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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)	OMB No 1545-0047 2012 Open to Public Inspection
	The organization may have to use a copy of this return to satisfy state reporting requirements	

A For the 2012 calendar year, or tax year beginning 03-01-2012 , 2012, and ending 02-28-2013

B Check if applicable ☐ Address change ☐ Name change ☐ Initial return ☐ Terminated ☐ Amended return ☐ Application pending	C Name of organization SILVER HILL HOSPITAL INC		D Employer identification number 06-0655139
	Doing Business As		
	Number and street (or P O box if mail is not delivered to street address) 208 VALLEY RD Suite	Room/suite	E Telephone number (203) 966-1380
	City or town, state or country, and ZIP + 4 NEW CANAAN, CT 06840		G Gross receipts \$ 43,449,037
	F Name and address of principal officer SIGURD HACKERMAN MD 208 VALLEY RD NEW CANAAN, CT 06840		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)
I Tax-exempt status ☒ 501(c)(3) ☐ 501(c) () (Insert no) ☐ 4947(a)(1) or ☐ 527		H(c) Group exemption number ▶	
J Website: ▶ WWW.SILVERHILLHOSPITAL.ORG			

Part I Summary

Activities & Governance	1 Briefly describe the organization's mission or most significant activities SEE SCHEDULE O		
	2 Check this box ☐ if the organization discontinued its operations or disposed of more than 25% of its net assets		
	3 Number of voting members of the governing body (Part VI, line 1a)	3	21
	4 Number of independent voting members of the governing body (Part VI, line 1b)	4	16
	5 Total number of individuals employed in calendar year 2012 (Part V, line 2a)	5	373
	6 Total number of volunteers (estimate if necessary)	6	200
	7a Total unrelated business revenue from Part VIII, column (C), line 12	7a	-92,197
	7b Net unrelated business taxable income from Form 990-T, line 34	7b	-92,197
Revenue	8 Contributions and grants (Part VIII, line 1h)	Prior Year	Current Year
	9 Program service revenue (Part VIII, line 2g)	1,434,915	1,524,344
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	32,101,190	35,007,506
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	587,374	753,895
	12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	-25,278	-50,819
		34,098,201	37,234,926
Expenses	13 Grants and similar amounts paid (Part IX, column (A), lines 1–3)	0	24,250
	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)	19,629,450	21,443,937
	16a Professional fundraising fees (Part IX, column (A), line 11e)	0	0
	b Total fundraising expenses (Part IX, column (D), line 25) ☒ 575,169		
	17 Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	10,650,142	11,016,993
	18 Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	30,279,592	32,485,180
	19 Revenue less expenses Subtract line 18 from line 12	3,818,609	4,749,746
	Net Assets or Fund Balances		Beginning of Current Year
20 Total assets (Part X, line 16)		40,459,322	46,122,475
21 Total liabilities (Part X, line 26)		8,916,912	10,057,906
22 Net assets or fund balances Subtract line 21 from line 20		31,542,410	36,064,569

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	*****				2014-01-15		
	Signature of officer				Date		
	SIGURD H ACKERMAN MD PRESIDENT, MEDICAL DIRECTOR Type or print name and title						
Paid Preparer Use Only	Print/Type preparer's name KPMG LLP		Preparer's signature		Date	Check ☐ if self-employed	PTIN
	Firm's name ▶▶ KPMG LLP				Firm's EIN ▶▶		
	Firm's address ▶▶ 345 Park Avenue New York, NY 101540102				Phone no (212) 758-9700		

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 SILVER HILL HOSPITAL IS TO PROVIDE OUR PATIENTS WITH THE BEST AVAILABLE TREATMENT OF MENTAL ILLNESS AND ADDICTION, AND TO OFFER CONTINUING SUPPORT, COUNSELING AND EDUCATION TO OUR PATIENTS AND THEIR FAMILIES IN EVERY PHASE OF ILLNESS AND RECOVERY

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 \$ 15,014,210 including grants of \$ 24,250) (Revenue \$ 15,112,283)

INPATIENT TREATMENT IS THE MOST INTENSIVE FORM OF CARE, INDICATED FOR A PHASE OF ILLNESS THAT REQUIRES A GREAT DEAL OF NURSING AND MEDICAL INTERVENTION BECAUSE PATIENTS ARE USUALLY ACUTELY ILL DURING THIS PHASE OF CARE, OUR INPATIENT TREATMENT PLANS EMPHASIZE DIAGNOSTIC ASSESSMENT, SYMPTOM REDUCTION, AND STABILIZATION THE HOSPITAL TREATED APPROXIMATELY 1,877 INPATIENTS DURING FISCAL YEAR 2013

4b

(Code) (Expenses \$ 11,144,952 including grants of \$) (Revenue \$ 18,464,437)

SILVER HILL HOSPITAL'S TRANSITIONAL LIVING PROGRAMS PROVIDE HIGHLY STRUCTURED INTENSIVE TREATMENT FOR PATIENTS WHO ARE READY FOR MORE PSYCHOLOGICAL AND BEHAVIORAL INTERVENTIONS SET IN RESIDENTIAL, HOME-LIKE SETTINGS, THE TRANSITIONAL LIVING PROGRAMS HELP PATIENTS CONTINUE THEIR RECOVERY PROCESS UNTIL THEY ARE READY TO RETURN HOME FOR FURTHER COMMUNITY-BASED TREATMENTS PATIENTS FOCUS ON DEVELOPING A PSYCHOLOGICAL UNDERSTANDING OF THEIR ILLNESS, OBTAINING INFORMATION ABOUT THEIR ILLNESS AND DEVELOPING NEW BEHAVIORAL SKILLS TO MANAGE THEIR RECOVERY PROCESS THE HOSPITAL TREATED APPROXIMATELY 726 TRANSITIONAL LIVING PATIENTS DURING FISCAL YEAR 2013

4c

(Code) (Expenses \$ 254,871 including grants of \$) (Revenue \$ 1,430,786)

INTENSIVE OUTPATIENT PROGRAMS (IOP) MEET FOR THREE HOURS/DAY, THREE DAYS/WEEK SILVER HILL HOSPITAL PROVIDES A DIALECTICAL BEHAVIOR THERAPY IOP FOR PATIENTS EXPERIENCING DIFFICULTY REGULATING INTENSE EMOTIONS, IMPULSIVITY AND HARMFUL BEHAVIORS THE WOMEN'S TRAUMA AND ADDICTION IOP IS FOR WOMEN WHO STRUGGLE WITH DRUGS AND ALCOHOL AND HAVE EXPERIENCED SOME FORM OF TRAUMA SUCH AS EARLY PHYSICAL OR SEXUAL ABUSE, EMOTIONAL ABUSE OR A TRAUMATIC EVENT THE DUAL DIAGNOSIS IOP PROVIDES SIMULTANEOUS TREATMENT FOR PATIENTS WITH A PSYCHIATRIC AND SUBSTANCE ABUSE DISORDER

4d

Other program services (Describe in Schedule O)

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

4e

Total program service expenses

26,414,033

Form 990 (2012)

Part IV

Checklist of Required Schedules

	Yes	No
1 Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? <i>If "Yes," complete Schedule A</i>	Yes	
2 Is the organization required to complete <i>Schedule B, Schedule of Contributors</i> (see instructions)?	Yes	
3 Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? <i>If "Yes," complete Schedule C, Part I</i>		No
4 Section 501(c)(3) organizations. Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? <i>If "Yes," complete Schedule C, Part II</i>		No
5 Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? <i>If "Yes," complete Schedule C, Part III</i>		
6 Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? <i>If "Yes," complete Schedule D, Part I</i>		No
7 Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas, or historic structures? <i>If "Yes," complete Schedule D, Part II</i>		No
8 Did the organization maintain collections of works of art, historical treasures, or other similar assets? <i>If "Yes," complete Schedule D, Part III</i>		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? <i>If "Yes," complete Schedule D, Part IV</i>		No
10 Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? <i>If "Yes," complete Schedule D, Part V</i>	Yes	
11 If the organization's answer to any of the following questions is "Yes," then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable		
a Did the organization report an amount for land, buildings, and equipment in Part X, line 10? <i>If "Yes," complete Schedule D, Part VI</i>	Yes	
b Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part VII</i>		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? <i>If "Yes," complete Schedule D, Part VIII</i>		No
d Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part IX</i>		No
e Did the organization report an amount for other liabilities in Part X, line 25? <i>If "Yes," complete Schedule D, Part X</i>	Yes	
f Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? <i>If "Yes," complete Schedule D, Part X</i>	Yes	
12a Did the organization obtain separate, independent audited financial statements for the tax year? <i>If "Yes," complete Schedule D, Parts XI and XII</i>	Yes	
b Was the organization included in consolidated, independent audited financial statements for the tax year? <i>If "Yes," and if the organization answered "No" to line 12a, then completing Schedule D, Parts XI and XII is optional</i>		No
13 Is the organization a school described in section 170(b)(1)(A)(ii)? <i>If "Yes," complete Schedule E</i>		No
14a Did the organization maintain an office, employees, or agents outside of the United States?		No
b Did the organization have aggregate revenues or expenses of more than \$10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at \$100,000 or more? <i>If "Yes," complete Schedule F, Parts I and IV</i>		No
15 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of grants or assistance to any organization or entity located outside the United States? <i>If "Yes," complete Schedule F, Parts II and IV</i>		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? <i>If "Yes," complete Schedule F, Parts III and IV</i>		No
17 Did the organization report a total of more than \$15,000 of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? <i>If "Yes," complete Schedule G, Part I (see instructions)</i>		No
18 Did the organization report more than \$15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? <i>If "Yes," complete Schedule G, Part II</i>	Yes	
19 Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? <i>If "Yes," complete Schedule G, Part III</i>		No
20a Did the organization operate one or more hospital facilities? <i>If "Yes," complete Schedule H</i>	Yes	
b If "Yes" to line 20a, did the organization attach a copy of its audited financial statements to this return?	Yes	

Part IV

Checklist of Required Schedules (continued)

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

Part V

Statements Regarding Other IRS Filings and Tax Compliance

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

		Yes	No
1a	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable.	150	
1b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.	0	
1c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?		
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.	373	
2b	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).	Yes	
3a	Did the organization have unrelated business gross income of \$1,000 or more during the year?	Yes	
3b	If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O.	Yes	
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?		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?		No
5b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?		No
5c	If "Yes," to line 5a or 5b, did the organization file Form 8886-T?		
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?		No
6b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?		
7	Organizations that may receive deductible contributions under section 170(c).		
7a	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?	Yes	
7b	If "Yes," did the organization notify the donor of the value of the goods or services provided?	Yes	
7c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?		No
7d	If "Yes," indicate the number of Forms 8282 filed during the year.		
7e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?		No
7f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?		No
7g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?		No
7h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?		No
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?		
9	Sponsoring organizations maintaining donor advised funds.		
9a	Did the organization make any taxable distributions under section 4966?		
9b	Did the organization make a distribution to a donor, donor advisor, or related person?		
10	Section 501(c)(7) organizations. Enter		
10a	Initiation fees and capital contributions included on Part VIII, line 12.		
10b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities.		
11	Section 501(c)(12) organizations. Enter		
11a	Gross income from members or shareholders.		
11b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them).		
12a	Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041?		
12b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year.		
13	Section 501(c)(29) qualified nonprofit health insurance issuers.		
13a	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.		
13b	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.		
13c	Enter the amount of reserves on hand.		
14a	Did the organization receive any payments for indoor tanning services during the tax year?		No
14b	If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O.		

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	21	
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	16	
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	No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	4	No
5	Did the organization become aware during the year of a significant diversion of the organization's assets?	5	No
6	Did the organization have members or stockholders?	6	No
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?	7a	No
b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	7b	No
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following		
a	The governing body?	8a	Yes
b	Each committee with authority to act on behalf of the governing body?	8b	Yes
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O	9	No

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

		Yes	No
10a	Did the organization have local chapters, branches, or affiliates?	10a	No
b	If "Yes," did the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with the organization's exempt purposes?	10b	
11a	Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form?	11a	Yes
b	Describe in Schedule O the process, if any, used by the organization to review 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	CT , NY
18	Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply. ☐ Own website ☐ Another's website ☒ Upon request ☐ 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	RUURD G LEEGSTRA CFO 208 VALLEY RD NEW CANAAN, CT (203) 801-2230

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) WARD F CLEARY CO-CHAIR	3 0	X						0	0	0
(2) DEANN E MURPHY CO-CHAIR	8 0	X						0	0	0
(3) STEVE STILLERMAN CHAIRMAN EMERITUS UNTIL 6/2012	1 0	X						0	0	0
(4) LINDA AUTORE DIRECTOR FROM 5/2012	1 0	X						0	0	0
(5) CYNTHIA ZIEGLAR BRIGHTON DIRECTOR	1 0	X						0	0	0
(6) PATRICIA BURROWS DIRECTOR UNTIL 7/2012	1 0	X						0	0	0
(7) RICHARD CANNING DIRECTOR	1 0	X						0	0	0
(8) MICHAL COMINOTTO DIRECTOR	1 0	X						0	0	0
(9) SPERRY A DECEW SECRETARY & DIRECTOR	1 0	X						0	0	0
(10) FREDERICK S FEINER MD DIRECTOR	1 0	X						0	0	0
(11) JUDITH FREEDMAN DIRECTOR	1 0	X						0	0	0
(12) RICHARD GANNON DIRECTOR	1 0	X						0	0	0
(13) TED HERMAN DIRECTOR	1 0	X						0	0	0
(14) CLAUDETTE H KUNKES DIRECTOR	1 0	X						0	0	0
(15) PAUL LAMBDIN DIRECTOR	1 0	X						0	0	0
(16) LANCE LUNDBERG DIRECTOR	1 0	X						0	0	0
(17) PETER ORTHWEIN TREASURER & DIRECTOR	1 0	X						0	0	0

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) DAVID SCHUNTER DIRECTOR FROM 5/2012	1 0	X						0	0	0
(19) LAURIE WILLIAMSON DIRECTOR FROM 5/2012	1 0	X						0	0	0
(20) SIGURD H ACKERMAN MD PRESIDENT,MED DIR & DIRECTOR	40 0	X		X				542,029	0	42,025
(21) ELIZABETH E MOORE CHIED OPERATING OFFICER & DIR	40 0	X		X				313,163	0	24,171
(22) RUURD G LEEGSTRA CHIEF FINANCIAL OFFICER & DIR	40 0	X		X				231,161	0	11,291
(23) ERIC COLLINS MD CMO & DIRECTOR FROM 8/2012	40 0	X		X				129,707	0	15,315
(24) BARRY KERNER CMO & DIRECTOR UNTIL 5/2012	40 0	X		X				91,679	0	27,978
(25) MARK CERBONE MD PHYSICIAN	40 0					X		262,008	0	5,580
(26) ANRI KISSILENKO MD PHYSICIAN	40 0					X		216,257	0	46,312
(27) ROCCO MAROTTA MD PHYSICIAN	40 0					X		205,729	0	35,723
(28) AVA ALBRECHT MD PHYSICIAN	40 0					X		202,799	0	31,152
(29) SANDRA GOMEZ-LUNA MD PHYSICIAN	40 0					X		215,104	0	9,898
1b Sub-Total										
c Total from continuation sheets to Part VII, Section A										
d Total (add lines 1b and 1c)								2,409,636	0	249,445
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▶29									

		Yes	No
3	Did the organization list any former officer, director or trustee, key employee, or highest compensated employee on line 1a? <i>If "Yes," complete Schedule J for such individual</i>	3	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? <i>If "Yes," complete Schedule J for such individual</i>	4	Yes
5	Did any person listed on line 1a receive or accrue compensation from any unrelated organization or individual for services rendered to the organization? <i>If "Yes," complete Schedule J for such person</i>	5	No

Section B. Independent Contractors

1	Complete this table for your five highest compensated independent contractors that received more than \$100,000 of compensation from the organization Report compensation for the calendar year ending with or within the organization's tax year									
(A) Name and business address								(B) Description of services	(C) Compensation	
UNIDINE CORPORATION , ONE GATEWAY CENTER SUITE 751 NEWTON MA 02458								FOOD SERVICES	1,187,910	
PAC GROUP LLC , PO BOX 52 HARWINGTON CT 06791								GENERAL CONTRACTOR	882,780	
PHARMACY THERAPEUTICS CONSULTANTS , 300 CHURCH ST WALLINGFORD CT 06492								PHARMACY MANAGEMENT	344,313	
MEDSPHERE SYSTEMS CORPORATION , 1917 PALOMAR OAKS WAY SUITE 200 CARLSBAD CA 92008								IT CONSULTANT	248,881	
RICHARD TURLINGTON ARCHITECTS , 244 MAPLE STREET NEW HAVEN CT 06511								ARCHITECT	226,506	
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 ▶10									

Part VIII

Statement of Revenue

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

				(A)	(B)	(C)	(D)	
				Total revenue	Related or exempt function revenue	Unrelated business revenue	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	739,523				
	d	Related organizations	1d					
	e	Government grants (contributions)	1e					
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	784,821				
	g	Noncash contributions included in lines 1a-1f \$		11,235				
	h	Total. Add lines 1a-1f			1,524,344			
Program Service Revenue			Business Code					
	2a	INPATIENT PROGRAM	623000	15,112,283	15,112,283			
	b	TRANSITIONAL LIVING PROGRAM	623000	18,464,437	18,464,437			
	c	NON RESIDENTIAL SERVICES	623000	1,430,786	1,430,786			
	d							
	e							
	f	All other program service revenue						
	g	Total. Add lines 2a-2f			35,007,506			
Other Revenue	3	Investment income (including dividends, interest, and other similar amounts)		264,503			264,503	
	4	Income from investment of tax-exempt bond proceeds . . .		0				
	5	Royalties		0				
	6a	(i) Real						
		(ii) Personal						
	b	Gross rents	50,268					
	b	Less rental expenses	168,441					
	c	Rental income or (loss)	-118,173	0				
	d	Net rental income or (loss)		-118,173		-92,197	-25,976	
	7a	(i) Securities						
		(ii) Other						
	b	Gross amount from sales of assets other than inventory	6,168,969					
	b	Less cost or other basis and sales expenses	5,679,577					
	c	Gain or (loss)	489,392					
	d	Net gain or (loss)		489,392			489,392	
	8a	Gross income from fundraising events (not including \$ 739,523 of contributions reported on line 1c) See Part IV, line 18						
	a		127,500					
	b	Less direct expenses	b	366,093				
	c	Net income or (loss) from fundraising events . . .		-238,593			-238,593	
	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	WELLNESS	900099	43,422	43,422			
	b	OTHER	900099	50,053	50,053			
	c	GIFT SHOP REVENUE	900099	35,431			35,431	
	d	All other revenue		177,041	177,041			
	e	Total. Add lines 11a-11d			305,947			
	12	Total revenue. See Instructions			37,234,926	35,278,022	-92,197	524,757

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.	24,250	24,250		
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.	1,335,505	552,407	713,660	69,438
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.	15,854,817	14,068,068	1,467,945	318,804
8	Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions).	662,209	487,928	162,321	11,960
9	Other employee benefits.	2,426,574	1,979,679	431,002	15,893
10	Payroll taxes.	1,164,832	988,545	159,481	16,806
11	Fees for services (non-employees):				
a	Management.	0			
b	Legal.	292,920	7,800	285,120	
c	Accounting.	82,826		82,826	
d	Lobbying.	0			
e	Professional fundraising services. See Part IV, line 17.	0			
f	Investment management fees.	41,067		41,067	
g	Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O).	3,950,126	3,652,129	282,765	15,232
12	Advertising and promotion.	332,483	313,753	2,992	15,738
13	Office expenses.	1,263,927	961,399	280,953	21,575
14	Information technology.	206,043	178,567	25,128	2,348
15	Royalties.	0			
16	Occupancy.	914,718	568,381	341,896	4,441
17	Travel.	130,917	104,833	22,508	3,576
18	Payments of travel or entertainment expenses for any federal, state, or local public officials.	0			
19	Conferences, conventions, and meetings.	47,159	15,303	30,834	1,022
20	Interest.	0			
21	Payments to affiliates.	0			
22	Depreciation, depletion, and amortization.	1,654,252	1,324,642	325,325	4,285
23	Insurance.	608,539	59,737	548,802	
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	PHARMACY	246,314	246,314		
b	BAD DEBT EXPENSE	196,137	196,137		
c	OTHER EXPENSES	1,049,565	684,161	291,353	74,051
d					
e	All other expenses				
25	Total functional expenses. Add lines 1 through 24e.	32,485,180	26,414,033	5,495,978	575,169
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)		(B)
				Beginning of year		End of year
Assets	1	Cash—non-interest-bearing		1,900	1	1,900
	2	Savings and temporary cash investments		4,196,525	2	4,192,440
	3	Pledges and grants receivable, net		73,670	3	8,421
	4	Accounts receivable, net		2,133,705	4	3,727,519
	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		70,250	8	94,558
	9	Prepaid expenses and deferred charges		463,997	9	813,897
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a47,781,068			
	b	Less accumulated depreciation	10b17,951,051	23,338,899	10c	29,830,017
	11	Investments—publicly traded securities		9,727,117	11	6,243,560
	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		453,259	15	1,210,163
	16	Total assets. Add lines 1 through 15 (must equal line 34)		40,459,322	16	46,122,475
Liabilities	17	Accounts payable and accrued expenses		1,371,357	17	2,430,418
	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		5,127,680	23	4,429,594
	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		2,417,875	25	3,197,894
	26	Total liabilities. Add lines 17 through 25		8,916,912	26	10,057,906
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		30,709,941	27	35,239,721
	28	Temporarily restricted net assets		619,469	28	611,848
	29	Permanently restricted net assets		213,000	29	213,000
	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		31,542,410	33	36,064,569
	34	Total liabilities and net assets/fund balances		40,459,322	34	46,122,475

Part XI

Reconciliation of Net Assets

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

1	Total revenue (must equal Part VIII, column (A), line 12)	1	37,234,926
2	Total expenses (must equal Part IX, column (A), line 25)	2	32,485,180
3	Revenue less expenses Subtract line 2 from line 1	3	4,749,746
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	31,542,410
5	Net unrealized gains (losses) on investments	5	-227,587
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	
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	36,064,569

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? 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	2a	No
2b	Were the organization's financial statements audited by an independent accountant? If "Yes," check a box below to indicate whether the financial statements for the year were audited on a separate basis, consolidated basis, or both ☒ Separate basis ☐ Consolidated basis ☐ Both consolidated and separate basis	2b	Yes
2c	If "Yes," to line 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant? If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O	2c	Yes
3a	As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133?	3a	No
3b	If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits	3b	

Additional Data

Software ID:

Software Version:

EIN: 06-0655139

Name: SILVER HILL HOSPITAL INC

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

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
WARD F CLEARY CO-CHAIR	3 0	X						0	0	0
DEANN E MURPHY CO-CHAIR	8 0	X						0	0	0
STEVE STILLERMAN CHAIRMAN EMERITUS UNTIL 6/2012	1 0	X						0	0	0
LINDA AUTORE DIRECTOR FROM 5/2012	1 0	X						0	0	0
CYNTHIA ZIEGLAR BRIGHTON DIRECTOR	1 0	X						0	0	0
PATRICIA BURROWS DIRECTOR UNTIL 7/2012	1 0	X						0	0	0
RICHARD CANNING DIRECTOR	1 0	X						0	0	0
MICHAL COMINOTTO DIRECTOR	1 0	X						0	0	0
SPERRY A DECEW SECRETARY & DIRECTOR	1 0	X						0	0	0
FREDERICK S FEINER MD DIRECTOR	1 0	X						0	0	0
JUDITH FREEDMAN DIRECTOR	1 0	X						0	0	0
RICHARD GANNON DIRECTOR	1 0	X						0	0	0
TED HERMAN DIRECTOR	1 0	X						0	0	0
CLAUDETTE H KUNKES DIRECTOR	1 0	X						0	0	0
PAUL LAMBDIN DIRECTOR	1 0	X						0	0	0
LANCE LUNDBERG DIRECTOR	1 0	X						0	0	0
PETER ORTHWEIN TREASURER & DIRECTOR	1 0	X						0	0	0
DAVID SCHUNTER DIRECTOR FROM 5/2012	1 0	X						0	0	0
LAURIE WILLIAMSON DIRECTOR FROM 5/2012	1 0	X						0	0	0
SIGURD H ACKERMAN MD PRESIDENT, MED DIR & DIRECTOR	40 0	X		X				542,029	0	42,025
ELIZABETH E MOORE CHIED OPERATING OFFICER & DIR	40 0	X		X				313,163	0	24,171
RUURD G LEEGSTRA CHIEF FINANCIAL OFFICER & DIR	40 0	X		X				231,161	0	11,291
ERIC COLLINS MD CMO & DIRECTOR FROM 8/2012	40 0	X		X				129,707	0	15,315
BARRY KERNER CMO & DIRECTOR UNTIL 5/2012	40 0	X		X				91,679	0	27,978
MARK CERBONE MD PHYSICIAN	40 0					X		262,008	0	5,580

Form 990, Part VII - Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors										
(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
ANRI KISSILENKO MD PHYSICIAN	40 0					X		216,257	0	46,312
ROCCO MAROTTA MD PHYSICIAN	40 0					X		205,729	0	35,723
AVA ALBRECHT MD PHYSICIAN	40 0					X		202,799	0	31,152
SANDRA GOMEZ-LUNA MD PHYSICIAN	40 0					X		215,104	0	9,898

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 SILVER HILL HOSPITAL INC	Employer identification number 06-0655139
--	--

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

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

- 1

☐

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

☐

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

☒

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

☐

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

☐

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

☐

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

☐

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

☐

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

☐

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

☐

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

☐

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

a

☐

Type I

b

☐

Type II

c

☐

Type III - Functionally integrated

d

☐

Type III - Non-functionally integrated
- e

☐

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

☐

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

☐

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

(i)

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

(ii)

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

(iii)

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

☐

Provide the following information about the supported organization(s)

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

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

Part II

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

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

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

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

Part IIISupport Schedule for Organizations Described in Section 509(a)(2)

(Complete only if you checked the box on line 9 of Part I or if the organization failed to qualify under Part II. If the organization fails to qualify under the tests listed below, please complete Part II.)

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

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

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

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

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

Facts And Circumstances Test

Explanation

SCHEDULE D
(Form 990)

Supplemental Financial Statements

OMB No 1545-0047

2012

Open to Public Inspection

Department of the Treasury
Internal Revenue Service

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.

Name of the organization SILVER HILL HOSPITAL INC	Employer identification number 06-0655139
--	--

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? YesNo	
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? YesNo	

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

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

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

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

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

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

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

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

YesNo

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)?

YesNo

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
1c	
1d	
1e	
1f	

c

Beginning balance

d

Additions during the year

e

Distributions during the year

f

Ending balance

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	213,000	213,000	213,000	213,000	213,000
b Contributions					
c Net investment earnings, gains, and losses	3,158	1,062	4,650	5,910	5,868
d Grants or scholarships					
e Other expenditures for facilities and programs	3,158	1,062	4,650	5,910	5,868
f Administrative expenses					
g End of year balance	213,000	213,000	213,000	213,000	213,000

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

(i) unrelated organizations

3a(i)

☐ Yes

☐ No

(ii) related organizations

3a(ii)

☐ Yes

☐ 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		2,192,996		2,192,996
b Buildings		33,279,409	12,423,569	20,855,840
c Leasehold improvements				
d Equipment		6,718,694	4,424,226	2,294,468
e Other		5,589,969	1,103,256	4,486,713
Total. Add lines 1a through 1e (Column (d) must equal Form 990, Part X, column (B), line 10(c).)				29,830,017

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	37,050,866
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12		
a	Net unrealized gains on investments	2a	-227,587
b	Donated services and use of facilities	2b	
c	Recoveries of prior year grants	2c	
d	Other (Describe in Part XIII)	2d	185,896
e	Add lines 2a through 2d	2e	-41,691
3	Subtract line 2e from line 1	3	37,092,557
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	41,925
b	Other (Describe in Part XIII)	4b	100,444
c	Add lines 4a and 4b	4c	142,369
5	Total revenue Add lines 3 and 4c. (This must equal Form 990, Part I, line 12)	5	37,234,926

Part XII

Reconciliation of Expenses per Audited Financial Statements With Expenses per Return

1	Total expenses and losses per audited financial statements	1	32,528,707
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	354,337
e	Add lines 2a through 2d	2e	354,337
3	Subtract line 2e from line 1	3	32,174,370
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	41,925
b	Other (Describe in Part XIII)	4b	268,885
c	Add lines 4a and 4b	4c	310,810
5	Total expenses Add lines 3 and 4c. (This must equal Form 990, Part I, line 18)	5	32,485,180

Part XIII

Supplemental Information

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

Identifier	Return Reference	Explanation
INTENDED USE OF ENDOWMENT FUNDS	PART V, LINE 4	DONORS HAVE STIPULATED THAT ANY INCOME FROM THE ENDOWMENT FUNDS IS TO BE USED FOR ADOLESCENT AND CHEMICAL DEPENDENCY PROGRAMS
FIN 48 FOOTNOTE	PART X, LINE 2	THE HOSPITAL IS QUALIFIED AS A TAX-EXEMPT ORGANIZATION UNDER SECTION 501(C)(3) OF THE INTERNAL REVENUE CODE (THE CODE), AND AS SUCH, NO PROVISION FOR INCOME TAXES HAS BEEN RECORDED. THE INTERNAL REVENUE SERVICE INFORMED THE HOSPITAL BY A LETTER DATED JUNE 23, 1937 THAT THE HOSPITAL'S OPERATIONS ARE DESIGNED IN ACCORDANCE WITH SUCH SECTION TO THE CODE. THERE ARE CERTAIN TRANSACTIONS THAT COULD BE DEEMED "UNRELATED BUSINESS INCOME" AND WOULD RESULT IN A TAX LIABILITY. MANAGEMENT REVIEWS TRANSACTIONS TO ESTIMATE POTENTIAL TAX LIABILITIES USING A THRESHOLD OF MORE LIKELY THAN NOT. IT IS MANAGEMENT'S ESTIMATION THAT ARE NO MATERIAL TAX LIABILITIES THAT NEED TO BE RECORDED.
AMOUNTS INCLUDED ON LINE 1 BUT NOT ON FORM 990, PART VIII	PART XI, LINE 2D	SPECIAL EVENT EXPENSES THAT ARE INCLUDED IN OPERATING 238,594 EXPENSES IN THE STATEMENT OF OPERATIONS OF THE AUDITED FINANCIAL STATEMENTS, BUT NETTED AGAINST SPECIAL EVENT REVENUES FOR 990 PURPOSES AND INCLUDED IN PART VIII LINE 12 OF THE FORM 990. RENTAL REVENUE (50,268) LOSSES INCLUDED IN OTHER (LOSSES) GAINS - NET, IN THE (2,430) STATEMENT OF OPERATIONS OF THE AUDITED FINANCIAL STATEMENTS. _____ TOTAL 185,896
AMOUNTS INCLUDED ON FORM 990 BUT NOT AUDITED FINANCIAL STATEMENTS	PART XI, LINE 4B	PROVISION FOR UNCOLLECTIBLE PLEDGES WHICH IS NETTED AGAINST 22,748 REVENUE IN THE STATEMENT OF OPERATIONS OF THE AUDITED FINANCIAL STATEMENTS. PROVISION FOR UNCOLLECTIBLE PLEDGES WHICH IS NETTED AGAINST 50,000 TEMPORARILY RESTRICTED REVENUES IN THE STATEMENT OF CHANGES IN NET ASSETS OF THE AUDITED FINANCIAL STATEMENTS. BAD DEBT EXPENSE INCLUDED IN TOTAL REVENUE, GAINS AND OTHER 196,137 SUPPORT PER AUDITED FINANCIAL STATEMENTS. RENTAL EXPENSES -168,441 _____ TOTAL 100,444
AMOUNT INCLUDED ON AUDITED FINANCIAL STATEMENTS BUT NOT FORM 990	PART XII, LINE 2D	SPECIAL EVENT EXPENSES THAT ARE INCLUDED IN OPERATING 238,594 EXPENSES IN THE STATEMENT OF OPERATIONS OF THE AUDITED FINANCIAL STATEMENTS, BUT NETTED AGAINST SPECIAL EVENT REVENUES FOR 990 PURPOSES AND INCLUDED IN PART VIII LINE 12 OF THE FORM 990.

Additional Data

Software ID:

Software Version:

EIN: 06-0655139

Name: SILVER HILL HOSPITAL INC

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

1	(a) Description of Liability	(b) Book Value
	ACCRUED 401K EMPLOYER CONTRIBUTIONS	773,716
	ACCRUED SALARIES AND WAGES	499,066
	ACCRUED LEGAL	1,469,075
	ACCRUED VACATION	312,491
	EMPLOYEE FSA PAYABLE	65,933
	ACCRUED FICA - EMPLOYER PORTION	40,507
	INTEREST PAYABLE ON LINE OF CREDIT	15,057
	UNCLAIMED PROPERTY	22,049

Part II Fundraising Events. Complete if the organization answered "Yes" to Form 990, Part IV, line 18, or reported more than \$15,000 of fundraising event contributions and gross income on Form 990-EZ, lines 1 and 6b. List events with gross receipts greater than \$5,000.

		(a) Event #1	(b) Event #2	(c) Other events	(d) Total events
		<u>GALA</u> (event type)	 (event type)	<u>0</u> (total number)	(add col (a) through col (c))
Revenue	1	Gross receipts	867,023		867,023
	2	Less Contributions . . .	739,523		739,523
	3	Gross income (line 1 minus line 2)	127,500		127,500
Direct Expenses	4	Cash prizes			
	5	Noncash prizes . . .			
	6	Rent/facility costs . . .			
	7	Food and beverages .	165,169		165,169
	8	Entertainment	49,953		49,953
	9	Other direct expenses .	150,971		150,971
	10	Direct expense summary Add lines 4 through 9 in column (d) ▶			
	11	Net income summary Combine line 3, column (d), and line 10 ▶			
					(366,093)
					-238,593

Part III Gaming. Complete if the organization answered "Yes" to Form 990, Part IV, line 19, or reported more than \$15,000 on Form 990-EZ, line 6a.

		(a) Bingo	(b) Pull tabs/Instant bingo/progressive bingo	(c) Other gaming	(d) Total gaming (add col (a) through col (c))
Revenue	1	Gross revenue			
Direct Expenses	2	Cash prizes			
	3	Non-cash prizes			
	4	Rent/facility costs			
	5	Other direct expenses . . .			
	6	Volunteer labor	☐ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No
	7	Direct expense summary Add lines 2 through 5 in column (d) ▶			
	8	Net gaming income summary Combine lines 1 and 7 in column (d) ▶			

9 Enter the state(s) in which the organization operates gaming activities _____

a Is the organization licensed to operate gaming activities in each of these states? ☐ Yes ☐ No

b If "No," explain _____

10a Were any of the organization's gaming licenses revoked, suspended or terminated during the tax year? ☐ Yes ☐ No

b If "Yes," explain _____

Does the organization operate gaming activities with nonmembers? ☐ Yes ☐ No

12 Is the organization a grantor, beneficiary or trustee of a trust or a member of a partnership or other entity formed to administer charitable gaming? ☐ Yes ☐ No

13 Indicate the percentage of gaming activity operated in

a The organization's facility	13a	
b An outside facility	13b	

14 Enter the name and address of the person who prepares the organization's gaming/special events books and records

Name ▶

Address ▶

15a Does the organization have a contract with a third party from whom the organization receives gaming revenue? ☐ Yes ☐ No

b If "Yes," enter the amount of gaming revenue received by the organization ▶ \$ _____ and the amount of gaming revenue retained by the third party ▶ \$ _____

c If "Yes," enter name and address of the third party

Name ▶

Address ▶

16 Gaming manager information

Name ▶

Gaming manager compensation ▶ \$

Description of services provided ▶

☐ Director/officer ☐ Employee ☐ Independent contractor

17 Mandatory distributions

a Is the organization required under state law to make charitable distributions from the gaming proceeds to retain the state gaming license? ☐ Yes ☐ No

b Enter the amount of distributions required under state law distributed to other exempt organizations or spent in the organization's own exempt activities during the tax year ▶ \$ _____

Part IV Supplemental Information. Complete this part to provide the explanations required by Part I, line 2b, columns (iii) and (v), and Part III, lines 9, 9b, 10b, 15b, 15c, 16, and 17b, as applicable. Also complete this part to provide any additional information (see instructions).

Identifier	Return Reference	Explanation
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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
SILVER HILL HOSPITAL INC

Employer identification number
06-0655139

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 <i>free</i> care? If "Yes," indicate which of the following was the FPG family income limit for eligibility for <i>free</i> care ☐ 100% ☐ 150% ☐ 200% ☒ Other _____ 600 % b Did the organization use FPG as a factor in determining eligibility for providing <i>discounted</i> care? If "Yes," indicate which of the following was the family income limit for eligibility for discounted care ☐ 200% ☐ 250% ☐ 300% ☐ 350% ☐ 400% ☒ Other _____ 900 % c If the organization used factors other than FPG in determining eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care Include in the description whether the organization used an asset test or other threshold, regardless of income, as a factor in determining eligibility for free or discounted care 4 Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for free or discounted care to the "medically indigent"?	3a	Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	3b	Yes	
b	If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?	4		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 eligible for free or discounted care?	5a	Yes	
6a	Did the organization prepare a community benefit report during the tax year?	5b		No
b	If "Yes," did the organization make it available to the public?	5c		
	Complete the following table using the worksheets provided in the Schedule H instructions Do not submit these worksheets with the Schedule H	6a		No
		6b		

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)			408,800		408,800	1 270 %
b Medicaid (from Worksheet 3, column a)						
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d Total Financial Assistance and Means-Tested Government Programs			408,800		408,800	1 270 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			63,244	540	62,704	0 190 %
f Health professions education (from Worksheet 5)			37,445	3,900	33,545	0 100 %
g Subsidized health services (from Worksheet 6)			16,036,308	15,112,283	924,025	2 860 %
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)			24,250		24,250	0 080 %
j Total. Other Benefits			16,161,247	15,116,723	1,044,524	3 230 %
k Total. Add lines 7d and 7j			16,570,047	15,116,723	1,453,324	4 500 %

Part II

Community Building Activities

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

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

Part III

Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

1

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

1

Yes

No

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

137,600

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

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

114,622

6

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

6

41,447

7

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

7

73,175

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

No

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

No

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

Other (Describe)	Facility reporting group	ER-other	ER-24 hours	Research facility	Critical access hospital	Teaching hospital	Children's hospital	General medical & surgical	Licensed hospital
									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)

SILVER HILL HOSPITAL INC

Name of hospital facility or facility reporting group

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

	Yes	No
Community Health Needs Assessment (Lines 1 through 8c are optional for tax years beginning on or before March 23, 2012)		
1 During the tax year or either of the two immediately preceding tax years, did the hospital facility conduct a community health needs assessment (CHNA)? If "No," skip to line 9 If "Yes," indicate what the CHNA report describes (check all that apply)	1	
a ☐ 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? If "Yes," indicate how the CHNA report was made widely available (check all that apply)	5	
a ☐ Hospital facility's website		
b ☐ Available upon request from the hospital facility		
c ☐ Other (describe in Part VI)		
6 If the hospital facility addressed needs identified in its most recently conducted 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 <i>free</i> care? If "Yes," indicate the FPG family income limit for eligibility for free care <u>600</u> % If "No," explain in Part VI the criteria the hospital facility used		10	Yes
11 Used FPG to determine eligibility for providing <i>discounted</i> care? If "Yes," indicate the FPG family income limit for eligibility for discounted care <u>900</u> % If "No," explain in Part VI the criteria the hospital facility used		11	Yes
12 Explained the basis for calculating amounts charged to patients? If "Yes," indicate the factors used in determining such amounts (check all that apply)		12	Yes
a ☒ 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? If "Yes," indicate how the hospital facility publicized the policy (check all that apply)		14	Yes
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? If "Yes," check all actions in which the hospital facility or a third party engaged		17	No
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? 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? If "Yes," explain in Part VI		No
22	During the tax year, did the hospital facility charge any FAP-eligible individuals an amount equal to the gross charge for any service provided to that individual? If "Yes," explain in Part VI		No

Part V

Facility Information (continued)

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

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

Name and address	Type of Facility (describe)
1	
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
PART VI - SUPPLEMENTAL INFORMATION		PART I, LINE 3C N/A
PART I, LINE 6A		DURING FY 13, THE HOSPITAL WAS NOT REQUIRED TO FILE A COMMUNITY BENEFIT REPORT WITH THE STATE OF CONNECTICUT

Identifier	ReturnReference	Explanation
PART I, LINE 7		A COST TO CHARGE RATIO , DERIVED FROM WORKSHEET 2 RATIO OF PATIENT CARE COST TO CHARGES, WAS USED TO DETERMINE CHARITY CARE COSTS REPORTED A COST TO CHARGE RATIO FOR INPATIENT SERVICES WAS USED TO DETERMINE THE AMOUNT OF INPATIENT CARE THAT WAS SUBSIDIZED IN FISCAL 2013 ALL OTHER EXPENSES REPORTED ARE ACTUAL COSTS
PART I, LINE 7, COLUMN(F)	EXPENSE CALCULATION	TOTAL EXPENSES FROM PART IX, LINE 25 WERE REDUCED BY BAD DEBT EXPENSE OF \$196,137 IN CALCULATING TOTAL EXPENSES FOR COLUMN (F)

Identifier	ReturnReference	Explanation
PART II		N/A
PART III, LINE 4		CONSISTENT WITH HFMA STATEMENT 15, BAD DEBT EXPENSE REPORTED IN THE AUDITED FINANCIAL STATEMENTS REPRESENTS THE AMOUNT THAT THE PAYER IS EXPECTED TO PAY FOR 990 REPORTING PURPOSES, BAD DEBT COST WAS CALCULATED BASED ON THE PATIENT COST TO CHARGE RATIO APPLIED TO THE BAD DEBT EXPENSE REPORTED IN THE AUDITED FINANCIAL STATEMENTS FINANCIAL STATEMENT FOOTNOTE REGARDING BAD DEBT EXPENSE - "THE COLLECTIONS OF RECEIVABLES FROM THIRD-PARTY PAYORS AND PATIENTS IS THE HOSPITAL'S PRIMARY SOURCE OF CASH FOR OPERATIONS AND IS CRITICAL TO ITS OPERATING PERFORMANCE THE PRIMARY COLLECTION RISKS RELATE TO UNINSURED PATIENT ACCOUNTS AND PATIENT ACCOUNTS FOR WHICH THE PRIMARY INSURANCE PAYOR HAS PAID, BUT PATIENT RESPONSIBILITY AMOUNTS (DEDUCTIBLES AND COPAYMENTS) REMAIN OUTSTANDING PATIENT RECEIVABLES, WHERE A THIRD-PARTY PAYOR IS RESPONSIBLE FOR PAYING THE AMOUNT, ARE CARRIED AT A NET AMOUNT DETERMINED BY THE ORIGINAL CHARGE FOR THE SERVICE PROVIDED, LESS AN ESTIMATE MADE FOR CONTRACTUAL ADJUSTMENTS TO THIRD-PARTY PAYORS PATIENT RECEIVABLES DUE DIRECTLY FROM THE PATIENTS ARE CARRIED AT THE ORIGINAL CHARGE FOR THE SERVICE PROVIDED LESS AMOUNTS COVERED BY THE THIRD-PARTY PAYORS AND LESS AN ESTIMATED ALLOWANCE FOR UNCOLLECTIBLE RECEIVABLES MANAGEMENT ESTIMATES THIS ALLOWANCE BASED ON THE AGING OF ITS ACCOUNTS RECEIVABLE AND ITS HISTORICAL COLLECTION EXPERIENCE FOR EACH PAYOR TYPE RECOVERIES OF RECEIVABLES PREVIOUSLY WRITTEN OFF ARE RECORDED AS A REDUCTION OF THE PROVISION FOR UNCOLLECTIBLE ACCOUNTS WHEN RECEIVED THE PAST DUE STATUS OF RECEIVABLES IS DETERMINED ON A CASE-BY-CASE BASIS DEPENDING ON THE RESPONSIBLE PAYOR INTEREST IS GENERALLY NOT CHARGED ON THE PAST DUE ACCOUNTS

Identifier	ReturnReference	Explanation
PART III, LINE 8		AMOUNTS REPORTED IN PART III (B) REPRESENT OUTPATIENT MEDICARE, AS INPATIENT MEDICARE REVENUE AND EXPENSES ARE INCLUDED IN SUBSIDIZED CARE (PART 1, LINE 7 (G)) REVENUE RECEIVED FROM MEDICARE WAS TAKEN FROM WORKSHEET E, PART B LINE 17 01 OF THE FY 13 MEDICARE COST REPORT, THE ALLOWABLE COST AMOUNT WAS TAKEN FROM WORKSHEET E, PART B LINE 1 01 OF THE FY 2013 MEDICARE COST REPORT
PART III, LINE 9B		THE COLLECTION POLICY STATES "THIS POLICY IS APPLICABLE TO ALL PATIENTS RECEIVING SERVICES AT SILVER HILL HOSPITAL (SHH) WHO ARE CONSIDERED SELF-PAY (AS DEFINED IN THIS POLICY) AND ARE JUDGED TO BE ABLE TO PAY, THAT IS, THIS POLICY APPLIES TO THOSE WHO ARE NOT ELIGIBLE FOR FINANCIAL ASSISTANCE PROGRAM (SEE POLICY ON FREE CARE PROGRAM) "

Identifier	ReturnReference	Explanation
PART V, LINE 20D		IT IS THE POLICY OF THE HOSPITAL THAT PATIENTS ASSESSED TO BE SUFFERING FROM A BEHAVIORAL EMERGENCY MEDICAL CONDITION WILL BE ADMITTED, REGARDLESS OF THEIR INSURANCE STATUS OR ABILITY TO PAY, AS REQUIRED BY THE EMERGENCY MEDICAL TREATMENT AND ACTIVE LABOR ACT (EMTALA) UPON DISCHARGE, THE HOSPITAL WORKS WITH THESE PATIENTS TO DETERMINE AN APPROPRIATE PAYMENT AMOUNT GIVEN THEIR FINANCIAL SITUATION
PART VI, LINE 2	NEEDS ASSESSMENT	SILVER HILL HOSPITAL STAFF ASSESSES THE NEED FOR ADDITIONAL PROGRAMMING BASED ON SERVICE AVAILABILITY FOR OUR DISCHARGING PATIENT POPULATION THE HOSPITAL ALSO RECEIVES INPUT FROM COMMUNITY-BASED CLINICIANS TO IDENTIFY NEEDS WITHIN THE COMMUNITY

Identifier	ReturnReference	Explanation
PART VI, LINE 3	PATIENT EDUCATION OF ELIGIBILITY FOR ASSISTANCE	SOCIAL WORKERS HAVE A COMPREHENSIVE VIEW OF A PATIENT'S FINANCIAL AND SOCIAL SITUATION AND ARE KNOWLEDGEABLE ABOUT THE ELIGIBILITY CRITERIA FOR ENTITLEMENT PROGRAMS IT IS THE ASSIGNED RESPONSIBILITY OF THE SOCIAL WORKER TO INFORM PATIENTS AND THEIR FAMILIES ABOUT ELIGIBILITY FOR ASSISTANCE UNDER FEDERAL, STATE OR LOCAL GOVERNMENT PROGRAMS PATIENTS WHO DO NOT HAVE THE FINANCIAL ABILITY TO PAY FOR SERVICES ARE EDUCATED ABOUT SHH'S SCHOLARSHIP PROGRAM BY A SPECIFICALLY TRAINED STAFF MEMBER THE STAFF MEMBER PROVIDES PATIENTS AND THEIR FAMILIES WITH THE FINANCIAL GUIDELINES AND SUPPORTING DOCUMENTATION REQUIRED FOR OBTAINING A SCHOLARSHIP FOR THE PROGRAM
PART VI, LINE 4	COMMUNITY INFORMATION	APPROXIMATELY 52% OF THE PATIENT POPULATION IS FROM CONNECTICUT, 28% FROM NEW YORK, 20% FROM OTHER AREAS INCLUDING NEW JERSEY AND MASSACHUSETTS

Identifier	ReturnReference	Explanation
PART VI, LINE 5	PROMOTION OF COMMUNITY HEALTH	SILVER HILL HOSPITAL FURTHERS ITS EXEMPT PURPOSE OF PROMOTING THE HEALTH OF THE COMMUNITY THROUGH A DIVERSE BOARD OF DIRECTORS WHOSE MEMBERS CONTRIBUTE THEIR UNIQUE TALENTS AND RESOURCES TOWARD THE HOSPITAL'S MISSION OF HEALING AND THE CARE OF ITS PATIENTS
PART VI, LINE 6	AFFILIATED HEALTH SYSTEMS	N/A

Identifier	ReturnReference	Explanation
PART VI, LINE 7	STATE FILING OF COMMUNITY BENEFIT REPORT	CT - WITH THE CONNECTICUT DEPARTMENT OF PUBLIC HEALTH (EVERY 2 YEARS)
COMMUNITY HEALTH NEEDS ASSESSMENT	SCHEDULE H, PART VI, LINE 1	THE HOSPITAL IS IN THE PROCESS OF CONDUCTING A COMMUNITY HEALTH NEEDS ASSESSMENT (CHNA) THE CHNA WILL BE COMPLETED AND POSTED PRIOR TO THE DUE DATE OF FEBRUARY 28, 2014

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

OMB No 1545-0047

2012

Open to Public Inspection

Department of the Treasury
Internal Revenue Service

Name of the organization
SILVER HILL HOSPITAL INC

Employer identification number

06-0655139

Part I General Information on Grants and Assistance

- 1 Does the organization maintain records to substantiate the amount of the grants or assistance, the grantees' eligibility for the grants or assistance, and the selection criteria used to award the grants or assistance? ☒ Yes ☐ No
- 2 Describe in Part IV the organization's procedures for monitoring the use of grant funds in the United States

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

[illegible]

- | | | | |
|----------|---|---|----------|
| 2 | Enter total number of section 501(c)(3) and government organizations listed in the line 1 table | ▶ | <u>1</u> |
| 3 | Enter total number of other organizations listed in the line 1 table | ▶ | |

Part III

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

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

Part IV

Supplemental Information.

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

Identifier	Return Reference	Explanation
N/A This was not a grant, it was a donation at the request of haven		

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
SILVER HILL HOSPITAL INC

Employer identification number

06-0655139

Part I	Questions Regarding Compensation		Yes	No
1a	Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a Complete Part III to provide any relevant information regarding these items			
	☐ First-class or charter travel ☐ Travel for companions ☐ Tax idemnification and gross-up payments ☐ Discretionary spending account ☐ Housing allowance or residence for personal use ☐ Payments for business use of personal residence ☐ Health or social club dues or initiation fees ☐ 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 ☒ Independent compensation consultant ☒ Form 990 of other organizations ☐ Written employment contract ☒ Compensation survey or study ☒ 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	Yes	
8	Were any amounts reported in Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in Regulations section 53.4958-4(a)(3)? If "Yes," describe in Part III	8		No
9	If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53.4958-6(c)?	9		

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

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

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

(A) Name and Title		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported as deferred in prior Form 990
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
(1)SIGURD H ACKERMAN MD PRESIDENT,MED DIR & DIRECTOR	(i) (ii)	443,225 0	90,000 0	8,804 0	12,250 0	29,775 0	584,054 0	0 0
(2)ELIZABETH E MOORE CHIED OPERATING OFFICER & DIR	(i) (ii)	266,639 0	45,000 0	1,524 0	12,250 0	11,921 0	337,334 0	0 0
(3)RUURD G LEEGSTRA CHIEF FINANCIAL OFFICER & DIR	(i) (ii)	188,689 0	40,000 0	2,472 0	11,291 0	0 0	242,452 0	0 0
(4)MARK CERBONE MD PHYSICIAN	(i) (ii)	255,752 0	5,937 0	319 0	5,580 0	0 0	267,588 0	0 0
(5)ANRI KISSILENKO MD PHYSICIAN	(i) (ii)	210,614 0	5,415 0	228 0	15,563 0	30,749 0	262,569 0	0 0
(6)ROCCO MAROTTA MD PHYSICIAN	(i) (ii)	199,690 0	5,171 0	868 0	4,974 0	30,749 0	241,452 0	0 0
(7)AVA ALBRECHT MD PHYSICIAN	(i) (ii)	197,309 0	5,265 0	225 0	4,854 0	26,298 0	233,951 0	0 0
(8)SANDRA GOMEZ-LUNA MD PHYSICIAN	(i) (ii)	209,780 0	5,096 0	228 0	9,898 0	0 0	225,002 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
PART I, LINE 7		THE CHIEF EXECUTIVE OFFICER, CHIEF OPERATING OFFICER, CHIEF FINANCIAL OFFICER AND PHYSICIAN-IN-CHIEF ARE ELIGIBLE FOR INCENTIVE COMPENSATION BASED ON THE ACHIEVEMENT OF PERFORMANCE GOALS ESTABLISHED AND APPROVED BY THE BOARD OF DIRECTORS. IN CALENDAR YEAR 2012, THE AFOREMENTIONED INDIVIDUALS RECEIVED COMPENSATION FOR ACHIEVEMENT OF INCENTIVE GOALS RELATED TO THE FISCAL YEAR ENDING FEBRUARY 28, 2012. THESE AMOUNTS ARE REPORTED IN SCHEDULE J, PART II, COLUMN (B)(II).

Schedule L
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Transactions with Interested Persons
▶ Complete if the organization answered
"Yes" on Form 990, Part IV, lines 25a, 25b, 26, 27, 28a, 28b, or 28c,
or Form 990-EZ, Part V, line 38a or 40b.
▶ Attach to Form 990 or Form 990-EZ. ▶ See separate instructions.

OMB No 1545-0047
2012
Open to Public Inspection

Name of the organization SILVER HILL HOSPITAL INC	Employer identification number 06-0655139
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Part I Excess Benefit Transactions (section 501(c)(3) and section 501(c)(4) organizations only).

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

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

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

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

Part II Loans to and/or From Interested Persons.

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

(a) Name of interested person	(b) Relationship with organization	(c) Purpose of loan	(d) Loan to or from the organization?		(e) Original principal amount	(f) Balance due	(g) In default?		(h) Approved by board or committee?	(i) Written agreement?	
			To	From			Yes	No		Yes	No
Total ▶ \$											

Part III Grants or Assistance Benefitting Interested Persons.

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

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

Part IV Business Transactions Involving Interested Persons.

Complete if the organization answered "Yes" on Form 990, Part IV, line 28a, 28b, or 28c.

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
(1) VERDE ENERGY	SEE PART V	110,000	ELECTRICITY-GENERATION FOR HOS		No

Part V Supplemental Information

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

Identifier	Return Reference	Explanation
SCHEDULE L, PART IV - BUSINESS TRANSACTIONS		MR LANCE LUNDBERG IS ON THE SILVER HILL HOSPITAL BOARD OF DIRECTORS AND IS ALSO THE CHAIRMAN OF VERDE ENERGY WHICH DOES BUSINESS WITH THE HOSPITAL

2012

Open to Public Inspection

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.

Name of the organization SILVER HILL HOSPITAL INC	Employer identification number 06-0655139
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Identifier	Return Reference	Explanation
PART I, LINE 1	MISSION STATEMENT	THE MISSION OF SILVER HILL HOSPITAL IS TO PROVIDE OUR PATIENTS WITH THE BEST AVAILABLE TREATMENT OF MENTAL ILLNESS AND ADDICTION, AND TO OFFER CONTINUING SUPPORT, COUNSELING AND EDUCATION TO OUR PATIENTS AND THEIR FAMILIES IN EVERY PHASE OF ILLNESS AND RECOVERY
PART VI, SECTION B	LINE 11B, 12C, 15 AND 19	LINE 11B - THE FORM 990 OF THE ORGANIZATION IS PREPARED BY THE FINANCE DEPARTMENT OF SILVER HILL HOSPITAL BASED ON THE BOOKS AND RECORDS OF THE ORGANIZATION THE DRAFT RETURN AND ALL SUPPORTING DOCUMENTATION ARE PROVIDED TO THE ORGANIZATION'S INDEPENDENT ACCOUNTANTS FOR REVIEW AND FINAL PREPARATION OF THE RETURN THE FINAL VERSION OF THE FORM 990 IS THEN REVIEWED BY THE DIRECTOR OF ACCOUNTING, CFO, COO AND PRESIDENT, AND MEDICAL DIRECTOR THE FINAL VERSION OF THE FORM 990 IS PROVIDED TO ALL MEMBERS OF THE GOVERNING BODY FOR THEIR REVIEW AND COMMENTS BEFORE FILING THE FORM WITH THE INTERNAL REVENUE SERVICE LINE 12C - THE HOSPITAL REQUIRES THE BOARD OF DIRECTORS AND OFFICERS TO COMPLETE A NOTIFICATION OF COMPLIANCE QUESTIONNAIRE AT THE END OF EACH YEAR THE FINANCE DEPARTMENT REVIEWS THE QUESTIONNAIRES FOR DETERMINATION OF POTENTIAL CONFLICTS OF INTEREST ANY POTENTIAL CONFLICTS ARE MADE KNOWN TO THE BOARD FOR RESOLUTION LINE 15 - EACH YEAR, OR WHEN OTHERWISE REQUIRED, THE BOARD OF DIRECTORS APPOINTS A COMPENSATION SUB-COMMITTEE OF INDEPENDENT DIRECTORS TO REVIEW THE COMPENSATION OF THE PRESIDENT AND MEDICAL DIRECTOR COO, CFO AND KEY EMPLOYEES THE SUB-COMMITTEE REVIEWS FORM 990'S OF SIMILAR ORGANIZATIONS AS WELL AS COMPENSATION SURVEYS AND STUDIES PERFORMED BY AN INDEPENDENT CONSULTANT, AND MAKES RECOMMENDATIONS TO THE EXECUTIVE COMMITTEE OF THE BOARD OF DIRECTORS ANY DELIBERATIONS AND DECISIONS OF THE COMPENSATION SUB-COMMITTEE ARE DOCUMENTED IN THE MINUTES OF THE ANNUAL BOARD OF DIRECTORS MEETING LINE 19 - THE GOVERNING DOCUMENTS, CONFLICT OF INTEREST POLICY AND FINANCIAL STATEMENTS ARE AVAILABLE TO THE PUBLIC ON REQUEST FINANCIAL STATEMENTS ARE AVAILABLE TO THE PUBLIC ON REQUEST
FORM 990, PART III - PROGRAM SERVICE, LINE 4C		INTENSIVE OUTPATIENT PROGRAMS (IOPS) TYPICALLY MEET FOR THREE HOURS A DAY, THREE DAYS PER WEEK THE HOSPITAL PROVIDES THREE DIALECTICAL BEHAVIOR THERAPY IOPS FOR PATIENTS EXPERIENCING DIFFICULTY REGULATING INTENSE EMOTIONS, IMPULSIVITY AND HARMFUL BEHAVIORS THESE PROGRAMS TEACH PATIENTS THE CORE DBT SKILLS OF MINDFULNESS, EMOTION REGULATION, INTERPERSONAL EFFECTIVENESS SKILLS AND DISTRESS TOLERANCE THE HOSPITAL ALSO PROVIDES A WOMEN'S TRAUMA AND ADDICTION IOP FOR WOMEN WHO STRUGGLE WITH ADDICTION TO LEARN SAFE COPING SKILLS TO MAINTAIN SOBRIETY, AS WELL AS TO EXPLORE UNDERLYING INTERPERSONAL ISSUES INCLUDING RELATIONSHIP DIFFICULTIES, ABUSE, CODEPENDENCY AND BOUNDARIES IN ADDITION, THE HOSPITAL PROVIDES AN ADDICTION/DUAL DIAGNOSIS IOP WHICH IS APPROPRIATE FOR PATIENTS DIAGNOSED WITH EITHER AN ADDICTION OR DUAL DISORDER GROUPS INCLUDE RELAPSE PREVENTION, FAMILY DISEASE AND RELAPSE WARNING SIGNS, UNDERSTANDING EMOTIONS AND SELF-ESTEEM THIS PROGRAM ALSO TEACHES PATIENTS DIALECTICAL BEHAVIOR THERAPY SKILLS SUCH AS DISTRESS TOLERANCE



SILVER HILL HOSPITAL, INC.

Financial Statements

February 28, 2013 and February 29, 2012

(With Independent Auditors' Report Thereon)

SILVER HILL HOSPITAL, INC.

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KPMG LLP
345 Park Avenue
New York, NY 10154

Independent Auditors' Report

The Board of Directors
Silver Hill Hospital, Inc.:

We have audited the accompanying financial statements of Silver Hill Hospital, Inc., which comprise the statements of financial position as of February 28, 2013 and February 29, 2012, and the related statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from 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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 auditors consider 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 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 financial position of Silver Hill Hospital, Inc. as of February 28, 2013 and February 29, 2012, and the results of its operations and its cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

KPMG LLP

July 12, 2013

SILVER HILL HOSPITAL, INC.

Statements of Financial Position

February 28, 2013 and February 29, 2012

Assets	2013	2012
Current assets:		
Cash and cash equivalents	\$ 1,368,392	2,134,460
Investments (note 3)	4,420,962	8,583,024
Patient accounts receivable, net of allowance for doubtful accounts of \$470,948 and \$525,515 (note 2)	3,727,519	2,133,705
Prepaid expenses	813,897	463,997
Pledges receivable	8,421	25,921
Other current assets	143,398	125,798
Insurance claims receivable (note 7)	850,000	—
Assets limited or restricted as to use – current liabilities (note 3)	2,323,699	1,325,589
Total current assets	<u>13,656,288</u>	<u>14,792,494</u>
Assets limited or restricted as to use (note 3):		
Temporarily and permanently restricted donations	824,848	782,469
Liquid reserve requirement	1,500,000	1,100,000
Total assets limited or restricted as to use	<u>2,324,848</u>	<u>1,882,469</u>
Other assets, net	115,671	124,240
Insurance claims receivable (note 7)	195,651	321,219
Property and equipment, net (note 4)	29,830,017	23,338,900
Total assets	<u>\$ 46,122,475</u>	<u>40,459,322</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 880,445	735,157
Due to patients and third parties	1,549,984	636,199
Accrued salaries, taxes, and other compensation	852,531	1,046,764
Current portion of long-term debt	95,813	—
Other current liabilities	876,276	800,768
Estimated malpractice liability – current (note 7)	900,000	—
Total current liabilities	<u>5,155,049</u>	<u>3,218,888</u>
Line of credit (note 5)	127,680	5,127,680
Long-term debt, net of current portion (note 5)	4,206,102	—
Estimated malpractice liabilities (note 7)	569,075	570,344
Total liabilities	<u>10,057,906</u>	<u>8,916,912</u>
Net assets:		
Unrestricted	35,239,721	30,709,941
Temporarily restricted (note 10)	611,848	619,469
Permanently restricted (note 10)	213,000	213,000
Total net assets	<u>36,064,569</u>	<u>31,542,410</u>
Commitments and contingencies (notes 5, 6, and 7)		
Total liabilities and net assets	<u>\$ 46,122,475</u>	<u>40,459,322</u>

See accompanying notes to financial statements.

SILVER HILL HOSPITAL, INC.

Statements of Operations

Years ended February 28, 2013 and February 29, 2012

	<u>2013</u>	<u>2012</u>
Unrestricted revenues, gains, and other support:		
Net patient service revenue (note 2)	\$ 35,007,505	32,101,190
Provision for bad debts, net (note 2)	(196,137)	(501,058)
Net patient service revenue less provision for bad debts	34,811,368	31,600,132
Contributions	753,201	738,672
Other revenue	312,358	225,429
Net assets released from restriction for use in operations	760,140	1,005,379
Total unrestricted revenues, gains, and other support	36,637,067	33,569,612
Operating expenses and losses (note 9):		
Salaries and related costs	16,898,932	15,640,484
Employee benefits (note 8)	4,266,118	3,728,765
Supplies and services	8,870,001	8,545,368
Depreciation and amortization	1,703,477	1,289,143
Development expense	575,169	580,574
Interest expense	121,720	72,458
Loss on the disposal of property and equipment	93,290	92,502
Total operating expenses and losses	32,528,707	29,949,294
Income from operations	4,108,360	3,620,318
Nonoperating gains (losses):		
Investment income, net	191,476	291,801
Realized gains on investments	489,392	221,535
Provision for uncollectible pledges	(22,748)	(23,752)
Other (losses) gains, net	(8,839)	2,861
Total nonoperating gains (losses), net	649,281	492,445
Excess of unrestricted revenues, gains, and other support and nonoperating gains (losses) over expenses	4,757,641	4,112,763
Other changes in unrestricted net assets:		
Change in net unrealized losses on other than trading securities	(231,361)	(295,520)
Net assets released from restriction for use in capital projects	3,500	70,570
Increase in unrestricted net assets	\$ 4,529,780	3,887,813

See accompanying notes to financial statements.

SILVER HILL HOSPITAL, INC.

Statements of Changes in Net Assets

Years ended February 28, 2013 and February 29, 2012

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Net assets at February 28, 2011	\$ 26,822,128	984,193	213,000	28,019,321
Excess of unrestricted revenues, gains, and other support and nonoperating gains (losses) over expenses	4,112,763	—	—	4,112,763
Restricted contributions	—	123,893	—	123,893
Special event revenue – gala for scholarships, net of direct donor benefit of \$87,000	—	572,350	—	572,350
Investment income, net of realized gains	—	14,982	—	14,982
Change in net unrealized losses on other than trading securities	(295,520)	—	—	(295,520)
Net assets released from restriction for use in operations	—	(1,005,379)	—	(1,005,379)
Net assets released from restriction for use in capital projects	70,570	(70,570)	—	—
Change in net assets	3,887,813	(364,724)	—	3,523,089
Net assets at February 29, 2012	30,709,941	619,469	213,000	31,542,410
Excess of unrestricted revenues, gains, and other support and nonoperating gains (losses) over expenses	4,757,641	—	—	4,757,641
Restricted contributions	—	31,620	—	31,620
Provision for uncollectible pledges	—	(50,000)	—	(50,000)
Special event revenue – gala for scholarships, net of direct donor benefit of \$127,500	—	739,523	—	739,523
Investment income, net of realized gains	—	31,102	—	31,102
Change in net unrealized (losses) gains on other than trading securities	(231,361)	3,774	—	(227,587)
Net assets released from restriction for use in operations	—	(760,140)	—	(760,140)
Net assets released from restriction for use in capital projects	3,500	(3,500)	—	—
Changes in net assets	4,529,780	(7,621)	—	4,522,159
Net assets at February 28, 2013	\$ 35,239,721	611,848	213,000	36,064,569

See accompanying notes to financial statements

SILVER HILL HOSPITAL, INC.

Statements of Cash Flows

Years ended February 28, 2013 and February 29, 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities		
Change in net assets	\$ 4,522,159	3,523,089
Adjustments to reconcile the change in net assets to net cash provided by operating activities		
Depreciation and amortization	1,703,477	1,289,143
Provision for bad debts, net	196,137	501,058
Loss on disposal of assets	93,290	92,502
Provision for uncollectible pledge	72,748	23,752
Contributions restricted for capital projects	(3,500)	(55,899)
Net unrealized losses on other than trading securities	227,587	295,520
Realized gains on investments	(489,392)	(221,535)
Changes in assets and liabilities		
Patient accounts receivable	(1,789,951)	(287,741)
Prepaid expenses	(349,900)	25,264
Pledges receivable	(7,500)	10,000
Insurance claims receivable	(724,432)	(321,219)
Other current assets	(17,600)	(11,398)
Other assets	472	1,415
Accounts payable and accrued expenses	(58,403)	45,349
Due to patients and third parties	913,785	139,037
Accrued salaries, taxes, and other compensation	(194,233)	87,464
Other current liabilities	75,508	(4,168)
Estimated malpractice liabilities	898,731	452,533
Net cash provided by operating activities	<u>5,068,983</u>	<u>5,584,166</u>
Cash flows from investing activities		
Purchases of property and equipment	(494,807)	(515,580)
Purchase of contiguous properties	(5,328,042)	—
Expenditures for Hospital campus renovations	(2,245,188)	(5,641,162)
Purchases of investments	(2,187,481)	(4,839,426)
Proceeds from sale of investments	6,168,969	5,345,634
Change in assets limited or restricted as to use	(1,000,594)	791,231
Net cash used in investing activities	<u>(5,087,143)</u>	<u>(4,859,303)</u>
Cash flows from financing activities		
Contributions restricted for capital projects	3,500	55,899
Proceeds from line of credit	—	1,050,000
Repayment of line of credit	(5,000,000)	(2,250,000)
Proceeds from mortgages	4,320,000	—
Repayment of mortgages	(18,085)	—
Deferred financing costs incurred	(53,323)	—
Net cash used in financing activities	<u>(747,908)</u>	<u>(1,144,101)</u>
Decrease in cash and cash equivalents	(766,068)	(419,238)
Cash and cash equivalents, beginning of year	<u>2,134,460</u>	<u>2,553,698</u>
Cash and cash equivalents, end of year	<u>\$ 1,368,392</u>	<u>2,134,460</u>
Supplemental disclosures of cash flow information		
Cash paid during the year for interest	\$ 128,348	288,204
Increase in accounts payable and accrued expense for Hospital campus renovation expenditures	203,691	—

See accompanying notes to financial statements

SILVER HILL HOSPITAL, INC.

Notes to Financial Statements

February 28, 2013 and February 29, 2012

(1) Nature of Activities and Significant Accounting Policies

Nature of Activities

Silver Hill Hospital, Inc. (the Hospital) is a not-for-profit private psychiatric hospital, which provides medical attention to patients with psychiatric or substance abuse diagnosis through inpatient, residential, and outpatient programs. Silver Hill was incorporated in the state of Connecticut in 1934.

A summary of the Hospital's significant accounting policies is as follows:

(a) Basis of Accounting

The Hospital's financial statements have been prepared on the accrual basis of accounting.

(b) Cash and Cash Equivalents

The Hospital considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

(c) Concentration of Credit Risk

The Hospital has cash balances in financial institutions that exceed federal depository insurance limits of \$250,000.

(d) Patient Accounts Receivable

The collection of receivables from third-party payors and patients is the Hospital's primary source of cash for operations and is critical to its operating performance. The primary collection risks relate to uninsured patient accounts and patient accounts for which the primary insurance payor has paid, but patient responsibility amounts (deductibles and copayments) remain outstanding. Patient receivables, where a third-party payor is responsible for paying the amount, are carried at a net amount determined by the original charge for the service provided, less an estimate made for contractual adjustments to third-party payors. Patient receivables due directly from the patients are carried at the original charge for the service provided less amounts covered by third-party payors and less an estimated allowance for uncollectible receivables. Management estimates this allowance based on the aging of its accounts receivable and its historical collection experience for each payor type. Recoveries of receivables previously written off are recorded as a reduction of the provision for uncollectible accounts when received. The past-due status of receivables is determined on a case-by-case basis depending on the responsible payor. Interest is generally not charged on past-due accounts.

(e) Pledges Receivable

Pledges, less an allowance for uncollectible amounts (if warranted), are recorded as pledges receivable in the year the pledge is made.

SILVER HILL HOSPITAL, INC.

Notes to Financial Statements

February 28, 2013 and February 29, 2012

(f) *Assets Limited or Restricted as to Use*

Assets limited or restricted as to use include assets set aside for current liabilities, including the Hospital 401(k) contribution to employees and deposits due to patients and third parties, assets restricted based on donors' intents, and liquid assets restricted by the line-of-credit and mortgage agreements.

(g) *Investments*

The Hospital accounts for its investments in accordance with current accounting standards for not-for-profit organizations. Under these standards, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. Realized and unrealized gains (losses) on investments, interest, and dividends are included in the change in unrestricted net assets in the accompanying statements of changes in net assets, unless donor or law restricted the use of the income or loss. Investments are available for current operations and therefore are classified as current in the accompanying statements of financial position.

Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the value of investment securities will occur in the near term.

(h) *Property and Equipment*

Property and equipment are recorded at cost and depreciated over the estimated useful life of each class of depreciable assets, using the straight-line method. Interest costs incurred on borrowed funds during the period of construction of capital assets are capitalized as a component of the cost of acquiring those assets. Estimated useful lives of capital assets are as follows:

	<u>Years</u>
Land improvements	20 years
Buildings	25 years
Vehicles	5 years
Equipment	3 – 10 years

(i) *Deferred Financing Costs*

Deferred financing costs are amortized a straight-line basis, over the term of the related debt.

(j) *Due to Patients and Third Parties*

Due to patients and third parties include patient deposits for services to be performed and refunds due to third parties for overpayments. Patient deposits are recognized as income as charges are incurred. Any unearned deposits are returned to patients subsequent to discharge.

SILVER HILL HOSPITAL, INC.

Notes to Financial Statements

February 28, 2013 and February 29, 2012

(k) Net Assets

The net assets of the Hospital and changes therein are classified and reported as follows:

Unrestricted Net Assets – unrestricted net assets are those whose use is not restricted by donors, even though their use may be limited in other respects, such as by contract, board designation, or under debt agreements.

Temporarily and Permanently Restricted Net Assets – temporarily restricted net assets are those whose use by the Hospital has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained in perpetuity.

(l) Excess of Unrestricted Revenues, Gains, Other Support, and Nonoperating Gains (Losses) over Expenses

The statements of operations include the excess of unrestricted revenues, gains, other support, and nonoperating gains (losses) over expenses. Changes in unrestricted net assets that are excluded from excess of unrestricted revenues, gains, other support, and nonoperating gains (losses) over expenses, consistent with industry practice, include changes in net unrealized losses on other than trading securities and net assets released from restriction for use in capital projects.

(m) Net Patient Service Revenue

The Hospital has agreements with third-party payors, which provide for payments to the Hospital at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retrospective adjustments under reimbursement agreements with third-party payors. Retrospective adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

(n) Charity Care

The Hospital provides care to patients who meet certain criteria established under its charity care policy without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of accounts determined to qualify as charity care, they are not reported as revenue. The cost of providing charity care is estimated by multiplying total charges incurred by the patients that qualify for financial assistance by an overall ratio of costs to charges. The cost of providing charity care was \$408,800 and \$753,000 for the years ended February 28, 2013 and February 29, 2012, respectively.

In fiscal year 2013 and 2012, the Hospital released \$500,000 and \$750,000, respectively, of donor-restricted funds designated as scholarship funds for patient treatment.

SILVER HILL HOSPITAL, INC.

Notes to Financial Statements

February 28, 2013 and February 29, 2012

(o) Donor-Restricted Gifts

Unconditional promises to give cash and other assets to the Hospital are reported at fair value at the date the promise is received. Conditional promises to give and indication of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statements of operations and changes in net assets as net assets released from restrictions. In the absence of donor specifications that income and gains on donated funds are restricted, such donated funds are reported as income and gains within the accompanying statements of operations.

(p) Income Taxes

The Hospital is qualified as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (the Code), and as such, no provision for income taxes has been recorded. The Internal Revenue Service informed the Hospital by a letter dated June 23, 1937 that the Hospital's operations are designed in accordance with such section of the Code. There are certain transactions that could be deemed "Unrelated Business Income" and would result in a tax liability. Management reviews transactions to estimate potential tax liabilities using a threshold of more likely than not of being sustained. It is management's estimation that there are no material tax liabilities that need to be recorded.

(q) Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. The use of estimates and assumptions in the preparation of the accompanying financial statements is primarily related to the Hospital's determination of the net patient accounts receivable and settlements with third-party payors. Due to uncertainties inherent in the estimation and assumption process, actual results could differ from those estimates and such differences could be material.

(r) Healthcare Reform Legislation

The Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010 (collectively, the Health Reform Law), which was signed into law on March 23, 2010, will change how healthcare services are covered, delivered, and reimbursed through expanded coverage of uninsured individuals, reduced growth in Medicare program spending, and the establishment of programs in which reimbursement is tied to quality and integration. In addition, the Health Reform Law reforms certain aspects of health insurance, expands existing efforts to tie Medicare payments to performance and quality, and contains provisions intended to strengthen fraud and abuse enforcement. Because of the many variables involved with the Health Reform Law, the Hospital's management is unable to predict the net effect on the Hospital of the expected increases in

SILVER HILL HOSPITAL, INC.

Notes to Financial Statements

February 28, 2013 and February 29, 2012

insured individuals using its facilities, the reductions in Medicare spending and funding, and numerous other provisions in the law that may affect the Hospital.

(s) Budget Control Act

The Budget Control Act of 2011 (the Budget Control Act) mandated significant reductions and spending caps on the federal budget for fiscal years 2012 through 2021. The Budget Control Act also created a joint Select Committee on Deficit Reduction (the Super Committee) to develop a plan to further reduce the federal deficit by \$1.5 trillion on or before November 23, 2011. Since the Super Committee failed to act before the mandated deadline, a 2% reduction in Medicare spending, among other reductions, was to take effect beginning January 1, 2013 in a process known as Sequestration. The Budget Control Act also required a 26.5% reduction in the sustainable growth rate formula regarding physician reimbursement under Medicare to be effective January 1, 2013.

On January 2, 2013, President Obama signed into law the American Taxpayer Relief Act, which delayed sequestration until March 1, 2013 and delayed implementation of the reduction to the sustainable growth rate formula regarding physician reimbursement under Medicare through the end of 2013. On March 1, 2013, President Obama signed the sequestration order, and as such, the Hospital's nonphysician Medicare payments were reduced by the mandatory 2% reduction for claims with dates of service or dates of discharge on or after April 1, 2013. In fiscal year 2013, Medicare net patient revenue was approximately \$1.5 million, or 4% of the Hospital's net patient revenue.

(t) Recent Accounting Pronouncements

In August 2010, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2010-23, *Health Care Entities (Topic 954): Measuring Charity Care for Disclosure*. ASU No. 2010-23 is intended to reduce the diversity in practice regarding the measurement basis used in the disclosure of charity care. ASU No. 2010-23 requires that cost be used as a measurement basis for charity care disclosure purposes and that cost be identified as the direct or indirect cost of providing the charity care, and requires disclosure of the method used to identify or determine such costs. This new guidance was effective for fiscal years beginning after December 15, 2010. As the Hospital does not recognize revenue when charity care is provided, adoption of this guidance in fiscal 2012 did not have an impact on the financial statements of the Hospital; it only required additional disclosures, including the method used to estimate the cost of charity care (note 1(n)).

In fiscal year 2012, the Hospital adopted FASB ASU No. 2010-24, *Health Care Entities (Topic 954): Presentation of Insurance Claims and Related Insurance Recoveries*. Under ASU No. 2010-24, medical malpractice claim liabilities should be determined without consideration of insurance recoveries. Healthcare entities that are indemnified for malpractice liabilities should recognize insurance receivables at the same time that they recognize the liabilities, measured on the same basis as the liabilities, subject to the need for valuation for uncollectible amounts. This guidance was effective for fiscal years beginning after December 15, 2010. The adoption of this guidance had no impact on the Hospital's operations or cash flows (note 7).

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In July 2011, the FASB issued 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 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 doubtful accounts. The guidance requires certain healthcare entities to change the presentation of their statements of operations by reclassifying the provision for bad debts associated with patient service revenue from an operating expense to a deduction from patient service revenue (net of contractual 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 services revenue (net of contractual allowances and discounts), as well as qualitative information about changes in the allowance for doubtful accounts. In fiscal year 2013, the Hospital adopted ASU No. 2011-07 and reclassified the provision for bad debt expense, net, totaling \$196,137 and \$501,058 for the years ended February 28, 2013 and February 29, 2012, respectively, from operating expenses to a reduction of net patient services revenue in the statements of operations. See note 2 for the required disclosures related to the Hospital's sources of patient service revenue and changes in the allowance for doubtful accounts.

(2) Net Patient Service Revenue and Accounts Receivable

The Hospital has agreements with third-party payors, which provide for reimbursement to the Hospital at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between the Hospital's billings at list price and the amounts reimbursed by Medicare, Blue Cross, and certain other third-party payors, and any differences between estimated third-party reimbursement settlements for prior years and subsequent final settlements. Contractual adjustments under third-party reimbursement programs are accrued on an estimated basis in the period the related services are rendered and are adjusted in future periods as final settlements are determined. A summary of the basis of reimbursement with major third-party payors is as follows:

(a) Medicare

The Hospital is paid for inpatient services rendered to Medicare program beneficiaries under the Inpatient Psychiatric Facility Prospective Payment System, which was implemented in 2005. For both years ended February 28, 2013 and February 29, 2012, net revenue from the Medicare program accounted for approximately 4% and 5%, respectively, of the Hospital's net patient service revenue.

Laws and regulations governing the Medicare programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change in the near term. The Hospital believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action including fines, penalties, and exclusion from the Medicare programs. Third-party payor settlements for 2013 and 2012 were not significant to the financial statements.

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(b) *Managed Care Organizations*

The Hospital has also entered into reimbursement agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment under these agreements includes contractual allowances from established charges and prospectively determined per diem rates.

Patient revenue, net of contractual allowances, is reduced by the provision for bad debts, and net patients accounts receivable are reduced by an allowance for doubtful accounts. These amounts are based on historical and expected write-offs and net collections as well as aging status. Based on historical experience, a portion of the Hospital's self-pay patients who do not qualify for charity care will be unable or unwilling to pay for services provided. Thus, the Hospital records a provision for bad debts related to these patients in the period the services are provided. For the years ended February 28, 2013 and February 29, 2012, patient service revenue (including patient copays and deductibles), net of contractual allowances (but before the provision for uncollectible accounts) by major payor source was as follows:

	2013	2012
Medicare	\$ 1,505,694	1,545,954
Third-party payors	17,465,175	16,608,143
Self pay	16,036,636	13,947,093
Total	\$ 35,007,505	32,101,190

Patient accounts receivable, including patient copays and deductibles by major primary payor source, before deducting allowance for doubtful accounts were the following as of February 28, 2013 and February 29, 2012:

	2013	2012
Medicare	11%	9%
Blue Cross	23	20
Other third-party payors	53	58
Self-pay	13	13
	100%	100%

Patient accounts receivable, net of contractual adjustments were \$4,198,467 and \$2,659,220 as of February 28, 2013 and February 29, 2012, respectively, or 12% and 8% net of patient revenue for the fiscal years then ended. The related allowance for uncollectible accounts was \$470,948 and \$525,515 or 11% and 20% of the related patient accounts receivable, net of contractual allowances as of February 28, 2013 and February 29, 2012. In fiscal year 2013, the Hospital wrote off \$250,704 in bad debts and denials, net of recoveries.

For the years ended February 28, 2013 and February 29, 2012, the provision for bad debt includes a favorable change in estimate related to the allowance for doubtful accounts, which increased the Hospital's net income by \$483,400 and \$373,000, respectively.

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(3) Assets Limited or Restricted as to Use and Investments

Assets limited or restricted as to use and investments consisted of the following as of February 28, 2013 and February 29, 2012:

	<u>2013</u>	<u>2012</u>
Assets limited or restricted as to use:		
Current liabilities:		
Cash and cash equivalents	\$ 2,323,699	1,325,589
Donor restricted assets:		
Certificate of deposit	—	238,376
Mutual funds	824,848	544,093
	<u>824,848</u>	<u>782,469</u>
Liquid reserve requirement:		
Cash and cash equivalents	500,000	500,000
Mutual funds	1,000,000	600,000
	<u>1,500,000</u>	<u>1,100,000</u>
Total assets limited as to use	4,648,547	3,208,058
Less current portion	<u>(2,323,699)</u>	<u>(1,325,589)</u>
Assets limited or restricted as to use, net of current portion	<u>2,324,848</u>	<u>1,882,469</u>
Investments:		
Mutual funds	4,419,859	8,456,411
Equities	1,103	53,894
Market linked notes	—	24,700
Corporate bonds	—	48,019
Total investments	<u>4,420,962</u>	<u>8,583,024</u>
Total assets limited or restricted as to use, and investments	<u>\$ 6,745,810</u>	<u>10,465,493</u>

Current liabilities, for which assets are limited or restricted as to use, consisted of the following as of February 28, 2013 and February 29, 2012:

	<u>2013</u>	<u>2012</u>
Hospital 401(k) contribution due to employees	\$ 773,715	689,390
Due to patients and third parties	<u>1,549,984</u>	<u>636,199</u>
Total current liabilities	<u>\$ 2,323,699</u>	<u>1,325,589</u>

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Hospital 401(k) contributions due to employees are included in accrued salaries, taxes, and other compensation in the accompanying statements of financial position.

The cost and market values of all investments, including those categorized as assets limited or restricted as to use, are summarized as follows as of February 28, 2013 and February 29, 2012:

2013			
	Cost	Unrealized gains (losses)	Fair value
Investments:			
Mutual funds:			
Fixed income – domestic	\$ 3,364,380	79,450	3,443,830
Domestic	1,806,745	435,481	2,242,226
International	512,101	46,550	558,651
	5,683,226	561,481	6,244,707
Equities:			
Domestic	1,114	(11)	1,103
	\$ 5,684,340	561,470	6,245,810
2012			
	Cost	Unrealized gains (losses)	Fair value
Investments:			
Mutual funds:			
Fixed income – domestic	\$ 4,965,434	123,237	5,088,671
Domestic	3,020,216	648,886	3,669,102
International	829,780	12,951	842,731
	8,815,430	785,074	9,600,504
Equities:			
Domestic	41,709	5,291	47,000
International	6,165	729	6,894
	47,874	6,020	53,894
Market linked notes	25,000	(300)	24,700
Certificates of deposit	238,376	—	238,376
Corporate bonds	49,756	(1,737)	48,019
	\$ 9,176,436	789,057	9,965,493

FASB Accounting Standards Codification 820, *Fair Value Measurement*, establishes a formal hierarchy and framework for measuring fair value and expands disclosure about fair value measurements and the reliability of valuation impacts. The guidance requires an entity to maximize the use of observable inputs

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and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 – Quoted prices in active markets for identical assets or liabilities

Level 2 – Observable inputs other than Level 1 prices such as quoted prices for similar instruments; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities include those whose value is determined using pricing models, discounted cash flows methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation

At February 28, 2013 and February 29, 2012, the Hospital estimated the fair value of most of its investments based on Level 1 inputs. The Market linked notes, purchased in 2012, are valued based on Level 2 inputs. The Hospital does not have any Level 3 assets or liabilities as of February 28, 2013 and February 29, 2012.

(4) Property and Equipment

At February 28, 2013 and February 29, 2012, property and equipment consist of the following:

	2013	2012
Land and land improvements	\$ 4,436,224	2,298,295
Buildings	33,279,409	29,119,938
Vehicles	422,082	357,043
Equipment	6,296,611	5,758,589
Construction in progress	3,346,742	2,144,781
	<u>47,781,068</u>	<u>39,678,646</u>
Less accumulated depreciation	<u>(17,951,051)</u>	<u>(16,339,746)</u>
	<u>\$ 29,830,017</u>	<u>23,338,900</u>

During fiscal year 2013, the Hospital purchased residential land and buildings, adjacent to the Hospital property, for approximately \$5.3 million. The Hospital plans to renovate and convert these properties into patient care areas.

As of February 28, 2013, construction in progress consists of renovation expenditures for River House and various other projects. The estimated cost to complete River House construction is approximately \$613,000 as of February 28, 2013. As of February 29, 2012, construction in progress was mainly comprised of renovation expenditures for the Pain Program and various other projects. This project was completed and placed into service during the fiscal year ended February 28, 2013.

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(5) Line of Credit and Long-Term Debt

Long-term debt is comprised of the following at February 28:

	<u>2013</u>
Mortgage	\$ 1,985,905
Mortgage	<u>2,316,010</u>
	4,301,915
Less current portion	<u>(95,813)</u>
	<u><u>\$ 4,206,102</u></u>

- (a) In September 2012, the Hospital entered into a loan agreement for \$2,000,000 with the bank to finance the purchase of the property at 225 Valley Road, which is contiguous to the Hospital grounds. The term of the loan is 10 years, with a 25-year amortization period and a fixed interest rate of 4.5%. Monthly principal and interest payments of \$11,191 commenced on November 1, 2012 and are payable through September 1, 2022, with a balloon payment of \$1,462,150 and any unpaid interest due on October 1, 2022. The loan is secured by the property. Interest incurred on the loan was \$42,369 in 2013.

The Hospital entered into another loan agreement with the bank for \$2,320,000 to finance the purchase of the contiguous property at 134 Valley Road. The term of the loan is 10 years, with a 25-year amortization period and a fixed interest rate of 4.5%. Monthly principal and interest payments of \$12,980 commenced on February 1, 2013 and are payable through December 1, 2022, with a balloon payment of \$1,695,879 and any unpaid interest due on January 1, 2023. The loan is secured by the property. Interest incurred on the loan was \$22,606.

Aggregate principle payments on long term debt for the next five years and thereafter are as follows:

Year ending February 28:	
2014	\$ 95,813
2015	100,277
2016	104,949
2017	109,317
2018	114,932
There after	<u>3,776,627</u>
	<u><u>\$ 4,301,915</u></u>

- (b) In 2007, the Hospital entered into a revolving line of credit, with a term of 10 years and a maximum available borrowing of \$10,000,000, which was secured by the land and buildings owned by the Hospital. Interest was charged monthly at a rate of 7.15%. In December 2010, the line-of-credit agreement was modified to include an interest rate of 5.25% and an extension of the term to 10 years. In September 2012, the line-of-credit agreement was modified again to extend the 10-year term an additional year. The modified line revolves for a period of four years, with interest payments

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due monthly based on the balance outstanding. On December 31, 2015, the line will convert to a permanent commercial mortgage for the remaining 6 years of the term. Upon conversion, principal and interest payments will be due monthly through December 31, 2021 at which time a balloon payment for any unpaid principal and interest will be due.

As of February 29, 2012, \$5,127,680 was outstanding on the line of credit. In April 2012, the Hospital repaid \$5,000,000 of the outstanding line, liquidating \$4,000,000 of investments to cover a portion of the repayment, and leaving an outstanding line-of-credit balance of \$127,680 as of February 28, 2013. In 2013, interest incurred on the line was \$56,744. In 2012, interest incurred on the line was \$281,718, of which \$209,260 was capitalized and included in property and equipment on the statements of financial position.

As part of the line-of-credit and loan agreements (mortgages), the Hospital must maintain a compensating balance at the bank of \$500,000. The line-of-credit and loan agreements (mortgages) require an aggregate liquid reserve of \$1,500,000 to be maintained over the term of the debt, which is included in assets limited or restricted as to use. Prior to fiscal year 2013, the liquid reserve requirement for the line of credit was \$1,100,000.

(6) Lease Obligations

The Hospital has noncancelable operating leases, which expire through February 2017. Future minimum lease payments under these noncancelable operating leases are as follows:

Year ending February 28:	
2014	\$ 307,203
2015	95,406
2016	70,308
2017	11,009
	\$ 483,926

Rental expense for all operating leases totaled approximately \$302,600 in 2013 and \$273,000 in 2012. Rental expenses are included in supplies and services expenses on the statements of operations.

(7) Commitments and Contingencies

Insurance

As of February 28, 2013, the Hospital maintains professional and general liability insurance coverage on a claims-made basis. The claims-made policy, which is subject to renewal on an annual basis, covers only claims made during the term of the policy but not those occurrences for which claims may be made after expiration of the policy. Coverage under the policy is \$1 million per occurrence, with an aggregate limit of \$3 million. The Hospital also maintains an excess umbrella policy, which provides \$8 million of additional coverage.

The Hospital engaged an actuary to determine an undiscounted estimate of losses from unasserted claims and incidents that may have occurred but have not been reported as of February 28, 2013 and February 29, 2012, respectively. The actuarial evaluation is based on the Hospital's historical experience, industry data,

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and other considerations. As of February 28, 2013 and February 29, 2012, the Hospital has accrued the following for losses from unasserted claims and incidents that may have occurred but have not been reported:

	<u>2013</u>	<u>2012</u>
Estimated malpractice liabilities	\$ 1,469,075	570,344
Insurance claims receivable	<u>(1,045,651)</u>	<u>(321,219)</u>
	<u>\$ 423,424</u>	<u>249,125</u>

The Hospital is party to routine litigation arising in the ordinary course of business. Although some of the matters are still in a preliminary stage and definite conclusions cannot be made as to those matters, the Hospital is of the opinion that based on information presently available, the lawsuits will not have a materially adverse effect on the financial statements of the Hospital.

Dining Services Contract

The Hospital contracts with Unidine to provide food service to its patients. The contract is cancelable by either party if the other party fails to perform all of its material obligations as outlined in the agreement. The cost is approximately \$25,100 per week.

(8) Retirement Plan

The Hospital has a 401(k) defined-contribution plan (401(k) Plan) that covers all full-time employees who have both attained age 21 and completed at least 1,000 hours of service during the first year of employment. The 401(k) Plan provides for an employer-based contribution allowing the Hospital to make contributions ranging from 2.5% to 7.5% of each participant's annual compensation, depending on years of vested service. Employees may also make annual contributions up to the amount permitted by law. Expenses related to the 401(k) Plan were approximately \$674,090 and \$563,800 for the years ended February 28, 2013 and February 29, 2012, respectively, and are included with employee benefits within the accompanying statements of operations.

(9) Functional Expenses

The Hospital provides psychiatric and substance abuse healthcare services to residents within its geographic location. Expenses related to providing these services included in the statements of operations are as follows:

	<u>2013</u>	<u>2012</u>
Healthcare services	\$ 26,176,330	24,058,848
Development	575,169	580,574
General and administrative	<u>5,777,208</u>	<u>5,309,872</u>
	<u>\$ 32,528,707</u>	<u>29,949,294</u>

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(10) Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purposes as of February 28, 2013 and February 29, 2012:

	2013	2012
Scholarship Fund for Young Adults	\$ 15,594	223,190
Scholarship Fund	581,493	330,540
Employee Assistance Fund	13,428	12,380
Other Funds	1,333	53,359
	<u>\$ 611,848</u>	<u>619,469</u>

Permanently restricted net assets of \$213,000 at February 28, 2013 and February 29, 2012 consist of donor-restricted funds to be maintained by the Hospital in perpetuity. The income generated from permanently restricted funds is expendable for purposes designated by donors, including adolescent and chemical dependency program services.

(11) Subsequent Events

The Hospital has evaluated and disclosed subsequent events from the statement of financial position date of February 28, 2013 through July 12, 2013, which is the date the financial statements were available to be issued, and concluded that no additional disclosures were required.