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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 private foundations)

Do not enter Social Security numbers on this form as it may be made public By law, the IRS generally cannot redact the information on the form

Information about Form 990 and its instructions is at [www.IRS.gov/form990](http://www.irs.gov/form990)

OMB No 1545-0047

2013

Open to Public Inspection

A For the 2013 calendar year, or tax year beginning 01-01-2013, 2013, and ending 12-31-2013

B Check if applicable

☐ Address change

☐ Name change

☐ Initial return

☐ Terminated

☐ Amended return

☐ Application pending

C Name of organization

KALEIDA HEALTH

Doing Business As

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

726 EXCHANGE STREET Suite 200

City or town, state or province, country, and ZIP or foreign postal code

BUFFALO, NY 14210

D Employer identification number

16-1533232

E Telephone number

(716) 859-8501

G Gross receipts \$ 1,198,810,323

F Name and address of principal officer

JODY LOMEO

100 HIGH STREET

BUFFALO, NY 14203

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

☐ Yes ☒ No

H(b) Are all subordinates included?

☐ Yes ☐ No

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

H(c) Group exemption number

I Tax-exempt status

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

J Website:

WWW.KALEIDAHEALTH.ORG

K Form of organization

☒ Corporation ☐ Trust ☐ Association ☐ Other

L Year of formation

1998

M State of legal domicile

NY

Part I Summary			
Activities & Governance	1	Briefly describe the organization's mission or most significant activities 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)	13
	4	Number of independent voting members of the governing body (Part VI, line 1b)	11
	5	Total number of individuals employed in calendar year 2013 (Part V, line 2a)	9,344
	6	Total number of volunteers (estimate if necessary)	1,927
	7a	Total unrelated business revenue from Part VIII, column (C), line 12	3,576,369
Revenue	b	Net unrelated business taxable income from Form 990-T, line 34	
	8	Contributions and grants (Part VIII, line 1h)	
	9	Program service revenue (Part VIII, line 2g)	
	10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	
	11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	
	12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	
	13	Grants and similar amounts paid (Part IX, column (A), lines 1–3)	
Expenses	14	Benefits paid to or for members (Part IX, column (A), line 4)	
	15	Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	
	16a	Professional fundraising fees (Part IX, column (A), line 11e)	
	b	Total fundraising expenses (Part IX, column (D), line 25) ☐ 0	
	17	Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	
	18	Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	
	19	Revenue less expenses Subtract line 18 from line 12	
Net Assets or Fund Balances	20	Total assets (Part X, line 16)	
	21	Total liabilities (Part X, line 26)	
	22	Net assets or fund balances Subtract line 21 from line 20	

Part II Signature Block

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

Sign Here

Signature of officer

Jon Swiatkowski EVP, CFO

Date

2014-11-14

Type or print name and title

Paid Preparer Use Only

Print/Type preparer's name

JEFFREY STAGG

Preparer's signature

Date

Check ☐ if self-employed

PTIN P01326885

Firm's name

KPMG LLP

Firm's EIN

Firm's address

515 Broadway 4th Floor

Albany, NY 122072974

Phone no (518) 427-4600

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

☒ Yes ☐ No

For Paperwork Reduction Act Notice, see the separate instructions.

Cat No 11282Y

Form 990 (2013)

Check if Schedule O contains a response or note to any line in this Part III ☒

KALEIDA HEALTH IS A VOLUNTARY, NOT-FOR-PROFIT, NEW YORK STATE DEPARTMENT OF HEALTH ARTICLE 28 LICENSED HOSPITAL-BASED HEALTHCARE DELIVERY SYSTEM SERVING THE COMMUNITIES OF WESTERN NEW YORK STATE AT VARIOUS LEVELS AND WITH FACILITIES IN MULTIPLE LOCATIONS THROUGHOUT THE REGION. KALEIDA HEALTH INCLUDES THE BUFFALO GENERAL MEDICAL CENTER (BUFFALO GENERAL), MILLARD FILLMORE SUBURBAN HOSPITAL (MILLARD SUBURBAN), WOMEN AND CHILDREN'S HOSPITAL OF BUFFALO (WOMEN & CHILDREN'S), AND DEGRAFF MEMORIAL HOSPITAL (DEGRAFF). IN ADDITION TO THE FOUR KALEIDA HEALTH (KALEIDA) HOSPITALS, KALEIDA OPERATES TWO SKILLED NURSING FACILITIES, AND NUMEROUS OUTPATIENT CLINICS. THE ABOVE FACILITIES OPERATE UNDER ONE TAX IDENTIFICATION NUMBER. OUR FAMILY OF HEALTH CARE ORGANIZATIONS IS BONDED TOGETHER INTO ONE FRAMEWORK FOR LEADERSHIP, GOVERNANCE, SHARED SERVICES, FINANCIAL INFRASTRUCTURE AND INFORMATION TECHNOLOGY PLATFORMS. COLLECTIVELY, KALEIDA HEALTH'S MARKET SHARE IS 31.2% IN WESTERN NEW YORK, 39.5% IN ERIE COU.

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

If "Yes," describe these changes on Schedule O

4a (Code) (Expenses \$ 1,037,073,255 including grants of \$ 499,180) (Revenue \$ 1,096,101,212)
See Attachment 1

[illegible][illegible]

4e	Total program service expenses	1,037,073,255
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Part IV Checklist of Required Schedules

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

Part IV

Checklist of Required Schedules (continued)

21	Did the organization report more than \$5,000 of grants or other assistance to any domestic organization or government 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 or 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 25a</i>	24a	Yes	
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	24b		No
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	24c		No
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	24d		No
25a	Section 501(c)(3) and 501(c)(4) organizations. Did the organization engage in an excess benefit transaction with a disqualified person during the year? <i>If "Yes," complete Schedule L, Part I</i>	25a		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? <i>If "Yes," complete Schedule L, Part I</i>	25b		No
26	Did the organization report any amount on Part X, line 5, 6, or 22 for receivables from or payables to any current or former officers, directors, trustees, key employees, highest compensated employees, or disqualified persons? <i>If so, complete Schedule L, Part II</i>	26	Yes	
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor or employee thereof, a grant selection committee member, or to a 35% controlled entity or family member of any of these persons? <i>If "Yes," complete Schedule L, Part III</i>	27		No
28	Was the organization a party to a business transaction with one of the following parties (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28a	Yes	
b	A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28b	Yes	
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? <i>If "Yes," complete Schedule L, Part IV</i>	28c	Yes	
29	Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i>	29	Yes	
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i>	30		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i>	31		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i>	32		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? <i>If "Yes," complete Schedule R, Part I</i>	33	Yes	
34	Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1</i>	34	Yes	
35a	Did the organization have a controlled entity within the meaning of section 512(b)(13)?	35a	Yes	
b	If 'Yes' to line 35a, did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? <i>If "Yes," complete Schedule R, Part V, line 2</i>	35b	Yes	
36	Section 501(c)(3) organizations. Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2</i>	36		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? <i>If "Yes," complete Schedule R, Part VI</i>	37		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11b and 19? Note. All Form 990 filers are required to complete Schedule O	38	Yes	

Part V

Statements Regarding Other IRS Filings and Tax Compliance

Check if Schedule O contains a response or note to any line in this Part V

☐

		Yes	No
1a	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable.	1a	532
b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.	1b	0
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	1c	Yes
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return.	2a	9,344
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns? Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions).	2b	Yes
3a	Did the organization have unrelated business gross income of \$1,000 or more during the year?	3a	Yes
b	If "Yes," has it filed a Form 990-T for this year? If "No" to line 3b, provide an explanation in Schedule O.	3b	Yes
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?	4a	No
b	If "Yes," enter the name of the foreign country: _____ See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.		
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?	5a	No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	5b	No
c	If "Yes," to line 5a or 5b, did the organization file Form 8886-T?	5c	
6a	Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible as charitable contributions?	6a	No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	6b	
7 Organizations that may receive deductible contributions under section 170(c).			
a	Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?	7a	No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?	7b	
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?	7c	No
d	If "Yes," indicate the number of Forms 8282 filed during the year.	7d	
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	7e	No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?	7f	No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	7g	
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	7h	
8 Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations. Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?		8	
9 Sponsoring organizations maintaining donor advised funds.			
a	Did the organization make any taxable distributions under section 4966?	9a	
b	Did the organization make a distribution to a donor, donor advisor, or related person?	9b	
10 Section 501(c)(7) organizations. Enter			
a	Initiation fees and capital contributions included on Part VIII, line 12.	10a	
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities.	10b	
11 Section 501(c)(12) organizations. Enter			
a	Gross income from members or shareholders.	11a	
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them).	11b	
12a Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041?		12a	
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year.	12b	
13 Section 501(c)(29) qualified nonprofit health insurance issuers.			
a	Is the organization licensed to issue qualified health plans in more than one state? Note. See the instructions for additional information the organization must report on Schedule O.	13a	
b	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans.	13b	
c	Enter the amount of reserves on hand.	13c	
14a	Did the organization receive any payments for indoor tanning services during the tax year?	14a	No
b	If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O.	14b	

Part VI

Governance, Management, and Disclosure

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

Check if Schedule O contains a response or note to any line 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	13	
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	11	
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	2	No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person?	3	Yes
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	4	No
5	Did the organization become aware during the year of a significant diversion of the organization's assets?	5	No
6	Did the organization have members or stockholders?	6	No
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?	7a	No
b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	7b	No
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following		
a	The governing body?	8a	Yes
b	Each committee with authority to act on behalf of the governing body?	8b	Yes
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O	9	No

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

		Yes	No
10a	Did the organization have local chapters, branches, or affiliates?	10a	No
b	If "Yes," did the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with the organization's exempt purposes?	10b	
11a	Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form?	11a	Yes
b	Describe in Schedule O the process, if any, used by the organization to review 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	Yes
b	If "Yes," did the organization follow a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and take steps to safeguard the organization's exempt status with respect to such arrangements?	16b	No

Section C. Disclosure

17	List the States with which a copy of this Form 990 is required to be filed	NY
18	Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply. ☒ Own website ☐ Another's website ☒ Upon request ☐ Other (explain in Schedule O)	
19	Describe in Schedule O whether (and if so, how) the organization made its governing documents, conflict of interest policy, and financial statements available to the public during the tax year	
20	State the name, physical address, and telephone number of the person who possesses the books and records of the organization JON SWIATKOWSKI 726 EXCHANGE ST SUITE 200 BUFFALO, NY 14210 (716) 859-8527	

Part VII

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

Check if Schedule O contains a response or note to any line 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) ROBERT M ZAK VICE CHAIRMAN	1 0	X						0	0	0
(2) EVAN EVANS MD DIRECTOR	1 0	X						51,000	0	0
(3) ROBERT J HALONEN PhD DIRECTOR	1 0	X						0	0	0
(4) DARREN J KING DIRECTOR	1 0	X						0	0	0
(5) JAMES KASKIE PRES/CEO EX-OFFICIO WITH VOTE	38 0	X		X				1,899,154	0	44,210
(6) JOHN R KOELMEL CHAIRMAN	1 0	X						0	0	0
(7) DAVID A MILLING MD DIRECTOR	1 0	X						0	0	0
(8) HERMAN S MOGAVERO Jr MD TREASURER	1 0	X						0	0	0
(9) FRANCISCO M VASQUEZ PhD SECRETARY	1 0	X						0	0	0
(10) AMY L CLIFTON DIRECTOR	1 0	X						0	0	0
(11) CHRISTOPHER T GREENE ESQ DIRECTOR	1 0	X						0	0	0
(12) FRANK CURCI DIRECTOR - WCHOB FDN BOD	1 0 2 0	X						0	0	0
(13) GEORGE MATTHEWS DIRECTOR	1 0	X						0	0	0
(14) ROBERT NOLAN GENERAL COUNSEL	38 0 1 0			X				499,778	0	35,412
(15) JOSEPH KESSLER EVP, CFO	38 0 1 0			X				1,355,983	0	43,375
(16) MARGARET PAROSKI MD EVP, CMO	38 0			X				671,841	0	0
(17) TONI BOOKER EVP HUMAN RESOURCES OFFICER	38 0			X				411,064	0	138,736

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) CHERYL KLASS SVP OPS BGMCM, PRESIDENT WCHOB	38 0				X			706,472	0	264,295
(19) DONALD BOYD SVP BUSINESS DEVELOPMENT	38 0 1 0				X			613,103	0	35,006
(20) CHRISTOPHER LANE PRESIDENT-MFS	38 0				X			418,352	0	33,937
(21) TAMARA OWEN VP OF INTEGRATION	38 0				X			396,885		3,616
(22) AARON HOFFMAN MD EMPLOYED PHYSICIAN	38 0					X		1,092,326	0	21,418
(23) KAVEH VALI MD EMPLOYED PHYSICIAN	38 0					X		704,160	0	4,775
(24) KATHRYN BASS MD EMPLOYED PHYSICIAN	38 0					X		615,560	0	5,487
(25) PUNEET GUPTA MD EMPLOYED PHYSICIAN	38 0					X		401,858	0	5,508
(26) VINCENT CALLANAN MD EMPLOYED PHYSICIAN	38 0					X		439,314	0	42,257
(27) CONNIE VARI Former EVP, COO	0 0 0 0						X	731,366		13,180
1b Sub-Total										
c Total from continuation sheets to Part VII, Section A										
d Total (add lines 1b and 1c)								11,008,216	0	691,212

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

506

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

Section B. Independent Contractors

1 Complete this table for your five highest compensated independent contractors that received more than \$100,000 of compensation from the organization Report compensation for the calendar year ending with or within the organization's tax year		
(A) Name and business address	(B) Description of services	(C) Compensation
DIVURGENT LLC, 4445 CORPORATION LANE SUITE 228 VIRGINIA BEACH VA 23462	IST SUPPORT SERVICES	1,772,150
WNY RADIOLOGY LLC, PO BOX 4029 BUFFALO NY 14240	RADIOLOGY SERVICES	4,695,056
SODEXO MANAGEMENT INC, PO BOX 81049 WOBURN NY 018131049	CLEANING & LAUNDRY	4,897,942
NUANCE COMMUNICATIONS INC, PO BOX 7247-6924 PHILADELPHIA PA 191706924	DICTATION SERVICES	1,642,280
PER SE TECHNOLOGIES INC, PO BOX 403421 ATLANTA GA 303843421	PHYSICIAN BILLING	1,329,200
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 70		

Part VIII

Statement of Revenue

Check if Schedule O contains a response or note to any line in this Part VIII

			(A)	(B)	(C)	(D)
			Total revenue	Related or exempt function revenue	Unrelated business revenue	Revenue excluded from tax under sections 512-514
Contributions, Gifts, Grants and Other Similar Amounts	1a	Federated campaigns 1a				
	b	Membership dues 1b				
	c	Fundraising events 1c				
	d	Related organizations 1d	1,630,067			
	e	Government grants (contributions) 1e	12,552,621			
	f	All other contributions, gifts, grants, and similar amounts not included above 1f	2,650,382			
	g	Noncash contributions included in lines 1a-1f \$	1,935,605			
	h	Total. Add lines 1a-1f	16,833,070			
Program Service Revenue	Business Code					
	2a	SERVICE REVENUE	623990	1,091,703,759	1,091,703,759	
	b	LABORATORY SERV	621500	3,259,391		3,259,391
	c					
	d					
	e					
	f	All other program service revenue				
	g	Total. Add lines 2a-2f	1,094,963,150			
Other Revenue	3	Investment income (including dividends, interest, and other similar amounts)	5,616,223	1,714	85,134	5,529,375
	4	Income from investment of tax-exempt bond proceeds	0			
	5	Royalties	0			
	6a	(i) Real				
		2,344,937				
		(ii) Personal				
	b	Less rental expenses				
	c	Rental income or (loss)	2,344,937	0		
	d	Net rental income or (loss)	2,344,937		58,483	2,286,454
	7a	(i) Securities				
		61,576,742				
		(ii) Other				
	b	Less cost or other basis and sales expenses	59,432,280	151,360		
	c	Gain or (loss)	2,144,462	921,552		
	d	Net gain or (loss)	3,066,014			3,066,014
	8a	Gross income from fundraising events (not including \$ of contributions reported on line 1c) See Part IV, line 18				
	a					
	b	Less direct expenses b				
	c	Net income or (loss) from fundraising events	0			
	9a	Gross income from gaming activities See Part IV, line 19				
	a					
	b	Less direct expenses b				
	c	Net income or (loss) from gaming activities	0			
	10a	Gross sales of inventory, less returns and allowances				
	a					
	b	Less cost of goods sold b				
	c	Net income or (loss) from sales of inventory	0			
	Miscellaneous Revenue		Business Code			
	11a	REBATE REVENUE	900099	12,491,386		12,491,386
	b	MANAGEMENT & CONSULTING FEES	541610	793,781	789,306	4,475
	c	UNIVERSITY LEASE INCOME	531120	656,966		656,966
	d	All other revenue		2,461,156	347,042	168,886
	e	Total. Add lines 11a-11d		16,403,289		
	12	Total revenue. See Instructions	1,139,226,683	1,092,841,821	3,576,369	25,975,423

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 or note to any line 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.	499,180	499,180		
2	Grants and other assistance to individuals in the United States. See Part IV, line 22.	0			
3	Grants and other assistance to governments, organizations, and individuals outside the United States. See Part IV, lines 15 and 16.	0			
4	Benefits paid to or for members.	0			
5	Compensation of current officers, directors, trustees, and key employees.	7,023,632		7,023,632	
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.	476,652,644	442,622,452	34,030,192	
8	Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions).	42,399,179	38,583,253	3,815,926	
9	Other employee benefits.	98,179,215	89,403,097	8,776,118	
10	Payroll taxes.	35,029,165	32,563,291	2,465,874	
11	Fees for services (non-employees):				
a	Management.	0			
b	Legal.	2,211,274	1,106,209	1,105,065	
c	Accounting.	599,004	75,000	524,004	
d	Lobbying.	238,924		238,924	
e	Professional fundraising services. See Part IV, line 17.	0			
f	Investment management fees.	0			
g	Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O).	123,272,840	111,232,287	12,040,553	
12	Advertising and promotion.	2,132,831	953,285	1,179,546	
13	Office expenses.	2,581,849	2,026,371	555,478	
14	Information technology.	0			
15	Royalties.	0			
16	Occupancy.	6,875,887	4,117,634	2,758,253	
17	Travel.	1,280,976	919,992	360,984	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials.	0			
19	Conferences, conventions, and meetings.	0			
20	Interest.	15,884,694	12,717,783	3,166,911	
21	Payments to affiliates.	0			
22	Depreciation, depletion, and amortization.	68,343,329	54,119,476	14,223,853	
23	Insurance.	1,365,092	296,316	1,068,776	
24	Other expenses. Itemize expenses not covered above (List miscellaneous expenses in line 24e. If line 24e amount exceeds 10% of line 25, column (A) amount, list line 24e expenses on Schedule O):				
a	HEALTH CARE SUPPLIES	184,704,915	184,672,701	32,214	
b	EQUIPMENT RENTAL & MAINT	24,871,915	11,222,940	13,648,975	
c	SERVICE CONTRACTS	9,582,257	7,338,760	2,243,497	
d	UTILITIES	9,414,226	7,555,079	1,859,147	
e	All other expenses	40,423,620	35,048,149	5,375,471	
25	Total functional expenses. Add lines 1 through 24e.	1,153,566,648	1,037,073,255	116,493,393	0
26	Joint costs. Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation. Check here ☐ if following SOP 98-2 (ASC 958-720).				

Part X

Balance Sheet

Check if Schedule O contains a response or note to any line in this Part X

				(A)		(B)
				Beginning of year		End of year
Assets	1	Cash—non-interest-bearing		1,457,388	1	1,888,730
	2	Savings and temporary cash investments		82,227,233	2	82,767,025
	3	Pledges and grants receivable, net		0	3	0
	4	Accounts receivable, net		131,420,998	4	128,810,671
	5	Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L		11,457,367	5	18,832,367
	6	Loans and other receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions) Complete Part II of Schedule L		0	6	0
	7	Notes and loans receivable, net		0	7	0
	8	Inventories for sale or use		19,236,308	8	22,934,130
	9	Prepaid expenses and deferred charges		10,274,623	9	13,398,661
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a1,413,567,765			
	b	Less accumulated depreciation	10b959,846,264	487,514,124	10c	453,721,501
	11	Investments—publicly traded securities		92,601,963	11	88,428,073
	12	Investments—other securities See Part IV, line 11		78,093,244	12	82,265,135
	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		193,516,357	15	227,261,929
	16	Total assets. Add lines 1 through 15 (must equal line 34)		1,107,799,605	16	1,120,308,222
Liabilities	17	Accounts payable and accrued expenses		120,073,296	17	139,788,467
	18	Grants payable		0	18	0
	19	Deferred revenue		0	19	0
	20	Tax-exempt bond liabilities		67,953,680	20	66,000,384
	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		246,846,554	23	231,654,591
	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		493,032,474	25	420,336,846
	26	Total liabilities. Add lines 17 through 25		927,906,004	26	857,780,288
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		89,356,905	27	166,131,003
	28	Temporarily restricted net assets		75,136,479	28	80,996,443
	29	Permanently restricted net assets		15,400,217	29	15,400,488
	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		179,893,601	33	262,527,934
	34	Total liabilities and net assets/fund balances		1,107,799,605	34	1,120,308,222

Part XI Reconciliation of Net Assets

Check if Schedule O contains a response or note to any line in this Part XI

1	Total revenue (must equal Part VIII, column (A), line 12)	1	1,139,226,683
2	Total expenses (must equal Part IX, column (A), line 25)	2	1,153,566,648
3	Revenue less expenses Subtract line 2 from line 1	3	-14,339,965
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	179,893,601
5	Net unrealized gains (losses) on investments	5	3,353,614
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	93,620,684
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	262,527,934

Part XII Financial Statements and Reporting

Check if Schedule O contains a response or note to any line 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		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	Yes	
2c	If "Yes," to line 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant? If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O	Yes	
3a	As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133?	Yes	
3b	If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits	Yes	

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.**
▶ **Information about Schedule A (Form 990 or 990-EZ) and its instructions is at *www.irs.gov/form990*.**

OMB No 1545-0047

2013

Open to Public
Inspection

Name of the organization KALEIDA HEALTH	Employer identification number 16-1533232
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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) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(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) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(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 2013 (line 6, column (f) divided by line 11, column (f))		14				
15 Public support percentage for 2012 Schedule A, Part II, line 14		15				
16a 33 1/3% support test—2013. 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—2012. 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—2013. 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—2012. 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) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(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) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(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 2013 (line 8, column (f) divided by line 13, column (f))	15	
16 Public support percentage from 2012 Schedule A, Part III, line 15	16	

Section D. Computation of Investment Income Percentage		
17 Investment income percentage for 2013 (line 10c, column (f) divided by line 13, column (f))	17	
18 Investment income percentage from 2012 Schedule A, Part III, line 17	18	
19a 33 1/3% support tests—2013. 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—2012. 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.** 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

Return Reference	Explanation	
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SCHEDULE C

(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Political Campaign and Lobbying Activities

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

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

▶ **See separate instructions. ▶ Information about Schedule C (Form 990 or 990-EZ) and its instructions is at *www.irs.gov/form990*.**

OMB No 1545-0047

2013

Open to Public
Inspection

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

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

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

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

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

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

Name of the organization KALEIDA HEALTH	Employer identification number 16-1533232
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Part I-A Complete if the organization is exempt under section 501(c) or is a section 527 organization.

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

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

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

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

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

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

Part II-A

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

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

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

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

Lobbying Expenditures During 4-Year Averaging Period					
Calendar year (or fiscal year beginning in)	(a) 2010	(b) 2011	(c) 2012	(d) 2013	(e) Total
2a Lobbying nontaxable amount					
b Lobbying ceiling amount (150% of line 2a, column(e))					
c Total lobbying expenditures					
d Grassroots nontaxable amount					
e Grassroots ceiling amount (150% of line 2d, column (e))					
f Grassroots lobbying expenditures					

Part II-B

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

For each "Yes" response to lines 1a through 1i below, provide in Part IV a detailed description of the lobbying activity.		(a)		(b)
		Yes	No	Amount
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
a	Volunteers?	Yes		
b	Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?	Yes		
c	Media advertisements?		No	
d	Mailings to members, legislators, or the public?		No	
e	Publications, or published or broadcast statements?		No	
f	Grants to other organizations for lobbying purposes?	Yes		67,712
g	Direct contact with legislators, their staffs, government officials, or a legislative body?	Yes		171,212
h	Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
i	Other activities?		No	
j	Total. Add lines 1c through 1i.			238,924
2a	Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No	
b	If "Yes," enter the amount of any tax incurred under section 4912.			
c	If "Yes," enter the amount of any tax incurred by organization managers under section 4912.			
d	If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?		No	

Part III-A

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

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

Part III-B

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

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

Part IV

Supplemental Information

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

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

Part IV

Return Reference

Explanation

SCHEDULE D
(Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

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

▶ **Attach to Form 990. ▶ See separate instructions. ▶ Information about Schedule D (Form 990) and its instructions is at www.irs.gov/form990.**

OMB No 1545-0047

2013

Open to Public Inspection

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

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

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

Part II

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

1

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

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

2

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

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

3

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

4

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

5

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

☐ **Yes**☐ **No**

6

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

7

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

8

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

☐ **Yes**☐ **No**

9

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

Part III

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

1a

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

b

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

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

▶ \$ _____

(ii) Assets included in Form 990, Part X

▶ \$ _____

2

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

a

Revenues included in Form 990, Part VIII, line 1

▶ \$ _____

b

Assets included in Form 990, Part X

▶ \$ _____

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

Cat No 52283D

Schedule D (Form 990) 2013

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

- 3

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

☐ Public exhibition

b

☐ Scholarly research

c

☐ Preservation for future generations

d

☐ Loan or exchange programs

e

☐ Other
- 4

Provide a description of the organization's collections and explain how they further the organization's exempt purpose in Part XIII
- 5

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

☐ Yes

☐ No

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

- 1a

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

☐ Yes

☐ No
- b

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

	Amount
1c	
1d	
1e	
1f	
- 2a

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

☐ Yes

☐ No
- b

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

☐

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

	(a)Current year	(b)Prior year	b (c)Two years back	(d)Three years back	(e)Four years back
1a Beginning of year balance	28,644,541	46,995,623	72,587,179	79,899,854	23,068,508
b Contributions	1,589,183	3,133,756	5,877,436	14,188,339	71,865,683
c Net investment earnings, gains, and losses	1,819,135	2,880,650	28,660	2,153,889	3,656,737
d Grants or scholarships					
e Other expenditures for facilities and programs	1,965,422	24,365,488	31,497,652	23,654,903	18,691,074
f Administrative expenses					
g End of year balance	30,087,437	28,644,541	46,995,623	72,587,179	79,899,854

- 2

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

Board designated or quasi-endowment

72 450 %
- b

Permanent endowment
- c

Temporarily restricted endowment

27 550 %
- The percentages in lines 2a, 2b, and 2c should equal 100%
- 3a

Are there endowment funds not in the possession of the organization that are held and administered for the organization by
- (i) unrelated organizations

3a(i)

Yes

No

(ii) related organizations

3a(ii)

Yes
- b

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

3b

Yes
- 4

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

Part VI Land, Buildings, and Equipment. Complete if the organization answered 'Yes' to Form 990, Part IV, line 11a. 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		6,713,867		6,713,867
b Buildings		480,872,803	290,496,656	190,376,147
c Leasehold improvements				
d Equipment		910,891,395	660,744,371	250,147,024
e Other		15,089,700	8,605,237	6,484,463
Total. Add lines 1a through 1e (Column (d) must equal Form 990, Part X, column (B), line 10(c).)				453,721,501

Part XI

Reconciliation of Revenue per Audited Financial Statements With Revenue per Return

Complete if the organization answered 'Yes' to Form 990, Part IV, line 12a.

1	Total revenue, gains, and other support per audited financial statements	1	1,135,375,307
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12		
a	Net unrealized gains on investments	2a	820,810
b	Donated services and use of facilities	2b	
c	Recoveries of prior year grants	2c	
d	Other (Describe in Part XIII)	2d	-850,106
e	Add lines 2a through 2d	2e	-29,296
3	Subtract line 2e from line 1	3	1,135,404,603
4	Amounts included on Form 990, Part VIII, line 12, but not on line 1		
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a	
b	Other (Describe in Part XIII)	4b	3,822,080
c	Add lines 4a and 4b	4c	3,822,080
5	Total revenue Add lines 3 and 4c. (This must equal Form 990, Part I, line 12)	5	1,139,226,683

Part XII

Reconciliation of Expenses per Audited Financial Statements With Expenses per Return.

Complete if the organization answered 'Yes' to Form 990, Part IV, line 12a.

1	Total expenses and losses per audited financial statements	1	1,151,601,226
2	Amounts included on line 1 but not on Form 990, Part IX, line 25		
a	Donated services and use of facilities	2a	
b	Prior year adjustments	2b	
c	Other losses	2c	
d	Other (Describe in Part XIII)	2d	
e	Add lines 2a through 2d	2e	
3	Subtract line 2e from line 1	3	1,151,601,226
4	Amounts included on Form 990, Part IX, line 25, but not on line 1:		
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a	
b	Other (Describe in Part XIII)	4b	1,965,422
c	Add lines 4a and 4b	4c	1,965,422
5	Total expenses Add lines 3 and 4c. (This must equal Form 990, Part I, line 18)	5	1,153,566,648

Part XIII

Supplemental Information

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.

Return Reference	Explanation
INTENDED USE OF ENDOWMENTS	SCHEDULE D, PART V, QUESTION 4 THE FOLLOWING ARE THE INTENDED USES OF THE ORGANIZATION'S ENDOWMENT FUNDS 1) CAPITAL EXPANSION AND IMPROVEMENT 2) ADVANCEMENT OF MEDICAL EDUCATION AND RESEARCH AND HEALTH CARE SERVICES 3) SUPPORT PEDIATRIC HEALTH CARE SERVICES
FIN 48 FOOTNOTE	SCHEDULE D, PART X, QUESTION 2 KALEIDA RECOGNIZES INCOME TAX POSITIONS WHEN IT IS MORE-LIKELY THAN-NOT THAT THE POSITION WILL BE SUSTAINABLE BASED ON THE MERITS OF THE POSITION MANAGEMENT HAS CONCLUDED THAT THERE ARE NO MATERIAL UNCERTAIN TAX POSITIONS THAT NEED TO BE RECORDED
SCHEDULE D, PART XI, LINE 2D	OTHER REVENUE INCLUDED IN AFS, NOT INCLUDED IN 990 LESS MINORITY INTEREST IN SUBSIDIARY SHOWN AS A REDUCTION IN GAINS IN AFS <850,106>
SCHEDULE D, PART XI, LINE 4B	OTHER REVENUE INCLUDED ON 990, NOT IN AFS CONTRIBUTIONS FOR CAPITAL ACQUISITIONS 1,986,127 RESTRICTED CONTRIBUTIONS 1,589,183 RESTRICTED INVESTMENT INCOME 246,770 TOTAL 3,822,080
SCHEDULE D, PART XII, LINE 4B	OTHER EXPENSES INCLUDED ON 990, NOT IN AFS NET ASSETS RELEASED FROM RESTRICTIONS 1,965,422

[illegible]

Additional Data

Software ID:

Software Version:

EIN: 16-1533232

Name: KALEIDA HEALTH

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

(a) Description of security or cateory (including name of security)	(b) Book value	(c) Method of valuation Cost or end-of-year market value
(3) Other		
(A) INTECH RISK-MANAGED L CAP FUND	4,201,124	F
(B) MCM CF GLOBAL ALPHA I FUND	2,717,759	F
(C) WTC CTF RESEAR VALUE PUR 4/06	4,037,133	F
(D) BENCHMARK PLUS INST PART L CAP	5,221,734	F
(E) WTC CIF OPPORTUNISTIC FUND	7,333,170	F
(F) CHARITABLE TEMPORARY INVEST FD	10	F
(G) KALEIDA MIT COMMON FUND LP	66,927	F
(H) COMMON CAP VENTURE PTNRS VI	119,614	F
(I) COMMON FND CAP PRIVATE EQ P V	140,436	F
(J) KALEIDA MIT REALITY LP	389,904	F
(K) KALEIDA SI REALITY LP	1,419,730	F
(L) DWS GLOBAL COMMODITIES	5,912,185	F
(M) ROBECO GLOBAL EMERGING MARKETS	4,085,150	F
(N) AQR GLOBAL RISK	9,931,683	F
(O) PANAGORA RISK PARITY TOTAL RET	9,427,920	F
(P) ORCHARD LANDMARK LTD PTNRS	842,898	F
(Q) PICTET LOCAL EMERGING	6,980,506	F
(R) ABERDEEN EMERGING MARKETS	3,158,211	F
(S) PERMAL FIXED INCOME HOLDING	4,846,211	F
(T) CRESTLINE OFFSHORE FUND	4,520,486	F
(U) MACKAY SHIELDS HIGH YIELD LP	6,912,344	F

SCHEDULE H
(Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

► Complete if the organization answered "Yes" to Form 990, Part IV, question 20.
► Attach to Form 990. ► See separate instructions.
► Information about Schedule H (Form 990) and its instructions is at *www.irs.gov/form990*.

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
KALEIDA HEALTH

Employer identification number
16-1533232

Part I

Financial Assistance and Certain Other Community Benefits at Cost

		Yes	No
1a	Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a	1a Yes	
b	If "Yes," was it a written policy?	1b Yes	
2	If the organization had multiple hospital facilities, indicate which of the following best describes application of the financial assistance policy to its various hospital facilities during the tax year ☒ 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 _____ % 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 _____ % c If the organization used factors other than FPG in determining eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care Include in the description whether the organization used an asset test or other threshold, regardless of income, as a factor in determining eligibility for free or discounted care 4 Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for free or discounted care to the "medically indigent"?	3a Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	3b Yes	
b	If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?	4 Yes	
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care?	5a Yes	
6a	Did the organization prepare a community benefit report during the tax year?	5b Yes	
b	If "Yes," did the organization make it available to the public?	5c	No
	Complete the following table using the worksheets provided in the Schedule H instructions Do not submit these worksheets with the Schedule H	6a Yes	
		6b Yes	

7

Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheet 1)			13,719,153	3,461,602	10,257,551	0 890 %
b Medicaid (from Worksheet 3, column a)			311,531,063	214,387,951	97,143,112	8 420 %
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d Total Financial Assistance and Means-Tested Government Programs			325,250,216	217,849,553	107,400,663	9 310 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			4,721,435		4,721,435	0 410 %
f Health professions education (from Worksheet 5)			46,571,686	23,625,598	22,946,088	1 990 %
g Subsidized health services (from Worksheet 6)			45,167,196	12,503,327	32,663,869	2 830 %
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)			175,009		175,009	0 020 %
j Total Other Benefits			96,635,326	36,128,925	60,506,401	5 250 %
k Total . Add lines 7d and 7j			421,885,542	253,978,478	167,907,064	14 560 %

Part II

Community Building Activities

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

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

Part III

Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

1

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

1

Yes

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

15,243,995

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

951,225

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

174,119,579

6

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

6

170,396,650

7

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

7

3,722,929

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 MFSC LLC	PHYSICIAN SERVICES	51.000 %		49.000 %
2 COMMUNITY MEDICAL P	PHYSICIAN SERVICES			100.000 %
3 GENERAL PHYSICIANS	PHYSICIAN SERVICES			100.000 %
4 HARLEM ROAD LEASING	MRI EQUIPMENT LEASING	50.000 %		
5 AMTON IMAGING LLC	HEALTH CARE SERVICES	40.000 %		
6 PARK CLUB LANE LLC	HEALTH CARE SERVICES	30.000 %		
7 WNY HEALTNET LLC	HEALTH CARE SERVICES	14.286 %		
8 CHILD HEALTH INV I	HEALTH CARE SERVICES	2.972 %		
9 CHILD HEALTH INV II	HEALTH CARE SERVICES	1.207 %		
10SITE E LLC	REAL ESTATE LEASING CO	50.186 %		
11Northtowns Venture	Health Care Services	50.000 %		
12GNYHA Purchasing All	Group Purchasing Organization	2.590 %		
13Altus Management LL	Group Purchasing Organization	52.548 %		

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?
4

Name, address, primary website address, and state license number

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

Part V Facility Information (continued)

Section B. Facility Policies and Practices

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

Group A

Name of hospital facility or facility reporting group

If reporting on Part V, Section B for a single hospital facility 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 Yes	
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 <u>13</u>		
3 In conducting its most recent CHNA, did the hospital facility take into account input from persons who represent the broad interests 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 Yes	
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 Yes	
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 Yes	
a ☒ Hospital facility's website (list url) <u>www.kaleidahealth.org/community/</u>		
b ☐ Other website (list url) <u>publications.asp</u>		
c ☒ Available upon request from the hospital facility		
d ☐ 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 as of the end of the tax year)		
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	No
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	No
b If "Yes" to line 8a, did the organization file Form 4720 to report the section 4959 excise tax?	8b	
c If "Yes" to line 8b, what is the total amount of section 4959 excise tax the organization reported on Form 4720 for all of its hospital facilities? \$_____		

Part V

Facility Information (continued)

Financial Assistance Policy		Yes	No	
9	Did the hospital facility have in place during the tax year a written financial assistance policy that Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	9	Yes	
10	Used federal poverty guidelines (FPG) to determine eligibility for providing free care? If "Yes," indicate the FPG family income limit for eligibility for free care 200 % If "No," explain in Part VI the criteria the hospital facility used	10	Yes	
11	Used FPG to determine eligibility for providing discounted care? If "Yes," indicate the FPG family income limit for eligibility for discounted care 400 % 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	☐ Residency			
i	☐ 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 individual'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 Section C)			
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 individual'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 Section C)			

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 individuals regarding the individuals' bills
- d

☐

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

☐

Other (describe in Section C)

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 individual 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 individual an amount equal to the gross charge for any service provided to that individual? If "Yes," explain in Part VI		No

Section C. Supplemental Information for Part V, Section B. Provide descriptions required for Part V, Section B, lines 1j, 3, 4, 5d, 6i, 7, 10, 11, 12i, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22. If applicable, provide separate descriptions for each facility in a facility reporting group, designated by "Facility A," "Facility B," etc.

Schedule H (Form 990) 2013

Part V

Facility Information (continued)

Section D. 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? 29

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

Part VI Supplemental Information

Provide the following information

- 1
2
3
4
5
6
7
- Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7, Part II and Part III, lines 2, 3, 4, 8 and 9b

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

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

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

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)

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

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

Form and Line Reference	Explanation
Part I, Line 3C	Kaleida Health (Kaleida) has developed, implemented and communicates its Financial Assistance (Charity Care) policy, which assists low income, uninsured or underinsured individuals who lack the financial resources to pay for medical services rendered Levels of discounts are awarded based upon income and asset verification and in accordance with the Federal Poverty Guidelines as published annually by the U S Department of Health and Human Services Individuals are notified during intake and registration of Kaleida's Charity Care program After review of income and assets, an individual may be approved for free care (100% discount) or a discount level of 50, 60, 75, or 90%, for medically necessary inpatient, outpatient, emergency room or nursing home services rendered at a Kaleida facility, as follows Less than 200% of Federal Poverty Guideline is awarded 100% discount 200% - 249% of Federal Poverty Guideline is awarded 90% discount 250% - 299% of Federal Poverty Guideline is awarded 75% discount 300% - 349% of Federal Poverty Guideline is awarded 60% discount 350% - 400% of Federal Poverty Guideline is awarded 50% discount The applicant for free or reduced price care is contacted by a facilitated enroller or a navigator for financial screening and enrollment in a government-funded program, if eligible
PART I, LINE 7	The amounts reported in the table under Part 1, Line 7 were determined using the Health System's Decision Support software program and revenue and expenses from the general ledger The overall revenue and expenses included in the decision support software program were reconciled to the general ledger which reconciles to the audited financial statements The decision support software program allocates direct costs to each patient account based on the resources used by that patient within the specific cost center Indirect costs are allocated using similar stepdown methodology used by CMS in the Institutional Cost Report Costing Methodology Used in Determining the Amounts Reported on Lines 2 and 3 of Part III and the Rationale for Including a Portion of Bad Debt Amounts as Community Benefit Bad Debt Expense is recorded using the valuation method as outlined in Healthcare Financial Management Association Statement 15, which requires bad debt expense to be recorded at the amount that the payer is expected to pay In order to report the costs associated with bad debt expense, the reported bad debt expense needs to be adjusted so that the amount expected to be paid reflects gross charges, prior to the application of an RCC Kaleida Health adjusts bad debt expense prior to the application of an RCC so that the reported bad debt expense at cost, on Part III, line 2 of IRS Form 990, Schedule H reflects the true cost of the bad debts The organization has a Charity Care Policy, and any write-offs as a result of this policy are recorded as Charity Care Allowances and are a reduction of the New Patient Revenue Individuals who may qualify for Charity Care assistance under the policy, but do not volunteer to complete the application process would not be granted Charity Care assistance Kaleida also uses a presumptive charity care process, which has determined that 24% of self-pay bad debt expense in 2013 would have been eligible for charity care assistance Therefore, we believe that the level of charity care included in bad debt expense to be approximately \$951,225 We estimated this amount by using the 2013 calculated presumptive eligibility percentage on bad debt write-off's amounts over \$500 (26%), and applied this percentage to those bad debt write-off's amounts under \$500, to determine the bad debt write-off's that would have been eligible, if they were scored using the presumptive eligibility process Bad debt is not included as community benefit

Form and Line Reference	Explanation
PART III, LINE 4	Kaleida provides care to patients who meet certain criteria under its charity care policies without charge or at amounts less than their established rates. Because Kaleida does not anticipate collection of amounts determined to qualify as charity care, they are not reported as revenue. Kaleida grants credit without collateral to patients, most of whom are local residents and are insured by commercial and government insurance plans. Additions to the estimated allowance for doubtful accounts are made by means of the provision for bad debts. Accounts written off as uncollectible are deducted from the allowance and subsequent recoveries are added. The amount of the provision for bad debts is based upon management's assessment of historical and expected net collections, business and economic conditions, trends in federal and state governmental healthcare coverage, and other collection indicators. The provision for bad debts primarily relates to patients without insurance and to those that are either underinsured or without the necessary resources to pay coinsurance and deductible balances.
Part III, Line 8	There are no Medicare shortfalls included in the calculation of community benefit. Costing methodology used to determine the Medicare allowable costs reported in the Medicare Cost Report, as reflected in Part III, line 6. Kaleida Health used the filed, but unaudited 2013 CMS Medicare Cost Report to determine the amounts reported on these lines.

Form and Line Reference	Explanation
Part III, Line 9B	Only after a patient's liability has been determined following processing of applications for government assistance, charity care, and/or insurance carrier remittance will the patient statement be mailed for payment recovery. Kaleida Health has implemented a pre-collection process for accounts with an insurance balance of zero, a positive patient balance greater than \$4.99, and a first bill date older than 60 days but not previously paid in full by the patient (excluding accounts for patients that have submitted a completed application for Charity Care, Medicaid, or Child Health Plus, and an eligibility determination is pending). At the time that a patient expresses a financial concern, the patient will be offered the opportunity to apply for charity care. Once the patient submits the completed charity care application, the account is placed on hold and all collection activities are suspended until an eligibility determination is made. If the patient is eligible for charity care, then the patient is notified of the level of charity care awarded. If 100% charity care is awarded, then no bill is sent to the patient. If less than 100% charity care is awarded, then the patient will receive a bill pursuant to the private pay collection policy.
Community Health Needs Assessment Process	Kaleida Health assesses the needs of the community through a Community Health Needs Assessment. The CHNA was completed in 2013. A copy of the CHNA can be found on our website at www.kaleidahealth.org/community/publications.asp and is attached to this return.

Form and Line Reference	Explanation
Patient Education of Eligibility for Assistance	Kaleida Health informs individuals of available free or reduced price services at the time of registration into the inpatient, outpatient, emergency department, and long-term care facility. Posters informing the patient/family of assistance are available throughout the Kaleida locations. Brochures and pamphlets informing the community are widely distributed in the community at health fairs, churches, schools and other public locations. Information regarding the availability of financial assistance is also available through Kaleida's website. Kaleida Health offers assistance to individuals in our community for accessing affordable health care, including: * NY Health Exchange Navigation: Assists with navigating, selecting, and applying for enrollment in NY Health Exchange offerings. - Dedicated and state-trained staff assist individuals in person or via the phone. In addition to offering in-person appointments at Kaleida Health sites, Kaleida Health opened a community-based location in late 2013. * Centers for Medicaid & Medicare Services (CMS): Kaleida Health staff facilitate enrollment with a targeted focus on children up to the age of 21 enrolled in Buffalo Public Schools and throughout Western New York. * Facilitated Enrollment: Assists eligible individuals with health insurance enrollment by offering education and application assistance for Medicaid, Child Health Plus, Prenatal Care Assistance Program, State Aid for Children with Special Needs, and Qualified Health Plans through the Affordable Care Act. A dedicated telephone number is available and information is published in pamphlets at Kaleida sites and at various locations throughout the community. * Financial Assistance Program: As described above, the Kaleida Financial Assistance Program offers free or reduced-prices for patients treated at Kaleida Health hospitals, outpatient, emergency room, or long-term care facilities. Discounts are awarded based upon income and asset verification.
Community Information	Three Kaleida Health hospitals are located in Erie County and one, DeGraff Memorial Hospital, is located in Niagara County less than one mile from the Erie County border. Erie County: According to MedStat Market Expert 2013 data, less than one million people reside in Erie County. The population continues to decline and has done so even since the 2010 census where there were 925,717 residents in comparison to the 922,988 who live in the county today. Similar to New York State, there are more females than males. However, there are fewer children under age 18 and more residents over age 55 in comparison to New York and the United States. Erie County residents also have a lower household income than the New York State average, which is evident in a higher percentage of residents earning less than \$25,000 per year and fewer earning over \$100,000. In addition, 67 census tracts are identified as medically underserved areas/populations. The largest municipality in Erie County is the City of Buffalo with 277,681 residents. The average household income in the City of Buffalo, \$44,979, is significantly less than the state average. Over 42 percent of households earn less than \$25,000 per year including 26.8 percent earning less than \$15,000 and only 8.4 percent earning over \$100,000. A direct correlation can be drawn to income from the fact that over 17 percent of residents over age 25 do not have a high school degree. The population in the City of Buffalo also has a higher percentage of black non-Hispanics and Hispanics as compared to the rest of the county, 35.6 percent to 13 percent respectively. Niagara County: According to MedStat Market Expert 2013 data, just over 215,000 people reside in Niagara County. Like other upstate New York municipalities, the population continues to decline and has done so even since the 2010 census where there were 216,149 residents. Also similar to neighboring counties, there are more females than males, a low percentage of children under age 18 and a high percentage of residents over age 55. Niagara County residents also have a lower household income than the New York State and national averages. Here, 21 census tracts are identified as medically underserved areas/populations. The City of Niagara Falls is the largest municipality in Niagara County. Residents in Niagara Falls have an average salary equivalent to the City of Buffalo. Like most inner cities in comparison to the suburbs, there are a high percentage of households, here close to 40 percent, that earn less than \$25,000. As compared to North Tonawanda and the county, there are fewer white non-Hispanics, fewer residents over age 25 with a bachelor's degree or higher and a higher percentage of residents that do not have a high school degree. North Tonawanda, where DeGraff is physically located on the Erie County border, has a high percentage of white non-Hispanics and only one percent of non-Hispanic blacks. Residents in North Tonawanda also have a higher average household income in comparison to the rest of the county as more residents have a bachelor's degree and earn over \$100,000. However, the average income is still less than the New York State and U.S. averages. During 2013, there were 55,125 inpatient discharges, of which 25% were Medicaid and Medicaid Managed Care, 41% Medicare and Medicare Managed Care, and 1% were uninsured. There are six other hospitals in Erie County and four other hospitals in Niagara County serving the communities. More information can be found in the 2014-2016 Community Health Needs Assessment and Community Service Plan. The CHNA was completed in fall 2013. A copy of the CHNA can be found on our website at www.kaleidahealth.org/community/publications.asp and is attached to this return.

Form and Line Reference	Explanation
Promotion of Community Health	Kaleida Health's mission is to advance the health of the community. Kaleida Health's vision is to be the regional health care system providing exceptional quality services, with a commitment to education and research, accessible to all. The Organization's values illustrate how these goals are achieved: Accountability. We take personal responsibility for delivering results. Patient-Centered. We put patients and families first. Integrity. We demonstrate honesty in everything we do. Excellence. As a team, we pursue exceptional performance with passion. To carry out the mission, much of Kaleida Health's community benefit work is focused on the needs of low income, medically underserved populations. Kaleida Health representatives actively engage in various community health collaborations with local health departments, state health department and local not-for-profit health and human service agencies. Poverty trends, community health research and local community health needs are reviewed on a regular basis while planning services and programs. Responsive to community priorities, program development and services fill identified gaps or supplement existing programs. Most Kaleida Health community health outreach programs are offered in partnership with other community organizations or government agencies in order to leverage resources and meet the community's needs. This includes education and active participation in health events with targeted audiences. Information regarding availability of community health programs, assistance with health insurance enrollment and financial assistance for medical care received at Kaleida Health hospitals, emergency departments, outpatient clinics or long-term care facilities is disseminated to the public in the community benefit and triennial community services plan and available on the Kaleida Health website or in print form upon request. The Visiting Nursing Association of Western New York, Inc., Kaleida Health's home care affiliate, also works to promote the health of the community. This includes educating chronic care patients on self-management and personal care in areas such as rehabilitation services, nutrition education and therapy, infection control, falls risk assessment and intervention, and health education related to improved lifestyle choices for individuals and families in their homes and the community. Community-based prevention programs, such as one of the area's largest annual community influenza immunization program, also are offered through the Visiting Nursing Association.
Kaleida Health Board of Directors	Kaleida Health maintains control over the corporation through its self-perpetuating, 13 member governing board of directors. The board of directors, the majority of whom reside in Western New York, is comprised of community leaders from the faith, business and industry, and healthcare sectors, including physicians who are on the medical staff. Each director serves a three-year term and is not an employee, independent contractor, or family member of Kaleida Health.

Form and Line Reference	Explanation
State in which the organization files a community benefit report	New York State
PART V, SECTION B, LINE 7	DUE TO LIMITED RESOURCES, KALEIDA HEALTH PRIORITIZES THE NEEDS IDENTIFIED IN THE COMMUNITY HEALTH NEEDS ASSESSMENT

Additional Data

Software ID:

Software Version:

EIN: 16-1533232

Name: KALEIDA HEALTH

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

Section D. 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 HighPointe on Michigan 1031 Michigan Ave Buffalo, NY 14203	Inpatient Skilled Nursing Facility
2 Center for Laboratory Medicine 115 Flint Road Amherst, NY 14226	Inpatient Skilled Nursing Facility
3 MFSC LLC Ambulatory Surgery Center 215 Klein Road Williamsville, NY 14221	Inpatient Skilled Nursing Facility
4 ELMWOOD OBGYN 239 BRYANT Street Buffalo, NY 14222	Inpatient Skilled Nursing Facility
5 COMMUNITY MENTAL HEALTH CENTER 1010 MAIN STREET Buffalo, NY 14203	Inpatient Skilled Nursing Facility
6 NORTH BUFFALO MEDICAL PARKHERTEL ELMWOO 900 HERTEL AVENUE BUFFALO, NY 14207	Inpatient Skilled Nursing Facility
7 WCHOB HODGE PEDIATRICS 125 HODGE STREET Buffalo, NY 14222	Inpatient Skilled Nursing Facility
8 ENDOCRINOLOGY CLINIC 115 FLINT ROAD AMHERST, NY 14226	Inpatient Skilled Nursing Facility
9 KALEIDA HEALTH FAMILY PLANNING CENTER 1313 MAIN ST Buffalo, NY 14209	Inpatient Skilled Nursing Facility
10 WCHOB SPECIALTY CLINICS 140 HODGE STREET BUFFALO, NY 14222	Inpatient Skilled Nursing Facility
11 BUFFALO THERAPY SERVICES 115 FLINT ROAD AMHERST, NY 14226	Inpatient Skilled Nursing Facility
12 TOWN GARDEN PEDIATRICS 461 WILLIAM STREET BUFFALO, NY 14204	Inpatient Skilled Nursing Facility
13 STANLEY MAKOWSKI SBHC 1095 JEFFERSON AVENUE BUFFALO, NY 14214	Inpatient Skilled Nursing Facility
14 KENSINGTON OBGYN 462 GRIDER STREET Buffalo, NY 14215	Inpatient Skilled Nursing Facility
15 LANCASTER ADDICTIONS CLINIC 11 WEST MAIN STREET LANCASTER, NY 14086	Inpatient Skilled Nursing Facility
16 AMHERST GENERAL 4955 NORTH BAILEY AVE SUITE 207 AMHERST, NY 14226	Inpatient Skilled Nursing Facility
17 WCHOB CHILD PROTECTION CENTER 556 FRANKLIN STREET BUFFALO, NY 14202	Inpatient Skilled Nursing Facility
18 WESTMINSTER #68 SBHC 72 PAWNEE PARKWAY BUFFALO, NY 14215	Inpatient Skilled Nursing Facility
19 DR M L KING SBHC 487 HIGH STREET Buffalo, NY 14211	Inpatient Skilled Nursing Facility
20 DR LYDIA WRIGHT SCHOOL OF EXC #89 SBHC 106 APPENHEIMER STREET Buffalo, NY 14214	Inpatient Skilled Nursing Facility
21 HERMAN BADILLO BILINGUAL ACAD #76 SBHC 315 CAROLINE STREET Buffalo, NY 14201	Inpatient Skilled Nursing Facility
22 BENNETT HIGH SBHC 2885 MAIN STREET Buffalo, NY 14214	Inpatient Skilled Nursing Facility
23 BUFFALO ELEM SCHOOL OF TECHNOLOGY 414 S DIVISION STREET Buffalo, NY 14204	Inpatient Skilled Nursing Facility
24 BUILD Academy #91 SBHC 340 FOUGERON STREET Buffalo, NY 14211	Inpatient Skilled Nursing Facility
25 HILLERY PARK SBHC 72 PAWNEE PARKWAY BUFFALO, NY 14210	Inpatient Skilled Nursing Facility
26 LANCASTER OBGYN 6363 TRANSIT ROAD LANCASTER, NY 14086	Inpatient Skilled Nursing Facility
27 MCKINLEY OBGYN 3860 MCKINLEY PARKWAY HAMBURG, NY 14219	Inpatient Skilled Nursing Facility
28 LOCKPORT OBGYN 475 SOUTH TRANSIT ROAD LOCKPORT, NY 14094	Inpatient Skilled Nursing Facility
29 SOUTHTOWNS CLINIC 4535 SOUTHWESTERN BOULEVARD HAMBURG, NY 14075	Inpatient Skilled Nursing Facility

Schedule I
(Form 990)

Department of the Treasury
Internal Revenue Service

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

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

▶ Information about Schedule I (Form 990) and its instructions is at www.irs.gov/form990.

OMB No 1545-0047

2013

Open to Public
Inspection

Name of the organization
KALEIDA HEALTH

Employer identification number
16-1533232

Part I

General Information on Grants and Assistance

- 1

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

☒ Yes ☐ No
- 2

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

Part II

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

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
(1) UB FOUNDATION 3435 MAIN STREET SUNY BUFFALO BUFFALO, NY 14231	16-0865182	501(c)(3)	25,500				SPONSORSHIP
(2) CANISIUS COLLEGE 2001 MAIN STREET SUITE 107 BUFFALO, NY 14208	16-0743942	501(C)(3)	5,180				SPONSORSHIP
(3) MERCY FLIGHT INC 100 AMHERST VILLA ROAD BUFFALO, NY 14225	22-2560963	501(c)(3)	15,000				SPONSORSHIP
(4) Community Foundation for Greater Buffalo 726 Exchange St 525 Buffalo, NY 14210	22-2743917	501(C)(3)	300,000				Uncompensated Care
(5) WNY CLINICAL INFO EXCHANGE 2568 WALDEN AVE SUITE 107 CHEEKTOWAGA, NY 14225	36-4594483	501(C)(3)	60,000				CONTRIBUTION
(6) RONALD MCDONALD HOUSE OF BUFFALO 780 WEST FERRY STREET SUITE 125 BUFFALO, NY 14222	22-2438932	501(C)(3)	5,500				SPONSORSHIP
(7) UPSTATE NEW YORK TRANSPLANT SERVICES 110 BROADWAY STREET BUFFALO, NY 14203	16-1172453	501(C)(3)	8,000				SPONSORSHIP
(8) WNY HEALTTHENET LLC 2568 WALDEN AVE SUITE 107 CHEEKTOWAGA, NY 14225	04-3726634	N/A	80,000				CONTRIBUTION

2

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

7

3

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

1

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. Provide the information required in Part I, line 2, Part III, column (b), and any other additional information.

Return Reference	Explanation
FORM 990, SCHEDULE I	PART I, LINE 2 DESCRIPTION OF ORGANIZATION'S PROCEDURES FOR MONITORING THE USE OF GRANTS KALEIDA HEALTH MAKES CONTRIBUTIONS TO ORGANIZATIONS IN WESTERN NEW YORK THAT ALSO HAVE HEALTH CARE RELATED ACTIVITIES ALL CONTRIBUTIONS MUST BE APPROVED BY THE GOVERNING BODY BEFORE THE MONEY IS DISTRIBUTED

Additional Data

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

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
UB FOUNDATION 3435 MAIN STREET SUNY BUFFALO BUFFALO,NY 14231	16-0865182	501(c)(3)	25,500				SPONSORSHIP

Form 990, Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
CANISIUS COLLEGE 2001 MAIN STREET SUITE 107 BUFFALO, NY 14208	16-0743942	501(C)(3)	5,180				SPONSORSHIP

Form 990, Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
MERCY FLIGHT INC 100 AMHERST VILLA ROAD BUFFALO, NY 14225	22-2560963	501(c)(3)	15,000				SPONSORSHIP

Form 990, Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
Community Foundation for Greater Buffalo 726 Exchange St 525 Buffalo, NY 14210	22-2743917	501(C)(3)	300,000				Uncompensated Care

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV , appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
WNY CLINICAL INFO EXCHANGE 2568 WALDEN AVE SUITE 107 CHEEKTOWAGA,NY 14225	36-4594483	501(C)(3)	60,000				CONTRIBUTION

Form 990, Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
RONALD MCDONALD HOUSE OF BUFFALO 780 WEST FERRY STREET SUITE 125 BUFFALO, NY 14222	22-2438932	501(C)(3)	5,500				SPONSORSHIP

Form 990, Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
UPSTATE NEW YORK TRANSPLANT SERVICES 110 BROADWAY STREET BUFFALO, NY 14203	16-1172453	501(C)(3)	8,000				SPONSORSHIP

Form 990, Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
WNY HEALTHENET LLC 2568 WALDEN AVE SUITE 107 CHEEKTOWAGA, NY 14225	04-3726634	N/A	80,000				CONTRIBUTION

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, line 23.
▶ Attach to Form 990. ▶ See separate instructions.

▶ Information about Schedule J (Form 990) and its instructions is at www.irs.gov/form990.

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
KALEIDA HEALTH

Employer identification number
16-1533232

Part I

Questions Regarding Compensation

	Yes	No
1a Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a. Complete Part III to provide any relevant information regarding these items. ☐ First-class or charter travel ☐ 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 Yes	
2 Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all directors, trustees, officers, including the CEO/Executive Director, regarding the items checked in line 1a?	2 Yes	
3 Indicate which, if any, of the following the filing organization used to establish the compensation of the organization's CEO/Executive Director. Check all that apply. Do not check any boxes for methods used by a related organization to establish compensation of the CEO/Executive Director, but explain in Part III. ☒ 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 Yes	
b Participate in, or receive payment from, a supplemental nonqualified retirement plan?	4b Yes	
c Participate in, or receive payment from, an equity-based compensation arrangement? If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III.	4c	No
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? If "Yes," to line 5a or 5b, describe in Part III.	5b	No
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? If "Yes," to line 6a or 6b, describe in Part III.	6b	No
7 For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III.	7	No
8 Were any amounts reported in Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in Regulations section 53.4958-4(a)(3)? If "Yes," describe in Part III.	8	No
9 If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53.4958-6(c)?	9	

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

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

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

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

Part III Supplemental Information

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.

Return Reference	Explanation
HEALTH OR SOCIAL CLUB DUES	SCHEDULE J, PART I, LINE 1A AS PART OF THEIR COMPENSATION PACKAGE, OFFICERS AND KEY EMPLOYEES OF THE ORGANIZATION ARE ENTITLED TO CHOOSE AS AN EXECUTIVE PERK THE BENEFIT OF BUSINESS RELATED SOCIAL DUES OR INITIATION FEES
SEVERANCE PAYMENTS	SCHEDULE J, PART I, LINE 4A THE FOLLOWING FORMER EMPLOYEES LISTED ON FORM 990, PART VII, SECTION A RECEIVED SEVERANCE PAYMENTS DURING 2013 CONNIE VARI, FORMER COO, \$638,809 TAMARA OWEN, FORMER VP OF INTEGRATION, \$188,838
EXECUTIVE DEFERRED RETIREMENT PLAN	SCHEDULE J, PART I, LINE 4B DURING THE YEAR, THE FOLLOWING OFFICERS AND KEY EMPLOYEES LISTED ON FORM 990, PART VII, SECTION A PARTICIPATED IN THE EXECUTIVE DEFERRED RETIREMENT PLAN ROBERT NOLAN, CONNIE VARI, JOSEPH KESSLER, JAMES KASKIE, DONALD BOYD, MARGARET PAROSKI, CHERYL KLASS, AND TONI BOOKER EMPLOYER AND EMPLOYEE CONTRIBUTIONS DURING THE YEAR TO THIS PLAN HAVE BEEN REPORTED, AS REQUIRED, ON SCHEDULE J, PART II COLUMNS (B)(III) AND (C) DURING 2013, THE FOLLOWING OFFICERS RECEIVED PAYMENTS UNDER AN EXECUTIVE DEFERRED RETIREMENT PLAN JOSEPH KESSLER \$731,613 JAMES KASKIE \$284,028 MARGARET PAROSKI \$116,687 CONNIE VARI \$93,386 DONALD BOYD \$63,949 ROBERT NOLAN \$39,020

Additional Data

Software ID:

Software Version:

EIN: 16-1533232

Name: KALEIDA HEALTH

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

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base Compensation	(ii) Bonus & incentive compensation	(iii) Other compensation				
JAMES KASKIE PRES/CEO EX-OFFICIO WITH VOTE	(i) (ii)	936,495 0	630,000 0	332,659 0	31,030 0	13,180 0	1,943,364 0	284,028 0
ROBERT NOLAN GENERAL COUNSEL	(i) (ii)	368,258 0	85,000 0	46,520 0	21,784 0	13,628 0	535,190 0	39,020 0
JOSEPH KESSLER EVP, CFO	(i) (ii)	498,120 0	118,750 0	739,113 0	29,568 0	13,807 0	1,399,358 0	731,613 0
MARGARET PAROSKI MD EVP, CMO	(i) (ii)	446,154 0	84,000 0	141,687 0	0 0	0 0	671,841 0	116,687 0
TONI BOOKER EVP HUMAN RESOURCES OFFICER	(i) (ii)	326,064 0	75,000 0	10,000 0	132,674 0	6,062 0	549,800 0	0 0
AARON HOFFMAN MD EMPLOYED PHYSICIAN	(i) (ii)	1,092,326 0	0 0	0 0	7,428 0	13,990 0	1,113,744 0	0 0
KAVEH VALI MD EMPLOYED PHYSICIAN	(i) (ii)	704,160 0	0 0	0 0	3,841 0	934 0	708,935 0	0 0
KATHRYN BASS MD EMPLOYED PHYSICIAN	(i) (ii)	615,560 0	0 0	0 0	4,490 0	997 0	621,047 0	0 0
PUNEET GUPTA MD EMPLOYED PHYSICIAN	(i) (ii)	401,858 0	0 0	0 0	4,714 0	794 0	407,366 0	0 0
VINCENT CALLANAN MD EMPLOYED PHYSICIAN	(i) (ii)	439,314 0	0 0	0 0	28,522 0	13,735 0	481,571 0	0 0
CHERYL KASS SVP OPS BGMC, PRESIDENT WCHOB	(i) (ii)	523,972 0	175,000 0	7,500 0	257,969 0	6,326 0	970,767 0	0 0
DONALD BOYD SVP BUSINESS DEVELOPMENT	(i) (ii)	427,654 0	114,000 0	71,449 0	21,325 0	13,681 0	648,109 0	63,949 0
CHRISTOPHER LANE PRESIDENT-MFS	(i) (ii)	340,852 0	75,000 0	2,500 0	20,335 0	13,602 0	452,289 0	0 0
TAMARA OWEN VP OF INTEGRATION	(i) (ii)	43,780	0	353,105	2,418	1,198	400,501	0
CONNIE VARI Former EVP, COO	(i) (ii)			731,366		13,180	744,546	93,386

Schedule K
(Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Information on Tax Exempt Bonds

▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 24a. Provide descriptions, explanations, and any additional information in Part VI.
▶ Attach to Form 990. ▶ See separate instructions.
▶ Information about Schedule K (Form 990) and its instructions is at www.irs.gov/form990.

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
KALEIDA HEALTH

Employer identification number
16-1533232

Part I Bond Issues

(a) Issuer name	(b) Issuer EIN	(c) CUSIP #	(d) Date issued	(e) Issue price	(f) Description of purpose	(g) Defeased		(h) On behalf of issuer		(i) Pool financing	
						Yes	No	Yes	No	Yes	No
A Dormitory Authority - State of New York	14-6000293	64983Q429	09-21-2006	81,810,000	RENOVATIONS TO FACILITIES		X		X		X

Part II Proceeds

		A		B		C		D	
1	Amount of bonds retired	10,615,000							
2	Amount of bonds legally defeased	0							
3	Total proceeds of issue	86,266,211							
4	Gross proceeds in reserve funds	44,569,941							
5	Capitalized interest from proceeds	5,074,243							
6	Proceeds in refunding escrows	0							
7	Issuance costs from proceeds	1,213,231							
8	Credit enhancement from proceeds	1,836,365							
9	Working capital expenditures from proceeds	2,067,415							
10	Capital expenditures from proceeds	69,802,989							
11	Other spent proceeds	0							
12	Other unspent proceeds	0							
13	Year of substantial completion	2008							
		Yes	No	Yes	No	Yes	No	Yes	No
14	Were the bonds issued as part of a current refunding issue?		X						
15	Were the bonds issued as part of an advance refunding issue?		X						
16	Has the final allocation of proceeds been made?	X							
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	X							

Part III Private Business Use

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

Part III

Private Business Use (Continued)

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
3a	Are there any management or service contracts that may result in private business use of bond-financed property?	X							
b	If "Yes" to line 3a, does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts relating to the financed property?	X							
c	Are there any research agreements that may result in private business use of bond-financed property?		X						
d	If "Yes" to line 3c, does the organization routinely engage bond counsel or other outside counsel to review any research agreements relating to the financed property?								
4	Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government	0 %							
5	Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government								
6	Total of lines 4 and 5								
7	Does the bond issue meet the private security or payment test?		X						
8a	Has there been a sale or disposition of any of the bond financed property to a nongovernmental person other than a 501(c)(3) organization since the bonds were issued?		X						
b	If "Yes" to line 8a, enter the percentage of bond-financed property sold or disposed of								
c	If "Yes" to line 8a, was any remedial action taken pursuant to Regulations sections 1.141-12 and 1.145-2?		X						
9	Has the organization established written procedures to ensure that all nonqualified bonds of the issue are remediated in accordance with the requirements under Regulations sections 1.141-12 and 1.145-2?		X						

Part IV

Arbitrage

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

Part IV

Arbitrage (Continued)

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

Part V

Procedures To Undertake Corrective Action

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

Part VI

Supplemental Information. Provide additional information for responses to questions on Schedule K (see instructions).

Return Reference	Explanation
Supplemental Information	SCHEDULE K, PART IV, ARBITRAGE, LINE 2C (A) ISSUER NAME DORMITORY AUTHORITY - STATE OF NEW YORK DATE THE REBATE COMPUTATION WAS PERFORMED 08/31/2011 PART II, LINE 3 - THE TOTAL PROCEEDS DO NOT AGREE TO THE ISSUE PRICE IN PART I, COLUMN (E) DUE TO INVESTMENT EARNINGS PART II, LINE 3 - THE TOTAL PROCEEDS DO NOT EQUAL THE SUMMATION OF LINES 4-12 DUE TO TRANSFERRED OR REPLACEMENT PROCEEDS IN LINE 4 PART IV, COLUMN B, LINE 5C - CONSTRUCTION FUND - 2 5 YEARS, RESERVE FUND - 4 4 YEARS

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.
▶ Information about Schedule L (Form 990 or 990-EZ) and its instructions is at
www.irs.gov/form990.

OMB No 1545-0047
2013
Open to Public Inspection

Name of the organization
KALEIDA HEALTH

Employer identification number
16-1533232

Part I Excess Benefit Transactions (section 501(c)(3) and section 501(c)(4) organizations only).
Complete if the organization answered "Yes" on Form 990, Part IV, line 25a or 25b, or Form 990-EZ, Part V, line 40b

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

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

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

Part II Loans to and/or From Interested Persons.
Complete if the organization answered "Yes" on Form 990-EZ, Part V, line 38a, or Form 990, Part IV, line 26, or if the organization reported an amount on Form 990, Part X, line 5, 6, or 22

(a) Name of interested person	(b) Relationship with organization	(c) Purpose of loan	(d) Loan to or from the organization?		(e)Original principal amount	(f)Balance due	(g) In default?		(h) Approved by board or committee?		(i)Written agreement?	
			To	From			Yes	No	Yes	No	Yes	No
(1) Dr Andras Vari		See Part V		X	18,832,367	18,832,367		No	Yes		Yes	
Total ▶ \$						18,832,367						

Part III Grants or Assistance Benefitting Interested Persons.
Complete if the organization answered "Yes" on Form 990, Part IV, line 27.

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

Part IVBusiness Transactions Involving Interested Persons.

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

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
(1) GREATER NEW YORK HOSPITAL ASSOCIATI	SEE PART V	115,625	SEE PART V		No
(2) JOCELYN BELISLE	SEE PART V	73,106	SEE PART V		No
(3) DAVID VARI	SEE PART V	63,087	SEE PART V		No
(4) SUSAN EVANS	SEE PART V	74,885	SEE PART V		No
(5) Dr ANDRAS VARI	SEE PART V	95,047	SEE PART V		No

Part VSupplemental Information

Provide additional information for responses to questions on Schedule L (see instructions)

Return Reference	Explanation
LOANS TO INTERESTED PERSONS	SCHEDULE L, PART II DR ANDRAS VARI, COLUMN B - RELATIONSHIP BETWEEN INTERESTED PERSON AND ORGANIZATION DR ANDRAS VARI, AN INTERESTED PERSON TO KALEIDA HEALTH, IS FORMER OWNER OF GENERAL PHYSICIANS, P C (GPPC) COLUMN C - PURPOSE OF THE LOAN DURING 2013, KALEIDA HEALTH LOANED GENERAL PHYSICIANS, P C MONEY TO RE-ACTIVATE THE PHYSICIAN PRACTICE THAT HAS BEEN DORMANT SINCE 2002 THE LOAN WAS MADE TO ASSIST GENERAL PHYSICIANS, P C TO PAY FOR THE COSTS OF ACQUIRING AND EMPLOYING PHYSICIANS AND STAFF AS WELL AS ONGOING OPERATING COSTS OF THE PRACTICE AND WILL BE REPAYED TO KALEIDA ONCE GPPC HAS RE-ESTABLISHED ITS PATIENT BASE AND HAS THE ABILITY TO REPAY
BUSINESS TRANSACTIONS INVOLVING INTERESTED PERSONS	SCHEDULE L, PART IV GREATER NEW YORK HOSPITAL ASSOCIATION, COLUMN B - RELATIONSHIP BETWEEN INTERESTED PERSON AND ORGANIZATION THE CURRENT PRESIDENT/CEO OF THE FILING ORGANIZATION (KALEIDA HEALTH), JAMES KASKIE, WAS ALSO SERVING AS A BOARD MEMBER OF THE GREATER NEW YORK HOSPITAL ASSOCIATION AT THE TIME OF THE TRANSACTION COLUMN D - DESCRIPTION OF THE TRANSACTION DURING 2013, THE ORGANIZATION PAID THE INTERESTED PERSON (GREATER NEW YORK HOSPITAL ASSOCIATION) PARTICIPATION DUES RELATED TO A SUPPLY INITIATIVE PROGRAM JOCELYN BELISLE, COLUMN B - RELATIONSHIP BETWEEN INTERESTED PERSON AND ORGANIZATION JOCELYN BELISLE IS A FAMILY MEMBER OF A FORMER OFFICER OF THE ORGANIZATION, CONNIE VARI, WHO RECEIVED COMPENSATION FROM THE ORGANIZATION IN EXCESS OF \$10,000 COLUMN D - DESCRIPTION OF THE TRANSACTION DURING 2013, THE ORGANIZATION PAID THE INTERESTED PERSON (JOCELYN BELISLE) IN THE NORMAL COURSE OF BUSINESS TO FURNISH SERVICES AS A PERFORMANCE IMPROVEMENT PROJECT COORDINATOR DAVID VARI, COLUMN B - RELATIONSHIP BETWEEN INTERESTED PERSON AND ORGANIZATION DAVID VARI IS A FAMILY MEMBER OF A FORMER OFFICER OF THE ORGANIZATION, CONNIE VARI, WHO RECEIVED COMPENSATION FROM THE ORGANIZATION IN EXCESS OF \$10,000 COLUMN D - DESCRIPTION OF THE TRANSACTION DURING 2013, THE ORGANIZATION PAID THE INTERESTED PERSON (DAVID VARI) IN THE NORMAL COURSE OF BUSINESS FOR PERFORMANCE OF SERVICES AS A SENIOR HUMAN RESOURCES GENERALIST SUSAN EVANS, COLUMN B - RELATIONSHIP BETWEEN INTERESTED PERSON AND ORGANIZATION SUSAN EVANS IS A FAMILY MEMBER OF A CURRENT BOARD MEMBER OF THE ORGANIZATION, EVAN EVANS, MD, WHO RECEIVED COMPENSATION FROM THE ORGANIZATION IN EXCESS OF \$10,000 COLUMN D - DESCRIPTION OF THE TRANSACTION DURING 2013, THE ORGANIZATION PAID THE INTERESTED PERSON (SUSAN EVANS) IN THE NORMAL COURSE OF BUSINESS FOR PERFORMANCE OF SERVICES AS A UTILIZATION REVIEW COORDINATOR DR ANDRAS VARI, COLUMN B - RELATIONSHIP BETWEEN INTERESTED PERSON AND ORGANIZATION DR ANDRAS VARI IS THE HUSBAND OF A FORMER OFFICER OF THE ORGANIZATION, CONNIE VARI, WHO RECEIVED COMPENSATION FROM THE ORGANIZATION IN EXCESS OF \$10,000 COLUMN D - DESCRIPTION OF THE TRANSACTION DURING 2013, THE ORGANIZATION PAID THE INTERESTED PERSON (DR ANDRAS VARI) SEVERANCE FOR HIS SERVICES AS THE FORMER CHIEF MEDICAL OFFICER OF MILLARD FILLMORE GATES HOSPITAL

SCHEDULE M
(Form 990)

Department of the Treasury
Internal Revenue Service

Noncash Contributions

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

►Information about Schedule M (Form 990) and its instructions is at www.irs.gov/form990.

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
KALEIDA HEALTH

Employer identification number
16-1533232

Part I Types of Property

	(a) Check if applicable	(b) Number of contributions or items contributed	(c) Noncash contribution amounts reported on Form 990, Part VIII, line 1g	(d) Method of determining noncash contribution amounts
1 Art—Works of art				
2 Art—Historical treasures				
3 Art—Fractional interests				
4 Books and publications				
5 Clothing and household goods				
6 Cars and other vehicles				
7 Boats and planes				
8 Intellectual property				
9 Securities—Publicly traded				
10 Securities—Closely held stock				
11 Securities—Partnership, LLC, or trust interests				
12 Securities—Miscellaneous				
13 Qualified conservation contribution—Historic structures				
14 Qualified conservation contribution—Other				
15 Real estate—Residential				
16 Real estate—Commercial				
17 Real estate—Other				
18 Collectibles				
19 Food inventory				
20 Drugs and medical supplies				
21 Taxidermy				
22 Historical artifacts				
23 Scientific specimens				
24 Archeological artifacts				
25 Other ► (Various Medical equipment)	X	11	1,935,605	Replacement cost
26 Other ► ()				
27 Other ► ()				
28 Other ► ()				

29

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

30a

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

30a

Yes

No

b

If "Yes," describe the arrangement in Part II

31

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

31

Yes

32a

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

32a

No

b

If "Yes," describe in Part II

33

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

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

Cat No 51227J

Schedule M (Form 990) (2013)

Part III

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

Return Reference	Explanation
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SCHEDULE O
(Form 990 or 990-EZ)Department of the Treasury
Internal Revenue Service**Supplemental Information to Form 990 or 990-EZ****Complete to provide information for responses to specific questions on
Form 990 or to provide any additional information.****▶ Attach to Form 990 or 990-EZ.****▶ Information about Schedule O (Form 990 or 990-EZ) and its instructions is at
www.irs.gov/form990.**

OMB No 1545-0047

2013**Open to Public
Inspection**Name of the organization
KALEIDA HEALTH**Employer identification number**

16-1533232

**Return
Reference****Explanation**ORGANIZATION'S
MISSION

KALEIDA HEALTH IS THE LARGEST HEALTHCARE PROVIDER IN WNY, SERVING THE AREA'S 8 COUNTIES WITH COMPREHENSIVE SERVICES & PROGRAMS PROVIDED AT 4 ACUTE CARE, 2 LT CARE, AS WELL AS OUTPATIENT & PRIMARY CARE SITES. DELEGATION OF CMO DUTIES FORM 990, PART VI, SECTION A, QUESTION 3 DURING 2013, THE ORGANIZATION CONTRACTED WITH UNIVERSITY NEUROLOGY FOR THE SERVICES OF MARGARET PAROSKI IN HER CAPACITY AS CHIEF MEDICAL OFFICER (CMO) OF THE ORGANIZATION. PART OF HER ROLE AS CMO IS CONTROL OVER CERTAIN MANAGEMENT DUTIES WITH RESPECT TO EMPLOYED PHYSICIANS THAT CUSTOMARILY ARE PERFORMED BY OR UNDER THE DIRECT SUPERVISION OF OFFICERS OR KEY EMPLOYEES.

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

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

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

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

Return Reference	Explanation
Form 990, Part XI	OTHER CHANGES IN NET ASSETS OR FUND BALANCES Minority Interest in Sub (692,241) Decrease in Pension Liability 85,214,109 Transfer from Kaleida Foundations 109,750 Other Transfers, Net (68,387) Change in Value of Foundations 9,057,453 ----- TOTAL 93,620,684

SCHEDULE R
(Form 990)

Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

▶ Complete if the organization answered "Yes" on Form 990, Part IV, line 33, 34, 35b, 36, or 37.
▶ Attach to Form 990. ▶ See separate instructions.
▶ Information about Schedule R (Form 990) and its instructions is at www.irs.gov/form990.

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
KALEIDA HEALTH

Employer identification number
16-1533232

Part I Identification of Disregarded Entities

Complete if the organization answered "Yes" on Form 990, Part IV, line 33.

(a) Name, address, and EIN (if applicable) of disregarded entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Total income	(e) End-of-year assets	(f) Direct controlling entity
(1) KALEIDA MCO LLC 726 EXCHANGE ST SUITE 200 BUFFALO, NY 14210 16-1570311	DORMANT	NY			KH
(2) KALEIDA IPA LLC 726 EXCHANGE STREET SUITE 200 BUFFALO, NY 14210 16-1570380	DORMANT	NY			KH
(3) KALEIDA WNYI LLC 726 EXCHANGE STREET SUITE 200 BUFFALO, NY 14210 45-3189404	HEALTH CARE	NY	-203,288	1,100,049	KH

Part II Identification of Related Tax-Exempt Organizations

Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related tax-exempt organizations during the tax year.

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

Part III

Identification of Related Organizations Taxable as a Partnership

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income(related, unrelated, excluded from tax under sections 512- 514)	(f) Share of total income	(g) Share of end- of-year assets	(h) Disproportionate allocations?		(i) Code V-UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
							Yes	No		Yes	No	
(1) HARLEM ROAD LEASING LLC 3435 MAIN STREET BUFFALO, NY 14214 20-5588135	EQUIPMENT LEASING	NY	KH	UNRELATED	85,134	387,434		No		Yes		50 000 %
(2) AMTON IMAGING LLC 199 PARK CLUB LANE SUITE 300 WILLIAMSVILLE, NY 14221 26-2925470	HEALTH CARE	NY	KALEIDAWNYI LLC	RELATED	-195,938	1,019,987		No		Yes		50 000 %
(3) PARK CLUB LANE LLC 199 PARK CLUB LANE SUITE 300 WILLIAMSVILLE, NY 14221 27-1516155	HEALTH CARE	NY	KALEIDAWNYI LLC	EXCLUDED	-7,350	80,062		No		Yes		30 000 %
(4) SITE E LLC 726 EXCHANGE STREET SUITE 200 BUFFALO, NY 14210 27-2124795	REAL ESTATE MNGT	NY	KPI	EXCLUDED	113,528	1,654,975		No			No	50 177 %
(5) MFSC LLC 100 HIGH STREET BUFFALO, NY 14203 26-1582864	HEALTH CARE	NY	KH	EXCLUDED	1,094,389	1,447,740		No			No	54 196 %

Part IV

Identification of Related Organizations Taxable as a Corporation or Trust

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of- year assets	(h) Percentage ownership	(i) Section 512 (b)(13) controlled entity?	
								Yes	No
(1) KALEIDA PROPERTIES INC 726 EXCHANGE STREET SUITE 200 BUFFALO, NY 14210 22-2738483	PROP MGMT SERVICE	NY	KH	C Corp	-49,554	17,584,425	100 000 %		No
(2) WESTLINK CORPORATION 726 EXCHANGE STREET SUITE 200 BUFFALO, NY 14210 16-1354421	MED & DIAG SERVIC	NY	KH	C Corp	-259	101,620	100 000 %		No
(3) KALEIDAHEALTHNOW INC 257 W GENESEE ST BUFFALO, NY 14202 46-2164089	HEALTH CARE	NY	KALEIDA HEALTH	C CORP	975	599,015	50 000 %		No

Part V

Transactions With Related Organizations

Complete if the organization answered "Yes" on Form 990, Part IV, line 34, 35b, or 36.

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

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

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

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

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

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

e Loans or loan guarantees by related organization(s)

f Dividends from related organization(s)

g Sale of assets to related organization(s)

h Purchase of assets from related organization(s)

i Exchange of assets with related organization(s)

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

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

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

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

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

o Sharing of paid employees with related organization(s)

p Reimbursement paid to related organization(s) for expenses

q Reimbursement paid by related organization(s) for expenses

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

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

Yes

No

No

No

Yes

Yes

No

No

No

Yes

Yes

Yes

No

No

No

Yes

Yes

Yes

No

Yes

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

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

Schedule R (Form 990) 2013

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

[illegible]

Part VII

Supplemental Information

Provide additional information for responses to questions on Schedule R (see instructions)

Return Reference	Explanation
TRANSACTIONS WITH RELATED ORGANIZATIONS	SCHEDULE R, PART V, TRANSACTION TYPE C THERE IS A VARIANCE BETWEEN THE AMOUNT REFLECTED ON PART VIII, LINE 1D (AND SCHEDULE B) - GIFTS, GRANTS AND CONTRIBUTIONS FROM THE FOLLOWING RELATED ORGANIZATIONS AND THE AMOUNT INCLUDED ON SCHEDULE R, PART V AS A RESULT OF THE VARIANCE IN TIMING OF THE RECORDING OF THE TRANSFER BETWEEN THE TWO ORGANIZATIONS KALEIDA HEALTH FOUNDATION RECORDED GRANTS PAID TO THE FILING ORGANIZATION IN THE AMOUNT OF \$740,053 (SEE SCHEDULE R, PART V) VERSUS THE \$686,967 RECORDED BY THE FILING ORGANIZATION AS GRANTS RECEIVED (SEE PART VIII, LINE 1D AND SCHEDULE B) THE WOMEN & CHILDREN'S HOSPITAL OF BUFFALO FOUNDATION RECORDED GRANTS PAID TO THE FILING ORGANIZATION IN THE AMOUNT OF \$867,247 (SEE SCHEDULE R, PART V) VERSUS THE \$943,100 RECORDED BY THE FILING ORGANIZATION AS GRANTS RECEIVED (SEE PART VIII, LINE 1D AND SCHEDULE B)

Additional Data

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

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

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

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

(a) Name of other organization	(b) Transaction type(a-s)	(c) Amount Involved	(d) Method of determining amount involved
VNA OF WESTERN NEW YORK	q	1,709,387	
VNA OF WESTERN NEW YORK	o	87,078	
VNA OF WESTERN NEW YORK	d	661,955	
VNA HOME CARE SERVICES	q	793,282	
VNA HOME CARE SERVICES	d	146,223	
KALEIDA PROPERTIES INC	d	3,703,071	
KALEIDA PROPERTIES INC	q	283,249	
KALEIDA PROPERTIES INC	i	1,322,436	
KALEIDA HEALTH FOUNDATION	c	740,053	
KALEIDA HEALTH FOUNDATION	s	1,107,194	
KALEIDA HEALTH FOUNDATION	d	154,560	
WOMENS AND CHILDRENS HOSPITAL OF BUFFALO FDN	c	867,247	
WOMENS AND CHILDRENS HOSPITAL OF BUFFALO FDN	s	2,117,018	
SITE E LLC	k	233,450	
MFSC LLC	J	594,635	
MFSC LLC	P	500,949	



KALEIDA HEALTH

Consolidated Financial Statements and
Other Financial Information

December 31, 2013 and 2012

(With Independent Auditors' Report Thereon)

KALEIDA HEALTH
Consolidated Financial Statements and
Other Financial Information
December 31, 2013 and 2012

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KPMG LLP
515 Broadway
Albany, NY 12207-2974

Independent Auditors' Report

The Board of Directors
Kaleida Health

We have audited the accompanying consolidated financial statements of Kaleida Health (Kaleida), which comprise the consolidated balance sheets as of December 31, 2013 and 2012, and the related consolidated statements of operations and changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Kaleida Health as of December 31, 2013 and 2012, and the results of its operations and changes in net assets, and its cash flows for the years then ended in accordance with U S generally accepted accounting principles.



Other Matter

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying other financial information included in Schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2013 consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2013 consolidated financial statements or to the 2013 consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 2013 consolidated financial statements as a whole.

KPMG LLP

April 28, 2014

KALEIDA HEALTH
Consolidated Balance Sheets
December 31, 2013 and 2012
(Dollars in thousands)

Assets	<u>2013</u>	<u>2012</u>
Current assets		
Cash and cash equivalents	\$ 58,567	54,877
Investments (notes 6 and 7)	157,525	128,906
Accounts receivable		
Patient, less estimated allowance for doubtful accounts of \$35,271 in 2013 and \$32,228 in 2012	148,058	147,593
Other (note 14)	23,151	24,184
Estimated third-party payor receivables (note 4)	27,775	18,435
Inventories	26,246	20,492
Prepaid expenses and other current assets	14,224	11,298
Total current assets	<u>455,546</u>	<u>405,785</u>
Assets limited as to use (notes 5, 6, 7, and 9)		
Designated under debt agreements	36,184	41,989
Designated under self-insurance programs	124,561	129,189
Board designated and donor restricted	107,830	95,090
Other	2,046	2,005
	<u>270,621</u>	<u>268,273</u>
Property and equipment, less accumulated depreciation and amortization (notes 8 and 9)	467,241	502,735
Receivable for insurance recoveries (note 5)	4,644	8,908
Grants receivable	—	3,400
Deferred financing costs, net	10,145	11,139
Other	13,519	13,749
	<u>1,221,716</u>	<u>1,213,989</u>
Total assets	<u>\$ 1,221,716</u>	<u>1,213,989</u>

See accompanying notes to consolidated financial statements

Liabilities and Net Assets	2013	2012
Current liabilities		
Accounts payable and other accrued expenses	\$ 90,325	72,121
Accrued pay roll and related expenses	61,330	56,837
Estimated third-party pay or settlements (note 4)	23,073	26,290
Current portion of long-term debt (note 9)	20,566	22,437
Other current liabilities	11,492	5,668
Total current liabilities	<u>206,786</u>	<u>183,353</u>
Long-term debt, less current portion (note 9)	290,140	311,609
Estimated self-insurance reserves (note 5)	163,755	180,896
Asset retirement obligations (note 12)	11,714	13,621
Pension and postretirement obligations (note 11)	195,059	267,936
Other long-term liabilities	15,788	9,365
Total liabilities	<u>883,242</u>	<u>966,780</u>
Commitments (notes 8 and 10)		
Net assets		
Unrestricted		
Available for operations	419,456	419,265
Provision for future benefit costs (note 11)	(177,378)	(262,592)
Total unrestricted	<u>242,078</u>	<u>156,673</u>
Temporarily restricted (note 13)	80,996	75,136
Permanently restricted (note 13)	15,400	15,400
Total net assets	<u>338,474</u>	<u>247,209</u>
Total liabilities and net assets	<u>\$ 1,221,716</u>	<u>1,213,989</u>

KALEIDA HEALTH

Consolidated Statements of Operations and Changes in Net Assets

Years ended December 31, 2013 and 2012

(Dollars in thousands)

	<u>2013</u>	<u>2012</u>
Operating revenue		
Patient service revenue, net of contractual allowances and discounts (notes 3 and 4)	\$ 1,248,011	1,201,731
Less provision for bad debts	<u>23,909</u>	<u>22,270</u>
Net patient service revenue	1,224,102	1,179,461
Other operating revenue (notes 6 and 14)	35,014	36,355
Net assets released from restrictions for operations (note 13)	<u>5,188</u>	<u>6,162</u>
Total operating revenue	<u>1,264,304</u>	<u>1,221,978</u>
Operating expenses		
Salaries and benefits	747,006	695,294
Purchased services and other	217,038	217,150
Medical and nonmedical supplies	229,235	209,257
Depreciation and amortization	70,438	69,093
Interest	<u>15,886</u>	<u>15,574</u>
Total operating expenses	<u>1,279,603</u>	<u>1,206,368</u>
(Loss) income from operations	<u>(15,299)</u>	<u>15,610</u>
Other income		
Investment income (note 6)	6,190	15,481
Net realized gains on sales of investments (note 6)	2,656	4,175
Net change in unrealized gains on investments (note 6)	<u>5,435</u>	<u>7,580</u>
Total other income, net	<u>14,281</u>	<u>27,236</u>
(Deficiency) excess of revenue over expenses	<u>\$ (1,018)</u>	<u>42,846</u>

KALEIDA HEALTH

Consolidated Statements of Operations and Changes in Net Assets (continued)

Years ended December 31, 2013 and 2012

(Dollars in thousands)

	<u>2013</u>	<u>2012</u>
Unrestricted net assets		
(Deficiency) excess of revenue over expenses	\$ (1,018)	42,846
Pension and postretirement related changes other than net periodic cost (note 11)	85,214	948
Net assets released from restrictions for property acquisitions	607	22,642
Other, net	602	(1,119)
Increase in unrestricted net assets	<u>85,405</u>	<u>65,317</u>
Temporarily restricted net assets		
Contributions, bequests, and grants	5,918	7,456
Restricted investment gains	1,290	2,719
Net change in unrealized gains and losses on investments	4,447	6,097
Net assets released from restrictions for operations	(5,188)	(6,162)
Net assets released from restrictions for property acquisitions	(607)	(22,642)
Increase (decrease) in temporarily restricted net assets	<u>5,860</u>	<u>(12,532)</u>
Permanently restricted net assets		
Restricted investment income	306	917
Net change in unrealized gains and losses on investments	1,571	2,098
Transfer to temporarily restricted net assets	(1,877)	(3,015)
Change in permanently restricted net assets	<u>—</u>	<u>—</u>
Change in net assets	91,265	52,785
Net assets, beginning of year	<u>247,209</u>	<u>194,424</u>
Net assets, end of year	<u>\$ 338,474</u>	<u>247,209</u>

See accompanying notes to consolidated financial statements

KALEIDA HEALTH

Consolidated Statements of Cash Flows Years ended December 31, 2013 and 2012 (Dollars in thousands)

	<u>2013</u>	<u>2012</u>
Operating activities		
Change in net assets	\$ 91.265	52.785
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	70.438	69.093
Accretion expense	900	995
Restricted contributions, bequests, and grants	(2.882)	(2.499)
Change in interests in other investments	(1.463)	(13.460)
Net change in unrealized gains and losses on investments	(9.882)	(13.677)
Net realized gains and losses on investments	(4.252)	(7.811)
Provision for bad debts	23.909	22.270
Pension and postretirement related changes other than net periodic cost	(85.214)	(948)
Change in operating assets and liabilities		
Patient accounts receivable	(24.374)	(17.515)
Estimated third-party payor receivables	(9.340)	(7.555)
Other receivables, inventories, and prepaid expenses	(4.247)	(13.628)
Receivable for insurance recoveries	4.264	170
Accounts payable, accrued expenses, and accrued payroll	24.277	(1.653)
Estimated third-party payor settlements	(3.217)	(7.879)
Other assets	230	(6.563)
Other liabilities	5.441	8.006
Net cash provided by operating activities	<u>75.853</u>	<u>60.131</u>
Investing activities		
Additions to property and equipment, net of change in construction costs payable	(36.250)	(117.058)
Purchases of investments	(216.576)	(273.016)
Proceeds from sales of investments	213.526	301.323
Change in cash restricted for use	(12.319)	2.279
Net cash used in investing activities	<u>(51.619)</u>	<u>(86.472)</u>
Financing activities		
Principal payments on debt and capital lease obligations	(25.036)	(19.246)
Proceeds from restricted contributions, bequests, and grants	2.882	18.406
Proceeds from long-term debt	1.696	52.239
Net payments on line of credit	—	(10.000)
Payments for deferred financing fees	(86)	(1.448)
Net cash (used in) provided by financing activities	<u>(20.544)</u>	<u>39.951</u>
Net increase in cash and cash equivalents	3.690	13.610
Cash and cash equivalents, beginning of year	<u>54.877</u>	<u>41.267</u>
Cash and cash equivalents, end of year	<u>\$ 58.567</u>	<u>54.877</u>
Supplemental disclosures on cash flow activities		
Capital lease obligations	\$ —	6.585
Interest paid	15.923	16.831
Capital acquisitions included in accounts payable	2.810	4.390

See accompanying notes to consolidated financial statements

KALEIDA HEALTH

Notes to Consolidated Financial Statements

December 31, 2013 and 2012

(1) Organization

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

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

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

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

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

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

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

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Notes to Consolidated Financial Statements

December 31, 2013 and 2012

Kaleida considers events or transactions that occur after the consolidated balance sheet date, but before the consolidated financial statements are issued, to provide additional evidence relative to certain estimates or to identify matters that require additional disclosure. These consolidated financial statements were available to be issued on April 28, 2014 and subsequent events have been evaluated through that date.

(b) *Use of Estimates*

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

(c) *Cash and Cash Equivalents*

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

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

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

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

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

(e) *Net Patient Service Revenue*

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered. Revenue under certain third-party payor agreements is subject to audit and retroactive adjustment. Provision for estimated third-party payor settlements and adjustments are estimated in the period the related services are rendered and adjusted.

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Notes to Consolidated Financial Statements

December 31, 2013 and 2012

in future periods as final settlements are determined. Net patient service revenue from Medicare and New York State Medicaid, and commercial insurance plans accounted for approximately 40%, 20% and 39%, respectively, of total net patient service revenue for the year ended December 31, 2013, and 37%, 21% and 38% respectively, of total net patient service revenue for the year ended December 31, 2012. Significant concentrations of patient accounts receivable at December 31, 2013 include 19% Medicare, 10% Medicaid, and 44% commercial insurance plans. Significant concentrations of patient accounts receivable at December 31, 2012 include 14% Medicare, 12% Medicaid, and 51% commercial insurance plans. Kaleida is dependent on these payors to carry out its operating activities.

(f) *Investments and Investment Income*

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

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

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

(g) *Inventories*

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

(h) *Assets Limited as to Use*

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

(i) *Property and Equipment*

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

Kaleida monitors its long-lived assets for impairment indicators on an ongoing basis. If impairment indicators exist, Kaleida performs the required analysis and records impairment charges. In

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Notes to Consolidated Financial Statements

December 31, 2013 and 2012

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

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

Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

(j) *Grants Receivable*

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

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

(k) *Deferred Financing Costs*

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

(l) *Self-Insured Programs*

Certain divisions of Kaleida are partially self-insured for medical malpractice, general liability, and workers' compensation costs, with excess liability policies for exposures in excess of self-insurance retentions. Trusts have been established for the purpose of setting aside assets. Under the trust agreements, the trust assets can be used only for payment of losses, related expenses, and the costs of administering the trust.

Kaleida is also self-insured for employee health and pharmaceutical coverage. Kaleida has recorded a provision for estimated claims which is based on Kaleida's own experience and includes the

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Notes to Consolidated Financial Statements

December 31, 2013 and 2012

estimated ultimate cost of reported claims and claims incurred but not yet reported. To reduce its risk for catastrophic health claims, Kaleida has purchased stop loss coverage.

(m) Donor Contributions

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

(n) Endowment Funds

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

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

(o) Fair Value Measurement of Financial Instruments

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

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

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

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

Kaleida applies the accounting provisions of Accounting Standards Update (ASU) 2009-12, *Investments in Certain Entities that Calculate Net Asset Value per Share (or its Equivalents)*.

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Notes to Consolidated Financial Statements

December 31, 2013 and 2012

(ASU 2009-12) ASU 2009-12 allows for the estimation of the fair value of investments in certain investment companies for which the investment does not have a readily determinable value by using net asset value (NAV) per share or its equivalent as a practical expedient

The carrying values of accounts receivable, prepaid expenses and other current assets, accounts payable and line of credit are reasonable estimates of their fair value due to the short-term nature of these financial instruments. Kaleida's long-term debt instruments are carried at cost. The estimated fair value of Kaleida's long-term debt as of December 31, 2013 and 2012 is approximately \$343.3 million and \$339.0 million, respectively. The value of debt was estimated by a discounted cash flow analysis using current borrowing rates for similar types of arrangements and is considered a Level 2 financial liability for disclosure purposes. Judgment is required in certain circumstances to develop the estimates of fair value, and the estimates may not be indicative of the amounts that could be realized in a current market exchange.

(p) *Income Taxes*

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

(q) *(Deficiency) Excess of Revenue over Expenses*

Kaleida's primary mission is meeting the healthcare needs of the people in the regions in which it operates. Kaleida is committed to providing a broad range of general and specialized healthcare services, including inpatient acute care, long-term care, home care, outpatient services, and other healthcare related services.

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

For purposes of display, transactions deemed by management to be recurring, major or central to the provision of healthcare services, including unrestricted contributions and interest and dividends from funds designated for self-insurance programs and debt agreements, are reported as operating revenue and expenses in the determination of Kaleida's operating results. Investment trading activities and peripheral transactions (i.e. nonrecurring restructuring charges and gains and losses related to disposal of fixed assets) are reported as other income or losses.

(r) *Electronic Health Record Incentive Payments*

The Health Information Technology for Economic and Clinical Health (HITECH) Act included in the American Recovery and Reinvestment Act (ARRA) provides incentives for the adoption and use of health information technology by Medicare and Medicaid providers and eligible professionals.

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Notes to Consolidated Financial Statements

December 31, 2013 and 2012

through 2016. To receive such incentives, providers are required to establish an electronic health record system and maintain its meaningful use status for a continuous 90-day period in year one and for 365-days in subsequent years.

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

(s) Concentration of Credit Risk

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

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

(t) Reclassifications

Certain amounts in the 2012 consolidated financial statements have been reclassified to conform to 2013 presentation.

(3) Uncompensated Care

(a) Charity Care

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

Kaleida utilizes a presumptive charity scoring system in order to determine charity care eligibility. The system uses demographic and public financial information to qualify patient accounts for charity care. The change was made to enhance and accelerate the charity care qualification process. In addition, Kaleida makes and receives payments to and from a statewide pool to support the delivery of charity care to patients throughout New York. These net payments are reported as a component of patient service revenue in the consolidated financial statements.

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Notes to Consolidated Financial Statements

December 31, 2013 and 2012

Kaleida's net cost of charity care, including payments to and receipts from the statewide pool was approximately \$11 million in 2013 and 2012 as follows

	Year ended December 31	
	2013	2012
	(Dollars in thousands)	
Charity care at cost	\$ 6,871	7,594
Payments to statewide pool	7,398	6,016
Receipts from statewide pool	(3,462)	(2,427)
Cost of charity care, net	\$ 10,807	11,183

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

(b) Community Benefit

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

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

(4) Third-Party Reimbursement Agreements

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

(a) Inpatient Acute Care Services

Inpatient acute care services rendered are paid at prospectively determined rates per discharge in accordance with the Federal Prospective Payment System (PPS) for Medicare and generally at negotiated or otherwise pre-determined amounts under the provisions of the New York Health Care Reform Act (HCRA) for Medicaid and other Non-Medicare payors. Inpatient nonacute services are paid at various rates under different arrangements with third-party payors, commercial insurance carriers, and health maintenance organizations. The basis for payment under these agreements includes prospectively determined per diem and per visit rates and fees, discounts from established charges, fee schedules, and reasonable cost subject to limitations. Medicare outpatient services are

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Notes to Consolidated Financial Statements

December 31, 2013 and 2012

paid under a prospective payment system whereby services are reimbursed on a predetermined amount for each outpatient procedure, subject to various mandated modifications

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

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

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

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

Kaleida is required to prepare and file various reports of actual and allowable costs annually. Provisions have been made in the consolidated financial statements for prior and current years' estimated final settlements. The difference between the amount provided and the actual final settlement is recorded as an adjustment to net patient service revenue as adjustments become known or as years are no longer subject to audits, reviews, and investigations. During 2013 and 2012, Kaleida recorded adjustments for estimated settlements with third-party payors, which resulted in increases to net patient service revenue of approximately \$17.0 million and \$10.0 million, respectively.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Kaleida receives regulatory inquiries and reviews in the normal course of business. Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and exclusion from the Medicare and Medicaid programs. Kaleida believes it is in substantial compliance with all applicable laws and regulations.

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

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

Kaleida is partially self-insured for medical malpractice, general liability, and workers' compensation costs, and excess liability policies are generally maintained for exposures in excess of self-insurance retentions. Trusts are established for the purpose of setting aside assets based on actuarial funding recommendations. Under the trust agreements, the trust assets can be used only for payment of losses, related expenses, and the costs of administering the trust. The estimated liability for both asserted and unasserted self-insurance claims for medical malpractice and general liability are discounted at 3.5% at December 31, 2013 and 2012, respectively. The estimated liability for self-insured workers' compensation is discounted at 3.0% at December 31, 2013 and 2012, respectively. Estimated self-insurance reserves are approximately \$163.8 million and \$180.9 million at December 31, 2013 and 2012, respectively. As of December 31, 2013 and 2012, \$4.6 million and \$8.9 million, respectively, is recoverable from Kaleida's excess liability policies. At December 31, 2013 and 2012, Kaleida has irrevocable secured letters of credit supporting the medical malpractice and workers compensation self-insurance programs totaling approximately \$4.6 million and \$17.4 million, respectively. The annual fee for the letters of credit ranges between 75 and 85 basis points and they renew automatically unless the issuer notifies both parties in writing sixty days in advance. In addition, Kaleida has established additional security through collateral trust agreements on self-insured investments in the amount of \$34.9 million and \$32.1 million at December 31, 2013 and 2012, respectively.

At December 31, 2013 and 2012, there were various actions filed against Kaleida by former patients and others seeking compensatory and punitive damages.

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

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(6) Investments and Assets Limited as to Use

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

	<u>2013</u>	<u>2012</u>
	(Dollars in thousands)	
Current investments		
Cash and cash equivalents	\$ 15.295	14.503
Equity and fixed income mutual funds	39.701	31.403
Equity securities	51.545	36.904
Other investments	50.984	46.096
	<u>157.525</u>	<u>128.906</u>
Assets limited as to use		
Designated under debt agreements		
Cash and cash equivalents	2.298	10.062
U S government obligations	33.886	31.927
	<u>36.184</u>	<u>41.989</u>
Designated under self-insurance programs		
Cash and cash equivalents	46.369	40.734
U S government obligations	312	1.805
Equity and fixed income mutual funds	17.471	24.511
Equity securities	29.253	29.529
Other investments	31.156	32.610
	<u>124.561</u>	<u>129.189</u>
Board designated and donor restricted		
Cash and cash equivalents	26.370	19.887
U S government obligations	259	259
Equity and fixed income mutual funds	18.204	15.315
Equity securities	32.100	26.449
Other investments	30.897	33.180
	<u>107.830</u>	<u>95.090</u>
Other		
Cash and cash equivalents	2.046	2.005
	<u>270.621</u>	<u>268.273</u>
Total investments and assets limited as to use	<u>\$ 428.146</u>	<u>397.179</u>

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

	<u>2013</u>	<u>2012</u>
	(Dollars in thousands)	
Other operating revenue		
Interest and dividends	\$ 2,380	2,514
Other income		
Investment income		
Interest and dividends	\$ 4,727	2,021
Change in interests in other investments	1,463	13,460
	<u>\$ 6,190</u>	<u>15,481</u>
Net realized gains on sales of investments	\$ 2,656	4,175
Net change in unrealized gains and losses on investments	5,435	7,580

(7) Fair Value Measurements

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

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

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

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

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

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

The following tables present Kaleida's investments at December 31, 2013 and 2012 that are measured at fair value on a recurring basis as well as their redemption frequency and notification provisions. The financial assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurements (dollars in thousands).

		2013					
		Total	Level 1	Level 2	Level 3	Redemption frequency	Days notice
Investments							
Cash and cash equivalents	\$	92,378	92,378	—	—	Daily	Same day
U.S. government obligations		34,457	—	34,457	—	Daily	Same day
Equity securities							
Large-cap securities		63,338	53,417	9,921	—	Daily – monthly	Same day – 9 days
International securities		49,560	—	49,560	—	Daily – monthly	2 – 30 days
Equity and fixed income mutual funds		75,376	75,376	—	—	Daily	Same day
Other investments							
Hedge funds		25,346	—	21,336	4,010	Monthly – see (a) below	20 days – See (a) below
Private equity		1,556	—	—	1,556	See (a) below	See (a) below
Global equity		52,841	—	52,841	—	Monthly	3 – 15 days
Domestic equity		30,201	—	17,217	12,984	Monthly – annually	30 – 60 days
Real assets		3,093	—	—	3,093	See (a) below	See (a) below
	\$	<u>428,146</u>	<u>221,171</u>	<u>185,332</u>	<u>21,643</u>		

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		2012					
		<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Redemption frequency</u>	<u>Days notice</u>
Investments							
Cash and cash equivalents	\$	87.191	87.191	—	—	Daily	Same day
U.S. government obligations		33.991	—	33.991	—	Daily	Same day
Equity securities							
Large-cap securities		46.841	39.134	7.707	—	Daily-monthly	Same day – 9 days
International securities		46.041	—	46.041	—	Daily-monthly	2 days – 30 days
Equity and fixed income mutual funds		71.229	71.229	—	—	Daily	Same day
Other investments							
Hedge funds		19.564	—	19.564	—	Monthly-quarterly	20 – 95 days
Private equity		1.763	—	—	1.763	See (a) below	See (a) below
Global equity		46.722	—	46.722	—	Monthly – bi-monthly	2 days – 15 days
Domestic equity		23.760	—	14.327	9.433	Monthly-annually	30-60 days
Real assets		3.302	—	—	3.302	See (a) below	See (a) below
Fixed income		16.775	—	16.775	—	Monthly	5 – 7 days
	\$	<u>397.179</u>	<u>197.554</u>	<u>185.127</u>	<u>14.498</u>		

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

Under the terms of certain agreements, Kaleida has committed to contribute a specified level of capital over a defined period of time. Through December 31, 2013, Kaleida has substantially completed contributions of approximately \$7.6 million to such limited partnerships.

There were no significant transfers into or out of Level 1 and Level 2 fair value measurements during the years ended December 31, 2013 and 2012.

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

		2013				
		<u>Total</u>	<u>Real assets</u>	<u>Hedge funds</u>	<u>Private equity</u>	<u>Domestic equity</u>
Balance, beginning of year	\$	14.498	3.302	—	1.763	9.433
Purchases		4.210	210	4.000	—	—
Sales		(1.256)	(777)	—	(479)	—
Realized gains		416	44	—	372	—
Change in unrealized gains and losses		3.775	314	10	(100)	3.551
Balance, end of year	\$	<u>21.643</u>	<u>3.093</u>	<u>4.010</u>	<u>1.556</u>	<u>12.984</u>

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	2012				
	Total	Real assets	Hedge funds	Private equity	Domestic equity
Balance, beginning of year	\$ 17.868	3.595	1.057	2.197	11.019
Purchases	599	418	—	181	—
Sales	(6.227)	(933)	(1.057)	(737)	(3.500)
Realized gains	967	98	—	463	406
Change in unrealized gains and losses	1.291	124	—	(341)	1.508
Balance, end of year	<u>\$ 14.498</u>	<u>3.302</u>	<u>—</u>	<u>1.763</u>	<u>9.433</u>

Liquidity

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

	2013	2012
Investments redemption period		
Daily	\$ 279.477	254.476
Semi – monthly	7.840	7.039
Monthly	108.743	99.292
Bi – monthly	—	11.964
Quarterly	10.442	9.910
Annual	12.984	9.433
Illiquid	8.660	5.065
Total	<u>\$ 428.146</u>	<u>397.179</u>

The limitation and restrictions on Kaleida's ability to redeem or sell these investments vary by investment and range from required notice periods for certain investments and hedge funds, to specified terms at inception. Based upon the terms and conditions in effect at December 31, 2013, redemption periods expire at various times through 2016.

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(8) Property and Equipment

A summary of property and equipment at December 31 follows

	<u>2013</u>	<u>2012</u>
	(Dollars in thousands)	
Land and land improvements	\$ 26.135	28.614
Buildings, fixtures, and improvements	804.178	938.078
Movable equipment	<u>586.320</u>	<u>657.721</u>
	1,416,633	1,624,413
Less accumulated depreciation and amortization	<u>980.177</u>	<u>1,144,830</u>
	436,456	479,583
Construction in progress	<u>30,785</u>	<u>23,152</u>
	<u>\$ 467,241</u>	<u>502,735</u>

In March 2012, Kaleida completed the construction of the GVI, adjacent to Buffalo General Hospital. The GVI is a ten story building with a cost of approximately \$291 million. The project is a collaboration between the State University of New York at Buffalo (UB) and Kaleida. Kaleida funded its share of the GVI with \$65 million in HEAL NY grant funding (note 2(j)) and the proceeds from government insured debt of \$100 million and a Kaleida equity contribution (note 9).

Commitments outstanding at December 31, 2013, for routine capital projects totaled approximately \$5.8 million.

During 2013, Kaleida completed the demolition and disposal of the former Deaconess Skilled Nursing Facility and related property and closed on the sale of the Millard Fillmore Gates Circle property.

Net property and equipment includes approximately \$8.1 million and \$14.6 million applicable to capital leases at December 31, 2013 and 2012, respectively.

During 2012, Kaleida capitalized net interest expense of approximately \$1.6 million. No interest expense was capitalized in 2013.

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(9) Long-Term Debt

Long-term debt consists of the following at December 31

	<u>2013</u>	<u>2012</u>
	(Dollars in thousands)	
Mortgage notes payable for GVI in monthly installments of \$668,000, including interest at 6.35%, through February 1, 2037 (a)	\$ 93,253	96,844
Mortgage notes payable for HighPointe SNF in monthly installments of \$325,000, including interest at 5.73%, through February 1, 2037 (a)	50,058	50,679
Mortgage payable for BGMC in monthly installments of \$545,000, including interest at 2.44% through August 1, 2023 (a)	56,295	61,398
Mortgage payable for MFH in monthly installments of \$514,000, including interest at 3.29% through November 1, 2017 and \$314,000, including interest at 3.29% through April 1, 2020 (a)	30,317	35,392
Mortgage notes payable for MFS in monthly installments of \$338,000, including interest at 5.05%, through October 1, 2033 (a)	50,688	52,139
Mortgage notes payable for BGMC Cath Lab in monthly installments of \$107,000, including interest at 5.05%, through February 1, 2032 (a)	15,312	15,815
Capital lease obligations, less imputed interest of \$5,000 and \$70,000 at December 31, 2013 and 2012, respectively (b)	4,702	9,021
Equipment notes payable (c)	6,683	8,126
Other	3,398	4,632
	<u>310,706</u>	<u>334,046</u>
Less current maturities	<u>20,566</u>	<u>22,437</u>
	<u>\$ 290,140</u>	<u>311,609</u>

(a) Mortgages Payable

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

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

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

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

Kaleida has entered into Regulatory Agreements with HUD, which set forth certain provisions and requirements. Among these requirements are certain performance indicators, financial ratios, and reporting requirements. Also among these requirements is the funding of a Mortgage Reserve Fund (Mortgage Reserve) as established by the Mortgage Reserve Fund Agreement, dated May 20, 2004, as amended September 21, 2006, December 4, 2009, December 7, 2010 and September 19, 2012. As required under the Mortgage Reserve, Kaleida is required to maintain a certain balance either through deposits or investment earnings. Failure to comply with these requirements may result in oversight activities by HUD. At December 31, 2013 and 2012, Kaleida was in compliance with all applicable debt agreement provisions.

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

	<u>2013</u>	<u>2012</u>
	(Dollars in thousands)	
Mortgage reserve fund	\$ 36.184	33.949
GVI project equity	—	8.040
	<u>\$ 36.184</u>	<u>41.989</u>

Construction costs payable at December 31, 2012 were paid with proceeds advanced from the HUD insured loan commitments related to the GVI. At final endorsement on February 22, 2013, as a result of project savings, \$2.5 million of the GVI project equity was used to pay down mortgage proceeds with the remaining \$5.5 million returned to Kaleida.

(b) Capital Leases

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

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(c) *Equipment Notes Payable*

In March 2010, Kaleida Health entered into an equipment financing agreement with High Street Developments, LLC. The maximum aggregate principal amount of credit that can be extended under the agreement is \$10 million. Interest is payable monthly and is calculated at the five year tax exempt lease rate minus one quarter of one percent. There was approximately \$6.7 million and \$8.1 million of borrowings on the financing agreement at December 31, 2013 and 2012 respectively, which represents two 5 year notes which bear interest at approximately 1.3% payable monthly through October 2016.

Future annual principal payments of long-term debt for the next five years as of December 31, 2013 are as follows (dollars in thousands):

2014	\$	20,566
2015		20,649
2016		20,575
2017		17,997
2018		15,659

Line of Credit

In October 2009, Kaleida entered into a Revolving Credit Loan Agreement (Loan Agreement) with a financial institution. The Loan Agreement, which was renewed in October 2011 and October 2013 for two year terms, requires Kaleida to pay off the outstanding balance annually for a period of twenty business days. The maximum aggregate principal amount of credit that can be extended under the Loan Agreement is \$20 million. Interest is payable monthly and is calculated at the greater of the one day LIBOR rate plus a margin of 2.25% or the one month LIBOR rate plus a margin of 2.25%. Kaleida also pays monthly an unused facility fee equal to 20 basis points per year on the average unused daily balance. DASNY and HUD agreed to subordinate their security interest in the first \$30 million worth of patient accounts receivable to the bank as collateral for borrowings on the Loan Agreement. No borrowings were outstanding at December 31, 2013 and 2012.

(10) **Lease Commitments**

Kaleida leases various equipment and facilities under noncancelable operating leases expiring at various dates in the future. Rental expense for all operating leases was approximately \$26.5 million and \$28.1 million in 2013 and 2012, respectively. Future minimum payments under noncancelable operating leases as of December 31, 2013 having lease terms in excess of one year are as follows (dollars in thousands):

2014	\$	17,284
2015		15,865
2016		15,477
2017		14,745
2018		14,739

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(11) Pension and Other Postretirement Benefits

(a) Pension Plans

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

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

	<u>2013</u>	<u>2012</u>
	(Dollars in thousands)	
Change in projected benefit obligation		
Benefit obligation at beginning of year	\$ 694,042	664,367
Service cost	27,112	26,353
Interest cost	29,414	30,816
Actuarial (gains) losses	(72,352)	25,401
Benefits paid	(21,944)	(20,433)
Benefits paid – cash out provision	—	(32,462)
Benefit obligation at end of year	<u>\$ 656,272</u>	<u>694,042</u>
Change in plan assets		
Fair value of plan assets at beginning of year	\$ 431,341	406,224
Actual return on plan assets	31,027	47,758
Employer contributions	26,001	30,254
Benefits paid	(21,944)	(20,433)
Benefits paid – cash out provision	—	(32,462)
Fair value of assets at end of year	<u>\$ 466,425</u>	<u>431,341</u>

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

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

	<u>2013</u>	<u>2012</u>
	(Dollars in thousands)	
Funded status at end of year		
Fair value of plan assets	\$ 466.425	431.341
Projected benefit obligation	<u>656.272</u>	<u>694.042</u>
Pension obligation recognized in the consolidated balance sheets at end of year	<u>\$ (189.847)</u>	<u>(262.701)</u>
Amount recorded in unrestricted net assets at end of year for future pension cost		
Net actuarial loss	\$ (177.544)	(261.977)
Prior service costs	<u>(795)</u>	<u>(1.060)</u>
	<u>\$ (178.339)</u>	<u>(263.037)</u>

The estimated prior service cost and net actuarial loss that will be amortized from unrestricted net assets in 2014 as a component of net periodic pension cost are approximately \$255,000 and \$9.7 million, respectively.

The accumulated benefit obligations at the Plan's measurement date for 2013 and 2012 was approximately \$593 million and \$614 million, respectively.

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

	<u>2013</u>	<u>2012</u>
	(Dollars in thousands)	
Service cost	\$ 27.112	26.353
Interest cost	29.414	30.816
Expected return on plan assets	(36.830)	(38.270)
Amortization of net prior service cost (credit)	265	257
Amortization of actuarial loss	<u>17.884</u>	<u>15.530</u>
Net periodic pension cost	<u>\$ 37.845</u>	<u>34.686</u>

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

	2013	2012
Discount rate for benefit obligations	5.10%	4.30%
Discount rate for net pension cost	4.30	4.70
Rate of compensation increase	4.00	4.00
Expected long-term rate of return on plan assets	8.50	8.50

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

The range of target investment allocation percentages at December 31, 2013 are listed below:

Cash	0 – 5%
Equity securities	
Domestic	0 – 7%
International	7 – 13%
Fixed income securities	
Diversified bonds	5 – 15%
High yield	0 – 7%
Emerging market	0 – 6%
Other	
Global asset	12 – 20%
Risk parity	11 – 19%
Hedge funds	0 – 16%
Private equity	0 – 20%
Real assets	6 – 14%
Opportunistic funds	0 – 10%

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The following tables present Kaleida's defined benefit pension plan's assets at December 31, 2013 and 2012 that are measured at fair value on a recurring basis. The hierarchy and inputs to valuation techniques to measure fair value of the plan's assets are the same as outlined above in note 7 of the consolidated financial statements (dollars in thousands)

2013						
	Total	Level 1	Level 2	Level 3	Redemption frequency	Days Notice
Investments						
Cash and cash equivalents \$	15.481	15.481	—	—	Daily	Same day
Insurance contract	2.968	—	2.968	—	Daily	Same day
Equity securities						
Large-cap securities	36.033	27.271	8.762	—	Daily – monthly	Same day – 9 days
International securities	80.700	—	80.700	—	Daily – monthly	2 – 30 days
Equity and fixed income mutual funds	80.978	80.978	—	—	Daily	Same day
Other investments						
Hedge funds	78.883	—	68.807	10.076	Monthly – See note 7(a)	20 days – See note 7(a)
Private equity	42.553	—	—	42.553	See note 7(a)	See note 7(a)
Global equity	74.675	—	74.675	—	Monthly	3 – 15 days
Domestic equity	29.533	—	19.306	10.227	Monthly – annually	30 – 60 days
Real assets	16.023	—	—	16.023	See note 7(a)	See note 7(a)
Fixed income	8.598	—	8.598	—	Annually	180 days
\$	<u>466.425</u>	<u>123.730</u>	<u>263.816</u>	<u>78.879</u>		
2012						
	Total	Level 1	Level 2	Level 3	Redemption frequency	Days Notice
Investments						
Cash and cash equivalents \$	3.423	3.423	—	—	Daily	Same day
Insurance contract	3.231	—	3.231	—	Daily	Same day
Equity securities						
Large-cap securities	30.935	24.452	6.483	—	Daily-monthly	Same day – 9 days
International securities	60.607	—	60.607	—	Daily-monthly	2 days – 30 days
Equity and fixed income mutual funds	102.639	102.639	—	—	Daily	Same day
Other investments						
Hedge funds	64.024	—	64.024	—	Monthly – quarterly	20 – 100 days
Private equity	36.748	436	—	36.312	See note 7(a)	See note 7(a)
Global equity	71.126	—	71.126	—	Daily – monthly	2 days – 15 days
Domestic equity	25.216	—	17.997	7.219	Monthly-annually	30 – 60 days
Real assets	15.363	—	—	15.363	See note 7(a)	See note 7(a)
Fixed income	18.029	—	18.029	—	Monthly-annually	5 – 180 days
\$	<u>431.341</u>	<u>130.950</u>	<u>241.497</u>	<u>58.894</u>		

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

Under the terms of certain agreements, Kaleida has committed to contribute a specified level of capital over a defined period of time. Through December 31, 2013, Kaleida has committed to

KALEIDA HEALTH

Notes to Consolidated Financial Statements

December 31, 2013 and 2012

contribute approximately \$152.7 million to such investments, of which Kaleida has contributed approximately \$71.3 million and has outstanding commitments of \$81.4 million

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

2013					
	Total	Real assets	Hedge funds	Private equity	Domestic equity
Balance, beginning of year	\$ 58,894	15,363	—	36,312	7,219
Purchases	29,079	2,413	10,051	16,615	—
Sales	(17,897)	(3,637)	—	(14,260)	—
Realized gains	5,543	823	—	4,720	—
Realized losses	—	—	—	—	—
Change in unrealized gains and losses	3,260	1,061	25	(834)	3,008
Balance, end of year	<u>\$ 78,879</u>	<u>16,023</u>	<u>10,076</u>	<u>42,553</u>	<u>10,227</u>

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

Contributions – For the plan year ended December 31, 2013, Kaleida has contributed \$26.0 million. Expected contributions for the plan year ending December 31, 2013 will be made at a level recommended by Kaleida's consulting actuary and in accordance with ERISA funding requirements.

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

2014	\$ 21,565
2015	23,561
2016	25,835
2017	28,623
2018	31,474
2019 – 2023	202,106

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Notes to Consolidated Financial Statements

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The expected benefits are based on the same assumptions used to measure Kaleida's benefit obligations at December 31, 2013 and include future employee service

Other Pension Benefit Plans – In addition, Kaleida contributes to a multi-employer defined benefit pension plan as required by union contracts from which benefits are paid to certain union employees. Additionally, Kaleida provides an employer-matched Tax Sheltered Annuity program (403(b) Plan) for nonunion employees. Total expense under these plans was approximately \$2.6 million and \$2.5 million for 2013 and 2012, respectively.

(b) *Retiree Health and Life Insurance Plan*

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

	<u>2013</u>	<u>2012</u>
	(Dollars in thousands)	
Accumulated postretirement obligation at end of year	\$ 4,280	4,734
Fair value of plan assets at end of year	<u>—</u>	<u>—</u>
Postretirement obligation recognized at end of year included as a component of pension and postretirement obligations	\$ <u>(4,280)</u>	<u>(4,734)</u>

Net postretirement benefit cost was approximately \$38,000 and \$207,000 for the years ended December 31, 2013 and 2012, respectively. The weighted average assumptions used to determine postretirement benefit cost and obligations at the Plan's measurement date (December 31)

	<u>2013</u>	<u>2012</u>
Discount rate for benefit obligations	4.70%	3.80%
Discount rate for net postretirement cost	3.80	4.50

For measurement purposes, 2013 increases in the per capita cost of covered health care benefits were assumed for medical and prescription drugs at 7.45%. The rate is assumed to decrease gradually on an annual basis. A one-percentage point change in assumed healthcare cost trend rates would not have a material impact on the future cost or benefit obligation.

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December 31, 2013 and 2012

(c) *Collective Bargaining Agreements*

A significant portion of Kaleida employees work under collective bargaining agreements which were renegotiated in 2013. The new agreements have a duration of three years and will expire in May 2016.

(12) **Asset Retirement Obligations**

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

	<u>2013</u>	<u>2012</u>
	(Dollars in thousands)	
Balance at beginning of year	\$ 13.621	13.030
Net obligations settled in current period	(2.807)	(404)
Accretion expense	900	995
Balance at end of year	<u>\$ 11.714</u>	<u>13.621</u>

(13) **Temporarily and Permanently Restricted Net Assets**

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

	<u>2013</u>	<u>2012</u>
	(Dollars in thousands)	
Capital expansion and improvements	\$ 10.053	8.435
Advancement of medical education and research and healthcare services	70.943	66.701
	<u>\$ 80.996</u>	<u>75.136</u>

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

	<u>2013</u>	<u>2012</u>
	(Dollars in thousands)	
Funds to be held in perpetuity, the income from which is expendable to support healthcare services, including medical research	\$ 10.824	10.824
Funds to be held in perpetuity, the income from which is expendable to support pediatric healthcare services	4.576	4.576
	<u>\$ 15.400</u>	<u>15.400</u>

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Notes to Consolidated Financial Statements
December 31, 2013 and 2012

In 2013 and 2012, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes of operating expenses of approximately \$5.2 million and \$6.2 million, respectively, and purchases of equipment of \$1.0 million and \$22.6 million, respectively.

(14) Other Operating Revenue

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

	2013	2012
	(Dollars in thousands)	
Grant revenue	\$ 9,321	7,550
Unrestricted contributions	3,026	4,954
Rental revenue	3,431	3,475
Rebate and other miscellaneous revenue	4,363	4,557
Pharmaceutical discount program revenue	11,365	2,099
Medical resident tax refund (a)	—	8,935
HITECH incentive funds (b)	3,508	4,785
	\$ 35,014	36,355

(a) Medical Resident Tax Refund

In March 2010, the IRS made an administrative determination to accept the position that medical residents were exempt from Federal Insurance Contribution Act (FICA) taxes for tax periods ending before April 1, 2005, when new IRS regulations went into effect. Kaleida, in conjunction with the University of Buffalo, in 2005 filed refund claims for years 1999 through the first quarter of 2005. As of December 31, 2012, with the acknowledgement by the IRS of receipt of the claims and the completion of the necessary actions to perfect the claims, Kaleida recorded a refund receivable for the employer portion of medical resident FICA paid for years 1999 through the first quarter of 2005, including applicable interest. Partial payments have been received by Kaleida during 2013 and the remaining FICA refund receivable is included as a component of other accounts receivable in the accompanying consolidated balance sheet at December 31, 2013.

(b) HITECH Incentive Funds

During the years ended December 31, 2012 and 2013, Kaleida attested to Medicare and Medicaid that it met the required elements meaningful use and therefore qualified to receive incentive funds under the HITECH Act for Medicare and Medicaid. The amount due from Medicare and Medicaid is recorded in other accounts receivable in the consolidated balance sheets.

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Notes to Consolidated Financial Statements
December 31, 2013 and 2012

(15) Functional Expenses

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

	<u>2013</u>	<u>2012</u>
	(Dollars in thousands)	
Healthcare services	\$ 1,150,850	1,073,668
General and administrative	<u>128,753</u>	<u>132,700</u>
	<u><u>\$ 1,279,603</u></u>	<u><u>1,206,368</u></u>

KALEIDA HEALTH

Consolidating Balance Sheet

December 31, 2013

(Dollars in thousands)

Assets	Hospital	Home Care	Foundations	Other consolidated entities	Reclasses and eliminations	December 31, 2013 consolidated
Current assets						
Cash and cash equivalents	\$ 37,632	13,489	1,262	6,184	—	58,567
Investments	35,347	65,447	56,731	—	—	157,525
Accounts receivable						
Patient, net	128,811	16,300	—	2,947	—	148,058
Other	28,273	220	79	1,219	(6,640)	23,151
Estimated third-party payor receivables	27,775	—	—	—	—	27,775
Inventories	22,934	603	—	2,709	—	26,246
Prepaid expenses and other current assets	13,399	253	101	471	—	14,224
Total current assets	294,171	96,312	58,173	13,530	(6,640)	455,546
Assets limited as to use						
Designated under debt agreements	36,184	—	—	—	—	36,184
Designated under self-insurance programs	118,831	5,730	—	—	—	124,561
Board designated and donor restricted	25,308	—	82,522	—	—	107,830
Other	2,046	—	—	—	—	2,046
	182,369	5,730	82,522	—	—	270,621
Property and equipment, less accumulated depreciation and amortization	453,722	3,293	—	10,226	—	467,241
Receivable from insurance recoveries	4,644	—	—	—	—	4,644
Deferred financing costs, net	10,145	—	—	—	—	10,145
Interest in net assets of Foundations	142,051	—	—	—	(142,051)	—
Other	33,206	1,556	7,038	7,857	(36,138)	13,519
Total assets	\$ 1,120,308	106,891	147,733	31,613	(184,829)	1,221,716

KALEIDA HEALTH

Consolidating Balance Sheet

December 31, 2013

(Dollars in thousands)

	Hospital	Home Care	Foundations	Other consolidated entities	Reclasses and eliminations	December 31, 2013 consolidated
Liabilities and Net Assets						
Current liabilities						
Accounts payable and other accrued expenses	\$ 85,946	2,230	622	1,729	(202)	90,325
Accrued payroll and related expenses	53,842	7,312	—	176	—	61,330
Estimated third-party payor settlements	21,794	1,279	—	—	—	23,073
Current portion of long-term debt	20,098	—	—	468	—	20,566
Other current liabilities	12,880	811	—	4,239	(6,438)	11,492
Total current liabilities	194,560	11,632	622	6,612	(6,640)	206,786
Long-term debt, less current portion	288,942	—	—	1,198	—	290,140
Estimated self-insurance reserves	158,891	4,864	—	—	—	163,755
Asset retirement obligations	11,714	—	—	—	—	11,714
Pension and postretirement obligations	195,059	—	—	—	—	195,059
Other long-term liabilities	8,613	—	5,060	27,138	(25,023)	15,788
Total liabilities	857,779	16,496	5,682	34,948	(31,663)	883,242
Net assets						
Unrestricted						
Available for operations	343,511	90,395	69,863	(3,335)	(80,978)	419,456
Provision for future benefit costs	(177,378)	—	—	—	—	(177,378)
Total unrestricted	166,133	90,395	69,863	(3,335)	(80,978)	242,078
Temporarily restricted	80,996	—	64,729	—	(64,729)	80,996
Permanently restricted	15,400	—	7,459	—	(7,459)	15,400
Total net assets	262,529	90,395	142,051	(3,335)	(153,166)	338,474
Total liabilities and net assets	\$ 1,120,308	106,891	147,733	31,613	(184,829)	1,221,716

See accompanying independent auditors' report

KALEIDA HEALTH

Consolidating Statement of Operating Revenue and Expenses

Year ended December 31, 2013

(Dollars in thousands)

	Hospital	Home Care	Foundations	Other consolidated entities	Reclasses and eliminations	December 31, 2013 consolidated
Operating revenue						
Patient service revenue, net	\$ 1,117,822	90,275	—	39,914	—	1,248,011
Less provision for bad debts	22,858	922	—	129	—	23,909
Net patient service revenue	1,094,964	89,353	—	39,785	—	1,224,102
Other operating revenue	33,294	398	3,026	4	(1,708)	35,014
Net assets released from restrictions for operations	1,964	—	3,224	—	—	5,188
Total operating revenue	1,130,222	89,751	6,250	39,789	(1,708)	1,264,304
Operating expenses						
Salaries and benefits	662,253	60,629	1,118	23,162	(156)	747,006
Purchased services and other	197,262	8,648	4,094	7,958	(924)	217,038
Medical and nonmedical supplies	207,860	8,557	11	12,807	—	229,235
Depreciation and amortization	68,343	1,350	1	744	—	70,438
Interest	15,885	—	—	629	(628)	15,886
Total operating expenses	1,151,603	79,184	5,224	45,300	(1,708)	1,279,603
(Loss) income from operations	(21,381)	10,567	1,026	(5,511)	—	(15,299)
Other income						
Investment income	2,670	1,435	1,549	536	—	6,190
Net realized gains on sale of investments	2,254	120	282	—	—	2,656
Net change in unrealized gains and losses on investments	230	2,522	2,437	246	—	5,435
Total other income	5,154	4,077	4,268	782	—	14,281
(Deficiency) excess of revenue over expenses	\$ (16,227)	14,644	5,294	(4,729)	—	(1,018)

See accompanying independent auditors' report