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Part III

Statement of Program Service Accomplishments

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

1

Briefly describe the organization's mission

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 IS A PRODUCT OF THE 1998 MERGER OF BUFFALO GENERAL HOSPITAL (BUFFALO GENERAL), MILLARD FILLMORE GATES CIRCLE HOSPITAL (MILLARD GATES), 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 FIVE 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, KALEI

2

Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ?

Yes

checked

No

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

3

Did the organization cease conducting, or make significant changes in how it conducts, any program services?

Yes

checked

No

If "Yes," describe these changes on Schedule O

4

Describe the organization's program service accomplishments for each of its three largest program services, as measured by expenses Section 501(c)(3) and 501(c)(4) organizations and section 4947(a)(1) trusts are required to report the amount of grants and allocations to others, the total expenses, and revenue, if any, for each program service reported

4a

(Code) (Expenses \$ 954,291,507 including grants of \$ 392,500) (Revenue \$ 1,080,007,475)

See Attachment 1

4b

(Code) (Expenses \$ including grants of \$) (Revenue \$)

4c

(Code) (Expenses \$ including grants of \$) (Revenue \$)

4d

Other program services (Describe in Schedule O)

(Expenses \$ including grants of \$) (Revenue \$)

4e

Total program service expenses \$ 954,291,507

Form 990 (2011)

Part IV

Checklist of Required Schedules

		Yes	No	
1	Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? <i>If "Yes," complete Schedule A.</i> 	1	Yes	
2	Is the organization required to complete <i>Schedule B, Schedule of Contributors</i> (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? <i>If "Yes," complete Schedule C, Part I.</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? <i>If "Yes," complete Schedule C, Part II.</i> 	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? <i>If "Yes," complete Schedule C, Part III.</i> 	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? <i>If "Yes," complete Schedule D, Part I.</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? <i>If "Yes," complete Schedule D, Part II.</i> 	7		No
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? <i>If "Yes," complete Schedule D, Part III.</i> 	8		No
9	Did the organization report an amount in Part X, line 21, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? <i>If "Yes," complete Schedule D, Part IV.</i> 	9		No
10	Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? <i>If "Yes," complete Schedule D, Part V.</i> 	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? <i>If "Yes," complete Schedule D, Part VI.</i> 	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? <i>If "Yes," complete Schedule D, Part VII.</i> 	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? <i>If "Yes," complete Schedule D, Part VIII.</i> 	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? <i>If "Yes," complete Schedule D, Part IX.</i> 	11d	Yes	
e	Did the organization report an amount for other liabilities in Part X, line 25? <i>If "Yes," complete Schedule D, Part X.</i> 	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)? <i>If "Yes," complete Schedule D, Part X.</i> 	11f	Yes	
12a	Did the organization obtain separate, independent audited financial statements for the tax year? <i>If "Yes," complete Schedule D, Parts XI, XII, and XIII.</i> 	12a	Yes	
b	Was the organization included in consolidated, independent audited financial statements for the tax year? <i>If "Yes," and if the organization answered 'No' to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional.</i> 	12b	Yes	
13	Is the organization a school described in section 170(b)(1)(A)(ii)? <i>If "Yes," complete Schedule E.</i>	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? <i>If "Yes," complete Schedule F, Part I.</i>	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 U S ? <i>If "Yes," complete Schedule F, Part II and IV.</i>	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 U S ? <i>If "Yes," complete Schedule F, Part III and IV.</i>	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? <i>If "Yes," complete Schedule G, Part I.</i>	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? <i>If "Yes," complete Schedule G, Part II.</i>	18		No
19	Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? <i>If "Yes," complete Schedule G, Part III.</i>	19		No
20a	Did the organization operate one or more hospitals? <i>If "Yes," complete Schedule H.</i> 	20a	Yes	
b	If "Yes" to line 20a, did the organization attach its audited financial statement to this return? Note. All Form 990 filers that operated one or more hospitals must attach audited financial statements 	20b	Yes	

Part IV

Checklist of Required Schedules (continued)

21	Did the organization report more than \$5,000 of grants and other assistance to governments and organizations 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, questions 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 questions 24b–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, highly 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 a grant selection committee member, or to a person related to such an individual? <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 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, Parts II, III, IV, and V, line 1</i>	34	Yes	
35a	Is any related organization a controlled entity of the filing organization within the meaning of section 512(b)(13)?	35a	Yes	
b	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 11 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	489		
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, <i>Transmittal of Wage and Tax Statements</i> filed for the calendar year ending with or within the year covered by this return.	2a	9,966		
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 or securities 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?	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 8282?	7c			No
d	If "Yes," indicate the number of Forms 8282 filed during the year.	7d			
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	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. All 501(c)(29) organizations must list in Schedule O each state in which they are licensed to issue qualified health plans, the amount of reserves required by each state, and the amount of reserves the organization allocated to each state.	13a			
b	Enter the aggregate 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 aggregate 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		
1a	14		
b	Enter the number of voting members included in line 1a, above, who are independent	1b	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
b	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		
a	The governing body?	8a	Yes
b	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
b	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
b	Describe in Schedule O the process, if any, used by the organization to review the Form 990		
12a	Did the organization have a written conflict of interest policy? If "No," go to line 13	12a	Yes
b	Were officers, directors or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	12b	Yes
c	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?		
a	The organization's CEO, Executive Director, or top management official	15a	Yes
b	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
b	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. ☒ Own website ☐ Another's website ☒ Upon request
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. See Additional Data Table.
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 BUFFALO, NY 14210 (716) 859-8501

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 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 organizations compensated any current or former officer, director, or trustee

[illegible]

Part VII

1b	Sub-Total			
c	Total from continuation sheets to Part VII, Section A			
d	Total (add lines 1b and 1c)	9,616,933	0	1,112,855

2 Total number of individuals (including but not limited to those listed in Item 1) who received more than \$100,000 of reportable compensation from the organization. 387

		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 FIFTH ST PO BOX 5340 CINCINNATI, OH 452739626	CONSULTING	1,943,676
WNY RADIOLOGY LLC PO BOX 4029 BUFFALO, NY 14240	RADIOLOGY SERVICES	4,262,443
NUANCE COMMUNICATIONS INC PO BOX 7247-6924 PHILADELPHIA, PA 191706924	DICTATION SERVICES	2,225,004
SODEXHO MANAGEMENT INC PO BOXES 81049 WOBBURN, NY 018131049	CLEANING & LAUNDRY	3,934,764
VIRTUAL RADIOLOGY PO BOX 4029 BUFFALO, NY 14240	RADIOLOGY SERVICES	1,373,272
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 62		

Part VIII

Statement of Revenue

				(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	1,440,819				
	e	Government grants (contributions)	1e	10,909,787				
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	6,034,498				
	g	Noncash contributions included in lines 1a-1f \$ 1,550,460						
	h	Total. Add lines 1a-1f		18,385,104				
Program Service Revenue			Business Code					
	2a	SERVICE REVENUE	623990	1,073,931,308	1,073,931,308			
	b	MANAGEMENT FEES	561000	144,175		144,175		
	c	LABORATORY SERV	621500	3,121,861		3,121,861		
	d							
	e							
	f	All other program service revenue						
	g	Total. Add lines 2a-2f		1,077,197,344				
Other Revenue	3	Investment income (including dividends, interest and other similar amounts)		5,299,981	-214,904	102,119	5,412,766	
	4	Income from investment of tax-exempt bond proceeds . .		0				
	5	Royalties		0				
	6a	Gross rents	(i) Real	(ii) Personal				
			2,452,507					
			2,452,507					
	d	Net rental income or (loss)		2,452,507		58,483	2,394,024	
	7a	Gross amount from sales of assets other than inventory	(i) Securities	(ii) Other				
			233,504,672	38,938				
			222,951,714	15,000				
			10,552,958	23,938				
	d	Net gain or (loss)		10,576,896			10,576,896	
	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	VENDOR REBATES	900099	1,716,704	1,716,704				
b	UNIVERSITY LEASE INCOME	531120	706,584			706,584		
c	CAFETERIA	722210	19			19		
d	All other revenue		2,752,124	1,308,331	44,403	1,399,390		
e	Total. Add lines 11a-11d		5,175,431					
12	Total revenue. See Instructions		1,119,087,263	1,076,741,439	3,471,041	20,489,679		

Part IX

Statement of Functional Expenses

Section 501(c)(3) and 501(c)(4) organizations must complete all columns

All other organizations must complete column (A) but are not required to complete columns (B), (C), and (D)

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	392,500	392,500		
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	7,320,524		7,320,524	
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	465,805,687	426,379,255	39,426,432	
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	27,965,913		27,965,913	
9	Other employee benefits	91,160,564	63,629,940	27,530,624	
10	Payroll taxes	35,616,350	32,136,412	3,479,938	
11	Fees for services (non-employees)				
a	Management	0			
b	Legal	2,459,903	1,219,912	1,239,991	
c	Accounting	505,000		505,000	
d	Lobbying	275,458		275,458	
e	Professional fundraising See Part IV, line 17	0			
f	Investment management fees	0			
g	Other	108,615,768	93,701,120	14,914,648	
12	Advertising and promotion	2,668,246	1,168,241	1,500,005	
13	Office expenses	3,319,021	2,269,298	1,049,723	
14	Information technology	0			
15	Royalties	0			
16	Occupancy	6,656,969	3,463,879	3,193,090	
17	Travel	886,421	573,125	313,296	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials	0			
19	Conferences, conventions, and meetings	0			
20	Interest	10,227,620	8,175,244	2,052,376	
21	Payments to affiliates	0			
22	Depreciation, depletion, and amortization	56,640,799	45,312,639	11,328,160	
23	Insurance	21,846,661	16,592,881	5,253,780	
24	Other expenses Itemize expenses not covered above (List miscellaneous expenses in line 24f If line 24f amount exceeds 10% of line 25, column (A) amount, list line 24f expenses on Schedule O)				
a	HEALTH CARE SUPPLIES	186,446,356	186,290,843	155,513	
b	BAD DEBT EXPENSE	16,735,993	16,735,993		
c	EQUIPMENT RENTAL & MAINT	26,012,721	11,677,670	14,335,051	
d	UTILITIES	10,191,963	8,172,285	2,019,678	
e					
f	All other expenses	50,333,582	36,400,270	13,933,312	
25	Total functional expenses. Add lines 1 through 24f	1,132,084,019	954,291,507	177,792,512	0
26	Joint costs. Check here ☐ if following SOP 98-2 (ASC 958-720) Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation	0	0	0	0

Part X

Balance Sheet

					(A)		(B)
					Beginning of year		End of year
Assets	1	Cash—non-interest-bearing			534,416	1	475,006
	2	Savings and temporary cash investments			96,742,771	2	77,494,154
	3	Pledges and grants receivable, net			0	3	0
	4	Accounts receivable, net			135,996,337	4	133,854,817
	5	Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees. Complete Part II of Schedule L			0	5	0
	6	Receivables from other disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B). Complete Part II of Schedule L			0	6	0
	7	Notes and loans receivable, net			0	7	0
	8	Inventories for sale or use			21,909,693	8	19,127,555
	9	Prepaid expenses and deferred charges			9,924,277	9	10,999,998
	10a	Land, buildings, and equipment: cost or other basis. Complete Part VI of Schedule D	10a	1,528,394,248			
	b	Less: accumulated depreciation	10b	1,065,438,554	336,098,175	10c	462,955,694
	11	Investments—publicly traded securities			0	11	0
	12	Investments—other securities. See Part IV, line 11			215,985,857	12	183,086,445
	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			212,486,922	15	185,486,812
	16	Total assets. Add lines 1 through 15 (must equal line 34)			1,029,678,448	16	1,073,480,481
Liabilities	17	Accounts payable and accrued expenses			137,940,657	17	140,360,464
	18	Grants payable			0	18	0
	19	Deferred revenue			0	19	0
	20	Tax-exempt bond liabilities			188,175,482	20	177,398,754
	21	Escrow or custodial account liability. Complete Part IV of Schedule D			0	21	0
	22	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			35,624,187	23	106,426,054
	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			408,915,682	25	514,340,264
	26	Total liabilities. Add lines 17 through 25			770,656,008	26	938,525,536
Net Assets or Fund Balances	Organizations that follow SFAS 117, check here ☒ and complete lines 27 through 29, and lines 33 and 34.						
	27	Unrestricted net assets			130,649,199	27	31,887,201
	28	Temporarily restricted net assets			112,973,024	28	87,667,527
	29	Permanently restricted net assets			15,400,217	29	15,400,217
	Organizations that do not follow SFAS 117, check here ☐ 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			259,022,440	33	134,954,945
	34	Total liabilities and net assets/fund balances			1,029,678,448	34	1,073,480,481

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	1,119,087,263
2	Total expenses (must equal Part IX, column (A), line 25)	2	1,132,084,019
3	Revenue less expenses Subtract line 2 from line 1	3	-12,996,756
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	259,022,440
5	Other changes in net assets or fund balances (explain in Schedule O)	5	-111,070,739
6	Net assets or fund balances at end of year Combine lines 3, 4, and 5 (must equal Part X, line 33, column (B))	6	134,954,945

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 ☐ Cash ☒ Accrual ☐ 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?		No
b	Were the organization's financial statements audited by an independent accountant?	Yes	
c	If "Yes," to 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	
d	If "Yes" to line 2a or 2b, check a box below to indicate whether the financial statements for the year were issued on a separate basis, consolidated basis, or both ☐ Separate basis ☒ Consolidated basis ☐ Both consolidated and separated basis		
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	
b	If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits	Yes	

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.

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

OMB No 1545-0047

2011

Open to Public
Inspection

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 **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 33 1/3% 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 33 1/3% 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 Se**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 - Other

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 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 support?
			Yes	No	Yes	No	Yes	No	
Total									

Part II

Support Schedule for Organizations Described in IRC 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) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(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) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(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 (Explain in Part IV) Do not include gain or loss from the sale of capital assets						
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 2011 (line 6 column (f) divided by line 11 column (f))	14
15	Public Support Percentage for 2010 Schedule A, Part II, line 14	15
16a	33 1/3% support test—2011. 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—2010. If the organization did not check the 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—2011. 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—2010. 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 IRC 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) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(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) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(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 2011 (line 8 column (f) divided by line 13 column (f))	15	
16 Public support percentage from 2010 Schedule A, Part III, line 15	16	

Section D. Computation of Investment Income Percentage		
17 Investment income percentage for 2011 (line 10c column (f) divided by line 13 column (f))	17	
18 Investment income percentage from 2010 Schedule A, Part III, line 17	18	
19a 33 1/3% support tests—2011. 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—2010. 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. Supplemental Information. Complete this part to provide the explanation required by Part II, line 10; Part II, line 17a or 17b; or Part III, line 12. Also complete this part for any additional information. (See instructions).

Facts And Circumstances Test

Explanation

Additional Data

Software ID:

Software Version:

EIN: 16-1533232

Name: KALEIDA HEALTH

Form 990, Special Condition Description:

Special Condition Description

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	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W- 2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099- MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
ROBERT M ZAK VICE CHAIRMAN	1 0	X						0	0	0
MATTHEW L BROWN DIRECTOR	1 0	X						0	0	0
EVAN EVANS MD DIRECTOR	1 0	X						50,385	0	0
ROBERT J HALONEN PhD DIRECTOR	1 0	X						0	0	0
DARREN J KING DIRECTOR	1 0	X						0	0	0
JAMES KASKIE PRES/CEO EX-OFFICIO WITH VOTE	38 0	X		X				1,507,356	0	48,599
JOHN R KOELMEL CHAIRMAN	1 0	X						0	0	0
DAVID A MILLING MD DIRECTOR	1 0	X						0	0	0
HERMAN S MOGAVERO Jr MD TREASURER	1 0	X						0	0	0
DALE N SCHUMACHER DIRECTOR	1 0	X						0	0	0
FRANCISCO M VASQUEZ PhD DIRECTOR	1 0	X						0	0	0
AMY L CLIFTON DIRECTOR	1 0	X						0	0	0
KATHLEEN GRIMM MD EX-OFFICIO WITHOUT VOTE	1 0	X						0	0	0
CHRISTOPHER T GREENE ESQ DIRECTOR	1 0	X						0	0	0
ROBERT NOLAN GENERAL COUNSEL	38 0			X				519,340	0	27,143
CONNIE VARI COO	38 0			X				837,087	0	76,378
JOSEPH KESSLER CFO	38 0			X				610,837	0	225,190
MARGARET PAROSKI MD CMO	38 0			X				658,864	0	0
D ERIC POGUE CHIEF HUMAN RESOURCE OFFICER	38 0			X				293,942	0	24,654
TONI BOOKER EVP HUMAN RESOURCES OFFICER	38 0			X				318,027	0	79,208
CHERYL KLASS PRESIDENT-WCHOB	38 0				X			533,146	0	101,687
LAWRENCE ZIELINSKI PRESIDENT-BGH	38 0				X			515,382	0	61,511
DONALD BOYD SVP BUSINESS DEVELOPMENT	38 0				X			480,716	0	65,496
CHRISTOPHER LANE PRESIDENT-MFS	38 0				X			389,902	0	57,051
TAMARA OWEN PRESIDENT-MILLARD GATES	38 0				X			370,039	0	70,334

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	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
ANTHONY ZITO PRESIDENT- DEGRAFF	38 0				X			285,887	0	47,608
JAMES FOSTER MD CMO-WCHOB	38 0					X		398,678	0	39,423
STEPHANIE MANN MD EMPLOYED PHYSICIAN	38 0					X		337,373	0	13,009
LUCY CAMPBELL MD EMPLOYED PHYSICIAN	38 0					X		430,232	0	56,179
VINCENT CALLANAN MD EMPLOYED PHYSICIAN	38 0					X		415,875	0	42,684
KIEN LE MD EMPLOYED PHYSICIAN	38 0					X		344,628	0	19,212
ANDRAS VARI MD CMO - MFG	38 0						X	319,237	0	57,489

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

2011

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, 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 on behalf of or in opposition to candidates for public office 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?	☐ Yes ☐ No
4a	Was a correction made?	☐ Yes ☐ No
b	If "Yes," describe in Part IV	

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

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

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

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?		☐ Yes ☐ 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) 2008	(b) 2009	(c) 2010	(d) 2011	(e) Total
2a Lobbying non-taxable amount					
b Lobbying ceiling amount (150% of line 2a, column(e))					
c Total lobbying expenditures					
d Grassroots non-taxable amount					
e Grassroots ceiling amount (150% of line 2d, column (e))					
f Grassroots lobbying expenditures					

Part II-B

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

		(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		
	g Direct contact with legislators, their staffs, government officials, or a legislative body?	Yes		
	h Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
	i Other activities? If "Yes," describe in Part IV		No	
j Total lines 1c through 1i			275,458	
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 carryover 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) if BOTH Part III-A, lines 1 and 2 are answered "No" OR if Part III-A, line 3 is answered "Yes".

1	Dues, assessments and similar amounts from members	1	
2	Section 162(e) non-deductible lobbying and political expenditures (do not include amounts of political expenses for which the section 527(f) tax was paid).		
a	Current year	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, and Part II-B, line 1i.
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

2011

Open to Public Inspection

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

Attach to Form 990. See separate instructions.

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?	
	Yes No	
6	Did the organization inform all grantees, donors, and donor advisors in writing that grant funds may be used only for charitable purposes and not for the benefit of the donor or donor advisor, or for any other purpose conferring impermissible private benefit	
	Yes No	

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

1

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

☐ Preservation of land for public use (e g , recreation or pleasure)

☐ Preservation of an historically importantly land area

☐ Protection of natural habitat

☐ Preservation of a certified historic structure

☐ Preservation of open space

2

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

	Held at the End of the Year
a	Total number of conservation easements
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

3

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

4

Number of states where property subject to conservation easement is located

5

Does the organization have a written policy regarding the periodic monitoring, inspection, 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 170(h)(4)(B)(ii)?

Yes

No

9

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

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

1a

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

b

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

(i)

Revenues included in Form 990, Part VIII, line 1

\$

(ii)

Assets included in Form 990, Part X

\$

2

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

a

Revenues included in Form 990, Part VIII, line 1

\$

b

Assets included in Form 990, Part X

\$

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

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

- a** ☐ Public exhibition
- d** ☐ Loan or exchange programs
- b** ☐ Scholarly research
- e** ☐ Other
- c** ☐ Preservation for future generations

4 Provide a description of the organization’s collections and explain how they further the organization’s exempt purpose in Part XIV

5 During the year, did the organization solicit or receive donations of art, historical treasures or other similar assets to be sold to raise funds rather than to be maintained as part of the organization’s collection? ☐ **Yes** ☐ **No**

Part IV 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 XIV 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 XIV

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

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

2 Provide the estimated percentage of the year end balance held as

- a** Board designated or quasi-endowment ▶ 38 550 %
- b** Permanent endowment ▶
- c** Term endowment ▶ 61 450 %

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

	Yes	No
(i) unrelated organizations	3a(i)	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 XIV 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		8,697,769		8,697,769
b Buildings		392,080,504	310,186,841	81,893,663
c Leasehold improvements				
d Equipment		1,114,931,833	746,559,434	368,372,399
e Other		12,684,142	8,692,279	3,991,863
Total. Add lines 1a-1e <i>(Column (d) should equal Form 990, Part X, column (B), line 10(c).)</i> ▶				462,955,694

(a) Description of security or category (including name of security)	(b) Book value	(c) Method of valuation Cost or end-of-year market value
(1) Financial derivatives		
(2) Closely-held equity interests		
Other		
See Additional Data Table		
Total. (Column (b) should equal Form 990, Part X, col (B) line 12)	183,086,445	

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

(a) Description	(b) Book value
(1) DEFERRED FINANCING	12,193,502
(2) EQUITY IN UNCONSOLIDATED AFFIL	117,662,711
(3) OTHER RECEIVABLES	12,724,695
(4) OTHER ASSETS	14,521,374
(5) INSURANCE RECOVERIES REC	9,077,792
(6) LONG TERM GRANT FROM HEAL NY	19,306,738
Total. (Column (b) should equal Form 990, Part X, col.(B) line 15.)	185,486,812

(a) Description of Liability	(b) Amount
Federal Income Taxes	0
DUE TO THIRD PARTY PAYORS	21,910,117
SELF INSURANCE LIABILITY	161,174,158
LINE OF CREDIT	10,000,000
OTHER LIABILITIES	22,022,932
PENSION LIABILITY	264,766,842
ASSET RETIREMENT OBLIGATIONS	13,030,337
CAPITAL LEASE OBLIGATIONS	8,146,233
CONSTRUCTIONS PAYABLE	13,289,645
Total. (Column (b) should equal Form 990, Part X, col (B) line 25) ▶	514,340,264

Schedule D (Form 990) 2011

Part XI

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

1	Total revenue (Form 990, Part VIII, column (A), line 12)	1	1,119,087,263
2	Total expenses (Form 990, Part IX, column (A), line 25)	2	1,132,084,019
3	Excess or (deficit) for the year Subtract line 2 from line 1	3	-12,996,756
4	Net unrealized gains (losses) on investments	4	-11,418,642
5	Donated services and use of facilities	5	
6	Investment expenses	6	
7	Prior period adjustments	7	
8	Other (Describe in Part XIV)	8	-7,923,670
9	Total adjustments (net) Add lines 4 - 8	9	-19,342,312
10	Excess or (deficit) for the year per financial statements Combine lines 3 and 9	10	-32,339,068

Part XII

Reconciliation of Revenue per Audited Financial Statements With Revenue per Return

1	Total revenue, gains, and other support per audited financial statements	1	1,107,792,402
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12		
a	Net unrealized gains on investments	2a	
b	Donated services and use of facilities	2b	
c	Recoveries of prior year grants	2c	
d	Other (Describe in Part XIV)	2d	-702,686
e	Add lines 2a through 2d	2e	-702,686
3	Subtract line 2e from line 1	3	1,108,495,088
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 XIV)	4b	10,592,175
c	Add lines 4a and 4b	4c	10,592,175
5	Total Revenue Add lines 3 and 4c. (This should equal Form 990, Part I, line 12)	5	1,119,087,263

Part XIII

Reconciliation of Expenses per Audited Financial Statements With Expenses per Return

1	Total expenses and losses per audited financial statements	1	1,140,131,470
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 XIV)	2d	11,418,642
e	Add lines 2a through 2d	2e	11,418,642
3	Subtract line 2e from line 1	3	1,128,712,828
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 XIV)	4b	3,371,191
c	Add lines 4a and 4b	4c	3,371,191
5	Total expenses Add lines 3 and 4c. (This should equal Form 990, Part I, line 18)	5	1,132,084,019

Part XIV

Supplemental Information

Complete this part to provide the descriptions required for Part II, lines 3, 5, and 9, Part III, lines 1a and 4, Part IV, lines 1b and 2b, Part V, line 4, Part X, Part XI, line 8, Part XII, lines 2d and 4b, and Part XIII, lines 2d and 4b. Also complete this part to provide any additional information.

Identifier	Return Reference	Explanation
FIN 48 FOOTNOTE	SCHEDULE D, PART X, QUESTION 2	THE ORGANIZATION'S AUDITED FINANCIAL STATEMENTS DO NOT REPORT ANY LIABILITY OR HAVE ANY FOOTNOTE REPORTING THE ORGANIZATION'S LIABILITY FOR UNCERTAIN TAX POSITIONS UNDER FIN 48
INTENDED USE OF ENDOWMENT FUNDS	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
RECONCILIATION OF CHANGE IN NET ASSETS FROM 990 TO AUDITED FINANCIAL STMTS	SCH D, PART XI, LINE 8	LESS MINORITY INTEREST IN SUB <702,686> LESS CONTRIBUTIONS FOR CAPITAL ACQUIS <3,443,169> LESS RESTRICTED CONTRIBUTIONS <5,877,436> LESS RESTRICTED INVESTMENT INCOME <1,271,570> PLUS NET ASSETS RELEASED FROM RESTRICTION 3,371,191 ----- TOTAL <7,923,670>
OTHER REVENUE INCLUDED ON BOOKS BUT NOT ON RETURN	SCH D, PART XII, LINE 2D	MINORITY INTEREST IN SUBSIDIARY <702,686>
OTHER REVENUE ON RETURN BUT NOT ON BOOKS	SCH D, PART XII, LINE 4B	CONTRIBUTIONS FOR CAPITAL ACQUISITIONS 3,443,169 RESTRICTED CONTRIBUTIONS 5,877,436 RESTRICTED INVESTMENT INCOME 1,271,570 ----- TOTAL 10,592,175
OTHER EXPENSES INCLUDED ON BOOKS BUT NOT ON RETURN	SCH D, PART XIII, LINE 2D	UNREALIZED LOSSES ON INVESTMENTS 11,418,642
OTHER EXPENSES ON RETURN BUT NOT ON BOOKS	SCHEDULE D, PART XIII, LINE 4B	NET ASSETS RELEASED FROM RESTRICTIONS 3,371,191

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
VAR PUBL TRADED SECURITIES	84,453,285	F
BRANDES INTERNATIONAL EQUITY	6,780,537	F
INTECH RISK-MANAGED L CAP FUND	4,091,012	F
FEDERAL ST ASSOC OFFSHORE FUND	599,940	F
MCM CF GLOBAL ALPHA I FUND	3,611,220	F
WTC CTF RESEAR VALUE PUR 4/06	4,196,015	F
BENCHMARK PLUS INST PART L CAP	6,288,408	F
WTC CIF OPPORTUNISTIC FUND	8,206,871	F
CHARITABLE TEMPORARY INVEST FD	9	F
KALEIDA MIT COMMON FUND LP	154,709	F
COMMON CAP VENTURE PTNRS VI	313,296	F
COMMON FND CAP PRIVATE EQ P V	324,088	F
KALEIDA MIT REALITY LP	777,599	F
KALEIDA SI REALITY LP	1,383,067	F
DWS GLOBAL COMMODITIES	8,001,830	F
ROBECO GLOBAL EMERGING MARKETS	5,342,611	F
AQR GLOBAL RISK	5,807,283	F
PANAGORA RISK PARITY TOTAL RET	7,676,940	F
AAM HIGH YIELD TOTAL RET FUND	4,704,078	F
PICTET LOCAL EMERGING	8,244,468	F
ABERDEEN EMERGING MARKETS	2,997,058	F
PERMAL FIXED INCOME HOLDING	4,807,899	F
CRESTLINE OFFSHORE FUND	5,197,782	F
PUTNAM TOTAL RETURN FUND	7,615,367	F
AQR GLOBAL RISK PREM OFFSHORE	1,511,073	F
ARDEN ENDOWMENT ADVISORS CL G	0	F

Form 990, Schedule D, Part X, - Other Liabilities

1 (a) Description of Liability	(b) Amount
DUE TO THIRD PARTY PAYORS	21,910,117
SELF INSURANCE LIABILITY	161,174,158
LINE OF CREDIT	10,000,000
OTHER LIABILITIES	22,022,932
PENSION LIABILITY	264,766,842
ASSET RETIREMENT OBLIGATIONS	13,030,337
CAPITAL LEASE OBLIGATIONS	8,146,233
CONSTRUCTIONS PAYABLE	13,289,645

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

2011

Open to Public Inspection

Name of the organization
KALEIDA HEALTH

Employer identification number
16-1533232

Part I

Charity Care and Certain Other Community Benefits at Cost

		Yes	No	
1a	Did the organization have a charity care policy? If "No," skip to question 6a	1a	Yes	
b	If "Yes," is it a written policy?	1b	Yes	
2	If the organization had multiple hospitals, indicate which of the following best describes application of the charity care policy to the various hospitals ☒ Applied uniformly to all hospitals ☐ Generally tailored to individual hospitals ☐ Applied uniformly to most hospitals			
3	Answer the following based on the charity care eligibility criteria that applies to the largest number of the organization's patients during the tax year a Did the organization use Federal Poverty Guidelines (FPG) to determine eligibility for providing <i>free</i> care? If "Yes," indicate which of the following is the FPG family income limit for eligibility for free care ☐ 100%☐ 150%☒ 200%☐ Other _____% b Did the organization use FPG to determine eligibility for providing <i>discounted</i> care? If "Yes," indicate which of the following is the family income limit for eligibility for discounted care ☐ 200%☐ 250%☐ 300%☐ 350%☒ 400%☐ Other _____% c If the organization did not use FPG to determine eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care Include in the description whether the organization uses an asset test or other threshold, regardless of income, to determine eligibility for free or discounted care 4 Did the organization's policy provide 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?	5a	Yes	
b	If "Yes," did the organization's charity care expenses exceed the budgeted amount?	5b	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?	5c		No
6a	Did the organization prepare a community benefit report during the tax year?	6a	Yes	
6b	If "Yes," did the organization make it available to the public?	6b	Yes	
	Complete the following table using the worksheets provided in the Schedule H instructions Do not submit these worksheets with the Schedule H			

7

Charity Care and Certain Other Community Benefits at Cost

Charity Care 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 Charity care at cost (from Worksheet 1)			17,683,287	3,157,700	14,525,587	1 300 %
b Medicaid (from Worksheet 3, column a)			285,376,934	209,231,604	76,145,330	6 830 %
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d Total Charity Care and Means-Tested Government Programs			303,060,221	212,389,304	90,670,917	8 130 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			4,888,236		4,888,236	0 440 %
f Health professions education (from Worksheet 5)			44,411,529	21,089,778	23,321,751	2 090 %
g Subsidized health services (from Worksheet 6)			34,823,901	11,788,237	23,035,664	2 070 %
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)						
j Total Other Benefits			84,123,666	32,878,015	51,350,856	4 610 %
k Total. Add lines 7d and 7j			387,183,887	245,267,319	142,021,773	12 740 %

Part IICommunity Building Activities

Complete this table if the organization conducted any community building activities.

	(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
1Physical improvements and housing						
2Economic development						
3Community support						
4Environmental improvements						
5Leadership development and training for community members						
6Coalition building						
7Community health improvement advocacy						
8Workforce development						
9Other						
10Total						

Part IIIBad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

		Yes	No
1Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No. 15?	1	Yes	
2Enter the amount of the organization's bad debt expense	2	11,130,866	
3Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's charity care policy	3	811,440	
4Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense. In addition, describe the costing methodology used in determining the amounts reported on lines 2 and 3, and rationale for including a portion of bad debt amounts as community benefit.			

Section B. Medicare

5Enter total revenue received from Medicare (including DSH and IME)	5	173,929,114	
6Enter Medicare allowable costs of care relating to payments on line 5	6	170,383,025	
7Subtract line 6 from line 5. This is the surplus or (shortfall).	7	3,546,089	
8Describe 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

9aDid the organization have a written debt collection policy during the tax year?	9a	Yes	
bIf "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 IVManagement Companies and Joint Ventures (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 %
1MFSC LLC	PHYSICIAN SERVICES	51.000 %		49.000 %
2COMMUNITY MEDICAL PC	PHYSICIAN SERVICES			100.000 %
3GENERAL PHYSICIANS P	PHYSICIAN SERVICES			100.000 %
4HARLEM ROAD LEASING	MRI EQUIPMENT LEASING	50.000 %		
5AMTON IMAGING LLC	HEALTH CARE SERVICES	40.000 %		
6PARK CLUB LANE LLC	HEALTH CARE SERVICES	30.000 %		
7WNY HEALTNET LLC	HEALTH CARE SERVICES	14.286 %		
8CHILD HEALTH INV I	HEALTH CARE SERVICES	2.972 %		
9CHILD HEALTH INV II	HEALTH CARE SERVICES	1.107 %		
10SITE E LLC	REAL ESTATE LEASING CO	50.225 %		
11NORTHTOWNS VENTURE L	HEALTH CARE SERVICES	50.000 %		
12				
13				

Section A. Hospital Facilities

How many hospital facilities did the organization operate during the tax year? 5

Name and address

[illegible]

Part V

Facility Information (continued)

Section B. Facility Policies and Practices.

(Complete a separate Section B for each of the hospital facilities listed in Part V, Section A)

BUFFALO GENERAL HOSPITAL

Name of Hospital Facility:

Line Number of Hospital Facility (from Schedule H, Part V, Section A):1

	Yes	No
Community Health Needs Assessment (Lines 1 through 7 are optional for 2011)		
1 During the tax year or any prior tax year, did the hospital facility conduct a community health needs assessment ("Needs Assessment")? If "No," skip to question 8 If "Yes," indicate what the Needs Assessment describes (check all that apply) a ☐ A definition of the community served by the hospital facility b ☐ Demographics of the community c ☐ Existing health care facilities and resources within the community that are available to respond to the health needs of the community d ☐ How data was obtained e ☐ The health needs of the community f ☐ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups g ☐ The process for identifying and prioritizing community health needs and services to meet those needs h ☐ The process for consulting with persons representing the community's interests i ☐ Information gaps that limit the hospital facility's ability to assess the community's health needs j ☐ Other (describe in Part VI)	1	
2 Indicate the tax year the hospital facility last conducted a Needs Assessment 20 ____		
3 In conducting its most recent Needs Assessment, did the hospital facility take into account input from persons who represent the community served by the hospital facility? 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 Needs Assessment 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 Needs Assessment widely available to the public? If "Yes," indicate how the Needs Assessment was made widely available (check all that apply) a ☐ Hospital facility's website b ☐ Available upon request from the hospital facility c ☐ Other (describe in Part VI)	5	
6 If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply) a ☐ Adoption of an implementation strategy to address the health needs of the hospital facility's community b ☐ Execution of the implementation strategy c ☐ Development of a community-wide community benefit plan for the facility d ☐ Participation in community-wide community benefit plan e ☐ Inclusion of a community benefit section in operational plans f ☐ Adoption of a budget for provision of services that address the needs identified in the CHNA g ☐ Prioritization of health needs in the community h ☐ Prioritization of services that the hospital facility will undertake to meet health needs in its community i ☐ Other (describe in Part VI)		
7 Did the hospital facility address all of the needs identified in its most recently conducted Needs Assessment? If "No," explain in Part VI which needs it has not addressed together with the reasons why it has not addressed such needs	7	
Financial Assistance Policy		
Did the hospital facility have in place during the tax year a written financial assistance policy that		
8 Explains eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	8	Yes
9 Used federal poverty guidelines (FPG) to determine eligibility for providing free care? If "Yes," indicate the FPG family income limit for eligibility for free care 200 % If "No," explain in Part VI the criteria the hospital facility used	9	Yes

Part V

Facility Information (continued)

		Yes	No
10	Used FPG to determine eligibility for providing discounted 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	10	Yes
11	Explained the basis for calculating amounts charged to patients? If "Yes," indicate the factors used in determining such amounts (check all that apply) a ☒ Income level b ☒ Asset level c ☐ Medical indigency d ☒ Insurance status e ☒ Uninsured discount f ☒ Medicaid/Medicare g ☒ State regulation h ☐ Other (describe in Part VI)	11	Yes
12	Explained the method for applying for financial assistance?	12	Yes
13	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) a ☐ The policy was posted at all times on the hospital facility's web site b ☐ The policy was attached to all billing invoices c ☐ The policy was posted in the hospital facility's emergency rooms or waiting rooms d ☐ The policy was posted in the hospital facility's admissions offices e ☐ The policy was provided, in writing, to patients upon admission to the hospital facility f ☒ The policy was available upon request g ☒ Other (describe in Part VI)	13	Yes

Billing and Collections

14	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?	14	Yes
15	Check all of the following collection 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 ☐ Reporting to credit agency b ☒ Lawsuits c ☒ Liens on residences d ☐ Body attachments or arrests e ☒ Other similar actions (describe in Part VI)		
16	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? If "Yes," check all actions in which the hospital facility or a third party engaged a ☐ Reporting to credit agency b ☒ Lawsuits c ☒ Liens on residences d ☐ Body attachments e ☒ Other similar actions (describe in Part VI)	16	Yes
17	Indicate which efforts the hospital facility made before initiating any of the actions checked in question 16 (check all that apply) a ☒ Notified patients of the financial assistance policy upon admission b ☐ Notified patients of the financial assistance policy prior to discharge c ☒ Notified patients 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)		

Part V

Facility Information (continued)

Policy Relating to Emergency Medical Care

	Yes	No
18 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 ☐ The hospital facility did not provide care for any emergency medical conditions		
b ☐ The hospital facility's policy was not in writing		
c ☐ The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)		
d ☐ Other (describe in Part VI)		

Individuals Eligible for Financial Assistance

19 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 ☐ The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged		
b ☐ The hospital facility used the average of it's three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged		
c ☐ The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged		
d ☐ Other (describe in Part VI)		
20 Did the hospital facility charge any of its patients who were eligible for assistance under the hospital facility's financial assistance policy, and 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	20	No
21 Did the hospital facility charge any of its FAP-eligible patients an amount equal to the gross charge for services provided to that patient? If "Yes," explain in Part VI	21	No

Part V Facility Information (continued)

Section B. Facility Policies and Practices.

(Complete a separate Section B for each of the hospital facilities listed in Part V, Section A)

Women & Children's Hospital of Buffalo

Name of Hospital Facility: _____

Line Number of Hospital Facility (from Schedule H, Part V, Section A): _____ 2

	Yes	No
Community Health Needs Assessment (Lines 1 through 7 are optional for 2011)		
1 During the tax year or any prior tax year, did the hospital facility conduct a community health needs assessment ("Needs Assessment")? If "No," skip to question 8 If "Yes," indicate what the Needs Assessment describes (check all that apply)	1	
a ☐ A definition of the community served by the hospital facility		
b ☐ Demographics of the community		
c ☐ Existing health care facilities and resources within the community that are available to respond to the health needs of the community		
d ☐ How data was obtained		
e ☐ The health needs of the community		
f ☐ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups		
g ☐ The process for identifying and prioritizing community health needs and services to meet those needs		
h ☐ The process for consulting with persons representing the community's interests		
i ☐ Information gaps that limit the hospital facility's ability to assess the community's health needs		
j ☐ Other (describe in Part VI)		
2 Indicate the tax year the hospital facility last conducted a Needs Assessment 20 ____		
3 In conducting its most recent Needs Assessment, did the hospital facility take into account input from persons who represent the community served by the hospital facility? 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 Needs Assessment 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 Needs Assessment widely available to the public? If "Yes," indicate how the Needs Assessment was made widely available (check all that apply)	5	
a ☐ Hospital facility's website		
b ☐ Available upon request from the hospital facility		
c ☐ Other (describe in Part VI)		
6 If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply)		
a ☐ Adoption of an implementation strategy to address the health needs of the hospital facility's community		
b ☐ Execution of the implementation strategy		
c ☐ Development of a community-wide community benefit plan for the facility		
d ☐ Participation in community-wide community benefit plan		
e ☐ Inclusion of a community benefit section in operational plans		
f ☐ Adoption of a budget for provision of services that address the needs identified in the CHNA		
g ☐ Prioritization of health needs in the community		
h ☐ Prioritization of services that the hospital facility will undertake to meet health needs in its community		
i ☐ Other (describe in Part VI)		
7 Did the hospital facility address all of the needs identified in its most recently conducted Needs Assessment? If "No," explain in Part VI which needs it has not addressed together with the reasons why it has not addressed such needs	7	
Financial Assistance Policy		
Did the hospital facility have in place during the tax year a written financial assistance policy that		
8 Explains eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	8	Yes
9 Used federal poverty guidelines (FPG) to determine eligibility for providing free 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	9	Yes

Part V

Facility Information (continued)

		Yes	No	
10	Used FPG to determine eligibility for providing discounted 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	10	Yes	
11	Explained the basis for calculating amounts charged to patients? If "Yes," indicate the factors used in determining such amounts (check all that apply) a ☒ Income level b ☒ Asset level c ☐ Medical indigency d ☒ Insurance status e ☒ Uninsured discount f ☒ Medicaid/Medicare g ☒ State regulation h ☐ Other (describe in Part VI)	11	Yes	
12	Explained the method for applying for financial assistance?	12	Yes	
13	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) a ☐ The policy was posted at all times on the hospital facility's web site b ☐ The policy was attached to all billing invoices c ☐ The policy was posted in the hospital facility's emergency rooms or waiting rooms d ☐ The policy was posted in the hospital facility's admissions offices e ☐ The policy was provided, in writing, to patients upon admission to the hospital facility f ☒ The policy was available upon request g ☒ Other (describe in Part VI)	13	Yes	

Billing and Collections

14	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?	14	Yes	
15	Check all of the following collection 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 ☐ Reporting to credit agency b ☒ Lawsuits c ☒ Liens on residences d ☐ Body attachments or arrests e ☒ Other similar actions (describe in Part VI)			
16	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? If "Yes," check all actions in which the hospital facility or a third party engaged a ☐ Reporting to credit agency b ☒ Lawsuits c ☒ Liens on residences d ☐ Body attachments e ☒ Other similar actions (describe in Part VI)	16	Yes	
17	Indicate which efforts the hospital facility made before initiating any of the actions checked in question 16 (check all that apply) a ☒ Notified patients of the financial assistance policy upon admission b ☐ Notified patients of the financial assistance policy prior to discharge c ☒ Notified patients 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)			

Part V

Facility Information (continued)

Policy Relating to Emergency Medical Care

		Yes	No
18	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	☐ The hospital facility did not provide care for any emergency medical conditions		
b	☐ The hospital facility's policy was not in writing		
c	☐ The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)		
d	☐ Other (describe in Part VI)		

Individuals Eligible for Financial Assistance

19	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	☐ The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged		
b	☐ The hospital facility used the average of it's three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged		
c	☐ The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged		
d	☐ Other (describe in Part VI)		
20	Did the hospital facility charge any of its patients who were eligible for assistance under the hospital facility's financial assistance policy, and 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
21	Did the hospital facility charge any of its FAP-eligible patients an amount equal to the gross charge for services provided to that patient? If "Yes," explain in Part VI		No

Part V

Facility Information (continued)

Section B. Facility Policies and Practices.

(Complete a separate Section B for each of the hospital facilities listed in Part V, Section A)

Millard Fillmore Suburban Hospital

Name of Hospital Facility:

Line Number of Hospital Facility (from Schedule H, Part V, Section A):3

	Yes	No
Community Health Needs Assessment (Lines 1 through 7 are optional for 2011)		
1 During the tax year or any prior tax year, did the hospital facility conduct a community health needs assessment ("Needs Assessment")? If "No," skip to question 8 If "Yes," indicate what the Needs Assessment describes (check all that apply) a ☐ A definition of the community served by the hospital facility b ☐ Demographics of the community c ☐ Existing health care facilities and resources within the community that are available to respond to the health needs of the community d ☐ How data was obtained e ☐ The health needs of the community f ☐ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups g ☐ The process for identifying and prioritizing community health needs and services to meet those needs h ☐ The process for consulting with persons representing the community's interests i ☐ Information gaps that limit the hospital facility's ability to assess the community's health needs j ☐ Other (describe in Part VI)	1	
2 Indicate the tax year the hospital facility last conducted a Needs Assessment 20 ____		
3 In conducting its most recent Needs Assessment, did the hospital facility take into account input from persons who represent the community served by the hospital facility? 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 Needs Assessment 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 Needs Assessment widely available to the public? If "Yes," indicate how the Needs Assessment was made widely available (check all that apply) a ☐ Hospital facility's website b ☐ Available upon request from the hospital facility c ☐ Other (describe in Part VI)	5	
6 If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply) a ☐ Adoption of an implementation strategy to address the health needs of the hospital facility's community b ☐ Execution of the implementation strategy c ☐ Development of a community-wide community benefit plan for the facility d ☐ Participation in community-wide community benefit plan e ☐ Inclusion of a community benefit section in operational plans f ☐ Adoption of a budget for provision of services that address the needs identified in the CHNA g ☐ Prioritization of health needs in the community h ☐ Prioritization of services that the hospital facility will undertake to meet health needs in its community i ☐ Other (describe in Part VI)		
7 Did the hospital facility address all of the needs identified in its most recently conducted Needs Assessment? If "No," explain in Part VI which needs it has not addressed together with the reasons why it has not addressed such needs	7	
Financial Assistance Policy		
Did the hospital facility have in place during the tax year a written financial assistance policy that		
8 Explains eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	8	Yes
9 Used federal poverty guidelines (FPG) to determine eligibility for providing free care? If "Yes," indicate the FPG family income limit for eligibility for free care 200 % If "No," explain in Part VI the criteria the hospital facility used	9	Yes

Part V

Facility Information (continued)

		Yes	No	
10	Used FPG to determine eligibility for providing discounted 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	10	Yes	
11	Explained the basis for calculating amounts charged to patients? If "Yes," indicate the factors used in determining such amounts (check all that apply) a ☒ Income level b ☒ Asset level c ☐ Medical indigency d ☒ Insurance status e ☒ Uninsured discount f ☒ Medicaid/Medicare g ☒ State regulation h ☐ Other (describe in Part VI)	11	Yes	
12	Explained the method for applying for financial assistance?	12	Yes	
13	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) a ☐ The policy was posted at all times on the hospital facility's web site b ☐ The policy was attached to all billing invoices c ☐ The policy was posted in the hospital facility's emergency rooms or waiting rooms d ☐ The policy was posted in the hospital facility's admissions offices e ☐ The policy was provided, in writing, to patients upon admission to the hospital facility f ☒ The policy was available upon request g ☒ Other (describe in Part VI)	13	Yes	

Billing and Collections

14	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?	14	Yes	
15	Check all of the following collection 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 ☐ Reporting to credit agency b ☒ Lawsuits c ☒ Liens on residences d ☐ Body attachments or arrests e ☒ Other similar actions (describe in Part VI)			
16	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? If "Yes," check all actions in which the hospital facility or a third party engaged a ☐ Reporting to credit agency b ☒ Lawsuits c ☒ Liens on residences d ☐ Body attachments e ☒ Other similar actions (describe in Part VI)	16	Yes	
17	Indicate which efforts the hospital facility made before initiating any of the actions checked in question 16 (check all that apply) a ☒ Notified patients of the financial assistance policy upon admission b ☐ Notified patients of the financial assistance policy prior to discharge c ☒ Notified patients 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)			

Part V

Facility Information (continued)

Policy Relating to Emergency Medical Care

		Yes	No
18	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	☐ The hospital facility did not provide care for any emergency medical conditions		
b	☐ The hospital facility's policy was not in writing		
c	☐ The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)		
d	☐ Other (describe in Part VI)		

Individuals Eligible for Financial Assistance

19	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	☐ The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged		
b	☐ The hospital facility used the average of it's three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged		
c	☐ The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged		
d	☐ Other (describe in Part VI)		
20	Did the hospital facility charge any of its patients who were eligible for assistance under the hospital facility's financial assistance policy, and 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
21	Did the hospital facility charge any of its FAP-eligible patients an amount equal to the gross charge for services provided to that patient? If "Yes," explain in Part VI		No

Part V Facility Information (continued)

Section B. Facility Policies and Practices.

(Complete a separate Section B for each of the hospital facilities listed in Part V, Section A)

Millard Fillmore Gates Circle Hospital

Name of Hospital Facility:_____

Line Number of Hospital Facility (from Schedule H, Part V, Section A):_____4_____

		Yes	No
Community Health Needs Assessment (Lines 1 through 7 are optional for 2011)			
1 During the tax year or any prior tax year, did the hospital facility conduct a community health needs assessment ("Needs Assessment")? If "No," skip to question 8 If "Yes," indicate what the Needs Assessment describes (check all that apply) a ☐ A definition of the community served by the hospital facility b ☐ Demographics of the community c ☐ Existing health care facilities and resources within the community that are available to respond to the health needs of the community d ☐ How data was obtained e ☐ The health needs of the community f ☐ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups g ☐ The process for identifying and prioritizing community health needs and services to meet those needs h ☐ The process for consulting with persons representing the community's interests i ☐ Information gaps that limit the hospital facility's ability to assess the community's health needs j ☐ Other (describe in Part VI)	1		
2 Indicate the tax year the hospital facility last conducted a Needs Assessment 20 ____			
3 In conducting its most recent Needs Assessment, did the hospital facility take into account input from persons who represent the community served by the hospital facility? 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 Needs Assessment 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 Needs Assessment widely available to the public? If "Yes," indicate how the Needs Assessment was made widely available (check all that apply) a ☐ Hospital facility's website b ☐ Available upon request from the hospital facility c ☐ Other (describe in Part VI)	5		
6 If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply) a ☐ Adoption of an implementation strategy to address the health needs of the hospital facility's community b ☐ Execution of the implementation strategy c ☐ Development of a community-wide community benefit plan for the facility d ☐ Participation in community-wide community benefit plan e ☐ Inclusion of a community benefit section in operational plans f ☐ Adoption of a budget for provision of services that address the needs identified in the CHNA g ☐ Prioritization of health needs in the community h ☐ Prioritization of services that the hospital facility will undertake to meet health needs in its community i ☐ Other (describe in Part VI)			
7 Did the hospital facility address all of the needs identified in its most recently conducted Needs Assessment? If "No," explain in Part VI which needs it has not addressed together with the reasons why it has not addressed such needs	7		
Financial Assistance Policy			
Did the hospital facility have in place during the tax year a written financial assistance policy that			
8 Explains eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	8	Yes	
9 Used federal poverty guidelines (FPG) to determine eligibility for providing free care? If "Yes," indicate the FPG family income limit for eligibility for free care 200 % If "No," explain in Part VI the criteria the hospital facility used	9	Yes	

Part V

Facility Information (continued)

		Yes	No	
10	Used FPG to determine eligibility for providing discounted 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	10	Yes	
11	Explained the basis for calculating amounts charged to patients? If "Yes," indicate the factors used in determining such amounts (check all that apply) a ☒ Income level b ☒ Asset level c ☐ Medical indigency d ☒ Insurance status e ☒ Uninsured discount f ☒ Medicaid/Medicare g ☒ State regulation h ☐ Other (describe in Part VI)	11	Yes	
12	Explained the method for applying for financial assistance?	12	Yes	
13	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) a ☐ The policy was posted at all times on the hospital facility's web site b ☐ The policy was attached to all billing invoices c ☐ The policy was posted in the hospital facility's emergency rooms or waiting rooms d ☐ The policy was posted in the hospital facility's admissions offices e ☐ The policy was provided, in writing, to patients upon admission to the hospital facility f ☒ The policy was available upon request g ☒ Other (describe in Part VI)	13	Yes	

Billing and Collections

14	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?	14	Yes	
15	Check all of the following collection 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 ☐ Reporting to credit agency b ☒ Lawsuits c ☒ Liens on residences d ☐ Body attachments or arrests e ☒ Other similar actions (describe in Part VI)			
16	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? If "Yes," check all actions in which the hospital facility or a third party engaged a ☐ Reporting to credit agency b ☒ Lawsuits c ☒ Liens on residences d ☐ Body attachments e ☒ Other similar actions (describe in Part VI)	16	Yes	
17	Indicate which efforts the hospital facility made before initiating any of the actions checked in question 16 (check all that apply) a ☒ Notified patients of the financial assistance policy upon admission b ☐ Notified patients of the financial assistance policy prior to discharge c ☒ Notified patients 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)			

Part V

Facility Information (continued)

Policy Relating to Emergency Medical Care

		Yes	No
18	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	☐ The hospital facility did not provide care for any emergency medical conditions		
b	☐ The hospital facility's policy was not in writing		
c	☐ The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)		
d	☐ Other (describe in Part VI)		

Individuals Eligible for Financial Assistance

19	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	☐ The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged		
b	☐ The hospital facility used the average of it's three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged		
c	☐ The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged		
d	☐ Other (describe in Part VI)		
20	Did the hospital facility charge any of its patients who were eligible for assistance under the hospital facility's financial assistance policy, and 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	20	No
21	Did the hospital facility charge any of its FAP-eligible patients an amount equal to the gross charge for services provided to that patient? If "Yes," explain in Part VI	21	No

Part V

Facility Information (continued)

Section B. Facility Policies and Practices.

(Complete a separate Section B for each of the hospital facilities listed in Part V, Section A)

Degraff Memorial Hospital

Name of Hospital Facility:

Line Number of Hospital Facility (from Schedule H, Part V, Section A):5

		Yes	No
Community Health Needs Assessment (Lines 1 through 7 are optional for 2011)			
1 During the tax year or any prior tax year, did the hospital facility conduct a community health needs assessment ("Needs Assessment")? If "No," skip to question 8 If "Yes," indicate what the Needs Assessment describes (check all that apply) a ☐ A definition of the community served by the hospital facility b ☐ Demographics of the community c ☐ Existing health care facilities and resources within the community that are available to respond to the health needs of the community d ☐ How data was obtained e ☐ The health needs of the community f ☐ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups g ☐ The process for identifying and prioritizing community health needs and services to meet those needs h ☐ The process for consulting with persons representing the community's interests i ☐ Information gaps that limit the hospital facility's ability to assess the community's health needs j ☐ Other (describe in Part VI)	1		
2 Indicate the tax year the hospital facility last conducted a Needs Assessment 20 ____			
3 In conducting its most recent Needs Assessment, did the hospital facility take into account input from persons who represent the community served by the hospital facility? 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 Needs Assessment 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 Needs Assessment widely available to the public? If "Yes," indicate how the Needs Assessment was made widely available (check all that apply) a ☐ Hospital facility's website b ☐ Available upon request from the hospital facility c ☐ Other (describe in Part VI)	5		
6 If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply) a ☐ Adoption of an implementation strategy to address the health needs of the hospital facility's community b ☐ Execution of the implementation strategy c ☐ Development of a community-wide community benefit plan for the facility d ☐ Participation in community-wide community benefit plan e ☐ Inclusion of a community benefit section in operational plans f ☐ Adoption of a budget for provision of services that address the needs identified in the CHNA g ☐ Prioritization of health needs in the community h ☐ Prioritization of services that the hospital facility will undertake to meet health needs in its community i ☐ Other (describe in Part VI)			
7 Did the hospital facility address all of the needs identified in its most recently conducted Needs Assessment? If "No," explain in Part VI which needs it has not addressed together with the reasons why it has not addressed such needs	7		
Financial Assistance Policy			
Did the hospital facility have in place during the tax year a written financial assistance policy that			
8 Explains eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	8	Yes	
9 Used federal poverty guidelines (FPG) to determine eligibility for providing free care? If "Yes," indicate the FPG family income limit for eligibility for free care 200 % If "No," explain in Part VI the criteria the hospital facility used	9	Yes	

Part V

Facility Information (continued)

		Yes	No	
10	Used FPG to determine eligibility for providing discounted 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	10	Yes	
11	Explained the basis for calculating amounts charged to patients? If "Yes," indicate the factors used in determining such amounts (check all that apply) a ☒ Income level b ☒ Asset level c ☐ Medical indigency d ☒ Insurance status e ☒ Uninsured discount f ☒ Medicaid/Medicare g ☒ State regulation h ☐ Other (describe in Part VI)	11	Yes	
12	Explained the method for applying for financial assistance?	12	Yes	
13	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) a ☐ The policy was posted at all times on the hospital facility's web site b ☐ The policy was attached to all billing invoices c ☐ The policy was posted in the hospital facility's emergency rooms or waiting rooms d ☐ The policy was posted in the hospital facility's admissions offices e ☐ The policy was provided, in writing, to patients upon admission to the hospital facility f ☒ The policy was available upon request g ☒ Other (describe in Part VI)	13	Yes	

Billing and Collections

14	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?	14	Yes	
15	Check all of the following collection 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 ☐ Reporting to credit agency b ☒ Lawsuits c ☒ Liens on residences d ☐ Body attachments or arrests e ☒ Other similar actions (describe in Part VI)			
16	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? If "Yes," check all actions in which the hospital facility or a third party engaged a ☐ Reporting to credit agency b ☒ Lawsuits c ☒ Liens on residences d ☐ Body attachments e ☒ Other similar actions (describe in Part VI)	16	Yes	
17	Indicate which efforts the hospital facility made before initiating any of the actions checked in question 16 (check all that apply) a ☒ Notified patients of the financial assistance policy upon admission b ☐ Notified patients of the financial assistance policy prior to discharge c ☒ Notified patients 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)			

Part V

Facility Information (continued)

Policy Relating to Emergency Medical Care

		Yes	No
18	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	☐ The hospital facility did not provide care for any emergency medical conditions		
b	☐ The hospital facility's policy was not in writing		
c	☐ The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)		
d	☐ Other (describe in Part VI)		

Individuals Eligible for Financial Assistance

19	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	☐ The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged		
b	☐ The hospital facility used the average of it's three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged		
c	☐ The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged		
d	☐ Other (describe in Part VI)		
20	Did the hospital facility charge any of its patients who were eligible for assistance under the hospital facility's financial assistance policy, and 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
21	Did the hospital facility charge any of its FAP-eligible patients an amount equal to the gross charge for services provided to that patient? If "Yes," explain in Part VI		No

Part V

Facility Information (continued)

Section C. Other 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 facilities did the organization operate during the tax year? 30

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

Part VI Supplemental Information

Complete this part to provide the following information

- 1
- Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7, Part II, Part III, lines 4, 8, and 9b, and Part V, Section B, lines 1j, 3, 4, 5c, 6l, 7, 9, 10, 11h, 13g, 15e, 16e, 17e, 18d, 19d, 20, and 21
- 2
- Community health needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any community health 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

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

Identifier	ReturnReference	Explanation
PART I, LINE 6		Kalerda Health's 2011 Community Benefit Report is a separate report prepared by the organization

Identifier	ReturnReference	Explanation
PART I, LINE 7		The amounts reported in the table under Part 1, Line 7 were determined using the Health System's Decision Support software program and revenue and expenses from 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 similar stepdown methodology used by CMS in the Institutional Cost Report.

Identifier	ReturnReference	Explanation
Part I, Line 7G		There are no costs attributable to a physician clinic included in Subsidized Health Services

Identifier	ReturnReference	Explanation
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 \$16,735,993

Identifier	ReturnReference	Explanation
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 medial services to the area, not only those physicians that staff our hospitals.

Identifier	ReturnReference	Explanation
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. 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 debts. 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. Beginning on April 1, 2010, Kaleida Health implemented a presumptive eligibility process, whereby, each charity care applicant is scored and based on this score, charity care may be awarded. Kaleida Health, in implementing the presumptive eligibility process, determined that 27% of self-pay bad debt expense in 2011 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 \$811,440. We estimated this amount by using the 2011 calculated presumptive eligibility percentage on bad debt write-off's amounts over \$500 (27%), and applied this percentage to those bad debt write-off's amounts under \$500, to determine the bad debt write-off's that would have been eligible, if they were scored using the presumptive eligibility process. Bad debt is not included as community benefit.

Identifier	ReturnReference	Explanation
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 2011 CMS Medicare Cost Report to determine the amounts reported on these lines.

Identifier	ReturnReference	Explanation
Part III, Line 9A		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)

Identifier	ReturnReference	Explanation
Part III, Line 9B		When the financial assistance policies and options are reviewed with the patient or at the time that a patient expresses a 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.

Identifier	ReturnReference	Explanation
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 11h, 13g, 15e, 16e, 17e, 19D, and 21 applies each of the hospital facilities listed. Part V, Line 11H Method used to determine the amount that reasonably could be attributable to patients who would likely qualify for financial assistance under the financial assistance policy, if sufficient information had been available to make a determination of their eligibility. Kaleida recognizes that, as a benefit to the Communities that they serve, that some patients are unable to or unwilling to ask for financial assistance due to barriers to applying for assistance such as educational level and literacy, documentation limitations, fear of application processes and general apathy. Kaleida is willing to extend benefit to those patients that face these barriers based on the best information that can be gathered about the guarantor. Kaleida intends to process patient accounts for presumptive charity scoring at the completion of the revenue cycle and after eligibility efforts for alternative funding or public assistance have been exhausted. The PARO model utilizes public record data and returns information that is utilized to determine characteristics for the consumer. PARO is designed to identify patients likely to qualify for financial assistance based on a predictive model and other financial and asset estimates for the patient derived from public record sources. In the absence of additional information from the patient, this rule set is applied to all patients exiting the revenue to determine which patients would have likely qualified for financial assistance. Based on the analysis of historical data from Kaleida, PARO derived the following rules to define guarantor eligibility for presumptive charity: 1) PARO Score - The PARO charity score is a predictive model that defines the likely socio-economic conditions for the patient. This score is based on public record data for the consumer. AND 2) Estimated Federal Poverty Level - This is an estimate of the ratio of the patient household against the Federal Poverty Level as defined by HHS. This is derived from estimated household size and estimated household income. This ratio for Kaleida was adjusted to represent local cost of living and historical approvals. AND 3) The 3rd party data which is gathered must not indicate that the patient is a homeowner or probable homeowner. Although the traditional charity policy may not consider homeownership as an excluding factor to charity qualification, the application of presumptive charity typically excludes homeownership status for approval in the absence of additional information from the patient. All three factors must be met in order for the patient to qualify for presumptive charity. If a patient does not qualify under these rules, the patient may engage in the traditional charity policy in order to be considered for charity care.

Identifier	ReturnReference	Explanation
Part V, Line 13G		Financial Aid Information Included on Bill and Statements Information that explains how qualified patients can access financial assistance through the hospital are 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.

Identifier	ReturnReference	Explanation
Part V, Line 15E		Upon verification of employment wages will be garnished

Identifier	ReturnReference	Explanation
Part V, Line 16E		Upon verification of employment, the agency will garnish wages on Kaleida Health's behalf

Identifier	ReturnReference	Explanation
Part V, Line 17E		Notification through Kaleida Health website and brochures

Identifier	ReturnReference	Explanation
Part V, Line 19D		The amounts billed are calculated using the Medicare rate, Medicaid rate or highest volume commercial payor rate

Identifier	ReturnReference	Explanation
Part V, Line 21		Uninsured patients who are eligible for a our charity care program will be offered our self-pay rate in accordance with Public Health Law section 2807-K(9-a) The patient will be responsible for the established rate or total charges (whichever is less) minus the charity care award If 100% charity care is awarded, then no bill is sent to the patient

Identifier	ReturnReference	Explanation
Community Health Needs Assessment Process		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 Dignified 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 project future 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 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 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.

Identifier	ReturnReference	Explanation
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 * 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 Individuals who do not qualify for Medicaid, Child Health Plus, Family Health Plus, Prenatal Care Assistance Program, and/or State Aid for Children with Special Needs are considered for financial assistance (charity care)

Identifier	ReturnReference	Explanation
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, Chautauqua, 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 also 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 2010 U.S. Census, the population of Erie County, including the City of Buffalo, is 919,040. 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 261,310 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 between the years 2000 and 2010. According to the 2010 U.S. Census, 53% of the Erie County population are under the age of 5, 21.3% are under age 18, and 15.8% 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 over. 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%. According to the 2010 U.S. Census, 81.1% of the Erie County population is non-Hispanic Whites, 13.9% non-Hispanic African-Americans, 4.7% Hispanic, 0.7% Native Americans, and 2.7% 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. In the 2010 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 28 ethnicities 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 Arabian community, many of whom do not speak English as their first language. That corresponds with the fact that 13.7% of homes in the City of Buffalo and over 9% of the Erie County population speak a language other than English. The median household income in Erie County is \$46,816, and the per capita income in 2010 was \$26,378. The median earnings for male full-time workers is \$46,807. The median earnings for female full-time workers is \$36,858. For all families in Erie County, 10.4% are below the federal poverty level. For families with children under 18 years of age, 18.8% 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, 29.3% are below the poverty level. For those families with children under 18 years of age, 41.8% are below the poverty level and 59.8% of these 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 \$28,490, which is almost \$20,000 less than the County as a whole, and the per capita income in Buffalo is \$19,117. In comparison, the median household income nationally is \$50,221, and \$55,603 for New York State. In Erie County, 14% of all residents live below the federal poverty level, which is very similar to New York State. In the City of Buffalo, 29.6% of residents are living below the federal poverty level. In addition, 7.6% of Erie County residents and 10.7% of Buffalo residents do not have health insurance. Of those residents who do have coverage, 34.3% and 48% respectively have public coverage, according to the 2010 U.S. Census. Demographic Information - Niagara County Niagara County is located just

Identifier	ReturnReference	Explanation
Community Information		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 2010 U.S. Census, Niagara County has a total population of 216,469, which has been declining in recent years. Niagara County demographics show the distribution of residents to be 88.9% White, 7% African-American, 1.1% Native American, and 0.9% Asian/Pacific Islander. The median household income for Niagara County is \$43,991. English is the primary language for almost 94% of Niagara County residents. Niagara Falls is the largest city in Niagara County with 50,193 residents. The population of the City of Niagara Falls is 70.5% White, 21.6% African-American, 1.9% Native American, 3% Hispanic, and 0.12% Asian/Pacific Islander. The median income in Niagara Falls is \$45,101. Families in the city who have children under 18 total 25.1%. There are also 19.8% of female-headed households where with no husband, and of those 11.7% have children. As for education, of those over 25 years of age, 86.4% of adults graduated from high school and 13.8% earned college degrees, however, 13.7% did not complete high school. According to "Business First," the unemployment rate in Niagara Falls in January 2011 was 11.1%, one of the highest in Western New York. The poverty rates in Niagara Falls from 2005 - 2007 indicated that an overall 20.9% of residents live in poverty. Within this group, 27.7% of related children under age 18 and 33.8% 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 31,568. The population is 96.5% Caucasian, 0.8% African-American, 0.4% Native American, 1.7% Hispanic, and 0.7% Asian/Pacific Islander. The median income in North Tonawanda is \$44,345.

Identifier	ReturnReference	Explanation
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: Patient-Centered. We put patients and families first. Excellence. As a team, we pursue exceptional performance with passion. Accountability. We take personal responsibility for delivering results. Integrity. We demonstrate honesty in everything we do. To carry out the mission, Kaleida Health promotes community health. Much of the 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 assessments 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. 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 annual Community Benefit Report and triennial Community Services Plan. These documents are available on the Kaleida Health website and in print form, which is available 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 improved 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.

Identifier	ReturnReference	Explanation
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.

Identifier	ReturnReference	Explanation
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

[illegible]

Schedule I
(Form 990)

Department of the Treasury
Internal Revenue Service

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

2011

Open to Public
Inspection

Name of the organization
KALEIDA HEALTH

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. Check this box if no one recipient received more than \$5,000. Use Part IV and Schedule I-1 (Form 990) 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) ECMC LIFELINE FOUNDATION462 GRIDER STREET BUFFALO, NY 14215	22-3283946	501(C)(3)	15,000				GOLF TOURNAMENT SPONSOR
(2) UB FOUNDATION3435 MAIN STREET BUFFALO, NY 14231	16-0865182	501(C)(3)	7,500				ABS PROGRAM
(3) WNY CLINICAL INFO EXCHANGE2568 WALDEN AVE SUITE 107 CHEEKTOWAGA, NY 14225	36-4594483	501(C)(3)	120,000				CONTRIBUTION
(4) Community Foundation for Greater Buffalo726 Exchange St 525 Buffalo, NY 14210	22-2743917	501(C)(3)	250,000				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

0

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.
Use Schedule I-1 (Form 990) 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, and any other additional information.

Identifier	Return Reference	Explanation
FORM 990, SCHEDULE I	DESCRIPTON 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)

Compensation Information

OMB No 1545-0047

2011

Open to Public Inspection

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.

Name of the organization
KALEIDA HEALTH

Employer identification number
16-1533232

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		
	☐ First-class or charter travel ☐ Housing allowance or residence for personal use ☐ Travel for companions ☐ Payments for business use of personal residence ☐ Tax idemnification and gross-up payments ☒ Health or social club dues or initiation fees ☐ Discretionary spending account ☐ Personal services (e g , maid, chauffeur, chef)		
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 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 organization uses to establish the compensation of the organization's CEO/Executive Director Check all that apply		
	☒ Compensation committee ☒ Written employment contract ☒ Independent compensation consultant ☒ Compensation survey or study ☒ Form 990 of other organizations ☒ Approval by the board or compensation committee		
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		
a	Receive a severance payment or change-of-control payment?	4a	Yes
b	Participate in, or receive payment from, a supplemental nonqualified retirement plan?	4b	Yes
c	Participate in, or receive payment from, an equity-based compensation arrangement?	4c	No
	If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III		
	Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.		
5	For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of		
a	The organization?	5a	No
b	Any related organization?	5b	No
	If "Yes," to line 5a or 5b, describe in Part III		
6	For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of		
a	The organization?	6a	Yes
b	Any related organization?	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 Regs 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 Schedule J-1 if additional space 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, columns (D) and (E) for that individual

(A) Name		(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 in prior Form 990 or Form 990-EZ
		(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, 4c, 5a, 5b, 6a, 6b, 7, and 8. 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 PERK THE BENEFIT OF BUSINESS RELATED SOCIAL DUES OR INITIATION FEES
SEVERANCE PAYMENTS	SCHEDULE J, PART I, LINE 4A	FORMER PRESIDENT OF BGH, LAWRENCE ZIELINSKI, RECEIVED SEVERANCE PAYMENTS DURING THE YEAR IN THE AMOUNT OF \$74,224
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 2011, THE FOLLOWING OFFICERS RECEIVED PAYMENTS UNDER AN EXECUTIVE DEFERRED RETIREMENT PLAN: CONNIE VARI \$243,010; LARRY ZIELINSKI \$127,835; JAMES KASKIE \$367,856; ROBERT NOLAN \$115,704; DONALD BOYD \$62,155; MARGARET PAROSKI \$150,864.
COMPENSATION ARRANGEMENT CONTINGENT ON NET EARNINGS OF THE ORGANIZATION	SCHEDULE J, PART I, QUESTION 6A	THE ORGANIZATION PLACES A CERTAIN PORTION OF AN EXECUTIVES' TOTAL AVAILABLE COMPENSATION AT RISK ANNUALLY AND A PROPORTION OF THAT AT-RISK AMOUNT IS DEPENDENT UPON THE CONSOLIDATED HEALTH SYSTEM ATTAINING CERTAIN OPERATING PERFORMANCE TARGETS BOTH FINANCIAL AND NON-FINANCIAL. DURING 2010, CERTAIN FINANCIAL OPERATING TARGETS WHICH WERE SET BY THE COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS, INCLUDING TOTAL NET OPERATING MARGIN, WERE MET AND EXCEEDED, RESULTING IN COMPENSATION UNDER THIS ARRANGEMENT PAID TO OFFICERS AND KEY EMPLOYEES DURING 2011.

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) (ii)	279,362 0	39,875 0	0 0	52,274 0	5,669 0	377,180 0	0 0
JAMES KASKIE	(i) (ii)	911,755 0	180,000 0	415,601 0	36,438 0	15,550 0	1,559,344 0	367,856 0
ROBERT NOLAN	(i) (ii)	344,136 0	51,000 0	124,204 0	14,982 0	12,808 0	547,130 0	115,704 0
CONNIE VARI	(i) (ii)	530,985 0	54,592 0	251,510 0	71,163 0	6,084 0	914,334 0	243,010 0
JOSEPH KESSLER	(i) (ii)	474,087 0	128,250 0	8,500 0	213,029 0	12,970 0	836,836 0	0 0
MARGARET PAROSKI MD	(i) (ii)	420,000 0	63,000 0	175,864 0	0 0	0 0	658,864 0	150,864 0
D ERIC POGUE	(i) (ii)	216,142 0	69,300 0	8,500 0	22,046 0	3,036 0	319,024 0	0 0
TONI BOOKER	(i) (ii)	251,202 0	54,325 0	12,500 0	73,993 0	5,683 0	397,703 0	0 0
JAMES FOSTER MD	(i) (ii)	326,004 0	72,674 0	0 0	39,423 0	647 0	438,748 0	0 0
STEPHANIE MANN MD	(i) (ii)	337,373 0	0 0	0 0	9,097 0	4,559 0	351,029 0	0 0
LUCY CAMPBELL MD	(i) (ii)	430,232 0	0 0	0 0	50,964 0	5,908 0	487,104 0	0 0
VINCENT CALLANAN MD	(i) (ii)	415,875 0	0 0	0 0	30,523 0	12,881 0	459,279 0	0 0
KIEN LE MD	(i) (ii)	344,628 0	0 0	0 0	7,051 0	12,818 0	364,497 0	0 0
CHERYL KLASS	(i) (ii)	402,646 0	127,000 0	3,500 0	89,526 0	12,880 0	635,552 0	0 0
LAWRENCE ZIELINSKI	(i) (ii)	262,798 0	30,525 0	222,059 0	50,364 0	11,750 0	577,496 0	127,835 0
DONALD BOYD	(i) (ii)	332,061 0	78,000 0	70,655 0	53,335 0	12,790 0	546,841 0	62,155 0
CHRISTOPHER LANE	(i) (ii)	300,152 0	86,250 0	3,500 0	44,890 0	12,760 0	447,552 0	0 0
TAMARA OWEN	(i) (ii)	297,789 0	68,750 0	3,500 0	65,119 0	5,809 0	440,967 0	0 0

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				
ANTHONY ZITO	(i) (ii)	248,012 0	34,375 0	3,500 0	35,447 0	12,700 0	334,034 0	0 0

Schedule K
(Form 990)

Department of the Treasury
Internal Revenue Service

Name of the organization
KALEIDA HEALTH

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 Schedule O (Form 990).
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2011

Open to Public
Inspection

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	REFINANC BUFF GENERAL HOSP MORT		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	25,375,000		6,660,000		11,877,177			
2	Amount of bonds defeased	0		0		0			
3	Total proceeds of issue	97,590,469		86,265,171		16,894,022			
4	Gross proceeds in reserve funds	29,697,680		23,707,318		0			
5	Capitalized interest from proceeds	0		5,074,243		0			
6	Proceeds in refunding escrow	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 IIIPrivate 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?		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					
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 %		0 %		0 %			
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 %		0 %		0 %			
6	Total of lines 4 and 5	0 %		0 %		0 %			
7	Has the organization adopted management practices and procedures to ensure the post-issuance compliance of its tax-exempt bond liabilities?	X		X		X			

Part IVArbitrage

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Has a Form 8038-T, Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate, been filed with respect to the bond issue?		X		X		X		
2	Is the bond issue a variable rate issue?		X		X		X		
3a	Has the organization or the governmental issuer entered into a 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?								
4a	Were gross proceeds invested in a GIC?	X		X			X		
b	Name of provider	BAYERISCHE LANDESBAN		MBIA INC		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					
5	Were any gross proceeds invested beyond an available temporary period?	X		X			X		
6	Did the bond issue qualify for an exception to rebate?	X			X		X		

Part VProcedures To Undertake Corrective Action

Check the box if 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 ☐ Yes ☒ No

Part VISupplemental Information

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

Identifier	Return Reference	Explanation
PART II, LINE 3	0	THE TOTAL PROCEEDS DO NOT AGREE TO THE ISSUE PRICE IN PART I, COLUMN (e) DUE TO INVESTMENT EARNINGS THE TOTAL PROCEEDS DO NOT EQUAL THE SUMMATION OF LINES 4-12 DUE TO TRANSFERRED OR REPLACEMENT PROCEEDS IN LINE 4
PART IV, COLUMN B,LINE 4C	0	CONSTRUCTION FUND - 2 5 YEARS, RESERVE FUND - 4 4 YEARS

Schedule L
(Form 990 or 990-EZ)

Transactions with Interested Persons
▶ 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 lines 38a or 40b.
▶ Attach to Form 990 or Form 990-EZ. ▶ See separate instructions.

OMB No 1545-0047
2011
Open to Public Inspection

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) Description of transaction	(c) Corrected?	
			Yes	No

2 Enter the amount of tax imposed on the 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, Part IV, line 26, or Form 990-EZ, Part V, line 38a

(a) Name of interested person and purpose	(b) Loan to or from the organization?		(c) Original principal amount	(d) Balance due	(e) In default?		(f) Approved by board or committee?		(g) Written agreement?	
	To	From			Yes	No	Yes	No	Yes	No
(1) Dr Andras Vari See Part V		X	6,857,367	6,857,367		No	Yes		Yes	
Total ▶ \$					6,857,367					

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 grant or type 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
See Additional Data Table					

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	DELAWARE SURGICAL GROUP, PC, COLUMN B - RELATIONSHIP BETWEEN INTERESTED PERSON AND ORGANIZATION DELAWARE SURGICAL GROUP, PC IS AN ENTITY IN WHICH A CURRENT BOARD MEMBER OF THE ORGANIZATION, EVAN EVANS, MD, ALSO HAS A PARTNERSHIP INTEREST AT THE TIME OF THE TRANSACTION COLUMN D - DESCRIPTION OF THE TRANSACTION DURING 2011, THE ORGANIZATION PAID THE INTERESTED PERSON (DELAWARE SURGICAL GROUP, PC) IN THE NORMAL COURSE OF BUSINESS 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 2011, THE ORGANIZATION PAID THE INTERESTED PERSON (GREATER NEW YORK HOSPITAL ASSOCIATION) PARTICIPATION DUES JOCELYN VARI, COLUMN B - RELATIONSHIP BETWEEN INTERESTED PERSON AND ORGANIZATION JOCELYN VARI IS A FAMILY MEMBER OF A CURRENT OFFICER OF THE ORGANIZATION, CONNIE VARI, WHO RECEIVED COMPENSATION FROM THE ORGANIZATION IN EXCESS OF \$10,000 COLUMN D - DESCRIPTION OF THE TRANSACTION DURING 2011, THE ORGANIZATION PAID THE INTERESTED PERSON (JOCELYN VARI) IN THE NORMAL COURSE OF BUSINESS TO FURNISH SERVICES AS PERFORMANCE IMPROVEMENT PROJECT COORDINATOR DAVID VARI, COLUMN B - RELATIONSHIP BETWEEN INTERESTED PERSON AND ORGANIZATION DAVID VARI IS A FAMILY MEMBER OF A CURRENT OFFICER OF THE ORGANIZATION, CONNIE VARI, WHO RECEIVED COMPENSATION FROM THE ORGANIZATION IN EXCESS OF \$10,000 COLUMN D - DESCRIPTION OF THE TRANSACTION DURING 2011, 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 A CURRENT OFFICER OF THE ORGANIZATION, CONNIE VARI, WHO RECEIVED COMPENSATION FROM THE ORGANIZATION IN EXCESS OF \$10,000 COLUMN D - DESCRIPTION OF THE TRANSACTION DURING 2011, 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 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 2011, 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 A CURRENT OFFICER OF THE ORGANIZATION, CONNIE VARI, WHO RECEIVED COMPENSATION FROM THE ORGANIZATION IN EXCESS OF \$10,000 COLUMN D - DESCRIPTION OF THE TRANSACTION DURING 2011, THE ORGANIZATION PAID THE INTERESTED PERSON (DR ANDRAS VARI) IN THE NORMAL COURSE OF BUSINESS FOR PERFORMANCE OF PHYSICIAN SERVICES
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 100% OWNER OF GPPC COLUMN D - DESCRIPTION OF THE MORE TRANSACTION DURING 2011, KALEIDA HEALTH LOANED GENERAL PHYSICIANS P C MONEY TO FUND FURTHER OPERATING INITIATIVES OF THE PHYSICIAN PRACTICES THE LOAN WAS MADE TO ASSIST GENERAL PHYSICIANS P C TO PAY FOR COSTS OF ACQUIRING PRACTICES AND EMPLOYING PHYSICIANS AND STAFF AS WELL AS ONGOING OPERATING COSTS OF THE PRACTICE AND WILL BE REPAID TO KALEIDA ONCE GPPC HAS RE-ESTABLISHED ITS PATIENT BASE AND HAS THE ABILITY TO REPAY

Additional Data

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

Form 990, Schedule L, Part IV - Business Transactions Involving Interested Persons

(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
DELAWARE SURGICAL GROUP PC	SEE PART V	58,494	SEE PART V		No
GREATER NEW YORK HOSPITAL ASSOCIATI	SEE PART V	34,225	SEE PART V		No
JOCELYN VARI	SEE PART V	71,565	SEE PART V		No
DAVID VARI	SEE PART V	44,085	SEE PART V		No
BONNIE PLEUTHNER	SEE PART V	76,488	SEE PART V		No
SUSAN EVANS	SEE PART V	68,338	SEE PART V		No
Dr ANDRAS VARI	SEE PART V	319,237	SEE PART V		No

SCHEDULE M
(Form 990)

Department of the Treasury
Internal Revenue Service

NonCash Contributions

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

OMB No 1545-0047

2011

Open to Public Inspection

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) Contribution amounts reported on Form 990, Part VIII, line 1g	(d) Method of determining 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	10	1,550,460	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

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 non-cash contributions?

32a

No

b

If "Yes," describe in Part II

33

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

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

Cat No 51227J

Schedule M (Form 990) 2011

Part III

Supplemental Information. Complete this part to provide the information required by Part I, lines 30b, 32b, and 33. 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

2011

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 2011, 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 OF 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	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: 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. 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.

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, LINE 5	UNREALIZED LOSS ON INVESTMENTS (11,418,642) MINORITY INTEREST IN SUB (702,686) UNREALIZED LOSS IN INV AFFILIATES (5,954,542) INCREASE IN PENSION LIABILITY (92,290,908) TRANSFER FROM KALEIDA FOUNDATIONS 182,000 UNREALIZED LOSSES, TEMPORARILY RESTRICTED (137,414) UNREALIZED LOSSES, PERM RESTRICTED (1,273,812) CHANGE IN VALUE OF FOUNDATIONS 525,265 ----- TOTAL (111,070,739) -----

SCHEDULE R
(Form 990)

Department of the Treasury
Internal Revenue Service

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

2011

Open to Public Inspection

Name of the organization
KALEIDA HEALTH

Employer identification number
16-1533232

Part I

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

(a) Name, address, and EIN of disregarded entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Total income	(e) End-of-year assets	(f) Direct controlling entity
(1) KALEIDA HEALTH MCO LLC 726 EXCHANGE STREET 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 BUFFALO, NY 14210 45-3189404	HEALTH CARE	NY	-104,754	202,555	KH
(4) High St Medical Develop Associates LLC 350 Essjay Road Suite 101 WILLIAMSVILLE, NY 14221 16-1422533	MEDICAL	NY	22,652	1,184,441	GHC

Part II

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled organization	
						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) WATERFRONT HEALTH CARE CENTER 726 EXCHANGE STREET SUITE 200 BUFFALO, NY 14210 16-1396236	HEALTH CARE	NY	501(C)(3)	9	NA		No
(3) VNA HOME CARE SERVICES 726 EXCHANGE STREET SUITE 200 BUFFALO, NY 14210 16-1491203	HOME HLTH CAR	NY	501(C)(3)	9	KH	Yes	
(4) 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	
(5) GENERAL HOME CARE (GHC) 726 EXCHANGE STREET SUITE 200 BUFFALO, NY 14210 22-2738425	DORMANT	NY	501(C)(3)	9	KH	Yes	
(6) KALEIDA HEALTH FOUNDATION 726 EXCHANGE STREET BUFFALO, NY 14210 16-1579143	FUNDRAISING	NY	501(C)(3)	7	KH	Yes	
(7) 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" on Form 990, Part IV, line 34 because it had one or more related organizations treated as a partnership during the tax year.)

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512- 514)	(f) Share of total income	(g) Share of end-of- year assets	(h) Disproportionate allocations?		(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
							Yes	No		Yes	No	
(1) MFSC LLC 100 HIGH STREET BUFFALO, NY 14203 26-1582864	HEALTH CARE	NY	KH	EXCLUDED	919,417	1,799,911		No			No	53 301 %
(2) HARLEM ROAD LEASING LLC 3435 MAIN STREET BUFFALO, NY 14214 20-5588135	EQUIPMENT LEASING	NY	KH	UNRELATED	102,119	154,173		No	102,119	Yes		50 000 %
(3) AMTON IMAGING LLC PO BOX 1368 WILLIAMSVILLE, NY 14231 26-2925470	HEALTH CARE	NY	KALEIDAWNYI LLC	RELATED	-170,004	119,670		No		Yes		40 000 %
(4) PARK CLUB LANE LLC 2828 SHERIDAN DRIVE TONAWANDA, NY 14150 27-1516155	HEALTH CARE	NY	KALEIDAWNYI LLC	EXCLUDED	65,250	82,885		No		Yes		30 000 %
(5) SITE E LLC 726 EXCHANGE STREET SUITE 200 BUFFALO, NY 14210 27-2124795	REAL ESTATE MGMT	NY	KPI	EXCLUDED	116,020	1,675,000		No			No	50 225 %

Part IV

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership
(1) KALEIDA PROPERTIES INC 726 EXCHANGE STREET SUITE 200 BUFFALO, NY 14210 22-2738483	PROP MGMT SERVICE	NY	KH	C Corp	619,440	11,540,500	100 000 %
(2) WESTLINK CORPORATION 726 EXCHANGE STREET SUITE 200 BUFFALO, NY 14210 16-1354421	MED & DIAG SERV	NY	KH	C Corp	-217	102,006	100 000 %

Part V

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

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

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

a Receipt of (i) interest (ii) annuities (iii) royalties (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 Sale of assets to related organization(s)

g Purchase of assets from related organization(s)

h Exchange of assets with related organization(s)

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

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

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

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

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

n Sharing of paid employees with related organization(s)

o Reimbursement paid to related organization(s) for expenses

p Reimbursement paid by related organization(s) for expenses

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

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

Yes

No

1a

1b

1c

1d

1e

1f

1g

1h

1i

1j

1k

1l

1m

1n

1o

1p

1q

1r

No

No

No

No

No

No

No

No

Yes

Yes

No

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-r)	(c) Amount involved	(d) Method of determining amount involved
(1) See Additional Data Table			
(2)			
(3)			
(4)			
(5)			
(6)			

Schedule R (Form 990) 2011

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 \$2,486,092 (SEE SCHEDULE R, PART V) VERSUS THE \$576,458 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 \$989,102 (SEE SCHEDULE R, PART V) VERSUS THE \$864,361 RECORDED BY THE FILING ORGANIZATION AS GRANTS RECEIVED (SEE PART VIII, LINE 1D AND SCHEDULE B)
RELATED TAX EXEMPT ORGANIZATIONS	SCHEDULE R, PART II, NUMBER (2)	ON AUGUST 15, 2011, WATERFRONT HEALTH CARE CENTER ENTERED INTO A VOLUNTARY RECEIVERSHIP AGREEMENT WITH A THIRD PARTY OPERATOR AND THE NEW YORK STATE DEPARTMENT OF HEALTH SINCE THAT DATE THE CENTER HAS BEEN UNDER THE DIRECT CONTROL AND OPERATION OF THE THIRD PARTY OPERATOR AND NOT KALEIDA HEALTH

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	
WATERFRONT HEALTH CARE CENTER 726 EXCHANGE STREET SUITE 200 BUFFALO, NY 14210 16-1396236	HEALTH CARE	NY	501(C)(3)	9	NA		No
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-r)	(c) Amount Involved (\$)	(d) Method of determining amount involved
(1)	MILLARD FILLMORE AMBULATORY SURGICAL CENTER	E	55,821	
(2)	MILLARD FILLMORE AMBULATORY SURGICAL CENTER	C	402,888	
(3)	WATERFRONT HEALTH CARE CENTER	P	217,509	
(4)	VNA OF WESTERN NEW YORK	N	56,094	
(5)	VNA HOME CARE SERVICES	P	889,352	
(6)	VNA HOME CARE SERVICES	D	100,638	
(7)	VNA OF WESTERN NEW YORK	P	374,845	
(8)	VNA OF WESTERN NEW YORK	E	433,899	
(9)	MFSC LLC	D	51,060	
(10)	MFSC LLC	I	570,257	
(11)	KALEIDA PROPERTIES	P	204,421	
(12)	KALEIDA PROPERTIES	D	3,575,259	
(13)	KALEIDA HEALTH FOUNDATION	C	2,486,092	
(14)	KALEIDA HEALTH FOUNDATION	R	1,153,529	
(15)	KALEIDA HEALTH FOUNDATION	E	83,500	
(16)	WOMENS AND CHILDRENS HOSPITAL OF BUFFALO FDN	R	1,224,054	
(17)	WOMENS AND CHILDRENS HOSPITAL OF BUFFALO FDN	D	492,642	
(18)	WOMENS AND CHILDRENS HOSPITAL OF BUFFALO FDN	C	989,102	
(19)	SITE E LLC	J	233,450	



KALEIDA HEALTH

Consolidated Financial Statements and
Other Financial Information

December 31, 2011 and 2010

(With Independent Auditors' Report Thereon)

KALEIDA HEALTH
Consolidated Financial Statements and
Other Financial Information
December 31, 2011 and 2010

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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 balance sheets of Kaleida Health (Kaleida) as of Decembers 31, 2011 and 2010, and the related consolidated statements of operations and changes in net assets, and cash flows for the years then ended. These consolidated financial statements are the responsibility of Kaleida's management. 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 financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Kaleida's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2011 and 2010, and the results of their operations and changes in net assets, and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The accompanying consolidating information as of and for the year ended December 31, 2011, included on pages 35 through 37 is presented for purposes of additional analysis of the basic consolidated financial statements rather than to present the financial position and results of operations of the individual companies. The consolidating information has been subjected to the auditing procedures applied in the audit of the 2011 basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the 2011 basic consolidated financial statements taken as a whole.

KPMG LLP

April 25, 2012

KALEIDA HEALTH
Consolidated Balance Sheets
December 31, 2011 and 2010
(Dollars in thousands)

Assets	<u>2011</u>	<u>2010</u>
Current assets		
Cash and cash equivalents	\$ 41,267	60,122
Investments (notes 6 and 7)	139,260	148,795
Accounts receivable		
Patient, less estimated allowance for doubtful accounts of		
\$32,161 in 2011 and \$35,494 in 2010 (notes 3 and 4)	152,348	151,456
Other	10,030	8,291
Inventories	20,563	23,419
Prepaid expenses and other current assets	11,752	10,668
Total current assets	<u>375,220</u>	<u>402,751</u>
Assets limited as to use (notes 5, 6, 7, and 9)		
Designated under debt agreements	42,476	50,831
Designated under self-insurance programs	123,920	138,592
Board designated and donor restricted	85,974	85,741
Other	1,187	1,380
	<u>253,557</u>	<u>276,544</u>
Property and equipment, less accumulated depreciation and amortization (notes 8 and 9)	477,556	351,188
Receivable for insurance recoveries (note 5)	9,078	7,809
Grants receivable (note 2)	19,307	47,143
Deferred financing costs, net	12,209	12,933
Other	7,186	6,321
Total assets	<u>\$ 1,154,113</u>	<u>1,104,689</u>

See accompanying notes to consolidated financial statements

Liabilities and Net Assets	2011	2010
Current liabilities		
Accounts payable and other accrued expenses	\$ 95,273	91,615
Accrued pay roll and related expenses	54,888	54,216
Line of credit (note 9)	10,000	10,000
Estimated third-party payor settlements (note 4)	23,288	27,499
Current portion of long-term debt (note 9)	18,223	18,889
Other current liabilities	9,122	4,427
Total current liabilities	210,794	206,646
Long-term debt, less current portion (note 9)	276,245	226,544
Construction costs payable (note 9)	13,290	11,696
Estimated self-insurance reserves (note 5)	168,328	160,516
Asset retirement obligations (note 12)	13,030	10,685
Pension and postretirement obligations (note 11)	264,767	176,507
Other long-term liabilities	13,235	3,269
Total liabilities	748,895	589,217
Total liabilities	959,689	795,863
Commitments and contingencies (notes 8, 10, and 15)		
Net assets		
Unrestricted	91,356	180,453
Temporarily restricted (note 13)	87,668	112,973
Permanently restricted (note 13)	15,400	15,400
Total net assets	194,424	308,826
Total liabilities and net assets	\$ 1,154,113	1,104,689

KALEIDA HEALTH

Consolidated Statements of Operations and Changes in Net Assets

Years ended December 31, 2011 and 2010

(Dollars in thousands)

	<u>2011</u>	<u>2010</u>
Operating revenue		
Net patient service revenue (notes 3 and 4)	\$ 1,178,419	1,180,088
Other operating revenue (note 6)	18,944	17,982
Net assets released from restrictions for operations (note 13)	5,747	7,703
Total operating revenue	<u>1,203,110</u>	<u>1,205,773</u>
Operating expenses		
Salaries and benefits	689,218	668,426
Purchased services and other	223,007	211,344
Medical and non-medical supplies	222,993	222,096
Depreciation and amortization	58,664	52,718
Provision for bad debts	18,739	19,759
Interest	10,551	12,662
Total operating expenses	<u>1,223,172</u>	<u>1,187,005</u>
(Loss) income from operations	<u>(20,062)</u>	<u>18,768</u>
Other income (losses)		
Investment income (note 6)	1,707	12,339
Net realized gains (losses) on sales of investments (note 6)	12,469	(189)
Net change in unrealized gains and losses on investments (note 6)	(13,629)	14,917
Restructuring charges, loss on impairment and disposal of assets	(7,453)	(3,409)
Total other (losses) income, net	<u>(6,906)</u>	<u>23,658</u>
(Deficiency) excess of revenue over expenses	<u>\$ (26,968)</u>	<u>42,426</u>

KALEIDA HEALTH

Consolidated Statements of Operations and Changes in Net Assets

Years ended December 31, 2011 and 2010

(Dollars in thousands)

	<u>2011</u>	<u>2010</u>
Unrestricted net assets		
(Deficiency) excess of revenue over expenses	\$ (26,968)	42,426
Pension and postretirement related changes other than net periodic cost (note 11)	(92,291)	(32,529)
Contributions for capital acquisitions	—	2,064
Net assets released from restrictions for property acquisitions	29,955	24,582
Other transfers, net	207	46
	<u>(89,097)</u>	<u>36,589</u>
(Decrease) increase in unrestricted net assets		
Temporarily restricted net assets		
Contributions, bequests, and grants (notes 2(j) and 8)	11,491	18,602
Restricted investment gains	3,107	1,023
Net change in unrealized gains and losses on investments	(3,768)	6,318
Net assets released from restrictions for operations	(5,747)	(7,650)
Net assets released from restrictions for property acquisitions	(29,955)	(24,582)
Other transfers, net (note 2(n))	(433)	4,054
	<u>(25,305)</u>	<u>(2,235)</u>
Decrease in temporarily restricted net assets		
Permanently restricted net assets		
Contributions	—	4
Restricted investment income	1,714	—
Net change in unrealized gains and losses on investments	(1,940)	—
Net assets released from restrictions for operations	—	(53)
Other transfers, net (note 2(n))	226	(4,100)
	<u>—</u>	<u>(4,149)</u>
Decrease in permanently restricted net assets		
Change in net assets	(114,402)	30,205
Net assets, beginning of year	308,826	278,621
Net assets, end of year	<u>\$ 194,424</u>	<u>308,826</u>

See accompanying notes to consolidated financial statements

KALEIDA HEALTH

Consolidated Statements of Cash Flows

Years ended December 31, 2011 and 2010

(Dollars in thousands)

	<u>2011</u>	<u>2010</u>
Operating activities		
Change in net assets	\$ (114,402)	30,205
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	58,664	52,718
Accretion expense	750	713
Loss on impairment and disposal of assets	—	3,409
Restricted contributions, bequests, and grants	(3,832)	(12,661)
Change in receivable for insurance recoveries	(1,269)	(131)
Change in estimate for asset retirement obligation	1,621	—
Change in interests in limited partnerships	679	(9,484)
Net change in unrealized gains and losses on investments	19,337	(21,235)
Provision for bad debts	18,739	19,759
Pension and postretirement related changes other than net periodic cost	92,291	32,529
Change in operating assets and liabilities		
Patient accounts receivable	(19,631)	(32,785)
Other receivables, inventories, and prepaid expenses	33	(2,327)
Accounts payable, accrued expenses, and accrued payroll	(2,504)	17,683
Estimated third-party payor settlements	(4,211)	(13,784)
Other assets	(865)	(1,366)
Other liabilities	8,416	(10,123)
Net cash provided by operating activities	<u>53,816</u>	<u>53,120</u>
Investing activities		
Additions to property and equipment, net of change in construction costs payable	(173,837)	(112,821)
Net sales of investments	12,506	17,704
Net cash used in investing activities	<u>(161,331)</u>	<u>(95,117)</u>
Financing activities		
Principal payments on debt and capital lease obligations	(23,956)	(18,968)
Proceeds from restricted contributions, bequests, and grants	41,668	20,506
Proceeds from long-term debt	71,260	29,433
Net proceeds from line of credit	—	4,000
Payments for deferred financing fees	(312)	(2,902)
Net cash provided by financing activities	<u>88,660</u>	<u>32,069</u>
Net decrease in cash and cash equivalents	(18,855)	(9,928)
Cash and cash equivalents, beginning of year	60,122	70,050
Cash and cash equivalents, end of year	<u>\$ 41,267</u>	<u>60,122</u>
Supplemental disclosures on cash flow activities		
Capital lease obligations	\$ 1,731	137
Interest paid	14,478	12,491
Capital acquisitions included in accounts payable	23,940	17,106

See accompanying notes to consolidated financial statements

KALEIDA HEALTH

Notes to Consolidated Financial Statements

December 31, 2011 and 2010

(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 three hospital based nursing facilities), Waterfront Health Care Center (see note 15(b)), 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 has undertaken the development of a heart and vascular institute, The Gates Vascular Institute (GVI), located adjacent to Buffalo General Medical Center, and developed plans to carry out the consolidation of services from Millard Fillmore Gates Hospital (Gates) to the Buffalo General Hospital campus within a period of twenty-four months. In March 2012 this consolidation of services occurred. 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, agreed contractually in June 2008 to subordinate 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

KALEIDA HEALTH

Notes to Consolidated Financial Statements

December 31, 2011 and 2010

period. Permanently restricted net assets are subject to the restrictions of gift instruments requiring 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 issued on April 25, 2012 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 invested in short-term interest-bearing accounts and highly liquid debt instruments with original maturity dates of three months or less. 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 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.

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Notes to Consolidated Financial Statements

December 31, 2011 and 2010

(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 (note 4).

(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 (deficiency) excess 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.

(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

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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 the half-year convention 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 a new skilled nursing facility. The grant proceeds were spent, but not fully reimbursed, for the GVI and skilled nursing facility projects as of December 31, 2011. All funds were reimbursed by February 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 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 coverage. Kaleida has recorded a provision for estimated claims which is based on Kaleida's own experience and includes the estimated 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

KALEIDA HEALTH

Notes to Consolidated Financial Statements

December 31, 2011 and 2010

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.

In September 2010, New York State enacted the New York Prudent Management of Institutional Funds Act (NYPMIFA or Act), its version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), to provide clear standards of fund management for those charged with governance of institutional or endowment funds. NYPMIFA updates various provisions of prior New York State law governing fund management. The Act requires covered organizations to take specific actions with respect to appropriation from endowment funds and investment of institutional funds, including adoption of a written investment policy, diversification of investments, and adherence to a specified process to lift donor restrictions, allowable in certain limited circumstances. The Act permits an institution to determine the appropriate level of endowment expenditure, subject to donor-imposed restrictions expressed in the gift instrument. It establishes a rebuttable presumption of imprudence, however, if such expenditure in any year is greater than 7% of the fair market value of an endowment fund established by a gift instrument entered into on or after the effective date of the Act.

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.

The enactment and subsequent adoption of NYPMIFA resulted in a reclassification of approximately \$4.1 million between permanently restricted and temporarily restricted net assets on Kaleida's consolidated financial statements as of December 31, 2010.

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Notes to Consolidated Financial Statements

December 31, 2011 and 2010

(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.

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. Fair values are estimated based on quoted market prices for the same or similar issues. The estimated fair value of Kaleida's long-term debt as of December 31, 2011 and 2010 is approximately \$284.8 million and \$234.8 million, respectively. The value of debt was estimated by a discounted cash flow analysis using current borrowing rates for similar types of arrangements. 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) (Deficiency) Excess 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

KALEIDA HEALTH

Notes to Consolidated Financial Statements

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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, (deficiency) excess of revenue over expenses. Changes in unrestricted net assets which are excluded from the (deficiency) excess 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 funds designated for self-insurance programs and debt and lease agreements, are reported as operating revenue and expenses in the determination of Kaleida's operating results. Investment trading activities and peripheral transactions (i.e. impairment charges for Berger Commission mandates, nonrecurring restructuring charges and gains and losses related to disposal of fixed assets) are reported as other income or losses.

(r) Reclassifications

Certain amounts in the 2010 consolidated financial statements have been reclassified to conform to 2011 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.

On April 1, 2010, Kaleida implemented 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 care. The change was made to enhance and accelerate the charity care qualification process which has resulted in an increase in charity care and a reduction in accounts sent to bad debt. 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 net patient service revenue in the consolidated financial statements.

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Notes to Consolidated Financial Statements

December 31, 2011 and 2010

Kaleida's net cost of charity care, including payments to and receipts from the statewide pool was approximately \$15.0 million in 2011 and \$13.4 million in 2010 as follows:

	Year ended December 31,	
	2011	2010
	(Dollars in thousands)	
Charity care at cost	\$ 10,561	9,402
Payments to statewide pool	7,557	6,971
Receipts from statewide pool	(3,158)	(2,983)
Cost of charity care, net	<u>\$ 14,960</u>	<u>13,390</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.

Kaleida also provided additional uncompensated services of approximately \$18.7 million and \$19.8 million in 2011 and 2010, respectively, representing uncollectible patient accounts.

(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 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

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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 modified pricing system using the Resource Utilization Group (RUGs) patient classification system. Under this methodology, reimbursement is at a predetermined rate depending on the intensity of the services rendered to residents regardless of the cost of delivering those services. Medicaid's predetermined rate is computed using cost report data from the facility's designated base year and elements from annual cost report filings. 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. For all Non-Medicare 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 2011 and 2010, Kaleida recorded adjustments for estimated settlements with third-party payors, which resulted in increases to net patient service revenue of approximately \$5.9 million and \$1.7 million, respectively. Net patient service revenue from Medicare and New York State Medicaid programs accounted for approximately 39% and 20%, respectively, of total net patient service revenue for the year ended December 31, 2011, and 39% and 19%, respectively, of total net patient service revenue for the year ended December 31, 2010. Significant concentrations of patient accounts receivable at December 31, 2011 include 14% Medicare, 14% Medicaid, and 48% health maintenance organizations. Significant concentrations of patient accounts receivable at December 31, 2010 include 14% Medicare, 14% Medicaid, and 47% health maintenance organizations.

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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 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 substantive compliance with all applicable laws and regulations.

(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, 2011 and 2010. The estimated liability for self-insured workers' compensation is discounted at 3.0% and 3.5% at December 31, 2011 and 2010, respectively. Estimated self-insurance reserves are approximately \$168 million and \$161 million at December 31, 2011 and 2010, respectively. As of December 31, 2011 and 2010, \$9.1 million and \$7.8 million, respectively, is recoverable from Kaleida's excess liability policies. At December 31, 2011 and 2010, Kaleida has irrevocable secured letters of credit supporting the medical malpractice and workers compensation self-insurance programs totaling approximately \$17.8 million and \$16.9 million, respectively. The annual fee for the letters of credit approximates 75 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 in the amount of \$35.1 million and \$30.1 at December 31, 2011 and 2010, respectively.

At December 31, 2011 and 2010, 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 at December 31 are summarized as follows

	<u>2011</u>	<u>2010</u>
	(Dollars in thousands)	
Current investments		
Cash and cash equivalents	\$ 6,930	823
Equity and fixed income mutual funds	35,032	49,305
Marketable equity securities	50,584	67,157
Limited partnerships	46,714	31,510
	<u>139,260</u>	<u>148,795</u>
Assets limited as to use		
Designated under debt and lease agreements		
Cash and cash equivalents	10,065	23,411
U S government obligations	32,411	27,420
	<u>42,476</u>	<u>50,831</u>
Designated under self-insurance programs		
Cash and cash equivalents	44,649	39,511
U S government obligations	2,077	3,492
Equity and fixed income mutual funds	23,954	33,043
Marketable equity securities	24,543	45,111
Limited partnerships	28,697	17,435
	<u>123,920</u>	<u>138,592</u>
Board designated and donor restricted		
Cash and cash equivalents	13,151	8,411
U S government obligations	259	259
Equity and fixed income mutual funds	19,227	25,685
Marketable equity securities	27,700	34,953
Limited partnerships	25,637	16,433
	<u>85,974</u>	<u>85,741</u>
Other		
Cash and cash equivalents	1,187	1,380
	<u>253,557</u>	<u>276,544</u>
Total investments	<u>\$ 392,817</u>	<u>425,339</u>

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

	<u>2011</u>	<u>2010</u>
	(Dollars in thousands)	
Other operating revenue		
Interest and dividends	\$ 2,674	3,256
Other income		
Investment income (loss)		
Interest and dividends	\$ 2,386	2,855
Change in interests in limited partnerships	(679)	9,484
	<u>\$ 1,707</u>	<u>12,339</u>
Net realized gains (losses) on sales of investments	\$ 12,469	(189)
Net change in unrealized gains and losses on investments	\$ (13,629)	14,917

(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 US 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 1 and 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, 2011 and 2010 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).

		2011				Redemption frequency	Days notice
		Total	Level 1	Level 2	Level 3		
Investments							
Cash and cash equivalents	\$	75.982	75.982	—	—	Daily	Same day
U.S. government obligations		34.747	—	34.747	—	Daily	Same day
Marketable 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>		

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		2010					
		<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Redemption frequency</u>	<u>Days notice</u>
Investments							
Cash and cash equivalents	\$	73.536	73.536	—	—	Daily	Same day
U S government obligations		31.171	—	31.171	—	Daily	Same day
Marketable equity securities							
Large-cap securities		54.554	42.257	12.297	—	Daily - monthly	Same day – 60 days
International securities		92.667	—	92.667	—	Daily - monthly	2 days – 30 days
Equity and fixed income mutual funds		108.033	98.018	10.015	—	Daily - monthly	Same day – 60 days
Limited partnerships							
Hedge funds		22.738	—	—	22.738	Quarterly - bi-annually	60-65 days
Private equity		2.114	—	—	2.114	See (a) below	See (a) below
Global equity		24.727	—	24.727	—	Daily - monthly	3 days – 30 days
Domestic equity		12.310	—	—	12.310	Annually	60 days
Real assets		3.489	—	—	3.489	See (a) below	See (a) below
	\$	<u>425.339</u>	<u>213.811</u>	<u>170.877</u>	<u>40.651</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, 2011, Kaleida has committed to contribute approximately \$7.6 million to such limited partnerships, of which Kaleida has contributed approximately \$7.4 million and has outstanding commitments of \$177,000.

There were no significant transfers into or out of Level 1 and Level 2 fair value measurements during the years ended December 31, 2011 and 2010.

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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)

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>

2010					
	Total	Real assets	Hedge funds	Private equity	Domestic equity
Balance, beginning of year	\$ 49.404	4.583	21.682	12.447	10.692
Purchases	13.565	2.500	—	11.065	—
Sales	(24.888)	(2.501)	(112)	(22.275)	—
Realized gains	1.208	1	—	1.207	—
Realized losses	(30)	—	(30)	—	—
Change in unrealized gains and losses	1.392	(1.094)	1.198	(330)	1.618
Balance, end of year	<u>\$ 40.651</u>	<u>3.489</u>	<u>22.738</u>	<u>2.114</u>	<u>12.310</u>

Liquidity

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

	2011	2010
Investments redemption period		
Daily	\$ 236.466	270.166
Semi – monthly	8.081	13.845
Monthly	106.127	100.676
Bi – monthly	14.653	—
Quarterly	10.679	11.364
Bi – annual	—	11.375
Annual	11.019	12.310
Illiquid	5.792	5.603
Total	<u>\$ 392.817</u>	<u>425.339</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, 2011, redemption periods expire at various times through 2013.

(8) Property and Equipment

A summary of property and equipment at December 31 follows:

	2011	2010
	(Dollars in thousands)	
Land and land improvements	\$ 25,827	25,140
Buildings, fixtures, and improvements	768,564	653,819
Movable equipment	606,585	545,724
	<u>1,400,976</u>	<u>1,224,683</u>
Less accumulated depreciation and amortization	1,088,092	985,850
	312,884	238,833
Construction in progress	164,672	112,355
	<u>\$ 477,556</u>	<u>351,188</u>

During 2009, Kaleida began construction of the GVI adjacent to Buffalo General Hospital and in 2010 began construction of a new skilled nursing facility (SNF). The GVI will be 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. It is expected that UB will occupy the top four floors of the GVI and UB will contribute 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 \$8 million equity contribution (note 9). The completed SNF is a four-story building housing 300 long-term care beds with an estimated cost of approximately \$65 million. Kaleida funded this project with \$12.4 million in HEAL NY grant funding and the proceeds from government insured debt of \$51.9 million and a \$600,000 equity contribution (note 9). Commitments outstanding at December 31, 2011, for the construction of the GVI totaled approximately \$41.9 million.

Net property and equipment includes approximately \$14.0 million and \$18.1 million applicable to capital leases at December 31, 2011 and 2010, respectively.

During 2011 and 2010, Kaleida capitalized interest expense of approximately \$3,848,000 and \$719,000, respectively.

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(9) Long-Term Debt

Long-term debt consists of the following at December 31

	<u>2011</u>	<u>2010</u>
	(Dollars in thousands)	
Mortgage payable in monthly installments of \$625,000, including interest at 5.25% through August 1, 2023 (a)	\$ 65,343	69,301
Mortgage payable in monthly installments of \$314,000 including interest at 3.29% through April 1, 2020 (a)	40,304	45,056
Mortgage notes payable in monthly installments of \$338,000, including interest at 5.05%, through October 1, 2033 (a)	53,519	54,831
Mortgage notes payable in monthly installments of \$107,000, including interest at 5.05%, through February 1, 2032 (a)	16,292	16,746
Mortgage payable in monthly installments of \$48,000 including interest at 6.25% through July 1, 2024 (a)	—	5,246
Mortgage notes payable with interest only payments at 6.35% through February 2012. Once fully drawn, monthly principal and interest will be required through February 1, 2037 (a)	63,817	23,330
Mortgage notes payable with interest only payments at 5.73% through February 2012. Once fully drawn, monthly principal and interest will be required through February 1, 2037 (a)	41,238	10,465
Capital lease obligations, less imputed interest of \$277,000 and \$632,000 at December 31, 2011 and 2010, respectively (b)	6,471	10,492
Equipment notes payable (c)	1,675	—
Industrial development bond payable in monthly fixed principal installments of \$25,000, plus interest at 5.57% through January 2011. Thereafter, varying monthly principal and interest installments through January 2026. The bonds are secured by the related assets being financed	1,941	2,241
Other	3,868	7,725
	<u>294,468</u>	<u>245,433</u>
Less current maturities	<u>18,223</u>	<u>18,889</u>
	<u>\$ 276,245</u>	<u>226,544</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.

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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 will be 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, when fully drawn, will have a 25 year term, fixed monthly payments and an annual interest rate of 6.35%. The mortgage note is insured by HUD. At December 31, 2011, Kaleida has drawn \$63.8 million for costs related to the GVI project.

On September 1, 2010, Kaleida refinanced the existing mortgage of \$46.2 million maturing in April 2020 related to improvements made to both the Millard Fillmore Gates Hospital and the Millard Fillmore Suburban Hospital. Although the principal amount refinanced remained the same, the mortgage term, interest rate and monthly payment were modified. The lender approved the consolidation and realignment of related collateral. The mortgage remains insured by HUD.

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 will be used to finance the cost of the construction of a new skilled nursing facility (SNF). The facility will replace the Gates and Deaconess skilled nursing facilities (see note 1). The mortgage note, when fully drawn, will have a 25 year term, fixed monthly payments and an annual interest rate of 5.73%. The mortgage note is insured by HUD. At December 31, 2011, Kaleida has drawn \$41.2 million for costs related to the skilled nursing project.

On July 28, 2011, Waterfront Health Care Center, Inc. paid the balance on its outstanding mortgage in anticipation of DOH's approval of a voluntary receivership agreement executed with the DOH and a third party receiver (see note 15(b)). The receivership agreement was executed in June 2011 and approved by the DOH in August 2011, with an effective date of August 15, 2011.

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, and December 7, 2010. 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, 2011, Kaleida was not in compliance with the required debt service coverage ratio. As a result, Kaleida will require HUD approvals for short-term borrowings, leases or other long-term debt obligations over threshold amounts and for certain transactions with affiliates in future periods.

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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

	2011	2010
	(Dollars in thousands)	
Mortgage reserve fund	\$ 34.444	39.489
GVI project equity	8.032	8.018
SNF project equity	—	3.324
	<u>\$ 42.476</u>	<u>50.831</u>

Construction costs payable at year end will be paid with proceeds advanced from the HUD insured loan commitments secured by Kaleida in 2010

(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 At December 31, 2011 there was approximately \$1.7 million of borrowings on the financing agreement, which represents two 5 year notes which bear interest at approximately 1.3% payable monthly through October 2016 There were no such borrowings outstanding at December 31, 2010

Future annual principal payments of long-term debt for the next five years as of December 31, 2011 are as follows (dollars in thousands)

2012	\$ 18.223
2013	18.490
2014	16.593
2015	16.792
2016	17.515

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,

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requires Kaleida to pay off 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. At December 31, 2011 and 2010, \$10 million was outstanding on the Loan Agreement which bears interest at 2.56% and 3.5% at December 31, 2011 and 2010, respectively.

(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 \$28.5 million and \$27.5 million in 2011 and 2010, respectively. Future minimum payments under noncancelable operating leases as of December 31, 2011 having lease terms in excess of one year are as follows (dollars in thousands):

2012	\$	17,360
2013		15,098
2014		14,720
2015		14,614
2016		14,540

(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.

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

	2011	2010
	(Dollars in thousands)	
Change in projected benefit obligation		
Benefit obligation at beginning of year	\$ 557.813	478.339
Service cost	20.983	18.229
Interest cost	30.047	28.083
Actuarial losses	70.967	46.502
Benefits paid	(15.443)	(13.340)
Benefit obligation at end of year	<u>\$ 664.367</u>	<u>557.813</u>
Change in plan assets		
Fair value of plan assets at beginning of year	\$ 387.600	326.036
Actual return on plan assets	5.586	42.204
Employer contributions	28.481	32.700
Benefits paid	(15.443)	(13.340)
Fair value of assets at end of year	<u>\$ 406.224</u>	<u>387.600</u>

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

	2011	2010
	(Dollars in thousands)	
Funded status at end of year		
Fair value of plan assets	\$ 406.224	387.600
Projected benefit obligation	<u>664.367</u>	<u>557.813</u>
Pension obligation recognized in the consolidated balance sheets at end of year	<u>\$ (258.143)</u>	<u>(170.213)</u>
Amount recorded in unrestricted net assets at end of year		
Net actuarial loss	\$ (261.594)	(169.382)
Prior service costs	<u>(1.317)</u>	<u>(1.238)</u>
	<u>\$ (262.911)</u>	<u>(170.620)</u>

The estimated prior service cost and net actuarial loss that will be amortized from unrestricted net assets in 2012 are approximately \$257.000 and \$17.8 million, respectively

The accumulated benefit obligations at the Plan's measurement date for 2011 and 2010 was approximately \$553 million and \$480 million, respectively

KALEIDA HEALTH
Notes to Consolidated Financial Statements
December 31, 2011 and 2010

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

	<u>2011</u>	<u>2010</u>
	(Dollars in thousands)	
Service cost	\$ 20.983	18.229
Interest cost	30.047	28.083
Expected return on plan assets	(35.203)	(31.888)
Amortization of net prior service credit	(80)	(191)
Amortization of actuarial loss	8.372	3.792
Net periodic pension cost	<u>\$ 24.119</u>	<u>18.025</u>

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

	<u>2011</u>	<u>2010</u>
Discount rate for benefit obligations	4.70%	5.49%
Discount rate for net pension cost	5.49	6.00
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.

KALEIDA HEALTH

Notes to Consolidated Financial Statements

December 31, 2011 and 2010

The range of target investment allocation percentages at December 31, 2011 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%

The following tables present Kaleida's defined benefit pension plan's assets at December 31, 2011 and 2010 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)

		2011				Redemption frequency	Days Notice
		Total	Level 1	Level 2	Level 3		
Investments							
Cash and cash equivalents	\$	24.890	24.890	—	—	Daily	Same day
Insurance contract		3.593	—	3.593	—	Daily	Same day
Marketable 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		51.877	—	50.280	1.597	Monthly – semi-annually	20 – 100 days
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
	\$	406.224	140.494	212.895	52.835		

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Notes to Consolidated Financial Statements

December 31, 2011 and 2010

2010						
	Total	Level 1	Level 2	Level 3	Redemption frequency	Days Notice
Investments						
Cash and cash equivalents	\$ 17.621	17.621	—	—	Daily	Same day
Insurance contract	3.931	—	3.931	—	Daily	Same day
Marketable equity securities						
Large-cap securities	62.368	46.939	15.429	—	Daily-monthly	Same day – 60 days
International securities	107.243	—	107.243	—	Daily-monthly	2 days – 30 days
Equity and fixed income mutual funds	87.036	77.089	9.947	—	Daily-monthly	Same day – 60 days
Limited partnerships						
Hedge funds	32.179	—	—	32.179	Quarterly-or-annually	60-65 days
Private equity	19.518	—	—	19.518	See note 7(a)	See note 7(a)
Global equity	28.058	—	28.058	—	Daily-monthly	3 days – 30 days
Domestic equity	19.733	—	—	19.733	Annually	60 days
Real assets	9.913	—	—	9.913	See note 7(a)	See note 7(a)
	<u>\$ 387.600</u>	<u>141.649</u>	<u>164.608</u>	<u>81.343</u>		

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, 2011, Kaleida has committed to contribute approximately \$73.7 million to such limited partnerships, of which Kaleida has contributed approximately \$38.1 million and has outstanding commitments of \$35.6 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)

2011					
	Total	Real assets	Hedge funds	Private equity	Domestic equity
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>

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Notes to Consolidated Financial Statements

December 31, 2011 and 2010

	2010				
	Total	Real assets	Hedge funds	Private equity	Domestic equity
Balance, beginning of year	\$ 81,567	8,081	30,596	26,499	16,391
Purchases	26,748	4,500	—	22,248	—
Sales	(34,827)	(670)	(148)	(34,009)	—
Realized gains	2,122	5	—	2,117	—
Realized losses	(40)	—	(40)	—	—
Change in unrealized gains and losses	5,773	(2,003)	1,771	2,663	3,342
Balance, end of year	<u>\$ 81,343</u>	<u>9,913</u>	<u>32,179</u>	<u>19,518</u>	<u>19,733</u>

Contributions – For the plan year ended December 31, 2011, Kaleida has contributed \$28.5 million. Expected contributions for the plan year ending December 31, 2012 will be made at a level recommended by Kaleida's consulting actuary and in accordance with ERISA funding requirements.

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

2012	\$ 17,388
2013	19,494
2014	21,797
2015	24,314
2016	27,029
2017 – 2020	183,334

The expected benefits are based on the same assumptions used to measure Kaleida's benefit obligations at December 31, 2011 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 \$2.6 million and \$2.5 million for 2011 and 2010, respectively.

KALEIDA HEALTH

Notes to Consolidated Financial Statements

December 31, 2011 and 2010

(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>2011</u>	<u>2010</u>
	(Dollars in thousands)	
Accumulated postretirement obligation at end of year	\$ 5.796	5.852
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>\$ (5.796)</u>	<u>(5.852)</u>

Net postretirement benefit cost was approximately \$452,000 and \$451,000 for the years ended December 31, 2011 and 2010, respectively. The weighted average assumptions used to determine postretirement benefit cost and obligations at the Plan's measurement date (December 31):

	<u>2011</u>	<u>2010</u>
Discount rate for benefit obligations	4.50%	5.20%
Discount rate for net postretirement cost	5.20	5.80

For measurement purposes, 2011 increases in the per capita cost of covered health care benefits were assumed for medical and prescription drugs at 7.92%. The rate is assumed to decrease gradually on 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:

	<u>2011</u>	<u>2010</u>
	(Dollars in thousands)	
Balance at beginning of year	\$ 10.685	10.217
Net obligations settled in current period	(26)	(245)
Accretion expense	750	713
Adjustment to estimate	<u>1.621</u>	<u>—</u>
Balance at end of year	<u>\$ 13.030</u>	<u>10.685</u>

KALEIDA HEALTH

Notes to Consolidated Financial Statements

December 31, 2011 and 2010

As a result of the consolidation of services from Millard Fillmore Gates anticipated in early 2012 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 could include demolition. The net book value at December 31, 2011 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

	<u>2011</u>	<u>2010</u>
	(Dollars in thousands)	(Dollars in thousands)
Capital expansion and improvements	\$ 54,373	53,678
Advancement of medical education and research and healthcare services	33,295	59,295
	<u>\$ 87,668</u>	<u>112,973</u>

Permanently restricted net assets at December 31 are restricted as follows

	<u>2011</u>	<u>2010</u>
	(Dollars in thousands)	(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	4,576	4,576
	<u>\$ 15,400</u>	<u>15,400</u>

In 2011 and 2010, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes of operating expenses of \$5.7 million and \$7.7 million, respectively, and purchases of equipment of \$30.0 million and \$24.6 million, respectively.

(14) 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>2011</u>	<u>2010</u>
	(Dollars in thousands)	(Dollars in thousands)
Healthcare services	\$ 1,033,725	1,013,584
General and administrative	196,900	173,421
	<u>\$ 1,230,625</u>	<u>1,187,005</u>

KALEIDA HEALTH

Notes to Consolidated Financial Statements

December 31, 2011 and 2010

(15) 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, marketable equity securities, other alternative investments funds, and fixed income securities, 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 health maintenance organizations. Kaleida has not historically incurred any significant concentrated credit losses in the normal course of business.

(b) Disposition of Waterfront Health Care Center

In November 2009, Kaleida filed a request with DOH to close Waterfront Health Care Center (Center). On January 15, 2010, DOH approved the plan of closure. During 2011, Kaleida worked through a process to sell the facility and the operation. In August 2011, Kaleida entered into a voluntary receivership agreement with the intention to sell the facility upon DOH approval. It is anticipated that the transaction will be completed in 2012. In the meantime, the Center is operated at no financial risk to Kaleida by the receiver.

(c) Collective Bargaining Agreements

A significant portion of Kaleida employees work under collective bargaining agreements which were renegotiated in 2011. The new agreements have a duration of two years and will expire in May 2013.

KALEIDA HEALTH

Consolidating Balance Sheet

December 31, 2011

(Dollars in thousands)

Assets	Hospital	Home Care	Foundations	Waterfront and other subsidiaries	Reclasses and eliminations	December 31, 2011 consolidated
Current assets						
Cash and cash equivalents	\$ 19,750	16,890	1,993	2,634	—	41,267
Investments	57,319	32,245	49,696	—	—	139,260
Accounts receivable						
Patient, net	133,855	14,320	—	4,173	—	152,348
Other	12,725	1,357	22	443	(4,517)	10,030
Inventories	19,127	788	—	648	—	20,563
Prepaid expenses and other current assets	11,000	520	81	151	—	11,752
Total current assets	<u>253,776</u>	<u>66,120</u>	<u>51,792</u>	<u>8,049</u>	<u>(4,517)</u>	<u>375,220</u>
Assets limited as to use						
Designated under debt agreements	42,476	—	—	—	—	42,476
Designated under self-insurance programs	119,368	4,552	—	—	—	123,920
Board designated and donor restricted	21,027	—	64,947	—	—	85,974
Other	1,115	—	—	72	—	1,187
Total assets limited as to use	<u>183,986</u>	<u>4,552</u>	<u>64,947</u>	<u>72</u>	<u>—</u>	<u>253,557</u>
Property and equipment, less accumulated depreciation and amortization	462,956	2,414	2	12,184	—	477,556
Receivable from insurance recoveries	9,078	—	—	—	—	9,078
Grants receivable	19,307	—	—	—	—	19,307
Deferred financing costs, net	12,194	—	—	15	—	12,209
Interest in net assets of Foundations	117,663	—	—	—	(117,663)	—
Other	14,521	100	3,280	7,442	(18,157)	7,186
Total assets	<u>\$ 1,073,481</u>	<u>73,186</u>	<u>120,021</u>	<u>27,762</u>	<u>(140,337)</u>	<u>1,154,113</u>

KALEIDA HEALTH

Consolidating Statement of Operating Revenue and Expenses

Year ended December 31, 2011

(Dollars in thousands)

	Hospital	Home Care	Foundations	Waterfront and other subsidiaries	Reclasses and eliminations	December 31, 2011 consolidated
Operating revenue						
Net patient service revenue	\$ 1,077,053	76,769	—	24,597	—	1,178,419
Other operating revenue	16,097	106	2,693	1,133	(1,085)	18,944
Net assets released from restrictions for operations	3,370	—	2,377	—	—	5,747
Total operating revenue	1,096,520	76,875	5,070	25,730	(1,085)	1,203,110
Operating expenses						
Salaries and benefits	622,922	50,121	1,015	15,349	(189)	689,218
Purchased services and other	206,178	8,531	3,013	6,181	(896)	223,007
Medical and non-medical supplies	208,559	9,023	10	5,401	—	222,993
Depreciation and amortization	56,640	1,254	5	765	—	58,664
Provision for bad debts	16,734	1,494	—	511	—	18,739
Interest	10,228	—	—	323	—	10,551
Total operating expenses	1,121,261	70,423	4,043	28,530	(1,085)	1,223,172
(Loss) income from operations	(24,741)	6,452	1,027	(2,800)	—	(20,062)
Other income (losses)						
Investment income	185	145	1,119	258	—	1,707
Net realized gains on sale of investments	7,585	1,994	2,890	—	—	12,469
Net change in unrealized gains and losses on investments	(7,915)	(2,361)	(3,530)	177	—	(13,629)
Restructuring charges	(7,453)	—	—	—	—	(7,453)
Total other (losses) income, net	(7,598)	(222)	479	435	—	(6,906)
(Deficiency) excess of revenue over expenses	\$ (32,339)	6,230	1,506	(2,365)	—	(26,968)

See accompanying independent auditors' report

KALEIDA HEALTH
Consolidating Balance Sheet
December 31, 2011
(Dollars in thousands)

Liabilities and Net Assets	Hospital	Home Care	Foundations	Waterfront and other subsidiaries	Reclasses and eliminations	December 31, 2011 consolidated
Current liabilities						
Accounts payable and other accrued expenses	\$ 90.773	1.389	2.358	1.162	(409)	95.273
Accrued payroll and related expenses	49.588	4.777	—	523	—	54.888
Line of credit	10.000	—	—	—	—	10.000
Estimated third-party payor settlements	21.910	1.202	—	176	—	23.288
Current portion of long-term debt	17.824	—	—	399	—	18.223
Other current liabilities	7.912	119	—	4.665	(3.574)	9.122
Total current liabilities	198.007	7.487	2.358	6.925	(3.983)	210.794
Long-term debt, less current portion	274.147	—	—	2.098	—	276.245
Construction costs payable	13.290	—	—	—	—	13.290
Estimated self-insurance reserves	161.174	4.440	—	2.714	—	168.328
Asset retirement obligations	13.030	—	—	—	—	13.030
Pension and postretirement obligations	264.767	—	—	—	—	264.767
Other long-term liabilities	14.111	—	—	6.516	(7.392)	13.235
Total liabilities	938.526	11.927	2.358	18.253	(11.375)	959.689
Net assets						
Unrestricted	31.887	61.259	56.684	9.509	(67.983)	91.356
Temporarily restricted	87.668	—	53.520	—	(53.520)	87.668
Permanently restricted	15.400	—	7.459	—	(7.459)	15.400
Total net assets	134.955	61.259	117.663	9.509	(128.962)	194.424
Total liabilities and net assets	\$ 1,073.481	73.186	120.021	27.762	(140.337)	1,154.113

See accompanying independent auditors' report