APPLICATION FOR
COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) ENTITLEMENT PROGRAM
— 2014 Program Year Funding—

ACTIVITY NAME: Enhancement of Handicap Accessibility for Parking and Entrances to the Saratoga Community Health Center

APPLICANT: Saratoga Hospital
MAILING ADDRESS: 211 Church St.
Saratoga Springs, NY Zip: 12866

PHONE: (518) 583-8430 FAX: (518) 450-1018 EMAIL: araimo@saratogacare.org

CONTACT PERSON: Amy Raimo TITLE: Executive Director, Saratoga Hospital Foundation

APPLICANT (*select 1*): ☐ City Department X Private non-profit organization ☐ Other Public Agency

_______________ (List Dept.)
141338547 (List Federal ID #)
060523602 (DUNS #)

NATIONAL OBJECTIVE (*select 1*):

"Benefit persons of Low/moderate income"
- ☐L/M Income Area Benefit
- X L/M Income Limited Clientele Activities
- ☐L/M Income Housing Activities
- ☐L/M Income Job Creation/Retention

"Address slum/blight Conditions"
- *"N/A"*Slum/blighted Area
- ☐Slum/blighted Spot Basis
- *"N/A"*Urban Renewal Completion

"Urgent CD Need"
- *"N/A"*Urgent Need

REQUESTED ENTITLEMENT FUNDING: $ 35,000
Funding Leveraged from Other Sources: $3,420,412 (total of building/fees/construction/fit up)

Total Activity Cost: $3,455,412

Proposal Abstract - please provide a ***brief*** overview of your proposal ***including the number of persons that will be served*** with this grant in the space below:

Our proposal is an important expansion of the activities that were initiated through a 2013 Block Grant award to Saratoga Hospital for its Community Health Center (CHC), which opened in downtown Saratoga in September, 2013. The CHC was created to fill the gaps in access to primary care, dental care, and behavioral health care services for the uninsured and underinsured in the greater Saratoga Springs region. Patients now have access to primary care provided by two medical doctors and two nurse practitioners. A licensed medical social worker and a board certified psychiatrist are on staff to support patients with behavioral health needs. The goal for 2014 is to conduct a minimum of 6,300 primary care visits and 2,700 visits for behavioral health intervention for low-to-moderate income, medically underserved people. In January 2014, CHC opens the doors of its dental health services and in its first year, will provide over 4,000 quality dental health care services regardless of a patient's ability to pay.

With initial building renovations now complete, the CHC proposes to improve handicap accessibility to the Health Center. This will be accomplished through the creation of clearly dedicated and visually marked handicapped parking spaces, and handicapped door buttons for all exterior entrances into the Health Center, as well as interior entrances to the primary care and dental suites.

(Authorized Signature) Executive Director, Foundation (Title)

Amy V. Raimo (Typed or Printed Name) 1/30/2014 (Date)

Please respond in writing to each of the following (add additional pages as necessary):

1. ACTIVITY DESCRIPTION

Provide a detailed description of your proposed activity. In this description, provide responses to the following items:

A) Identify whether the activity is new, ongoing, or expanded from previous years.

Our activity is an expansion of the activities funded through a 2013 Block Grant award, to enhance accessibility features of the CHC. In 2013, 24 Hamilton St. was renovated into the CHC. Between September 10, 2013 and December 31, 2013, the CHC served 830 patients (989 visits) within the primary care and behavioral health settings. Saratoga Hospital provided $41,050 in financial assistance for patients who demonstrated financial hardship to pay for medical services, and 60 patients were referred to the hospital's health insurance navigation program.

In 2014, the CHC plans to improve handicap accessibility to the Center through the creation of two additional designated handicap spaces at the south entrance of the CHC. Additionally, the two exterior entrances and two interior doors to the primary care and dental suites will be equipped with handicap door buttons to ensure accessibility throughout the CHC for all patients. The mission of the CHC is to:

- Deliver high quality, compassionate, preventative primary, dental, and behavioral health care to low-to-moderate income, medically underserved residents of Saratoga Springs regardless of their ability to pay. A minimum of 6,300 primary care visits, 2,700 behavioral health visits, and 4,100 dental health visits is anticipated in 2014.

- Develop provider/client relationships. This will be accomplished through the implementation of a comprehensive electronic health record system (Medent), gathering of client information about their environmental circumstances at home and work, their diet, medication, immunizations, and other health-related issues that will allow staff to assess client needs and provide them with steps they can take to acquire and sustain good health.

- With the assistance of Medent (EHR), identify patterns of chronic illness in this underserved population and deliver health care that responds to identified urgent health needs.

- Utilize space at the CHC to house not only physicians and support staff, but community service agencies that have the capacity to support our health care mission and provide resources and case managed guidance for CHC clients.

- Refer clients in need of specialized care to physicians and to medical centers where the required care can be delivered.

Through these objectives, we will continue to encourage medically underserved residents to work with CHC staff and community service partners to acquire essential health care, follow up on CHC provider visit recommendations, and take responsibility for meeting their personal health care needs.

Saratoga Hospital requests a $35,000 Community Development Block Grant to allow us to purchase four handicap accessibility door buttons and assist with the necessary renovations to the existing parking area to accommodate two additional, clearly identified, appropriately designed handicap parking spaces.

B) Describe the community need at your activity is intended to address and how your activity will address that need. Provide evidence that this need is currently not being addressed through existing programs or activities.

The need that the proposed activity will address is handicap access to the CHC for wheelchair-bound, disabled, or physically impaired clients. Our activity will address this need through the installation of appropriate accessibility ramps and electronic door-opening buttons. The CHC's mission is to serve community residents that are routinely underserved and fall into a low-to-moderate income level, and the CHC needs to be completely accessible to any person seeking health care, including those that have any level of physical disability:

- Within Saratoga Springs, 2,100 people live below the poverty level[1], and there are 7,600 people who have forgone health care[2] largely due to the inability to pay, resulting in inconsistent access to well-managed primary health care. These people are at risk for the development of chronic diseases and have and increased likelihood that they will need far more costly health care in the future.

- Roughly 52% of the CHC patients identify as "self-pay" clients, and 23% of patients are enrolled in Medicaid or other grant payment relief programs.

- 6,548 Saratoga City residents between the ages of 5 – 64 years are reported as disabled.[3] Of this population, 2,822 have a physical impairment which has a substantial and long term effect on their ability to carry out daily activities, including accessing preventative health care.[4]

Current handicap accessibility for the CHC is limited, both in the number of appropriately designed and available parking spaces, as well as in direct access to the health care suites within the CHC. There is currently only one clearly identified handicap parking space available, and none of the exterior or interior doors provide unencumbered access.

C) Identify <u>who</u> will benefit from the proposed activity. If the activity is designed to benefit:

The beneficiaries of the proposed activities will be the residents of Saratoga Springs who have a physical impairment and need to be able to access the services of the CHC.

The CHC will respond to the needs of its community and the identified population within this application by providing unfettered access to the CHC and the health care services offered. Saratoga Hospital and the Community Health Center remain committed to continually assessing the needs of the community, and will continue to identify and eliminate barriers to accessing healthcare. All patients, especially those in our targeted underserved populations, who seek primary care, dental, and behavioral health services, will have access to providers and professional staff who support preventative health efforts to sustain overall wellness. Additionally, all residents will have access to community services offered through the CHC that connect patients to health insurance options, financial assistance through Saratoga Hospital, county public health services, and other community and resource services.

The CHC focuses on five leading health concerns:

1. Access to high quality, affordable chronic disease preventative care and management in both clinical and community settings.
2. Mental, emotional, and behavioral health promotion and mental, emotional, and behavioral disorder prevention.
3. Illness, disability and death related to tobacco use and exposure to secondhand smoke.
4. Obesity in children and adults.
5. Vaccine preventable diseases, HIV/STD prevention, and healthcare associated infections.

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[1] 2011 United States Census State and County Quick Facts
[2] Saratoga Hospital Planning Department
[3] Centers for Disease Control; Disability and Health Data System
[4] Centers for Disease Control; Disability and Health Data System

The CHC will address these health concerns in several ways:

a) With Block Grant support, Saratoga Hospital and the CHC will complete handicap accessible upgrades to the parking lot and the building (24 Hamilton St., Saratoga Springs) to ensure accessibility for any patient seeking care.
b) CHC's medical staff will continue to provide detection and treatment of identified chronic diseases. Staff will provide primary care for patients; manage immunization needs, schedule preventative dental care, and offer behavioral health care support as necessary.
c) Patient navigation will continue to support patients through the myriad of health care complexities and link patients directly to beneficial community services.
d) CHC staff will continue to provide patient-centered education that will encourage life-style changes for patients that will reduce the impact of chronic diseases in an effort to support patients as they take charge of their personal health.
e) Through the use of the electronic medical record system (Medent), CHC staff will track chronic disease trends specific to the population they serve in order to guide practitioners in the delivery of care, as well as alert local health care professionals of urgent healthcare needs within our community.

C-1) individual persons of low-to-moderate income, describe the process you will use to identify these persons and determine their income eligibility and the number of persons you expect to serve.

Our outreach efforts to target populations are carried out by CHC staff to places and organizations where our prospective clients gather: soup kitchens, homeless and Code Blue shelters, public housing, back stretch workers, and small downtown business owners. We continue to market our services through the use of leave-behind materials, and highlight our mission at community forums on an on-going basis. We will also continue to partner with medical practices throughout the greater Saratoga Springs region to facilitate referrals to services at the CHC.

Additionally, persons of low-to-moderate income are identified through the following methods:

- CHC staff work with the Saratoga Hospital Emergency Room, Wilton Urgent Care, and Malta Emergent Care facilities to identify recent self-pay patients in need of health related services. Phone outreach is conducted daily to these potential patients to inform them of services available at the CHC.

- Saratoga Hospital provides on-site staff to enroll eligible patients into the Hospital's financial assistance program in an effort to reduce the out-of-pocket expense for these patients. This allows for CHC staff to routinely encourage patients to schedule an appointment with a provider and assure them that fiscal concerns will be resolved.

- Saratoga Hospital provides Health Insurance Navigators to enroll any patient who has expressed interest in applying for health insurance.

- Community outreach and partnership has helped to identify community residents in need of our services. Partnership building has been a focus as the CHC works to connect with community organizations, schools and local businesses to promote the services now available at the CHC. Collaborative relationships have been initiated with the following agencies:

  - Saratoga City Schools
  - Saratoga Public Health
  - The Franklin Community Center
  - Saratoga Public Library
  - The Cancer Services Program of Saratoga County
  - Women, Infants and Children Program (WIC)
  - Code Blue

All CHC patients are asked, at the time of their appointment, to complete and sign a brief questionnaire that outlines their family household size, race and estimated annual income (*Attachment A*). Questionnaire responses are entered into a data base and continue to inform CHC staff of emerging demographics of the population served.

C-2) the inhabitants of a predominantly low-moderate income area, identify the Census Block Group in which the activity is located. *Not applicable.*

C-3) designed to benefit a low-moderate income "limited clientele", identify the "limited clientele" group.

The mission of the CHC is to provide quality, affordable healthcare to individuals within Saratoga Springs who characteristically fall below the federal poverty guidelines and as a result, routinely forego preventative health care. Currently within the city of Saratoga Springs, 2,100 people live below the federal poverty level[5]. Additionally, 720 city households receive food stamps[6] and 43% of city households earn less than $50,000/year.[7]

Our aim is to help patients become and remain healthy, resulting in the enhanced health of the community.

D) Identify your performance goals and the types of indicators you will use to document activity accomplishments and success. ***(Examples should include: # of persons with new/improved access to services, # of affordable houses rehabilitated, etc.)***

The CHC will strive to achieve the following performance goals and objectives in 2014:

- Construct two clearly identifiable handicap parking spaces at the south entrance of the Saratoga Community Health Center.
- Install four handicap door button systems (two for each entrance into the building and one system each for the doors for primary care and dental health).
- Continue to provide quality, affordable primary healthcare through a minimum of 6,300 provider visits to the underserved residents of Saratoga Springs.
- Continue to provide quality, affordable dental health by conducting a minimum of 4,100 dental visits to the underserved residents of Saratoga Springs.
- Continue to provide quality, affordable behavioral health services through a minimum of 2,700 provider visits to the underserved residents of Saratoga Springs.
- Expand outreach efforts through collaborative initiatives with existing partners, and the development of new relationships with a minimum of five community service agencies who routinely work with the identified populations we serve. Through the use of the EMR and additional data collection practices, identify gaps in services and develop programming or system changes to address the gaps to positively impact patient health.

Achievements will be assessed using the following indicators:

- Handicap accessibility improvements will be completed within the indicated time frame.
- Patient volume will be monitored on a weekly basis for primary care, dental, and behavioral health.
- Patient referrals to specialists, as well as to community resources, will be tracked.

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[5] United States Census Bureau Fact Finder
[6] United States Census Bureau Fact Finder
[7] United States Census Bureau Fact Finder

- Facilitation of patient navigation to health insurance enrollment and financial assistance support will be tracked and reviewed monthly to identify potential gaps in services.

- EMR reports will be routinely reviewed to assess patient outcomes and chronic disease trends with the medically underserved community.

- Expanded outreach efforts to engage community partners will be demonstrated through the development of newly established programming and community resources available to CHC patients.

E) Provide an activity timeframe/schedule (include start, completion dates, and other significant performance stages).

Activity	Start Date	Completion Date
Construction of two handicap parking spaces	7/2014	10/2014
Installation of four handicap door button systems	7/2014	9/2014
Market available CHC services	4/2014	On going
Identify 5 community service partners	5/2014	8/2014
Develop patient referral processes with partners	6/2014	11/2014
Schedule patient visits	On going	Sustained
Track patient volume	On going	Sustained
Track chronic disease trends	On going	Sustained
Create health education components to support health wellness	9/2014	12/2014
Navigate patients to health insurance options and financial assistance support	On going	Sustained

F) Identify whether the activity requires additional local, state or federal approval (license, permit, design/historic/environmental review, etc.). For construction/site development projects, provide evidence of site control.

This activity requires local approval. Saratoga Hospital anticipates applying for a building permit and securing site plan approval from the Saratoga Springs City Planning Board. Saratoga Hospital owns the property on which the CHC is located and will provide a copy of the deed upon request. Site control will be accomplished through the coordination of on-site CHC administrative personnel, Saratoga Hospital leadership, and contractor representatives.

2. Organizational Capacity

A) Provide an overview of your organization including length of time in existence. List current officers and board members and identify any prior funding by the City of Saratoga Springs (year, activity, and amount).

The Saratoga Community Health Center has been in existence since September, 2013, and was supported through funding by the Saratoga Springs City CBGB Entitlement program in 2013 in the amount of $115,207.

B) Describe your organization's experience in successfully conducting this type of activity. Identify any skills, current services, or special accomplishments that demonstrate your capacity for success.

Saratoga Hospital is uniquely positioned for success in this activity. For more than a century, Saratoga Hospital has provided high-quality health care for Saratoga Springs and the greater Saratoga County region. Saratoga Hospital, located in the city of Saratoga Springs, is an acute-care hospital licensed for 171 beds, including 129 medical/surgical, 12 pediatric, 14 maternity and 16 psychiatry beds. Additionally, the Hospital operates an on-site 36-bed skilled nursing facility. With more than 450 physicians and other medical professionals on staff, Saratoga Hospital offers care in a broad range of medical specialties, emergency, and ambulatory surgery services. Its team of highly skilled surgeons is setting the pace for excellence in minimally invasive surgery, performing laparoscopic and arthroscopic surgeries, muscle-sparing procedures, and robot-assisted surgery. Other hospital services include: The Saratoga Center for Endocrinology and Diabetes, Pain Management Center, and Saratoga Family Physicians. Saratoga Hospital has also forged a partnership with Albany Medical Center to provide unparalleled access to complex subspecialty care for patients, as well as increased access to emergent care services at Malta Med Emergent Care, off exit 12 of the Northway.

Saratoga Hospital is the region's leading provider of outpatient services, from urgent and primary care to state-of-the-art imaging, pain management, diabetes care, rehabilitation, occupational health, and more. The Hospital operates extension clinics in the communities of Galway, Malta, Milton, Schuylerville, Scotia-Glenville, and Wilton. It also offers outpatient surgical services at the Saratoga Surgery Center, a free-standing ambulatory surgery center.

C) Identify the person(s) responsible for program and financial management of the activity. Identify all other persons involved in this activity noting whether these positions are current or new, pending this award. For construction/site development projects, identify the development team including proposed contractors, subcontractors, and project manager.

Saratoga Community Health Center's Manager, Katherine McNeice, will be responsible for program and financial management of the proposed activity. Ms. McNeice's position is a current position.

Site development contractors will be selected upon funding commitment, and will be under the direction of Kevin Ronayne, Vice President, Operations and Facilities at Saratoga Hospital. Mr. Ronayne's position is also a current position.

D) Identify any other agencies/partners involved in this activity and define their roles and responsibilities.

There are no other agencies/partners involved in the proposed activity.

3. ACTIVITY BUDGET - (ATTACHMENTS 1, 2)

A) Include attached budgets (Attachments 1, 2) as appropriate. Depending on the activity, the applicant may need to submit one or both of the attached budget forms. More detailed budgets may be attached (and are recommended) in support of the proposal. If an architect, engineer, or other personnel have conducted a cost analysis, attach a copy noting the author and date of analysis.

- PROGRAM OPERATING BUDGET (Attachment 1) - for all proposals including public service projects and construction/site development projects.

  Please refer to Attachment 1 – 2014 Operating Budget

- CONSTRUCTION/SITE DEVELOPMENT BUDGET (Attachment 2) - for construction/site development projects

B) Identify the amount and sources of leveraged funding for this activity. Include the status of these funds (i.e. cash on hand, grants received, planned fund-raising, etc.). Attach copies of funding commitment letters or other evidence of funding support.

The amount of leveraged funds for the CHC in 2014 is $510,412, as detailed in Attachment 2, Construction/Site Development Budget. Funding totaling $140,214 has been designated to this project from Saratoga Hospital's Capital Budget. The remaining $370,198 will be provided through available cash on hand and 2014 planned fundraising efforts such as the Summer Gala Benefit Auction, which historically generates between $300,000 - $400,000 per year in revenue. Funding from the 2014 Gala and beyond will be permanently designated to support of CHC priorities. In addition, the Saratoga Hospital Foundation will maintain on-going fundraising efforts to secure individual, corporate, and private foundation funding for CHC priorities.

4. MONITORING OF FEDERAL FINANCIAL ASSISTANCE TO SUBRECIPIENTS - (ATTACHMENT 3)

The City of Saratoga Springs is responsible for ensuring that subrecipients expend awards in accordance with applicable laws, regulations, and provisions of contracts and grant.

A) In accordance with OMB Circular A-133, please complete Attachment 3 and include it with your application.

B) During your last fiscal year, if your organization expended more than $500,000 in total federal financial awards (including CDBG and all other federal assistance), please include a copy of your latest Single Audit Report with this application.

Attachment A

SARATOGA COMMUNITY HEALTH CENTER
A SERVICE OF SARATOGA HOSPITAL

Welcome to the Saratoga Community Health Center. Our mission is to provide comprehensive primary care, behavioral health and dental services for our uninsured and under insured residents. In order to provide some services at low or no cost a variety of grant funded programs will be utilized. In order to participate in such grants general information is requested from our patients. This information will not be shared with any third party and will not impact your eligibility for care at our center. If *you are uncomfortable answering any of the questions you may leave that section blank.* We ask that you answer the questions as accurately as possible. Your answers will enable continued funding support for our programs. Thank you for your time and participation.

Please circle the amount that best describes your income, based on household size:			
1 person	$16,450	$27,350	$43,750
2 persons	$18,800	$31,250	$50,000
3 persons	$21,150	$35,150	$56,250
4 persons	$23,450	$39,050	$62,500
5 persons	$25,350	$42,200	$67,500
6 persons	$27,250	$45,300	$72,500
7 persons	$29,100	$48,450	$77,500
8 persons	$31,000	$51,550	$82,500

Which of the following best describes your ethnic background? Please circle your choice:	
White	American Indian/Alaskan Native & White
Black/African American	Asian & White
Asian	Black/African American & White
American Indian/Alaskan Native	American Indian/Alaskan Native & Black/African American
Native Hawaiian/Other Pacific Island	Other multi-racial
Latino/ White & Latino	

By signing this form, I am attesting that the information I have provided on this survey is answered to the best of my ability and is accurate.

Signature: ____

Attachment 1

2014 CDBG Operating Budget

	Entitlement Grant	Leveraged Funds	Total Activity Cost
Personnel			
Salaries		1,269,694.00	1,269,694.00
Fringe		292,030.00	292,030.00
Other (Consultants, Etc)		75,200.00	75,200.00
Subtotal	-	1,636,924.00	1,636,924.00

Overhead			
Adversting/marketing		30,000	30,000
Program Supplies		144,548	144,548
Rent & Utilities		28,500	28,500
Other - List Below			
Purchased Services		97,548	97,548
Repairs and Maintenance		17,000	17,000
Equipment		12,000	12,000
Taxes		10,000	10,000
Malpractice Insurance		13,909	13,909
Dues/Subscriptions		4,000	4,000
Other		11,825	11,825
Subtotal		166,282	166,282
			-
			-
Subtotal	-	535,612	535,612
Total Cost	-	2,006,254	2,006,254

Attachment 2

CONSTRUCTION / SITE DEVELOPMENT BUDGET

(Entitlement Grant + Leveraged Funds = Total Activity Cost)

	ENTITLEMENT GRANT	Leveraged Funds*	Total Activity Cost	*Source of leveraged Funds and In-Kind Services
PRECONSTRUCTION				
Legal		$4,978	$4,978	Saratoga Hospital Capital Budget
Engineering				
Architectural/Design		$125,418	$125,418	Saratoga Hospital Capital Budget
Fees and Permits		$9,819	$9,819	Saratoga Hospital Capital Budget
Subtotal		$140,214	$140,214	

DEVELOPMENT				
Relocation				
Site Preparation	$10,000			
Construction - materials	$10,000	$277,698	$277,698	Saratoga Hospital/Foundation
Construction - labor	$15,000			
Construction Financing				
Other - (explain) Equipment		$92,500	$92,500	Saratoga Hospital/Foundation
Subtotal	$35,000	$370,198	$370,198	

TOTAL COST	**$35,000**	**$510,412**	**$545,412**

EQUAL HOUSING OPPORTUNITY

Attachment 3

OFFICE OF MANAGEMENT AND BUDGET (OMB) CIRCULAR A-133
MONITORING OF FEDERAL FINANCIAL ASSISTANCE TO SUBRECIPIENTS

ORGANIZATION: SARATOGA HOSPITAL

MAILING ADDRESS: 211 CHURCH STREET
SARATOGA SPRINGS, NY 12866

FEDERAL ID #: 141338547 PHONE: (518) 583-8340 FAX: (518) 583-8662

DUNS #: 060523602

1. Please identify your fiscal year (mth/yr to mth/yr): 1/2014 to 12/2014

Please identify below the funding received during your last fiscal year:

2. Community Development Block Grant Entitlement Funding (CDBG):

CDBG Activity Name: Saratoga Springs Community Resource Center

CDBG Funding Program Year: 4/2013 – 7/2014 CDBG Funding Amount: $115,207

3. Other Federal Financial Awards (cash & non-cash):
GIVE NAME & CATALOG OF FEDERAL FINANCIAL ASSISTANCE (CFDA) # AMOUNT OF AWARDS

NOT APPLICABLE.

4. During your last fiscal year, has your organization expended more than $500,000 in total federal financial awards (incl. CDBG & all other federal assistance)? YES * _____ NO X

* If "yes", include a copy of your latest Single Audit Report with this completed and signed form as part of your application. If you answered "no", please complete, sign and return this form.

5. Are you aware of any financial audit violations, findings or questioned costs relating to any activity funded with federal financial assistance? YES * _____ NO X

* If "yes", please describe:

____

6. Other Saratoga County Awards (cash & non-cash):
IDENTIFY PROGRAM NAME & YEAR OF AWARD IDENTIFY AMOUNT OF CO. AWARDS

NOT APPLICABLE.

Authorized Signature

1.30.2014
Date

SARATOGA CARE, INC.
AND AFFILIATES

Combined Financial Statements and
Supplementary Information

December 31, 2012 and 2011

(With Independent Auditors' Report Thereon)

SARATOGA CARE, INC.
AND AFFILIATES

Combined Financial Statements and
Supplementary Information

December 31, 2012 and 2011

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KPMG
KPMG LLP
515 Broadway
Albany, NY 12207-2974

Independent Auditors' Report

The Board of Trustees
Saratoga Care, Inc.:

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

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on auditors' judgment, including the assessment of risks of material misstatement of the combined 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 combined 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the financial position of Saratoga Care, Inc. and Affiliates as of December 31, 2012 and 2011, and the results of their operations, and their cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The supplementary information included on pages 34 through 39 is presented for purposes of additional analysis and is not a required part of the combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audits of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined 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 combined financial statements as a whole.

KPMG LLP

Albany, New York
March 27, 2013

SARATOGA CARE, INC.
AND AFFILIATES

Combined Balance Sheets

December 31, 2012 and 2011

Assets		2012	2011
Current assets:			
Cash and cash equivalents	$	49,159,626	44,683,834
Investments (notes 5 and 6)		35,880,551	36,659,244
Accounts receivable:			
Patient care		33,507,773	35,264,890
Other (notes 7 and 13)		3,186,343	1,934,446
		36,694,116	37,199,336
Less estimated uncollectibles		12,028,000	10,517,000
		24,666,116	26,682,336
Inventories		5,496,737	5,113,201
Accrued interest income		26,441	43,700
Prepaid expenses		3,032,691	2,684,235
Funds held by trustee (notes 5, 6, and 8)		481,923	480,987
Total current assets		118,744,085	116,347,537
Assets whose use is limited (notes 5, 6, and 8):			
By board designation		1,181,300	855,314
By donors		2,318,596	2,364,279
		3,499,896	3,219,593
By debt and lease agreements		5,525,393	5,348,848
		9,025,289	8,568,441
Other assets:			
Unamortized financing expenses, net		3,022,358	3,130,461
Pledges receivable, net of current portion (note 7)		1,743,950	1,730,307
Loans receivable, net of current portion (note 13)		369,614	61,919
Land held for investment		15,001	15,001
Long-term investments (notes 5 and 6)		16,647,676	497,286
		21,798,599	5,434,974
Property, plant, and equipment (notes 8 and 9):			
Property, plant, and equipment		242,686,273	230,569,250
Less accumulated depreciation and amortization		137,517,679	129,359,893
		105,168,594	101,209,357
Total assets	$	254,736,567	231,560,309

See accompanying notes to combined financial statements.

Liabilities and Net Assets		2012	2011
Current liabilities:			
Accounts payable and accrued expenses	$	10,618,371	7,657,141
Accrued salaries, wages, and related items		14,031,016	12,501,296
Accrued interest payable		190,601	200,044
Estimated third-party settlements (note 4)		6,256,000	3,958,000
Current portion of long-term debt (note 8)		3,974,078	3,973,097
Total current liabilities		35,070,066	28,289,578
Long-term debt, net of current portion (note 8)		63,399,214	66,911,140
Other long-term liabilities		4,185,396	5,123,147
Total liabilities		102,654,676	100,323,865
Net assets:			
Unrestricted		148,741,118	127,716,179
Temporarily restricted (note 11)		2,642,281	2,936,687
Permanently restricted (note 11)		698,492	583,578
		152,081,891	131,236,444
Commitments and contingencies (notes 4, 9, and 13)			
Total liabilities and net assets	$	254,736,567	231,560,309

SARATOGA CARE, INC.
AND AFFILIATES

Combined Statements of Operations

Years ended December 31, 2012 and 2011

		2012	2011
Operating revenue:			
Patient service revenue, net of contractual discounts (note 4)	$	218,520,389	210,050,074
Less: Provision for bad debts		(9,147,206)	(8,208,251)
Net patient service revenue		209,373,183	201,841,823
Other revenue		7,672,668	4,136,396
Net assets released from restrictions (note 11)		166,289	156,754
Total operating revenue		217,212,140	206,134,973
Operating expenses:			
Salaries and wages		91,087,973	85,242,157
Employee benefits		21,252,469	19,698,026
Supplies and other		74,674,578	71,779,937
Depreciation and amortization		12,253,882	12,424,666
Interest		2,737,984	3,013,839
Total operating expenses		202,006,886	192,158,625
Operating margin		15,205,254	13,976,348
Nonoperating income (losses):			
Net investment income (losses) (note 5)		2,499,208	(1,576,910)
Gain on disposal of fixed assets		1,201,828	341,024
Gifts, bequests and other		83,275	74,911
Total nonoperating income (losses), net		3,784,311	(1,160,975)
Excess of revenue over expenses		18,989,565	12,815,373
Net assets released from restrictions used for purchase of property and equipment (note 11)		1,795,225	3,204,422
Capital grant		240,149	—
Increase in unrestricted net assets	$	21,024,939	16,019,795

See accompanying notes to combined financial statements.

SARATOGA CARE, INC.
AND AFFILIATES

Combined Statements of Changes in Net Assets

Years ended December 31, 2012 and 2011

		2012	2011
Unrestricted net assets:			
Excess of revenue over expenses	$	18,989,565	12,815,373
Net assets released from restriction used for purchase of property and equipment (note 11)		1,795,225	3,204,422
Capital grant		240,149	—
Increase in unrestricted net assets		21,024,939	16,019,795
Temporarily restricted net assets:			
Restricted gifts and grants		1,667,108	1,032,203
Net assets released from restrictions (note 11)		(1,961,514)	(3,361,176)
Decrease in temporarily restricted net assets		(294,406)	(2,328,973)
Permanently restricted net assets:			
Restricted gifts		114,914	18,076
Increase in permanently restricted net assets		114,914	18,076
Change in net assets		20,845,447	13,708,898
Net assets, beginning of year		131,236,444	117,527,546
Net assets, end of year	$	152,081,891	131,236,444

See accompanying notes to combined financial statements.

SARATOGA CARE, INC.
AND AFFILIATES

Combined Statements of Cash Flows

Years ended December 31, 2012 and 2011

		2012	2011
Operating activities:			
Change in net assets	$	20,845,447	13,708,898
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Depreciation and amortization		12,253,882	12,424,666
Net bond premium amortization		(51,288)	(51,288)
Nonoperating activity and gifts and grants received		(4,604,654)	451,720
Gain on disposal of fixed assets		(1,201,828)	(341,024)
(Increase) decrease in assets:			
Accounts and loans receivable, net		1,961,489	(2,278,995)
Inventories		(383,536)	(149,415)
Prepaid expenses		(348,456)	(47,216)
Increase (decrease) in liabilities:			
Accounts payable and accrued expenses		2,961,230	(726,966)
Accrued salaries, wages, and related items		1,529,720	1,388,329
Accrued interest payable		(9,443)	(9,368)
Estimated third-party settlements		773,000	1,874,000
Other long-term liabilities		261,263	250,831
Net cash provided by operating activities		33,986,826	26,494,172
Investing activities:			
Cash paid for property, plant, and equipment, net of construction costs payable		(15,677,127)	(14,275,111)
Cash received from disposal of fixed assets		859,240	10,000
Change in investments and assets whose use is limited by third party payors, board, and donors		(12,810,483)	(3,879,119)
Change in assets whose use is limited by debt agreements		(176,545)	302,715
Loan disbursements and interest		(318,724)	(187,975)
Loan repayments and amortization		141,406	114,507
Net cash used by investing activities		(27,982,233)	(17,914,983)
Financing activities:			
Principal payments on long-term debt		(10,631,140)	(3,941,288)
Proceeds from bank loan		3,128,342	2,821,658
Proceeds from capital lease		4,043,141	—
Gifts and grants received		2,016,157	1,578,568
Cash paid for deferred financing expenses		(85,301)	(34,418)
Net cash (used) provided by financing activities		(1,528,801)	424,520
Net increase in cash and cash equivalents		4,475,792	9,003,709
Cash and cash equivalents, beginning of year		44,683,834	35,680,125
Cash and cash equivalents, end of year	$	49,159,626	44,683,834
Supplemental disclosure of cash flow information:			
Interest paid	$	2,715,659	2,977,933
Equipment acquired with capital leases		—	37,920

See accompanying notes to combined financial statements.

(1) Organization and Affiliates

(a) Organization

Saratoga Care, Inc. (Saratoga Care) is a voluntary, not-for-profit corporation, incorporated in the State of New York (NY) for the purpose of promoting health to the community. Saratoga Care is exempt from federal income taxes on related income pursuant to Section 501(c)(3) of the Internal Revenue Code (IRC).

(b) Affiliates

The combined financial statements include the accounts of Saratoga Care, Inc. and the following affiliates:

The Saratoga Hospital (Hospital) – The Hospital, a voluntary, not-for-profit charitable corporation, incorporated in the State of New York, operates a full service hospital in Saratoga Springs, New York. The Hospital is exempt from federal income taxes on related income pursuant to Section 501(c)(3) of the IRC.

Saratoga Care Family Health Centers, Inc. (the Center) – The Center, a voluntary not-for-profit corporation, incorporated in the State of New York, operated a free-standing diagnostic and treatment center. The Center was exempt from federal income taxes on related income pursuant to Section 501(c)(3) of the IRC. During 2011, the New York State Department of Health (DOH) approved a plan of closure of the Center, and simultaneously approved the Hospital's application for the existing Center sites to become extension clinics operated by the Hospital. The operations of the Center were absorbed into the Hospital effective April 1, 2011.

Other Related Organizations – The Saratoga Care Foundation (Foundation), an operating division of Saratoga Care, Inc., was established to raise funds to support the operation of the affiliates. The Saratoga Hospital Guild (Guild) is a voluntary service organization operating under bylaws approved by the Hospital's Board of Trustees. Guild members provide more than 40,000 hours of service annually to benefit the Hospital. The Flower and Fruit Mission (Flower and Fruit) is an association founded to help the Hospital equip and maintain its maternity unit and to provide general support to the Hospital.

All material accounts and transactions between affiliates have been eliminated in the combined financial statements.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The combined financial statements of Saratoga Care are presented consistent with 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 the 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 of Saratoga Care are net assets not subject to donor-imposed stipulations and are available for operations. Temporarily restricted net assets are those whose use by Saratoga Care has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by Saratoga Care in perpetuity.

Saratoga Care considers events or transactions that occur after the combined balance sheet date, but before the financial statements are issued, to provide additional evidence relative to certain estimates or to identify matters that require additional disclosure. These combined financial statements were available to be issued on March 27, 2013 and subsequent events have been evaluated through that date.

(b) Excess of Revenue over Expenses

The combined statements of operations include excess of revenue over expenses. Changes in unrestricted net assets that are excluded from excess of revenue over expenses, in accordance with industry practice, include permanent transfers of net assets to/from affiliates for other than goods and services, and contributions of long-lived assets. For purposes of display, transactions deemed by management to be ongoing, major, and central to the provision of health care services are reported as operating revenue and expenses in the determination of Saratoga Care's operating margin. Peripheral transactions, including unrestricted gifts and bequests received and net investment income earned, are reported as nonoperating activity.

(c) Use of Estimates

The preparation of combined financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingencies at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. The most significant areas that are affected by the use of estimates include the allowance for uncollectible accounts receivable, estimated third-party settlements, and fair value of certain investments. Actual results could differ from those estimates.

(d) Donor-Restricted Gifts and Endowment Funds

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value when conditions have been met. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the combined statements of operations as net assets released from restrictions. Donor restricted contributions whose restrictions are met within the same year as received are reflected as nonoperating income in the accompanying combined financial statements.

In addition, Saratoga Care applies standards of fund management for those charged with governance of institutional or endowment funds contained in the New York Prudent Management Funds Act (NYPMIFA or Act). The Act requires those responsible for managing institutional funds adopt a written investment policy; requires diversification of investments; and provides institutions with a process by which donor restrictions can be lifted. The Act allows an institution to determine the appropriate level of endowment expenditure, subject to donor-imposed restrictions expressed in the gift instrument. However, it establishes a rebuttable presumption of imprudence if such expenditure in any year is greater than 7% of the fair market value of an endowment fund.

Saratoga Care classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund, if any.

(e) Net Patient Service Revenue

Net patient service revenue and accounts receivable are reported at the estimated net realizable amounts from third-party payors, patients, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements or adjustments become known or as years are no longer subject to audits, reviews, and investigations. At December 31, 2012 and 2011, significant concentrations of patient accounts receivable include 30% and 31% due from government related programs, 47% and 44% due from Blue Cross/Blue Shield and HMO plans, and 23% and 25% from commercial insurers and patients, respectively. See note 4 for information relative to third-party reimbursement agreements.

(f) Provision for Bad Debts

Saratoga Care's affiliates grant credit without collateral to patients, most of whom are local residents and are insured under third-party agreements. Additions to the allowance for estimated uncollectible 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. Services rendered to individuals when payment is expected and ultimately not received are written off against the allowance for estimated uncollectible accounts upon management's determination that the balance will likely not be collected.

Allowances have been recorded for estimated uncollectible patient care accounts of approximately $11,990,000 and $10,509,000 at December 31, 2012 and 2011, respectively. The Hospital's allowance for estimated uncollectible accounts increased from December 31, 2011 to December 31, 2012 due to an increase in patient accounts receivable that have aged in excess of durations at which the Hospital considers the risk of noncollection to have increased.

(g) Financial Assistance and Community Benefits

Saratoga Care's affiliates provide care to patients who meet certain criteria under its financial assistance policy without charge or at amounts less than their established rates. The affiliates maintain records to identify and monitor the level of financial assistance provided. Those records include the amount of charges for services and supplies furnished to qualifying patients. See note 3 for information relative to financial assistance and community benefits.

(h) *Cash Equivalents*

For the purposes of the combined statements of cash flows, Saratoga Care includes short-term highly liquid investments with original maturities of 90 days or less that are readily convertible to known amounts of cash and are available for operations, exclusive of current investments and assets whose use is limited. As more fully discussed in note 2(o), cash equivalents are stated at fair value and are considered a Level 1 financial asset.

(i) *Investments and Investment Income*

Investments are reported at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between willing market participants at the measurement date. See notes 2(o) and 6 for a discussion of fair value measurements.

Investment income or loss, net of related fees (including net realized and change in net unrealized gains and losses on investments, interest, and dividends) is included in excess of revenue over expenses as nonoperating income unless subject to donor-imposed restrictions.

(j) *Assets Whose Use is Limited*

Assets whose use is limited represent amounts that have been restricted as to use by debt agreements, by donors and by board designation for deferred compensation agreements.

(k) *Property, Plant, and Equipment, and Depreciation and Amortization*

Property, plant, and equipment, except for equipment acquired under certain capital leases, which are recorded at the present value of minimum lease payments, is recorded at cost or, if received as a gift, at fair market value established at the dates of the gift. The carrying amount of assets and related accumulated depreciation and amortization are removed from the accounts when such assets are disposed of, and any resulting gain or loss is included in the combined statements of operations. Depreciation and amortization of property, plant, and equipment are computed using the straight-line method over the estimated useful lives of the assets or lease periods, as appropriate. Estimated useful lives of assets are as follows:

	Estimated useful life (years)
Land improvements	5 – 25
Leasehold improvements	5 – 25
Building	5 – 40
Fixed equipment	5 – 25
Movable equipment	3 – 10

(Continued)

Gifts of capital assets are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of capital assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire capital assets are reported as temporarily restricted support. Absent explicit donor restrictions about how long these capital assets must be maintained, expirations of donor restrictions are reported when the donated or acquired capital assets are placed in service.

Unamortized financing expenses represent amounts incurred in issuing long-term obligations. These amounts are amortized over the expected terms of the underlying debt agreements (see note 8).

(l) Functional Expenses

Saratoga Care's affiliates provide general health care services to residents within its geographic region including inpatient medical, surgical and skilled nursing care, emergency care, outpatient surgery, diagnosis/testing, primary care and therapeutic services. Expenses related to providing these health care services amounted to approximately $183,117,000 and $174,294,000 in 2012 and 2011, respectively.

(m) Inventories

Inventories are stated at cost (first-in, first-out) and consist primarily of medical supplies and pharmaceuticals.

(n) Other Long-Term Liabilities

Other long-term liabilities consist of Saratoga Care's asset retirement obligations, deferred compensation payable to management, deferred lease obligations, the noncurrent portion of estimated third-party settlements, and charitable gift annuity liabilities payable to donors.

Asset retirement obligations represent Saratoga Care's legal obligation to perform certain asset retirement activities for which the timing and/or method of settlement is conditional on a future event that may or may not be within the Saratoga Care's control. ASC 410-20, *Asset Retirement and Environmental Obligations*, requires recognition of asset retirement costs when the obligation is incurred, regardless of whether the timing and/or method of settlement of the obligations are conditional on the occurrence of future events. The obligation at year end represents the present value, discounted at a rate of 4.7%, of the expected future costs of removal and disposal activities in the event Saratoga Care renovates or demolishes buildings in the future.

(o) Fair Value Measurement of Financial Instruments

Saratoga Care 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.

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

See note 6 for further information regarding the fair value of investments held by Saratoga Care. The carrying values of cash and cash equivalents, accounts receivable, accrued interest receivable, loans receivable, pledges receivable, and accounts payable and accrued expenses are reasonable estimates of their fair value due to the short-term nature of these financial instruments.

The estimated fair value of Saratoga Care's long-term debt instruments, excluding capital leases, was approximately $60.8 million and $68.1 million at December 31, 2012 and 2011, respectively. The fair value of debt was estimated using a discounted cash flow analysis based on current borrowing rates for similar types of arrangements and is a Level 2 measurement.

(p) Income Taxes

Saratoga Care's affiliates are exempt from federal income taxes on related income pursuant to Section 501(c)(3) of the Internal Revenue Code.

Saratoga Care recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than fifty percent likely of being realized upon settlement. Changes in recognition in measurement are reflected in the period in which the change in judgment occurs. Saratoga Care did not recognize the effect of any uncertain income tax positions in either 2012 or 2011.

(q) ***Recently Adopted Accounting Pronouncements***

In July 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2011-07, Health Care Entities (Topic 954): *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities* (ASU 2011-07), which requires certain health care entities to change the presentation of their statement of operations by reclassifying the provision for bad debts associated with patient service revenue from an operating expense to a deduction from patient service revenue (net of contractual allowances and discounts). Additionally, those health care entities are required to provide enhanced disclosure about their policies for recognizing revenue and assessing bad debts. The amendments also require disclosures of patient service revenue (net of contractual allowances and discounts) as well as qualitative and quantitative information about changes in the allowance for doubtful accounts. The adoption of ASU 2011-07 by Saratoga Care did not impact Saratoga Care's combined financial position, results of operations or cash flows.

(r) ***Reclassifications***

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

(3) Financial Assistance and Community Benefits

The mission of Saratoga Care is to serve the people of its community by responding to their healthcare needs in a supportive and caring environment.

Consistent with this mission, Saratoga Care provides high-quality, cost effective health care to individuals and families in the communities it serves regardless of a patient's ability to pay. Saratoga Care actively supports community-based healthcare and promotes the coordination of services among healthcare providers and social services organizations. In addition, Saratoga Care seeks to work collaboratively with other health care providers to improve the health status of its region.

Saratoga Care files an annual Community Service Plan Financial Statement with the New York State Department of Health, which, in combination with an annual Community Service Plan outlines the community and charitable benefits provided by Saratoga Care. The categories of these benefits include:

Financial *Assistance* (formerly referred to as charity care) – Saratoga Care's affiliates provide financial assistance, in the form of waived or discounted charges, to uninsured and underinsured patients based on their ability to pay for those services. Additionally, effective January 1, 2008, the affiliates implemented policies under which patients are provided with a discount of 35% from charges at the time they are identified as uninsured. This discount applies regardless of a patient's ability to pay. In 2009 and 2011, the Hospital introduced programs which provide uninsured patients with a discount from charges beyond the standard 35% discount for patients using urgent care and emergency department services, respectively. The level of financial assistance for uninsured patients, measured on the basis of cost, is approximately \$3,706,000 and \$3,149,000 for 2012 and 2011, respectively. The cost of financial assistance provided was determined based on the application of the ratio of the Hospital's overall cost to patient charges. Included in net patient service revenues for 2012 and 2011 is $894,000 and $568,000, respectively, in net uncompensated care distributions received from New York State.

Uncompensated Cost of Care for Medicare and Medicaid Patients – Saratoga Care's affiliates routinely provide services to Medicare and Medicaid patients at reimbursement levels that are below the cost of providing the care.

Community Medical Needs Assessment – Through collaboration with local stakeholders and other regional health care providers, the Hospital engages in an ongoing effort to identify the areas of greatest health care need in its community, assess the reasons for the shortfall, develop and implement plans to address the needs identified, and track the effectiveness of the actions taken.

Physician Recruitment – The Hospital is a significant resource in its community for the purposes of identifying physician needs in the area and recruiting physicians to fill those needs. In certain cases, the recruitment efforts include subsidization of the initial phase of a physician's transition to practice in the Hospital's service area in the form of income guarantees. Loan forgiveness under this program, included in supplies and other expense, amounted to $66,000 and $246,000, respectively, for 2012 and 2011.

Subsidization of Primary Care – One of the primary needs identified in Saratoga Care's service area is a shortage of primary care physicians. Saratoga Care and the Hospital annually subsidize operating losses of primary care sites.

Grant Administration – Saratoga Care is the local administrator for a number of state and Federal grant programs. Among other programs, the Hospital administers the New York State Cancer Services program for Saratoga County, which provides uninsured and underinsured men and women in New York State (NYS) with routine screening for breast, cervical and colorectal cancer, with the overall goal of reducing the mortality rates for these diseases in NYS. Additionally, the Hospital administers the New York State Department of Health Child Health Plus, Family Health Plus and Medicaid Facilitated Enrollment Program for Saratoga County, with an aim of facilitating enrollment into free or low-cost health insurance programs for eligible individuals and families. The Facilitated Enrollment Program was administered by the Center prior to the absorption of the Center's operations into the Hospital effective April 1, 2011. Saratoga Care's cost to administer these programs exceeded grant reimbursement received by approximately $98,000 and $69,000 in 2012 and 2011, respectively.

Community *Health Activities* – Saratoga Care provides impactful community health benefits through a number of other programs including: free community health education sessions, leadership role in health emergency planning, health fairs, health screenings, support groups, a quarterly newsletter, and a 24-hour call center. Additionally, Saratoga Care supports other nonprofit organizations in its community through contributions and a high level of management and employee engagement in efforts on behalf of organizations having missions similar to that of Saratoga Care.

During 2012 the Hospital acquired a building at which a community health resource center serving primarily uninsured and under-insured patients will be located. The facility is expected to be open in June 2013. Net costs associated with acquisition and preparation of the facility amounted to approximately $38,000 in 2012.

(4) Patient Service Revenue and Third-Party Reimbursement Agreements

(a) Patient Service Revenue

Patient service revenue is reported at estimated net realizable amounts from patients, residents, third-party payors, and others for services rendered. A summary of patient service revenue at December 31, net of allowances, follows:

		2012	2011
Gross patient service charges	$	651,362,616	597,694,958
Less provisions for contractual adjustments under third party reimbursement programs and discounts		432,842,227	387,644,884
Patient service revenue	$	218,520,389	210,050,074

A significant portion of the Saratoga Care's patient service revenue is derived through arrangements with third party payors including government payors (Medicare 31% and Medicaid 7%), commercial and HMO payors (55%), and private and other payors (7%).

(b) Third-Party Reimbursement Agreements

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. A summary of payment arrangements for hospital and skilled nursing services follows:

Hospital 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 predetermined amounts under the provisions of the New York Health Care Reform Act (HCRA) for all other payors. Medicare outpatient services are reimbursed on a prospective payment basis primarily using an ambulatory payment classification system. 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 discharge, per diem or per procedure rates and fees, discounts from established charges, and fee schedules.

In addition, under HCRA, all non-Medicare payors are required to make surcharge payments for the subsidization of indigent care and other healthcare initiatives. The percentage amount of the surcharge varies by payor and applies to a broader array of healthcare 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 Department of Health.

Skilled Nursing Services – Skilled nursing services under the Medicaid program are based on a state wide pricing system using the Resident Utilization Groups (RUG-III) classification system. Under this methodology, the Hospital is reimbursed at a predetermined rate depending on the intensity of the services rendered to patients regardless of the cost of delivering those services. Reimbursement

(Continued)

under the Medicare program is based on a prospective payment system (PPS). Under PPS, the Hospital is paid a single per diem rate that covers all services. The per diem payment is adjusted for each Medicare beneficiary based on their care needs as measured by individual patient assessment forms.

The Hospital is required to prepare and file various reports of actual and allowable costs annually. Provisions have been made in the combined 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 in the year the final settlement is determined. The laws and regulations governing the reimbursement for healthcare services are complex and subject to interpretation. Compliance with laws and regulations can be subject to future government review and interpretation as well as significant regulatory action; failure to comply with such laws and regulations can result in fines, penalties and exclusion from the Medicare and Medicaid programs. Third-party payors retain the right to review and propose adjustments to amounts submitted and recorded by the Hospital. In the opinion of management, retroactive adjustments, if any, would not be material to the financial position or results of operations of the Hospital.

The Health Information Technology for Economic and Clinical Health (HITECH) Act included in the American Recovery and Reinvestment Act (ARRA) provides incentives for the adoption and use of health information technology by Medicare and Medicaid providers and eligible professionals through 2016. To receive such incentives, providers are required to establish an electronic medical record system and maintain its meaningful use status for a continuous 90-day period in year one and for 365-days in subsequent years. The Hospital records revenue related to this program when management is reasonably assured that the Hospital has complied with the terms of the program and the incentive monies have been received. During the year ended December 31, 2012, the Hospital certified to Centers for Medicare and Medicaid Services (CMS) and Medicaid that it met the required elements for year one of the electronic health record meaningful use and therefore qualified to receive approximately $2.6 million of incentive funds under the HITECH Act for Medicare and Medicaid. The amount received from CMS and Medicaid is reflected as other operating revenue in the combined statement of operations for the year ended December 31, 2012.

(Continued)

(5) Investments

The components of investments, at fair value, consist of the following at December 31:

		2012	2011
Current assets:			
Cash and cash equivalents	$	656,359	1,759,454
Marketable equity securities:			
Domestic		8,333,042	7,055,099
Developed international markets		2,878,784	3,096,460
Emerging international markets		529,666	443,040
Corporate bonds – domestic		7,523,442	7,633,430
U.S. government and agency securities		7,790,600	7,918,661
Limited partnerships:			
Global macro strategy		1,339,531	1,403,583
Emerging international markets		—	951,870
Real assets strategy		809,426	906,975
Absolute return strategy		6,019,701	5,490,672
	$	35,880,551	36,659,244
Assets whose use is limited:			
By board designation and donors:			
Cash and cash equivalents	$	691,122	891,980
Marketable equity securities:			
Domestic		1,492,596	1,440,337
Developed international markets		185,444	49,434
Emerging international markets		20,084	7,073
Corporate bonds – domestic		852,810	564,607
U.S. government and agency securities		125,575	126,420
Limited partnerships:			
Global macro strategy		21,689	22,408
Emerging international markets		—	15,196
Real assets strategy		13,106	14,480
Absolute return strategy		97,470	87,658
	$	3,499,896	3,219,593

(Continued)

		2012	2011
By debt agreements:			
Cash and cash equivalents	$	2,808,659	2,630,378
U.S. government and agency securities		3,198,657	3,199,457
		6,007,316	5,829,835
Less current portion of funds held by trustee		481,923	480,987
	$	5,525,393	5,348,848
Long-term investments:			
Limited partnerships – private equity	$	647,663	497,286
Limited partnerships – balanced strategy		16,000,013	—
	$	16,647,676	497,286

Net investment income (losses) for cash, cash equivalents, and investments (including assets whose use is limited and long-term investments) are comprised of the following for 2012 and 2011:

		2012	2011
Interest and dividend income	$	677,572	776,500
Net realized losses on sales of investments		(641,234)	(697,669)
Change in net unrealized gains and losses on investments		2,462,870	(1,655,741)
Net investment income (losses)	$	2,499,208	(1,576,910)

(6) Fair Value Measurements

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

Cash and cash equivalents consist of cash accounts and money market funds that are stated at NAV of $1.00 per unit.

Fair values for *marketable equity securities* and *corporate bonds* and *U.S. government and agency securities* are based on quoted market prices or dealer quotes, where available. When necessary, Saratoga Care values bonds and notes issued by governmental entities or agencies using matrix pricing obtained from a third party vendor to determine fair value. Matrix prices are based on quoted prices for securities with similar coupons, ratings, and maturities, rather than on specific bids and offers for the designated security. The portfolio of corporate bonds and U.S. government securities consist of a combination of fixed income mutual funds and individual securities.

A portion of Saratoga Care's investment portfolio consists of interests in *limited partnerships*. Saratoga Care owns interests in these limited partnerships, which in turn invest in related investment funds, rather than having direct ownership of the underlying securities held by the investment funds. Saratoga Care is generally required to consider such investments as Level 2 or Level 3, even though the underlying investments may not be difficult to value or may be readily marketable. Saratoga Care records the fair values of its interests in the limited partnerships based on the NAV reported by the fund managers. Since NAV is used as a practical expedient to estimate the fair value of limited partnership investments, the hierarchy levels into which these investments are classified are based primarily on Saratoga Care's ability to redeem its interest in each fund at or near the date of the combined 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 holding these investments.

The following tables present the Saratoga Care's investments that are measured at fair value at December 31, 2012 and 2011 on a recurring basis. Investments are classified in their entirety based on the lowest level of input that is significant to the fair value measurements.

	Level 1	Level 2	Level 3	Total 2012
Investments:				
Cash and cash equivalents	$ 4,156,140	—	—	4,156,140
Marketable equity securities:				
Domestic	9,825,638	—	—	9,825,638
Developed international markets	3,064,228	—	—	3,064,228
Emerging international markets	549,750	—	—	549,750
Corporate bonds – domestic	7,077,257	1,298,995	—	8,376,252
U.S. government and agency securities	4,895,023	6,219,809	—	11,114,832
Limited partnerships:				
Balanced strategy	—	—	16,000,013	16,000,013
Global macro strategy	—	1,361,220	—	1,361,220
Real assets strategy	—	822,532	—	822,532
Absolute return strategy	—	6,117,171	—	6,117,171
Private equity	—	—	647,663	647,663
Total	$ 29,568,036	15,819,727	16,647,676	62,035,439

		Level 1	Level 2	Level 3	Total 2011
Investments:					
Cash and cash equivalents	$	5,281,812	—	—	5,281,812
Marketable equity securities:					
Domestic		8,495,436	—	—	8,495,436
Developed international markets		3,145,894	—	—	3,145,894
Emerging international markets		450,113	—	—	450,113
Corporate bonds – domestic		6,380,112	1,817,925	—	8,198,037
U.S. government and agency securities		4,786,123	6,458,415	—	11,244,538
Limited partnerships:					
Global macro strategy		—	1,425,991	—	1,425,991
Emerging international markets		—	967,066	—	967,066
Real assets strategy		—	921,455	—	921,455
Absolute return strategy		—	5,578,330	—	5,578,330
Private equity		—	—	497,286	497,286
Total	$	28,539,490	17,169,182	497,286	46,205,958

A summary of activity for all investments with Level 3 fair value measurements for the years ended December 31, 2012 and 2011 follows:

		2012	2011
Balance, beginning of year	$	497,286	371,591
Change in unrealized gains and losses		60,607	25,695
Purchases		16,188,750	100,000
Distributions		(98,967)	—
Balance, end of year	$	16,647,676	497,286

Marketable equity securities and corporate bonds and U.S. government and agency securities are generally redeemable on a daily basis with one days notice.

Limited partnership investments at December 31, 2012 are typically redeemable with each associated fund manager at NAV under the original terms of the partnership agreement and/or subscription agreements. Saratoga Care is able to redeem its investments in limited partnerships in accordance with the following terms: last business day of each month ($1,361,220), last business day of each calendar quarter ($6,117,171), last business day of each year ($822,532), and unavailable for greater than one year ($16,647,676). At December 31, 2011, Saratoga Care was able to redeem its investments in limited partnerships in accordance with the following terms: last business day of each month ($2,393,057), last business day of each calendar quarter ($5,578,330), last business day of each year ($921,455), and unavailable for greater than one year ($497,286).

Redemption of such limited partnership investments generally requires provision of written notice ranging from 30 to 65 days prior to the redemption date. At the discretion of the fund managers, investments in limited partnerships may be deemed temporarily illiquid, including restrictions suspending normal liquidity terms, lock-ups with definite expiration dates, or restriction until the fund manager liquidates certain fund assets. As of December 31, 2012, none of Saratoga Care's investments in limited partnerships have been deemed temporarily illiquid by fund managers.

At December 31, 2012, Saratoga Care had outstanding funding commitments of approximately $829,000 for limited partnership investments classified as long-term investments. The general partner has not provided a timeframe for the funding of these commitments.

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

(7) Pledges Receivable

Pledges receivable represent gifts primarily for the benefit of the Hospital's capital campaign, and the Saratoga Care Foundation general appeal which are expected to be collected at various times through 2018. The amounts are recorded at their estimated net present value using discount rates ranging from 0.2% to 1.5%. The components of pledges receivable at December 31 are as follows:

	2012	2011
Less than one year	$ 839,870	628,901
One to five years	1,652,107	1,249,448
Greater than five years	300,000	600,000
	2,791,977	2,478,349
Less unamortized discount and reserve for uncollectibles	113,480	119,141
	2,678,497	2,359,208
Less portion classified current (as a component of other accounts receivable	934,547	628,901
	$ 1,743,950	1,730,307

(8) Long-Term Debt

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

		2012	2011
County of Saratoga Industrial Development Agency Civic Facility Revenue Bonds (Saratoga Hospital Project), Series 2003 A, B-1 and B-2, 2.00% to 4.75% serial bonds, due annually December 1 through 2017; 5.00% 5.75% term bonds of $3,085,000 and $3,725,000, respectively, due December 1, 2023; and 5.125% and 5.75% term bonds of $7,685,000 and $6,540,000, respectively, due December 1, 2033. Interest on Series 2003 Bonds is payable semi-annually on June 1 and December 1.	$	23,300,000	23,910,000
County of Saratoga Industrial Development Agency Civic Facility Revenue Bonds (Saratoga Hospital Project), Series 2004 A, 3.00% to 5.00% serial bonds, interest payable semi-annually on June 1 and December 1 and annual principal payments ranging from $885,000 to $1,335,000, due annually on December 1 through 2024; and $1,080,000 Series 2004 B 7.25% term bonds, interest payable semi-annually on June 1 and December 1 and annual sinking fund payment ranging from $25,000 to $95,000 due December 1 through 2024.		3,425,000	4,670,000
County of Saratoga Industrial Development Agency Civic Facility Variable Rate Demand Revenue Bonds, Series 2007 A, variable interest rate serial bonds, requiring mandatory sinking fund payments ranging from $430,000 to $1,010,000, due annually on December 1 until 2032. Interest payable monthly (0.13% and 0.11% at December 31, 2012 and 2011, respectively).		14,095,000	14,545,000
County of Saratoga Industrial Development Agency Civic Facility Revenue Bonds, Series 2007 B, 4.00% serial bonds, annual principal payment of $460,000 due December 1; 5% to 5.25% term bonds due in amounts ranging from $3,300,000 to $5,805,000 every five years beginning December 1, 2017 through 2032. Aggregate annual sinking fund payments on the term bonds ranging from $485,000 to $1,280,000, due annually on December 1 through 2032. Interest payable semi-annually on June 1 and December 1.		16,140,000	17,220,000

(Continued)

		2012	2011
Bank loan payable in monthly installments of $89,321, including interest at 5.25%, through October 2017. Loan was paid in full in March 2012.	$	—	5,299,064
Bank loan payable in monthly installments, based on a 20-year amortization schedule through August 2016, with a final lump sum payment due on the maturity date in September 2016. The loan bears interest at a variable rate of 1-month LIBOR plus 1.15% (1.36% at December 31, 2012).		3,850,000	2,821,658
Capital lease obligation, secured by leased pharmacy equipment, requiring monthly installments of $20,686, through December 2014, interest at 2.44% (net of imputed interest at December 31, 2012 and 2011 of $11,592 and $21,772, respectively).		484,155	694,843
Capital lease obligation, secured by leased equipment, requiring monthly payments of $51,220 through October 2019, including interest at 1.75% (net of $247,436 imputed interest at December 31, 2012).		3,952,604	—
Bank loan requiring monthly interest only payments until entire remaining balance is due May 14, 2014. The loan bears interest at a fixed rate of 3.25%.		500,000	—
Installment sale contract payable in monthly installments of $10,736 through February 2033, including interest at a rate of 5%.		1,634,721	1,680,572
		67,381,480	70,841,137
Add:			
Unamortized bond premium (Series 2004 Bonds)		109,669	166,861
Less:			
Current portion		3,974,078	3,973,097
Unamortized bond discount (Series 2003 Bonds)		11,492	12,056
Unamortized bond discount (Series 2007 Bonds)		106,365	111,705
	$	63,399,214	66,911,140

(Continued)

Revenue Bonds

(a) Series 2003 and 2004

In August 2003, the County of Saratoga Industrial Development Agency (IDA or Issuer) issued tax-exempt Civic Facility Revenue Bonds, Series 2003 A ($14,385,000) and 2003 B-1 ($11,770,000), and taxable Civic Facility Revenue Bonds Series 2003 B-2 ($1,935,000) (collectively the Series 2003 Bonds) for the purpose of financing the Hospital's construction of an ambulatory surgery center, acquisition of equipment for the Hospital campus, refinancing the Hospital's Series 1995A Revenue Bonds and a 1997 mortgage payable to a bank, fund a debt service reserve, and pay for the cost of issuance. The Series 2003 Bonds were issued pursuant to the terms of a Master Trust Indenture (Indenture) by and between the Hospital, and Saratoga Care, Inc., including Saratoga Care Foundation, as the initial members of the Saratoga Hospital Obligated Group (Obligated Group) and HSBC Bank USA, as trustee, dated as of August 1, 2003. Effective October 2011, trustee services for all of the Hospital's bond issues were transitioned to US Bank, NA (Trustee).

In September 2004, the Issuer issued tax-exempt Civic Facility Revenue Bonds, Series 2004 A ($10,835,000) and taxable Civic Facility Revenue Bonds Series 2004 B ($1,080,000) (collectively the Series 2004 Bonds) for the purpose of financing the Hospital's construction of a radiation oncology center, construction of an addition to the Hospital's cafeteria, construction of additional parking, renovation of a building to be used to house private physician offices, acquisition and installation of equipment related to these projects, fund a debt service reserve, and pay for the cost of issuance. The Series 2004 Bonds were issued pursuant to the terms of the Indenture as supplemented by the terms of a Supplemental Master Trust Indenture between the Obligated Group and Trustee, dated September 1, 2004.

(b) Series 2007

In December 2007, the Issuer issued tax-exempt Civic Facility Variable Rate Demand Revenue Bonds, Series 2007 A ($15,790,000) and Civic Facility Revenue Bonds, Series 2007 B ($18,540,000) (collectively the Series 2007 Bonds) for the purpose of financing the Hospital's construction of a new emergency department, renovations required to convert 36 skilled nursing beds to 20 acute beds, renovations and infrastructure upgrades to Wilton Medical Arts, fit-up for a primary care physician practice site, reimbursement of the costs incurred to fit-up a new outpatient medical arts facility in Malta, and various infrastructure upgrades to the main Hospital campus. The Series 2007 A Bonds bear interest at a variable rate (averaging 0.17% during 2012), reset on a weekly basis. The weekly rate is established by a remarketing agent at a level that causes the Series 2007 A Bonds to have a market value equal to face value plus accrued interest on the rate adjustment date. The maximum rate at which the Series 2007 A Bonds may bear interest is the lesser of 12% per annum or such other maximum rate permitted by law.

The Hospital may, at its sole option, convert interest on the Series 2007 A Bonds to a fixed rate, to be set by the remarketing agent at a rate that would cause the Series 2007 A Bonds to have a market value equal to the face value plus accrued interest on the conversion date. The Series 2007 bonds were issued pursuant to the terms of the Indenture as supplemented by the terms of a supplemental master trust indenture between the Issuer and Trustee, dated November 1, 2007.

The Series 2003 Bonds are special obligations of the Issuer payable solely from and secured by a pledge of payments to be made under an Installment Sale Agreement, dated August 1, 2003, between the Hospital and the Issuer. Likewise, the Series 2004 Bonds and Series 2007 Bonds are special obligations of the IDA payable solely from and secured by pledges of payments to be made under separate Installment Sale Agreements, dated September 1, 2004 and November 1, 2007, respectively, between the Hospital and the IDA. As additional security for all of the bonds, the Obligated Group, in 2003, issued Obligated Group Master Notes to the Trustee pursuant to the Master Trust Indenture and Supplemental Master Trust Indentures (collectively the Indentures). The Obligated Group Master Notes are a joint and several obligation of the Obligated Group members secured by a pledge of and lien on the gross receipts of the Obligated Group members and a first mortgage lien on and security interest in certain portions of the Hospital's real and personal property.

The Series 2007 A Bonds are further secured by an irrevocable, direct-pay substitute letter of credit issued by HSBC Bank USA (HSBC). The initial letter of credit, issued by KeyBank, was to expire on December 18, 2010. On October 18, 2010, the Obligated Group obtained the substitute letter of credit from HSBC. The substitute letter of credit enables the Trustee to draw an amount equal to the principal of the Series 2007 A Bonds then outstanding, plus 35 days interest thereon, up to a maximum interest rate of 12%. The amount of the substitute letter of credit at December 31, 2012 is $14,110,000. The substitute letter of credit fee at December 31, 2012 is 0.90%. The substitute letter of credit is committed through October 18, 2013. The substitute letter of credit is renewable for an unlimited number of one-year periods after October 18, 2013 at the sole discretion of HSBC. In March 2013, the Obligated Group obtained an extension of the substitute letter of credit term from HSBC, through October 18, 2015. The Hospital may request additional one year extensions to the substitute letter of credit term on October 18 of each year.

At any time on or after December 1, 2017 the Obligated Group may opt to initiate early redemption on all or a portion of the Series 2007B Bonds maturing at any time on or after December 1, 2018. The Obligated Group may also opt to initiate early redemption of the Series 2007 A Bonds at any time. The Indentures permit the Obligated Group to incur additional long-term debt subject to the approval of the Trustee, and the ability of the Obligated Group to meet certain financial performance and reporting requirements. Further, the members of the Obligated Group must satisfy certain financial performance and reporting requirement covenants annually as long as the Bonds are outstanding.

Under the terms of the Indentures, the Hospital has established with the Trustee certain funds with the proceeds of the Bonds, including the maintenance of debt service reserve funds, as security for the bonds, and project account funds, from which proceeds are disbursed to pay for construction and other project costs. Included in the accompanying combined financial statements, classified as assets whose use is limited, are the Hospital's balances in these funds at December 31, as follows:

		2012	2011
Series 2003 Bonds:			
Debt service reserve funds	$	2,008,061	2,008,977
Series 2004 Bonds:			
Debt service reserve funds		1,328,431	1,329,037
Series 2007 Bonds:			
Debt service reserve funds		1,371,707	1,371,834
Capitalized interest funds		—	639,000
Total	$	4,708,199	5,348,848

On February 7, 2013, the Saratoga County Capital Resource Corporation (CRC) issued tax-exempt Revenue Bonds (The Saratoga Hospital Project), Series 2013A in the amount of $22,430,000. In addition to the par amount, proceeds from the sale of the Series 2013A Bonds included a net premium of approximately $1,843,000. The effects of the Series 2013A issuance are not reflected in the December 31, 2012 combined financial statements.

The proceeds of the Series 2013A Bonds were used to refinance principal outstanding on the Series 2003A, Series 2003 B-1, B-2, and Series 2004B Bonds in the amounts of $12,760,000, $10,540,000 and $820,000, respectively, fund a debt service reserve, and pay for the cost of issuance. Approximately $3,029,000 in balances remaining in the debt service reserve fund accounts of the bond series that were refinanced were also applied to the purposes described for the proceeds of the Series 2013A Bonds. The refinancing activity will result in the Hospital writing off as a nonoperating expense approximately $1,680,000 of unamortized bond issue costs associated with the Series 2003 and 2004 bonds, in 2013. The Series 2013A Bonds include $15,595,000 in serial bonds, bearing interest in amounts ranging from 2.0% to 5.0%, requiring annual principal payments ranging from $565,000 to $1,290,000 annually on December 1 beginning in 2013 through 2028, and $6,835,000 in term bonds bearing interest at 3.25%, requiring mandatory sinking fund payments ranging from $1,150,000 to $1,355,000 annually beginning in 2029 through 2033. The Series 2013A Bonds were issued pursuant to the terms of the Indenture as supplemented by the terms of a Supplemental Master Trust Indenture between the Obligated Group and Trustee.

The Series 2013A Bonds are special obligations of the CRC payable solely from and secured by pledges of payments to be made under a separate Loan Agreement, dated January 1, 2013 between the Hospital and the CRC. At any time on or after December 1, 2023 the Obligated Group may opt to initiate early redemption on all or a portion of the Series 2013A Bonds maturing at any time on or after December 1, 2024.

Installment Sale Contract

In March 2003, the Hospital entered into an unsecured $2,000,000 installment sale contract in order to finance the purchase of the building where its Wilton Medical Arts site is located. The contract requires the Hospital to make monthly payments of $10,736, including interest at 5%, through February, 2033. The Hospital will continue to lease the parcel of land the building is constructed on under a ground lease that runs through February 2035, with the option to renew the ground lease for up to four five-year terms thereafter. Under the terms of the installment sale contract, the lessor retains the right to evict the Hospital from any buildings on the parcel subject to the ground lease, in the event that the Hospital defaults on the installment sale contract.

Bank Loans

In October 2007, the Hospital obtained a bank loan in the amount of approximately $8,300,000 for the purpose of acquiring 140 acres of land in the Town of Malta. The Hospital paid off the balance of approximately $5,166,000 remaining on the loan in March 2012. The loan was secured by a pledge from the Hospital that the land will not be mortgaged or pledged to secure any other obligations of the Hospital. Monthly payments were $89,321, including interest at a fixed rate of 5.25%.

In September 2011, the Hospital obtained a bank loan for the purpose of financing construction of an administrative office building in Saratoga Springs. The total amount available under the loan agreement is $4 million. As of December 31, 2011, the Hospital had drawn down $2,821,658 of the available funds, with the remainder being drawn down as of March 29, 2012. The Hospital commenced repayment on April 1, 2012. Payments of $16,667 plus accrued interest are due monthly based on a 20 year amortization period through August 2016, with a balloon payment of $3,250,000 due in September 2016. The loan bears interest at a variable rate (averaging 1.42% for the period after the initial draw during 2012), which is reset monthly based on the one-month LIBOR rate in effect at the reset date, plus 1.15%. The interest rate applicable to amounts outstanding under the loan agreement at December 31, 2012 was 1.36%. The loan is secured by a pledge that the office building will not be mortgaged or pledged to secure any other obligations of the Hospital. Future annual principal payments on the loan are $200,000 annually through 2015 and $3,250,000 in 2016.

In May 2012, the Hospital obtained a bank loan in the amount of $1,950,000 for the purpose of acquiring a building which will be used as the site of a community health resource center, primarily for the purpose of serving uninsured and under-insured patients. The loan bears interest at a fixed rate of 3.25% and requires monthly interest-only payments on the outstanding balance until May 14, 2014, at which time the remaining principal outstanding is due. In December 2012, the Hospital repaid $1,450,000 in principal on this loan with the proceeds from donor pledges solicited to support the community health resource center.

Capital Lease Obligations

In October 2012, the Hospital obtained a capital lease arrangement in the amount of $4,043,000 for the purpose of financing certain equipment acquisitions. As of December 31, 2012, unspent lease proceeds of $817,194 were held as assets whose use is limited for future equipment acquisitions.

(Continued)

Future annual principal and sinking fund payments on long-term debt as of December 31, 2012 follows:

Year ended December 31:		
2013	$	3,974,078
2014		4,600,060
2015		2,658,664
2016		5,799,827
2017		2,643,151
Thereafter		47,705,700
Total	$	67,381,480

(9) Property, Plant, and Equipment

A summary of property, plant, and equipment at December 31 follows:

		2012	2011
Land	$	15,018,598	14,329,793
Land and leasehold improvements		14,121,052	10,847,962
Buildings		69,067,452	62,888,517
Fixed equipment		43,027,594	41,325,199
Movable equipment		100,593,924	96,171,275
Construction in progress		857,653	5,006,504
	$	242,686,273	230,569,250

Included above at December 31, 2012 and 2011, are net building and equipment costs of approximately $3,731,000 and $903,000, respectively, applicable to capital leases. Amortization of the cost of buildings and equipment acquired under capital leases is included in depreciation and amortization expenses.

Construction in progress at December 31, 2012 consists mainly of renovations to administrative and clinical support space on the ground floor of the Hospital, as well as architecture fees associated with the design phase of a planned addition of operating room space and a new intensive care unit. A Certificate of Need application has not yet been filed for the operating room/intensive care unit project, and the project is not expected to be complete until 2015. The remaining commitments under architectural and construction contracts for these and other projects approximate $2.0 million at December 31, 2012.

Net interest costs of approximately $20,000 and $6,000 were capitalized in connection with the Hospital's debt-financed construction projects during 2012 and 2011, respectively.

(10) Lines of Credit Available

The Hospital has a line of credit with available proceeds of $4.0 million as of December 31, 2012. Amounts outstanding under the line of credit bear interest at the JP Morgan Chase Bank prime lending rate (3.25% at December 31, 2012). The line of credit is issued on a demand basis, with the issuing bank making an annual determination each June whether to extend the arrangement based on a review of the Hospital's audited financial statements. There were no advances outstanding on line of credit as of December 31, 2012 and 2011.

(11) Temporarily and Permanently Restricted Net Assets

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

		2012	2011
Specific programs	$	548,081	383,693
Purchases of property, plant, and equipment		2,094,200	2,552,994
	$	2,642,281	2,936,687

The majority of net assets temporarily restricted for purchases of property, plant, and equipment are pledges receivable related to the Hospital's emergency department project. The pledges are expected to be collected by the Foundation at various times through 2018. The majority of permanently restricted net assets consist of general endowments to be held in perpetuity, income from which is available to support Hospital operating activities.

During 2012 and 2011, net assets were released from donor restrictions by incurring costs satisfying the restricted purposes of funding capital projects, equipment, and health education of $1,961,514 and $3,361,176, respectively.

(12) Retirement Plan

Saratoga Care affiliates participate in a defined contribution retirement plan that covers substantially all employees. Employees are automatically enrolled in the Plan, but may opt out. The basic contribution during 2012 and 2011 was 2.75% of gross annual compensation for each eligible employee, regardless of the amount the employee contributed, with an additional match of eligible employee contributions ranging from 0.8% to 3.0% of gross annual compensation, based on years of benefit service. Employee contributions to the retirement plan are funded after each bi-weekly payroll period. Employer contributions to the retirement plan are funded after the end of the year in which the benefits are accrued. Retirement plan expense for 2012 and 2011 was approximately $3,397,000 and $3,095,000, respectively.

(13) Commitments and Contingencies

(a) Rental Expense and Leases

Rent expense for 2012 and 2011 aggregated approximately $2,638,000 and $2,358,000, respectively. Future minimum payments on leases with noncancelable terms in excess of one year approximate the following:

Year ending December 31:		
2013	$	2,123,000
2014		1,983,000
2015		1,977,000
2016		1,945,000
2017		1,420,000
Thereafter		26,252,000
	$	35,700,000

Included among the above leases are ground lease agreements under which the Hospital leases the parcels its ambulatory surgery center, primary care practice, and Wilton Medical Arts location stand on. The lease terms extend through 2035, with options to renew for up to four consecutive five-year terms thereafter.

(b) Physician Income Guarantee Advances

The Hospital periodically enters into income guarantee agreements with certain physicians under which, for a specified period of time (advance period), generally one to two years, the Hospital unconditionally agrees to provide the physicians with support in the event that income generated by the physicians' practices fails to meet agreed-upon minimum levels. Amounts advanced are recorded as notes receivable from the physicians. At the conclusion of the specified advance period, the agreements allow for the forgiveness of the amounts advanced over a specified period of time, generally 3 years, should the physicians remain in practice within a geographic area specified in the income guarantee agreements. Amounts forgiven are considered compensation to the physicians. The amounts advanced are secured by promissory notes that require the repayment of any advance balances that have not been forgiven should the guarantee contract be breached by the physician.

As of December 31, 2012, for all existing arrangements; either the advance period had elapsed or the physician practices had reported income in sufficient amounts that no further advances are expected.

(c) Concentration of Credit Risk

Financial instruments that potentially subject Saratoga Care to concentrations of credit risk consist primarily of accounts receivable and certain investments. The risk associated with temporary cash investments is mitigated by the fact that the investments are placed with what management believes are high credit quality financial institutions. Investments, which include government obligations, marketable equity securities, and corporate bonds, are not concentrated in any corporation or industry.

(Continued)

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

(d) Malpractice Costs

Malpractice insurance coverage for the Hospital is provided on a claims-made basis. Management intends to renew its coverage and has no reason to believe that it may be prevented from renewing such coverage. All known asserted and unasserted claims alleging malpractice have been communicated to the insurer who is responsible for resolving the claim and the related cost of litigation.

In the normal course of operations, the Hospital have been named as defendants in legal actions. The ultimate outcome of these actions cannot be determined at this time. However, management intends to vigorously defend the legal actions. In the opinion of management, the ultimate amounts, if any, including legal expenses, required to settle such litigation are not expected to exceed insurance coverage limits.

(e) Joint Venture

In September 2010, the Hospital entered into a Memorandum of Agreement (MOA) with Albany Medical Center Hospital (AMCH) for the purpose of constructing a jointly owned and operated diagnostic and treatment center (DTC). The DTC will be sited on a portion of the 140 acre parcel of land the Hospital owns in Malta, NY. Under the terms of the MOA, the DTC will be established and operate as a separate not-for-profit corporation, Healthcare Partners of Saratoga, Inc. (HCP), approved under Article 28 of New York State Public Health Law. The Hospital and AMCH are equal members of HCP, with each entity able to appoint four members to the eight member Board of Directors of HCP.

HCP obtained a Certificate of Incorporation from the New York State Department of State in April 2011. The New York State Department of Health (DOH) approved the Certificate of Need application for HCP in August 2011, including approval to transfer services currently provided at the Hospital's extension clinic in Malta to HCP.

Construction costs for the HCP facility are being financed by the developer building the facility. The developer is leasing the land on which the facility is being built from the Hospital under a 49-year ground lease which will commence once operation of the DTC begins. The DTC facility is expected to begin operations in June 2013. Amounts due from the developer in the form of annual payments to the Hospital under the ground lease are $86,000 for the years 2013 through 2017.

HCP will lease the portion of the building in which it will operate the DTC from the developer. The initial term of the lease is 18 years, beginning with the commencement of DTC operations, with options to extend the initial term by two consecutive five-year terms. Monthly lease payments under this arrangement begin at $73,447 and increase at a rate of 5% in each fifth year after the initial year of the lease has been completed.

In January 2013, HCP closed on a Dormitory Authority of the State of New York (DASNY) tax-exempt capital lease in the amount of $3,690,000 for the purpose of financing the majority of the costs to equip and furnish the DTC. The DASNY equipment lease is repayable in monthly payments of $46,917, including interest at a fixed rate of 1.88%, over a seven-year term.

Both the Hospital and AMCH have provided joint and several guarantees of HCP's payment of both the DTC facility lease as well as the DASNY equipment lease. HCP and, secondarily, the Hospital retain the right to purchase the DTC facility from the developer for a specified price in years 10 through 18 of the lease with appropriate notice to the developer.

SARATOGA CARE, INC.
AND AFFILIATES

Combining Balance Sheet

December 31, 2012

Assets	Saratoga Care	Hospital	Saratoga Care Foundation	Guild	Obligated Group Eliminations	Obligated Group	Flower and Fruit	Eliminations	Combined
Current assets:									
Cash and cash equivalents	$ 218,873	48,009,647	679,292	158,847	—	49,066,659	92,967	—	49,159,626
Investments	—	35,734,906	—	145,645	—	35,880,551	—	—	35,880,551
Accounts receivable:									
Patient care	—	33,507,773	—	—	—	33,507,773	—	—	33,507,773
Other	—	2,723,660	834,547	18,518	(360,382)	3,216,343	—	(30,000)	3,186,343
	—	36,231,433	834,547	18,518	(360,382)	36,724,116	—	(30,000)	36,694,116
Less estimated uncollectibles	—	11,990,000	38,000	—		12,028,000	—	—	12,028,000
	—	24,241,433	796,547	18,518	(360,382)	24,696,116	—	(30,000)	24,666,116
Inventories	—	5,450,640	—	46,097	—	5,496,737	—	—	5,496,737
Accrued interest income	1,233	24,558	650	—	—	26,441	—	—	26,441
Prepaid expenses	24,062	2,994,634	13,995	—	—	3,032,691	—	—	3,032,691
Funds held by trustee	—	481,923	—	—	—	481,923	—	—	481,923
Total current assets	244,168	116,937,741	1,490,484	369,107	(360,382)	118,681,118	92,967	(30,000)	118,744,085
Assets whose use is limited:									
By board designation	—	1,181,300	—	—	—	1,181,300	—	—	1,181,300
By donors	—	1,156,099	1,162,497	—	—	2,318,596	—	—	2,318,596
	—	2,337,399	1,162,497	—	—	3,499,896	—	—	3,499,896
By debt agreement	—	5,525,393	—	—	—	5,525,393	—	—	5,525,393
	—	7,862,792	1,162,497	—	—	9,025,289	—	—	9,025,289
Other assets:									
Interest in net assets of Saratoga Care Foundation	—	2,414,674	—	—	(2,414,674)	—	—	—	—
Unamortized financing expenses, net	—	3,022,358	—	—	—	3,022,358	—	—	3,022,358
Pledges receivable, net	—	—	1,843,950	—	(100,000)	1,743,950	—	—	1,743,950
Loans receivable, net	—	369,614	—	—	—	369,614	—	—	369,614
Land held for investment	—	15,001	—	—	—	15,001	—	—	15,001
Long-term investments	—	16,647,676	—	—	—	16,647,676	—	—	16,647,676
	—	22,469,323	1,843,950	—	(2,514,674)	21,798,599	—	—	21,798,599
Property, plant, and equipment:									
Property, plant, and equipment	—	242,586,870	40,858	58,545	—	242,686,273	—	—	242,686,273
Less accumulated depreciation and amortization	—	137,445,486	40,858	31,335	—	137,517,679	—	—	137,517,679
	—	105,141,384	—	27,210	—	105,168,594	—	—	105,168,594
Total assets	$ 244,168	252,411,240	4,496,931	396,317	(2,875,056)	254,673,600	92,967	(30,000)	254,736,567

(Continued)

SARATOGA CARE, INC.
AND AFFILIATES

Combining Balance Sheet

December 31, 2012

Liabilities and Net Assets	Saratoga Care	Hospital	Saratoga Care Foundation	Guild	Obligated Group Eliminations	Obligated Group	Flower and Fruit	Eliminations	Combined
Current liabilities:									
Accounts payable and accrued expenses	$ 187,886	10,516,211	48,979	134,832	(269,537)	10,618,371	30,000	(30,000)	10,618,371
Accrued salaries, wages, and related items	—	14,022,665	26,000	—	(17,649)	14,031,016	—	—	14,031,016
Accrued interest payable	—	190,601	—	—	—	190,601	—	—	190,601
Estimated third-party settlements	—	6,256,000	—	—	—	6,256,000	—	—	6,256,000
Current portion of long-term debt	—	3,974,078	—	—	—	3,974,078	—	—	3,974,078
Total current liabilities	187,886	34,959,555	74,979	134,832	(287,186)	35,070,066	30,000	(30,000)	35,070,066
Long-term debt, net of current portion	—	63,399,214	—	—	—	63,399,214	—	—	63,399,214
Other long-term liabilities	—	3,714,534	544,058	100,000	(173,196)	4,185,396	—	—	4,185,396
Total liabilities	187,886	102,073,303	619,037	234,832	(460,382)	102,654,676	30,000	(30,000)	102,654,676
Net assets:									
Unrestricted	56,282	146,767,164	1,463,220	161,485	200,000	148,648,151	62,967	30,000	148,741,118
Temporarily restricted	—	2,872,281	2,294,797	—	(2,494,797)	2,672,281	—	(30,000)	2,642,281
Permanently restricted	—	698,492	119,877	—	(119,877)	698,492	—	—	698,492
	56,282	150,337,937	3,877,894	161,485	(2,414,674)	152,018,924	62,967	—	152,081,891
Total liabilities and net assets	$ 244,168	252,411,240	4,496,931	396,317	(2,875,056)	254,673,600	92,967	(30,000)	254,736,567

See accompanying independent auditors' report.

SARATOGA CARE, INC.
AND AFFILIATES

Combining Balance Sheet

December 31, 2011

Assets	Saratoga Care	Hospital	Saratoga Care Foundation	Guild	Obligated Group Eliminations	Obligated Group	Flower and Fruit	Eliminations	Combined
Current assets:									
Cash and cash equivalents	$ 214,502	43,251,323	1,070,551	87,561	—	44,623,937	59,897	—	44,683,834
Investments	—	36,553,947	—	105,297	—	36,659,244	—	—	36,659,244
Accounts receivable:									
Patient care	—	35,264,890	—	—	—	35,264,890	—	—	35,264,890
Other	—	1,669,213	728,901	41,456	(505,124)	1,934,446	—	—	1,934,446
	—	36,934,103	728,901	41,456	(505,124)	37,199,336	—	—	37,199,336
Less estimated uncollectibles	—	10,509,000	8,000	—	—	10,517,000	—	—	10,517,000
	—	26,425,103	720,901	41,456	(505,124)	26,682,336	—	—	26,682,336
Inventories	—	5,087,441	—	25,760	—	5,113,201	—	—	5,113,201
Accrued interest income	1,233	41,817	650	—	—	43,700	—	—	43,700
Prepaid expenses	24,061	2,649,613	10,561	—	—	2,684,235	—	—	2,684,235
Funds held by trustee	—	480,987	—	—	—	480,987	—	—	480,987
Total current assets	239,796	114,490,231	1,802,663	260,074	(505,124)	116,287,640	59,897	—	116,347,537
Assets whose use is limited:									
By board designation	—	855,314	—	—	—	855,314	—	—	855,314
By donors	—	1,272,693	1,091,586	—	—	2,364,279	—	—	2,364,279
	—	2,128,007	1,091,586	—	—	3,219,593	—	—	3,219,593
By debt agreement	—	5,348,848	—	—	—	5,348,848	—	—	5,348,848
	—	7,476,855	1,091,586	—	—	8,568,441	—	—	8,568,441
Other assets:									
Interest in net assets of Saratoga Care Foundation	—	2,735,438	—	—	(2,735,438)	—	—	—	—
Unamortized financing expenses, net	—	3,130,461	—	—	—	3,130,461	—	—	3,130,461
Pledges receivable, net	—	—	1,930,307	—	(200,000)	1,730,307	—	—	1,730,307
Loans receivable, net	—	61,919	—	—	—	61,919	—	—	61,919
Land held for investment	—	15,001	—	—	—	15,001	—	—	15,001
Long-term investments	—	497,286	—	—	—	497,286	—	—	497,286
	—	6,440,105	1,930,307	—	(2,935,438)	5,434,974	—	—	5,434,974
Property, plant, and equipment:									
Property, plant, and equipment	—	230,469,847	40,858	58,545	—	230,569,250	—	—	230,569,250
Less accumulated depreciation and amortization	—	129,292,552	40,858	26,483	—	129,359,893	—	—	129,359,893
	—	101,177,295	—	32,062	—	101,209,357	—	—	101,209,357
Total assets	$ 239,796	229,584,486	4,824,556	292,136	(3,440,562)	231,500,412	59,897	—	231,560,309

(Continued)

SARATOGA CARE, INC.
AND AFFILIATES

Combining Balance Sheet

December 31, 2011

Liabilities and Net Assets		Saratoga Care	Hospital	Saratoga Care Foundation	Guild	Obligated Group Eliminations	Obligated Group	Flower and Fruit	Eliminations	Combined
Current liabilities:										
Accounts payable and accrued expenses	$	187,438	7,695,732	100,247	130,965	(457,241)	7,657,141	—	—	7,657,141
Accrued salaries, wages, and related items		—	12,515,376	26,000	—	(40,080)	12,501,296	—	—	12,501,296
Accrued interest payable		—	200,044	—	—	—	200,044	—	—	200,044
Estimated third-party settlements		—	3,958,000	—	—	—	3,958,000	—	—	3,958,000
Current portion of long-term debt		—	3,973,097	—	—	—	3,973,097	—	—	3,973,097
Total current liabilities		187,438	28,342,249	126,247	130,965	(497,321)	28,289,578	—	—	28,289,578
Long-term debt, net of current portion		—	66,911,140	—	—	—	66,911,140	—	—	66,911,140
Other long-term liabilities		—	4,624,909	573,907	200,000	(275,669)	5,123,147	—	—	5,123,147
Total liabilities		187,438	99,878,298	700,154	330,965	(772,990)	100,323,865	—	—	100,323,865
Net assets (deficit):										
Unrestricted		52,358	125,765,923	1,456,830	(38,829)	420,000	127,656,282	59,897	—	127,716,179
Temporarily restricted		—	3,356,687	2,667,572	—	(3,087,572)	2,936,687	—	—	2,936,687
Permanently restricted		—	583,578	—	—	—	583,578	—	—	583,578
		52,358	129,706,188	4,124,402	(38,829)	(2,667,572)	131,176,547	59,897	—	131,236,444
Total liabilities and net assets (deficit)	$	239,796	229,584,486	4,824,556	292,136	(3,440,562)	231,500,412	59,897	—	231,560,309

See accompanying independent auditors' report.

SARATOGA CARE, INC.
AND AFFILIATES

Combining Statement of Operations

Year ended December 31, 2012

	Saratoga Care	Hospital	Saratoga Care Foundation	Guild	Obligated Group Eliminations	Obligated Group	Flower and Fruit	Eliminations	Combined
Operating revenue:									
Patient service revenue, net of contractual allowances	$ —	218,520,389	—	—	—	218,520,389	—	—	218,520,389
Less: Provision for bad debts	—	(9,147,206)	—	—	—	(9,147,206)	—	—	(9,147,206)
Net patient service revenue	—	209,373,183	—	—	—	209,373,183	—	—	209,373,183
Other revenue	506,525	7,110,746	92,756	476,203	(573,525)	7,612,705	59,963	—	7,672,668
Net assets released from restrictions	—	166,289	—	—	—	166,289	—	—	166,289
Total operating revenue	506,525	216,650,218	92,756	476,203	(573,525)	217,152,177	59,963	—	217,212,140
Operating expenses:									
Salaries and wages	156,700	90,921,710	9,563	—	—	91,087,973	—	—	91,087,973
Employee benefits	—	21,252,469	—	—	—	21,252,469	—	—	21,252,469
Supplies and other	346,383	74,542,460	17,017	248,270	(506,525)	74,647,605	26,973	—	74,674,578
Depreciation and amortization	—	12,253,882	—	—	—	12,253,882	—	—	12,253,882
Interest	—	2,737,984	—	—	—	2,737,984	—	—	2,737,984
Transfer to affiliate	—	—	67,000	38,100	(105,100)	—	30,000	(30,000)	—
Total operating expenses	503,083	201,708,505	93,580	286,370	(611,625)	201,979,913	56,973	(30,000)	202,006,886
Operating margin (loss)	3,442	14,941,713	(824)	189,833	38,100	15,172,264	2,990	30,000	15,205,254
Nonoperating income:									
Net investment income	482	2,480,951	7,214	10,481	—	2,499,128	80	—	2,499,208
Gain on disposal of fixed assets	—	1,201,828	—	—	—	1,201,828	—	—	1,201,828
Gifts, bequests and other	—	83,275	—	—	—	83,275	—	—	83,275
Total nonoperating income	482	3,766,054	7,214	10,481	—	3,784,231	80	—	3,784,311
Excess of revenue over expenses	3,924	18,707,767	6,390	200,314	38,100	18,956,495	3,070	30,000	18,989,565
Net assets released from restrictions used for purchase of property and equipment	—	2,053,325	—	—	(258,100)	1,795,225	—	—	1,795,225
Capital grant	—	240,149	—	—	—	240,149	—	—	240,149
Increase in unrestricted net assets	$ 3,924	21,001,241	6,390	200,314	(220,000)	20,991,869	3,070	30,000	21,024,939

See accompanying independent auditors' report.

SARATOGA CARE, INC.
AND AFFILIATES

Combining Statement of Operations

Year ended December 31, 2011

	Saratoga Care	Hospital	Center (note 1)	Saratoga Care Foundation	Guild	Obligated Group Eliminations	Obligated Group	Flower and Fruit	Eliminations	Combined
Operating revenue:										
Patient service revenue, net of contractual allowances	$ —	209,699,417	350,657	—	—	—	210,050,074	—	—	210,050,074
Less: Provision for bad debts	—	(8,196,991)	(11,260)	—	—	—	(8,208,251)	—	—	(8,208,251)
Net patient service revenue	—	201,502,426	339,397	—	—	—	201,841,823	—	—	201,841,823
Other revenue	469,790	3,646,158	82,578	98,361	370,991	(558,387)	4,109,491	29,930	(3,025)	4,136,396
Net assets released from restrictions	—	156,754	—	—	—	—	156,754	—	—	156,754
Total operating revenue	469,790	205,305,338	421,975	98,361	370,991	(558,387)	206,108,068	29,930	(3,025)	206,134,973
Operating expenses:										
Salaries and wages	150,804	84,706,283	371,852	13,218	—	—	85,242,157	—	—	85,242,157
Employee benefits	—	19,620,990	77,036	—	—	—	19,698,026	—	—	19,698,026
Supplies and other	409,985	71,465,657	138,754	18,845	220,636	(481,555)	71,772,322	7,615	—	71,779,937
Depreciation and amortization	—	12,416,092	8,574	—	—	—	12,424,666	—	—	12,424,666
Interest	—	3,009,560	4,279	—	—	—	3,013,839	—	—	3,013,839
Transfer to affiliate	—	—	—	67,866	420,000	(487,866)	—	—	—	—
Total operating expenses	560,789	191,218,582	600,495	99,929	640,636	(969,421)	192,151,010	7,615	—	192,158,625
Operating (loss) margin	(90,999)	14,086,756	(178,520)	(1,568)	(269,645)	411,034	13,957,058	22,315	(3,025)	13,976,348
Nonoperating income (losses):										
Net investment income (losses)	—	(1,589,102)	201	—	—	8,966	(1,579,935)	—	3,025	(1,576,910)
Gain on disposal of fixed assets	—	341,024	—	—	—	—	341,024	—	—	341,024
Gifts, bequests and other	—	74,911	—	—	—	—	74,911	—	—	74,911
Total nonoperating (losses) income	—	(1,173,167)	201	—	—	8,966	(1,164,000)	—	3,025	(1,160,975)
(Deficiency) excess of revenue over expenses	(90,999)	12,913,589	(178,319)	(1,568)	(269,645)	420,000	12,793,058	22,315	—	12,815,373
Net assets released from restrictions used for purchase of property and equipment	—	3,404,422	—	—	—	(120,000)	3,284,422	—	(80,000)	3,204,422
Transfers (to) from affiliates	—	(179,576)	179,576	—	—	—	—	—	—	—
(Decrease) increase in unrestricted net assets	$ (90,999)	16,138,435	1,257	(1,568)	(269,645)	300,000	16,077,480	22,315	(80,000)	16,019,795

See accompanying independent auditors' report.