYED PHYSICIAN	0 0 0 0						X	339,465	0	249
LAWRENCE ZIELINSKI FORMER PRESIDENT-BGH	0 0 0 0						X	479,721	0	249
ANDRAS VARI MD FORMER CMO - MFG	0 0 0 0						X	327,358	0	707
ANTHONY ZITO FORMER PRESIDENT - DEGRAFF	0 0 0 0						X	279,216	0	2,523

SCHEDULE A
(Form 990 or 990EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

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

OMB No 1545-0047

2012

Open to Public Inspection

▶ Attach to Form 990 or Form 990-EZ. ▶ See separate instructions.

Name of the organization
KALEIDA HEALTH

Employer identification number
16-1533232

Part I

Reason for Public Charity Status (All organizations must complete this part.) See instructions.

The organization is not a private foundation because it is (For lines 1 through 11, check only one box)

- 1

☐

A church, convention of churches, or association of churches described in **section 170(b)(1)(A)(i).**
- 2

☐

A school described in **section 170(b)(1)(A)(ii).** (Attach Schedule E)
- 3

☒

A hospital or a cooperative hospital service organization described in **section 170(b)(1)(A)(iii).**
- 4

☐

A medical research organization operated in conjunction with a hospital described in **section 170(b)(1)(A)(iii).** Enter the hospital's name, city, and state _____
- 5

☐

An organization operated for the benefit of a college or university owned or operated by a governmental unit described in **section 170(b)(1)(A)(iv).** (Complete Part II)
- 6

☐

A federal, state, or local government or governmental unit described in **section 170(b)(1)(A)(v).**
- 7

☐

An organization that normally receives a substantial part of its support from a governmental unit or from the general public described in **section 170(b)(1)(A)(vi).** (Complete Part II)
- 8

☐

A community trust described in **section 170(b)(1)(A)(vi)** (Complete Part II)
- 9

☐

An organization that normally receives (1) more than 33¹/₃% of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions—subject to certain exceptions, and (2) no more than 33¹/₃% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975 See **section 509(a)(2).** (Complete Part III)
- 10

☐

An organization organized and operated exclusively to test for public safety See **section 509(a)(4).**
- 11

☐

An organization organized and operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2) See **section 509(a)(3).** Check the box that describes the type of supporting organization and complete lines 11e through 11h

a

☐

Type I

b

☐

Type II

c

☐

Type III - Functionally integrated

d

☐

Type III - Non-functionally integrated
- e

☐

By checking this box, I certify that the organization is not controlled directly or indirectly by one or more disqualified persons other than foundation managers and other than one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2)
- f

☐

If the organization received a written determination from the IRS that it is a Type I, Type II, or Type III supporting organization, check this box
- g

☐

Since August 17, 2006, has the organization accepted any gift or contribution from any of the following persons?

(i)

A person who directly or indirectly controls, either alone or together with persons described in (ii) and (iii) below, the governing body of the supported organization?

(ii)

A family member of a person described in (i) above?

(iii)

A 35% controlled entity of a person described in (i) or (ii) above?
- h

☐

Provide the following information about the supported organization(s)

	Yes	No
11g(i)		
11g(ii)		
11g(iii)		

(i) Name of supported organization	(ii) EIN	(iii) Type of organization (described on lines 1- 9 above or IRC section (see instructions))	(iv) Is the organization in col (i) listed in your governing document?		(v) Did you notify the organization in col (i) of your support?		(vi) Is the organization in col (i) organized in the U S ?		(vii) Amount of monetary support
			Yes	No	Yes	No	Yes	No	
Total									

Part II

Support Schedule for Organizations Described in Sections 170(b)(1)(A)(iv) and 170(b)(1)(A)(vi)
(Complete only if you checked the box on line 5, 7, or 8 of Part I or if the organization failed to qualify under Part III. If the organization fails to qualify under the tests listed below, please complete Part III.)

Section A. Public Support						
Calendar year (or fiscal year beginning in) ▶	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants.")						
2 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
3 The value of services or facilities furnished by a governmental unit to the organization without charge						
4 Total. Add lines 1 through 3						
5 The portion of total contributions by each person (other than a governmental unit or publicly supported organization) included on line 1 that exceeds 2% of the amount shown on line 11, column (f)						
6 Public support. Subtract line 5 from line 4						

Section B. Total Support						
Calendar year (or fiscal year beginning in) ▶	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(f) Total
7 Amounts from line 4						
8 Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
9 Net income from unrelated business activities, whether or not the business is regularly carried on						
10 Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV)						
11 Total support (Add lines 7 through 10)						
12 Gross receipts from related activities, etc (see instructions)					12	
13 First five years. If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and stop here ▶						

Section C. Computation of Public Support Percentage						
14 Public support percentage for 2012 (line 6, column (f) divided by line 11, column (f))	14					
15 Public support percentage for 2011 Schedule A, Part II, line 14	15					
16a 33 1/3% support test—2012. If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and stop here. The organization qualifies as a publicly supported organization						▶
b 33 1/3% support test—2011. If the organization did not check a box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and stop here. The organization qualifies as a publicly supported organization						▶
17a 10%-facts-and-circumstances test—2012. If the organization did not check a box on line 13, 16a, or 16b, and line 14 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and stop here. Explain in Part IV how the organization meets the "facts-and-circumstances" test The organization qualifies as a publicly supported organization						▶
b 10%-facts-and-circumstances test—2011. If the organization did not check a box on line 13, 16a, 16b, or 17a, and line 15 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and stop here. Explain in Part IV how the organization meets the "facts-and-circumstances" test The organization qualifies as a publicly supported organization						▶
18 Private foundation. If the organization did not check a box on line 13, 16a, 16b, 17a, or 17b, check this box and see instructions						▶

Part IIIPart III

Support Schedule for Organizations Described in Section 509(a)(2)
(Complete only if you checked the box on line 9 of Part I or if the organization failed to qualify under Part II. If the organization fails to qualify under the tests listed below, please complete Part II.)

Section A. Public Support						
Calendar year (or fiscal year beginning in) ▶	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants.")						
2 Gross receipts from admissions, merchandise sold or services performed, or facilities furnished in any activity that is related to the organization's tax-exempt purpose						
3 Gross receipts from activities that are not an unrelated trade or business under section 513						
4 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
5 The value of services or facilities furnished by a governmental unit to the organization without charge						
6 Total. Add lines 1 through 5						
7a Amounts included on lines 1, 2, and 3 received from disqualified persons						
b Amounts included on lines 2 and 3 received from other than disqualified persons that exceed the greater of \$5,000 or 1% of the amount on line 13 for the year						
c Add lines 7a and 7b						
8 Public support (Subtract line 7c from line 6.)						

Section B. Total Support						
Calendar year (or fiscal year beginning in) ▶	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(f) Total
9 Amounts from line 6						
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
c Add lines 10a and 10b						
11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
12 Other income. Do not include gain or loss from the sale of capital assets (Explain in Part IV.)						
13 Total support. (Add lines 9, 10c, 11, and 12.)						
14 First five years. If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and stop here ▶						

Section C. Computation of Public Support Percentage		
15 Public support percentage for 2012 (line 8, column (f) divided by line 13, column (f))	15	
16 Public support percentage from 2011 Schedule A, Part III, line 15	16	

Section D. Computation of Investment Income Percentage		
17 Investment income percentage for 2012 (line 10c, column (f) divided by line 13, column (f))	17	
18 Investment income percentage from 2011 Schedule A, Part III, line 17	18	
19a 33 1/3% support tests—2012. If the organization did not check the box on line 14, and line 15 is more than 33 1/3%, and line 17 is not more than 33 1/3%, check this box and stop here. The organization qualifies as a publicly supported organization ▶		
b 33 1/3% support tests—2011. If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3% and line 18 is not more than 33 1/3%, check this box and stop here. The organization qualifies as a publicly supported organization ▶		
20 Private foundation. If the organization did not check a box on line 14, 19a, or 19b, check this box and see instructions ▶		

Part IV **Supplemental Information.** Complete this part to provide the explanations required by Part II, line 10; Part II, line 17a or 17b; and Part III, line 12. Also complete this part for any additional information. (See instructions).

Facts And Circumstances Test

Explanation

SCHEDULE C

(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Political Campaign and Lobbying Activities

For Organizations Exempt From Income Tax Under section 501(c) and section 527

▶ Complete if the organization is described below. ▶ Attach to Form 990 or Form 990-EZ.
▶ See separate instructions.

OMB No 1545-0047

2012

Open to Public Inspection

If the organization answered “Yes” to Form 990, Part IV, Line 3, or Form 990-EZ, Part V, line 46 (Political Campaign Activities), then

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

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

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

If the organization answered “Yes” to Form 990, Part IV, Line 5 (Proxy Tax) or Form 990-EZ, Part V, line 35c (Proxy Tax), then

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

Name of the organization KALEIDA HEALTH	Employer identification number 16-1533232
--	--

Part I-A Complete if the organization is exempt under section 501(c) or is a section 527 organization.

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

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

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

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

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

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

Part II-A

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

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

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

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

Lobbying Expenditures During 4-Year Averaging Period					
Calendar year (or fiscal year beginning in)	(a) 2009	(b) 2010	(c) 2011	(d) 2012	(e) Total
2a Lobbying nontaxable amount					
b Lobbying ceiling amount (150% of line 2a, column(e))					
c Total lobbying expenditures					
d Grassroots nontaxable amount					
e Grassroots ceiling amount (150% of line 2d, column (e))					
f Grassroots lobbying expenditures					

Part II-B

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

For each "Yes" response to lines 1a through 1i below, provide in Part IV a detailed description of the lobbying activity.		(a)		(b)
		Yes	No	Amount
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
	a Volunteers?	Yes		
	b Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?	Yes		
	c Media advertisements?		No	
	d Mailings to members, legislators, or the public?		No	
	e Publications, or published or broadcast statements?		No	
	f Grants to other organizations for lobbying purposes?	Yes		48,414
	g Direct contact with legislators, their staffs, government officials, or a legislative body?	Yes		55,000
	h Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
	i Other activities?		No	
j	Total. Add lines 1c through 1i.			103,414
2a	Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No	
b	If "Yes," enter the amount of any tax incurred under section 4912			
c	If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
d	If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?		No	

Part III-A

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

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

Part III-B

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

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

Part IV

Supplemental Information

Complete this part to provide the descriptions required for Part I-A, line 1, Part I-B, line 4, Part I-C, line 5, Part II-A (affiliated group list), Part II-A, line 2, and Part II-B, line 1. Also, complete this part for any additional information.

Identifier	Return Reference	Explanation
GRANTS TO OTHER ORGANIZATIONS & DIRECT CONTACT WITH LEGISLATIVE BODY	SCHEDULE C, PART II-B, QUESTIONS 1F AND 1G	THE AMOUNT REFLECTED FOR PART II-B, QUESTION 1F REPRESENTS THE PORTION OF THE DUES PAID TO THE GREATER NEW YORK HOSPITAL ASSOCIATION AND THE PORTION OF DUES PAID TO THE ASSOCIATION OF AMERICAN MEDICAL COLLEGES ATTRIBUTABLE TO LOBBYING ACTIVITIES. THE AMOUNT REFLECTED FOR PART II-B, QUESTION 1G REPRESENTS PAYMENTS MADE TO ORGANIZATIONS IN AN EFFORT TO ADVOCATE ON THE ORGANIZATION'S BEHALF AT THE NEW YORK STATE AND FEDERAL LEVELS AS IT SPECIFICALLY RELATES TO HEALTH CARE LEGISLATION AND REGULATORY ISSUES.

SCHEDULE D
(Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
KALEIDA HEALTH

Employer identification number
16-1533232

Part I

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

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

Part II

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

1

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

☐ Preservation of land for public use (e g , recreation or education)☐ Preservation of an historically important land area☐ Protection of natural habitat☐ Preservation of a certified historic structure☐ Preservation of open space

2

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

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

3

Number of conservation easements modified, transferred, released, extinguished, or terminated by the organization during the tax year ▶_____

4

Number of states where property subject to conservation easement is located ▶_____

5

Does the organization have a written policy regarding the periodic monitoring, inspection, handling of violations, and enforcement of the conservation easements it holds?

☐ Yes☐ No

6

Staff and volunteer hours devoted to monitoring, inspecting, and enforcing conservation easements during the year ▶_____

7

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

8

Does each conservation easement reported on line 2(d) above satisfy the requirements of section 170(h)(4)(B)(i) and section 170(h)(4)(B)(ii)?

☐ Yes☐ No

9

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

Part III

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

1a

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

b

If the organization elected, as permitted under SFAS 116 (ASC 958), to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide the following amounts relating to these items

(i) Revenues included in Form 990, Part VIII, line 1

▶\$ _____

(ii) Assets included in Form 990, Part X

▶\$ _____

2

If the organization received or held works of art, historical treasures, or other similar assets for financial gain, provide the following amounts required to be reported under SFAS 116 (ASC 958) relating to these items

a

Revenues included in Form 990, Part VIII, line 1

▶\$ _____

b

Assets included in Form 990, Part X

▶\$ _____

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

Cat No 52283D

Schedule D (Form 990) 2012

Part III

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

3

Using the organization's acquisition, accession, and other records, check any of the following that are a significant use of its collection items (check all that apply)

a

☐ Public exhibition

b

☐ Scholarly research

c

☐ Preservation for future generations

d

☐ Loan or exchange programs

e

☐ Other

4

Provide a description of the organization's collections and explain how they further the organization's exempt purpose in Part XIII

5

During the year, did the organization solicit or receive donations of art, historical treasures or other similar assets to be sold to raise funds rather than to be maintained as part of the organization's collection?

☐ Yes

☐ No

Part IV

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

1a

Is the organization an agent, trustee, custodian or other intermediary for contributions or other assets not included on Form 990, Part X?

☐ Yes

☐ No

b

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

	Amount
1c	
1d	
1e	
1f	

2a

Did the organization include an amount on Form 990, Part X, line 21?

☐ Yes

☐ No

b

If "Yes," explain the arrangement in Part XIII. Check here if the explanation has been provided in Part XIII

☐

Part V

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

	(a)Current year	(b)Prior year	b (c)Two years back	(d)Three years back	(e)Four years back
1a Beginning of year balance	46,995,623	72,587,179	79,899,854	23,068,508	28,374,857
b Contributions	3,133,756	5,877,436	14,188,339	71,865,683	4,858,154
c Net investment earnings, gains, and losses	2,880,650	28,660	2,153,889	3,656,737	-5,863,675
d Grants or scholarships					
e Other expenditures for facilities and programs	24,365,488	31,497,652	23,654,903	18,691,074	4,300,728
f Administrative expenses					
g End of year balance	28,644,541	46,995,623	72,587,179	79,899,854	23,068,608

2

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

a

Board designated or quasi-endowment ▶ 71 110 %

b

Permanent endowment ▶

c

Temporarily restricted endowment ▶ 28 890 %

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

3a

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

(i) unrelated organizations

3a(i)

☐ Yes

☐ No

(ii) related organizations

3a(ii)

☐ Yes

☐

b

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

3b

☐ Yes

☐

4

Describe in Part XIII the intended uses of the organization's endowment funds

Part VI

Land, Buildings, and Equipment. See Form 990, Part X, line 10.

Description of property	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land		8,054,953		8,054,953
b Buildings		549,497,308	329,878,138	219,619,170
c Leasehold improvements				
d Equipment		1,039,756,709	786,842,231	252,914,478
e Other		16,121,950	9,196,427	6,925,523
Total. Add lines 1a through 1e (Column (d) must equal Form 990, Part X, column (B), line 10(c).)				487,514,124

Part XI Reconciliation of Revenue per Audited Financial Statements With Revenue per Return					
1	Total revenue, gains, and other support per audited financial statements			1	1,121,912,980
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12				
a	Net unrealized gains on investments	2a	12,121,407		
b	Donated services and use of facilities	2b			
c	Recoveries of prior year grants	2c			
d	Other (Describe in Part XIII)	2d	-22,145,681		
e	Add lines 2a through 2d			2e	-10,024,274
3	Subtract line 2e from line 1			3	1,131,937,254
4	Amounts included on Form 990, Part VIII, line 12, but not on line 1				
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a			
b	Other (Describe in Part XIII)	4b	5,949,152		
c	Add lines 4a and 4b		4c		
5	Total revenue Add lines 3 and 4c . (This must equal Form 990, Part I, line 12)			5	1,137,886,406
Part XII Reconciliation of Expenses per Audited Financial Statements With Expenses per Return					
1	Total expenses and losses per audited financial statements			1	1,101,913,534
2	Amounts included on line 1 but not on Form 990, Part IX, line 25				
a	Donated services and use of facilities	2a			
b	Prior year adjustments	2b			
c	Other losses	2c			
d	Other (Describe in Part XIII)	2d			
e	Add lines 2a through 2d			2e	
3	Subtract line 2e from line 1			3	1,101,913,534
4	Amounts included on Form 990, Part IX, line 25, but not on line 1 :				
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a			
b	Other (Describe in Part XIII)	4b	23,953,809		
c	Add lines 4a and 4b		4c		
5	Total expenses Add lines 3 and 4c . (This must equal Form 990, Part I, line 18)			5	1,125,867,343

Part XIII Supplemental Information

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

Identifier	Return Reference	Explanation
INTENDED USE OF ENDOWMENTS	SCHEDULE D, PART V, QUESTION 4	THE FOLLOWING ARE THE INTENDED USES OF THE ORGANIZATION'S ENDOWMENT FUNDS: 1) CAPITAL EXPANSION AND IMPROVEMENT; 2) ADVANCEMENT OF MEDICAL EDUCATION AND RESEARCH AND HEALTH CARE SERVICES; 3) SUPPORT PEDIATRIC HEALTH CARE SERVICES.
FIN 48 FOOTNOTE	SCHEDULE D, PART X, QUESTION 2	KALEIDA RECOGNIZES INCOME TAX POSITIONS WHEN IT IS MORE-LIKELY THAN-NOT THAT THE POSITION WILL BE SUSTAINABLE BASED ON THE MERITS OF THE POSITION. MANAGEMENT HAS CONCLUDED THAT THERE ARE NO MATERIAL UNCERTAIN TAX POSITIONS THAT NEED TO BE RECORDED.
RECONCILIATION OF REVENUE PER AFS WITH REVENUE PER RETURN	OTHER REVENUE INCLUDED IN AFS, NOT INCLUDED IN 990	SCHEDULE D, PART XI, LINE 2D LESS MINORITY INTEREST IN SUB SHOWN AS REDUCTION IN GAINS IN AFS (843,234) LESS BAD DEBT EXPENSE SHOWN AS REDUCTION OF INCOME IN AFS (21,302,447) ----- TOTAL (22,145,681) OTHER REVENUE INCLUDED ON 990, NOT IN AFS: SCHEDULE D, PART XI, LINE 4B CONTRIBUTIONS FOR CAPITAL ACQUISITIONS 2,119,715 RESTRICTED CONTRIBUTIONS 3,133,756 RESTRICTED INVESTMENT INCOME 695,681 ----- TOTAL 5,949,152
RECONCILIATION OF EXPENSES PER AFS WITH EXPENSES PER RETURN	OTHER EXPENSES INCLUDED ON 990, NOT IN AFS	SCHEDULE D, PART XII, LINE 4B NET ASSETS RELEASED FROM RESTRICTIONS 2,651,362 BAD DEBT EXPENSE SHOWN AS A REDUCTION OF INCOME IN AFS 21,302,447 - ----- TOTAL 23,953,809

Additional Data

Software ID:

Software Version:

EIN: 16-1533232

Name: KALEIDA HEALTH

Form 990, Schedule D, Part VII - Investments— Other Securities

(a) Description of security or category (including name of security)	(b) Book value	(c) Method of valuation Cost or end-of-year market value
(3) Other		
(A) INTECH RISK-MANAGED L CAP FUND	2,944,897	F
(B) MCM CF GLOBAL ALPHA I FUND	2,621,937	F
(C) WTC CTF RESEAR VALUE PUR 4/06	3,534,992	F
(D) BENCHMARK PLUS INST PART L CAP	4,063,572	F
(E) WTC CIF OPPORTUNISTIC FUND	6,997,723	F
(F) CHARITABLE TEMPORARY INVEST FD	9	F
(G) KALEIDA MIT COMMON FUND LP	92,000	F
(H) COMMON CAP VENTURE PTNRS VI	146,761	F
(I) COMMON FND CAP PRIVATE EQ P V	184,166	F
(J) KALEIDA MIT REALITY LP	475,398	F
(K) KALEIDA SI REALITY LP	1,364,908	F
(L) DWS GLOBAL COMMODITIES	7,068,001	F
(M) ROBECO GLOBAL EMERGING MARKETS	4,534,990	F
(N) AQR GLOBAL RISK	4,192,554	F
(O) PANAGORA RISK PARITY TOTAL RET	6,731,204	F
(P) PICTET LOCAL EMERGING	7,487,127	F
(Q) ABERDEEN EMERGING MARKETS	3,317,816	F
(R) PERMAL FIXED INCOME HOLDING	4,510,790	F
(S) CRESTLINE OFFSHORE FUND	4,525,889	F
(T) PUTNAM TOTAL RETURN FUND	6,042,841	F
(U) AQR GLOBAL RISK PREM OFFSHORE	2,143,044	F
(V) MACKAY SHIELDS HIGH YIELD LP	5,112,625	F

SCHEDULE H
(Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

▶ **Complete if the organization answered "Yes" to Form 990, Part IV, question 20.**
▶ **Attach to Form 990. ▶ See separate instructions.**

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
KALEIDA HEALTH

Employer identification number
16-1533232

Part I

Financial Assistance and Certain Other Community Benefits at Cost

		Yes	No	
1a	Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a	1a	Yes	
b	If "Yes," was it a written policy?	1b	Yes	
2	If the organization had multiple hospital facilities, indicate which of the following best describes application of the financial assistance policy to its various hospital facilities during the tax year <input checked="" type="checkbox"/> Applied uniformly to all hospital facilities <input type="checkbox"/> Applied uniformly to most hospital facilities <input type="checkbox"/> Generally tailored to individual hospital facilities			
3	Answer the following based on the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year a Did the organization use Federal Poverty Guidelines (FPG) as a factor in determining eligibility for providing <i>free</i> care? If "Yes," indicate which of the following was the FPG family income limit for eligibility for <i>free</i> care <input type="checkbox"/> 100% <input type="checkbox"/> 150% <input checked="" type="checkbox"/> 200% <input type="checkbox"/> Other _____ % b Did the organization use FPG as a factor in determining eligibility for providing <i>discounted</i> care? If "Yes," indicate which of the following was the family income limit for eligibility for discounted care <input type="checkbox"/> 200% <input type="checkbox"/> 250% <input type="checkbox"/> 300% <input type="checkbox"/> 350% <input checked="" type="checkbox"/> 400% <input type="checkbox"/> Other _____ % c If the organization used factors other than FPG in determining eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care. Include in the description whether the organization used an asset test or other threshold, regardless of income, as a factor in determining eligibility for free or discounted care 4 Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for free or discounted care to the "medically indigent"?	3a	Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	3b	Yes	
b	If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?	4	Yes	
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care?	5a	Yes	
6a	Did the organization prepare a community benefit report during the tax year?	5b	Yes	
b	If "Yes," did the organization make it available to the public?	5c		No
	Complete the following table using the worksheets provided in the Schedule H instructions. Do not submit these worksheets with the Schedule H.	6a	Yes	
		6b	Yes	

7

Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheet 1)			13,155,546	2,436,896	10,728,650	0 970 %
b Medicaid (from Worksheet 3, column a)			290,646,272	210,025,267	80,621,005	7 300 %
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d Total Financial Assistance and Means-Tested Government Programs			303,801,818	212,462,163	91,349,655	8 270 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			4,287,548		4,287,548	0 390 %
f Health professions education (from Worksheet 5)			45,576,380	21,983,507	23,592,873	2 140 %
g Subsidized health services (from Worksheet 6)			36,158,111	11,846,914	24,311,197	2 200 %
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)			172,101		172,101	0 020 %
j Total. Other Benefits			86,194,140	33,830,421	52,363,719	4 750 %
k Total. Add lines 7d and 7j			389,995,958	246,292,584	143,713,374	13 020 %

Part II

Community Building Activities

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

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

Part III

Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

1

Did the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No. 15?

1

Yes

2

Enter the amount of the organization's bad debt expense. Explain in Part VI the methodology used by the organization to estimate this amount.

2

13,823,827

3

Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's financial assistance policy. Explain in Part VI the methodology used by the organization to estimate this amount and the rationale, if any, for including this portion of bad debt as community benefit.

3

1,007,757

4

Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense or the page number on which this footnote is contained in the attached financial statements.

Section B. Medicare

5

Enter total revenue received from Medicare (including DSH and IME).

5

172,161,526

6

Enter Medicare allowable costs of care relating to payments on line 5.

6

167,553,992

7

Subtract line 6 from line 5. This is the surplus (or shortfall).

7

4,607,534

8

Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit. Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6. Check the box that describes the method used.
☐ Cost accounting system ☒ Cost to charge ratio ☐ Other

Section C. Collection Practices

9a

Did the organization have a written debt collection policy during the tax year?

9a

Yes

b

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

9b

Yes

Part IV

Management Companies and Joint Ventures

(owned 10% or more by officers, directors, trustees, key employees, and physicians—see instructions)

(a) Name of entity	(b) Description of primary activity of entity	(c) Organization's profit % or stock ownership %	(d) Officers, directors, trustees, or key employees' profit % or stock ownership %	(e) Physicians' profit % or stock ownership %
1 MFSC LLC	PHYSICIAN SERVICES	51.000 %		49.000 %
2 COMMUNITY MEDICAL PC	PHYSICIAN SERVICES			100.000 %
3 GENERAL PHYSICIANS P	PHYSICIAN SERVICES			100.000 %
4 HARLEM ROAD LEASING	MRI EQUIPMENT LEASING	50.000 %		
5 AMTON IMAGING LLC	HEALTH CARE SERVICES	40.000 %		
6 PARK CLUB LANE LLC	HEALTH CARE SERVICES	30.000 %		
7 WNY HEALTNET LLC	HEALTH CARE SERVICES	14.286 %		
8 CHILD HEALTH INV I	HEALTH CARE SERVICES	2.972 %		
9 CHILD HEALTH INV II	HEALTH CARE SERVICES	1.207 %		
10SITE E LLC	REAL ESTATE LEASING CO	50.186 %		
11NORTHTOWNS VENTURE L	HEALTH CARE SERVICES	50.000 %		
12Optimum Physician Al	HEALTH CARE SERVICES	50.000 %		
13				

Part V

Facility Information

Section A. Hospital Facilities

(list in order of size from largest to smallest—see instructions)
How many hospital facilities did the organization operate during the tax year?
5

Name, address, and primary website address

		Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (Describe)	Facility reporting group
1	BUFFALO GENERAL MEDICAL CENTER 100 HIGH STREET BUFFALO, NY 14203	X	X		X			X			A
2	WOMEN & CHILDREN'S HOSPITAL OF BUFFAL 219 BRYAN STREET BUFFALO, NY 14222	X	X	X	X			X			A
3	MILLARD FILLMORE SUBURBAN HOSPITAL 1540 MAPLE ROAD WILLIAMSVILLE, NY 14221	X	X		X			X			A
4	DEGRAFF MEMORIAL HOSPITAL 445 TREMONT AVE NORTH TONAWANDA, NY 14120	X	X					X			A
5	MILLARD FILLMORE GATES CIRCLE HOSPITA 3 GATES CIRCLE BUFFALO, NY 14221	X	X		X			X			A

Part V Facility Information (continued)

Section B. Facility Policies and Practices

(Complete a separate Section B for each of the hospital facilities or facility reporting groups listed in Part V, Section A)
Group A

Name of hospital facility or facility reporting group

For single facility filers only: line Number of Hospital Facility (from Schedule H, Part V, Section A)

	Yes	No
Community Health Needs Assessment (Lines 1 through 8c are optional for tax years beginning on or before March 23, 2012)		
1 During the tax year or either of the two immediately preceding tax years, did the hospital facility conduct a community health needs assessment (CHNA)? If "No," skip to line 9 If "Yes," indicate what the CHNA report describes (check all that apply)	1	
a <input type="checkbox"/> A definition of the community served by the hospital facility		
b <input type="checkbox"/> Demographics of the community		
c <input type="checkbox"/> Existing health care facilities and resources within the community that are available to respond to the health needs of the community		
d <input type="checkbox"/> How data was obtained		
e <input type="checkbox"/> The health needs of the community		
f <input type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups		
g <input type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet the community health needs		
h <input type="checkbox"/> The process for consulting with persons representing the community's interests		
i <input type="checkbox"/> Information gaps that limit the hospital facility's ability to assess the community's health needs		
j <input type="checkbox"/> Other (describe in Part VI)		
2 Indicate the tax year the hospital facility last conducted a CHNA 20 ____		
3 In conducting its most recent CHNA, did the hospital facility take into account input from representatives of the community served by the hospital facility, including those with special knowledge of or expertise in public health? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	3	
4 Was the hospital facility's CHNA conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	4	
5 Did the hospital facility make its CHNA report widely available to the public? If "Yes," indicate how the CHNA report was made widely available (check all that apply)	5	
a <input type="checkbox"/> Hospital facility's website		
b <input type="checkbox"/> Available upon request from the hospital facility		
c <input type="checkbox"/> Other (describe in Part VI)		
6 If the hospital facility addressed needs identified in its most recently conducted CHNA, indicate how (check all that apply to date)		
a <input type="checkbox"/> Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA		
b <input type="checkbox"/> Execution of the implementation strategy		
c <input type="checkbox"/> Participation in the development of a community-wide plan		
d <input type="checkbox"/> Participation in the execution of a community-wide plan		
e <input type="checkbox"/> Inclusion of a community benefit section in operational plans		
f <input type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the CHNA		
g <input type="checkbox"/> Prioritization of health needs in its community		
h <input type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community		
i <input type="checkbox"/> Other (describe in Part VI)		
7 Did the hospital facility address all of the needs identified in its most recently conducted CHNA? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs	7	
8a Did the organization incur an excise tax under section 4959 for the hospital facility's failure to conduct a CHNA as required by section 501(r)(3)?	8a	
b If "Yes" to line 8a, did the organization file Form 4720 to report the section 4959 excise tax?	8b	
c If "Yes" to line 8b, what is the total amount of section 4959 excise tax the organization reported on Form 4720 for all of its hospital facilities? \$_____		

Part V

Facility Information (continued)

Financial Assistance Policy		Yes	No		
9 Did the hospital facility have in place during the tax year a written financial assistance policy that Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?		9	Yes		
10 Used federal poverty guidelines (FPG) to determine eligibility for providing <i>free</i> care? If "Yes," indicate the FPG family income limit for eligibility for free care <u>200</u> % If "No," explain in Part VI the criteria the hospital facility used		10	Yes		
11 Used FPG to determine eligibility for providing <i>discounted</i> care? If "Yes," indicate the FPG family income limit for eligibility for discounted care <u>400</u> % If "No," explain in Part VI the criteria the hospital facility used		11	Yes		
12 Explained the basis for calculating amounts charged to patients? If "Yes," indicate the factors used in determining such amounts (check all that apply)		12	Yes		
a <input checked="" type="checkbox"/> Income level					
b <input checked="" type="checkbox"/> Asset level					
c <input type="checkbox"/> Medical indigency					
d <input checked="" type="checkbox"/> Insurance status					
e <input checked="" type="checkbox"/> Uninsured discount					
f <input checked="" type="checkbox"/> Medicaid/Medicare					
g <input checked="" type="checkbox"/> State regulation					
h <input type="checkbox"/> Other (describe in Part VI)					
13 Explained the method for applying for financial assistance?		13	Yes		
14 Included measures to publicize the policy within the community served by the hospital facility? If "Yes," indicate how the hospital facility publicized the policy (check all that apply)		14	Yes		
a <input type="checkbox"/> The policy was posted on the hospital facility's website					
b <input type="checkbox"/> The policy was attached to billing invoices					
c <input type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms					
d <input type="checkbox"/> The policy was posted in the hospital facility's admissions offices					
e <input type="checkbox"/> The policy was provided, in writing, to patients on admission to the hospital facility					
f <input checked="" type="checkbox"/> The policy was available upon request					
g <input checked="" type="checkbox"/> Other (describe in Part VI)					
Billing and Collections					
15 Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment?		15	Yes		
16 Check all of the following actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP					
a <input type="checkbox"/> Reporting to credit agency					
b <input checked="" type="checkbox"/> Lawsuits					
c <input checked="" type="checkbox"/> Liens on residences					
d <input type="checkbox"/> Body attachments					
e <input checked="" type="checkbox"/> Other similar actions (describe in Part VI)					
17 Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP?				17	No
If "Yes," check all actions in which the hospital facility or a third party engaged					
a <input type="checkbox"/> Reporting to credit agency					
b <input type="checkbox"/> Lawsuits					
c <input type="checkbox"/> Liens on residences					
d <input type="checkbox"/> Body attachments					
e <input type="checkbox"/> Other similar actions (describe in Part VI)					

Part V

Facility Information (continued)

- 18
- Indicate which efforts the hospital facility made before initiating any of the actions listed in line 17 (check all that apply)
- a

☒

Notified individuals of the financial assistance policy on admission
- b

☐

Notified individuals of the financial assistance policy prior to discharge
- c

☒

Notified individuals of the financial assistance policy in communications with the patients regarding the patients' bills
- d

☒

Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy
- e

☒

Other (describe in Part VI)

Policy Relating to Emergency Medical Care

		Yes	No
19	Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that requires the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under the hospital facility's financial assistance policy? If "No," indicate why	Yes	
a	<input type="checkbox"/> The hospital facility did not provide care for any emergency medical conditions		
b	<input type="checkbox"/> The hospital facility's policy was not in writing		
c	<input type="checkbox"/> The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)		
d	<input type="checkbox"/> Other (describe in Part VI)		

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

20	Indicate how the hospital facility determined, during the tax year, the maximum amounts that can be charged to FAP-eligible individuals for emergency or other medically necessary care		
a	<input type="checkbox"/> The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged		
b	<input type="checkbox"/> The hospital facility used the average of its three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged		
c	<input type="checkbox"/> The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged		
d	<input checked="" type="checkbox"/> Other (describe in Part VI)		
21	During the tax year, did the hospital facility charge any FAP-eligible individuals to whom the hospital facility provided emergency or other medically necessary services, more than the amounts generally billed to individuals who had insurance covering such care? If "Yes," explain in Part VI		No
22	During the tax year, did the hospital facility charge any FAP-eligible individuals an amount equal to the gross charge for any service provided to that individual? If "Yes," explain in Part VI		No

Part V

Facility Information (continued)

Section C. Other Health Care Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility

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

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

26

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

- 1 Required descriptions. Provide the descriptions required for Part I, lines 3c, 6a, and 7, Part II, Part III, lines 4, 8, and 9b, Part V, Section A, and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 10, 11, 12h, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22
- 2 Needs assessment. Describe how the organization assesses the health care needs of the communities it serves, in addition to any needs assessments reported in Part V, Section B
- 3 Patient education of eligibility for assistance. Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy
- 4 Community information. Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves
- 5 Promotion of community health. Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e.g., open medical staff, community board, use of surplus funds, etc.)
- 6 Affiliated health care system. If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served
- 7 State filing of community benefit report. If applicable, identify all states with which the organization, or a related organization, files a community benefit report
- 8 Facility reporting group(s). If applicable, for each hospital facility in a facility reporting group provide the descriptions required for Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 10, 11, 12h, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22

Identifier	ReturnReference	Explanation
Part I, Line 3C		Kaleida Health (Kaleida) has developed, implemented and communicates its Financial Assistance (Charity care) policy, which assists low-income, uninsured or underinsured individuals who lack the financial resources to pay for medical services rendered. Levels of discounts are awarded based upon income and asset verification and in accordance with the Federal Poverty Guidelines as published annually by the U.S. Department of Health and Human Services. Individuals are notified during admissions and registration of Kaleida's Charity Care program. After review of income and assets, an individual may be approved for free care (100% discount) or a discount level of 50, 60, 75, or 90%, for medically necessary inpatient, outpatient, emergency room or nursing home services rendered at a Kaleida facility, as follows: Less than 200% of Federal Poverty Guideline is awarded 100% discount 200% - 249% of Federal Poverty Guideline is awarded 90% discount 250% - 299% of Federal Poverty Guideline is awarded 75% discount 300% - 349% of Federal Poverty Guideline is awarded 60% discount 350% - 400% of Federal Poverty Guideline is awarded 50% discount The applicant for free or reduce price care is contacted by a facilitated enroller for financial screening and enrollment in a government-funded program, if eligible, while in the hospital if inpatient or shortly after their visit.
PART I, LINE 7		The amounts reported in the table under Part I, Line 7 were determined using the Health System's Decision Support software to determine revenue and expenses for the general ledger. The overall revenue and expenses included in the decision support software program were reconciled to the general ledger which reconciles to the audited financial statements. The decision support software program allocates direct costs to each patient account based on the resources used by that patient within the specific cost center. Indirect costs are allocated using a similar stepdown methodology used by CMS in the Institutional Cost Report.
Part I, Line 7G		There are no costs attributable to a physician clinic included in Subsidized Health Services.
Part I, Line 7, Column (F)		Total Bad Debt Expense subtracted from total expenses in the determination of calculating the percentage of Total Expense is \$21,302,447.
Part II, Community Building Activities		Kaleida Health is actively engaged in protecting our community through emergency preparedness. Kaleida Health has taken the lead with community and international partners to increase the Western New York region's level of readiness for any crisis that may occur, including organizing and conducting internal and external emergency drills. Community partners include local law enforcement and fire departments, the United States Postal Service, Erie County Department of Health, Niagara County Department of Health, Erie County Hazmat Organization, local universities and the International Joint Commission (for Emergency Response) involving Erie County, Niagara County and the Niagara Province of Ontario, Canada, among other organizations. Kaleida Health's Emergency Management Department provides leadership training and programmatic services for other healthcare organizations throughout the region. The Department assisted with creation of a Regional Mutual-Aid Agreement between 26 healthcare organizations in Western New York. The Mutual-Aid Agreement makes it possible for the healthcare organizations to share resources with one another during a disaster. Kaleida Health's emergency management activities promote the health of the communities we serve by ensuring that citizens, businesses and non-profit organizations are well prepared for all hazards. Kaleida Health conducts physician workforce planning and actively recruits physicians to medical shortage/underserved areas. A medical staff development plan is established based on community need in our service area. Community need is based on the total number of physicians providing medical services to the area, not only those physicians that staff our hospitals.
Part III, Line 2 and 3		Costing Methodology Used in Determining the Amounts Reported on Lines 2 and 3 of Part III and the Rationale for Including a Portion of Bad Debt Amounts as Community Benefit Bad Debt Expense is recorded using the valuation method as outlined in Healthcare Financial Management Association Statement 15, which requires bad debt expense to be recorded at the amount that the payer is expected to pay. In order to report the costs associated with bad debt expense, the reported bad debt expense needs to be adjusted so that the amount expected to be paid reflects gross charges, prior to the application of an RCC. Kaleida Health adjusts bad debt expense prior to the application of an RCC so that the reported bad debt expense at cost, on Part III, line 2 of IRS Form 990, Schedule H reflects the true cost of the bad debt. The organization has a Charity Care Policy, and any write-offs as a result of this policy are recorded as Charity Care Allowances and are a reduction of the New Patient Revenue. Individuals who may qualify for Charity Care assistance under the policy, but do not volunteer to complete the application process would not be granted Charity Care assistance. KALEIDA ALSO USES A PRESUMPTIVE CHARITY CARE PROCESS, WHICH HAS DETERMINED THAT 27% of self-pay bad debt expense in 2012 would have been eligible for charity care assistance. Therefore, we believe that the level of charity care included in bad debt expense to be approximately \$1,007,757. We estimated this amount by using the 2012 calculated presumptive eligibility percentage on bad debt write-offs amounts over \$500 (27%), and applied this percentage to those bad debt write-offs amounts under \$500, to determine the bad debt write-offs that would have been eligible, if they were scored using the presumptive eligibility process. Bad debt is not included as community benefit.
Part III, Line 4	Charity Care and Bad Debt Expense Footnote	Kaleida provides care to patients who meet certain criteria under its charity care policies without charge or at amounts less than their established rates. Because Kaleida does not anticipate collection of amounts determined to qualify as charity care, they are not reported as revenue. Kaleida grants credit without collateral to patients, most of whom are local residents and are insured under third-party arrangements. Additions to the estimated allowance for doubtful accounts are made by means of the provision for bad debts. Accounts written off as uncollectible are deducted from the allowance and subsequent recoveries are added. The amount of the provision for bad debts is based upon management's assessment of historical and expected net collections, business and economic conditions, trends in federal and state governmental healthcare coverage, and other collection indicators. The provision of bad debts primarily relates to patients without insurance and to those that are underserved or without the necessary resources to pay coinsurance and deductible balances.
Part III, Line 8		There are no Medicare shortfalls included in the calculation of community benefit. Costing methodology used to determine the Medicare allowable costs reported in the Medicare Cost Report, as reflected in Part III, line 6. Kaleida Health used the filed, but unaudited 2012 CMS Medicare Cost Report to determine the amounts reported on these lines.
Part III, Line 9B		Only after patient's liability has been determined following processing of applications for government assistance, charity care, and/or insurance carrier remittance will the patient statement be mailed for payment recovery. Kaleida Health has implemented a pre-collection process for accounts with an insurance balance of zero, a positive patient balance greater than \$4.99, and a first bill date older than 60 days but not previously paid in full by the patient (excluding accounts for patients that have submitted a completed application for Charity Care, Medicaid, Family Health Plus or Child Health Plus, and an eligibility determination is pending). When the financial assistance policies and options are reviewed with the patient or at the time that a patient expresses financial concern, the patient will be offered the opportunity to apply for charity care. Once the patient submits the completed charity care application, the account is placed on hold and all collection activities are suspended until an eligibility determination is made. If the patient is eligible for charity care, then the patient is notified of the level of charity care awarded. If 100% charity care is awarded, then no bill is sent to the patient. If less than 100% charity care is awarded, then the patient will receive a bill pursuant to the private pay collection policy.
Part V, Section B		All of the Hospital Facilities of Kaleida Health share the same financial assistance policies. As such, the additional information provided for Part V, Section B, lines 14g, 16e, 18e, and 20D applies each of the hospital facilities listed. Part V, Line 14G Financial Aid Information Included on Bill and Statements: Information that explains how qualified patients can access financial assistance through the hospital is included on bills and statements to patients. Application materials include a notice to patients that once they submit a completed application and documentation, they may disregard any bills until the Hospital has rendered a written decision on the application. The Hospital may not forward accounts to collection while an application is pending. Upon verification of employment wages will be garnished.
Part V, Line 16E		Notification through Kaleida Health website and brochures.
Part V, Line 18E		The amounts billed are calculated using the Medicare rate, Medicaid rate or highest volume commercial payor rate.
Part V, Line 20D		Kaleida Health assesses the health of the communities we serve through a variety of means, including but not limited to consideration of the following community health needs assessments: * Kaleida Health Community and Provider Health Care Assessment (January 2008). Kaleida sponsored and published a population-based, cross-sectional house-to-house community health needs assessment of 2,000 heads of households in medically underserved City of Buffalo neighborhoods. Of these households, 1,658 community residents participated in the survey. The purpose was to gather data from community residents on health care, provide information on how health care may be improved to best serve the community's needs, and identify what works well and what does not in the local health care environment for these residents, from their perspective. Additional data was gathered from community-based primary care providers to identify opportunities for collaboration on disease prevention for patients under their care. * Erie County Department of Health's Community Health Assessment (March 2010). Includes demographic and health status information for the population, including disease prevalence, incidence, health resources and service utilization, profiles of community resources, behavioral risk factors, unmet need for services, local health priorities, and opportunities for action in Erie County. * Niagara County Department of Health's Community Health Assessment (September 2009). Includes demographics, description of populations at risk, disease prevalence, incidence, access to care, problems and issues in the community, local health priorities, accomplishments and opportunities for action in Niagara County. * Project CODA - Creating Options for Ignited Aging in Erie and Niagara Counties (June 2009). A locally driven elderly-centered strategy based upon in-depth research on the demographics and specific needs and wants of elders, caregivers and service providers. The assessment provides an overview of the existing long-term care system in Erie and Niagara counties, forecasts the future of long-term care, and identifies models to protect the economic and demographic trends, likely shifts in public policies and projections of future changes in consumer preferences and demand for aging services. * Western New York Health Care Safety-Net Assessment (February 2008). An assessment of access, consumer experience and health information technology. The assessment offers a description of the primary care safety-net in the region, assesses access and the safety-net's overall capacity and strength, assesses the consumer's experience with their primary care, and determines the information technology capacity of the primary care safety net. * Reaching for Excellence: Community Vision and Voices for WNY Health Care (July 2009). A community health assessment that incorporates the perspective of the community and users of the health care system in current health care strategy development. More than 1700 Western New Yorkers were engaged in a series of community conversations about what consumers want for the future of health care in the region. The conversations resulted in 5 health care priorities, reflecting the top concerns of the region across race, ethnicity, age, income and geography. Secondary level quantitative data include local surveys, U.S. census, U.S. Department of Health and Human Services' Community Health Status Indicators Report for NY (including Erie and Niagara Counties), among other data. Financial assessments. Kaleida's team uses data from community health assessments, such as those above, to shape strategy for prioritizing its efforts and identifying areas of focus for the community benefit interventions. Many of the interventions adopted by Kaleida Health focus on populations with disproportionate unmet health needs (DUHN), including the elderly, low-income individuals and families, children and youth, and persons with special needs. The goals selected for each intervention are in support of local collaborative planning efforts when possible, and engage the breadth of Kaleida's community benefit programs.
Patient Education of Eligibility for Assistance		Kaleida Health informs individuals of available free or reduced price services at the time of registration into the inpatient, outpatient, emergency department, and long-term care facility. Posters informing the patient/family of assistance are available throughout the Kaleida locations. Brochures and pamphlets informing the community are widely distributed in the community at health fairs, churches, schools and other public locations. Information regarding the availability of financial assistance is also available through Kaleida's website. Kaleida Health offers assistance to individuals in our community for accessing affordable health care, including: * NY Health Exchange Navigation. Assists with navigating, selecting, and applying for enrollment in NY health exchange offerings. Dedicated and state-trained staff assist individuals in person or via the phone. In addition to offering in-person appointments at Kaleida Health sites, Kaleida Health will open a community-based location in late 2013. * Centers for Medicaid & Medicare Services (CMS). Kaleida Health staff facilitate enrollment with a targeted focus on children up to the age of 21 enrolled in Buffalo Public Schools and throughout Western New York. * Facilitated Enrollment. Assists eligible individuals with health insurance enrollment by offering education and application assistance for Medicaid, Child Health Plus, Family Health Plus, Prenatal Care Assistance Program, and State Aid for Children with Special Needs. A dedicated telephone number is available and information is published in pamphlets at Kaleida sites and at various locations throughout the community. * Financial Assistance Program. As described above, the Kaleida Financial Assistance Program offers free or reduced-prices for patients treated at Kaleida Health hospitals, outpatient, emergency room, or long-term care facilities. Discounts are awarded based upon income and asset verification.
Community Information		Headquartered in the City of Buffalo, Erie County, New York, Kaleida Health serves a region diverse in character. The eight counties of Western New York State, including Allegany, Cattaraugus, Chautauque, Erie, Genesee, Orleans, Niagara and Wyoming, range from rural areas and small towns to denser metropolitan cities. Within the primary service area of Erie and Niagara counties, there is a combined population of approximately 1.5 million people. There are several federally designated Medically Underserved Areas, Medically Underserved Populations, and Health Professional Shortage Areas in the service area. Demographic Information - Erie County. Erie County is the largest metropolitan county in upstate New York. It is home to three cities, 16 villages, 25 towns, and two Native American Indian reservations. While the majority of the population lives within the cities and surrounding communities, there is a significant rural population that resides outside the first and second ring suburban areas. According to the adjusted 2010 U.S. Census, the population of Erie County, including the City of Buffalo, is 919,086. The City of Buffalo is the largest city in the region and the second largest city in New York State. Buffalo, which serves as the County seat, has a population of 259,384 and is ranked the third poorest city in the nation. The population of Erie County has been declining over the past decade. In the year 2000, the population of Erie County was 950,265. This represents a decrease of more than 3% population in over 10 years. According to the adjusted 2010 U.S. Census for 2012, 53.3% of the Erie County population are under the age of 5, 21% are under age 18, and 16.1% are age 65 and over. Compared to state and national age distributions, Erie County has a slightly lower percentage of young people and a higher percentage of people age 65 and older. However, the City of Buffalo population distribution is quite different from Erie County. In Buffalo, 23.6% of residents are under age 18 and 11.4% are age 65 and older. In Erie County, 51.8% of the population is female and 48.2% male. This distribution is similar to that of New York State. In the City of Buffalo there is a high percentage of females at 52.1% and lower percentage of males, 47.9%. For race, 80.9% of the Erie County population is non-Hispanic Whites, 13.8% non-Hispanic African-Americans, 4.8% Hispanic, 0.7% Native Americans, and 2.5% Asian/Pacific Islanders. As per the 2005 - 2009 American Community Survey, the City of Buffalo has a much higher percentage of African Americans (39.8%) and Hispanics (8.3%) than the county. And, according to the latest U.S. Census, the percentage of Hispanics increased so that the population is broken down as 50.4% Whites, 38.6% African-American, 10.5% Hispanic, 0.8% Native Americans, and 3.2% Asian/Pacific Islanders. Buffalo is home to a large immigrant and refugee population where there are 22,658 foreign born and a minimum of 31 languages and dialects spoken. Lackawanna, New York, located just south of the City of Buffalo, is home to a large Arabican community, many of whom do not speak English as their first language. That corresponds with the fact that 14.2%, which increased from 13.7% last year, of homes in the City of Buffalo and close to 10% of the Erie County population speak a language other than English. The median household income in Erie County is \$48,805, and the per capita income is \$27,366. The median earnings for male full-time workers is \$50,062. The median earnings for female full-time workers is \$37,639. Compared to last year's median of \$46,807 for males and \$36,858 for female workers, males increased at a rate greater than females. For all families in Erie County, 10.5% are below the federal poverty level. For families with children under 18 years of age, 17.9% are below the federal poverty level, and families with children under 5 years of age, 22.5% are below the federal poverty level. The likelihood of families living below the poverty level is compounded for female headed families that do not have a husband present. Of the 13.7% percent of families in Erie County that have a female head of household with no husband present, 30.4% are below the poverty level. For those families with children under 18 years of age, 41.6% are below the poverty level and 53% of those families with children under age 5 are below the poverty level. In the City of Buffalo, according to the 2010 U.S. Census, where poverty is more prevalent, the median household income is \$30,230, which is almost \$20,000 less than the County as a whole, and the per capita income in Buffalo is \$20,072. In comparison, the median household income nationally is \$52,762, and \$56,951 for New York State. In the City of Buffalo, 29.9% of residents are living below the federal poverty level. For families with children under 18 years of age, 38.5% are below the federal poverty level, and families with children under 5 years of age, 43.1% are below the federal poverty level. The likelihood of families living below the poverty level is compounded for female headed families that do not have a husband present. Of the 22.9% percent of families in Buffalo that have a female head of household with no husband present, 42.5% are below the poverty level. For those families with children under 18 years of age, 51.3% are below the poverty level and 57.3% of these families with children under age 5 are below the poverty level. In addition, according to the 2010 U.S. Census, almost 8% of Erie County residents and 10.7% of Buffalo residents still do not have health insurance. Of those residents who do have coverage, 34.3% and 48% respectively have public coverage. As for education, of those over 25 years of age in Erie County, 86% of adults graduated from high school and 40.8% earned college degrees, however, 11.1% did not complete high school. For the City of Buffalo, 19% did not complete high school, and only 31.2% earned college degrees. Demographic Information - Niagara County. Niagara County is located just north of Erie County. Niagara County consists of 26 cities, towns and villages along with the Tuscarora Indian Reservation, which is located approximately in the middle of the county. The City of Niagara Falls is the most populated city in Niagara County, followed by North Tonawanda. According to the adjusted 2010 U.S. Census, Niagara County has a total population of 215,124, which has been declining in recent years even down from the 2010 census of 216,469. Niagara County demographics show the distribution of residents to be 88.8% White, 7% African-American, 12% Native American, 30% Asian/Pacific Islander. The median household income for Niagara County is \$46,599. English is the primary language for almost 94% of Niagara County residents. Niagara Falls is the largest city in Niagara County with 50,570 residents. The population of the City of Niagara Falls is 73.3% White, 21.8% African-American, 1.7% Native American, 2.6% Hispanic, and 1.1% Asian/Pacific Islander. The median income in Niagara Falls is \$32,617. Families in the city who have children under 18 total 24.3%. There are also 19.4% of female headed households where with no husband, and of those 11% have children. As for education, of those over 25 years of age, 85.5% of adults graduated from high school and 24% earned college degrees, however, 14.5% did not complete high school. Compared to Niagara County as a whole where only 11.1% did not complete high school and 32.7% have earned a college degree. The poverty rates in Niagara Falls indicate that an overall 11.3% of residents live in poverty. Within this group, 25.8% of related children under age 18 and 32.5% of female headed households live below the federal poverty level. North Tonawanda is the second largest city in Niagara County with a total population of 31,626. The population is 97% Caucasian, 1.1% African-American, 1.3% Hispanic, and 1.2% Asian/Pacific Islander. The median income in North Tonawanda is \$34,422.
Organization and affiliates role in promoting community health		Kaleida Health's mission is to advance the health of the community. Kaleida Health's vision is to be the regional health care system providing exceptional quality services, with a commitment to education and research, accessible to all. The organization's values illustrate how these goals are achieved. Accountability. We take personal responsibility for delivering results. Patient-Centered. We put patients and families first. Integrity. We demonstrate honesty in everything we do. Excellence. As a team, we pursue exceptional performance with passion. To carry out the mission, much of Kaleida Health's community benefit work is focused on the needs of low-income, medically underserved populations. Kaleida Health representatives actively engage in various community health collaborations with local health departments, state health department and local not-for-profit health and human service agencies. Poverty trends, community health research and local community health needs are reviewed on a regular basis while planning services and programs. Responsive to community priorities, program development and services fill identified gaps or supplement existing programs. Most Kaleida Health community health outreach programs are offered in partnership with other community organizations or government agencies in order to leverage resources and meet the community's needs. This includes education and active participation in health events with targeted audiences. Information regarding the availability of community health programs, assistance with health insurance enrollment and financial assistance for medical care received at Kaleida Health hospitals, emergency departments, outpatient clinics or long-term care facilities is disseminated to the public in the Community Benefit and Internal Community Services Plan. Information available on the Kaleida Health Website or in print form upon request. The Visiting Nursing Association of Western New York, Inc., Kaleida Health's home care affiliate, also works to promote the health of the community. This includes educating chronic care patients on self-management and personal care in areas such as rehabilitation services, nutrition education and therapy, infection control, falls risk assessment and intervention, and health education related to improving lifestyle choices for individuals and families in their homes and the community. Community-based prevention programs, such as one of the area's largest annual community influenza immunization program, also are offered through the Visiting Nursing Association.
Kaleida Health Board of Directors		Kaleida Health maintains community control over the corporation through its self-perpetuating, 14 member governing Board of Directors. The Board of Directors, the majority of whom reside in Western New York, is comprised of community leaders from the faith, business and industry, and healthcare sectors, including physicians who are on the medical staff. Each Director serves a three-year term and is not an employee, independent contractor, or family member of Kaleida Health.
State in which the organization files a community benefit report		New York State

Additional Data

Software ID:

Software Version:

EIN: 16-1533232

Name: KALEIDA HEALTH

Form 990 Schedule H, Part V Section C. Other Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility

Section C. Other Health Care Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility

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

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

26

Name and address	Type of Facility (describe)
1 HighPointe on Michigan 1031 Michigan Ave Buffalo, NY 14203	Inpatient Skilled Nursing Facility
2 Center for Laboratory Medicine 115 Flint Road Amherst, NY 14226	Inpatient Skilled Nursing Facility
3 MFSC LLC Ambulatory Surgery Center 215 Klein Road Williamsville, NY 14221	Inpatient Skilled Nursing Facility
4 Community Mental Health Center 1010 Main Street Buffalo, NY 14203	Inpatient Skilled Nursing Facility
5 WCHOB Women's Health Center 239 Bryant Street Buffalo, NY 14222	Inpatient Skilled Nursing Facility
6 Amherst General 4955 North Bailey Ave Suite 207 Amherst, NY 14226	Inpatient Skilled Nursing Facility
7 NORTH BUFFALO MEDICAL PARK 900 HERTEL AVENUE Buffalo, NY 14207	Inpatient Skilled Nursing Facility
8 PEDIATRIC DENTAL CENTER 515 ABBOTT ROAD Buffalo, NY 14220	Inpatient Skilled Nursing Facility
9 WCHOB SPECIALTY CLINICS 140 HODGE STREET Buffalo, NY 14222	Inpatient Skilled Nursing Facility
10 DEGRAFF MEMORIAL HOSPITAL WELLNESS CNTR 415 TREMONT STREET NORTH TONAWANDA, NY 14120	Inpatient Skilled Nursing Facility
11 DEACONESS FAMILY PLANNING CENTER 1313 MAIN ST BUFFALO, NY 14209	Inpatient Skilled Nursing Facility
12 WCHOB HODGE PEDIATRICS 125 HODGE STREET BUFFALO, NY 14222	Inpatient Skilled Nursing Facility
13 BUFFALO THERAPY SERVICES 115 FLINT ROAD AMHERST, NY 14226	Inpatient Skilled Nursing Facility
14 Stanley Makowski SBHC 1095 Jefferson Avenue Buffalo, NY 14214	Inpatient Skilled Nursing Facility
15 Towne Garden Pediatrics 461 William Street Buffalo, NY 14204	Inpatient Skilled Nursing Facility
16 BUFFALO ELEM SCHOOL OF TECHNOLOGY 414 S DIVISION STREET Buffalo, NY 14204	Inpatient Skilled Nursing Facility
17 DR M L KING SBHC 487 HIGH STREET BUFFALO, NY 14211	Inpatient Skilled Nursing Facility
18 LANCASTER ADDICTIONS CLINIC 11 WEST MAIN STREET LANCASTER, NY 14127	Inpatient Skilled Nursing Facility
19 DR LYDIA WRIGHT SCHOOL OF EXC #89 SBHC 106 APPENHEIMER STREET Buffalo, NY 14214	Inpatient Skilled Nursing Facility
20 BENNETT HIGH SBHC 2885 MAIN STREET Buffalo, NY 14214	Inpatient Skilled Nursing Facility
21 HERMAN BADILLO BILINGUAL ACAD #76 SBHC 315 CAROLINE STREET Buffalo, NY 14201	Inpatient Skilled Nursing Facility
22 HILLERY PARK SBHC 72 PAWNEE PARKWAY Buffalo, NY 14210	Inpatient Skilled Nursing Facility
23 WESTMINSTER COMMUNITY SBHC 24 WESTMINSTER AVENUE Buffalo, NY 14215	Inpatient Skilled Nursing Facility
24 BUILD ACADEMY SBHC 340 FOUGERON STREET Buffalo, NY 14211	Inpatient Skilled Nursing Facility
25 WCHOB EARLY CHILDHOOD DIRECTION CENTER 3131 SHERIDAN AVENUE Buffalo, NY 14226	Inpatient Skilled Nursing Facility
26 WCHOB Preschool Programs 1653 Kensington Avenue Buffalo, NY 14215	Inpatient Skilled Nursing Facility

Schedule I
(Form 990)

Department of the Treasury
Internal Revenue Service

Name of the organization
KALEIDA HEALTH

Grants and Other Assistance to Organizations,
Governments and Individuals in the United States

Complete if the organization answered "Yes," to Form 990, Part IV, line 21 or 22.
▶ Attach to Form 990

OMB No 1545-0047

2012

Open to Public
Inspection

Employer identification number

16-1533232

Part I

General Information on Grants and Assistance

- 1

Does the organization maintain records to substantiate the amount of the grants or assistance, the grantees' eligibility for the grants or assistance, and the selection criteria used to award the grants or assistance?

☒ Yes ☐ No
- 2

Describe in Part IV the organization's procedures for monitoring the use of grant funds in the United States

Part II

Grants and Other Assistance to Governments and Organizations in the United States. Complete if the organization answered "Yes" to Form 990, Part IV, line 21, for any recipient that received more than \$5,000. Part II can be duplicated if additional space is needed.

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
(1) UB FOUNDATION 3435 MAIN STREET SUNY BUFFALO BUFFALO, NY 14231	16-0865182	501(c)(3)	5,300				SPONSORSHIP
(2) BUFFALO URBAN LEAGUE INC 15 GENESEE ST BUFFALO, NY 14203	16-0743940	501(c)(3)	5,100				SPONSORSHIP
(3) WNY CLINICAL INFO EXCHANGE 2568 WALDEN AVE SUITE 107 CHEEKTOWAGA, NY 14225	36-4594483	501(C)(3)	90,000				CONTRIBUTION
(4) Community Foundation for Greater Buffalo 726 Exchange St 525 Buffalo, NY 14210	22-2743917	501(C)(3)	1,000,000				Uncompensated Care

2

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

4

3

Enter total number of other organizations listed in the line 1 table

Part III

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

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

Part IV

Supplemental Information.

Complete this part to provide the information required in Part I, line 2, Part III, column (b), and any other additional information

Identifier	Return Reference	Explanation
FORM 990, Schedule I	DESCRIPTION OF ORGANIZATION'S PROCEDURES FOR MONITORING THE USE OF GRANTS	KALEIDA HEALTH MAKES CONTRIBUTIONS TO ORGANIZATIONS IN WESTERN NEW YORK THAT ALSO HAVE HEALTH CARE RELATED ACTIVITIES ALL CONTRIBUTIONS MUST BE APPROVED BY THE GOVERNING BODY BEFORE THE MONEY IS DISTRIBUTED

Schedule J (Form 990) <div>Department of the Treasury Internal Revenue Service</div>	Compensation Information For certain Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees ▶ Complete if the organization answered "Yes" to Form 990, Part IV, question 23. ▶ Attach to Form 990. ▶ See separate instructions.	OMB No 1545-0047
		2012
		Open to Public Inspection

Name of the organization KALEIDA HEALTH	Employer identification number 16-1533232
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Part I	Questions Regarding Compensation		Yes	No	
1a	Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a Complete Part III to provide any relevant information regarding these items				
	<div><div><input type="checkbox"/> First-class or charter travel</div><div><input type="checkbox"/> Travel for companions</div><div><input type="checkbox"/> Tax idemnification and gross-up payments</div><div><input type="checkbox"/> Discretionary spending account</div></div> <div><div><input type="checkbox"/> Housing allowance or residence for personal use</div><div><input type="checkbox"/> Payments for business use of personal residence</div><div><input checked="" type="checkbox"/> Health or social club dues or initiation fees</div><div><input type="checkbox"/> Personal services (e g , maid, chauffeur, chef)</div></div>				
b	If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all of the expenses described above? If "No," complete Part III to explain	1b	Yes		
2	Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a?	2	Yes		
3	Indicate which, if any, of the following the filing organization used to establish the compensation of the organization's CEO/Executive Director Check all that apply Do not check any boxes for methods used by a related organization to establish compensation of the CEO/Executive Director, but explain in Part III				
	<div><div><input checked="" type="checkbox"/> Compensation committee</div><div><input checked="" type="checkbox"/> Independent compensation consultant</div><div><input checked="" type="checkbox"/> Form 990 of other organizations</div></div> <div><div><input checked="" type="checkbox"/> Written employment contract</div><div><input checked="" type="checkbox"/> Compensation survey or study</div><div><input checked="" type="checkbox"/> Approval by the board or compensation committee</div></div>				
	4	During the year, did any person listed in Form 990, Part VII, Section A, line 1a with respect to the filing organization or a related organization			
	<div>a Receive a severance payment or change-of-control payment?</div> <div>b Participate in, or receive payment from, a supplemental nonqualified retirement plan?</div> <div>c Participate in, or receive payment from, an equity-based compensation arrangement?</div>	4a	Yes		
	If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III	4b	Yes		
		4c		No	
5	Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.				
	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of	5a		No	
	<div>a The organization?</div> <div>b Any related organization?</div>	5b		No	
6	If "Yes," to line 5a or 5b, describe in Part III				
	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of	6a		No	
	<div>a The organization?</div> <div>b Any related organization?</div>	6b		No	
	If "Yes," to line 6a or 6b, describe in Part III				
7	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III	7		No	
8	Were any amounts reported in Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in Regulations section 53.4958-4(a)(3)? If "Yes," describe in Part III	8		No	
	9	If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53.4958-6(c)?	9		

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

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

Note. The sum of columns (B)(i)-(iii) for each listed individual must equal the total amount of Form 990, Part VII, Section A, line 1a, applicable column (D) and (E) amounts for that individual

(A) Name and Title		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported as deferred in prior Form 990
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
See Additional Data Table								

Part III Supplemental Information

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

Identifier	Return Reference	Explanation
HEALTH OR SOCIAL CLUB DUES	SCHEDULE J, PART I, LINE 1A	AS PART OF THEIR COMPENSATION PACKAGE, OFFICERS AND KEY EMPLOYEES OF THE ORGANIZATION ARE ENTITLED TO CHOOSE AS AN EXECUTIVE PERQUISITE THE BENEFIT OF BUSINESS RELATED SOCIAL DUES OR INITIATION FEES
SEVERANCE PAYMENTS	SCHEDULE J, PART I, LINE 4A	THE FOLLOWING FORMER EMPLOYEES RECEIVED SEVERANCE PAYMENTS DURING 2012: CONNIE VARI, COO, \$454,537; LAWRENCE ZIELINSKI, FORMER PRESIDENT OF BGH, \$385,964; JAMES FOSTER, FORMER CMO AT WCHOB, \$326,918; ANDRAS VARI, FORMER CMO AT MFG, \$316,822; ANTHONY ZITO, FORMER PRESIDENT OF DEGRAFF, \$270,232.
EXECUTIVE DEFERRED RETIREMENT PLAN	SCHEDULE J, PART I, LINE 4B	DURING THE YEAR, THE FOLLOWING OFFICERS AND KEY EMPLOYEES LISTED ON FORM 990, PART VII, SECTION A PARTICIPATED IN THE EXECUTIVE DEFERRED RETIREMENT PLAN: ROBERT NOLAN, CONNIE VARI, JOSEPH KESSLER, JAMES KASKIE, LARRY ZIELINSKI, DONALD BOYD, MARGARET PAROSKI, CHERYL KLASS, AND TONI BOOKER. EMPLOYER AND EMPLOYEE CONTRIBUTIONS DURING THE YEAR TO THIS PLAN HAVE BEEN REPORTED, AS REQUIRED, ON SCHEDULE J, PART II, COLUMNS (B)(III) AND (C). DURING 2012, THE FOLLOWING OFFICERS RECEIVED PAYMENTS UNDER AN EXECUTIVE DEFERRED RETIREMENT PLAN: JAMES KASKIE \$340,834; CONNIE VARI \$244,535; MARGARET PAROSKI \$145,839; LARRY ZIELINSKI \$93,757; DONALD BOYD \$67,819; ROBERT NOLAN \$44,758.

Software ID:
Software Version:
EIN: 16-1533232
Name: KALEIDA HEALTH

Form 990, Schedule J, Part II - Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base Compensation	(ii) Bonus & incentive compensation	(iii) Other compensation				
ANDRAS VARI MD	(i)	10,536	0	316,822	0	707	328,065	0
	(ii)	0	0	0	0	0	0	0
JAMES FOSTER MD	(i)	12,547	0	326,918	0	249	339,714	0
	(ii)	0	0	0	0	0	0	0
LAWRENCE ZIELINSKI	(i)	0	0	479,721	0	249	479,970	93,757
	(ii)	0	0	0	0	0	0	0
ANTHONY ZITO	(i)	8,984	0	270,232	54	2,469	281,739	0
	(ii)	0	0	0	0	0	0	0
JAMES KASKIE	(i)	929,333	0	388,079	38,513	18,035	1,373,960	340,834
	(ii)	0	0	0	0	0	0	0
ROBERT NOLAN	(i)	361,263	0	52,758	37,185	13,844	465,050	44,758
	(ii)	0	0	0	0	0	0	0
CONNIE VARI	(i)	180,401	0	707,072	19,647	13,027	920,147	244,535
	(ii)	0	0	0	0	0	0	0
JOSEPH KESSLER	(i)	491,219	0	8,000	215,165	14,009	728,393	0
	(ii)	0	0	0	0	0	0	0
MARGARET PAROSKI MD	(i)	420,000	0	170,839	0	0	590,839	145,839
	(ii)	0	0	0	0	0	0	0
TONI BOOKER	(i)	320,058	0	8,000	76,335	6,150	410,543	0
	(ii)	0	0	0	0	0	0	0
PUNEET GUPTA MD	(i)	385,646	0	0	13,489	777	399,912	0
	(ii)	0	0	0	0	0	0	0
CARINA ALFARO-FRANCO MD	(i)	367,628	0	0	9,553	711	377,892	0
	(ii)	0	0	0	0	0	0	0
LUCY CAMPBELL MD	(i)	432,896	0	0	46,541	6,256	485,693	0
	(ii)	0	0	0	0	0	0	0
VINCENT CALLANAN MD	(i)	431,679	0	0	35,795	13,936	481,410	0
	(ii)	0	0	0	0	0	0	0
JOHN FITZPATRICK MD	(i)	357,404	0	0	16,134	13,841	387,379	0
	(ii)	0	0	0	0	0	0	0
CHERYL KLASS	(i)	513,908	0	8,000	90,376	11,495	623,779	0
	(ii)	0	0	0	0	0	0	0
DONALD BOYD	(i)	397,288	0	75,819	56,304	13,943	543,354	67,819
	(ii)	0	0	0	0	0	0	0
CHRISTOPHER LANE	(i)	328,342	0	3,000	46,709	13,811	391,862	0
	(ii)	0	0	0	0	0	0	0
TAMARA OWEN	(i)	314,701	25,000	3,000	61,960	5,953	410,614	0
	(ii)	0	0	0	0	0	0	0

Schedule K
(Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Information on Tax Exempt Bonds

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
KALEIDA HEALTH

Employer identification number
16-1533232

Part I

Bond Issues

(a) Issuer name	(b) Issuer EIN	(c) CUSIP #	(d) Date issued	(e) Issue price	(f) Description of purpose	(g) Defeased		(h) On behalf of issuer		(i) Pool financing	
						Yes	No	Yes	No	Yes	No
A DORMITORY AUTHORITY - STATE OF NEW YORK	14-6000293	64983TQT3	05-20-2004	97,405,000	SEE PART VI	X			X		X
B DORMITORY AUTHORITY - STATE OF NEW YORK	14-6000293	64983Q429	09-21-2006	81,810,000	RENOVATIONS TO FACILITIES		X		X		X
C DORMITORY AUTHORITY - STATE OF NEW YORK	14-6000293		09-28-2006	16,485,005	EQUIPMENT PURCHASE		X		X		X

Part II

Proceeds

		A		B		C		D	
1	Amount of bonds retired	29,500,000		8,595,000		14,466,782			
2	Amount of bonds legally defeased	67,905,000		0		0			
3	Total proceeds of issue	97,635,901		86,266,056		16,894,022			
4	Gross proceeds in reserve funds	9,835,237		42,292,836		0			
5	Capitalized interest from proceeds	0		5,074,243		0			
6	Proceeds in refunding escrows	0		0		0			
7	Issuance costs from proceeds	1,867,994		1,213,231		83,005			
8	Credit enhancement from proceeds	0		1,836,365		0			
9	Working capital expenditures from proceeds	0		2,067,415		0			
10	Capital expenditures from proceeds	0		69,802,989		16,811,017			
11	Other spent proceeds	88,857,475		0		0			
12	Other unspent proceeds	0		0		0			
13	Year of substantial completion	1987		2008		2007			
14	Were the bonds issued as part of a current refunding issue?	Yes	No	Yes	No	Yes	No	Yes	No
		X			X		X		
15	Were the bonds issued as part of an advance refunding issue?		X		X		X		
16	Has the final allocation of proceeds been made?	X		X		X			
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	X		X		X			

Part III

Private Business Use

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

Part III

Private Business Use (Continued)

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
3a	Are there any management or service contracts that may result in private business use of bond-financed property?		X	X			X		
b	If "Yes" to line 3a, does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts relating to the financed property?	X		X					
c	Are there any research agreements that may result in private business use of bond-financed property?		X		X		X		
d	If "Yes" to line 3c, does the organization routinely engage bond counsel or other outside counsel to review any research agreements relating to the financed property?								
4	Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government	0 00000%		0 00000%		0 00000%		%	
5	Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government	0 00000%		0 00000%		0 00000%		%	
6	Total of lines 4 and 5	0 00000%		0 00000%		0 00000%		%	
7	Does the bond issue meet the private security or payment test?		X		X		X		
8a	Has there been a sale or disposition of any of the bond financed property to a nongovernmental person other than a 501(c)(3) organization since the bonds were issued?		X		X		X		
b	If "Yes" to line 8a, enter the percentage of bond-financed property sold or disposed of	0 00000%		%		%		%	
c	If "Yes" to line 8a, was any remedial action taken pursuant to Regulations sections 1 141-12 and 1 145-2?		X		X		X		
9	Has the organization established written procedures to ensure that all nonqualified bonds of the issue are remediated in accordance with the requirements under Regulations sections 1 141-12 and 1 145-2?		X		X		X		

Part IV

Arbitrage

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Has the issuer filed Form 8038-T?		X		X		X		
2	If "No" to line 1, did the following apply?								
a	Rebate not due yet?		X		X		X		
b	Exception to rebate?	X			X		X		
c	No rebate due?	X		X		X			
If you checked "No rebate due" in line 2c, provide in Part VI the date the rebate computation was performed									
3	Is the bond issue a variable rate issue?		X		X		X		
4a	Has the organization or the governmental issuer entered into a qualified hedge with respect to the bond issue?		X		X		X		
b	Name of provider	0		0		0			
c	Term of hedge								
d	Was the hedge superintegrated?								
e	Was a hedge terminated?								

Part IV

Arbitrage (Continued)

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
5a	Were gross proceeds invested in a guaranteed investment contract (GIC)?	X		X			X		
b	Name of provider	SEE PART VI		SEE PART VI		0			
c	Term of GIC	11 5		0					
d	Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?	X		X					
6	Were any gross proceeds invested beyond an available temporary period?	X		X			X		
7	Has the organization established written procedures to monitor the requirements of section 148?	X		X		X			

Part V

Procedures To Undertake Corrective Action

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

Part VI

Supplemental Information. Complete this part to provide additional information for responses to questions on Schedule K (see instructions).

Identifier	Return Reference	Explanation
SCHEDULE K, PART IV, ARBITRAGE, LINE 2C	0	(A) ISSUER NAME DORMITORY AUTHORITY - STATE OF NEW YORK DATE THE REBATE COMPUTATION WAS PERFORMED 09/19/2012 (A) ISSUER NAME DORMITORY AUTHORITY - STATE OF NEW YORK DATE THE REBATE COMPUTATION WAS PERFORMED 08/31/2011 (A) ISSUER NAME DORMITORY AUTHORITY - STATE OF NEW YORK DATE THE REBATE COMPUTATION WAS PERFORMED 08/31/2010 NOTE REGARDING THE REBATE COMPUTATION ON 8/31/2010 SINCE THE BOND PROCEEDS HAVE BEEN SPENT AND THE DEBT SERVICE FUND WAS OPERATED ON A BONA FIDE BASIS NO FURTHER REBATE CALCULATIONS WERE NECESSARY PART I, LINE A, COLUMN (F) - REFINANCED BUFFALO GENERAL HOSPITAL BONDS (7/1/94) PART II, LINE 3 - THE TOTAL PROCEEDS DO NOT AGREE TO THE ISSUE PRICE IN PART I, COLUMN (E) DUE TO INVESTMENT EARNINGS PART II, LINE 3 - THE TOTAL PROCEEDS DO NOT EQUAL THE SUMMATION OF LINES 4-12 DUE TO TRANSFERRED OR REPLACEMENT PROCEEDS IN LINE 4 PART IV, COLUMN A, LINE 5B - BAYERISCHE LANDESBANK PART IV, COLUMN B, LINE 5B - MBIA, INC PART IV, COLUMN B, LINE 5C - CONSTRUCTION FUND - 2 5 YEARS, RESERVE FUND - 4 4 YEARS

Schedule L
(Form 990 or 990-EZ)

Transactions with Interested Persons

OMB No 1545-0047

2012

Open to Public Inspection

Department of the Treasury
Internal Revenue Service

► Complete if the organization answered "Yes" on Form 990, Part IV, lines 25a, 25b, 26, 27, 28a, 28b, or 28c, or Form 990-EZ, Part V, line 38a or 40b.

► Attach to Form 990 or Form 990-EZ. ► See separate instructions.

Name of the organization
KALEIDA HEALTH

Employer identification number
16-1533232

Part I

Excess Benefit Transactions (section 501(c)(3) and section 501(c)(4) organizations only).

Complete if the organization answered "Yes" on Form 990, Part IV, line 25a or 25b, or Form 990-EZ, Part V, line 40b

1	(a) Name of disqualified person	(b) Relationship between disqualified person and organization	(c) Description of transaction	(d) Corrected?	
				Yes	No

2 Enter the amount of tax incurred by organization managers or disqualified persons during the year under section 4958 ► \$

3 Enter the amount of tax, if any, on line 2, above, reimbursed by the organization ► \$

Part II

Loans to and/or From Interested Persons.

Complete if the organization answered "Yes" on Form 990-EZ, Part V, line 38a, or Form 990, Part IV, line 26, or if the organization reported an amount on Form 990, Part X, line 5, 6, or 22

(a) Name of interested person	(b) Relationship with organization	(c) Purpose of loan	(d) Loan to or from the organization?		(e) Original principal amount	(f) Balance due	(g) In default?		(h) Approved by board or committee?		(i) Written agreement?	
			To	From			Yes	No	Yes	No	Yes	No
(1) Dr Andras Vari		See Part V		X	11,457,367	11,457,367		No	Yes		Yes	
Total						11,457,367						

Part III

Grants or Assistance Benefitting Interested Persons.

Complete if the organization answered "Yes" on Form 990, Part IV, line 27.

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of assistance	(d) Type of assistance	(e) Purpose of assistance

Part IV Business Transactions Involving Interested Persons.					
Complete if the organization answered "Yes" on Form 990, Part IV, line 28a, 28b, or 28c.					
(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
(1) GREATER NEW YORK HOSPITAL ASSOCIATI	SEE PART V	352,700	SEE PART V		No
(2) JOCELYN VARI	SEE PART V	72,458	SEE PART V		No
(3) DAVID VARI	SEE PART V	52,805	SEE PART V		No
(4) BONNIE PLEUTHNER	SEE PART V	19,921	SEE PART V		No
(5) SUSAN EVANS	SEE PART V	71,499	SEE PART V		No
(6) Dr ANDRAS VARI	SEE PART V	327,358	SEE PART V		No

Part V Supplemental Information		
Complete this part to provide additional information for responses to questions on Schedule L (see instructions)		
Identifier	Return Reference	Explanation
BUSINESS TRANSACTIONS INVOLVING INTERESTED PERSONS	SCHEDULE L, PART IV	GREATER NEW YORK HOSPITAL ASSOCIATION, COLUMN B - RELATIONSHIP BETWEEN INTERESTED PERSON AND ORGANIZATION THE CURRENT PRESIDENT/CEO OF THE FILING ORGANIZATION (KALEIDA HEALTH), JAMES KASKIE, WAS ALSO SERVING AS A BOARD MEMBER OF THE GREATER NEW YORK HOSPITAL ASSOCIATION AT THE TIME OF THE TRANSACTION COLUMN D - DESCRIPTION OF THE TRANSACTION DURING 2012, THE ORGANIZATION PAID THE INTERESTED PERSON (GREATER NEW YORK HOSPITAL ASSOCIATION) PARTICIPATION DUES RELATED TO A SUPPLY INITIATIVE PROGRAM JOCELYN VARI, COLUMN B - RELATIONSHIP BETWEEN INTERESTED PERSON AND ORGANIZATION JOCELYN VARI IS A FAMILY MEMBER OF AN OFFICER OF THE ORGANIZATION, CONNIE VARI, WHO RECEIVED COMPENSATION FROM THE ORGANIZATION IN EXCESS OF \$10,000 COLUMN D - DESCRIPTION OF THE TRANSACTION DURING 2012, THE ORGANIZATION PAID THE INTERESTED PERSON (JOCELYN VARI) IN THE NORMAL COURSE OF BUSINESS TO FURNISH SERVICES AS A PERFORMANCE IMPROVEMENT PROJECT COORDINATOR DAVID VARI, COLUMN B - RELATIONSHIP BETWEEN INTERESTED PERSON AND ORGANIZATION DAVID VARI IS A FAMILY MEMBER OF AN OFFICER OF THE ORGANIZATION, CONNIE VARI, WHO RECEIVED COMPENSATION FROM THE ORGANIZATION IN EXCESS OF \$10,000 COLUMN D - DESCRIPTION OF THE TRANSACTION DURING 2012, THE ORGANIZATION PAID THE INTERESTED PERSON (DAVID VARI) IN THE NORMAL COURSE OF BUSINESS FOR PERFORMANCE OF SERVICES AS AN EMPLOYEE RELATIONS SPECIALIST BONNIE PLEUTHNER, COLUMN B - RELATIONSHIP BETWEEN INTERESTED PERSON AND ORGANIZATION BONNIE PLEUTHNER IS A FAMILY MEMBER OF AN OFFICER OF THE ORGANIZATION, CONNIE VARI, WHO RECEIVED COMPENSATION FROM THE ORGANIZATION IN EXCESS OF \$10,000 COLUMN D - DESCRIPTION OF THE TRANSACTION DURING 2012, THE ORGANIZATION PAID THE INTERESTED PERSON (BONNIE PLEUTHNER) IN THE NORMAL COURSE OF BUSINESS FOR PERFORMANCE OF SERVICES AS A REGISTERED NURSE SUSAN EVANS, COLUMN B - RELATIONSHIP BETWEEN INTERESTED PERSON AND ORGANIZATION SUSAN EVANS IS A FAMILY MEMBER OF A CURRENT BOARD MEMBER OF THE ORGANIZATION, EVAN EVANS, MD, WHO RECEIVED COMPENSATION FROM THE ORGANIZATION IN EXCESS OF \$10,000 COLUMN D - DESCRIPTION OF THE TRANSACTION DURING 2012, THE ORGANIZATION PAID THE INTERESTED PERSON (SUSAN EVANS) IN THE NORMAL COURSE OF BUSINESS FOR PERFORMANCE OF SERVICES AS A DISCHARGE PLANNER DR ANDRAS VARI, COLUMN B - RELATIONSHIP BETWEEN INTERESTED PERSON AND ORGANIZATION DR ANDRAS VARI IS THE HUSBAND OF AN OFFICER OF THE ORGANIZATION, CONNIE VARI, WHO RECEIVED COMPENSATION FROM THE ORGANIZATION IN EXCESS OF \$10,000 COLUMN D - DESCRIPTION OF THE TRANSACTION DURING 2012, THE ORGANIZATION PAID THE INTERESTED PERSON (DR ANDRAS VARI) SEVERANCE FOR HIS SERVICES AS THE FORMER CHIEF MEDICAL OFFICER OF MILLARD FILLMORE GATES HOSPITAL
LOANS TO INTERESTED PERSONS	SCHEDULE L, PART II	GENERAL PHYSICIANS, P C (GPPC) COLUMN B - RELATIONSHIP BETWEEN INTERESTED PERSON AND ORGANIZATION DR ANDRAS VARI, AN INTERESTED PERSON TO KALEIDA HEALTH, IS FORMER OWNER OF GPPC COLUMN D - DESCRIPTION OF THE TRANSACTION DURING 2012, KALEIDA HEALTH LOANED GENERAL PHYSICIANS P C MONEY TO RE-ACTIVATE THE PHYSICIAN PRACTICE THAT HAS BEEN DORMANT SINCE 2002 THE LOAN WAS MADE TO ASSIST GENERAL PHYSICIANS P C TO PAY FOR COSTS OF ACQUIRING AND EMPLOYING PHYSICIANS AND STAFF AS WELL AS ONGOING OPERATING COSTS OF THE PRACTICE AND WILL BE REPAYED TO KALEIDA ONCE GPPC HAS RE-ESTABLISHED ITS PATIENT BASE AND HAS THE ABILITY TO REPAY

SCHEDULE M
(Form 990)

Noncash Contributions

OMB No 1545-0047

2012

Open to Public Inspection

►Complete if the organizations answered "Yes" on Form 990, Part IV, lines 29 or 30.
► Attach to Form 990.

Department of the Treasury
Internal Revenue Service

Name of the organization
KALEIDA HEALTH

Employer identification number
16-1533232

Part I Types of Property

	(a) Check if applicable	(b) Number of contributions or items contributed	(c) Noncash contribution amounts reported on Form 990, Part VIII, line 1g	(d) Method of determining noncash contribution amounts
1 Art—Works of art				
2 Art—Historical treasures				
3 Art—Fractional interests				
4 Books and publications				
5 Clothing and household goods				
6 Cars and other vehicles				
7 Boats and planes				
8 Intellectual property				
9 Securities—Publicly traded				
10 Securities—Closely held stock				
11 Securities—Partnership, LLC, or trust interests				
12 Securities—Miscellaneous				
13 Qualified conservation contribution—Historic structures				
14 Qualified conservation contribution—Other				
15 Real estate—Residential				
16 Real estate—Commercial				
17 Real estate—Other				
18 Collectibles				
19 Food inventory				
20 Drugs and medical supplies				
21 Taxidermy				
22 Historical artifacts				
23 Scientific specimens				
24 Archeological artifacts				
Various Medical				
25 Other ► (equipment)	X	4	2,082,668	Replacement cost
26 Other ► ()				
27 Other ► ()				
28 Other ► ()				

29 Number of Forms 8283 received by the organization during the tax year for contributions for which the organization completed Form 8283, Part IV, Donee Acknowledgement

29

30a During the year, did the organization receive by contribution any property reported in Part I, lines 1-28 that it must hold for at least three years from the date of the initial contribution, and which is not required to be used for exempt purposes for the entire holding period?

30a

Yes

No

b If "Yes," describe the arrangement in Part II

31 Does the organization have a gift acceptance policy that requires the review of any non-standard contributions?

31

Yes

32a Does the organization hire or use third parties or related organizations to solicit, process, or sell noncash contributions?

32a

No

b If "Yes," describe in Part II

33 If the organization did not report an amount in column (c) for a type of property for which column (a) is checked, describe in Part II

Part II

Supplemental Information. Complete this part to provide the information required by Part I, lines 30b, 32b, and 33, and whether the organization is reporting in Part I, column (b), the number of contributions, the number of items received, or a combination of both. Also complete this part for any additional information.

Identifier	Return Reference	Explanation
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SCHEDULE O

(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

Complete to provide information for responses to specific questions on
Form 990 or to provide any additional information.
▶ Attach to Form 990 or 990-EZ.

OMB No 1545-0047

2012

Open to Public
Inspection

Name of the organization KALEIDA HEALTH	Employer identification number 16-1533232
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Identifier	Return Reference	Explanation
DELEGATION OF CMO DUTIES	FORM 990, PART VI, SECTION A, LINE 3	DURING 2012, THE ORGANIZATION CONTRACTED WITH UNIVERSITY NEUROLOGY FOR THE SERVICES OF MARGARET PAROSKI IN HER CAPACITY AS CHIEF MEDICAL OFFICER (CMO) OF THE ORGANIZATION PART OF HER ROLE AS CMO IS CONTROL OVER CERTAIN MANAGEMENT DUTIES WITH RESPECT TO EMPLOYED PHYSICIANS THAT CUSTOMARILY ARE PERFORMED BY OR UNDER THE DIRECT SUPERVISION OF OFFICERS OR KEY EMPLOYEES

Identifier	Return Reference	Explanation
REVIEW PROCESS FOR FORM 990	FORM 990, PART VI, SECTION B, QUESTION 11B	ORGANIZATION'S MANAGEMENT (A TEAM COMPRISED OF REPRESENTATIVES OF THE FINANCE, HUMAN RESOURCES, AND LEGAL DEPARTMENTS) IN CONSULTATION WITH THE ORGANIZATION'S TAX ADVISORS, KPMG, REVIEW THE FORM 990 THE FINANCIAL REVIEW IS BASED ON THE ORGANIZATION'S AUDITED FINANCIAL STATEMENTS FOR THE RELEVANT TIME PERIOD BEFORE THE FORM 990 IS FILED WITH THE IRS THE FINANCE COMMITTEE OF THE ORGANIZATION'S BOARD OF DIRECTORS REVIEWS THE FORM 990 AND PROVIDES A COPY OF THE SAME TO THE ORGANIZATION'S FULL BOARD OF DIRECTORS

Identifier	Return Reference	Explanation
CONFLICT OF INTEREST POLICY	FORM 990, PART VI, SECTION B, LINE 12C	UPON EMPLOYMENT AND ANNUALLY THEREAFTER EACH KEY EMPLOYEE AND OFFICER OF THE ORGANIZATION IS REQUIRED TO COMPLETE A CONFLICT OF INTEREST AND DISCLOSURE FORM, PROVIDING SUFFICIENT INFORMATION ABOUT HIS/HER PERSONAL INTERESTS AND RELATIONSHIPS SO THE ORGANIZATION CAN (1) DETERMINE WHETHER ANY POTENTIAL OR ACTUAL CONFLICTS OF INTEREST MAY EXIST, AND (2) MONITOR WORK OR SERVICE ASSIGNMENTS TO AVOID PLACING THE KEY EMPLOYEE, OFFICER OR DIRECTOR IN A POSITION WHERE THERE MAY BE A POTENTIAL, ACTUAL, OR EVEN APPEARANCE, OF A CONFLICT OF INTEREST OR A QUESTION OF OBJECTIVITY THE COMPLETED CONFLICTS OF INTEREST AND DISCLOSURE FORMS FOR DIRECTORS ARE RETURNED TO THE ORGANIZATION

Identifier	Return Reference	Explanation
COMPENSATION APPROVAL PROCESS	FORM 990, PART VI, SECTION B, QUESTION 15A AND B	ON A REGULAR BASIS, THE ORGANIZATION PROVIDES DOCUMENTATION TO THE COMPENSATION COMMITTEE OF THE BOARD WITH RESPECT TO THE COMPENSATION OF THE ORGANIZATION'S OFFICERS AND KEY EMPLOYEES FOR REVIEW AND APPROVAL. SUCH INFORMATION INCLUDES COMPARABLE DATA FROM SIMILAR SIZE TAX-EXEMPT ORGANIZATIONS IN THE WESTERN NEW YORK COMMUNITY AS WELL AS COMPENSATION FOR THESE POSITIONS (AS DISCLOSED ON FORM 990) WITH OTHER ORGANIZATIONS IN THE HEALTH CARE INDUSTRY THAT ARE OF SIMILAR SIZE, DEMOGRAPHICS AND GEOGRAPHY. REVIEW AND APPROVAL OF THE COMPENSATION ARRANGEMENT BY THE OFFICERS/EXECUTIVE COMMITTEE IS DOCUMENTED.

Identifier	Return Reference	Explanation
PROCEDURE TO EVALUATE JOINT VENTURE ARRANGEMENT	FORM 990, PART VI, SECTION B, QUESTION 16B	<p>THE ORGANIZATION HAS NOT ADOPTED A FORMAL WRITTEN POLICY OR PROCEDURE REQUIRING THE ORGANIZATION TO EVALUATE ITS PARTICIPATION IN JOINT VENTURE ARRANGEMENTS. HOWEVER, THE NORMAL DUE DILIGENCE PROCESS UNDERTAKEN IN CONJUNCTION WITH THE ORGANIZATION'S EXTERNAL LEGAL COUNSEL, ACCOUNTANTS AND OTHER BUSINESS ADVISORS DOES INCLUDE A REVIEW TO DETERMINE THE FOLLOWING:</p> <ol style="list-style-type: none"> 1) THE IMPACT OF THE ARRANGEMENT UNDER APPLICABLE FEDERAL AND STATE LAW 2) WHETHER THE ARRANGEMENT WILL JEOPARDIZE THE ORGANIZATION'S EXEMPT STATUS AS A SECTION 501 (C) (3) CHARITABLE ORGANIZATION - HOSPITAL 3) WHETHER THE ARRANGEMENT WILL RESULT IN ANY UNRELATED BUSINESS TAXABLE INCOME 4) THE IMPACT OF THE ARRANGEMENT ON ANY EXISTING CONTRACTUAL AGREEMENTS OR OTHER BUSINESS RELATIONSHIPS AND 5) WHETHER THE ARRANGEMENT WILL RESULT IN ANY CONFLICTS OF INTEREST. <p>IF THERE ARE CONCERNS WITH RESPECT TO ANY OF THE ABOVE MATTERS, THE ORGANIZATION WILL TAKE APPROPRIATE STEPS BEFORE THE JOINT VENTURE IS PURSUED, TO ENSURE THAT THE ARRANGEMENT WILL BE IN COMPLIANCE WITH APPLICABLE FEDERAL AND STATE LAWS AND TO SAFEGUARD THE ORGANIZATION'S TAX-EXEMPT STATUS. THE ORGANIZATION IS IN THE PROCESS OF FORMALIZING THE WRITTEN POLICY.</p>

Identifier	Return Reference	Explanation
ACCESS TO ORGANIZATIONAL DOCUMENTS	FORM 990, PART VI, SECTION C, QUESTION 19	THE ORGANIZATION MAKES ITS GOVERNING DOCUMENTS, CONFLICT OF INTEREST POLICY , AND FINANCIAL STATEMENTS AVAILABLE TO THE PUBLIC UPON REQUEST AT ITS OFFICE AT 726 EXCHANGE STREET, SUITE 200, BUFFALO, NY 14210 A NOMINAL FEE IS CHARGED IF COPIES ARE REQUESTED

Identifier	Return Reference	Explanation
OTHER CHANGES IN NET ASSETS OR FUND BALANCES	Form 990, Part XI	Minority Interest in Sub 2,322,569 Decrease in Pension Liability 947,986 Transfer from Kaleida Foundations 100,000 Other Transfers, Net (303,592) Change in Value of Foundations 15,331,524 Change in Value of Waterfront (2,263,425) ----- TOTAL 16,135,062

SCHEDULE R (Form 990)	Related Organizations and Unrelated Partnerships ▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 33, 34, 35, 36, or 37. ▶ Attach to Form 990. ▶ See separate instructions.	OMB No 1545-0047
		2012
		Open to Public Inspection

Department of the Treasury
Internal Revenue Service

Name of the organization KALEIDA HEALTH	Employer identification number 16-1533232
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Part I

Identification of Disregarded Entities (Complete if the organization answered "Yes" to Form 990, Part IV, line 33.)

(a) Name, address, and EIN (if applicable) of disregarded entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Total income	(e) End-of-year assets	(f) Direct controlling entity
(1) KALEIDA MCO LLC 726 EXCHANGE ST SUITE 200 BUFFALO, NY 14210 16-1570311	DORMANT	NY			KH
(2) KALEIDA IPA LLC 726 EXCHANGE STREET SUITE 200 BUFFALO, NY 14210 16-1570380	DORMANT	NY			KH
(3) KALEIDA WNY I LLC 726 EXCHANGE STREET SUITE 200 BUFFALO, NY 14210 45-3189404	HEALTH CARE	NY	-17,728	269,962	KH

Part II

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled entity?	
						Yes	No
(1) MILLARD FILLMORE AMBULATORY SURGERY CTR 726 EXCHANGE STREET SUITE 200 BUFFALO, NY 14210 16-1307129	SUPPORT ORG	NY	501(C)(3)	11A	KH	Yes	
(2) VNA HOME CARE SERVICES 726 EXCHANGE STREET SUITE 200 BUFFALO, NY 14210 16-1491203	HOME HLTH CAR	NY	501(C)(3)	9	KH	Yes	
(3) VNA OF WESTERN NEW YORK 726 EXCHANGE STREET SUITE 200 BUFFALO, NY 14210 16-0743214	HOME HLTH CAR	NY	501(C)(3)	9	KH	Yes	
(4) GENERAL HOME CARE (GHC) 726 EXCHANGE STREET SUITE 200 BUFFALO, NY 14210 22-2738425	DORMANT	NY	501(C)(3)	9	KH	Yes	
(5) KALEIDA HEALTH FOUNDATION 726 EXCHANGE STREET BUFFALO, NY 14210 16-1579143	FUNDRAISING	NY	501(c)(3)	7	KH	Yes	
(6) THE WOMEN & CHILDREN'S HOSP OF BFLO FDN 726 EXCHANGE STREET BUFFALO, NY 14210 16-1332044	FUNDRAISING	NY	501(c)(3)	7	KH	Yes	

Part III

Identification of Related Organizations Taxable as a Partnership

(Complete if the organization answered "Yes" to Form 990, Part IV, line 34 because it had one or more related organizations treated as a partnership during the tax year.)

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income(related, unrelated, excluded from tax under sections 512- 514)	(f) Share of total income	(g) Share of end- of-year assets	(h) Disproprtionate allocations?		(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
							Yes	No		Yes	No	
(1) HARLEM ROAD LEASING LLC 3435 MAIN STREET BUFFALO, NY 14214 20-5588135	EQUIPMENT LEASING	NY	KH	UNRELATED	79,342	276,087		No	102,119	Yes		50 000 %
(2) AMTON IMAGING LLC PO BOX 1368 WILLIAMSVILLE, NY 14231 26-2925470	HEALTH CARE	NY	KALEIDAWNYI LLC	RELATED	-24,661	181,163		No		Yes		40 000 %
(3) PARK CLUB LANE LLC 2828 SHERIDAN DRIVE TONAWANDA, NY 14150 27-1516155	HEALTH CARE	NY	KALEIDAWNYI LLC	EXCLUDED	6,933	88,799		No		Yes		30 000 %
(4) SITE E LLC 726 EXCHANGE STREET SUITE 200 BUFFALO, NY 14210 27-2124795	REAL ESTATE MGMT	NY	KPI	EXCLUDED	116,854	1,658,697		No			No	50 186 %
(5) MFSC LLC 100 HIGH STREET BUFFALO, NY 14203 26-1582864	HEALTH CARE	NY	KH	EXCLUDED	1,251,444	1,675,153		No			No	53 599 %
(6) OPTIMUM PHYSICIAN ALLIANCE LLC 257 WEST GENESEE ST BUFFALO, NY 14202 46-2180176	HEALTH CARE	NY	KALEIDAHEALTHNO	EXCLUDED	0	0		No		Yes		50 000 %

Part IV

Identification of Related Organizations Taxable as a Corporation or Trust

(Complete if the organization answered "Yes" to Form 990, Part IV, line 34 because it had one or more related organizations treated as a corporation or trust during the tax year.)

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of- year assets	(h) Percentage ownership	(i) Section 512 (b)(13) controlled entity?	
								Yes	No
(1) KALEIDA PROPERTIES INC 726 EXCHANGE STREET SUITE 200 BUFFALO, NY 14210 22-2738483	PROP MGMT SER	NY	KH	C Corp	1,068,793	17,023,778	100 000 %		No
(2) WESTLINK CORPORATION 726 EXCHANGE STREET SUITE 200 BUFFALO, NY 14210 16-1354421	MED & DIAG SERV	NY	KH	C Corp	-237	101,824	100 000 %		No
(3) KALEIDAHEALTHNOW INC 257 W GENESEE ST BUFFALO, NY 14202 46-2164089	HEALTH CARE	NY	KALEIDA HEALTH	C CORP	0	0	50 000 %		No

Part V

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

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

1

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

a

Receipt of (i) interest (ii) annuities (iii) royalties or (iv) rent from a controlled entity

b

Gift, grant, or capital contribution to related organization(s)

c

Gift, grant, or capital contribution from related organization(s)

d

Loans or loan guarantees to or for related organization(s)

e

Loans or loan guarantees by related organization(s)

f

Dividends from related organization(s)

g

Sale of assets to related organization(s)

h

Purchase of assets from related organization(s)

i

Exchange of assets with related organization(s)

j

Lease of facilities, equipment, or other assets to related organization(s)

k

Lease of facilities, equipment, or other assets from related organization(s)

l

Performance of services or membership or fundraising solicitations for related organization(s)

m

Performance of services or membership or fundraising solicitations by related organization(s)

n

Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)

o

Sharing of paid employees with related organization(s)

p

Reimbursement paid to related organization(s) for expenses

q

Reimbursement paid by related organization(s) for expenses

r

Other transfer of cash or property to related organization(s)

s

Other transfer of cash or property from related organization(s)

	Yes	No
1a		No
1b		No
1c	Yes	
1d		No
1e		No
1f		No
1g		No
1h		No
1i		No
1j	Yes	
1k	Yes	
1l		No
1m		No
1n		No
1o	Yes	
1p	Yes	
1q	Yes	
1r	Yes	
1s	Yes	

2

If the answer to any of the above is "Yes," see the instructions for information on who must complete this line, including covered relationships and transaction thresholds

(a) Name of other organization	(b) Transaction type (a-s)	(c) Amount involved	(d) Method of determining amount involved
See Additional Data Table			

Schedule R (Form 990) 2012

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

[illegible]

Part VII **Supplemental Information**

Complete this part to provide additional information for responses to questions on Schedule R (see instructions)

Identifier	Return Reference	Explanation
TRANSACTIONS WITH RELATED ORGANIZATIONS	SCHEDULE R, PART V, TRANSACTION TYPE C	THERE IS A VARIANCE BETWEEN THE AMOUNT REFLECTED ON PART VIII, LINE 1D (AND SCHEDULE B) - GIFTS, GRANTS AND CONTRIBUTIONS FROM THE FOLLOWING RELATED ORGANIZATIONS AND THE AMOUNT INCLUDED ON SCHEDULE R, PART V AS A RESULT OF THE VARIANCE IN TIMING OF THE RECORDING OF THE TRANSFER BETWEEN THE TWO ORGANIZATIONS KALEIDA HEALTH FOUNDATION RECORDED GRANTS PAID TO THE FILING ORGANIZATION IN THE AMOUNT OF \$1,302,460 (SEE SCHEDULE R, PART V) VERSUS THE \$1,033,886 RECORDED BY THE FILING ORGANIZATION AS GRANTS RECEIVED (SEE PART VIII, LINE 1D AND SCHEDULE B) THE WOMEN & CHILDREN'S HOSPITAL OF BUFFALO FOUNDATION RECORDED GRANTS PAID TO THE FILING ORGANIZATION IN THE AMOUNT OF \$727,611 (SEE SCHEDULE R, PART V) VERSUS THE \$958,151 RECORDED BY THE FILING ORGANIZATION AS GRANTS RECEIVED (SEE PART VIII, LINE 1D AND SCHEDULE B)

Software ID:

Software Version:

EIN: 16-1533232

Name: KALEIDA HEALTH

Form 990, Schedule R, Part II - Identification of Related Tax-Exempt Organizations

(a) Name, address, and EIN of related organization	(b) Primary Activity	(c) Legal Domicile (State or Foreign Country)	(d) Exempt Code section	(e) Public charity status (if 501(c)(3))	(f) Direct Controlling Entity	(g) Section 512 (b)(13) controlled organization
MILLARD FILLMORE AMBULATORY SURGERY CTR 726 EXCHANGE STREET SUITE 200 BUFFALO, NY 14210 16-1307129	SUPPORT ORG	NY	501(C)(3)	11A	KH	Yes
VNA HOME CARE SERVICES 726 EXCHANGE STREET SUITE 200 BUFFALO, NY 14210 16-1491203	HOME HLTH CAR	NY	501(C)(3)	9	KH	Yes
VNA OF WESTERN NEW YORK 726 EXCHANGE STREET SUITE 200 BUFFALO, NY 14210 16-0743214	HOME HLTH CAR	NY	501(C)(3)	9	KH	Yes
GENERAL HOME CARE (GHC) 726 EXCHANGE STREET SUITE 200 BUFFALO, NY 14210 22-2738425	DORMANT	NY	501(C)(3)	9	KH	Yes
KALEIDA HEALTH FOUNDATION 726 EXCHANGE STREET BUFFALO, NY 14210 16-1579143	FUNDRAISING	NY	501(c)(3)	7	KH	Yes
THE WOMEN & CHILDREN'S HOSP OF BFLO FDN 726 EXCHANGE STREET BUFFALO, NY 14210 16-1332044	FUNDRAISING	NY	501(c)(3)	7	KH	Yes

--> **Form 990, Schedule R, Part V - Transactions With Related Organizations**

(a) Name of other organization	(b) Transaction type(a-s)	(c) Amount Involved	(d) Method of determining amount involved
VNA OF WESTERN NEW YORK	q	1,445,551	
VNA HOME CARE SERVICES	q	845,419	
VNA HOME CARE SERVICES	P	118,311	
VNA OF WESTERN NEW YORK	P	306,180	
KALEIDA PROPERTIES INC	P	4,742,258	
MFSC LLC	J	581,160	
MFSC LLC	p	330,209	
KALEIDA PROPERTIES	o	510,545	
KALEIDA PROPERTIES	q	549,751	
KALEIDA HEALTH FOUNDATION	c	1,302,460	
KALEIDA HEALTH FOUNDATION	s	1,516,892	
KALEIDA HEALTH FOUNDATION	P	420,388	
WOMENS AND CHILDRENS HOSPITAL OF BUFFALO FDN	c	727,611	
WOMENS AND CHILDRENS HOSPITAL OF BUFFALO FDN	s	1,991,730	
WOMENS AND CHILDRENS HOSPITAL OF BUFFALO FDN	Q	277,232	
SITE E LLC	k	233,450	



KALEIDA HEALTH

Consolidated Financial Statements and
Other Financial Information

December 31, 2012 and 2011

(With Independent Auditors' Report Thereon)

KALEIDA HEALTH
Consolidated Financial Statements and
Other Financial Information
December 31, 2012 and 2011

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KPMG LLP
515 Broadway
Albany, NY 12207-2974

Independent Auditors' Report

The Board of Directors
Kaleida Health:

We have audited the accompanying consolidated financial statements of Kaleida Health (Kaleida), which comprise the consolidated balance sheets as of December 31, 2012 and 2011, and the related consolidated statements of operations and changes in net assets, and cash flows for the years then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Kaleida Health as of December 31, 2012 and 2011, and the results of their operations and changes in net assets, and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.



Other Matter

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying other financial information included in Schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2012 consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2012 consolidated financial statements or to the 2012 consolidated financial statements themselves, and other additional procedures in accordance with auditing standards general accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 2012 consolidated financial statements as a whole.

KPMG LLP

April 17, 2013

KALEIDA HEALTH
Consolidated Balance Sheets
December 31, 2012 and 2011
(Dollars in thousands)

Assets	2012	2011
Current assets:		
Cash and cash equivalents	\$ 54,877	41,267
Investments (notes 6 and 7)	128,906	139,260
Accounts receivable:		
Patient, less estimated allowance for doubtful accounts of \$32,228 in 2012 and \$32,161 in 2011	147,593	152,348
Other (note 14)	24,183	10,030
Inventories	20,492	20,563
Prepaid expenses and other current assets	11,298	11,752
Total current assets	<u>387,349</u>	<u>375,220</u>
Assets limited as to use (notes 5, 6, 7, and 9):		
Designated under debt agreements	41,989	42,476
Designated under self-insurance programs	129,189	123,920
Board designated and donor restricted	95,090	85,974
Other	2,005	1,187
	<u>268,273</u>	<u>253,557</u>
Property and equipment, less accumulated depreciation and amortization (notes 8 and 9)	502,735	477,556
Receivable for insurance recoveries (note 5)	8,908	9,078
Grants receivable	3,400	19,307
Deferred financing costs, net	11,139	12,209
Other	13,749	7,186
	<u>1,195,553</u>	<u>1,154,113</u>
Total assets	<u>\$ 1,195,553</u>	<u>1,154,113</u>

See accompanying notes to consolidated financial statements.

Liabilities and Net Assets		2012	2011
Current liabilities:			
Accounts payable and other accrued expenses	\$	72,121	95,273
Accrued payroll and related expenses		56,837	54,888
Line of credit (note 9)		—	10,000
Estimated third-party payor settlements (note 4)		7,854	23,288
Current portion of long-term debt (note 9)		22,437	18,223
Other current liabilities		5,668	9,122
Total current liabilities		164,917	210,794
Long-term debt, less current portion (note 9)		311,609	276,245
Construction costs payable (note 9)		951	13,290
Estimated self-insurance reserves (note 5)		180,896	168,328
Asset retirement obligations (note 12)		13,621	13,030
Pension and postretirement obligations (note 11)		267,936	264,767
Other long-term liabilities		8,414	13,235
Total liabilities		948,344	959,689
Commitments (notes 8 and 10)			
Net assets:			
Unrestricted:			
Available for operations		419,265	354,770
Provision for future benefit costs (note 11)		(262,592)	(263,414)
Total unrestricted		156,673	91,356
Temporarily restricted (note 13)		75,136	87,668
Permanently restricted (note 13)		15,400	15,400
Total net assets		247,209	194,424
Total liabilities and net assets	\$	1,195,553	1,154,113

KALEIDA HEALTH

Consolidated Statements of Operations and Changes in Net Assets

Years ended December 31, 2012 and 2011

(Dollars in thousands)

	<u>2012</u>	<u>2011</u>
Operating revenue:		
Patient service revenue, net of contractual allowances and discounts (notes 3 and 4)	\$ 1,201,731	1,178,419
Less: Provision for bad debts	<u>22,270</u>	<u>18,739</u>
Net patient service revenue	1,179,461	1,159,680
Other operating revenue (notes 6 and 14)	36,355	18,944
Net assets released from restrictions for operations (note 13)	<u>6,162</u>	<u>5,747</u>
Total operating revenue	<u>1,221,978</u>	<u>1,184,371</u>
Operating expenses:		
Salaries and benefits	695,294	689,218
Purchased services and other	217,150	223,007
Medical and nonmedical supplies	209,257	222,993
Depreciation and amortization	69,093	58,664
Interest	<u>15,574</u>	<u>10,551</u>
Total operating expenses	<u>1,206,368</u>	<u>1,204,433</u>
Income (loss) from operations	<u>15,610</u>	<u>(20,062)</u>
Other income (losses):		
Investment income (note 6)	15,481	1,707
Net realized gains on sales of investments (note 6)	4,175	12,469
Net change in unrealized gains and losses on investments (note 6)	7,580	(13,629)
Restructuring charges, loss on impairment and disposal of assets	<u>—</u>	<u>(7,453)</u>
Total other income (losses), net	<u>27,236</u>	<u>(6,906)</u>
Excess (deficiency) of revenue over expenses	<u>\$ 42,846</u>	<u>(26,968)</u>

KALEIDA HEALTH

Consolidated Statements of Operations and Changes in Net Assets

Years ended December 31, 2012 and 2011

(Dollars in thousands)

	<u>2012</u>	<u>2011</u>
Unrestricted net assets:		
Excess (deficiency) of revenue over expenses	\$ 42,846	(26,968)
Pension and postretirement related changes other than net periodic cost (note 11)	948	(92,291)
Net assets released from restrictions for property acquisitions	22,642	29,955
Other, net	(1,119)	207
	<u>65,317</u>	<u>(89,097)</u>
Increase (decrease) in unrestricted net assets		
Temporarily restricted net assets:		
Contributions, bequests, and grants	7,456	11,491
Restricted investment gains	2,719	4,614
Net change in unrealized gains and losses on investments	6,097	(5,708)
Net assets released from restrictions for operations	(6,162)	(5,747)
Net assets released from restrictions for property acquisitions	(22,642)	(29,955)
	<u>(12,532)</u>	<u>(25,305)</u>
Decrease in temporarily restricted net assets		
Permanently restricted net assets:		
Restricted investment income	917	1,714
Net change in unrealized gains and losses on investments	2,098	(1,940)
Transfer to temporarily restricted net assets	(3,015)	226
	<u>—</u>	<u>—</u>
Change in permanently restricted net assets		
Change in net assets	52,785	(114,402)
Net assets, beginning of year	<u>194,424</u>	<u>308,826</u>
Net assets, end of year	<u>\$ 247,209</u>	<u>194,424</u>

See accompanying notes to consolidated financial statements.

KALEIDA HEALTH

Consolidated Statements of Cash Flows

Years ended December 31, 2012 and 2011

(Dollars in thousands)

	<u>2012</u>	<u>2011</u>
Operating activities		
Change in net assets	\$ 52,785	(114,402)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	69,093	58,664
Accretion expense	995	750
Restricted contributions, bequests, and grants	(2,499)	(3,832)
Change in receivable for insurance recoveries	170	(1,269)
Change in estimate for asset retirement obligation	—	1,621
Change in interests in limited partnerships	(13,460)	679
Net change in unrealized gains and losses on investments	(13,677)	19,337
Provision for bad debts	22,270	18,739
Pension and postretirement related changes other than net periodic cost	(948)	92,291
Change in operating assets and liabilities		
Patient accounts receivable	(17,515)	(19,631)
Other receivables, inventories, and prepaid expenses	(13,628)	33
Accounts payable, accrued expenses, and accrued payroll	(1,653)	(2,504)
Estimated third-party payor settlements	(15,434)	(4,211)
Other assets	(6,563)	(865)
Other liabilities	8,006	8,416
Net cash provided by operating activities	<u>67,942</u>	<u>53,816</u>
Investing activities		
Additions to property and equipment, net of change in construction costs payable	(117,058)	(175,568)
Net sales of investments	<u>22,775</u>	<u>12,506</u>
Net cash used in investing activities	<u>(94,283)</u>	<u>(163,062)</u>
Financing activities		
Principal payments on debt and capital lease obligations	(19,246)	(22,225)
Proceeds from restricted contributions, bequests, and grants	18,406	41,668
Proceeds from long-term debt	52,239	71,260
Net payments on line of credit	(10,000)	—
Payments for deferred financing fees	(1,448)	(312)
Net cash provided by financing activities	<u>39,951</u>	<u>90,391</u>
Net increase (decrease) in cash and cash equivalents	<u>13,610</u>	<u>(18,855)</u>
Cash and cash equivalents, beginning of year	<u>41,267</u>	<u>60,122</u>
Cash and cash equivalents, end of year	<u>\$ 54,877</u>	<u>41,267</u>
Supplemental disclosures on cash flow activities		
Capital lease obligations	\$ 6,585	—
Interest paid	16,831	14,478
Capital acquisitions included in accounts payable	4,390	23,940

See accompanying notes to consolidated financial statements

KALEIDA HEALTH

Notes to Consolidated Financial Statements

December 31, 2012 and 2011

(1) Organization

Kaleida Health (Kaleida) is an integrated healthcare delivery system that provides acute, skilled nursing, rehabilitative, outpatient, and home healthcare services primarily to the residents of Western New York. The entities consolidated within Kaleida are the Hospital Corporation (Buffalo General Medical Center, Women and Children's Hospital, the Millard Fillmore Hospitals, DeGraff Memorial Hospital, and two hospital based nursing facilities), Visiting Nursing Association of WNY, Inc., VNA Home Care Services, Inc., several other subsidiaries, and two charitable foundations that raise funds for Kaleida.

In 2006, the Commission on Health Care Facilities in the 21st Century (Berger Commission) created by the Governor and New York State Legislature issued recommendations on health care capacity and resources in New York State. The Berger Commission report discussed, among other things, the context and process under which the recommendations were made, the authority granted to the NYS Department of Health (DOH) to implement the recommendations, and how the implementation of these recommendations may be timed and funded. The Berger Commission's recommendations included consolidation, closures, conversions, and restructuring of hospital and nursing home systems throughout New York State, including at Kaleida.

In connection with the recommendations issued by the Berger Commission, Kaleida undertook the development of a heart and vascular institute, The Gates Vascular Institute (GVI), located adjacent to Buffalo General Medical Center, and carried out the consolidation of services from Millard Fillmore Gates Hospital (Gates) to the Buffalo General Hospital campus. The consolidation of services was completed in March 2012. Notes 8 and 9 provide additional information related to the GVI construction and financing.

On December 3, 2011, Kaleida Health consolidated two of its hospital based skilled nursing facilities, Deaconess Skilled Nursing facility and Millard Fillmore Gates Skilled Nursing facility into one newly constructed facility, HighPointe on Michigan Healthcare Facility, located next to the Buffalo General Hospital campus (see notes 8 and 9).

Also, Kaleida and Erie County Medical Center Corporation (ECMCC), pursuant to a recommendation of the Berger Commission, have contractually subordinated certain planning activities and quality improvement programs to Great Lakes Health, a stand-alone not-for-profit 501(c) 3 corporation.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The accompanying consolidated financial statements of Kaleida are presented consistent with the Financial Accounting Standards Board (FASB) *Accounting Standards Codification* (ASC) 954, *Health Care Entities*, (ASC 954), which addresses the presentation of financial statements for health care entities. In accordance with the provisions of ASC 954, net assets and revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, unrestricted net assets are amounts not subject to donor-imposed stipulations and are available for operations. Temporarily restricted net assets are restricted by donors and are reflected as net assets released from restrictions in unrestricted net assets to the extent utilized during the period. Permanently restricted net assets are subject to the restrictions of gift instruments requiring

KALEIDA HEALTH

Notes to Consolidated Financial Statements

December 31, 2012 and 2011

that the principal be maintained in perpetuity while permitting the income to be utilized for general and specific purposes.

All significant intercompany transactions between Kaleida and its subsidiaries have been eliminated in consolidation.

Kaleida considers events or transactions that occur after the consolidated balance sheet date, but before the consolidated financial statements are issued, to provide additional evidence relative to certain estimates or to identify matters that require additional disclosure. These consolidated financial statements were available to be issued on April 17, 2013 and subsequent events have been evaluated through that date.

(b) *Use of Estimates*

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The most significant areas which are affected by the use of estimates include the allowance for doubtful accounts, estimated third-party payor settlements, self-insurance reserves, valuation of certain alternative investments, and pension obligations. Actual results could differ from those estimates, and the differences in estimates from actual results could be significant.

(c) *Cash and Cash Equivalents*

Cash equivalents include amounts deposited in short-term interest-bearing accounts. For purposes of the consolidated statements of cash flows, cash equivalents exclude amounts maintained within investment portfolios and amounts classified as assets limited as to use.

Kaleida invests cash in money market securities and maintains cash balances in financial institutions in excess of federal deposit insurance limits. As discussed in note 2(o), cash equivalents available for operating purposes are stated at fair value and are considered a Level 1 financial asset.

(d) *Charity Care and Provision for Bad Debts*

Kaleida provides care to patients who meet certain criteria under its charity care policies without charge or at amounts less than their established rates. Because Kaleida does not anticipate collection of amounts determined to qualify as charity care, they are not reported as revenue.

Kaleida grants credit without collateral to patients, most of whom are local residents and are insured by commercial and government insurance plans. Additions to the estimated allowance for doubtful accounts are made by means of the provision for bad debts. Accounts written off as uncollectible are deducted from the allowance and subsequent recoveries are added. The amount of the provision for bad debts is based upon management's assessment of historical and expected net collections, business and economic conditions, trends in Federal and State governmental healthcare coverage, and other collection indicators. The provision for bad debts primarily relates to patients without insurance and to those that are either underinsured or without the necessary resources to pay coinsurance and deductible balances.

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(e) Net Patient Service Revenue

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered. Revenue under certain third-party payor agreements is subject to audit and retroactive adjustment. Provision for estimated third-party payor settlements and adjustments are estimated in the period the related services are rendered and adjusted in future periods as final settlements are determined. Net patient service revenue from Medicare and New York State Medicaid, and commercial insurance plans accounted for approximately 37%, 21% and 38%, respectively, of total net patient service revenue for the year ended December 31, 2012, and 39%, 20% and 37% respectively, of total net patient service revenue for the year ended December 31, 2011. Significant concentrations of patient accounts receivable at December 31, 2012 include 14% Medicare, 12% Medicaid, and 51% commercial insurance plans. Significant concentrations of patient accounts receivable at December 31, 2011 include 14% Medicare, 14% Medicaid, and 48% commercial insurance plans. Kaleida is dependent on these payors to carryout its operating activities.

(f) Investments and Investment Income

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between willing participants at the measurement date. See notes 2(o) and 7 for a discussion of fair value measurements.

Participation units in pooled investment funds held within unrestricted, temporarily restricted, and permanently restricted net assets are determined monthly based on the fair value of the underlying investments at the calculation date. Income earned on pooled investments is allocated to participating funds based on their respective unit shares of the pool.

Investment income or loss (including interest, dividends, realized gains and losses on investments, change in interest in limited partnerships, and change in unrealized gains and losses) is included in excess (deficiency) of revenue over expenses, unless the income is restricted by the donor or law. Further, investment income from funds designated for self-insurance programs and debt and lease agreements are recorded as a component of operating revenue.

(g) Inventories

Inventories consist principally of pharmaceutical and other medical supplies and are stated at the lower of cost or market. Cost is determined using the first-in, first-out method.

(h) Assets Limited as to Use

Assets limited as to use include investments maintained by a trustee under irrevocable self-insurance agreements and cash and investments held by trustees pursuant to debt agreements. Assets limited as to use also include investments set aside by the board of directors for specific purposes, as well as investments restricted by donors and grantors for a specific time period or purpose.

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(i) Property and Equipment

Property and equipment are recorded at cost, except for donated items, which are recorded at fair market value at the date of donation. Cost includes interest incurred on related indebtedness during periods of construction. The costs of routine maintenance and repairs are charged to expense as incurred.

Kaleida monitors its long-lived assets for impairment indicators on an ongoing basis. If impairment indicators exist, Kaleida performs the required analysis and records impairment charges. In conducting its analysis, Kaleida compares the undiscounted cash flows expected to be generated from the long-lived assets to the related net book values. If the undiscounted cash flows exceed the net book value, the long-lived assets are considered not to be impaired. If the net book value exceeds the undiscounted cash flows, an impairment loss is measured and recognized based on the fair value of the asset, less costs to sell, or discounted cash flows compared to book value.

Depreciation is generally computed under the straight line method using date of service for buildings, fixtures and improvements, and the half-year convention for moveable equipment over the estimated useful lives of the assets. The estimated useful lives of assets generally follow American Hospital Association guidelines: land improvements, 10 years, buildings, fixtures, and improvements, 10 to 40 years, and movable equipment, 3 to 15 years. Assets recorded as capital leases are amortized over the lease term of the asset or its useful life, if shorter. Lease amortization is included within depreciation and amortization expense.

(j) Grants Receivable

In 2006 and 2008, Kaleida was awarded two grants totaling \$77.4 million from the New York State Department of Health (DOH), through the Health Care Efficiency and Affordability Law for New Yorkers program (HEAL NY). The grants were awarded in order to fund the implementation of the recommendations made by the Berger Commission. During 2009 a Grant Disbursement Agreement for \$65 million was finalized with DOH and Kaleida incurred expenditures and received funds under the grant to support the GVI project. During 2010 a Grant Disbursement Agreement for \$12.4 million was finalized with DOH to support the construction of HighPointe on Michigan skilled nursing facility. The grant proceeds were spent and fully reimbursed in 2012.

During 2011, Kaleida finalized a Grant Disbursement Agreement for a \$10 million grant from the Empire State Development Corporation (ESDC) to assist with funding of the costs of continued investment in the GVI and the Buffalo General Medical Center campus.

(k) Deferred Financing Costs

Kaleida has capitalized various costs associated with obtaining long-term financing. These costs are being amortized over the terms of related obligations.

(l) Self-Insured Programs

Certain divisions of Kaleida are partially self-insured for medical malpractice, general liability, and workers' compensation costs, with excess liability policies for exposures in excess of self-insurance retentions. Trusts have been established for the purpose of setting aside assets. Under the trust

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agreements, the trust assets can be used only for payment of losses, related expenses, and the costs of administering the trust.

Kaleida is also self insured for employee health and pharmaceutical coverage. Kaleida has recorded a provision for estimated claims which is based on Kaleida's own experience and includes the estimated ultimate cost of reported claims and claims incurred but not yet reported. To reduce its risk for catastrophic health claims, Kaleida has purchased stop loss coverage.

(m) Donor Contributions

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations limiting the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions and included as a component of total operating revenue, if for operations, or as an addition to unrestricted net assets, if for capital purposes. Contributions whose restrictions lapse, expire, or are otherwise met in the same reporting period as the contribution was received are recorded as unrestricted support and included as additions to unrestricted net assets.

(n) Endowment Funds

Kaleida's permanently restricted net assets consist of individual endowment funds established by donors to support a variety of purposes.

Kaleida classifies as permanently restricted net assets (a) the original value of gifts donated to an endowment fund, (b) the original value of subsequent gifts to that fund, and (c) accumulations to the fund made in accordance with the direction, if any, of the applicable donor gift instrument at the time the accumulation is added to the fund. Expendable portions of endowment gifts restricted by donors to specific purposes and any retained income and appreciation thereon is included as a component of temporarily restricted net assets. When the temporary restrictions on these assets have been met, the assets are reclassified to unrestricted net assets pursuant to Kaleida's spending policy.

(o) Fair Value Measurement of Financial Instruments

Kaleida estimates fair value based on a valuation framework that uses a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of fair value hierarchy as defined by ASC 820, *Fair Value Measurements and Disclosures*, are described below:

Level 1: Quoted prices in active markets that are accessible at the measurement date for identical assets and liabilities.

Level 2: Inputs, other than quoted prices in active markets, that are observable either directly or indirectly and fair value is determined through the use of models or other valuation methodologies.

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Level 3: Unobservable inputs that are supported by little or no market activity and require significant management judgment or estimation in the determination of fair value.

Kaleida applies the accounting provisions of Accounting Standards Update (ASU) 2009-12, *Investments in Certain Entities that Calculate Net Asset Value per Share (or its Equivalents)* (ASU 2009-12). ASU 2009-12 allows for the estimation of the fair value of investments in certain investment companies for which the investment does not have a readily determinable value by using net asset value (NAV) per share or its equivalent as a practical expedient.

The carrying values of accounts receivable, prepaid expenses and other current assets, accounts payable and line of credit are reasonable estimates of their fair value due to the short-term nature of these financial instruments. Kaleida's long-term debt instruments are carried at cost. The estimated fair value of Kaleida's long-term debt as of December 31, 2012 and 2011 is approximately \$339.0 million and \$284.8 million, respectively. The value of debt was estimated by a discounted cash flow analysis using current borrowing rates for similar types of arrangements and is a Level 2 financial liability. Judgment is required in certain circumstances to develop the estimates of fair value, and the estimates may not be indicative of the amounts that could be realized in a current market exchange.

(p) Income Taxes

Kaleida and substantially all of its affiliates have been determined by the Internal Revenue Service to be organizations described in Internal Revenue Code (the Code) Section 501(c)(3) and, therefore, are exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. Kaleida recognizes income tax positions when it is more-likely than-not that the position will be sustainable based on the merits of the position. Management has concluded that there are no material uncertain tax positions that need to be recorded.

(q) Excess (Deficiency) of Revenue over Expenses

Kaleida's primary mission is meeting the healthcare needs of the people in the regions in which it operates. Kaleida is committed to providing a broad range of general and specialized healthcare services, including inpatient acute care, long-term care, home care, outpatient services, and other healthcare related services. The current operating environment reflects the rapid change in utilization of health care services in the community. Kaleida's proactive implementation of quality and utilization initiatives resulted in volume decreases across the organization to reduce the overall cost to the community. The reduction of services will require the ongoing transformation of the infrastructure and delivery of care to further reduce the cost to the community.

The consolidated statements of operations and changes in net assets include a performance indicator, excess (deficiency) of revenue over expenses. Changes in unrestricted net assets which are excluded from the excess (deficiency) of revenue over expenses consistent with industry practice include contributions of long-lived assets, and pension and postretirement related changes other than net periodic cost.

For purposes of display, transactions deemed by management to be recurring, major or central to the provision of healthcare services, including unrestricted contributions and interest and dividends from

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funds designated for self-insurance programs and debt agreements, are reported as operating revenue and expenses in the determination of Kaleida's operating results. Investment trading activities and peripheral transactions (i.e. nonrecurring restructuring charges and gains and losses related to disposal of fixed assets) are reported as other income or losses.

(r) *Electronic Health Record Incentive Payments*

The Health Information Technology for Economic and Clinical Health (HITECH) Act included in the American Recovery and Reinvestment Act (ARRA) provides incentives for the adoption and use of health information technology by Medicare and Medicaid providers and eligible professionals through 2016. To receive such incentives, providers are required to establish an electronic health record system and maintain its meaningful use status for a continuous 90-day period in year one and for 365-days in subsequent years.

Kaleida records revenue related to this program when management is reasonably assured that Kaleida has complied with the requirements of the program and has attested to these compliance requirements (see note 14).

(s) *Recently Adopted Accounting Policies*

In July 2011 the Financial Accounting Standards Board issued ASU 2011-07, *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities* (ASU 2011-07), which requires certain health care entities to change the presentation of their statement of operations by reclassifying the provision for bad debts associated with patient service revenue from an operating expense to a deduction from patient service revenue (net of contractual adjustments and discounts). Additionally, those health care entities are required to provide enhanced disclosure about their policies for recognizing revenue and assessing bad debts. The new pronouncement also requires disclosure of patient service revenue, net of contractual adjustments and discounts, as well as qualitative and quantitative information about changes in the allowance for doubtful accounts. Kaleida adopted the provisions of ASU 2011-07 effective January 1, 2012, which included a retrospective adoption for the 2011 consolidated financial statements presented. The change in presentation did not significantly impact Kaleida's financial position, results of operations or cash flows.

(t) *Reclassifications*

Certain amounts in the 2011 consolidated financial statements have been reclassified to conform to 2012 presentation.

(3) *Uncompensated Care*

(a) *Charity Care*

Kaleida accepts all patients regardless of their ability to pay. A patient's care may be classified as charity care in accordance with certain established policies of Kaleida. Essentially, these policies define charity services as those services for which no payment is anticipated.

Kaleida utilizes a presumptive charity scoring system in order to determine charity care eligibility. The system uses demographic and public financial information to qualify patient accounts for charity

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care. The change was made to enhance and accelerate the charity care qualification process. In addition, Kaleida makes and receives payments to and from a statewide pool to support the delivery of charity care to patients throughout New York. These net payments are reported as a component of patient service revenue in the consolidated financial statements.

Kaleida's net cost of charity care, including payments to and receipts from the statewide pool was approximately \$11 million in 2012 and \$15 million in 2011 as follows:

	Year ended December 31	
	2012	2011
	(Dollars in thousands)	
Charity care at cost	\$ 7,594	10,561
Payments to statewide pool	6,016	7,557
Receipts from statewide pool	(2,427)	(3,158)
Cost of charity care, net	<u>\$ 11,183</u>	<u>14,960</u>

The cost of charity care provided was determined based on the application of the ratio of Kaleida's overall cost to patient charges.

(b) Community Benefit

Kaleida offers numerous community benefit programs and services in community-based settings and in its campuses and facilities, in response to the needs of the communities it serves. They include community health fairs, health screenings, health education lectures and workshops for community groups and the general public, school health education programs, consumer health information, facilitated (insurance plan) enrollment services and clinical services such as city school-based health centers, outpatient clinics, adult and pediatric long-term care services, neonatal intensive care services and behavioral health services. Staff members of Kaleida also participate in community leadership efforts by donating significant hours of board service to other not-for-profit organizations. Kaleida supports graduate medical education and offers health professions education support for community members through continuing education programs and scholarships.

In addition, Kaleida serves the largest Medicaid and indigent patient population in Western New York whose healthcare service is only partially paid for by the Medicaid program. Kaleida provides service to Medicaid patients at reimbursement levels that are below the cost of care provided.

(4) Third-Party Reimbursement Agreements

Kaleida has agreements with third-party payors that provide for payments at amounts different from their established rates as follows:

(a) Inpatient Acute Care Services

Inpatient acute care services rendered are paid at prospectively determined rates per discharge in accordance with the Federal Prospective Payment System (PPS) for Medicare and generally at negotiated or otherwise pre-determined amounts under the provisions of the New York Health Care

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Reform Act (HCRA) for Medicaid and other Non-Medicare payors. Inpatient nonacute services are paid at various rates under different arrangements with third-party payors, commercial insurance carriers, and health maintenance organizations. The basis for payment under these agreements includes prospectively determined per diem and per visit rates and fees, discounts from established charges, fee schedules, and reasonable cost subject to limitations. Medicare outpatient services are paid under a prospective payment system whereby services are reimbursed on a predetermined amount for each outpatient procedure, subject to various mandated modifications.

In addition, under HCRA, all Non-Medicare payors are required to make surcharge payments for the subsidization of indigent care and other health care initiatives. The percentage amounts of the surcharge varies by payor and applies to a broader array of health care services. Also, certain payors are required to fund a pool for graduate medical education expenses through surcharges on payments to hospitals for inpatient services or through voluntary election to pay a covered lives assessment directly to the DOH.

(b) *Skilled Nursing and Home Health Care Services*

Net patient service revenue for skilled nursing services under the Medicaid program is based on a statewide pricing system using the Resource Utilization Group (RUGs) patient classification system. DOH calculates direct and indirect portions of Kaleida's rate by blending equally a statewide and a peer group component determined by DOH using 2007 filed cost report data as the base year for allowable costs. Capital and noncomparable costs are based on facility specific costs. Also, the direct portion of Kaleida's rate is adjusted twice annually for changes in the intensity of services provided to the nursing home residents. Medicare reimbursement for skilled nursing services are determined on a PPS basis. Under skilled nursing PPS, a single per diem rate is paid that covers all routine, ancillary, and capital related costs. The per diem payment is adjusted for each Medicare beneficiary, based on their care needs as measured by a patient assessment form.

Home health care services for Medicare are reimbursed under a prospective payment system (PPS) which is based on a 60 day episode, case mix adjusted into one of the home health resource groups (HHRG). Adjustments exist for low and high utilization of services during a 60-day episode. Medicare will generally make an initial payment of 60% based on the submitted HHRG with the balance of the payment due at the end of the 60 day episode or at discharge, whichever occurs sooner. Effective May 1, 2012, Medicaid began reimbursing for certified home health care visits on a per episode basis similar to Medicare. For all other payors, the basis of payment includes prospectively determined per visit rates and fees, discount on charges, and fee schedules.

Kaleida is required to prepare and file various reports of actual and allowable costs annually. Provisions have been made in the consolidated financial statements for prior and current years' estimated final settlements. The difference between the amount provided and the actual final settlement is recorded as an adjustment to net patient service revenue as adjustments become known or as years are no longer subject to audits, reviews, and investigations. During 2012 and 2011, Kaleida recorded adjustments for estimated settlements with third-party payors, which resulted in increases to net patient service revenue of approximately \$10.0 million and \$5.9 million, respectively.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a

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material amount in the near term. Kaleida receives regulatory inquiries and reviews in the normal course of business. Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and exclusion from the Medicare and Medicaid programs. Kaleida believes it is in substantial compliance with all applicable laws and regulations.

As a result of recently enacted federal healthcare reform legislation, substantial changes are anticipated in the United States healthcare system. Such legislation includes numerous provisions affecting the delivery of healthcare services, the financing of healthcare costs, reimbursements of healthcare providers and the legal obligations of health insurers, providers, and employers. These provisions are currently slated to take effect at specified times over approximately the next decade, and, therefore, the full consequences of the federal health reform on the healthcare industry will not be immediately realized.

(5) Self-Insurance Trusts and Estimated Self-Insurance Reserves

Kaleida is partially self-insured for medical malpractice, general liability, and workers' compensation costs, and excess liability policies are generally maintained for exposures in excess of self-insurance retentions. Trusts are established for the purpose of setting aside assets based on actuarial funding recommendations. Under the trust agreements, the trust assets can be used only for payment of losses, related expenses, and the costs of administering the trust. The estimated liability for both asserted and unasserted self-insurance claims for medical malpractice and general liability are discounted at 3.5% at December 31, 2012 and 2011, respectively. The estimated liability for self-insured workers' compensation is discounted at 3.0% at December 31, 2012 and 2011, respectively. Estimated self-insurance reserves are approximately \$180.9 million and \$168.3 million at December 31, 2012 and 2011, respectively. As of December 31, 2012 and 2011, \$8.9 million and \$9.1 million, respectively, is recoverable from Kaleida's excess liability policies. At December 31, 2012 and 2011, Kaleida has irrevocable secured letters of credit supporting the medical malpractice and workers compensation self-insurance programs totaling approximately \$17.4 million and \$17.8 million, respectively. The annual fee for the letters of credit ranges between 75 and 85 basis points and they renew automatically unless the issuer notifies both parties in writing sixty days in advance. In addition, Kaleida has established additional security through collateral trust agreements on self-insured investments in the amount of \$32.1 million and \$35.1 at December 31, 2012 and 2011, respectively.

At December 31, 2012 and 2011, there were various actions filed against Kaleida by former patients and others seeking compensatory and punitive damages. In 2009, Kaleida secured a surety bond in order to preserve its right to appeal certain judgments filed for ongoing claims. The surety bond is collateralized with an irrevocable letter of credit. The letter of credit is secured with assets within the self insurance trust.

Management believes current estimates for known and unknown claims reflected in the self-insurance accrual are adequate. If the ultimate costs differ from the estimates, such additional amounts will be accrued when known. Excess coverage retroactive to the date of Kaleida's formation has been obtained for incidents reported after December 31, 2000.

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(6) Investments and Assets Limited as to Use

The components of investments and assets limited as to use, stated at fair value, at December 31 are summarized as follows:

	<u>2012</u>	<u>2011</u>
	(Dollars in thousands)	
Current investments:		
Cash and cash equivalents	\$ 14,503	6,930
Equity and fixed income mutual funds	31,403	35,032
Equity securities	36,904	50,584
Limited partnerships	46,096	46,714
	<u>128,906</u>	<u>139,260</u>
Assets limited as to use:		
Designated under debt agreements:		
Cash and cash equivalents	10,062	10,065
U.S. government obligations	31,927	32,411
	<u>41,989</u>	<u>42,476</u>
Designated under self-insurance programs:		
Cash and cash equivalents	40,734	44,649
U.S. government obligations	1,805	2,077
Equity and fixed income mutual funds	24,511	23,954
Equity securities	29,529	24,543
Limited partnerships	32,610	28,697
	<u>129,189</u>	<u>123,920</u>
Board designated and donor restricted:		
Cash and cash equivalents	19,887	13,151
U.S. government obligations	259	259
Equity and fixed income mutual funds	15,315	19,235
Equity securities	26,449	27,681
Limited partnerships	33,180	25,648
	<u>95,090</u>	<u>85,974</u>
Other:		
Cash and cash equivalents	2,005	1,187
	<u>268,273</u>	<u>253,557</u>
Total investments and assets limited as to use	<u>\$ 397,179</u>	<u>392,817</u>

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The components of investment return include the following for the years ended December 31:

	<u>2012</u>	<u>2011</u>
	(Dollars in thousands)	
Other operating revenue:		
Interest and dividends	\$ 2,514	2,674
Other income:		
Investment income (losses):		
Interest and dividends	\$ 2,021	2,386
Change in interests in limited partnerships	13,460	(679)
	<u>\$ 15,481</u>	<u>1,707</u>
Net realized gains on sales of investments	\$ 4,175	12,469
Net change in unrealized gains and losses on investments	7,580	(13,629)

(7) Fair Value Measurements

The following is a description of the valuation methodologies used by Kaleida for its assets measured at fair value on a recurring basis:

Cash equivalents: Cash equivalents are valued at the NAV reported by the financial institution.

Equity and fixed income securities: Kaleida's equity and fixed income portfolios consist of direct investment in individual equity and fixed income securities and U.S. government obligations that are valued based on quoted market prices (Level 1 measurements). If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments or, if necessary, matrix pricing from a third party pricing vendor to determine fair value (Level 2 measurements). Matrix prices are based on quoted prices for fixed income securities with similar coupons, ratings and maturities, rather than on specific bids and offers for a designated security.

In addition, Kaleida's equity and fixed income portfolios include investments in actively traded mutual funds valued at the closing price on the active market in which the individual funds are traded (Level 1 measurements) and pooled/commingled investment funds where Kaleida owns shares, units, or interests of pooled funds rather than the underlying securities in the fund. The pooled/commingled funds are measured at fair value based on the nature of the underlying investments, timing of the pricing of the fund's NAV and liquidity restrictions for the funds (Level 2 measurements).

Limited partnerships: Limited partnerships consist of private, domestic and global equities, real assets, fixed income, and hedge funds. Limited partnership investments are typically redeemable with the fund at NAV under the original terms of the partnership agreement and/or subscription agreements. The estimation of fair value of investments in limited partnerships for which the underlying securities do not have a readily determinable value is made using the NAV per share or its equivalent as a practical expedient. Kaleida owns interests in these funds rather than in securities or assets underlying each fund and, therefore, is generally required to consider such investments as Level 2 or Level 3, even though certain underlying securities may not be difficult to value or may be readily marketable.

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The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although Kaleida believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. Also, because the use of NAV as a practical expedient to estimate fair value of certain investments, the level in the fair value hierarchy in which each fund's fair value measurement is classified is based primarily on Kaleida's ability to redeem its interest in the fund at or near the date of the consolidated balance sheet. Accordingly, the inputs or methodology used for valuing or classifying investments for financial reporting purposes are not necessarily an indication of the risk associated with investing in those investments.

The following tables present Kaleida's investments at December 31, 2012 and 2011 that are measured at fair value on a recurring basis as well as their redemption frequency and notification provisions. The financial assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurements (dollars in thousands):

		2012				Redemption frequency	Days notice
		Total	Level 1	Level 2	Level 3		
Investments							
Cash and cash equivalents	\$	87,191	87,191	—	—	Daily	Same day
U S government obligations		33,991	—	33,991	—	Daily	Same day
Equity securities							
Large-cap securities		46,841	39,134	7,707	—	Daily-monthly	Same day – 9 days
International securities		46,041	—	46,041	—	Daily-monthly	2 days – 30 days
Equity and fixed income mutual funds							
Limited partnerships		71,229	71,229	—	—	Daily	Same day
Hedge funds		19,564	—	19,564	—	Monthly-quarterly	20 – 95 days
Private equity		1,763	—	—	1,763	See (a) below	See (a) below
Global equity		46,722	—	46,722	—	Monthly – bi-monthly	2 days – 15 days
Domestic equity		23,760	—	14,327	9,433	Monthly-annually	30-60 days
Real assets		3,302	—	—	3,302	See (a) below	See (a) below
Fixed income		16,775	—	16,775	—	Monthly	5 – 7 days
	\$	397,179	197,554	185,127	14,498		

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		2011					
		Total	Level 1	Level 2	Level 3	Redemption frequency	Days notice
Investments							
Cash and cash equivalents	\$	75.982	75.982	—	—	Daily	Same day
U S government obligations		34.747	—	34.747	—	Daily	Same day
Equity securities							
Large-cap securities		39.760	31.293	8.467	—	Daily-monthly	Same day – 9 days
International securities		63.048	—	63.048	—	Daily-monthly	2 days – 30 days
Equity and fixed income mutual funds		78.221	69.094	9.127	—	Daily-monthly	Same day – 60 days
Limited partnerships							
Hedge funds		19.402	—	18.345	1.057	Monthly-quarterly	20 – 95 days
Private equity		2.197	—	—	2.197	See (a) below	See (a) below
Global equity		48.920	—	48.920	—	Monthly – bi-monthly	3 days – 30 days
Domestic equity		11.019	—	—	11.019	Annually	60 days
Real assets		3.595	—	—	3.595	See (a) below	See (a) below
Fixed income		15.926	—	15.926	—	Monthly	5 – 7 days
	\$	<u>392.817</u>	<u>176.369</u>	<u>198.580</u>	<u>17.868</u>		

- (a) Certain limited partnership investments include noncontrolling shares or interests in funds where the controlling general partner serves as the investment manager. Such limited partnership shares are typically not eligible for redemption from the fund or general partner, but are typically sold to third party buyers in private transactions that typically can be completed in approximately 90 days. It is the intent of Kaleida to hold these investments until the fund has fully distributed all proceeds to the limited partners and the term of the partnership agreements expire.

Under the terms of certain agreements, Kaleida has committed to contribute a specified level of capital over a defined period of time. Through December 31, 2012, Kaleida has substantially completed contributions of approximately \$7.6 million to such limited partnerships.

There were no significant transfers into or out of Level 1 and Level 2 fair value measurements during the years ended December 31, 2012 and 2011.

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The following tables present additional information about the changes in Level 3 assets measured at fair value for the years ended December 31 (dollars in thousands):

2012					
	Total	Real assets	Hedge funds	Private equity	Domestic equity
Balance, beginning of year	\$ 17,868	3,595	1,057	2,197	11,019
Purchases	599	418	—	181	—
Sales	(6,227)	(933)	(1,057)	(737)	(3,500)
Realized gains	967	98	—	463	406
Change in unrealized gains and losses	1,291	124	—	(341)	1,508
Balance, end of year	<u>\$ 14,498</u>	<u>3,302</u>	<u>—</u>	<u>1,763</u>	<u>9,433</u>

2011					
	Total	Real assets	Hedge funds	Private equity	Domestic equity
Balance, beginning of year	\$ 40,651	3,489	22,738	2,114	12,310
Purchases	14,497	95	2,970	217	11,215
Sales	(39,194)	(191)	(25,206)	(582)	(13,215)
Realized gains	4,857	17	4,551	289	—
Realized losses	(285)	—	—	—	(285)
Change in unrealized gains and losses	(2,658)	185	(3,996)	159	994
Balance, end of year	<u>\$ 17,868</u>	<u>3,595</u>	<u>1,057</u>	<u>2,197</u>	<u>11,019</u>

Liquidity

The following presents the fair value of Kaleida's investments as of December 31 by redemption period:

	2012	2011
Investments redemption period:		
Daily	\$ 254,476	236,466
Semi – monthly	7,039	8,081
Monthly	99,292	106,127
Bi – monthly	11,964	14,653
Quarterly	9,910	10,679
Annual	9,433	11,019
Illiquid	5,065	5,792
Total	<u>\$ 397,179</u>	<u>392,817</u>

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The limitation and restrictions on Kaleida's ability to redeem or sell these investments vary by investment and range from required notice periods for certain limited partnership and hedge funds, to specified terms at inception. Based upon the terms and conditions in effect at December 31, 2012, redemption periods expire at various times through 2013.

(8) Property and Equipment

A summary of property and equipment at December 31 follows:

	2012	2011
	(Dollars in thousands)	
Land and land improvements	\$ 28,614	25,827
Buildings, fixtures, and improvements	938,078	768,564
Movable equipment	657,721	606,585
	<u>1,624,413</u>	<u>1,400,976</u>
Less accumulated depreciation and amortization	1,144,830	1,088,092
	479,583	312,884
Construction in progress	23,152	164,672
	<u>\$ 502,735</u>	<u>477,556</u>

During 2009, Kaleida began construction of the GVI adjacent to Buffalo General Hospital. The GVI is a ten story building with an estimated cost of approximately \$291 million. The project is a collaboration between the State University of New York at Buffalo (UB) and Kaleida. UB occupies the top four floors of the GVI and UB has contributed approximately \$118 million to cover construction and fit-up costs associated with that space. Kaleida funded its share of the GVI with \$65 million in HEAL NY grant funding (note 2(j)) and the proceeds from government insured debt of \$100 million and a Kaleida equity contribution (note 9). The construction of the GVI project was completed in March 2012. Commitments outstanding at December 31, 2012, for routine capital projects totaled approximately \$16.8 million.

Net property and equipment includes approximately \$14.6 million and \$12.4 million applicable to capital leases at Decembers 31, 2012 and 2011, respectively.

During 2012 and 2011 Kaleida capitalized net interest expense of approximately \$1.6 million and \$3.8 million, respectively.

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(9) Long-Term Debt

Long-term debt consists of the following at December 31:

	<u>2012</u>	<u>2011</u>
	(Dollars in thousands)	
Mortgage payable for BGMC in monthly installments of \$545,000, including interest at 2.44% through August 1, 2023. (a)	\$ 61,398	65,343
Mortgage payable for MFH in monthly installments of \$514,000, including interest at 3.29% through November 1, 2017 and \$314,000, including interest at 3.29% through April 1, 2020. (a)	35,392	40,304
Mortgage notes payable for MFS in monthly installments of \$338,000, including interest at 5.05%, through October 1, 2033. (a)	52,139	53,519
Mortgage notes payable for BGMC Cath Lab in monthly installments of \$107,000, including interest at 5.05%, through February 1, 2032. (a)	15,815	16,292
Mortgage notes payable for GVI in monthly installments of \$668,000, including interest at 6.35%, through February 1, 2037. (a)	96,844	63,817
Mortgage notes payable for HighPointe SNF in monthly installments of \$325,000, including interest at 5.73%, through February 1, 2037. (a)	50,679	41,238
Capital lease obligations, less imputed interest of \$70,000 and \$277,000 at December 31, 2012 and 2011, respectively. (b)	9,021	6,471
Equipment notes payable (c)	8,126	1,675
Other	4,632	5,809
	<u>334,046</u>	<u>294,468</u>
Less current maturities	<u>22,437</u>	<u>18,223</u>
	<u>\$ 311,609</u>	<u>276,245</u>

(a) Mortgages Payable

The mortgages payable, which are insured by the U.S. Department of Housing and Urban Development (HUD), are secured by essentially all assets of the respective borrowing entities.

On December 4, 2009, Kaleida secured a loan commitment of approximately \$100.3 million by entering into a new mortgage note and building loan agreement. The proceeds from the loan commitment have been used to finance the cost of the development of the GVI in order to carry out the closure of services and relocation from Gates (see note 1). The mortgage note has a 25 year term, fixed monthly payments and an annual interest rate of 6.35%.

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On December 7, 2010, Kaleida secured a loan commitment of approximately \$51.9 million by entering into a new mortgage note and building loan agreement. The proceeds from the loan commitment have been used to finance the cost of the construction Highpointe SNF. The facility replaced the Gates and Deaconess skilled nursing facilities (see note 1). The mortgage note has a 25 year term, fixed monthly payments and an annual interest rate of 5.73%.

On September 19, 2012, Kaleida refinanced the existing mortgage of \$62.2 million maturing in August 2023 related to improvements made to the Buffalo General Hospital. Although the principal amount refinanced and mortgage term remained the same, the interest rate and monthly payment were modified.

Kaleida has entered into Regulatory Agreements with HUD, which set forth certain provisions and requirements. Among these requirements are certain performance indicators, financial ratios, and reporting requirements. Also among these requirements is the funding of a Mortgage Reserve Fund (Mortgage Reserve) as established by the Mortgage Reserve Fund Agreement, dated May 20, 2004, as amended September 21, 2006, December 4, 2009, December 7, 2010 and September 19, 2012. As required under the Mortgage Reserve, Kaleida is required to maintain a certain balance either through deposits or investment earnings. Failure to comply with these requirements may result in oversight activities by HUD.

At December 31, 2012, Kaleida was in compliance with all applicable debt agreement provisions, however, at December 31, 2011, Kaleida was not in compliance with the required debt service coverage ratio. As a result, HUD approvals are required for short-term borrowings, leases or other additional long-term indebtedness over threshold amounts and for certain transactions with affiliates through 2013.

Under the terms of the borrowing agreements, Kaleida established certain bank trustee accounts which include the Mortgage Reserve Fund and Kaleida's equity contribution for the GVI project. Included in the accompanying consolidated financial statements, classified as assets limited as to use, are Kaleida's balances in these funds at December 31 as follows:

	2012	2011
	(Dollars in thousands)	
Mortgage reserve fund	\$ 33,949	34,444
GVI project equity	8,040	8,032
	<u>\$ 41,989</u>	<u>42,476</u>

Construction costs payable at year end were paid with proceeds advanced from the HUD insured loan commitments related to the GVI. At final endorsement on February 22, 2013, as a result of project savings, \$2.5 million of the GVI project equity was used to pay down the mortgage with the remaining \$5.5 million returned to Kaleida.

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(b) Capital Leases

The majority of the capital lease obligations represent arrangements entered into with a bank to finance acquisitions of various pieces of equipment. These arrangements are administered by the Dormitory Authority of the State of New York (DASNY) as part of their Tax-Exempt Leasing Program (TELP).

(c) Equipment Notes Payable

In March 2010, Kaleida Health entered into an equipment financing agreement with High Street Developments, LLC. The maximum aggregate principal amount of credit that can be extended under the agreement is \$10 million. Interest is payable monthly and is calculated at the five year tax exempt lease rate minus one quarter of one percent. There was approximately \$8.1 million and \$1.7 million of borrowings on the financing agreement at December 31, 2012 and 2011 respectively, which represents two 5 year notes which bear interest at approximately 1.3% payable monthly through October 2016.

Future annual principal payments of long-term debt for the next five years as of December 31, 2012 are as follows (dollars in thousands):

2013	\$	22,437
2014		20,451
2015		20,553
2016		20,601
2017		17,993

Line of Credit

In October 2009, Kaleida entered into a Revolving Credit Loan Agreement (Loan Agreement) with a financial institution. The Loan Agreement, which was renewed in October 2011 for a two year term, requires Kaleida to payoff the outstanding balance annually for a period of twenty business days. The maximum aggregate principal amount of credit that can be extended under the Loan Agreement is \$20 million. Interest is payable monthly and is calculated at the greater of the one day LIBOR rate plus a margin of 2.25% or the one month LIBOR rate plus a margin of 2.25%. Kaleida also pays monthly an unused facility fee equal to 20 basis points per year on the average unused daily balance. DASNY and HUD agreed to subordinate their security interest in the first \$30 million worth of patient accounts receivable to the bank as collateral for borrowings on the Loan Agreement. No borrowings were outstanding at December 31, 2012. At December 31, 2011 \$10 million was outstanding on the Loan Agreement which accrued interest at 2.56%.

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Notes to Consolidated Financial Statements

December 31, 2012 and 2011

(10) Lease Commitments

Kaleida leases various equipment and facilities under noncancelable operating leases expiring at various dates in the future. Rental expense for all operating leases was approximately \$28.1 million and \$28.5 million in 2012 and 2011, respectively. Future minimum payments under noncancelable operating leases as of December 31, 2012 having lease terms in excess of one year are as follows (dollars in thousands):

2013	\$	18,456
2014		16,422
2015		16,162
2016		15,982
2017		15,984

(11) Pension and Other Postretirement Benefits

(a) Pension Plans

Defined Benefit Plan – Kaleida sponsors a defined benefit plan (the Plan) covering substantially all of its eligible employees. The Plan provides benefits based upon years of service and the employee's compensation. Kaleida's funding policy is to contribute amounts required by the Employee Retirement Income Security Act (ERISA). The amount to be funded is subject to annual review by management and Kaleida's consulting actuary.

The following table sets forth the defined benefit pension plan's projected benefit obligation and fair value of plan assets at December 31:

		2012	2011
		(Dollars in thousands)	
Change in projected benefit obligation:			
Benefit obligation at beginning of year	\$	664,367	557,813
Service cost		26,353	20,983
Interest cost		30,816	30,047
Actuarial losses		25,401	70,967
Benefits paid		(20,433)	(15,443)
Benefits paid – cash out provision		(32,462)	—
Benefit obligation at end of year	\$	<u>694,042</u>	<u>664,367</u>
Change in plan assets:			
Fair value of plan assets at beginning of year	\$	406,224	387,600
Actual return on plan assets		47,758	5,586
Employer contributions		30,254	28,481
Benefits paid		(20,433)	(15,443)
Benefits paid – cash out provision		(32,462)	—
Fair value of assets at end of year	\$	<u>431,341</u>	<u>406,224</u>

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In August 2012, the Plan was amended to offer limited opportunity for approximately 2,500 terminated Kaleida vested participants to elect a lump sum distribution of their benefits under the legacy provisions of the Plan. Distributions of approximately \$32.5 million were made prior to December 31, 2012.

The funded status of the plan and amounts recognized in the consolidated balance sheets at December 31, are as follows:

	2012	2011
	(Dollars in thousands)	
Funded status at end of year:		
Fair value of plan assets	\$ 431,341	406,224
Projected benefit obligation	<u>694,042</u>	<u>664,367</u>
Pension obligation recognized in the consolidated balance sheets at end of year	<u>\$ (262,701)</u>	<u>(258,143)</u>
Amount recorded in unrestricted net assets at end of year for future pension cost:		
Net actuarial loss	\$ (261,977)	(261,594)
Prior service costs	<u>(1,060)</u>	<u>(1,317)</u>
	<u>\$ (263,037)</u>	<u>(262,911)</u>

The estimated prior service cost and net actuarial loss that will be amortized from unrestricted net assets in 2013 as a component of net periodic pension cost are approximately \$265,000 and \$17.9 million, respectively.

The accumulated benefit obligations at the Plan's measurement date for 2012 and 2011 was approximately \$614 million and \$553 million, respectively.

The components of net periodic pension cost for the years ended December 31 is as follows:

	2012	2011
	(Dollars in thousands)	
Service cost	\$ 26,353	20,983
Interest cost	30,816	30,047
Expected return on plan assets	(38,270)	(35,203)
Amortization of net prior service cost (credit)	257	(80)
Amortization of actuarial loss	<u>15,530</u>	<u>8,372</u>
Net periodic pension cost	<u>\$ 34,686</u>	<u>24,119</u>

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Notes to Consolidated Financial Statements

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The weighted average assumptions used to determine pension cost and benefit obligations at the Plan's measurement date (December 31):

	<u>2012</u>	<u>2011</u>
Discount rate for benefit obligations	4.30%	4.70%
Discount rate for net pension cost	4.70	5.49
Rate of compensation increase	4.00	4.00
Expected long-term rate of return on plan assets	8.50	8.50

The investment policy specifies the type of investment vehicles appropriate for the plan, asset allocation guidelines, criteria for selection of investment managers, procedures to maintain overall investment performance, as well as investment manager performance. The expected long-term rate of return on plan assets reflects long-term earnings expectations on existing plan assets and those contributions expected to be received during the current plan year. In estimating that rate, appropriate consideration was given to historical returns earned by plan assets in the fund and the rates of returns expected to be available for reinvestment. Rates of return were evaluated based on current capital market assumptions and investment allocations.

The range of target investment allocation percentages at December 31, 2012 are listed below:

Cash	0 – 5%
Equity securities	
Domestic	2 – 6%
International	6 – 8%
Fixed income securities	
Diversified bonds	10 – 12%
High yield	3 – 5%
Emerging market	2 – 4%
Other	
Global asset	13 – 15%
Risk parity	13 – 17%
Hedge funds	0 – 17%
Private equity	0 – 15%
Real assets	4 – 11%
Opportunistic funds	0 – 10%

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Notes to Consolidated Financial Statements

December 31, 2012 and 2011

The following tables present Kaleida's defined benefit pension plan's assets at December 31, 2012 and 2011 that are measured at fair value on a recurring basis. The hierarchy and inputs to valuation techniques to measure fair value of the plan's assets are the same as outlined above in note 7 of the consolidated financial statements (dollars in thousands):

2012						
	Total	Level 1	Level 2	Level 3	Redemption frequency	Days Notice
Investments						
Cash and cash equivalent: \$	3,423	3,423	—	—	Daily	Same day
Insurance contract	3,231	—	3,231	—	Daily	Same day
Equity securities						
Large-cap securities	30,935	24,452	6,483	—	Daily-monthly	Same day – 9 days
International securities	60,607	—	60,607	—	Daily-monthly	2 days – 30 days
Equity and fixed income mutual funds	102,639	102,639	—	—	Daily	Same day
Limited partnerships						
Hedge funds					Monthly – quarterly	20 – 100 days
	64,024	—	64,024	—		
Private equity	36,748	436	—	36,312	See note 7(a)	See note 7(a)
Global equity	71,126	—	71,126	—	Daily – monthly	2 days – 15 days
Domestic equity	25,216	—	17,997	7,219	Monthly-annually	30 – 60 days
Real assets	15,363	—	—	15,363	See note 7(a)	See note 7(a)
Fixed income	18,029	—	18,029	—	Monthly-annually	5 – 180 days
\$	<u>431,341</u>	<u>130,950</u>	<u>241,497</u>	<u>58,894</u>		

2011						
	Total	Level 1	Level 2	Level 3	Redemption frequency	Days Notice
Investments						
Cash and cash equivalent: \$	24,890	24,890	—	—	Daily	Same day
Insurance contract	3,593	—	3,593	—	Daily	Same day
Equity securities						
Large-cap securities	39,608	31,198	8,410	—	Daily-monthly	Same day – 9 days
International securities	71,348	—	71,348	—	Daily-monthly	2 days – 30 days
Equity and fixed income mutual funds	84,406	84,406	—	—	Daily	Same day
Limited partnerships						
Hedge funds					Monthly – semi-annually	20 – 100 days
	51,877	—	50,280	1,597		
Private equity	26,782	—	—	26,782	See note 7(a)	See note 7(a)
Global equity	67,327	—	67,327	—	Daily-monthly	3 days – 30 days
Domestic equity	9,634	—	—	9,634	Annually	60 days
Real assets	14,822	—	—	14,822	See note 7(a)	See note 7(a)
Fixed income	11,937	—	11,937	—	Daily	5-7 days
\$	<u>406,224</u>	<u>140,494</u>	<u>212,895</u>	<u>52,835</u>		

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Notes to Consolidated Financial Statements

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The insurance contract held within Kaleida's defined benefit plan is recorded at contract value which approximates fair value.

Under the terms of certain agreements, Kaleida has committed to contribute a specified level of capital over a defined period of time. Through December 31, 2012, Kaleida has committed to contribute approximately \$123.7 million to such limited partnerships, of which Kaleida has contributed approximately \$55.5 million and has outstanding commitments of \$68.2 million.

The following tables present additional information about the changes in Level 3 assets measured at fair value for the years ended December 31 follows (dollars in thousands):

2012					
	<u>Total</u>	<u>Real assets</u>	<u>Hedge funds</u>	<u>Private equity</u>	<u>Domestic equity</u>
Balance, beginning of year	\$ 52,835	14,822	1,597	26,782	9,634
Purchases	24,274	2,408	—	17,866	4,000
Sales	(24,098)	(3,033)	(1,597)	(11,468)	(8,000)
Realized gains	4,914	470	—	3,979	465
Realized losses	(17)	—	—	(17)	—
Change in unrealized gains and losses	986	696	—	(830)	1,120
Balance, end of year	<u>\$ 58,894</u>	<u>15,363</u>	<u>—</u>	<u>36,312</u>	<u>7,219</u>

2011					
	<u>Total</u>	<u>Real assets</u>	<u>Hedge funds</u>	<u>Private equity</u>	<u>Domestic equity</u>
Balance, beginning of year	\$ 81,343	9,913	32,179	19,518	19,733
Purchases	43,976	3,730	4,373	11,357	24,516
Sales	(80,041)	(760)	(35,607)	(9,057)	(34,617)
Realized gains	12,187	311	8,291	2,251	1,334
Realized losses	(2)	—	—	(2)	—
Change in unrealized gains and losses	(4,628)	1,628	(7,639)	2,715	(1,332)
Balance, end of year	<u>\$ 52,835</u>	<u>14,822</u>	<u>1,597</u>	<u>26,782</u>	<u>9,634</u>

Contributions – For the plan year ended December 31, 2012, Kaleida has contributed \$30.3 million. Expected contributions for the plan year ending December 31, 2013 will be made at a level recommended by Kaleida's consulting actuary and in accordance with ERISA funding requirements.

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Estimated Future Benefit Payments – The following benefit payments, which reflect expected future service, are as follows for the Plan (dollars in thousands):

2013	\$	20,014
2014		21,648
2015		23,741
2016		26,269
2017		29,330
2018 – 2020		194,800

The expected benefits are based on the same assumptions used to measure Kaleida's benefit obligations at December 31, 2012 and include future employee service.

Other Pension Benefit Plans – In addition, Kaleida contributes to a multi-employer defined benefit pension plan as required by union contracts from which benefits are paid to certain union employees. Additionally, Kaleida provides an employer-matched Tax Sheltered Annuity program (403(b) Plan) for nonunion employees. Total expense under these plans was approximately \$2.5 million and \$2.6 million for 2012 and 2011, respectively.

(b) Retiree Health and Life Insurance Plan

Kaleida also maintains a contributory retiree health and life insurance plan covering only certain eligible employees of DeGraff Memorial Hospital (DeGraff). The following table sets forth the funded status and amounts recognized in the consolidated balance sheets at December 31:

	<u>2012</u>	<u>2011</u>
	(Dollars in thousands)	
Accumulated postretirement obligation at end of year	\$ 4,734	5,796
Fair value of plan assets at end of year	<u>—</u>	<u>—</u>
Postretirement obligation recognized at end of year included as a component of other long-term liabilities	\$ <u>(4,734)</u>	<u>(5,796)</u>

Net postretirement benefit cost was approximately \$207,000 and \$452,000 for the years ended December 31, 2012 and 2011, respectively. The weighted average assumptions used to determine postretirement benefit cost and obligations at the Plan's measurement date (December 31):

	<u>2012</u>	<u>2011</u>
Discount rate for benefit obligations	3.80%	4.50%
Discount rate for net postretirement cost	4.50	5.20

For measurement purposes, 2012 increases in the per capita cost of covered health care benefits were assumed for medical and prescription drugs at 7.68%. The rate is assumed to decrease gradually on

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an annual basis. A one-percentage point change in assumed healthcare cost trend rates would not have a material impact on the future cost or benefit obligation.

(12) Asset Retirement Obligations

Kaleida has asset retirement obligations (AROs) to perform certain asset retirement activities in the event they renovate or demolish buildings in the future. The liability was initially measured at fair value and subsequently is adjusted for accretion expense and changes in the amount or timing of the estimated cash flows. The following table presents the activity for the AROs for the years ended December 31:

	2012	2011
	(Dollars in thousands)	(Dollars in thousands)
Balance at beginning of year	\$ 13,030	10,685
Net obligations settled in current period	(404)	(26)
Accretion expense	995	750
Adjustment to estimate	—	1,621
Balance at end of year	<u>\$ 13,621</u>	<u>13,030</u>

As a result of the consolidation of services from Millard Fillmore Gates as well as the relocation of services from the Deaconess Skilled Nursing facility in December 2011, Kaleida is evaluating re-use options for the buildings and property, which includes demolition and redevelopment. The net book value at December 31, 2012 of the respective buildings is zero.

(13) Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets at December 31 are available for the following purposes:

	2012	2011
	(Dollars in thousands)	(Dollars in thousands)
Capital expansion and improvements	\$ 8,435	28,943
Advancement of medical education and research and healthcare services	66,701	58,725
	<u>\$ 75,136</u>	<u>87,668</u>

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Permanently restricted net assets at December 31 are restricted as follows:

	<u>2012</u>	<u>2011</u>
	(Dollars in thousands)	
Funds to be held in perpetuity, the income from which is expendable to support healthcare services, including medical research	\$ 10,824	10,824
Funds to be held in perpetuity, the income from which is expendable to support pediatric healthcare services	<u>4,576</u>	<u>4,576</u>
	<u>\$ 15,400</u>	<u>15,400</u>

In 2012 and 2011, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes of operating expenses of approximately \$6.2 million and \$5.7 million, respectively, and purchases of equipment of \$22.6 million and \$30.0 million, respectively.

(14) Other Operating Revenue

Components of other operating revenue for the years ended December 31 are as follows:

	<u>2012</u>	<u>2011</u>
	(Dollars in thousands)	
Grant revenue	\$ 7,550	8,662
Unrestricted contributions	4,954	2,693
Rental revenue	3,475	3,562
Rebate and other miscellaneous revenue	6,656	4,027
Medical resident tax refund (a)	8,935	—
HITECH incentive funds (b)	<u>4,785</u>	<u>—</u>
	<u>\$ 36,355</u>	<u>18,944</u>

(a) Medical Resident Tax Refund

In March 2010, the IRS made an administrative determination to accept the position that medical residents were exempt from Federal Insurance Contribution Act (FICA) taxes for tax periods ending before April 1, 2005, when new IRS regulations went into effect. Kaleida, in conjunction with the University of Buffalo, in 2005 filed refund claims for years 1999 through the first quarter of 2005. As of December 31, 2012, with the acknowledgement by the IRS of receipt of the claims and the completion of the necessary actions to perfect the claims, Kaleida recorded a refund receivable for the employer portion of medical resident FICA paid for years 1999 through the first quarter of 2005, including applicable interest. The FICA refund receivable is included as a component of other accounts receivable in the accompanying consolidated balance sheet at December 31, 2012.

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Notes to Consolidated Financial Statements

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(b) HITECH Incentive Funds

During the year ended December 31, 2012, Kaleida attested to Medicare and Medicaid that it met the required elements for Stage 1 of the electronic health record meaningful use and therefore qualified to receive incentive funds under the HITECH Act for Medicare and Medicaid. The amount due from Medicare and Medicaid is recorded in other accounts receivable in the consolidated balance sheet as of December 31, 2012. Kaleida has expended in excess of \$30.0 million of capital and operating costs in their efforts to certify compliance for Stage 1 through December 31, 2012.

(15) Functional Expenses

Kaleida provides general healthcare services to residents within its geographic location. Expenses related to these services are as follows for the years ended December 31:

	<u>2012</u>	<u>2011</u>
	(Dollars in thousands)	
Healthcare services	\$ 1,073,668	1,071,945
General and administrative	<u>132,700</u>	<u>132,488</u>
	<u>\$ 1,206,368</u>	<u>1,204,433</u>

(16) Commitments and Contingencies

(a) Concentration of Credit Risk

Financial instruments that potentially subject Kaleida to concentrations of credit risk consist primarily of accounts receivable and certain investments. Investments, which include government obligations, equity securities, other alternative investments funds, and fixed income mutual funds, are not concentrated in any corporation or industry.

Kaleida receives a significant portion of its payments for services rendered from a limited number of government and commercial third-party payors, including Medicare, Medicaid, and various commercial insurance plans. Kaleida has not historically incurred any significant concentrated credit losses in the normal course of business.

(b) Collective Bargaining Agreements

A significant portion of Kaleida employees work under two year collective bargaining agreements, which will expire in May 2013.

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Consolidating Balance Sheet
December 31, 2012
(Dollars in thousands)

Assets	Hospital	Home care	Foundations	Other consolidated entities	Reclasses and eliminations	December 31, 2012 consolidated
Current assets						
Cash and cash equivalents	\$ 26,872	24,699	1,824	1,482	—	54,877
Investments	36,153	40,581	52,172	—	—	128,906
Accounts receivable						
Patient, net	131,421	14,080	—	2,092	—	147,593
Other	28,400	1,136	463	349	(6,165)	24,183
Inventories	19,236	565	—	691	—	20,492
Prepaid expenses and other current assets	10,275	538	109	376	—	11,298
Total current assets	<u>252,357</u>	<u>81,599</u>	<u>54,568</u>	<u>4,990</u>	<u>(6,165)</u>	<u>387,349</u>
Assets limited as to use						
Designated under debt agreements	41,989	—	—	—	—	41,989
Designated under self-insurance programs	123,714	5,475	—	—	—	129,189
Board designated and donor restricted	23,647	—	71,443	—	—	95,090
Other	2,005	—	—	—	—	2,005
	<u>191,355</u>	<u>5,475</u>	<u>71,443</u>	<u>—</u>	<u>—</u>	<u>268,273</u>
Property and equipment, less accumulated depreciation and amortization	487,514	2,606	1	12,614	—	502,735
Receivable from insurance recoveries	8,908	—	—	—	—	8,908
Grants receivable	3,400	—	—	—	—	3,400
Deferred financing costs, net	11,139	—	—	—	—	11,139
Interest in net assets of Foundations	132,994	—	—	—	(132,994)	—
Other	20,133	904	7,444	13,790	(28,522)	13,749
Total assets	<u>\$ 1,107,800</u>	<u>90,584</u>	<u>133,456</u>	<u>31,394</u>	<u>(167,681)</u>	<u>1,195,553</u>

KALEIDA HEALTH
Consolidating Balance Sheet
December 31, 2012
(Dollars in thousands)

Liabilities and Net Assets	Hospital	Home care	Foundations	Other consolidated entities	Reclasses and eliminations	December 31, 2012 consolidated
Current liabilities						
Accounts payable and other accrued expenses	\$ 69,595	1,765	462	442	(143)	72,121
Accrued payroll and related expenses	50,479	6,206	—	152	—	56,837
Estimated third-party payor settlements	6,894	960	—	—	—	7,854
Current portion of long-term debt	22,005	—	—	432	—	22,437
Other current liabilities	5,297	427	—	5,966	(6,022)	5,668
Total current liabilities	154,270	9,358	462	6,992	(6,165)	164,917
Long-term debt, less current portion	309,943	—	—	1,666	—	311,609
Construction costs payable	951	—	—	—	—	951
Estimated self-insurance reserves	175,421	5,475	—	—	—	180,896
Asset retirement obligations	13,621	—	—	—	—	13,621
Pension and postretirement obligations	267,936	—	—	—	—	267,936
Other long-term liabilities	5,764	—	—	19,107	(16,457)	8,414
Total liabilities	927,906	14,833	462	27,765	(22,622)	948,344
Net assets						
Unrestricted						
Available for operations	351,950	75,751	65,600	3,629	(77,665)	419,265
Provision for future benefit costs	(262,592)	—	—	—	—	(262,592)
Total unrestricted	89,358	75,751	65,600	3,629	(77,665)	156,673
Temporarily restricted	75,136	—	59,935	—	(59,935)	75,136
Permanently restricted	15,400	—	7,459	—	(7,459)	15,400
Total net assets	179,894	75,751	132,994	3,629	(145,059)	247,209
Total liabilities and net assets	\$ 1,107,800	90,584	133,456	31,394	(167,681)	1,195,553

See accompanying independent auditors' report

KALEIDA HEALTH
Consolidating Statement of Operating Revenue and Expenses
Year ended December 31, 2012
(Dollars in thousands)

	<u>Hospital</u>	<u>Home care</u>	<u>Foundations</u>	<u>Other consolidated entities</u>	<u>Reclasses and eliminations</u>	<u>December 31, 2012 consolidated</u>
Operating revenue						
Patient service revenue, net	\$ 1,095,439	81,149	—	25,143	—	1,201,731
Less Provision for bad debts	21,302	869	—	99	—	22,270
Net patient service revenue	1,074,137	80,280	—	25,044	—	1,179,461
Other operating revenue	30,906	522	4,954	1,346	(1,373)	36,355
Net assets released from restrictions for operations	2,653	—	3,509	—	—	6,162
Total operating revenue	1,107,696	80,802	8,463	26,390	(1,373)	1,221,978
Operating expenses						
Salaries and benefits	625,131	53,832	903	15,570	(142)	695,294
Purchased services and other	198,072	9,099	4,504	6,706	(1,231)	217,150
Medical and nonmedical supplies	196,033	8,040	10	5,174	—	209,257
Depreciation and amortization	67,423	994	1	675	—	69,093
Interest	15,253	—	—	321	—	15,574
Total operating expenses	1,101,912	71,965	5,418	28,446	(1,373)	1,206,368
Income (loss) from operations	5,784	8,837	3,045	(2,056)	—	15,610
Other income						
Investment income	9,947	2,001	3,247	286	—	15,481
Net realized gains on sale of investments	920	1,967	1,288	—	—	4,175
Net change in unrealized gains and losses on investments	3,349	1,687	2,325	219	—	7,580
Total other income	14,216	5,655	6,860	505	—	27,236
Excess (deficiency) of revenue over expenses	\$ 20,000	14,492	9,905	(1,551)	—	42,846

See accompanying independent auditors' report