See a Social Security Number? Say Something!
Report Privacy Problems to https://public.resource.org/privacy
Or call the IRS Identity Theft Hotline at 1-800-908-4490

efile GRAPHIC print - DO NOT PROCESS | As Filed Data - | DLN: 93493318022813

Form **990**

Department of the Treasury
Internal Revenue Service

Return of Organization Exempt From Income Tax

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

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

OMB No 1545-0047

2012

Open to Public Inspection

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

B Check if applicable
- ☐ Address change
- ☐ Name change
- ☐ Initial return
- ☐ Terminated
- ☐ Amended return
- ☐ Application pending

C Name of organization
Episcopal Health Services Inc

Doing Business As

Number and street (or P O box if mail is not delivered to street address) | Room/suite
700 Hicksville Road 210
Suite

City or town, state or country, and ZIP + 4
Bethpage, NY 11714

D Employer identification number
11-1665825

E Telephone number
(516) 349-4643

G Gross receipts $ 197,618,000

F Name and address of principal officer
RICHARD BROWN INTERIM CEO
700 Hicksville RD Suite 210
Bethpage, NY 11714

H(a) Is this a group return for affiliates? ☐ Yes ☑ No

H(b) Are all affiliates included? ☐ Yes ☐ No
If "No," attach a list (see instructions)

H(c) Group exemption number ▶

I Tax-exempt status ☑ 501(c)(3) ☐ 501(c) ( ) ◀ (insert no) ☐ 4947(a)(1) or ☐ 527

J Website: ▶ WWW EHS ORG

K Form of organization ☑ Corporation ☐ Trust ☐ Association ☐ Other ▶ | **L** Year of formation 1852 | **M** State of legal domicile NY

Part I Summary

1 Briefly describe the organization's mission or most significant activities
TO PROVIDE QUALITY HEALTH CARE THROUGH ITS HOSPITAL, AMBULATORY CARE FACILITIES, NURSING HOMES AND CONTINUING MEDICAL EDUCATION, RECOGNIZING THE EMERGING LIFE-CARE NEEDS OF THE COMMUNITIES SERVED

2 Check this box ▶☐ if the organization discontinued its operations or disposed of more than 25% of its net assets

Activities & Governance

3	Number of voting members of the governing body (Part VI, line 1a)	**3**	11
4	Number of independent voting members of the governing body (Part VI, line 1b)	**4**	9
5	Total number of individuals employed in calendar year 2012 (Part V, line 2a)	**5**	1,941
6	Total number of volunteers (estimate if necessary)	**6**	75
7a	Total unrelated business revenue from Part VIII, column (C), line 12	**7a**	0
b	Net unrelated business taxable income from Form 990-T, line 34	**7b**	0

Revenue

		Prior Year	Current Year
8	Contributions and grants (Part VIII, line 1h)	1,751,000	2,585,000
9	Program service revenue (Part VIII, line 2g)	182,392,000	178,900,000
10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	1,054,000	1,242,000
11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	7,477,000	14,869,000
12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	192,674,000	197,596,000

Expenses

13	Grants and similar amounts paid (Part IX, column (A), lines 1–3)	0	0
14	Benefits paid to or for members (Part IX, column (A), line 4)	0	0
15	Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	126,666,000	125,695,000
16a	Professional fundraising fees (Part IX, column (A), line 11e)	0	0
b	Total fundraising expenses (Part IX, column (D), line 25) ▶0		
17	Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	73,619,000	68,643,000
18	Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	200,285,000	194,338,000
19	Revenue less expenses Subtract line 18 from line 12	-7,611,000	3,258,000

Net Assets or Fund Balances

		Beginning of Current Year	End of Year
20	Total assets (Part X, line 16)	136,296,000	142,636,000
21	Total liabilities (Part X, line 26)	112,320,000	118,366,000
22	Net assets or fund balances Subtract line 21 from line 20	23,976,000	24,270,000

Part II Signature Block

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

Sign Here

****** | 2013-11-15
Signature of officer | Date

RICHARD BROWN INTERIM CFO
Type or print name and title

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check ☐ if self-employed	PTIN
Angelo Pirozzi CPA				
Firm's name ▶ Charles A Barragato & Co LLP			Firm's EIN ▶	
Firm's address ▶ 950 Third Avenue - 20th FL New York, NY 10022			Phone no (212) 371-4446	

May the IRS discuss this return with the preparer shown above? (see instructions) ☑ Yes ☐ No

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

THE MISSION OF EPISCOPAL HEALTH SERVICES INC OF THE DIOCESE OF LONG ISLAND IS TO PROVIDE QUALITY HEALTH CARE WITH AN EMPHASIS ON PATIENT SAFETY THROUGH ITS HOSPITAL, AMBULATORY CARE FACILITIES, NURSING HOMES AND CONTINUING MEDICAL EDUCATION, RECOGNIZING THE EMERGING LIFE-CARE NEEDS OF THE COMMUNITIES SERVED

2 Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ? . . . . . ☐ Yes ☑ No

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

3 Did the organization cease conducting, or make significant changes in how it conducts, any program services? . . . . . ☑ Yes ☐ No

If "Yes," describe these changes on Schedule O

4 Describe the 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 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 $ 170,399,696 including grants of $) (Revenue $ 181,499,000)

ST JOHN'S EPISCOPAL HOSPITAL PROVIDED THE FOLLOWING SERVICES TO RESIDENTS OF ITS LOCAL COMMUNITY IN 2012 11,000 DISCHARGES 61,000 ADULT AND PEDIATRIC MEDICAL AND SURGICAL DAYS OF CARE TO 9,900 PATIENTS 15,000 DAYS OF BEHAVIORAL HEALTHCARE TO 750 PATIENTS 680 BABIES WERE DELIVERED 28,000 PATIENTS WERE TREATED AND RELEASED FROM THE 24 HR EMERGENCY ROOM 16,000 VISITS TO THE CHRONIC DIALYSIS SERVICE 99,000 VISITS TO THE AMBULATORY AND BEHAVIORAL HEALTH CLINICS SERVICE

4b (Code) (Expenses $ including grants of $) (Revenue $)

BISHOP CHARLES WALDO MACLEAN NURSING HOME PROVIDED THE FOLLOWING EXEMPT PURPOSE SERVICES IN 2012 45,500 DAYS OF LONG TERM NURSING HOME CARE WERE FURNISHED TO PATIENTS In August 2012, EHS entered into asset purchase agreements with unrelated parties to sell Bishop MacLean Nursing Home (the Home) and believes the sale will close in 2013 after the completion of regulatory approvals and other matters As a result, EHS determined that the criteria for held for sale classification of certain of the Home assets and liabilities were met in August 2012 Under the agreements, assets and liabilities to be transferred or assigned to the buyers include those used in operations and personal properties of the Home facilities Effective July 1, 2012 the buyers began operating the Homes under an employment agreement intended to capitalize on their specific expertise regarding long term care operation Managerial oversight by the Board of Trustees has continued from the inception of the employment agreement, and will continue to effective through final closing of the sale Subsequent to initiation of the employment agreement, the aforementioned asset purchase agreement was entered into shortly afterward, outlining the fundamentals of the proposed transaction

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** ▶ 170,399,696

Part IV Checklist of Required Schedules

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

Part IV Checklist of Required Schedules *(continued)*

21	Did the organization report more than $5,000 of grants and other assistance to any government or organization in the United States on Part IX, column (A), line 1? *If "Yes," complete Schedule I, Parts I and II*	**21**		No
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? *If "Yes," complete Schedule I, Parts I and III*	**22**		No
23	Did the organization answer "Yes" to Part VII, Section A, line 3, 4, or 5 about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? *If "Yes," complete Schedule J*	**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? *If "Yes," answer lines 24b through 24d and complete Schedule K. If "No," go to line 25*	**24a**		No
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	**24b**		
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**		
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	**24d**		
25a	**Section 501(c)(3) and 501(c)(4) organizations.** Did the organization engage in an excess benefit transaction with a disqualified person during the year? *If "Yes," complete Schedule L, Part I*	**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? *If "Yes," complete Schedule L, Part I*	**25b**		No
26	Was a loan to or by a current or former officer, director, trustee, key employee, highest compensated employee, or disqualified person outstanding as of the end of the organization's tax year? *If "Yes," complete Schedule L, Part II*	**26**		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor or employee thereof, a grant selection committee member, or to a 35% controlled entity or family member of any of these persons? *If "Yes," complete Schedule L, Part III*	**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? *If "Yes," complete Schedule L, Part IV*	**28a**		No
b	A family member of a current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	**28b**		No
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? *If "Yes," complete Schedule L, Part IV*	**28c**		No
29	Did the organization receive more than $25,000 in non-cash contributions? *If "Yes," complete Schedule M*	**29**		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? *If "Yes," complete Schedule M*	**30**		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? *If "Yes," complete Schedule N, Part I*	**31**		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? *If "Yes," complete Schedule N, Part II*	**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? *If "Yes," complete Schedule R, Part I*	**33**		No
34	Was the organization related to any tax-exempt or taxable entity? *If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1*	**34**	Yes	
35a	Did the organization have a controlled entity within the meaning of section 512(b)(13)?	**35a**	Yes	
b	If 'Yes' to line 35a, did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? *If "Yes," complete Schedule R, Part V, line 2*	**35b**	Yes	
36	**Section 501(c)(3) organizations.** Did the organization make any transfers to an exempt non-charitable related organization? *If "Yes," complete Schedule R, Part V, line 2*	**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? *If "Yes," complete Schedule R, Part VI*	**37**		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11b and 19? **Note.** All Form 990 filers are required to complete Schedule O	**38**	Yes	

Part V Statements Regarding Other IRS Filings and Tax Compliance

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

				Yes	No
1a	Enter the number reported in Box 3 of Form 1096 Enter -0- if not applicable . .	1a	326		
b	Enter the number of Forms W-2G included in line 1a *Enter -0-* if not applicable	1b	0		
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	1c		Yes	
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return	2a	1,941		
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			No
b	If "Yes," has it filed a Form 990-T for this year? *If "No," provide an explanation in Schedule O*	3b			
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?	4a			No
b	If "Yes," enter the name of the foreign country ▶ _____ See instructions for filing requirements for Form TD F 90-22 1, Report of Foreign Bank and Financial Accounts				
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year? . .	5a			No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	5b			No
c	If "Yes," to line 5a or 5b, did the organization file Form 8886-T?	5c			
6a	Does the organization have annual gross receipts that are normally greater than $100,000, and did the organization solicit any contributions that were not tax deductible as charitable contributions? . . .	6a			No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	6b			
7	**Organizations that may receive deductible contributions under section 170(c).**				
a	Did the organization receive a payment in excess of $75 made partly as a contribution and partly for goods and services provided to the payor?	7a			No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?	7b			
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 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.** See the instructions for additional information the organization must report on Schedule O	13a			
b	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans	13b			
c	Enter the amount of reserves on hand	13c			
14a	Did the organization receive any payments for indoor tanning services during the tax year?	14a			No
b	If "Yes," has it filed a Form 720 to report these payments? *If "No," provide an explanation in Schedule O* . .	14b			

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

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

Section A. Governing Body and Management

			Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year	**1a** 11		
	If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain in Schedule O			
b	Enter the number of voting members included in line 1a, above, who are independent	**1b** 9		
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	**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**		No
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 this 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**		No
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**		

Section C. Disclosure

17 List the States with which a copy of this Form 990 is required to be filed ▶

18 Section 6104 requires an organization to make its 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 ☐ Other (explain in Schedule O)

19 Describe in Schedule O whether (and if so, how), the organization made its governing documents, conflict of interest policy, and financial statements available to the public during the tax year

20 State the name, physical address, and telephone number of the person who possesses the books and records of the organization

▶EPISCOPAL HEALTH SERVICES 700 HICKSVILLE ROAD - SUITE 210 BETHPAGE, NY (516) 349-4643

Part VII **Compensation of Officers, Directors,Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors**

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

Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

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

- List all of the organization's **current** officers, directors, trustees (whether individuals or organizations), regardless of amount of compensation Enter -0- in columns (D), (E), and (F) if no compensation was paid
- List all of the organization's **current** key employees, if any See instructions for definition of "key employee "
- List the organization's five **current** highest compensated employees (other than an officer, director, trustee or key employee) who received reportable compensation (Box 5 of Form W-2 and/or Box 7 of Form 1099-MISC) of more than $100,000 from the organization and any related organizations
- List all of the organization's **former** officers, key employees, or highest compensated employees who received more than $100,000 of reportable compensation from the organization and any related organizations
- List all of the organization's **former directors or trustees** that received, in the capacity as a former director or trustee of the organization, more than $10,000 of reportable compensation from the organization and any related organizations

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

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

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W- 2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(1) REVEREND LAWRENCE C PROVENZANO PRESIDENT & CHAIRMAN	10 0 1 0	X		X				60,000		10,800
(2) MARGARET O CARPENTER SECOND VP	1 0 1 0	X		X						
(3) REVEREND JOHN E WALKER III SECRETARY	1 0 0 0	X		X						
(4) RONALD O COLE TREASURER	1 0 0 0	X		X				23,175		0
(5) KATHLEEN E LECADRE BOARD MEMBER	1 0 0 0	X								
(6) VENERABLE JEROME J NEDELKA CHAIRMAN - PASTORAL CARE	1 0 0 0	X								
(7) REVEREND J MASTINE NISBETT BOARD MEMBER	1 0 0 0	X								
(8) REVEREND DARRYL F JAMES BOARD MEMBER	1 0 0 0	X								
(9) REVEREND THEODORE W BEAN JR BOARD MEMBER	1 0 0 0	X								
(10) DANIEL A KASLE BOARD MEMBER	1 0 0 0	X								
(11) OWEN C THOMSPON BOARD MEMBER	1 0 0 0	X								
(12) NELSON TOEBBE CEO - PITTS MANAGEMENT	40 0 0 0			X						
(13) RICHARD BROWN COO - PITTS MANAGEMENT	40 0 0 0			X						
(14) WILL MOORE CFO - PITTS MANAGEMENT	37 0 3 0			X						
(15) CHERIAN T PALATHRA CONTROLLER	40 0 0 0			X				106,483		25,901
(16) ROBERT BLAKE PHYSICIAN	26 0 14 0				X			174,108	48,712	16,160
(17) SHELDON MARKOWITZ CHAIR - DEPT OF MEDICINE	40 0 0 0				X			259,309	0	32,012

Part VII **Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees** *(continued)*

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W- 2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(18) MANMOHN MAHADKAR CHAIR - DEPT OF OB/GYN	40 0 0 0				X			241,575	0	32,012
(19) RAJIV PRASAD CHAIR - EMERGENCY SERVICES	32 0 8 0				X			360,040		7,364
(20) GILBERT MAKABALI MD CHAIRMAN - SURGERY	40 0 0 0					X		261,590	0	36,012
(21) ALAN STEINBERG MD CHAIRMAN - PEDIATRICS	40 0 0 0					X		278,099	0	28,228
(22) RAYMOND PASTORE MD CHIEF MEDICAL OFFICER	38 0 2 0					X		275,659	0	7,364
(23) LOKESH REDDY MD CHIEF OF PSYCHIATRY	40 0 0 0					X		290,290	0	28,228
(24) James Henry MD CHIEF OF ORTHOPEDICS	40 0 0 0					X		318,724	0	33,328
1b **Sub-Total** . . . . . ▶										
c **Total from continuation sheets to Part VII, Section A** . . . . ▶										
d **Total (add lines 1b and 1c)** . . . . . ▶								2,649,052	48,712	257,409

2 Total number of individuals (including but not limited to those listed above) who received more than $100,000 of reportable compensation from the organization ▶207

			Yes	No
3	Did the organization list any **former** officer, director or trustee, key employee, or highest compensated employee on line 1a? *If "Yes," complete Schedule J for such individual*	**3**		No
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? *If "Yes," complete Schedule J for such individual*	**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? *If "Yes," complete Schedule J for such person*	**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
PITTS MANAGEMENT ASSOCIATES INC , 7946 GOODWOOD BLVD BATON ROUGE LA 70806	DAILY MANAGEMENT SVC	7,439,118
HEALTHCARE INFORMATION CONSULTANTS , 8005 HORIZON POINT DRIVE MILLERSVILLE MD 21108	CONSULTING SERVICES	1,708,473
EPSTEIN BECKER GREEN PC , 1227 25TH STREET NW WASHINGTON DC 20037	LEGAL SERVICES	714,887
NIXON PEABODY LLP , 50 JERICHO QUADRANGLE SUITE 300 JERICHO NY 11753	LEGAL SERVICES	640,610
FAR ROCKAWAY HYPERBARIC LLC , C/O CENTER FOR WOUND HEALING PO BO LAUREL NY 11948	WOUND CARE SERVICES	625,001

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 ▶36

Part VIII Statement of Revenue

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

				(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514
Contributions, Gifts, Grants and Other Similar Amounts	1a	Federated campaigns	1a				
	b	Membership dues	1b				
	c	Fundraising events	1c				
	d	Related organizations	1d				
	e	Government grants (contributions)	1e	2,518,000			
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	67,000			
	g	Noncash contributions included in lines 1a-1f $					
	h	**Total.** Add lines 1a-1f			2,585,000		
Program Service Revenue			Business Code				
	2a	NET PATIENT SERVICE REV	621300		183,650,000	183,650,000	
	b	PHYSICIAN BILLING REVENUE	621110		1,482,000	1,482,000	
	c	PROVISION FOR BAD DEBTS	621300		-6,232,000	-6,232,000	
	d						
	e						
	f	All other program service revenue					
	g	**Total.** Add lines 2a–2f			178,900,000		
	3	Investment income (including dividends, interest, and other similar amounts)			1,240,000		1,240,000
	4	Income from investment of tax-exempt bond proceeds			0		
	5	Royalties			0		
			(i) Real	(ii) Personal			
	6a	Gross rents	156,000				
	b	Less rental expenses					
	c	Rental income or (loss)	156,000	0			
	d	Net rental income or (loss)			156,000		156,000
			(i) Securities	(ii) Other			
	7a	Gross amount from sales of assets other than inventory		24,000			
	b	Less cost or other basis and sales expenses		22,000			
	c	Gain or (loss)		2,000			
	d	Net gain or (loss)			2,000		2,000
Other Revenue	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	HEALTHFIRST INVEST INCOME	523000		5,131,000		5,131,000
	b	I&R AND NON I&R ROTATION INCOME	900099		2,599,000	2,599,000	
	c	MEDICARE AND MEDICAID HIT REVENUE	900099		5,513,000		5,513,000
	d	All other revenue			1,470,000		1,470,000
	e	**Total.** Add lines 11a–11d			14,713,000		
	12	**Total revenue.** See Instructions			197,596,000	181,499,000	13,512,000

Part IX Statement of Functional Expenses

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

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

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.	(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1 Grants and other assistance to governments and organizations in the United States See Part IV, line 21	0			
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	1,348,939		1,348,939	0
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	92,500,310	85,100,285	7,400,025	
8 Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions)	5,698,527	5,242,645	455,882	
9 Other employee benefits	19,101,224	17,573,126	1,528,098	
10 Payroll taxes	7,046,000	6,482,320	563,680	
11 Fees for services (non-employees)				
a Management	7,772,000		7,772,000	
b Legal	1,893,000	1,741,560	151,440	
c Accounting	307,000	282,440	24,560	
d Lobbying	20,000	18,400	1,600	
e Professional fundraising services See Part IV, line 17	0			
f Investment management fees	0			
g Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O)	9,828,000	9,041,760	786,240	
12 Advertising and promotion	78,000	71,760	6,240	
13 Office expenses	460,000	423,200	36,800	
14 Information technology	559,000	514,280	44,720	
15 Royalties . .	0			
16 Occupancy	3,918,000	3,604,560	313,440	
17 Travel	71,000	65,320	5,680	
18 Payments of travel or entertainment expenses for any federal, state, or local public officials	0			
19 Conferences, conventions, and meetings	71,000	65,320	5,680	
20 Interest	339,000	311,880	27,120	
21 Payments to affiliates	0			
22 Depreciation, depletion, and amortization	6,549,000	6,025,080	523,920	
23 Insurance	4,969,000	4,571,480	397,520	
24 Other expenses Itemize expenses not covered above (List miscellaneous expenses in line 24e If line 24e amount exceeds 10% of line 25, column (A) amount, list line 24e expenses on Schedule O)				
a MEDICAL SUPPLIES	8,634,000	7,943,280	690,720	
b OTHER MATERIALS & EXPENSES	9,301,000	8,556,920	744,080	
c PURCHASE SERVICE EXPENSE	9,750,000	8,970,000	780,000	
d DRUGS	4,124,000	3,794,080	329,920	
e All other expenses				
25 **Total functional expenses.** Add lines 1 through 24e	194,338,000	170,399,696	23,938,304	0
26 **Joint costs.** Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation Check here ▶ ☐ if following SOP 98-2 (ASC 958-720)				

Part X Balance Sheet

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

				(A) Beginning of year		(B) End of year
Assets	1	Cash—non-interest-bearing		7,948,000	1	2,390,000
	2	Savings and temporary cash investments		260,000	2	426,000
	3	Pledges and grants receivable, net		0	3	0
	4	Accounts receivable, net		25,450,000	4	21,549,000
	5	Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L		0	5	0
	6	Loans and other receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions) Complete Part II of Schedule L		0	6	0
	7	Notes and loans receivable, net		0	7	0
	8	Inventories for sale or use		283,000	8	349,000
	9	Prepaid expenses and deferred charges		4,825,000	9	10,393,000
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a 154,115,000			
	b	Less accumulated depreciation	10b 113,585,000	39,630,000	10c	40,530,000
	11	Investments—publicly traded securities		0	11	0
	12	Investments—other securities See Part IV, line 11		0	12	0
	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		57,900,000	15	66,999,000
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)		136,296,000	16	142,636,000
Liabilities	17	Accounts payable and accrued expenses		27,804,000	17	35,649,000
	18	Grants payable		0	18	0
	19	Deferred revenue		0	19	0
	20	Tax-exempt bond liabilities		0	20	0
	21	Escrow or custodial account liability Complete Part IV of Schedule D		0	21	0
	22	Loans and other payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons Complete Part II of Schedule L		0	22	0
	23	Secured mortgages and notes payable to unrelated third parties		4,654,000	23	5,290,000
	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		79,862,000	25	77,427,000
	26	**Total liabilities.** Add lines 17 through 25		112,320,000	26	118,366,000
Net Assets or Fund Balances		**Organizations that follow SFAS 117 (ASC 958), check here ▶ ☑ and complete lines 27 through 29, and lines 33 and 34.**				
	27	Unrestricted net assets		22,468,000	27	22,396,000
	28	Temporarily restricted net assets		100,000	28	466,000
	29	Permanently restricted net assets		1,408,000	29	1,408,000
		Organizations that do not follow SFAS 117 (ASC 958), 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		23,976,000	33	24,270,000
	34	Total liabilities and net assets/fund balances		136,296,000	34	142,636,000

Part XI Reconcilliation 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	197,596,000
2	Total expenses (must equal Part IX, column (A), line 25)	2	194,338,000
3	Revenue less expenses Subtract line 2 from line 1	3	3,258,000
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	23,976,000
5	Net unrealized gains (losses) on investments	5	165,000
6	Donated services and use of facilities	6	
7	Investment expenses	7	
8	Prior period adjustments	8	
9	Other changes in net assets or fund balances (explain in Schedule O)	9	-3,129,000
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	24,270,000

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?	2a		No
	If 'Yes,' check a box below to indicate whether the financial statements for the year were compiled or reviewed on a separate basis, consolidated basis, or both ☐ Separate basis ☐ Consolidated basis ☐ Both consolidated and separate basis			
b	Were the organization's financial statements audited by an independent accountant?	2b	Yes	
	If 'Yes,' check a box below to indicate whether the financial statements for the year were audited on a separate basis, consolidated basis, or both ☐ Separate basis ☑ Consolidated basis ☐ Both consolidated and separate basis			
c	If "Yes," to line 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant?	2c	Yes	
	If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O			
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?	3a	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	3b	Yes	

efile GRAPHIC print - DO NOT PROCESS | As Filed Data - | DLN: 93493318022813

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

2012

Open to Public Inspection

Name of the organization
Episcopal Health Services Inc

Employer identification number
11-1665825

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

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

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

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

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

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

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

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

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

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

9 ☐ An organization that normally receives (1) more than 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 See **section 509(a)(4).**

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

a ☐ Type I **b** ☐ Type II **c** ☐ Type III - Functionally integrated **d** ☐ Type III - Non-functionally integrated

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

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

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

		Yes	No
(i) A person who directly or indirectly controls, either alone or together with persons described in (ii) and (iii) below, the governing body of the supported organization?	**11g(i)**		
(ii) A family member of a person described in (i) above?	**11g(ii)**		
(iii) A 35% controlled entity of a person described in (i) or (ii) above?	**11g(iii)**		

h Provide the following information about the supported organization(s)

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

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

Section A. Public Support

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

Section B. Total Support

Calendar year (or fiscal year beginning in) ▶	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(f) Total
7 Amounts from line 4						
8 Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
9 Net income from unrelated business activities, whether or not the business is regularly carried on						
10 Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV)						
11 **Total support** (Add lines 7 through 10)						

12 Gross receipts from related activities, etc (see instructions) **12**

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

Section C. Computation of Public Support Percentage

14 Public support percentage for 2012 (line 6, column (f) divided by line 11, column (f)) **14**

15 Public support percentage for 2011 Schedule A, Part II, line 14 **15**

16a **33 1/3% support test—2012.** If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

b **33 1/3% support test—2011.** If the organization did not check a box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

17a **10%-facts-and-circumstances test—2012.** If the organization did not check a box on line 13, 16a, or 16b, and line 14 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and **stop here.** Explain in Part IV how the organization meets the "facts-and-circumstances" test The organization qualifies as a publicly supported organization ▶☐

b **10%-facts-and-circumstances test—2011.** If the organization did not check a box on line 13, 16a, 16b, or 17a, and line 15 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and **stop here.** Explain in Part IV how the organization meets the "facts-and-circumstances" test The organization qualifies as a publicly supported organization ▶☐

18 **Private foundation.** If the organization did not check a box on line 13, 16a, 16b, 17a, or 17b, check this box and see instructions ▶☐

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

Section A. Public Support

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

Section B. Total Support

Calendar year (or fiscal year beginning in) ▶	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(f) Total
9 Amounts from line 6						
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
c Add lines 10a and 10b						
11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
12 Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV)						
13 **Total support.** (Add lines 9, 10c, 11, and 12)						

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

Section C. Computation of Public Support Percentage

15	Public support percentage for 2012 (line 8, column (f) divided by line 13, column (f))	15	
16	Public support percentage from 2011 Schedule A, Part III, line 15	16	

Section D. Computation of Investment Income Percentage

17	Investment income percentage for **2012** (line 10c, column (f) divided by line 13, column (f))	17	
18	Investment income percentage from **2011** Schedule A, Part III, line 17	18	

19a **33 1/3% support tests—2012.** If the organization did not check the box on line 14, and line 15 is more than 33 1/3%, and line 17 is not more than 33 1/3%, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

b **33 1/3% support tests—2011.** If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3% and line 18 is not more than 33 1/3%, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

20 **Private foundation.** If the organization did not check a box on line 14, 19a, or 19b, check this box and see instructions ▶☐

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

Facts And Circumstances Test

Explanation

efile GRAPHIC print - DO NOT PROCESS | As Filed Data - | DLN: 93493318022813

SCHEDULE C
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Political Campaign and Lobbying Activities

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

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

OMB No 1545-0047

2012

Open to Public Inspection

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

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

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

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

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

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

Name of the organization	Employer identification number
Episcopal Health Services Inc	11-1665825

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

1 Provide a description of the organization's direct and indirect political campaign activities in Part IV

2 Political expenditures ▶ $

3 Volunteer hours

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

1 Enter the amount of any excise tax incurred by the organization under section 4955 ▶ $

2 Enter the amount of any excise tax incurred by organization managers under section 4955 ▶ $

3 If the organization incurred a section 4955 tax, did it file Form 4720 for this year? ☐ 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		
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-		

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

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) 2009	(b) 2010	(c) 2011	(d) 2012	(e) Total
2a Lobbying nontaxable amount					
b Lobbying ceiling amount (150% of line 2a, column(e))					
c Total lobbying expenditures					
d Grassroots nontaxable amount					
e Grassroots ceiling amount (150% of line 2d, column (e))					
f Grassroots lobbying expenditures					

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

For each "Yes" response to lines 1a through 1i below, provide in Part IV a detailed description of the lobbying activity.		(a) Yes	(a) No	(b) 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?		No	
b	Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		No	
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?		No	
g	Direct contact with legislators, their staffs, government officials, or a legislative body?		No	
h	Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
i	Other activities?	Yes		20,042
j	Total Add lines 1c through 1i			20,042
2a	Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No	
b	If "Yes," enter the amount of any tax incurred under section 4912			
c	If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
d	If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?		No	

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

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

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

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

Part IV Supplemental Information

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

Identifier	Return Reference	Explanation
SCHEDULE C SUPPLEMENTAL INFO	FORM 990, SCHEDULE C, PART II-B, LINE 1(i)	Episcopal Health Services Inc pays dues to The Healthcare Association of New York State (HANYS) and The Greater New York Hospital Association (GNYHA) In accordance with section 6033 (e) of the Internal Revenue Code, and as reported by HANYS and GNYHA a portion of these dues payments are attributable to lobbying activities The lobbying activity costs attributable in 2012 to HANYS and GNYHA annual dues payments was $16,253, and $3,789 respectively

efile GRAPHIC print - DO NOT PROCESS | As Filed Data - | DLN: 93493318022813

SCHEDULE D (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

▶ Complete if the organization answered "Yes," to Form 990, Part IV, line 6, 7, 8, 9, 10, 11a, 11b, 11c, 11d, 11e, 11f, 12a, or 12b
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
Episcopal Health Services Inc

Employer identification number
11-1665825

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 can be used only for charitable purposes and not for the benefit of the donor or donor advisor, or for any other purpose conferring impermissible private benefit? ☐ 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 education) ☐ Preservation of an historically important land area
☐ Protection of natural habitat ☐ Preservation of a certified historic structure
☐ Preservation of open space

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

		Held at the End of the Year
a	Total number of conservation easements	2a
b	Total acreage restricted by conservation easements	2b
c	Number of conservation easements on a certified historic structure included in (a)	2c
d	Number of conservation easements included in (c) acquired after 8/17/06, and not on a historic structure listed in the National Register	2d

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

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

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

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

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

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

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

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

1a If the organization elected, as permitted under SFAS 116 (ASC 958), not to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide, in Part XIII, the text of the footnote to its financial statements that describes these items

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

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

(ii) Assets included in Form 990, Part X ▶ $ _____

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

a Revenues included in Form 990, Part VIII, line 1 ▶ $ _____

b Assets included in Form 990, Part X ▶ $ _____

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

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

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

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

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

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

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

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

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

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

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

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

		(a) Current year	(b) Prior year	b (c) Two years back	(d) Three years back	(e) Four years back
1a	Beginning of year balance	1,408,000	1,408,000	1,408,000	1,408,000	1,408,000
b	Contributions					
c	Net investment earnings, gains, and losses	5	8	8	11	5,000
d	Grants or scholarships					
e	Other expenditures for facilities and programs	5	8	8	11	5,000
f	Administrative expenses					
g	End of year balance	1,408,000	1,408,000	1,408,000	1,408,000	1,408,000

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

- a Board designated or quasi-endowment ▶
- b Permanent endowment ▶ 100 000 %
- c Temporarily restricted endowment ▶

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

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

		Yes	No
(i) unrelated organizations	3a(i)		No
(ii) related organizations	3a(ii)		No
b If "Yes" to 3a(ii), are the related organizations listed as required on Schedule R?	3b		

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

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

Description of property	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land		929,000		929,000
b Buildings		46,839,000	32,920,000	13,919,000
c Leasehold improvements		2,914,000	2,363,000	551,000
d Equipment		100,492,000	78,302,000	22,190,000
e Other		2,941,000	0	2,941,000
Total. Add lines 1a through 1e *(Column (d) must equal Form 990, Part X, column (B), line 10(c).)* ▶				40,530,000

Part VII Investments—Other Securities. See Form 990, Part X, line 12.

(a) Description of security or category (including name of security)	(b) Book value	(c) Method of valuation Cost or end-of-year market value
(1) Financial derivatives		
(2) Closely-held equity interests		
Other		
Total. *(Column (b) must equal Form 990, Part X, col (B) line 12)* ▶		

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

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

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

(a) Description	(b) Book value
(1) ASSETS WHOSE USE IS LIMITED	6,770,000
(2) DUE FROM THIRD-PARTY PAYORS	7,394,000
(3) HEALTHFIRST INVESTMENT	10,305,000
(4) INV IN & HLD BY CAPTIVE INS CO	24,120,000
(5) OTHER ASSETS	1,475,000
(6) PHSP INVESTMENT - COST	4,833,000
(7) INSURANCE RECOVERABLE	8,093,000
(8) MACLEAN ASSETS HELD FOR SALE	4,009,000
Total. *(Column (b) must equal Form 990, Part X, col.(B) line 15.)* . . . . . ▶	66,999,000

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

1 (a) Description of liability	(b) Book value
Federal income taxes	0
DUE TO THIRD PARTY PAYORS	28,495,000
OTHER LIABILITIES	3,319,000
PROFESSIONAL & SELF INSURED LI	43,390,000
MACLEAN LIABILITIES HELD FOR SALE	2,223,000
Total. *(Column (b) must equal Form 990, Part X, col (B) line 25)* ▶	77,427,000

2. Fin 48 (ASC 740) Footnote In Part XIII, provide the text of the footnote to the organization's financial statements that reports the organization's liability for uncertain tax positions under FIN 48 (ASC 740) Check here if the text of the footnote has been provided in Part XIII ☐

Part XI Reconciliation of Revenue per Audited Financial Statements With Revenue per Return

1	Total revenue, gains, and other support per audited financial statements			1	
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 XIII)	2d			
e	Add lines **2a** through **2d**			2e	
3	Subtract line **2e** from line **1**			3	
4	Amounts included on Form 990, Part VIII, line 12, but not on line **1**				
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a			
b	Other (Describe in Part XIII)	4b			
c	Add lines **4a** and **4b**			4c	
5	Total revenue Add lines **3** and **4c.** (This must equal Form 990, Part I, line 12)			5	

Part XII Reconciliation of Expenses per Audited Financial Statements With Expenses per Return

1	Total expenses and losses per audited financial statements			1	
2	Amounts included on line 1 but not on Form 990, Part IX, line 25				
a	Donated services and use of facilities	2a			
b	Prior year adjustments	2b			
c	Other losses	2c			
d	Other (Describe in Part XIII)	2d			
e	Add lines **2a** through **2d**			2e	
3	Subtract line **2e** from line **1**			3	
4	Amounts included on Form 990, Part IX, line 25, but not on line **1:**				
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a			
b	Other (Describe in Part XIII)	4b			
c	Add lines **4a** and **4b**			4c	
5	Total expenses Add lines **3** and **4c.** (This must equal Form 990, Part I, line 18)			5	

Part XIII Supplemental Information

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

Identifier	Return Reference	Explanation
PART V, LINE 4 - INTENDED USES OF ENDOWMENT FUND		INCOME FROM ENDOWMENT FUNDS ARE TO BE USED TO FURTHER SUPPORT THE MISSION OF THE ORGANIZATION ENDOWMENT FUND ASSETS ARE REQUIRED TO BE HELD IN PERPETUITY BY DONOR RESTRICTION

Additional Data

Software ID:
Software Version:
EIN: 11-1665825
Name: Episcopal Health Services Inc

Form 990, Schedule D, Part IX, - Other Assets

(a) Description	**(b)** Book value
(1) ASSETS WHOSE USE IS LIMITED	6,770,000
(2) DUE FROM THIRD-PARTY PAYORS	7,394,000
(3) HEALTHFIRST INVESTMENT	10,305,000
(4) INV IN & HLD BY CAPTIVE INS CO	24,120,000
(5) OTHER ASSETS	1,475,000
(6) PHSP INVESTMENT - COST	4,833,000
(7) INSURANCE RECOVERABLE	8,093,000
(8) MACLEAN ASSETS HELD FOR SALE	4,009,000

efile GRAPHIC print - DO NOT PROCESS | As Filed Data - | DLN: 93493318022813

SCHEDULE F (Form 990)

Department of the Treasury
Internal Revenue Service

Statement of Activities Outside the United States

▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 14b, 15, or 16.

▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
Episcopal Health Services Inc

Employer identification number
11-1665825

Part I General Information on Activities Outside the United States. Complete if the organization answered "Yes" to Form 990, Part IV, line 14b.

1 **For grantmakers.** 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 **For grantmakers.** Describe in Part V the organization's procedures for monitoring the use of grant funds outside the United States.

3 Activites per Region (The following Part I, line 3 table can be duplicated if additional space is needed)

(a) Region	(b) Number of offices in the region	(c) Number of employees, agents, and independent contractors in region	(d) Activities conducted in region (by type) (e g , fundraising, program services, investments, grants to recipients located in the region)	(e) If activity listed in (d) is a program service, describe specific type of service(s) in region	(f) Total expenditures for and investments in region
Central America and the Caribbean			Investments	CAPTIVE INSURANCE CO	32,213,000
3a Sub-total					32,213,000
b Total from continuation sheets to Part I					
c **Totals** (add lines 3a and 3b)					32,213,000

Part II **Grants and Other Assistance to Organizations or Entities Outside the United States.** Complete if the organization answered "Yes" to Form 990, Part IV, line 15, for any recipient who received more than $5,000. Part II can be duplicated if additional space is needed.

1 (a) Name of organization	(b) IRS code section and EIN (if applicable)	(c) Region	(d) Purpose of grant	(e) Amount of cash grant	(f) Manner of cash disbursement	(g) Amount of of non-cash assistance	(h) Description of non-cash assistance	(i) Method of valuation (book, FMV, appraisal, other)

2 Enter total number of recipient organizations listed above that are recognized as charities by the foreign country, recognized as tax-exempt by the IRS, or for which the grantee or counsel has provided a section 501(c)(3) equivalency letter . . . . ▶ _____

3 Enter total number of other organizations or entities . . . . . ▶

Part III **Grants and Other Assistance to Individuals Outside the United States.** Complete if the organization answered "Yes" to Form 990, Part IV, line 16. Part III can be duplicated if additional space is needed.

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

Part IV Foreign Forms

1	Was the organization a U S transferor of property to a foreign corporation during the tax year? *If "Yes," the organization may be required to file Form 926, Return by a U.S. Transferor of Property to a Foreign Corporation (see Instructions for Form 926)*	☑ Yes	☐ No
2	Did the organization have an interest in a foreign trust during the tax year? *If "Yes," the organizationmay be required to file Form 3520, Annual Return to Report Transactions with Foreign Trusts and Receipt of Certain Foreign Gifts, and/or Form 3520-A, Annual Information Return of Foreign Trust With a U.S. Owner (see Instructions for Forms 3520 and 3520-A)*	☐ Yes	☑ No
3	Did the organization have an ownership interest in a foreign corporation during the tax year? *If "Yes," the organization may be required to file Form 5471, Information Return of U.S. Persons with Respect to Certain Foreign Corporations. (see Instructions for Form 5471)*	☑ Yes	☐ No
4	Was the organization a direct or indirect shareholder of a passive foreign investment company or a qualified electing fund during the tax year? *If "Yes," the organization may be required to file Form 8621, Return by a Shareholder of a Passive Foreign Investment Company or Qualified Electing Fund. (see Instructions for Form 8621)*	☐ Yes	☑ No
5	Did the organization have an ownership interest in a foreign partnership during the tax year? *If "Yes," the organization may be required to file Form 8865, Return of U.S. Persons with Respect to Certain Foreign Partnerships. (see Instructions for Form 8865)*	☐ Yes	☑ No
6	Did the organization have any operations in or related to any boycotting countries during the tax year? *If "Yes," the organization may be required to file Form 5713, International Boycott Report (see Instructions for Form 5713).*	☐ Yes	☑ No

Part V Supplemental Information

Complete this part to provide the information required by Part I, line 2 (monitoring of funds); Part I, line 3, column (f) (accounting method; amounts of investments vs. expenditures per region); Part II, line 1 (accounting method); Part III (accounting method); and Part III, column (c) (estimated number of recipients), as applicable. Also complete this part to provide any additional information (see instructions).

Identifier	ReturnReference	Explanation
SCHEDULE F, PART I, LINE 3, COLUMN F	ACTIVITIES PER REGION	THE HOSPITAL IS A PARTIAL OWNER OF CAPTIVE FOREIGN INSURANCE COMPANIES THE HOSPITAL'S INVESTMENTS IN THE FOREIGN INSURANCE COMPANIES ARE REPORTED AT FAIR MARKET VALUE OR COST

efile GRAPHIC print - DO NOT PROCESS | As Filed Data - | DLN: 93493318022813

SCHEDULE H (Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
Episcopal Health Services Inc

Employer identification number
11-1665825

Part I Financial Assistance and Certain Other Community Benefits at Cost

			Yes	No
1a	Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a	1a	Yes	
b	If "Yes," was it a written policy?	1b	Yes	
2	If the organization had multiple hospital facilities, indicate which of the following best describes application of the financial assistance policy to its various hospital facilities during the tax year ☐ Applied uniformly to all hospital facilities ☐ Applied uniformly to most hospital facilities ☐ Generally tailored to individual hospital facilities			
3	Answer the following based on the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year			
a	Did the organization use Federal Poverty Guidelines (FPG) as a factor in determining eligibility for providing *free* care? If "Yes," indicate which of the following was the FPG family income limit for eligibility for *free* care ☐ 100% ☐ 150% ☐ 200% ☑ Other 300 %	3a	Yes	
b	Did the organization use FPG as a factor in determining eligibility for providing *discounted* care? If "Yes," indicate which of the following was the family income limit for eligibility for discounted care ☐ 200% ☐ 250% ☑ 300% ☐ 350% ☐ 400% ☐ Other _____ %	3b	Yes	
c	If the organization used factors other than FPG in determining eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care Include in the description whether the organization used an asset test or other threshold, regardless of income, as a factor in determining eligibility for free or discounted care			
4	Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for free or discounted care to the "medically indigent"?	4	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 financial assistance expenses exceed the budgeted amount?	5b		No
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 eligibile for free or discounted care?	5c		
6a	Did the organization prepare a community benefit report during the tax year?	6a	Yes	
b	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 Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheet 1)			3,216,912	3,053,269	163,643	0 080 %
b Medicaid (from Worksheet 3, column a)			70,300,979	56,289,455	14,011,524	7 210 %
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d **Total** Financial Assistance and Means-Tested Government Programs			73,517,891	59,342,724	14,175,167	7 290 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)						
f Health professions education (from Worksheet 5)			18,113,629	14,856,462	3,257,167	1 680 %
g Subsidized health services (from Worksheet 6)			19,753,909	6,794,371	12,959,538	6 670 %
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)						
j **Total.** Other Benefits			37,867,538	21,650,833	16,216,705	8 350 %
k **Total.** Add lines 7d and 7j			111,385,429	80,993,557	30,391,872	15 640 %

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

		(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1	Physical improvements and housing						
2	Economic development						
3	Community support			76,767		76,767	0 040 %
4	Environmental improvements						
5	Leadership development and training for community members						
6	Coalition building						
7	Community health improvement advocacy						
8	Workforce development						
9	Other						
10	**Total**			76,767		76,767	0 040 %

Part III **Bad Debt, Medicare, & Collection Practices**

Section A. Bad Debt Expense

				Yes	No
1	Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No 15?		1	Yes	
2	Enter the amount of the organization's bad debt expense Explain in Part VI the methodology used by the organization to estimate this amount	2	6,232,000		
3	Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's financial assistance policy Explain in Part VI the methodology used by the organization to estimate this amount and the rationale, if any, for including this portion of bad debt as community benefit	3	2,223,824		
4	Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense or the page number on which this footnote is contained in the attached financial statements				

Section B. Medicare

5	Enter total revenue received from Medicare (including DSH and IME)	5	72,720,703		
6	Enter Medicare allowable costs of care relating to payments on line 5	6	50,091,009		
7	Subtract line 6 from line 5 This is the surplus (or shortfall)	7	22,629,694		
8	Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6 Check the box that describes the method used				

☐ Cost accounting system ☑ Cost to charge ratio ☐ Other

Section C. Collection Practices

9a	Did the organization have a written debt collection policy during the tax year?	9a	Yes	
b	If "Yes," did the organization's collection policy that applied to the largest number of its patients during the tax year contain provisions on the collection practices to be followed for patients who are known to qualify for financial assistance? Describe in Part VI	9b	Yes	

Part IV **Management Companies and Joint Ventures** (owned 10% or more by officers, directors, trustees, key employees, and physicians—see instructions)

	(a) Name of entity	(b) Description of primary activity of entity	(c) Organization's profit % or stock ownership %	(d) Officers, directors, trustees, or key employees' profit % or stock ownership %	(e) Physicians' profit % or stock ownership %
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					

Part V Facility Information

Section A. Hospital Facilities

(list in order of size from largest to smallest—see instructions)
How many hospital facilities did the organization operate during the tax year?
1

	Name, address, and primary website address	Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (Describe)	Facility reporting group
1	St John's Episcopal Hospital 327 Beach 19th Street Far Rockaway, NY 11691	X	X		X			X			

Part V Facility Information *(continued)*

Section B. Facility Policies and Practices

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

Name of hospital facility or facility reporting group St Johns Episcopal Hospital

For single facility filers only: line Number of Hospital Facility (from Schedule H, Part V, Section A) 1

			Yes	No
Community Health Needs Assessment (Lines 1 through 8c are optional for tax years beginning on or before March 23, 2012)				
1	During the tax year or either of the two immediately preceding tax years, did the hospital facility conduct a community health needs assessment (CHNA)? If "No," skip to line 9	1		
	If "Yes," indicate what the CHNA report 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 the community health 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 CHNA 20 ___			
3	In conducting its most recent CHNA, did the hospital facility take into account input from representatives of the community served by the hospital facility, including those with special knowledge of or expertise in public health? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	3		
4	Was the hospital facility's CHNA conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	4		
5	Did the hospital facility make its CHNA report widely available to the public?	5		
	If "Yes," indicate how the CHNA report 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)			
6	If the hospital facility addressed needs identified in its most recently conducted CHNA, indicate how (check all that apply to date)			
a	☐ Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA			
b	☐ Execution of the implementation strategy			
c	☐ Participation in the development of a community-wide plan			
d	☐ Participation in the execution of a community-wide 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 its 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 CHNA? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs	7		
8a	Did the organization incur an excise tax under section 4959 for the hospital facility's failure to conduct a CHNA as required by section 501(r)(3)?	8a		
b	If "Yes" to line 8a, did the organization file Form 4720 to report the section 4959 excise tax?	8b		
c	If "Yes" to line 8b, what is the total amount of section 4959 excise tax the organization reported on Form 4720 for all of its hospital facilities? $___			

Part V Facility Information *(continued)*

Financial Assistance Policy		Yes	No
9 Did the hospital facility have in place during the tax year a written financial assistance policy that Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	**9**	Yes	
10 Used federal poverty guidelines (FPG) to determine eligibility for providing *free* care?	**10**	Yes	
If "Yes," indicate the FPG family income limit for eligibility for free care 300 % If "No," explain in Part VI the criteria the hospital facility used			
11 Used FPG to determine eligibility for providing *discounted* care?	**11**	Yes	
If "Yes," indicate the FPG family income limit for eligibility for discounted care 300 % If "No," explain in Part VI the criteria the hospital facility used			
12 Explained the basis for calculating amounts charged to patients?	**12**	Yes	
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)			
13 Explained the method for applying for financial assistance?	**13**	Yes	
14 Included measures to publicize the policy within the community served by the hospital facility?	**14**	Yes	
If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
a ☐ The policy was posted on the hospital facility's website			
b ☑ The policy was attached to 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 on admission to the hospital facility			
f ☑ The policy was available upon request			
g ☐ Other (describe in Part VI)			
Billing and Collections			
15 Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment?	**15**	Yes	
16 Check all of the following actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP			
a ☑ Reporting to credit agency			
b ☑ Lawsuits			
c ☐ Liens on residences			
d ☐ Body attachments			
e ☐ Other similar actions (describe in Part VI)			
17 Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP?	**17**	Yes	
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)			

Part V Facility Information *(continued)*

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

- **a** ☑ Notified individuals of the financial assistance policy on admission
- **b** ☑ Notified individuals of the financial assistance policy prior to discharge
- **c** ☑ Notified individuals of the financial assistance policy in communications with the patients regarding the patients' bills
- **d** ☑ Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy
- **e** ☐ Other (describe in Part VI)

Policy Relating to Emergency Medical Care

		Yes	No
19 Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that requires the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under the hospital facility's financial assistance policy?	**19**	Yes	
If "No," indicate why			
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)			

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

20 Indicate how the hospital facility determined, during the tax year, the maximum amounts that can be charged to FAP-eligible individuals for emergency or other medically necessary care			
a ☐ 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 its 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)			
21 During the tax year, did the hospital facility charge any FAP-eligible individuals to whom the hospital facility provided emergency or other medically necessary services, more than the amounts generally billed to individuals who had insurance covering such care?	**21**		No
If "Yes," explain in Part VI			
22 During the tax year, did the hospital facility charge any FAP-eligible individuals an amount equal to the gross charge for any service provided to that individual?	**22**		No
If "Yes," explain in Part VI			

Part V Facility Information *(continued)*

Section C. Other Health Care Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility
(list in order of size, from largest to smallest)

How many non-hospital health care facilities did the organization operate during the tax year?
1

	Name and address	Type of Facility (describe)
1	BISHOP WALDO MACLEAN NURSING HOME 1711 BROOKHAVEN AVENUE FAR ROCKAWAY, NY 11691	SKILLED NURSING FACILITY
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, Part V, Section A, and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 10, 11, 12h, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22

2 **Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any needs assessments reported in Part V, Section B

3 **Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy

4 **Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves

5 **Promotion of community health.** Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e g , open medical staff, community board, use of surplus funds, etc)

6 **Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served

7 **State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report

8 **Facility reporting group(s).** If applicable, for each hospital facility in a facility reporting group provide the descriptions required for Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 10, 11, 12h, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22

Identifier	ReturnReference	Explanation
EXPLANATION OF COSTING METHODOLOGY	SCHEDULE H, PART I, LINE 7	ST JOHN'S EPISCOPAL HOSPITAL COSTING METHODOLOGY WAS BASED UPON THE 2012 NEW YORK STATE INSTITUTIONAL COST REPORT AND THE 2012 MEDICARE (FORM 2552) COST REPORT THESE COST REPORTS ARE FILED WITH THE NEW YORK STATE DEPARTMENT OF HEALTH AND THE APPLICABLE CMS INTERMEDIARY, RESPECTIVELY THE COST-TO-CHARGE RATIO DERIVED FROM WORKSHEET 2, RATIO OF PATIENT CARE COST-TO-CHARGE, WAS USED FOR THE VARIOUS SUB-LINE ITEMS OF LINE #7
BAD DEBT EXPENSE	SCHEDULE H, PART III, LINE 3	St John's Hospital utilizes the estimated percentage of patients living at or below the federal poverty level 22% and the self pay percentage 85 1646% to arrive at the amount of bad debt that is potentially attributable to patients eligible under the organization's financial assistance policy
BAD DEBT EXPENSE	SCHEDULE H, PART III, LINE 4	THE AMOUNT REPORTED ON LINE 2 IS EQUAL TO THE PROVISION FOR BAD DEBTS SHOWN IN THE AUDITED FINANCIAL STATEMENTS ("AFS") THE EXPLANATION OF THE METHODOLOGY USED TO ESTIMATE IS EXCERPTED BELOW Accounts receivable are also reduced by an allowance for doubtful accounts In evaluating the collectability of accounts receivable, the Corporation analyzes its past history and identifies trends for each of its major payer sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts Management regularly reviews data about these major payer sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts For receivables associated with services provided to patients who have third-party coverage, the Corporation analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary (for example, for payers who are known to be having financial difficulties that make the realization of amounts due unlikely) For receivables associated with self-pay patients, which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill, the Corporation records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible The difference between discounted rates and the amounts actually collected after all reasonable collection efforts have been exhausted is charged to the allowance for doubtful accounts
MEDICARE REVENUE	SCHEDULE H, PART III, LINE 5	Included in the calculation of the Medicare revenue of $72,720,703 is $14,463,008 of Disproportionate Share (DSH) payments and $11,055,122 of Indirect Medical Education (IME) payments which total $25,518,130 Resulting in true patient service revenue of $47,202,573
MEDICARE REVENUE	SCHEDULE H, PART III, LINE 5 & 6	Pursuant to the instructions included in Medicare Revenue Received on Part III Section B Line 5 is Reimbursement for Indirect Medical Education (IME) of $10 3 million There are $0 cost included in Part III Line 6 Medicare Allowable Cost related to IME
MEDICARE SURPLUS/SHORTFALL	SCHEDULE H, PART III, LINE 7	The Medicare surplus shown of $22,629,694 includes the additional items of Medicare revenue detailed in the explanation for Line 5 above without inclusion of additional costs related to them Had these amounts not been received the operating Medicare shortfall would have been $2,888,436 Losses on treating Medicare beneficiaries should be included as a community benefit in their entirety St John's Episcopal Hospital incurred this operating Medicare loss of $2 9 million to deliver care to Medicare patients This represents the amount by which costs to deliver care to Medicare recipients exceeds the level of payment St John's Episcopal Hospital bears the burden of not only providing the best and most advanced medical care possible to the community, but also doing so with no recourse to obtain payment for the cost of providing care in excess of the Medicare payment As Medicare revenue declines and the cost to provide cutting edge care to the community increases, the Hospital will carry the burden as a participating provider and a charitable organization Like all patients those on Medicare, the majority of whom are elderly OR disabled, are not turned away, so St John's Episcopal Hospital will continue to bear the loss in providing the best care possible to the local community
COSTING METHODOLOGY	SCHEDULE H, PART III, LINE 8	the Medicare revenue and allowable costs shown in Part III Section B Lines 5 and 6, respectively, were derived from the as-filed 2012 CMS-2552 (Medicare Cost Report) Medicare revenue is based on the Medicare Provider Statistical and Reimbursement Report and Medicare costs were developed utilizing a ratio of Medicare allowable costs to charges methodology
COLLECTION PRACTICES TO BE FOLLOWED RELATIVE TO PATIENTS THAT QUALIFY FOR	FINANCIAL ASSISTANCE - SCHEDULE H, PART III, LINE 9B	The charity care and financial assistance policies of St John's Episcopal Hospital (which are further summarized in Schedule H Part VI Line 3) ensure that every effort is made to identify patients that are eligible for financial assistance and/or charity care Included below is a summary of the billing and collection procedures followed by St John's Episcopal Hospital - The forced sale of or foreclosure on the patient's primary residence is prohibited - Sending an account to collection if the patient has submitted a completed application for financial assistance, including any required documentation, while the application is pending is prohibited - Provide written notification to a patient at least 30 days before an account is sent to collection (written notice can be included on a bill) - Require the collection agency to have the hospital's written consent prior to starting a legal action for collection - Require all hospital staff that interacts with patients or have responsibility for billing and collection to be trained in the hospital's policies - Have a way of measuring the hospital's compliance with its policies - Require any collection agency under contract with the hospital to follow the hospital's financial assistance policy and provide information to patients on how to apply, where appropriate - Prohibit collection activity if the patient is determined eligible for Medicaid for the services that were rendered and the hospital is able to collect Medicaid payment
NEEDS ASSESSMENT	SCHEDULE H, PART VI LINE 2	St John's Episcopal Hospital (the "Hospital" or "St John's") is a 257 licensed bed acute care hospital located in Far Rockaway, New York St John's, together with the Bishop Henry B Hucles Nursing Home, Inc , the Bishop Waldo MacLean Nursing Home, St John's Emergency Services PC, St John's Medical Services PC, form the patient care services of Episcopal Health Services, Inc , which is sponsored by the Episcopal Diocese of Long Island This discussion relates to the Hospital only as required in Form 990 Schedule H As the result of several meetings with community groups, a comprehensive Community Health Needs Assessment (CHNA) for the Hospital community was developed The document addresses only St John's, as the aforementioned nursing homes are currently involved in a transaction that will ultimately transfer ownership to an unrelated third party The report fulfills the requirements of the new Federal statute established within the Patient Protection and Affordable Care Act (PPACA) requiring non-profit hospitals to conduct CHNAs every three years The CHNA process undertaken by the Hospital utilized extensive input from persons who represent the broad interests of the community In addition, this document satisfies the requirements set forth by the New York State Department of Health (DOH) relative to the preparation of a three year Community Service Plan (CSP) The overlapping nature of these requirements enabled the Hospital to complete one comprehensive document New York's relevant statute, Section 2803-1 of the Public Health Law, requires voluntary non-profit hospitals to submit a comprehensive CSP to the State Department of Health (DOH) every three years that includes a solicitation of the views of the communities served by the Hospital on service priorities, demonstrates the Hospital's operational and financial commitment to meet community health needs, provision of charity care, and improving access by the underserved, among other elements In submitting their CSPs, hospitals are required to take steps that include - Reaffirming organizational mission statements, - Defining the service area used for community and local health planning and describing the methods used to determine such service area, - Identifying all participants involved in assessing community health needs and describing and summarizing the hospital's public input sessions, - Discussing the identified public health priorities, including the criteria used to select priorities and the status of priorities, - Establishing an evolving plan of action, and - Disseminating a written summary of the CSP to the public through various channels The statutory CSP requirements were recently enhanced by DOH's Prevention Agenda initiative, a process that asks hospitals to work with local public health departments and community partners to assess community health needs, jointly develop plans to address two or three of the identified needs, and include this collaborative work in the hospital's CSP update submitted to DOH St John's has incorporated the Prevention Agenda into its three year plan To advance the goals of the New York State Prevention Agenda 2013-2017 and Healthy People 2020 in its Service Area, St John's reached out and partnered with numerous community-based organizations and other stakeholders to identify community health needs and develop plans to address these needs The participating organizations included -St John's Episcopal Hospital Community Advisory Board -Joseph P Addabbo Family Health Center -NAACP of Rockaway -Rockaway Beach Channel Long Term Recovery -Rockaway United -Community Board 14 -Deerfield Area Civic Association -Rockaway Development and Revitalization Corp -Visiting Nurse Service of New York -Rockaway Manor Home Care -Queens County Perinatal Council -Doctors of the World -SCO Family of Services -Met Council -Queens Public Library -Lucille Rose Day Care -Safe Space -Rockaway Beach Civic Association -New York State Assemblyman Phillip Goldfeder Two initial community meetings were held to gather input from the public on the health concerns of the community, the application of the New York State Department of Health Prevention Agenda 2013-2017 to their community and their views of health data gathered by the Hospital At those meetings participants were then asked to give their opinion on the two highest priorities in the Rockaways In this manner a sampling of the community opinion was conducted The meetings were held on July 9, 2013 at 6 pm at the Peninsula Preparatory Charter School (34 attendees), and July 16, 2013 at 6 pm at the Knights of Columbus Rockaway Council #2672 (55 attendees) The meetings were publicized through a variety of ways including four full-page color advertisements in the local newspapers, the "Wave", the "Rockaway Pointer", and the "Five Towns Jewish Press", a community email blast, social media, and the St John's website
PATIENT EDUCATION OF ELIGIBILITY FOR ASSISTANCE	SCHEDULE H, PART VI, LINE 3	St John's Hospital is committed to providing access to quality health care services with compassion, dignity and respect for all patients, particularly the poor and the underserved in our community Accordingly, St John's Hospital has implemented a Charity Care and Financial Assistance Process to help facilitate the provision of much needed care This process includes - Providing patient care regardless of the ability to pay for services, - Assisting patients who cannot pay for part or all of the care they receive, - Financial counselors will confidentially review the situation to see if patients quality for some form of government or other financial assistance, - Balancing needed financial assistance for some patients with the broader fiscal responsibilities in order to sustain viability and provide the quality and quantity of services residents in the community need, and - Offer installment plans to allow patients to pay over time without the imposition of interest charges
COMMUNITY INFORMATION	SCHEDULE H, PART VI, LINE 4	The Rockaway Peninsula is a narrow strip of land bordered by the Atlantic Ocean and Jamaica Bay and is a part of Queens County, New York City and also borders Nassau County on Long Island Superstorm Sandy had a devastating impact on the Rockaway Peninsula Much of the community was without gas and electric for weeks following the storm Homes and businesses were in ruin, some claimed by the sea, others by fire, entire blocks in Belle Harbor and Rockaway Park were engulfed in flames, a considerable portion of Breezy Point literally burned to the ground Debris and sand were everywhere, including the inside of homes Cars that had been flooded were scattered throughout the streets of the community The rebuilding has been extremely slow, and is an ongoing process, with many displaced residents having still not returned to their homes Many nursing homes and adult homes - sources of admissions to the Hospital, as well as other local businesses never reopened Transportation between the peninsula and the mainland is a long time commitment for residents as the peninsula is connected to New York City by two toll bridges, the Marine Park Bridge and the Cross Bay Bridge, and by the "A" subway line of the New York City Metropolitan Transit Authority, which was out of commission until late Summer 2013 Throughout the two weeks after the storm St John's was like a beacon in the darkness for Far Rockaway and the surrounding communities Running on generator power for 12 days, the Hospital was a place where shelter, warmth, light and food could be found People stopped in to charge cell phones, and found electricity to power much needed medical devices Many residents lost everything they had, carrying what they could of their prized possessions Ongoing recovery assistance was also provided by the Hospital Collections were made to help employees defray some of the costs of recovery, and clothing drives put much needed clothes on the backs of local residents While "community" can be defined in many ways, the Hospital defined its Service Area as the 6 zip codes from which approximately 70% discharges came, namely Far Rockaway, Inwood, Arverne, Rockaway Beach, Belle Harbor, and Breezy Point In 2010 the Rockaways had a population totaling over 123,000 with almost 30% of the Service Area's population under the age of 20, and almost 14% over the age of 65 More than 20% live under the federal poverty level, while the overall Queens county rate is just below 14% The percentage of the Service Area population who are deemed to be minorities is 65 4%, with African Americans comprising 38% of the population A large population of Hispanics resides in Inwood, which is the most northeast boundary of the Service Area
PROMOTION OF COMMUNITY HEALTH	SCHEDULE H, PART VI, LINE 5	Overall health status continues to be lacking, with 25% of residents of the Rockaways considering themselves to be in poor or fair health In addition, 21% of Queens County residents do not have health insurance coverage, which is higher than the statewide rate of 14% Lack of health insurance is also a significant barrier to accessing health care Due to these existing demographic factors, St John's is constantly working to educate and improve the overall health and well being of those that live in the communities we serve In preparation of the attached Community Health Needs Assessment (CHNA) the Hospital met with community members over the course of several meetings in an effort to determine the health needs and concerns of the areas served The following are the areas the Hospital has determined to require primary attention -Prevention of chronic diseases -Community based diabetes program, -Increase cardiovascular screening rates, -Obesity - Creating a community environment that promotes healthy food and beverage choices -Promote mental health and prevent substance abuse In addition to the initiatives outlined in the CHNA, the Hospital has undertaken numerous community focused initiatives Opened just weeks before Superstorm Sandy, the Belle Harbor Family Practice office was established to service the residents on the western end of the peninsula The storm effectively wiped out the office, and fortunately it was rebuilt and reopened again on May 1, 2013 Over two dozen health fairs and other events were either sponsored by the Hospital or were participated in throughout 2012 Blood pressure, cholesterol and glucose screenings were among the tests provided to community members attending these events In addition, presentations were given to further educate residents in the area on health issues affecting them While health care is the primary service delivered by St John's it is also important to assist the community in other ways Annually the Hospital sponsors a children's holiday party where community children meet Santa and are provided toys for the holiday A community baby shower allows new mothers to receive baskets filled with necessary items for a newborn Also, Thanksgiving food baskets have been distributed to local families in need allowing them to enjoy a full traditional holiday meal thanks to the generosity of the hospital staff
EXPLANATION OF HOW ORGANIZATION FURTHERS ITS EXEMPT PURPOSE	SCHEDULE H, PART VI, LINE 5	St John's Episcopal Hospital plays an important role in the local community as a provider of needed medical services St John's is the only hospital on the peninsula and is also the largest non-governmental employer in the local community In addition to providing high quality medical services, St John's is also an active member of the local community, participating in various health fairs, screenings, and educational sessions and events to local residents at no cost Many of the various programs and initiatives that St John's Hospital has identified to demonstrate our commitment to further its exempt purpose and promote the health care of the local community have been highlighted previously in this form St John's Hospital has an active Community Advisory Board comprised of local residents and business people who meet with Hospital leadership quarterly to discuss at a high level the overall operations of the Hospital, demographics and health needs of the Rockaway community St John's extends medical staff privileges to all qualified physicians in its community for the various services provided by the Hospital The Hospital's medical staff is a large diverse group of highly trained professionals numbering approximately 450 members In addition, St John's overall responsiveness to the needs of our community is evidenced by our willingness to participate in a range of coalitions, panels, advisory groups, commissions and boards, including Ready Rockaway, which is a coalition of community based organizations that recognize the need for planning for emergencies such as Superstorm Sandy which severely impacted the Rockaway peninsula in October In addition, St John's has internal emergency and disaster drills throughout the year to ensure the Hospital is prepared to meet the needs of its local community and the surrounding areas
AFFILIATED HEALTH CARE SYSTEM ROLES AND PROMOTION	SCHEDULE H, PART VI, LINE 6	NOT APPLICABLE
STATES WHERE COMMUNITY BENEFIT REPORT IS FILED	SCHEDULE H, PART VI, LINE 7	NEW YORK
Facility Reporting Group(s)	Schedule H, Part VI, Line 8	Not Applicable

efile GRAPHIC print - DO NOT PROCESS | As Filed Data - | DLN: 93493318022813

Schedule J (Form 990)

Department of the Treasury
Internal Revenue Service

Compensation Information

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

▶ Complete if the organization answered "Yes" to Form 990, Part IV, question 23.

▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
Episcopal Health Services Inc

Employer identification number
11-1665825

Part I Questions Regarding Compensation

			Yes	No
1a	Check the appropiate 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 of the expenses described above? If "No," complete Part III to explain	**1b**		
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**		
3	Indicate which, if any, of the following the filing organization used to establish the compensation of the organization's CEO/Executive Director Check all that apply Do not check any boxes for methods used by a related organization to establish compensation of the CEO/Executive Director, but explain in Part III ☐ 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**		No
b	Participate in, or receive payment from, a supplemental nonqualified retirement plan?	**4b**		No
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**		No
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 accured pursuant to a contract that was subject to the initial contract exception described in Regulations section 53 4958-4(a)(3)? If "Yes," describe in Part III	**8**		No
9	If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53 4958-6(c)?	**9**		

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

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

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

(A) Name and Title		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported as deferred in prior Form 990
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
(1)ROBERT BLAKE PHYSICIAN	(i)	173,964	0	144	7,000	9,160	190,268	0
	(ii)	48,712	0	0	0	0	48,712	0
(2)SHELDON MARKOWITZ CHAIR - DEPT OF MEDICINE	(i)	257,329	0	1,980	7,000	25,012	291,321	0
	(ii)	0	0	0	0	0	0	0
(3)MANMOHN MAHADKAR CHAIR - DEPT OF OB/GYN	(i)	239,595	0	1,980	7,000	25,012	273,587	0
	(ii)	0	0	0	0	0	0	0
(4)RAJIV PRASAD CHAIR - EMERGENCY SERVICES	(i)	359,740	0	300	7,000	364	367,404	0
	(ii)							
(5)GILBERT MAKABALI MD CHAIRMAN - SURGERY	(i)	257,780	0	3,810	7,000	29,012	297,602	0
	(ii)	0	0	0	0	0	0	0
(6)ALAN STEINBERG MD CHAIRMAN - PEDIATRICS	(i)	276,809	0	1,290	7,000	21,228	306,327	0
	(ii)	0	0	0	0	0	0	0
(7)RAYMOND PASTORE MD CHIEF MEDICAL OFFICER	(i)	273,187	0	2,472	7,000	364	283,023	0
	(ii)	0	0	0	0	0	0	0
(8)LOKESH REDDY MD CHIEF OF PSYCHIATRY	(i)	289,840	0	450	7,000	21,228	318,518	0
	(ii)	0	0	0	0	0	0	0
(9)James Henry MD CHIEF OF ORTHOPEDICS	(i)	318,034	0	690	7,000	26,328	352,052	0
	(ii)	0	0	0	0	0	0	0

Part III Supplemental Information

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

Identifier	Return Reference	Explanation
PITTS MANAGEMENT ASSOCIATES		THE CHIEF EXECUTIVE OFFICER IS PROVIDED THROUGH A MANAGEMENT CONTRACT WITH PITTS MANAGEMENT ASSOCIATES (PMA)

Additional Data

Return to Form

Software ID:
Software Version:
EIN: 11-1665825
Name: Episcopal Health Services Inc

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				
ROBERT BLAKE	(I)	173,964	0	144	7,000	9,160	190,268	0
	(II)	48,712	0	0	0	0	48,712	0
SHELDON MARKOWITZ	(I)	257,329	0	1,980	7,000	25,012	291,321	0
	(II)	0	0	0	0	0	0	0
MANMOHN MAHADKAR	(I)	239,595	0	1,980	7,000	25,012	273,587	0
	(II)	0	0	0	0	0	0	0
RAJIV PRASAD	(I)	359,740	0	300	7,000	364	367,404	0
	(II)							
GILBERT MAKABALI MD	(I)	257,780	0	3,810	7,000	29,012	297,602	0
	(II)	0	0	0	0	0	0	0
ALAN STEINBERG MD	(I)	276,809	0	1,290	7,000	21,228	306,327	0
	(II)	0	0	0	0	0	0	0
RAYMOND PASTORE MD	(I)	273,187	0	2,472	7,000	364	283,023	0
	(II)	0	0	0	0	0	0	0
LOKESH REDDY MD	(I)	289,840	0	450	7,000	21,228	318,518	0
	(II)	0	0	0	0	0	0	0
James Henry MD	(I)	318,034	0	690	7,000	26,328	352,052	0
	(II)	0	0	0	0	0	0	0

efile GRAPHIC print - DO NOT PROCESS | As Filed Data - | DLN: 93493318022813

SCHEDULE O
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
Episcopal Health Services Inc

Employer identification number
11-1665825

Identifier	Return Reference	Explanation
FORM 990, PART VI, LINE 3	DESCRIPTION OF DELEGATED DUTIES TO MANAGEMENT COMPANY	EPISCOPAL HEALTH SERVICES INC ENGAGED THE SERVICES OF PITTS MANAGEMENT ASSOCIATES INC (PMA), AN UNRELATED COMPANY, TO PROVIDE DAY-TO-DAY MANAGEMENT CONSULTING SERVICES REMUNERATION PAID TO PMA DURING 2012 ARE REPORTED IN PART VII, SECTION B - INDEPENDENT CONTRACTORS THE APPLICABLE NAMES AND TITLES OF PMA PERSONNEL ARE DISCLOSED ON PART VII - SECTION A - OFFICERS, DIRECTORS, TRUSTEES, KEY EMPLOYEES, AND HIGHEST COMPENSATED EMPLOYEES

Identifier	Return Reference	Explanation
FORM 990, PART VI, LINE 8B		THERE ARE NO SEPARATE COMMITTEES WITH AUTHORITY TO ACT ON BEHALF OF THE GOVERNING BODY

Identifier	Return Reference	Explanation
FORM 990, PART VI, LINE 11B	FORM 990 REVIEW PROCESS	THE FORM 990 AND APPROPRIATE SCHEDULES, AS REQUIRED (FORM 990), IS COMPLETED BY THE ACCOUNTING AND FINANCE STAFF OF THE ORGANIZATION AND REVIEWED INTERNALLY BY MANAGEMENT IT IS THEN REVIEWED BY OUTSIDE TAX ADVISORS AND ANY NECESSARY ADJUSTMENTS ARE MADE, AFTER WHICH TIME IT IS CONSIDERED AN initial DRAFT THE DRAFT OF THE FORM 990 IS THEN PRESENTED TO THE EPISCOPAL HEALTH SERVICES AUDIT COMMITTEE (THE COMMITTEE) OF THE BOARD OF TRUSTEES(THE BOARD), WHICH HAS BEEN DELEGATED THE DETAILED REVIEW FUNCTION BY THE BOARD ONCE THE Committee'S REVIEW IS COMPLETE, THE COMMITTEE RECOMMENDS THE APPROVAL OF THE FORM 990 TO THE BOARD THE FORM 990 IS THEN PROVIDED TO ALL VOTING MEMBERS OF THE BOARD UPON APPROVAL BY THE BOARD THE FORM 990 IS THEN UPDATED AS REQUIRED AND THEN SUBMITTED TO THE INTERNAL REVENUE SERVICE.

Identifier	Return Reference	Explanation
FORM 990, PART VI, LINE 12C	EXPLANATION OF MONITORING AND ENFORCEMENT OF CONFLICTS	THE HR DEPARTMENT GATHERS ALL ANNUAL CONFLICT OF INTEREST QUESTIONNAIRES AND FORWARDS THEM TO THE CORPORATE COMPLIANCE DEPARTMENT WHERE THEY ARE REVIEWED WHERE POSITIVE RESPONSES ARE INDICATED ADDITIONAL INFORMATION IS GATHERED TO DETERMINE IF A CONFLICT ACTUALLY EXISTS IF A CONFLICT EXISTS, APPROPRIATE ACTION IS TAKEN TO ELIMINATE THE CONFLICT, INCLUDING SUCH STEPS AS NOTIFYING THE BOARD, REASSIGNMENT OF RESPONSIBILITIES OR ESTABLISHMENT OF PROTECTIVE AGREEMENTS IF A MATTER INVOLVES A BOARD MEMBER OR OFFICER, APPROPRIATE ACTION, INCLUDING RECUSAL AND ADDITIONAL DISCLOSURES, WILL BE DETERMINED BY THE BOARD

Identifier	Return Reference	Explanation
FORM 990, PART VI, LINE 15A	COMPENSATION REVIEW & APPROVAL PROCESS FOR CEO, EXEC DIR , OR TOP MGMT	THE CHIEF EXECUTIVE OFFICER AND OTHER KEY MANAGEMENT OFFICIALS WERE PROVIDED THROUGH A MANAGEMENT CONTRACT WITH PITTS MANAGEMENT ASSOCIATES INC (PMA)

Identifier	Return Reference	Explanation
FORM 990, PART VI, LINE 15B	COMPENSATION REVIEW & APPROVAL PROCESS FOR OFFICERS & KEY EMPLOYEES	THE COMPENSATION OF KEY EMPLOYEES IS DETERMINED AND/OR APPROVED AFTER COMPARISON TO CURRENT COMPENSATION RATES PAID FOR COMPARABLE POSITIONS IN THE ORGANIZATION'S REGION

Identifier	Return Reference	Explanation
FORM 990, PART VI, LINE 19	OTHER ORGANIZATION DOCUMENTS PUBLICLY AVAILABLE	UPON REQUEST, THE ORGANIZATION WILL MAKE AVAILABLE THOSE DOCUMENTS REQUIRED TO BE DISCLOSED UNDER THE PUBLIC INSPECTION LAWS

Identifier	Return Reference	Explanation
FORM 990, PART VII	COMPENSATION EXPLANATION	NELSON TOEBBE EPISCOPAL HEALTH SERVICES INC ENGAGED THE SERVICES OF PITTS MANAGEMENT ASSOCIATES INC (PMA) REMUNERATION PAID TO PMA DURING 2012 IS REPORTED IN PART VII, SECTION B INDEPENDENT CONTRACTORS WILL MOORE EPISCOPAL HEALTH SERVICES INC ENGAGED THE SERVICES OF PITTS MANAGEMENT ASSOCIATES INC (PMA) REMUNERATION PAID TO PMA DURING 2012 IS REPORTED IN PART VII, SECTION B INDEPENDENT CONTRACTORS RICHARD BROWN EPISCOPAL HEALTH SERVICES INC ENGAGED THE SERVICES OF PITTS MANAGEMENT ASSOCIATES INC (PMA) REMUNERATION PAID TO PMA DURING 2012 IS REPORTED IN PART VII, SECTION B INDEPENDENT CONTRACTORS

Identifier	Return Reference	Explanation
OTHER CHANGES IN NET ASSETS OR FUND BALANCES	FORM 990, PART XI, LINE 9	CHANGE IN PENSION LIABILITY $ -410,000 DISCONTINUED OPERATIONS -3,170,000 Net Assets Released from Temp Restriction 85,000 Increase in Temp Restricted net assets 366,000 TOTAL $ -3,129,000

efile GRAPHIC print - DO NOT PROCESS | As Filed Data - | DLN: 93493318022813

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

2012

Open to Public Inspection

Name of the organization
Episcopal Health Services Inc

Employer identification number
11-1665825

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

(a) Name, address, and EIN (if applicable) of disregarded entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Total income	(e) End-of-year assets	(f) Direct controlling entity

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled entity? Yes	(g) No
(1) BISHOP HENRY B HUCLES NURSING HOME 700 HICKSVILLE ROAD SUITE 210 Bethpage, NY 11714 11-3277961	Nursing/Rehab	NY	501(C)(3)	LINE 9	NA	Yes	
(2) CHURCH CHARITY CORPORATION AND SUB 700 HICKSVILLE ROAD SUITE 210 BETHPAGE, NY 11714 11-2797706	CHARITY	NY	501(C)(3)		NA	Yes	
(3) ST JOHN'S EMERGENCY MEDICAL SERVICE 700 HICKSVILLE ROAD SUITE 210 BETHPAGE, NY 11714 26-2884115	ER SERVICES	NY	501(C)(3)	LINE 11A	NA	Yes	
(4) ST JOHN'S MEDICAL SERVICE PC 700 HICKSVILLE ROAD SUITE 210 BETHPAGE, NY 11714 54-2164621	MEDICAL SVCS	NY	501(C)(3)	LINE 11A	NA	Yes	

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income(related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproprtionate allocations? Yes	(h) No	(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner? Yes	(j) No	(k) Percentage ownership

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership	(i) Section 512 (b)(13) controlled entity? Yes	(i) No
(1) BEACH REINSURANCE CORP PO BOX 1109 GRAND CAYMAN CJ	INSURANCE	CJ	CCC	C CORP	0	0			No

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

		Yes	No
Note. Complete line 1 if any entity is listed in Parts II, III, or IV of this schedule			
1 During the tax year, did the orgranization engage in any of the following transactions with one or more related organizations listed in Parts II-IV?			
a Receipt of **(i)** interest **(ii)** annuities **(iii)** royalties or **(iv)** rent from a controlled entity	1a		No
b Gift, grant, or capital contribution to related organization(s)	1b		No
c Gift, grant, or capital contribution from related organization(s)	1c		No
d Loans or loan guarantees to or for related organization(s)	1d		No
e Loans or loan guarantees by related organization(s)	1e		No
f Dividends from related organization(s)	1f		
g Sale of assets to related organization(s)	1g		No
h Purchase of assets from related organization(s)	1h		No
i Exchange of assets with related organization(s)	1i		No
j Lease of facilities, equipment, or other assets to related organization(s)	1j		No
k Lease of facilities, equipment, or other assets from related organization(s)	1k		No
l Performance of services or membership or fundraising solicitations for related organization(s)	1l		No
m Performance of services or membership or fundraising solicitations by related organization(s)	1m		No
n Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)	1n	Yes	
o Sharing of paid employees with related organization(s)	1o	Yes	
p Reimbursement paid to related organization(s) for expenses	1p		No
q Reimbursement paid by related organization(s) for expenses	1q		No
r Other transfer of cash or property to related organization(s)	1r	Yes	
s Other transfer of cash or property from related organization(s)	1s	Yes	

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

(a) Name of other organization	(b) Transaction type (a-s)	(c) Amount involved	(d) Method of determining amount involved
(1) BISHOP HENRY B HUCLES NURSING HOME INC	O	318,920	COST
(2) BISHOP HENRY B HUCLES NURSING HOME INC	N	2,238,688	COST
(3) ST JOHN'S EMERGENCY MEDICAL SERVICES PC	R	314,833	COST
(4) ST JOHN'S MEDICAL SERVICES PC	S	1,461,707	COST

Part VI **Unrelated Organizations Taxable as a Partnership** (Complete if the organization answered "Yes" to Form 990, Part IV, line 37.)

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

(a) Name, address, and EIN of entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Predominant income (related, unrelated, excluded from tax under section 512-514)	(e) Are all partners section 501(c)(3) organizations?		(f) Share of total income	(g) Share of end-of-year assets	(h) Disproprtionate allocations?		(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
				Yes	No			Yes	No		Yes	No	

Part VII Supplemental Information

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

Identifier	Return Reference	Explanation

Additional Data

Return to Form

Software ID:
Software Version:
EIN: 11-1665825
Name: Episcopal Health Services Inc

-->

efile GRAPHIC print - DO NOT PROCESS	As Filed Data -	DLN: 93493318022813

TY 2012 Earnings and Profits Other Adjustments Statement

Name: Episcopal Health Services Inc

EIN: 11-1665825

Description	Amount
CHANGE IN UNREALIZED GAINS ON INVESTMENTS	2,825,000

efile GRAPHIC print - DO NOT PROCESS	As Filed Data -	DLN: 93493318022813

TY 2012 Earnings and Profits Other Adjustments Statement

Name: Episcopal Health Services Inc

EIN: 11-1665825

Description	Amount
FLOW THROUGH E&P OF SUBS	5,807,000
LOSSES	4,230,000
CHANGE IN UNREALIZED GAINS ON INVESTMENTS	1,197,000

efile GRAPHIC print - DO NOT PROCESS	As Filed Data -	DLN: 93493318022813

TY 2012 Earnings and Profits Other Adjustments Statement

Name: Episcopal Health Services Inc

EIN: 11-1665825

Description	Amount
EARNINGS FROM SEGREGATED CELLS	3,015,973

efile GRAPHIC print - DO NOT PROCESS	As Filed Data -	DLN: 93493318022813

TY 2012 Earnings and Profits Other Adjustments Statement

Name: Episcopal Health Services Inc

EIN: 11-1665825

Description	Amount
PROVISION FOR IRRECOVERABLE REINSURE	1,504,000
LOSSES	1,892,000

CONSOLIDATED FINANCIAL STATEMENTS

Episcopal Health Services Inc and Subsidiaries
Years Ended December 31, 2012 and 2011
With Report of Independent Auditors

Ernst & Young LLP

ERNST & YOUNG

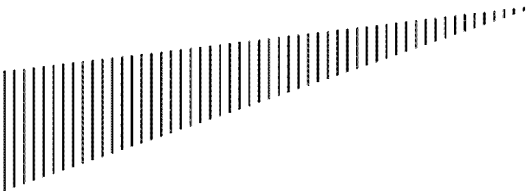
Episcopal Health Services Inc. and Subsidiaries

Consolidated Financial Statements

Years Ended December 31, 2012 and 2011

Contents

Report of Independent Auditors	1
Consolidated Financial Statements	
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities	5
Consolidated Statements of Changes in Net Assets	6
Consolidated Statements of Cash Flows	7
Notes to Consolidated Financial Statements	8



Ernst & Young LLP
5 Times Square
New York, NY 10036-6530
Tel +1 212 773 3000
Fax +1 212 773 6350
www ey com

Report of Independent Auditors

The Board of Trustees
Episcopal Health Services Inc

We have audited the accompanying consolidated financial statements of Episcopal Health Services Inc and Subsidiaries (the Corporation), which comprise the consolidated statements of financial position as of December 31, 2012 and 2011, and the related consolidated statements of activities, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Opinion

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

Change in Presentation of the Provision for Bad Debts

As discussed in Note 2 to the accompanying consolidated financial statements, in 2012 the Corporation adopted the provisions of Accounting Standards Update No 2011-07, *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities*, which resulted in a change to the presentation of the provision for bad debts in the consolidated statements of activities effective January 1, 2011 Our opinion is not modified with respect to this matter

Ernst + Young LLP

September 18, 2013

Episcopal Health Services Inc. and Subsidiaries

Consolidated Statements of Financial Position

	December 31	
	2012	**2011**
	(In Thousands)	
Assets		
Current assets		
Cash and cash equivalents	**$ 4,099**	$ 10,949
Investments	**426**	1,041
Accounts receivable (net of allowance for doubtful accounts–$22,068 in 2012 and $13,301 in 2011)	**22,328**	28,794
Due from third-party payors	**7,394**	5,966
Assets limited as to use, current portion	**1,237**	1,236
Other receivables and prepaid expenses	**6,522**	3,405
Funds held in trust for residents	**–**	361
Inventories	**349**	283
Current assets held-for-sale	**7,218**	–
Total current assets	**49,573**	52,035
Assets limited as to use, net of current portion	**14,082**	12,711
Property, buildings, and equipment, net	**40,538**	53,600
Deferred expenses and other, net	**644**	1,141
Investments in and held by captive insurance companies	**24,119**	22,646
Insurance recoveries receivable	**8,247**	10,604
Other assets	**16,644**	13,264
Noncurrent assets held-for-sale	**14,286**	–
Total assets	**$ 168,133**	$ 166,001

	December 31	
	2012	**2011**
	(In Thousands)	
Liabilities and net assets		
Current liabilities		
Accounts payable and accrued expenses	**$ 23,576**	$ 18,366
Accrued interest expense	**531**	558
Accrued salaries and related liabilities	**11,837**	10,959
Current portion of long-term debt	**2,083**	3,160
Funds held in trust for residents	**–**	361
Other current liabilities, principally current portion of third-party payor liabilities	**12,469**	11,615
Current liabilities held-for-sale	**6,524**	–
Total current liabilities	**57,020**	45,019
Long-term debt, net of current portion	**3,207**	25,227
Accrued pension liability	**1,696**	1,464
Professional and self-insured liabilities	**43,606**	48,928
Other long-term liabilities, principally long-term portion of third-party payor liabilities	**22,187**	23,229
Long-term liabilities held-for-sale	**20,928**	–
Total liabilities	**148,644**	143,867
Commitments and contingencies		
Net assets		
Unrestricted	**17,615**	20,626
Temporarily restricted	**466**	100
Permanently restricted	**1,408**	1,408
Total net assets	**19,489**	22,134
Total liabilities and net assets	**$ 168,133**	$ 166,001

See accompanying notes.

Episcopal Health Services Inc. and Subsidiaries

Consolidated Statements of Activities

	Year Ended December 31	
	2012	**2011**
	(In Thousands)	
Operating revenue		
Patient service revenue, net of contractual allowances	**$ 183,650**	$ 169,572
Provision for bad debts	**(6,232)**	(8,404)
Net patient service revenue, less provision for bad debts	**177,418**	161,168
Other revenue	**22,365**	14,353
Investment income	**1,406**	1,068
Net assets released from restrictions used for operations	**85**	489
Total operating revenue	**201,274**	177,078
Operating expenses		
Salaries, wages, and fringe benefits	**127,886**	119,262
Supplies and other	**60,254**	52,076
Insurance and professional liabilities	**5,142**	4,792
Interest	**339**	317
Depreciation and amortization	**6,549**	5,744
Total operating expenses	**200,170**	182,191
Excess (deficiency) of operating revenue over operating expenses before other operating item	**1,104**	(5,113)
Other operating item		
Resolution of preconfirmation contingencies	**–**	829
Excess (deficiency) of operating revenue over operating expenses	**1,104**	(4,284)
Change in pension liability to be recognized in future years	**(410)**	(2,821)
Increase (decrease) in unrestricted net assets before discontinued operations	**694**	(7,105)
Discontinued operations	**(3,705)**	(4,727)
Decrease in unrestricted net assets	**$ (3,011)**	$ (11,832)

See accompanying notes.

Episcopal Health Services Inc. and Subsidiaries

Consolidated Statements of Changes in Net Assets

Years Ended December 31, 2012 and 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
		(In Thousands)		
Net assets, January 1, 2011	$ 32,458	$ 330	$ 1,408	$ 34,196
Deficiency of operating revenue over operating expenses	(4,284)	–	–	(4,284)
Change in pension liability to be recognized in future years	(2,821)	–	–	(2,821)
Restricted contributions	–	259	–	259
Net assets released from restrictions used for operations	–	(489)	–	(489)
Decrease in net assets before discontinued operations	(7,105)	(230)	–	(7,335)
Discontinued operations	(4,727)	–	–	(4,727)
Decrease in net assets	(11,832)	(230)	–	(12,062)
Net assets, December 31, 2011	20,626	100	1,408	22,134
Excess of operating revenue over operating expenses	**1,104**	**–**	**–**	**1,104**
Change in pension liability to be recognized in future years	**(410)**	**–**	**–**	**(410)**
Restricted contributions	**–**	**451**	**–**	**451**
Net assets released from restrictions used for operations	**–**	**(85)**	**–**	**(85)**
Increase in net assets before discontinued operations	**694**	**366**	**–**	**1,060**
Discontinued operations	**(3,705)**	**–**	**–**	**(3,705)**
(Decrease) increase in net assets	**(3,011)**	**366**	**–**	**(2,645)**
Net assets, December 31, 2012	**$ 17,615**	**$ 466**	**$ 1,408**	**$ 19,489**

See accompanying notes

Episcopal Health Services Inc. and Subsidiaries

Consolidated Statements of Cash Flows

	Year Ended December 31	
	2012	2011
	(In Thousands)	
Operating activities		
Decrease in net assets	**$ (2,645)**	$ (12,062)
Adjustments to reconcile decrease in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	**7,641**	7,578
Amortization of deferred financing costs and bond premium	**31**	33
Change in net unrealized gains and losses, including equity in alternative investments	**(165)**	(15)
Resolution of preconfirmation contingencies	**–**	(829)
Changes in operating assets and liabilities		
Accounts receivable, net	**459**	(96)
Other receivables and prepaid expenses	**(3,250)**	(314)
Inventories	**(66)**	33
Deferred expenses and other, net	**426**	(361)
Other assets	**(1,762)**	(2,555)
Accounts payable and accrued expenses	**9,985**	6,926
Accrued interest expense	**(27)**	(26)
Accrued salaries and related liabilities	**878**	550
Accrued pension liability	**232**	2,020
Professional and self-insured liabilities	**(5,322)**	(3,317)
Due to and from third-party payers and other liabilities, net	**(1,616)**	(8,072)
Net cash provided by (used in) operating activities	**4,799**	(10,507)
Investing activities		
Net change in investments	**780**	8,869
Net change in assets limited as to use	**(1,372)**	5,244
Net change in investment in captive insurance companies	**(1,473)**	(3,125)
Acquisitions of property, buildings, and equipment, net of disposals	**(6,762)**	(9,318)
Net cash (used in) provided by investing activities	**(8,827)**	1,670
Financing activities		
Proceeds from long-term debt	**813**	–
Principal payments on long-term debt	**(3,635)**	(3,083)
Net cash used in financing activities	**(2,822)**	(3,083)
Net decrease in cash and cash equivalents	**(6,850)**	(11,920)
Cash and cash equivalents, beginning of year	**10,949**	22,869
Cash and cash equivalents, end of year	**$ 4,099**	$ 10,949
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	**$ 1,504**	$ 1,686
Supplemental disclosure of noncash investing and financing activities		
Assets acquired under capitalized lease obligations	**$ 2,103**	$ 493

See accompanying notes

Episcopal Health Services Inc. and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2012

1. Organization

Episcopal Health Services Inc and Subsidiaries (EHS) and its affiliate, Church Charity Corporation and Subsidiaries (CCC), (collectively, the Corporation) are New York not-for-profit corporations organized for the purpose of providing health care services primarily to residents of an area coterminous with its sponsor, the Episcopal Diocese of Long Island The mission of the EHS is to provide quality health care with an emphasis on patient safety through its hospital, ambulatory care facilities, nursing homes, and continuing medical education, recognizing the emerging life-care needs of the communities served

EHS and CCC own/sponsor and operate the following

Hospital

St John's Episcopal Hospital – South Shore (St John's), a 257-bed facility in Far Rockaway, New York

Nursing Homes

Bishop Henry B Hucles Nursing Home, Inc (Bishop Hucles or Hucles), a 240-bed nursing home located in Brooklyn, New York

Bishop Waldo MacLean Nursing Home (Bishop MacLean or MacLean), a 163-bed hospital-based nursing home located in Far Rockaway, New York

Professional Corporations

St John's Emergency Services, P C (SJEMS), established to provide emergency room professional service

St John's Medical Services, P C (SJMS), established to provide patient care in non-hospital-based outpatient locations

Other

Beach Reinsurance Corp , a wholly owned subsidiary of CCC, provides insurance and reinsurance to the Corporation for professional liabilities

1. Organization (continued)

In August 2012, EHS entered into asset purchase agreements with unrelated parties to sell the Bishop Hucles and Bishop MacLean Nursing Homes (the Homes) and believes the sale will close in 2013 after the completion of regulatory approvals and other matters As a result, EHS determined that the criteria for held for sale classification of certain of the Homes' assets and liabilities were met in August 2012 Under the agreements, assets and liabilities to be transferred or assigned to the buyers include those used in operations and personal properties of the Homes' facilities The aggregate sales price is $33 5 million, subject to working capital adjustments

At December 31, 2012, the carrying values of the major classes of assets and liabilities to be transferred or assigned to the buyers at the closing of the sale, classified as assets and liabilities held-for-sale, are as follows

	Assets	Liabilities	Net Book Value
		(In Thousands)	
Cash and cash equivalents	$ 739	$ –	$ 739
Accounts receivable	6,007	–	6,007
Funds held in trust for residents	339	339	–
Other current assets	133	–	133
Property, building and equipment, net	14,286	–	14,286
Accounts payable and accrued expenses	–	4,775	(4,775)
Debt	–	22,338	(22,338)
Net carrying value	$ 21,504	$ 27,452	$ (5,948)

The agreements are subject to regulatory approvals, consents and permits in association with ownership transfer, including but not limited to the approval of the buyers' applications for Certificates of Need from the New York State Department of Health

Effective July 1, 2012, the buyers have been operating the Homes under administrative services agreements and will continue to do so through the closing of the sale (the transition period) Under the terms of the agreements, the buyers are to provide working capital loans to the Homes to fund operating losses experienced by the Homes during the transition period and the working capital loans will be forgiven at the closing of the sale In the event that the agreements are terminated, the Homes would be required to pay the working capital loans on the maturity date as specified in the agreements The maturity date ranges from three months to one year depending on the reasons for the termination of the agreements As of December 31, 2012,

1. Organization (continued)

working capital loans totaling approximately $247,000 were granted by the buyers which are included in accounts payable and accrued expenses in the accompanying 2012 consolidated statements of financial position

The assets and liabilities of the Homes held for sale are presented in the held for sale captions in the accompanying consolidated statements of financial position Property, buildings and equipment, net, held for sale have not been depreciated since August 2012 The sales value of the assets to be sold, less estimated costs to sell, is greater than the carrying value Therefore, no impairment is recorded for the year ended December 31, 2012

The operating results of the Homes for the years ended December 31, 2012 and 2011, which are presented as discontinued operations in the accompanying consolidated statements of activities, are as follows

	2012	2011
	(In Thousands)	
Net revenues from discontinued operations	$ 33,776	$ 34,572
Deficiency of operating revenue over operating expenses from discontinued operations	3,705	4,727

2. Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of EHS and its subsidiaries, CCC, SJMS and SJEMS The consolidated financial statements also include Hucles, as EHS is its sole corporate member MacLean and St John's are divisions of EHS EHS is related, through common board membership, to CCC CCC is the sole stockholder of Beach Reinsurance Corp , which is also included in the accompanying consolidated financial statements All intercompany transactions have been eliminated in consolidation

2. Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of the consolidated financial statements in conformity with U S generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities (such as estimated uncollectibles and allowances for accounts receivable for services to patients, estimated receivables from and payables to third-party payers and estimated pension benefits and professional and self-insured malpractice insurance liabilities) and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenue and expenses reported during the period Actual results could differ materially from those estimates

Cash and Cash Equivalents

The Corporation considers all highly liquid investments with original maturities of three-months or less when purchased to be cash equivalents, except for assets limited as to use, marketable securities and funds held in trust for residents

Cash and cash equivalents are maintained with domestic financial institutions where deposits exceed Federally insured limits It is the Corporation's policy to monitor the financial strength of the financial institutions Management does not believe the credit risk related to these deposits to be significant

Investments and Assets Limited as to Use

Investments primarily include certificates of deposit and investments in debt securities, which are measured at fair value in the accompanying consolidated statements of financial position and alternative investments, the valuation for which is described below Investment income or loss (including realized and unrealized gains and losses on investments, equity method gains and losses on alternative investments, interest and dividends) is included in the deficiency of operating revenue over operating expenses Investments are classified as trading

Assets limited as to use consist of cash and cash equivalents, U S Treasury obligations and alternative investments These assets are internally designated for future capital expenditures or externally restricted for debt service reserve funds segregated to comply with requirements of a mortgage, operating escrow funds, workers' compensation collateral, and restricted endowment funds Amounts required to meet current liabilities are reported as current assets

2. Summary of Significant Accounting Policies (continued)

The alternative investments (nontraditional, not readily marketable) consist of a global hedge fund of funds structured such that the Corporation holds a limited partnership interest Alternative investments are reported in the accompanying consolidated statements of financial position at the net asset value derived from the application of the equity method of accounting

Financial information used by the Corporation to evaluate its alternative investments is provided by the investment manager or general partner and includes fair value valuations (quoted market prices and values determined through other means) of underlying securities and other financial instruments held by the investee, and estimates that require varying degrees of judgment The financial statements of the investee are audited annually by independent auditors

Individual investment holdings within the alternative investments include nonmarketable and market-traded debt and equity securities and interests in other alternative investments The Corporation may be exposed indirectly to securities lending, short sales of securities and trading in futures and forward contracts, options and other derivative products, although its risk is limited to the amounts invested The Corporation's ability to redeem its investments may be limited with respect to the period of notification required for redemption

Patient Receivables

Amounts due for patient or resident services for which the Corporation receives payment under various formulae are stated at their estimated net realizable values from each payor, which are generally less than the established charges of the Corporation Patient receivables are reduced by an allowance for doubtful accounts Additions to the allowance for doubtful accounts result from the provision for bad debts The amount of the allowance for doubtful accounts is estimated based upon management's assessment of historical and expected net collections, business and economic conditions, trends in third party payors and other collection indicators Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts For receivables associated with self-pay patients, the Corporation records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible Accounts written off as uncollectible and recoveries of such accounts are deducted from the allowance for doubtful accounts See Note 3 for additional information relative to third-party payor programs

2. Summary of Significant Accounting Policies (continued)

Inventories

Inventories are stated at the lower of average cost (determined on a first-in, first-out method) or market value

Property, Buildings, and Equipment

Property, buildings, and equipment are recorded at cost when purchased and at estimated fair value when donated Depreciation is computed on a straight-line method over the estimated useful lives of the assets ranging from three to forty years

Equipment under capital lease obligations is amortized utilizing the straight-line basis over the lesser of the lease term or the estimated useful life of the equipment Such amortization is included in depreciation and amortization in the accompanying consolidated statements of activities

Leases are classified as capital leases or operating leases in accordance with the terms of the underlying lease agreements Equipment under capital leases is recorded as assets and the related obligations as liabilities at the present value of future minimum lease payments Lease payments under operating leases are charged directly to rental expense, and are included in supplies and other expenses in the accompanying consolidated statements of activities

Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable Recoverability of an asset to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset If the carrying amount of an asset exceeds its estimated undiscounted future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset No impairment charges have been recognized for the years ended December 31, 2012 and 2011

2. Summary of Significant Accounting Policies (continued)

Deferred Expenses

Deferred expenses primarily consist of financing costs incurred in connection with the issuance of long-term debt Amortization of the financing costs is provided over the term of the applicable indebtedness using the effective interest method Amortization, included in interest expense in the accompanying consolidated statements of activities, was approximately $71,000 and $75,000 for the years ended December 31, 2012 and 2011, respectively

Investments in and Held by Captive Insurance Companies

The Corporation's investments in and held by captive insurance companies mainly consist of assets which are pooled with other assets maintained by the companies that are recorded by the captive insurance companies at fair value based on quoted market prices or other means and capital contributions for certain captive insurance entities carried at cost (see Note 9) The Corporation reports an allocation of the pooled investments in its consolidated statements of financial position

Insurance Recoveries Receivable

The Corporation presents anticipated insurance recoveries separately from estimated insurance liabilities for medical malpractice claims and similar contingent liabilities in the accompanying consolidated statements of financial position The insurance recoveries receivable and related insurance claims liability totaled approximately $8 3 million and $10 6 million as of December 31, 2012 and 2011, respectively

Investment in Limited Liability Company

The Corporation accounts for its investment in a limited liability company (the LLC) using the equity method of accounting At December 31, 2012 and 2011, the Corporation's investment in the LLC of approximately $10 3 million and $8 0 million, respectively, is included in other assets in the accompanying consolidated statements of financial position For the years ended December 31, 2012 and 2011, the Corporation recorded its equity in the income of the LLC of approximately $3 5 million and $3 4 million, respectively, and received distributions from the LLC of approximately $1 2 million and $1 9 million, respectively

2. Summary of Significant Accounting Policies (continued)

Classification of Net Assets

Net assets classified as unrestricted represent amounts available for any purpose as distinguished from net assets restricted externally by a donor or grantor Temporarily restricted net assets are those whose use by the Corporation has been limited by donors to a specific time period or purpose Permanently restricted net assets have been restricted by donors to be maintained by the Corporation in perpetuity When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reported as net assets released from restrictions Donor-restricted contributions whose restrictions are met within the same year as received are reflected as unrestricted contributions in the accompanying consolidated financial statements

Contributions

Contributions, including unconditional promises to give cash and other assets to the Corporation, are reported at fair value at the date the contribution or promise to give is received Conditional promises to give are not recognized until they become unconditional, that is, when the conditions upon which they depend are substantially met Unconditional contributions are reported as either temporarily or permanently restricted net assets if they are received with donor stipulations that limit the use of the donated assets

Performance Indicator

The accompanying consolidated statements of activities include deficiency of operating revenue over operating expenses as the performance indicator The change in pension liability to be recognized in future years and results from discontinued operations are excluded from the Corporation's performance indicator

Income Taxes

EHS, Hucles and SJMS each qualifies as a Section 501(c)(3) tax-exempt, not-for-profit organization under Section 501(a) of the Internal Revenue Code CCC is a New York State not-for-profit taxable corporation SJEMS submitted an application for tax exemption to the Internal Revenue Service (IRS) during 2011 and is awaiting IRS determination The effect of income taxes on the accompanying consolidated financial statements is not significant

2. Summary of Significant Accounting Policies (continued)

Electronic Health Records Incentive Payments

Included in other revenue for the year ended December 31, 2012, are electronic health records (EHR) incentive payments (EHR revenue) of approximately $1 8 million and $3 7 million from the Medicare and Medicaid programs, respectively EHR revenue is attributable to the Health Information Technology for Economic and Clinical Health Act (the HITECH Act) which was enacted into law on February 17, 2009, as part of the American Recovery and Reinvestment Act of 2009 (ARRA) The HITECH Act includes provisions designed to increase the use of EHR by physicians and hospitals Beginning with federal fiscal year 2011 and extending through federal fiscal year 2016, eligible hospitals participating in the Medicare and Medicaid programs are eligible for EHR incentives based on successfully demonstrating meaningful use of their certified EHR technology Conversely, hospitals that do not successfully demonstrate meaningful use of EHR technology are subject to payment penalties or downward adjustments to their Medicare payments beginning in fiscal year 2015 Meaningful use criteria are divided into three distinct stages The final rules specify the initial criteria for physicians, eligible hospitals, and critical access hospitals necessary to qualify for incentive payments, calculation of the incentive payment amounts, payment adjustments under Medicare for covered professional services and inpatient hospital services, and other program participation requirements

The Corporation accounts for EHR revenue using a grant accounting model Under this methodology, the Corporation ratably recognizes income over a compliance period once management is reasonably assured of meaningful use compliance for the entire compliance period

The Corporation's attestation of compliance with the meaningful use criteria is subject to audit by the federal government or its designee Additionally, Medicare EHR incentive payments received are subject to retrospective adjustment upon final settlement of the applicable cost report from which payments were calculated

Reclassifications

Certain reclassifications have been made to the 2011 consolidated financial statements to conform to the 2012 presentation

2. Summary of Significant Accounting Policies (continued)

Adoption of New Accounting Standard

In July 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No 2011-07, *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities* (ASU No 2011-07). ASU No 2011-07 is intended to provide financial statement users with greater transparency about a healthcare entity's net patient service revenue and related allowance for doubtful accounts The guidance provides information to assist financial statement users in assessing an entity's sources of patient service revenue and related changes in its allowance for uncollectible accounts The guidance requires certain healthcare entities to change the presentation of their statement of activities by reclassifying the provision for bad debts associated with patient service revenue from an operating expense to a reduction from patient service revenue (net of contractual allowances and discounts) Additionally, those healthcare entities are required to provide enhanced disclosures about their policies for recognizing revenue and assessing bad debts The guidance also requires disclosures of patient service revenue (net of contractual allowances and discounts), as well as qualitative information about changes in the allowance for doubtful accounts The guidance is effective for fiscal years beginning after December 31, 2011 and is required to be applied retrospectively The Corporation adopted the provisions of ASU No 2011-07 as of and for the year ended December 31, 2012 and retrospectively applied the presentation requirements to all periods presented See Note 3 for disclosures related to the Corporation's sources of patient service revenue and changes in the allowance for uncollectible accounts

3. Accounts Receivable for Services to Patients and Net Patient Service Revenue

Accounts Receivable and Net Patient Service Revenue

The Corporation recognizes accounts receivable and patient service revenue associated with services provided to patients and residents who have third-party payor coverage on the basis of contractual rates for the services rendered (see description of third-party payor payment programs below) For uninsured patients who do not qualify for charity care, the Corporation recognizes revenue on the basis of discounted rates under the Corporation's self-pay patient policy Under the policy, a patient who has no insurance and is ineligible for any government assistance program has his or her bill reduced to the amount which would be billed to a commercially insured patient

3. Accounts Receivable for Services to Patients and Net Patient Service Revenue (continued)

Patient service revenue for the year ended December 31, 2012, net of contractual allowances and discounts (but before the provision for bad debts), recognized in the period from these major payor sources based on primary insurance designation, is as follows (excluding amounts included in discontinued operations)

	Third-Party Payors	Self-Pay	Total All Payors
	(In Thousands)		
Patient service revenue (net of contractual allowances and other discounts)	$ 178,555	$ 5,095	$ 183,650

Deductibles and copayments under third-party payment programs within the third-party payor amount above are the patient's responsibility and the Corporation considers these amounts in its determination of the provision for bad debts based on collection experience

Accounts receivable are also reduced by an allowance for doubtful accounts In evaluating the collectibility of accounts receivable, the Corporation analyzes its past history and identifies trends for each of its major payer sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts Management regularly reviews data about these major payer sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts

For receivables associated with services provided to patients who have third-party coverage, the Corporation analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary (for example, for payers who are known to be having financial difficulties that make the realization of amounts due unlikely)

For receivables associated with self-pay patients, which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill, the Corporation records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible The difference between discounted rates and the amounts actually collected after all reasonable collection efforts have been exhausted is charged to the allowance for doubtful accounts

3. Accounts Receivable for Services to Patients and Net Patient Service Revenue (continued)

The Corporation's allowance for doubtful accounts, excluding amounts related to assets held-for-sale, totaled approximately $22 1 million and $13 3 million at December 31, 2012 and 2011, respectively The allowance for doubtful accounts for self-pay patients was approximately 67% and 70% of self-pay accounts receivable as of December 31, 2012 and 2011, respectively The increase in allowance for doubtful accounts during the year ended December 31, 2012 was primarily the result of the maturation of receivable balances since the change in the Corporation's revenue information technology system in 2010

Third Party Payment Programs

The majority of net patient service revenue is derived from agreements with Medicare, Medicaid, managed care and other programs The majority of payments under these agreements and programs are based on specific amounts per case or other contracted prices

Net patient service revenue is reported at estimated net realizable amounts due from patients, third-party payers, and others for services rendered, including estimated retroactive revenue adjustments due to on-going and future audits, reviews and investigations Retroactive adjustments are considered in recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews and investigations

Medicare and Non-Medicare Payments

Medicare Reimbursement: Hospitals are paid for most Medicare inpatient and outpatient services under national prospective payment systems and other methodologies of the Medicare program for certain other services Federal regulations provide for certain adjustments to current and prior years' payment rates, based on industry-wide and hospital-specific data

3. Accounts Receivable for Services to Patients and Net Patient Service Revenue (continued)

Non-Medicare Reimbursement: In New York State, hospitals and all non-Medicare payors, except Medicaid, workers' compensation and no-fault insurance programs, negotiate payment rates If negotiated rates are not established, payors are billed at hospitals' established charges Medicaid, workers' compensation and no-fault payors pay hospital rates promulgated by the New York State Department of Health (DOH) Effective December 1, 2009, the New York State payment methodology was updated such that payments to hospitals for Medicaid, workers' compensation and no-fault inpatient services are based on a statewide prospective payment system, with retroactive adjustments, prior to December 1, 2009, the payment system provided for retroactive adjustments to payment rates, using a prospective payment formula Outpatient services are paid based on a statewide prospective system that was effective December 1, 2008 Medicaid rate methodologies are subject to approval at the Federal level by the Centers for Medicare and Medicaid Services (CMS), which may routinely request information about such methodologies prior to approval Revenue related to specific rate components that have not been approved by CMS are not recognized until the Corporation is reasonably assured that such amounts are realizable Adjustments to the current and prior years' payment rates for those payers will continue to be made in future years

The Corporation has established estimates, based on information presently available, of amounts due to or from Medicare and non-Medicare payers for adjustments to current and prior years' payment rates, based on industry-wide and Corporation-specific data Such amounts are included in due from third-party-payors and third party payor liabilities in the accompanying consolidated statements of financial position For the years ended December 31, 2012 and 2011, net patient service revenue was increased by approximately $1 5 million and $4 0 million, respectively, to reflect changes in estimates to reflect more recent information At December 31, 2012 and 2011, estimated net third-party liabilities approximated $26 5 million and $26 8 million, respectively

In April 2012, CMS settled a series of lawsuits filed in 2007 that challenged the calculation involving the use of the rural floor provision of the Balanced Budget Act of 1997 The Corporation participated in this lawsuit and, as a result, received a cash settlement of approximately $2 4 million from Medicare for fiscal years 1998 through 2011, which is included in the $1 5 million increase in net patient service revenue for the year ended December 31, 2012 noted above Fees associated with participating in this lawsuit were approximately $615,000 and increased supplies and other expenses for the year ended December 31, 2012

3. Accounts Receivable for Services to Patients and Net Patient Service Revenue (continued)

There are various proposals at the Federal and State levels that could, among other things, significantly reduce payment rates or modify payment methods The ultimate outcome of these proposals and other market changes, including the potential effects of health care reform that has been enacted by the Federal and State governments, cannot presently be determined Future changes in the Medicare and Medicaid programs and any reduction of funding could have an adverse impact on the Corporation Additionally, certain payors' payment rates for various years have been appealed by the Corporation If the appeals are successful, additional income applicable to those years might be realized

The current Medicaid, Medicare and other third-party payor programs are based upon extremely complex laws and regulations that are subject to interpretation Medicare cost reports, which serve as the basis for final settlement with the Medicare program, have been audited by Medicare and the last settlement year was 2008, although revisions to final settlements could be made Other years remain open for audit and settlement as are numerous issues related to the New York State Medicaid program for prior years As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount when open years are settled and additional information is obtained Additionally, noncompliance with laws and regulations could result in fines, penalties and exclusion from such programs The Corporation is not aware of any allegations of noncompliance that could have a material adverse effect on the accompanying consolidated financial statements and believes that it is in compliance with all applicable laws and regulations

Net patient service revenue by payor for the years ended December 31, 2012 and 2011, excluding amounts included in discontinued operations, is represented as follows

	2012	2011
Medicare	**46%**	45%
Medicaid	**27**	29
Other third-party payers	**24**	24
Self-pay	**3**	2
	100%	100%

3. Accounts Receivable for Services to Patients and Net Patient Service Revenue (continued)

Charity Care

As an integral part of its mission, the Corporation provides a significant amount of care without regard to the patients' ability to pay for services rendered The uncompensated care includes free care and a sliding fee scale based on the patients' ability to pay which is defined as up to 500% of the federal poverty level (300% in 2011)

The Corporation utilizes a credit verification firm to assist in determining whether uninsured patients meet the Corporation's charity care criteria This process identifies uninsured patients who were under the poverty level but did not apply for charity care The net cost of charity care includes the direct and indirect cost of providing charity care services, offset by revenues received from indigent care pools and other subsidies The cost of charity care is estimated by utilizing a ratio of cost to gross charges applied to the gross charity care charges The total amount, reported at cost, of charity care provided under the Corporation's policy for the years ended December 31, 2012 and 2011, was approximately $1 9 million and $0 6 million, respectively

The DOH Hospital Indigent Care Pool (the Pool) was established to help hospitals subsidize the cost of uncompensated care and is funded, in part, by a 1% assessment on hospital net inpatient service revenue During the years ended December 31, 2012 and 2011, the Corporation received approximately $4 8 million and $5 5 million, respectively, in Pool distributions and paid approximately $2 4 million and $3 0 million, respectively, for the 1% assessment The funds are distributed to the Corporation based on its level of bad debt, charity care and uninsured units of service in relation to all other New York State hospitals

4. Investments and Assets Limited as to Use

Marketable securities, stated at fair value and alternative investments recorded based on the equity method of accounting, at December 31, 2012 and 2011, consist of the following

	2012	2011
	(In Thousands)	
U S Treasury obligations	**$ 139**	$ 271
Alternative investments (equity method)	**287**	260
Certificates of deposit	–	510
Total	**$ 426**	$ 1,041

4. Investments and Assets Limited as to Use (continued)

Assets limited as to use, stated at fair value and based on the equity method of accounting for alternative investments at December 31, 2012 and 2011, consist of the following

	2012	2011
	(In Thousands)	
Cash and cash equivalents	**$ 13,145**	$ 10,721
U S Treasury obligations	**766**	1,818
Alternative investments (equity method)	**1,408**	1,408
Total	**$ 15,319**	$ 13,947

Assets limited as to use, stated at fair value and based on the equity method of accounting for alternative investments at December 31, 2012 and 2011, by type of use consist of the following

	2012	2011
	(In Thousands)	
By type of use		
Under mortgage debt service funds	**$ 2,064**	$ 2,067
Workers' compensation collateral and other	**5,825**	4,499
Operating escrow	**5,710**	5,661
Endowment fund	**1,408**	1,408
Construction fund	**290**	290
Other	**22**	22
	15,319	13,947
Less current portion	**1,237**	1,236
	$ 14,082	$ 12,711

Hucles is required to maintain an operating escrow fund in accordance with guidelines established by the DOH to fund reserves for building replacement, equipment replacement and other contingencies During 2012 and 2011, the monthly deposit requirement was approximately $28,000 Hucles was not in compliance with the funding requirement and was in arrears by approximately $170,000 at December 31, 2012 Hucles was in compliance with the funding requirement at December 31, 2011

4. Investments and Assets Limited as to Use (continued)

Investment income, excluding discontinued operations, is comprised of the following for the years ended December 31, 2012 and 2011

	2012	2011
	(In Thousands)	
Interest and dividend income (including return on investments held by CCCI – see Note 9)	**$ 1,241**	$ 1,119
Realized gains and losses, net	**–**	(66)
Change in net unrealized gains and losses, including equity in alternative investments	**165**	15
	$ 1,406	$ 1,068

5. Property, Buildings, and Equipment

The components of property, buildings, and equipment, including assets capitalized under lease obligations, and accumulated depreciation and amortization, excluding assets held-for-sale, are as follows at December 31

	2012	2011
	(In Thousands)	
Land	**$ 929**	$ 1,614
Land improvements	**2,830**	3,882
Building and fixtures	**78,656**	116,871
Leasehold improvements	**84**	671
Equipment and furniture	**68,684**	66,219
	151,183	189,257
Less accumulated depreciation and amortization	**113,586**	141,360
	37,597	47,897
Construction in progress	**2,941**	5,703
	$ 40,538	$ 53,600

Substantially all of Hucles' property, buildings and equipment (net book value of approximately $14 3 million and $14 0 million at December 31, 2012 and 2012, respectively) and gross receipts are pledged as collateral under its debt arrangements Hucles' property, buildings and equipment are classified as held-for-sale at December 31, 2012

5. Property, Buildings, and Equipment (continued)

Depreciation and amortization expense for the years ended December 31, 2012 and 2011, excluding discontinued operations, was approximately $6 5 million and $5 7 million, respectively

Assets capitalized under lease obligations, and accumulated depreciation and amortization at December 31 are as follows

	2012	2011
	(In Thousands)	
Capitalized leased equipment	**$ 23,034**	$ 20,931
Less accumulated depreciation and amortization	**16,093**	14,456
	$ 6,941	$ 6,475

6. Long-Term Debt

A summary of long-term debt at December 31, 2012 and 2011, including the Hucles Dormitory Authority of the State of New York (DASNY) Series 2006 Revenue Bonds classified as held-for-sale, at December 31, 2012, is as follows

	2012	2011
	(In Thousands)	
Hucles DASNY Series 2006 Revenue Bonds, due 2024, at interest rates ranging from 4 0% to 5 0%, variable monthly payments (held-for-sale at December 31, 2012)	**$ 22,085**	$ 23,440
EHS Obligations under capital leases	**4,477**	4,654
EHS Loan from Ross University School of Medicine	**813**	–
	27,375	28,094
Less current portion (excluding amount held-for-sale at December 31, 2012)	**2,083**	3,160
Add net unamortized bond premium	**253**	293
All debt held-for-sale and long-term portion of debt not held-for-sale	**$ 25,545**	$ 25,227

6. Long-Term Debt (continued)

In 2006, DASNY issued $29,345,000 Series 2006 Revenue Bonds on behalf of Hucles at interest rates varying between 4 0% and 5 0%, with interest payable semiannually and principal payable annually, maturing in 2007 through 2024 The bonds were issued with a premium of approximately $550,000 The mortgage loan is insured by the State of New York Mortgage Agency Substantially all of Hucles' property, building and equipment and gross receipts are pledged as collateral under the agreement The DASNY bonds will be transferred or assigned to the buyers of Hucles at the closing of the sale and are classified as held-for-sale in the accompanying consolidated statements of financial position at December 31, 2012 (see Note 1)

Pursuant to the loan agreements, Hucles is required to maintain a debt service reserve fund at specified levels with a trustee At December 31, 2012 and 2011, Hucles met the funding requirements for the debt service reserve fund

In January 2012, the Corporation entered into an agreement with Ross University School of Medicine (RUSM) for the provision of a loan to be used to renovate a building located across from St John's for educational purposes As of December 31, 2012, $3,250,000 (the maximum loan amount) has been funded into an escrow account Title to the escrow account remains with the lender until released to the Corporation The note bears interest at the rate of 1 63% and is due March 12, 2017 However, should the Corporation satisfactorily perform its obligations under the agreement, the loan and related interest will be forgiven As of December 31, 2012, approximately $813,000 has been released to the Corporation from the escrow account for the aforementioned renovation project The loan is secured by a mortgage on the real and personal property of the building to be renovated

6. Long-Term Debt (continued)

At December 31, 2012, aggregate annual maturities of long-term debt, including the Hucles bonds classified as held-for-sale in the accompanying consolidated statements of financial position, are as follows (in thousands)

	DASNY Bonds	Other Long-Term Debt	Total
2013	$ 1,410	$ 2,316	$ 3,726
2014	1,465	1,594	3,059
2015	1,540	507	2,047
2016	1,615	432	2,047
2017	1,700	856	2,556
Thereafter	14,355	–	14,355
	22,085	5,705	27,790
Less interest	–	415	415
	$ 22,085	$ 5,290	$ 27,375

The interest rates associated with the Corporation's capital lease agreements range from 3 8% to 9 1%

7. Fair Values of Financial Instruments

For assets and liabilities required to be measured at fair value, the Corporation measures fair value based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date Fair value measurements are applied based on the unit of account from the Corporation's perspective The unit of account determines what is being measured by reference to the level at which the asset or liability is aggregated (or disaggregated) for purposes of applying other accounting pronouncements

7. Fair Values of Financial Instruments (continued)

The Corporation follows a valuation hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels, which are described below

Level 1: Fair value is based on unadjusted quoted prices for identical assets or liabilities in an active market that the Corporation has the ability to access at the measurement date

Level 2: Fair value is based on quoted prices in markets that are not active, quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability Pricing models are utilized to estimate fair value for certain financial assets and liabilities categorized in Level 2

Level 3: Fair value is based on prices or valuation techniques that require inputs that are both significant to the fair value measurements and unobservable These inputs reflect management's judgment about the assumptions that a market participant would use in pricing the instrument and are based on the best available information, some of which may be internally developed

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement In determining fair value, the Corporation uses valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible and considers nonperformance risk in its assessment of fair value

7. Fair Values of Financial Instruments (continued)

Financial assets carried at fair value as of December 31, 2012 and 2011, are classified in the tables below in one of the three categories described above

	December 31, 2012			
	Level 1	**Level 2**	**Level 3**	**Total**
	(*In Thousands*)			
Cash and cash equivalents	**$ 17,244**	$ –	$ –	**$ 17,244**
U S Treasury obligations	**905**	–	–	**905**
Held-for-sale				
Cash and cash equivalents (including funds held in trust for residents)	**1,078**	–	–	**1,078**
Investments held by captive insurance companies				
Cash and cash equivalents	**1,499**	–	–	**1,499**
Fixed income sub-fund[a]	–	**21,857**	–	**21,857**
	$ 20,726	**$ 21,857**	**$ –**	**$ 42,583**

	December 31, 2011			
	Level 1	**Level 2**	**Level 3**	**Total**
	(*In Thousands*)			
Cash and cash equivalents (including funds held in trust for residents)	$ 22,031	$ –	$ –	$ 22,031
U S Treasury obligations	2,089	–	–	2,089
Certificates of deposit	510	–	–	510
Investments held by captive insurance companies				
Cash and cash equivalents	966	–	–	966
Fixed income sub-fund[a]	–	20,917	–	20,917
	$ 25,596	$ 20,917	$ –	$ 46,513

[a] The fixed income sub-fund invests in US Government Treasuries, US Government Agency and state and local obligations, asset backed securities and US and non-US corporate securities

7. Fair Values of Financial Instruments (continued)

Fair value for Level 1 is based upon prices provided by the Corporation's investment managers and the Corporation's custodian banks Both the investment managers and the custodian banks use a variety of pricing sources to determine market valuations Each designates specific pricing services or indexes for each sector of the market based upon the provider's expertise

The amounts reported in the preceding tables exclude investments reported using the equity method of accounting (see Note 4), assets invested in the Corporation's defined benefit pension plan (see Note 8) and amounts invested in captive insurance companies carried at cost (see Note 9)

The Corporation's long-term debt obligations are reported at carrying value The fair value of the Corporation's long-term debt obligations, excluding capital lease obligations and the loan from RUSM, is approximately $24 1 million and $25 5 million at December 31, 2012 and 2011, respectively The fair value of the Corporation's bonds payable is based primarily on quoted market prices and is classified in Level 2 of the fair value hierarchy

8. Retirement and Similar Benefits

Defined Contribution Plan

The Corporation offers a defined contribution plan to all nonunion and certain union employees under the provisions of Internal Revenue Code Section 403(b) Contributions to this plan are based on specific percentages of each participating individual's base annual salary Pension expense related to the defined contribution plan was approximately $0 7 million for each of the years ended December 31, 2012 and 2011

Multiemployer Pension Plan

The Corporation contributes to the 1199SEIU Healthcare Employees Pension Fund (1199SEIU), a multiemployer defined benefit pension plan, under the terms of a collective-bargaining agreement that covers substantially all union-represented employees Contributions are made in accordance with contractual agreements under which contributions are based on a percentage of salaries or a negotiated amount Pension expense relating to the multiemployer pension plan was approximately $5 5 million for each of the years ended December 31, 2012 and 2011

8. Retirement and Similar Benefits (continued)

The risks of participating in a multiemployer plan are different from single-employer plans in the following respects

a Assets contributed to a multiemployer plan by one employer may be used to provide benefits to employees of other participating employers

b If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers

c If an entity of the multiemployer defined benefit pension plan chooses to stop participating in some of its multiemployer plans, the entity may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability

The Corporation's participation in the 1199SEIU for the years ended December 31, 2012 and 2011 is outlined in the following table The "EIN/Pension Plan Number" column provides the Employee Identification Number (EIN) and the three-digit plan numbers Unless otherwise noted, the most recent Pension Protection Act (PPA) zone status available in 2012 and 2011 is for the plan's year end at December 31, 2011 and 2010, respectively The zone status is based on information that the Corporation received from the plan and is certified by the plan's actuary Among other factors, plans in the red zone are generally less than 65% funded, plans in the yellow zone are less than 80% funded, and plans in the green zone are at least 80% funded The "FIP/RP Status Pending/Implemented" column indicates plans for which a financial improvement plan (FIP) or a rehabilitation plan (RP) is either pending or has been implemented The last column lists the expiration date of the collective-bargaining agreement to which the plan is subject

Pension Fund	EIN/Pension Plan Number	Pension Protection Act Zone Status 2012	Pension Protection Act Zone Status 2011	FIP/RP Status Pending/ Implemented	Contributions from the Corporation 2012	Contributions from the Corporation 2011	Surcharge Imposed	Expiration Date of Collective-Bargaining Agreement
1199SEIU	13-3604862 001	**Green**	Green	N A	**$ 5,453**	$ 5,428	No	4 30 2015

8. Retirement and Similar Benefits (continued)

Defined Benefit Pension Plan

The Corporation provides a noncontributory defined benefit pension plan (the Plan) to certain eligible employees The Plan covers certain employees who are not members of unions or are members of unions that do not provide pension benefits Benefits are based upon years of service and salaries earned during those years of service The Corporation's funding policy is to contribute an amount at least equal to the minimum required contribution under the Employee Retirement Income Security Act of 1974, as amended As of April 30, 2000, the Plan was amended to freeze benefits and provides no future benefit accruals

The Corporation recognizes an asset or liability for the overfunded or underfunded status, respectively, of its postretirement benefit plan in its financial statements When recognizing a postretirement benefit plan's funded status, certain gains, losses and transition amounts will be recognized with the offset to a separate line item outside (below) the performance indicator These amounts will subsequently be reclassified out of unrestricted net assets into the performance indicator through net periodic benefit expense based on the amortization and recognition requirements

Included in unrestricted net assets at December 31, 2012 and 2011, is a net actuarial loss of approximately $9 9 million and $9 5 million, respectively, which has not yet been recognized in net periodic pension cost The net actuarial loss included in unrestricted net assets expected to be recognized in net periodic pension cost during the year ending December 31, 2013 is approximately $533,000

The following table provides the components of the net periodic pension credit for the Plan for the years ended December 31, 2012 and 2011

	2012	2011
	(In Thousands)	
Interest cost	**$ 496**	$ 559
Expected return on plan assets	**(1,058)**	(1,085)
Recognized actuarial loss	**464**	325
Net periodic pension credit	**$ (98)**	$ (201)

8. Retirement and Similar Benefits (continued)

The following tables provide a reconciliation of the changes in the Plan's benefit obligation and fair value of Plan assets for the years ended December 31, 2012 and 2011, and a statement of the funded status of the Plan as of December 31, 2012 and 2011

	2012	2011
	(In Thousands)	
Change in benefit obligation		
Benefit obligation at January 1	**$ 13,189**	$ 11,752
Interest cost	**496**	559
Actuarial loss	**908**	1,810
Benefit payments	**(1,022)**	(932)
Benefit obligation at December 31	**$ 13,571**	$ 13,189
Change in fair value of plan assets		
Fair value of plan assets at January 1	**$ 11,725**	$ 12,308
Actual return on plan assets	**1,092**	(251)
Employer contribution	**80**	600
Benefit payments	**(1,022)**	(932)
Fair value of plan assets at December 31	**$ 11,875**	$ 11,725
Funded status		
Accrued pension liability	**$ 1,696**	$ 1,464
Accumulated benefit obligation	**$ 13,571**	$ 13,189

The weighted-average assumption used in determining the benefit obligation at December 31, 2012 and 2011 was as follows

	2012	2011
Discount rate	**3.25%**	3 88%

8. Retirement and Similar Benefits (continued)

Weighted-average assumptions used in determining the net periodic pension cost for the years ended December 31, 2012 and 2011 were as follows

	2012	2011
Discount rate	**3.88%**	4 89%
Expected long-term rate of return on plan assets	**8.50**	8 50

The Plan's measurement date is December 31

The overall expected long-term rate of return on plan assets is based on the historical returns of each asset class weighted by target asset allocation The target asset allocation has been selected consistent with the Corporation's desired risk and return characteristics The expected long-term rate is periodically reviewed to update for changes in the investment marketplace

Assets invested in the Plan are carried at fair value Equity securities and debt securities with readily determinable values are carried at fair value as determined based on independent published sources Alternative investments are stated at fair value, as estimated using the net asset value per share as a practical expedient Fair value for alternative investments is determined by the Plan's administrator

Financial assets carried at fair value as of December 31, 2012, are classified in the tables below in one of the three categories described in Note 7

	December 31, 2012			
	Level 1	Level 2	Level 3	Total
	(*In Thousands*)			
Cash and cash equivalents	**$ 506**	**$ –**	**$ –**	**$ 506**
Equity securities[a]	**5,035**	**–**	**–**	**5,035**
Debt securities[b]	**2,442**	**–**	**–**	**2,442**
Alternative investments[c]	**–**	**1,960**	**1,932**	**3,892**
	$ 7,983	**$ 1,960**	**$ 1,932**	**$ 11,875**

8. Retirement and Similar Benefits (continued)

Financial assets carried at fair value as of December 31, 2011, are classified in the tables below in one of the three categories described in Note 7

	December 31, 2011			
	Level 1	**Level 2**	**Level 3**	**Total**
	(In Thousands)			
Cash and cash equivalents	$ 217	$ –	$ –	$ 217
Equity securities[a]	4,973	–	–	4,973
Debt securities[b]	2,800	–	–	2,800
Alternative investments[c]	–	1,819	1,916	3,735
	$ 7,990	$ 1,819	$ 1,916	$ 11,725

(a) Includes small and large cap common stock of corporations primarily domiciled in the United States

(b) Includes investments in corporate bonds and U S fixed income funds

(c) Venture capital partnerships and hedge fund investments consisting primarily of equity holdings with both long and short positions

The following table is a rollforward of the fair value of Plan assets classified by the Corporation in Level 3 of the valuation hierarchy defined above

	2012	**2011**
	(In Thousands)	
Fair value at January 1	**$ 1,916**	$ 1,948
Total realized and unrealized gains and losses	**(25)**	(46)
Purchases, sales, issuances, and settlements, net	**41**	14
Fair value at December 31	**$ 1,932**	$ 1,916

8. Retirement and Similar Benefits (continued)

The Plan's weighted-average asset allocations, by asset category, at December 31, 2012 and 2011 are as follows

	2012	2011
Cash and cash equivalents	**4%**	2%
Equity securities	**42**	42
Debt securities	**21**	24
Alternative investments	**33**	32
	100%	100%

Description of Investment Policies and Strategies

The Plan's asset allocation targets are as follows

Equity securities	41 5%
Debt securities	20 0
Alternative investments	38 5

Fund asset diversification is designed to minimize the impact of large losses in individual investments Multiple investment managers may be retained to further that end The overall investment objective of the pension trust fund is to outperform a composite benchmark (an asset-weighted series of market indices used to measure the performance of each asset class) over a market cycle, while maintaining similar risk to the benchmark

Ordinary cash flows are used to maintain the allocation as close as practicable to the normal allocation If cash flows are insufficient to maintain the allocation within the permissible ranges as of any calendar quarter end, balances will be transferred between the asset classes as necessary to bring the allocation back to the target

The Corporation expects to contribute approximately $45,000 to the Plan in 2013

8. Retirement and Similar Benefits (continued)

Benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows (in thousands)

2013	$ 973
2014	957
2015	969
2016	989
2017	958
2018 to 2022	4,492

9. Professional Liabilities

Prior to July 1, 1993, the Corporation was self-insured Effective July 1, 1993 through June 30, 2004, the Corporation obtained primary and excess professional liability insurance coverage from CCC Insurance Company (CCCI) The CCCI insurance program provided insurance under a common occurrence basis structure, which included insurance through two offshore captive insurance companies as well as the purchase of commercial insurance CCCI has reinsurance coverage for amounts above certain per claim limits

In 2007, the Corporation entered into an agreement with CCCI for the July 1, 1993 to June 30, 1999 policy periods, whereby the Corporation is liable for retroactive premium assessments At December 31, 2012 and 2011, retroactive premium assessments of approximately $0 9 million and $0 8 million, respectively, are included in the accompanying consolidated statements of financial position in professional and self-insured liabilities

At December 31, 2011, the Corporation recorded an obligation of approximately $0 9 million for estimated professional liabilities related to program years 1999 to 2004, included in the accompanying consolidated statements of financial position This obligation related to assessments made by CCCI for this program period and resulted from growth in loss estimates for known claims and the related impact on the projection of loss development patterns and other factors The Corporation had no such obligations at December 31, 2012

9. Professional Liabilities (continued)

Effective July 1, 2004, CCCI formed CCC Insurance Company SCC and implemented a "cell captive" structure which replaced the previous coverage structure Under the cell captive program, primary coverage for individual claims for each participating hospital is provided through a commercial insurance carrier on an occurrence basis The first layer of excess coverage under the program utilizes individual cells for each participating hospital, under which invested assets and insurance related liabilities are segregated for each participant and there is no shared risk among the entities Through June 30, 2009, premiums paid by the Corporation under the cell captive insurance program were determined annually based on actuarial calculations that utilized the actual and estimated experience of the Corporation, subject to retrospective adjustments in future periods Effective July 1, 2009, payments to the cell captive for funding purposes will be made based on desired capitalization levels The Corporation's accounting for its professional liability insurance obligations and expenses were not affected by this change in funding

The estimated undiscounted professional liabilities for asserted claims of the cell captive insurance program (the Corporation's cell) and for incidents that have been incurred but not yet reported as of December 31, 2012 and 2011 aggregated approximately $30 0 million and $34 1 million, respectively, and are reported as professional and self-insured liabilities in the accompanying consolidated statements of financial position at the actuarially determined present value of approximately $26 3 million and $30 3 million at December 31, 2012 and 2011, respectively, based on a discount rate of 3 0% at December 31, 2012 and 2011 Professional liabilities are discounted based on the expected timing of the actuarially estimated future payments under the program using an interest rate expected to be earned on related invested assets during such future periods Such estimates are reviewed and updated annually

9. Professional Liabilities (continued)

In addition to coverage for the participating hospitals' professional liability, the program also includes captive cells for coverage of physicians' professional liability In 2008, a second captive cell was established for the policy year beginning July 1, 2008 Premiums for these captive cells are to be paid by the participating physicians, however, the participating hospitals are responsible for funding a portion of the cells' initial capital and surplus requirements and could be subject to additional capital contributions in the future if the equity of these cells falls below certain levels Coverage within the physician cells is pooled, however, there is no shared risk with the hospital-liability cell captives In 2009, the Corporation entered into an agreement to fund additional capital of approximately $10 2 million for the first physician captive cell The agreement called for 24 equal quarterly payments, beginning July 1, 2009 The agreed-upon amount will be subject to future revisions to determine changes in the equity of the cell As of December 31, 2012, approximately $6 0 million has been funded and expensed At December 31, 2012, approximately $4 2 million is outstanding and is reported as professional and self-insured liabilities in the accompanying consolidated statement of financial position

The estimates for professional liabilities under the captive insurance program are based upon extremely complex actuarial calculations which utilize factors such as historical claim experience for the Corporation and related industry factors, trending models, estimates for the payment patterns of future claims, and present value discounting factors As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term Revisions to estimated amounts resulting from actual experience differing from projected expectations are recorded in the period the information becomes known

At December 31, 2012 and 2011, investments in and held by captive insurance companies were as follows

	2012	2011
	(In Thousands)	
Investments in CCC physicians' professional liability captive cells (cost method)	**$ 763**	$ 763
Investments held by CCC Insurance Company SCC (cell captive)	**$ 23,356**	$ 21,883

9. Professional Liabilities (continued)

Malpractice claims in excess of insurance coverage have been asserted against the Corporation by various claimants The claims are in various stages of processing and some may ultimately be brought to trial Corporation management and counsel are unable to conclude about the ultimate outcome of the actions

There are known incidents occurring through December 31, 2012, that may result in the assertion of additional claims and other claims may be asserted arising from services provided to patients in the past It is the opinion of Corporation management, based on prior experience that adequate provision has been made to cover all estimable professional liability losses

The Corporation has commercial insurance coverage for workers' compensation and is responsible for certain self-insurance retention limits The Corporation has accrued its best estimate of the retained liability for occurrences through December 31, 2012

10. Temporarily and Permanently Restricted Net Assets

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

	2012	2011
	(In Thousands)	
Funding for departmental items	**$ 175**	$ 20
Building and equipment replacement	**291**	80
	$ 466	$ 100

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

	2012	2011
	(In Thousands)	
Required to be held in perpetuity, investment income is unrestricted as to use	**$ 1,408**	**$ 1,408**

The Corporation follows the requirements of the New York Prudent Management of Institutional Funds Act enacted in 2010 as they relate to its permanently restricted contributions Permanently restricted net assets have been restricted by donors to be maintained in perpetuity The Corporation invests the permanently restricted contributed assets as part of its portfolio of assets limited as to use (see Note 4) The Corporation appropriates and expends the income from the related assets on an annual basis in support of health care services

11. Other Revenue

Other revenue for the years ended December 31, 2012 and 2011, excluding amounts related to discontinued operations, follows

	2012	2011
	(In Thousands)	
Grants and contracts	**$ 1,630**	$ 602
Cafeteria, telephone, television and vending	**1,516**	1,074
Equity in investment in LLC	**3,470**	3,350
EHR revenue	**5,513**	–
Managed care risk distribution pool	**843**	540
Contributions	**34**	154
Physician billing revenue	**4,623**	5,523
Physician and intern training	**3,041**	2,679
Other	**1,695**	431
	$ 22,365	$ 14,353

Other revenue from grants and contracts includes awards for reimbursable expenditures involving the U S Department of Homeland Security-Federal Emergency Management Agency ("FEMA") for approximately $1 0 million for the year ended December 31, 2012

12. Concentration of Credit Risk

The Corporation grants credit without collateral to its patients, most of whom are local residents and routinely obtains assignments or is otherwise entitled to receive patients' benefits payable under their health insurance programs The composition of accounts receivable from patients and third-party payors as of December 31 (excluding amounts held-for-sale) is as follows

	2012	2011
Medicare	**20%**	15%
Medicaid	**13**	21
Other third-party payors	**54**	42
Self-pay	**13**	22
	100%	100%

13. Functional Expenses

The Corporation provides general health care and long-term care services to residents within its geographic area Expenses related to providing these services, excluding discontinued operations, are as follows

	2012	2011
	(In Thousands)	
Healthcare services	**$ 183,924**	$ 165,271
Administrative and general	**16,246**	16,920
	$ 200,170	$ 182,191

14. Commitments

The Corporation has entered into various operating leases for equipment and facilities, expiring at various dates Total rental expense for the years ended December 31, 2012 and 2011, for such operating leases was approximately $2 5 million and $2 8 million, respectively, and is included in supplies and other expenses in the accompanying consolidated statements of activities

The lease for the building that houses the MacLean nursing home expired in February 2002 and was converted to a month-to-month lease In April 2012, management renegotiated the lease terms to expire on December 31, 2021

The minimum lease payments under significant non-cancelable operating leases that have initial or remaining lease terms in excess of one year as of December 31, 2012 are as follows (in thousands)

2013	$ 2,139
2014	1,722
2015	1,670
2016	1,561
2017	1,406
Thereafter	3,744
Total future minimum payments	$ 12,242

15. Contingencies

Various lawsuits and claims arising in the normal course of operations are pending or are in progress against the Corporation Such lawsuits and claims are either specifically covered by insurance or are not deemed material While the outcome of these lawsuits cannot be determined at this time, management believes that any losses that may arise from these actions will not have a material adverse effect on the consolidated financial position or the results of operations of the Corporation

Substantially all of St John's, MacLean's and Hucles' employees are covered by a collective bargaining agreement that expires in April 2015

In connection with the Corporation's workers' compensation policy, EHS established a trust fund with one insurance company for approximately $5 4 million

Beach Reinsurance Corp holds approximately $0 5 million in assets limited as to use for insurance purposes at December 31, 2012 ($0 3 million at December 31, 2011)

The Corporation (except for Beach Reinsurance Corp) filed a voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code (the Bankruptcy Code) on November 15, 1999 All entities related to the Corporation, except for Hucles and Community Hospital of Smithtown, Inc (CHSI), were consolidated for Chapter 11 bankruptcy purposes By order dated March 30, 2006, the CHSI case was dismissed On December 28, 2000, the Court judge signed an order confirming the Plan of Reorganization (POR) under the Bankruptcy Code On December 20, 2005, the Bankruptcy Judge signed the final decree closing Hucles' Chapter 11 case On April 3, 2006, the Bankruptcy Judge signed the final decree closing EHS' Chapter 11 case

During 2009, the Corporation resolved contingencies related to the POR recorded in prior years and made the final distribution of the remaining funds of approximately $1 0 million During 2011, the Corporation resolved additional contingencies of approximately $0 8 million, respectively, resulting in an increase in unrestricted net assets

16. Subsequent Events

The Corporation evaluates the impact of subsequent events, which are events that occur after the statement of financial position date but before the consolidated financial statements are issued, for potential recognition or disclosure in the consolidated financial statements as of the financial statement position date For the year ended December 31, 2012, the Corporation evaluated subsequent events through September 18, 2013, which is the date the consolidated financial statements were issued No subsequent events have occurred that require disclosure in or adjustment to the consolidated financial statements, except as disclosed in Note 1 related to the planned sale of Hucles and Maclean

Ernst & Young LLP

Assurance | Tax | Transactions | Advisory

About Ernst & Young

Ernst & Young is a global leader in assurance, tax, transaction and advisory services Worldwide, our 167,000 people are united by our shared values and an unwavering commitment to quality We make a difference by helping our people, our clients and our wider communities achieve their potential

For more information, please visit www ey com