St. Luke's-Roosevelt Hospital Center and Affiliates

Reports on Federal Awards in Accordance with OMB Circular A-133
December 31, 2012
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St. Luke's-Roosevelt Hospital Center and Affiliates
Reports on Federal Awards in Accordance with OMB Circular A-133
Index
December 31, 2012

Page(s)

Part I - Financial Statements

Independent Auditor's Report 1–3

Consolidated Financial Statements and Notes to Consolidated Financial Statements 4–34

Schedule of Expenditures of Federal Awards 35–37

Notes to Schedule of Expenditures of Federal Awards 38–39

Part II - Reports on Internal Control and Compliance

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* 40–41

Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133 42–43

Part III - Findings

Schedule of Findings and Questioned Costs 44–45

Summary Schedule of Prior Audit Findings 46

Management's Views and Corrective Action Plan 47

Independent Auditor's Report

To the Board of Trustees
St. Luke's-Roosevelt Hospital Center and Affiliates

We have audited the accompanying consolidated financial statements of St. Luke's-Roosevelt Hospital Center and Affiliates ("SLR"), which comprise the consolidated balance sheets as of December 31, 2012 and 2011, and the related consolidated statements of operations, changes in net assets and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of St. Luke's-Roosevelt Hospital Center and Affiliates, at December 31, 2012 and 2011, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplemental Schedules

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information on pages 32–33 is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole. The consolidating information is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations and cash flows of the individual organizations and it not a required part of the consolidated financial statements. Accordingly, we do not express an opinion on the financial position, results of operations and cash flows of the individual organizations.

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 24, 2013 on our consideration of SLR's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SLR's internal control over financial reporting and compliance.

PricewaterhouseCoopers LLP

April 24, 2013

St. Luke's-Roosevelt Hospital Center and Affiliates
Consolidated Balance Sheets
December 31, 2012 and 2011

(in thousands of dollars)

	2012	2011
Assets		
Current assets		
Cash and cash equivalents	$ 75,650	$ 44,786
Receivables for patient care, less allowance for doubtful accounts of $139,955 in 2012 and $135,706 in 2011	164,153	153,150
Grants, contracts and other receivables	10,866	9,955
Inventories	12,632	13,115
Prepaid expenses and other current assets	2,518	5,210
Current portion of assets limited as to use	56,130	41,946
Total current assets	321,949	268,162
Assets limited as to use	60,531	60,527
Long-term investments	35,627	32,712
Reinsurance receivables	182,516	162,699
Investments in captive insurance companies	12,730	14,670
Property, plant and equipment, net	353,371	371,147
Deferred financing costs, net	10,156	11,027
Other assets	32,695	32,049
Total assets	$ 1,009,575	$ 952,993
Liabilities and Net Assets (Deficit)		
Current liabilities		
Accounts payable and accrued expenses	$ 80,744	$ 71,560
Accrued salaries and related liabilities	113,847	92,718
Current portion of long-term debt and capitalized leases	21,031	20,724
Due to affiliated organizations	2,079	2,035
Due to third party payors	23,737	9,085
Other current liabilities	22,809	19,734
Total current liabilities	264,247	215,856
Due to affiliated organizations	4,392	5,673
Insured liabilities	182,516	162,699
Long-term debt and capitalized leases	416,885	435,378
Accrued pension and other postretirement medical benefits	67,693	60,763
Other noncurrent liabilities	214,193	213,990
Total liabilities	1,149,926	1,094,359
Net assets (deficit)		
Unrestricted (deficit)	(219,598)	(220,199)
Temporarily restricted	19,458	19,068
Permanently restricted	59,789	59,765
Total net assets (deficit)	(140,351)	(141,366)
Total liabilities and net assets (deficit)	$ 1,009,575	$ 952,993

The accompanying notes are an integral part of these consolidated financial statements.

St. Luke's-Roosevelt Hospital Center and Affiliates
Consolidated Statements of Operations
Years Ended December 31, 2012 and 2011

(in thousands of dollars)

	2012	2011
Operating revenue		
Net patient service revenue	$ 905,171	$ 898,343
Faculty practice revenue	134,310	145,269
Net assets released from restriction	5,842	8,681
Investment income	8,043	5,657
Other revenue	145,266	149,849
Total operating revenue	1,198,632	1,207,799
Operating expenses		
Salaries and wages	586,112	578,571
Employee benefits	154,472	149,929
Supplies, insurance and other expenses	369,068	381,077
Depreciation and amortization	51,765	52,056
Interest	27,636	28,795
Total operating expenses	1,189,053	1,190,428
Operating income	9,579	17,371
Unrestricted contributions	4,473	1,558
Excess of revenue over expenses	14,052	18,929
Change in fair value of interest rate swap	700	(6,351)
Change in pension and postretirement benefits	(14,151)	(6,668)
Increase in unrestricted net assets	$ 601	$ 5,910

The accompanying notes are an integral part of these consolidated financial statements.

St. Luke's-Roosevelt Hospital Center and Affiliates
Consolidated Statements of Changes in Net Assets (Deficit)
Years Ended December 31, 2012 and 2011

(in thousands of dollars)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets (deficit) at December 31, 2010	$ (226,109)	$ 28,127	$ 59,761	$ (138,221)
Change in net assets (deficit)				
Excess of revenue over expenses	18,929	-	-	18,929
Change in fair value of interest rate swap	(6,351)	-	-	(6,351)
Change in pension and postretirement benefits	(6,668)	-	-	(6,668)
Contributions, bequests and other	-	(378)	4	(374)
Net assets released from restriction	-	(8,681)	-	(8,681)
Total change in net assets (deficit)	5,910	(9,059)	4	(3,145)
Net assets (deficit) at December 31, 2011	(220,199)	19,068	59,765	(141,366)
Change in net assets (deficit)				
Excess of revenue over expenses	14,052	-	-	14,052
Change in fair value of interest rate swap	700	-	-	700
Change in pension and postretirement benefits	(14,151)	-	-	(14,151)
Contributions, bequests and other	-	6,232	24	6,256
Net assets released from restriction	-	(5,842)	-	(5,842)
Total change in net assets (deficit)	601	390	24	1,015
Net assets (deficit) at December 31, 2012	$ (219,598)	$ 19,458	$ 59,789	$ (140,351)

The accompanying notes are an integral part of these consolidated financial statements.

St. Luke's-Roosevelt Hospital Center and Affiliates
Consolidated Statements of Cash Flows
Years Ended December 31, 2012 and 2011

	2012	2011
Cash flows from operating activities		
Change in net assets	$ 1,015	$ (3,145)
Adjustments to reconcile the change in net assets to net cash provided by operating activities		
Depreciation and amortization	51,765	52,056
Change in fair value of interest rate swap	(700)	6,351
Change in pension and postretirement benefits	14,151	6,668
Provision for bad debts	74,220	56,260
Net unrealized and realized (gains) losses from investments	(1,338)	45
Equity gain from investments in captive insurance companies under the equity method	(5,473)	(4,340)
Permanently restricted contributions	(24)	(4)
Increase (decrease) in cash resulting from a change in		
Receivables for patient care, net	(85,223)	(76,380)
Accounts payable and accrued expenses	10,497	2,438
Accrued salaries and related liabilities and other current liabilities	24,204	8,135
Net effect of increases and decreases in other operating assets and liabilities	17,364	24,038
Net cash provided by operating activities	100,458	72,122
Cash flows from investing activities		
Acquisitions of property, plant and equipment, net	(32,548)	(30,945)
Increase in assets limited as to use	(14,599)	(18,009)
Purchases of long-term investments	(15,716)	(894)
Sales of long-term investments	14,139	968
Net cash used in investing activities	(48,724)	(48,880)
Cash flows from financing activities		
Proceeds from long-term debt	1,192	-
Repayments of long-term debt	(20,849)	(22,216)
(Repayments to) proceeds from related parties	(1,237)	84
Permanently restricted contributions	24	4
Net cash used in financing activities	(20,870)	(22,128)
Net increase in cash and cash equivalents	30,864	1,114
Cash and cash equivalents		
Beginning of year	44,786	43,672
End of year	$ 75,650	$ 44,786
Supplemental disclosures of cash flow information		
Cash paid for interest	$ 28,078	$ 28,569
Assets acquired under capital leases	2,498	6,795

The accompanying notes are an integral part of these consolidated financial statements.

1. Organization and Summary of Significant Accounting Policies

Organization

St. Luke's-Roosevelt Hospital Center ("SLR") is a not-for-profit tertiary care teaching hospital that provides inpatient, ambulatory, clinical, referred outpatient and emergency care to the community. As such, operating revenue includes that generated from direct patient care, investment income, reimbursement of research and educational activities and revenue related to the operation of SLR's facilities. SLR controls two other not-for-profit corporations, St. Luke's-Roosevelt Institute for Health Sciences, a research organization, and Augustus & James Corporation ("A&J"), which owns and operates two residential buildings, and two for-profit corporations, 425 West 59th Street Condominium, LLC which owns and operates a commercial condominium building and Manhattan Management Services Inc. ("MMS"), a physician practice management organization, which is accounted for using the equity method.

Continuum Health Partners, Inc. ("CHP") is the sole member of SLR. In addition, CHP is the sole corporate member of Beth Israel Medical Center ("BIMC") and New York Eye and Ear Infirmary (the "NYEE"). BIMC is the sole corporate member of/or controls the following entities, Beth Israel Ambulatory Services Corporation, Inc., B.I. Nursing Home Company, East 17th Street Properties, Inc., East 88th Street Properties, Inc and Beth Israel Foundation Inc. NYEE is the sole corporate member of NYEE Housing Company, Inc., which provides housing and ancillary facilities to staff members and employees of NYEE, and the New York Eye and Ear Infirmary Foundation, whose sole purpose is to financially support NYEE.

CHP is also the sole corporate member of the Long Island College Hospital ("LICH"). On May 29, 2011, LICH closed on an Asset Purchase Agreement ("APA") with The State University of NY at Downstate ("SUNY"). Under the terms of the APA, SUNY acquired essentially all of the physical plant assets of LICH as well as the prepaid assets, inventory, other assets and temporary restricted funds of LICH. In addition, SUNY assumed all the long term debt and other noncurrent liabilities of LICH excluding those liabilities related to medical and professional liabilities. Approximately $85,700 of Assets limited as to use, primarily from the Othmer endowment, was transferred to a Trust created by an order of the NYS Surrogate Court. The Trust is established to satisfy all medical and professional liabilities of LICH, which were also transferred to the Trust as part of the APA. Cash and patient care receivables were retained by LICH to be used to pay down accounts payable and certain accrued expenses, which also remain with LICH. Upon satisfaction of the remaining liabilities of LICH, the residual assets, if any, are to be transferred to SUNY by May 28, 2013 in accordance with the terms of the APA.

BIMC has entered into a Transition Services Agreement ("TSA") with SUNY to provide certain business services to SUNY as they relate to the operations of the Hospital by SUNY under the APA for an initial period of three years, which expires on May 28, 2014. Some of the services provided under the TSA are IT and Telecom, Payroll Processing, Patient Revenue Cycle and Professional Billing and General Accounting and General Ledger Systems.

The hospitals of CHP currently deliver care through four major inpatient facilities in Manhattan and Brooklyn, as well as through ambulatory health centers and group and private practice settings throughout New York City.

SLR, with its consolidated affiliate organizations, is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made.

(in thousands of dollars)

Basis of Accounting and Principles of Consolidation
The accompanying consolidated financial statements have been prepared on the accrual basis of accounting and include the accounts of SLR and its affiliates. All significant intercompany accounts and transactions have been eliminated in consolidation. SLR has performed an evaluation of subsequent events through April 24, 2013, which is the date the financial statements were issued.

Use of Estimates
The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. The most significant estimates relate to patient accounts receivable allowances, amounts due (to) from third party payors, malpractice liabilities and estimated employee benefit costs. Actual results may differ from those estimates.

Cash and Cash Equivalents
Cash and cash equivalents include investments in highly liquid financial instruments with a maturity, when purchased, of three months or less, excluding assets whose use is limited. Substantially all of SLR's cash and cash equivalents are deposited with three financial institutions at December 31, 2012 and 2011. Included in cash and cash equivalents are amounts in excess of $250 at December 31, 2012 and 2011, which is the maximum amount insured by the Federal Deposit Insurance Company. However, management believes that these institutions are viable entities and therefore risk of loss is minimized.

Grants, Contracts and Other Receivables
Grants, contracts and other receivables include amounts due from federal, state and other sponsor agencies for other than patient care receivables. The amounts shown are at net realizable value and include allowances for uncollectible amounts. Grants and contracts are recorded as unrestricted revenues as the related expenditures are incurred.

Inventories
SLR values inventories, principally drugs and medical supplies, at the lower of cost, determined using first-in, first-out method, or market.

Investments
Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value. Fair value, as determined in accordance with fair value measurement and disclosure authoritative guidance, is the price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs, as further described in Note 3.

Other investments for which a readily determinable fair value is not available are accounted for using the equity method or cost method, depending on SLR's ownership percentage. Earnings and losses on equity method investments are included in excess of revenues over expenses. Investment income earned on permanently restricted net assets, upon which restrictions have been placed by donors, is added to temporarily restricted net assets and is reported within contributions, bequests and other or in permanently restricted if restricted in perpetuity.

(in thousands of dollars)

Assets Limited as to Use
Assets limited as to use primarily includes assets held by trustees under indenture agreements and assets whose use is restricted for specific purposes. Amounts required to meet SLR's current liabilities have been classified as current assets in the consolidated balance sheets at December 31, 2012 and 2011. Fair value of assets limited as to use is determined in accordance with fair value measurement and disclosure authoritative guidance, as further discussed in Note 3.

Reinsurance Receivables
Reinsurance receivables are recorded as required under authoritative guidance, represents amounts due from commercial and captive insurance companies for medical malpractice liabilities that are reported under Insured Liabilities on the balance sheet. SLR's reinsurance receivables are due from fully funded captive companies and A+ rated commercial carriers and as such there is no provision for uncollectibility.

Property, Plant and Equipment
Property, plant and equipment are carried at cost and those acquired by gifts and bequests are carried at fair value established at the date of contribution. Depreciation expense is computed utilizing the straight-line method over the estimated useful lives of the assets which range from 3 to 40 years. In accordance with SLR's policy, one-half year's depreciation is recorded in the year of asset acquisition, and a half year's depreciation is recorded in the final year of the asset's useful life. Interest costs incurred on borrowed funds during the period of construction of capital assets are capitalized, net of any interest earned, as a component of the cost of acquiring those assets.

Equipment acquired through capital leases are recorded at the present value of the minimum lease payments at the inception of the leases and are amortized on the straight-line method over the shorter of the lease term or the estimated useful life of the equipment. The amortization of assets recorded under capital leases is included in depreciation and amortization expense in the accompanying consolidated statements of operations. When assets are retired or otherwise disposed of, the cost and the related depreciation are reversed from the accounts, and any gain or loss is reflected in current operations. Repairs and maintenance expenditures are expensed as incurred.

Impairment of Long-Lived Assets
Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If such assets are deemed to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. There were no long-lived asset impairment losses for the years ended December 31, 2012 and 2011.

Conditional Asset Retirement Obligations
Asset retirement obligations, reported in other noncurrent liabilities, are legal obligations associated with the retirement of long-lived assets. These liabilities are initially recorded at fair value and the related asset retirement costs are capitalized by increasing the carrying amount of the related assets by the same amount as the liability. Asset retirement costs are subsequently depreciated over the useful lives of the related assets. Subsequent to initial recognition, SLR records changes in the liability resulting from the passage of time and revisions to either the timing or the amount of the original estimate of undiscounted cash flows. SLR reduces their liabilities when the related obligations are settled.

(in thousands of dollars)

Other Assets
Other assets consist principally of rental properties held primarily for investment.

Interest Rate Swap
SLR utilizes an interest rate swap, also known as a risk management or derivative instrument, to effectively create a fixed rate of interest on a mortgage loan. SLR designates at inception whether the swap agreement is considered hedging or nonhedging for accounting purposes in accordance with derivatives and hedging authoritative guidance. Interest rate swaps are recorded on the balance sheet at fair value. Hedge ineffectiveness, if any, is recorded in excess (deficiency) of revenues over expenses.

Deferred Financing Costs
Deferred financing costs represent costs incurred to obtain financing for various construction and renovation projects at SLR. Amortization of these costs extends over the term of the applicable indebtedness and approximates the interest method. Gross deferred financing costs at December 31, 2012 and 2011 was $15,471. Total accumulated amortization at December 31, 2012 and 2011 was $5,315 and $4,444, respectively.

Insured Liabilities
Insured liabilities as required under authoritative guidance, represents the amount of SLR's medical malpractice liabilities that are reinsured from commercial and captive insurance companies. The corresponding amounts due are reported under Reinsurance Receivables on the balance sheet.

Other Noncurrent Liabilities
Other noncurrent liabilities in the accompanying consolidated balance sheets consist primarily of the noncurrent portion of estimated amounts due to third-party payors, estimated amounts due for professional liability insurance and professional liability claims in excess of available insurance limits and the swap interest rate liability.

Temporarily and Permanently Restricted Net Assets
Net assets associated with restricted funds are classified and reported based on the existence or absence of donor-imposed restrictions. Unconditional promises to donate cash and other assets are reported at fair value at the date the promise is received. Conditional promises to donate and indications of intentions to donate are recognized when the condition is substantially met.

Temporarily restricted net assets are those whose use by SLR is limited by donor-imposed restrictions to a specific time period or purpose. Once restrictions are satisfied, or have been deemed to have been satisfied, those temporarily restricted net assets are released from restrictions, except for temporarily restricted revenue earned and expended in the same fiscal year, which is recorded as unrestricted revenue.

Gifts of long-lived assets under specific restrictions that specify the use of assets and gifts of cash or other assets that must be used to acquire long-lived assets are reported as additions to temporarily restricted net assets if the assets are not placed in service during the year.

Permanently restricted net assets have been restricted by donors to be maintained by SLR in perpetuity and these endowment funds are included in long term investments and other assets held for investment.

(in thousands of dollars)

Consistent with authoritative guidance on net asset classification of endowment funds, SLR records as permanently restricted assets the original amount of gifts which donors have given to be maintained in perpetuity. For financial statement purposes, all subsequent accumulated gains on such donor restricted endowment funds that are not classified as permanently restricted net assets are classified as temporarily restricted net assets until appropriated for expenditure by the Board of Trustees of SLR. SLR's spending rule is to pay out, per annum, 5% of its rolling three-year average market value of the Endowment Fund assets. The Board of Trustees further understands its policies on retaining and spending from endowment to be consistent with the requirements of New York State law.

Under the policies established and approved by SLR's Investment Committee, donor-restricted endowment funds are invested in income-generating investment vehicles to generate appreciation and preserve capital.

Faculty Practice Revenue
SLR has a faculty practice plan (FPP) which consists of employed multispecialty physicians. In accordance with the employment agreements, revenue generated from patient care services provided by the FPP are allocated to pay for physicians' salaries, practice operations, overhead and to fund education and other expenses of a specific department.

Statement of Operations and Performance Indicator
SLR differentiates its operating activities through the use of operating income as an intermediate measure of operations. For the purposes of display, unrestricted donor contributions, net of provision for uncollectible contributions, which management does not consider to be components of SLR's operating activities, are excluded from the income from operations and reported as nonoperating revenues in the statements of operations.

The consolidated statements of operations include excess of revenue over expenses as the performance indicator. Changes in unrestricted net assets, which are excluded from excess of revenue over expenses, include effective portions of changes in fair value of interest rate swap designated as a cash flow hedge, and changes in pension and postretirement benefits.

Charity Care
In accordance with SLR's charity care policy and New York State Department of Health Guidelines, SLR provides care to all patients regardless of their ability to pay. As a matter of policy, SLR provides significant amounts of partially or totally uncompensated patient care. For accounting purposes, such uncompensated care is treated either as charity care or bad debt expense. SLR has defined charity care for accounting purposes as the difference between its customary charges and the discounted rates given to patients in need of financial assistance. Since payment of this difference is not sought, charity care allowances are not reported as revenue. Uninsured patients who did not apply for or do not qualify for financial assistance are billed at SLR's full rates. Uncollected balances for these patients are categorized as bad debts. The estimated cost of foregone charges related to the provision of charity care for all patient services is approximately $14,330 and $14,391 for the years ended December 31, 2012 and 2011, respectively, which is based on a ratio of cost to charges during the period.

(in thousands of dollars)

New Accounting Pronouncements
In July 2011, the FASB issued Accounting Standards Update No. 2011–07, Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities. This new standard is intended to provide consistency in practice when preparing charity care disclosures. The amendments under this update require entities that recognize significant amounts of patient service revenue at the time the services are rendered even though they do not assess the patient's ability to pay to present the provision for bad debts related to patient service revenue as a deduction from patient service revenue (net of contractual allowances and discounts) on their statements of operations. Therefore, the presentation of bad debt expense in the statement of operations moves from the expenses section to netting down revenues. The standard is effective for fiscal years with the first annual period ending after December 15, 2012. SLR adopted this guidance for the calendar year ended December 31, 2012.

Reclassifications
Certain reclassifications have been made to amounts previously reported to conform with the current year's presentation.

2. Net Patient Service Revenue, Accounts Receivable and Allowance for Uncollectible Accounts

SLR has agreements with third-party payors that provide for payments to SLR at amounts different from its established rates (i.e., gross charges). Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments.

Billings relating to services rendered are recorded as net patient service revenue in the period in which the service is performed, net of contractual and other allowances which represent differences between gross charges and the estimated receipts under such programs. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, 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 are determined. Patient accounts receivable are also reduced for allowances for uncollectible accounts.

The process for estimating the ultimate collection of receivables involves significant assumptions and judgments. Account balances are written off against the allowance when management determines it is probable the receivable will not be recovered. The use of historical collection and payor reimbursement experience is an integral part of the estimation of reserves for uncollectible accounts. Revisions in reserve for uncollectible accounts estimates are recorded as an adjustment to the provision for bad debts.

A summary of the payment arrangements with major third-party payors is as follows:

- *Medicare*: Inpatient acute care services, certain nonacute care services and outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Effective October 1, 2007, the Centers for Medicare and Medicaid Services ("CMS") revised the Medicare patient classification system. The new

(in thousands of dollars)

Medicare severity adjusted diagnosis related groups ("MS-DRGs") reflect changes in technology and current methods of care delivery. CMS has expanded the number of DRGs from 538 to 745 and requires identification of conditions that are present upon admission. Direct medical education costs related to Medicare beneficiaries are paid based on prospectively set rates. SLR is reimbursed for cost reimbursable items at a tentative rate, using 1981 as a base year, with final settlement determined after submission of annual cost reports by SLR and audits thereof by the Medicare fiscal intermediary.

- *Nonmedicare Payments*: The New York Health Care Reform Act of 1996, as updated, governs payments to hospitals in New York State. Under this system, hospitals and all nonmedicare payors, except Medicaid, workers' compensation and no-fault insurance programs, negotiate hospital's payment rates. If negotiated rates are not established, payors are billed at hospitals established charges. Medicaid, workers' compensation and no-fault payors pay hospital rates promulgated by the New York State Department of Health ("NYSDOH") on a prospective basis. Adjustments to current and prior years' rates for these payors will continue to be made in the future. Effective December 1, 2009, NYSDOH implemented inpatient reimbursement reform. The reform updated the data utilized to calculate NYS DRG rates and service intensity weights ("SIWs"), in order to utilize refined data and more current information in NYSDOH promulgated rates. Similar type outpatient reforms were implemented effective December 1, 2008.

There are various proposals at the Federal and State levels that could, among other things, reduce payment rates and increase Managed Care penetration, including Medicaid. The ultimate outcome of these proposals and other market changes cannot presently be determined.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. As a result of changes in estimates, the net amounts recorded, related to prior years, decreased the performance indicator by approximately $1,710 for 2012 and increased the performance indicator by approximately $2,404 for 2011.

SLR's cost reports have been audited and finalized by the Medicare fiscal intermediary through December 31, 2000.

SLR provides care regardless of a patient's ability to pay. Uninsured patients seen in the emergency department, including patients subsequently admitted for inpatient services, often do not provide information necessary to allow SLR to qualify such patients for charity care. Uncollectible amounts due from such uninsured patients represent the substantial portion of the provision for bad debts reflected in the accompanying consolidated statements of operations. SLR records a significant provision for bad debts related to uninsured patients in the period the services are provided.

(in thousands of dollars)

Patient service revenue, net of contractual allowances and provision for bad debts recognized in the period from these major sources, is as follows for the years ended December 31, 2012 and 2011.

	December 31, 2012	
	2012	**2011**
Gross Charges	$ 2,749,197	$ 2,623,818
Contractual Allowances	1,769,806	1,669,215
Patient Service Revenue, net of contractual allowances	979,391	954,603
Provision for Bad Debt	74,220	56,260
Total Net Patient Service Revenue	$ 905,171	$ 898,343

The mix of SLR's patient service revenue, net of contractual allowances from patients and third-party at December 31, 2012 and 2011 are as follows:

	December 31, 2012	
	2012	**2011**
Medicare	33 %	31 %
Medicaid	24 %	26 %
Blue Cross	11 %	12 %
Managed Care and Other	26 %	24 %
Self-pay	6 %	7 %

3. Investments and Assets Limited as to Use

Investments and Assets Limited as to Use with readily determinable values are recorded at fair value. Investments and Assets Limited as to Use for which a readily determinable value is not available are accounted for using the equity or cost method, depending upon SLR's ownership percentage. The fair value of SLR's investments in private partnership and equity funds is determined by the management of the respective fund. SLR believes that the carrying amount of these investments is a reasonable estimate of fair value as of December 31, 2012. Because these investments are not marketable, the estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for the investment existed and such differences could be material. The fair value hierarchy is based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value. The three levels of inputs are as follows:

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

Level 2 Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of these assets or liabilities.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of these assets or liabilities.

(in thousands of dollars)

The following is a description of the valuation techniques used for assets measured at fair value.

Cash and cash equivalents includes money market instruments that are valued at amortized cost which approximates fair value.

Marketable equities and fixed income consists of investments in publicly traded U.S. and foreign equities, funds that invest in equity and fixed income based strategies, and cash held in separate accounts committed to these strategies. The fair value of these investments is based on quoted market prices. Investments that are listed on an exchange are valued, in general, at the last reported sale price (or, if there is no sales price, at the last reported bid price, or, in the absence of reported bid prices, at the mean between the last reported bid and asked prices thereof). Fund investments in equity and fixed income based strategies are valued in accordance with valuations provided by the investment managers of the underlying funds.

Limited marketability investments include interests in absolute return strategy funds, private equity funds, and real asset funds. SLR values these investments in accordance with valuations provided by the investment managers of the underlying funds. These funds may make investments in securities that are publicly traded, which are generally valued based on observable market prices, unless a restriction exists. In addition, interests in a private equity fund may be publicly traded and valued based on observable market prices. As a general rule, managers of funds invested in limited marketability investments value those investments based upon the best information available for a given circumstance and may incorporate assumptions that are the investment manager's best estimates after consideration of a variety of internal and external factors. Certain investments may be subject to restrictions that limit SLR's ability to withdraw capital after the initial investment is made (lock ups ranging from 0 to 1 years and redemption notice periods that range from 0 days to 90 days).

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different value measurement at the reporting date.

Long-Term Investments

The composition and fair value hierarchy of long-term investments measured at fair value on a recurring basis at December 31, 2012 and 2011 is set forth in the following table:

	December 31, 2012			
	Level 1	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents	$ 5,415	$ -	$ -	$ 5,415
U.S. government and fixed income	3,010	-	-	3,010
Marketable equity investments	6,315	-	-	6,315
	$ 14,740	$ -	$ -	14,740
Limited marketability investments under the equity method				20,887
Total long-term investments				$ 35,627

(in thousands of dollars)

	December 31, 2011			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 5,892	$ -	$ -	$ 5,892
U.S. government and fixed income	4,153	-	-	4,153
Marketable equity investments	4,380	-	-	4,380
	$ 14,425	$ -	$ -	14,425
Limited marketability investments under the equity method				18,287
Total long-term investments				$ 32,712

Assets Limited as to Use

The composition and fair value hierarchy of assets limited as to use measured at fair value on a recurring basis at December 31, 2012 and 2011 is set forth in the following table:

	December 31, 2012			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 69,423	$ -	$ -	$ 69,423
U.S. government and fixed income	47,238	-	-	47,238
Total assets limited as to use	$ 116,661	$ -	$ -	116,661
Less: Current portion				56,130
				$ 60,531

	December 31, 2011			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 55,266	$ -	$ -	$ 55,266
U.S. government and fixed income	47,207	-	-	47,207
Total assets limited as to use	$ 102,473	$ -	$ -	102,473
Less: Current portion				41,946
				$ 60,527

(in thousands of dollars)

Assets limited as to use under SLR's insured mortgage loans and other designated purposes are set forth in the following table:

	December 31, 2012	December 31, 2011
Held under indenture agreements		
Mortgage reserve fund	$ 47,238	$ 47,207
Escrow funds	6,610	6,642
	53,848	53,849
Other externally designated funds		
Real estate escrow	6,683	6,677
Equipment acquisition (NYS-TELP) funds	-	411
Specific purpose funds	21,130	26,536
	27,813	33,624
Internally designated funds	35,000	15,000
	$ 116,661	$ 102,473

The current portion of assets limited as to use of $56,130 and $41,946 at December 31, 2012 and 2011, respectively, consist of equipment acquisition funds, specific purpose funds, and internally designated funds.

At December 31, 2012 and 2011, $6,683 and $6,677, respectively, was held in a real estate escrow in connection with the terms of a sale agreement of one of the rental properties that was sold by SLR in 2002. Once the remaining terms have been satisfied, SLR can request the release of these funds from the U.S. Department of Housing and Urban Development.

Investment income, income from equity investments, and net realized and unrealized gains on long-term investments, assets limited as to use, and cash and cash equivalents consist of the following:

	December 31, 2012	December 31, 2011
Interest and dividends	$ 1,233	$ 1,362
Unrealized gain	6,660	4,177
Realized gain	150	118
Total investment income	$ 8,043	$ 5,657

(in thousands of dollars)

4. Property, Plant and Equipment

A summary of property, plant and equipment is as follows:

	December 31, 2012	December 31, 2011
Land and land improvements	$ 6,330	$ 6,330
Buildings and building improvements	868,755	856,512
Equipment held under capital leases	32,576	31,095
Equipment	375,795	354,879
	1,283,456	1,248,816
Less: Accumulated depreciation and amortization	938,521	887,627
	344,935	361,189
Construction in progress	8,436	9,958
	$ 353,371	$ 371,147

Depreciation expense and amortization expense was $51,765 and $52,056 for the years ended December 31, 2012 and 2011, respectively, which includes $50,894 and $51,185 of depreciation expense for the years ended December 31, 2012 and 2011, respectively, and $871 of amortization expense for the years ended December 31, 2012 and 2011. Accumulated amortization associated with equipment held under capital leases was $20,735 and $15,671 at December 31, 2012 and 2011, respectively. Substantially all property, plant and equipment has been pledged as collateral under various debt agreements. During 2012 and 2011, SLR capitalized approximately $371 and $378, respectively, in interest expense related to various construction projects.

5. Long-Term Debt and Capitalized Leases

A summary of long-term debt and capitalized leases is as follows:

	December 31, 2012	December 31, 2011
Insured mortgage loans (a)	$ 265,807	$ 274,778
Capital leases with interest rates ranging from 3.5% to 8.6%	12,364	17,953
Augustus & James (b)	116,964	118,455
59th St. Condo (c)	39,780	40,909
Other	3,001	4,007
	437,916	456,102
Less: Current portion	21,031	20,724
	$ 416,885	$ 435,378

(in thousands of dollars)

a. In 1989, SLR received final approval from the NYSDOH for its facilities improvement plan (the "Master Plan") under which SLR's two primary sites have been either restored or rebuilt. The Master Plan, with a total cost of $466,825 was financed through a mortgage loan of $381,825 and $85,000 of funds provided by SLR. The mortgage loan was entered into during January 1990 with DASNY and was insured pursuant to Section 241 of the National Housing Act (the "FHA 241 Loan").

   DASNY issued its 1989 Series B St. Luke's-Roosevelt SLR FHA-Insured Mortgage Revenue Bonds to provide for initial funding of the FHA 241 Loan. In July 1993, DASNY issued 1993 Series A St. Luke's-Roosevelt SLR FHA-Insured Mortgage Revenue Bonds (the "Series 1993A Bonds"), the proceeds of which were placed in escrow and used to advance refund the 1989 Series B Bonds in the year 2000. As a result, SLR's interest rate on the mortgage loan was reduced to 7.26%. In November 2000 DASNY issued its St. Luke's- Roosevelt SLR, FHA insured Mortgage Hospital Revenue Bonds, Series 2000B, (the Series 2000B Bonds") which are collateralized on parity with the Series 1993A Bonds by the FHA 241 Loan. In November of 2005 SLR refinanced the FHA 241 Loan with an FHA 223 Loan. DASNY issued St. Luke's-Roosevelt SLR FHA insured Mortgage Hospital Revenue Bonds, Series 2005, the proceeds of which were used to refund the 1993 Series A Bonds, refund the Series 2000B Bonds, make the required deposit to the Debt Service Reserve Fund and pay the costs of issuance of the Series 2005 Bonds. As a result SLR's interest rate on the FHA 223 Loan is 5.39% (reduced from 7.26% on the FHA 241 Loan) and the repayment period is extended 121 months from April 2020 to May 2030. Monthly payments of $1,963 consisting of principal and interest are required on the FHA 223 Loan through its stated maturity of May 2030. At December 31, 2012 and 2011, the FHA 223 Loan balance was approximately $265,807 and $274,778, respectively, and bears interest at 5.39%.

   As a condition to insuring the FHA 223 Loan, the Federal Housing Administration (FHA) requires that SLR maintain a Mortgage Reserve Fund whose balance is fully funded at the agreed upon two full years debt service on the FHA 223 Loan. At December 31, 2012, approximately $47,238 is on deposit in the fund as compared to the required balance of approximately $47,123.

   Pursuant to these borrowings, SLR is required to maintain certain financial and nonfinancial covenants, the most restrictive of which are meeting minimum requirements under Long Term Debt Service Coverage Ratio and Days Cash on Hand calculations as well as the filing of unaudited semi-annual and audited annual financial statements within specified time frames. For the year ended December 31, 2012, SLR was in compliance with all covenants.

b. In May 2005, A&J entered into a $48,000 Real Estate Term Loan Note due November 1, 2007 with a commercial bank, the proceeds of which were used to repay existing debts including a $5,872 prepayment penalty, fund a mold remediation project on the Millicent Hearst Building and provide working capital funds for SLR. In September 2006, A&J borrowed an additional $14,000 from the same commercial bank under the Real Estate Term Loan Note, the proceeds of which were used to fund the defined benefit pension plan of SLR. The note was collateralized by a first mortgage on the Millicent Hearst Building. On November 1, 2007, A&J entered into a mortgage loan with a commercial bank for $120,000, the proceeds of which was used to repay the Real Estate Term Note, the New York State Health Facilities Association ("NYSHFA") mortgage and provide working capital funds to SLR.

(in thousands of dollars)

The mortgage has a 10 year term, with interest only payments for the first three years. The collateral for this loan is also the Millicent Hearst Building.

Amortization of the principal began in the fourth year using a 30 year amortization. The mortgage is a variable interest rate loan on which the interest rate is set monthly at the LIBOR rate plus 1.1%. A&J entered into an Interest Rate Swap Agreement with the commercial bank, to effectively fix the interest rate at a fixed rate of 6.15% for 10 years. The interest payments for the loan agreement, including interest paid under the interest rate swap agreement, were $7,352 and $7,477 for the years ended December 31, 2012 and 2011, respectively, and have been included in interest expense in the consolidated statement of operations. During the term of the interest rate swap agreement, A&J can terminate the agreement at any time upon payment of a pre-penalty fee. The commercial bank can terminate the interest rate swap agreement if specified adverse events occur.

The fair value on the interest rate swap agreement is the estimated amount that A&J would currently pay to terminate the swap agreement at December 31, 2012 and 2011, taking into account the current credit worthiness of the swap counterparties and is considered a Level 3 measurement in accordance with fair value measurement and disclosures authoritative guidance and related fair value hierarchy. The estimated fair value of the interest rate swap was a liability (included within other noncurrent liabilities in the consolidated balance sheet) of $23,794 and $24,494 at December 31, 2012 and 2011, respectively. The change in fair value for the years ended December 31, 2012 and 2011 of $700 and ($6,351), respectively, is recorded as a decrease in unrestricted net assets in the consolidated statements of changes in net assets since management concluded the swap qualified as an effective hedge. The change in the fair value of the interest rate swap from December 31, 2011 to December 31, 2012 arose from differences between the floating rate under the Real Estate Term Loan Note and the fixed rate under the Interest Rate Swap Agreement and a credit value adjustment, determined by considering changes in credit risk of the counterparties to the Interest Rate Swap. In the event of default, the lender can only seek repayment from the A&J collateral and not from any other assets of SLR.

In accordance with this mortgage, A&J is required to comply with various covenants, the most restrictive of which are the filing of annual financial statements within 150 days and maintain a debt service coverage ratio of at least 1.25:1. For the year ended December 31, 2012, A&J was in compliance with all covenants.

c. In April 2008, SLR exercised its option to purchase commercial space condominiums from a local developer. The commercial space is located across from the Roosevelt Hospital campus and was rented from the developer for hospital operations. SLR created a specific purpose entity, 425 West 59th Street Condominium, LLC ("the 59th St. Condominium") to purchase and operate the condominiums. The 59th St. Condominium entered into a $44,500 mortgage with an investment house to purchase the condominiums, as well as to provide funds for SLR for capital improvements. The mortgage has a 20 year term and bears interest at 6.22% per annum. Payment of principal and interest are due monthly. The mortgage is collateralized by the condominiums. In the event of default, the lender can only seek repayment from the 59th St. Condominium collateral and not from any other assets of SLR.

(in thousands of dollars)

Pursuant to the debt agreement, the 59th St. Condominium is required to maintain certain covenants, the most restrictive include the submission of annual financial statements within 120 days and maintaining a debt service coverage ratio ("DSCR") of at least 1.05:1. If "the 59th St. Condominium" fails to meet the 1.05 DSCR, it will be required to submit annual financial statements within 120 days after the close of each fiscal year and post a letter of credit in an amount, which when added to annualized Net Operating Income will produce a DSCR of 1.25:1. The letter of credit will be cancelled when Net Operating Income produces a DSCR of 1.15 or greater. For the year ended December 31, 2012, 59th St. Condominium was in compliance with all covenants.

Long-term Debt (excluding capital leases): The fair value of SLR's long-term debt approximates its carrying amount, and as the fair values are based on unobservable market data, it is therefore classified as Level 3.

Scheduled principal payments and payments on capital lease obligations are as follows:

	Long-term Debt	Capital Lease Obligations
2013	$ 13,283	$ 8,239
2014	14,043	2,145
2015	14,655	1,547
2016	14,490	817
2017 and thereafter	369,081	438
	$ 425,552	13,186
Less: Amount representing interest under capital lease obligations		822
		$ 12,364

6. Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets of $19,458 and $19,068 at December 31, 2012 and 2011, respectively, are available for education, program improvement, equipment and research.

Permanently restricted net assets of $59,789 and $59,765 at December 31, 2012 and 2011, respectively, are to be held in perpetuity, the income from which generally is expendable to support health care services.

For the years ended December 31, 2012 and 2011, net assets were released from restrictions by incurring expenses and satisfying the restricted purposes of health education and program improvement and research in the amount of approximately $5,842 and $8,681, respectively.

(in thousands of dollars)

7. Professional and General Liability Insurance Program

Prior to 2004, SLR, together with several other not-for-profit institutions, obtained primary and excess professional and general liability insurance, on an occurrence basis, through a jointly owned captive insurance company, which provided coverage through a combination of shared captive limits and commercial carrier policies. SLR's interest in the captive insurance company as of December 31, 2012 and 2011 was 20%. This interest is accounted for using the equity method. Premiums were based on the experience of SLR and the other institutions. During the 5 year period July 1999 through June 2004, the combined losses of the captive members were expected to exceed the level of available insurance. The captive members entered into an agreement to provide additional contributions to assure adequate resources were available to cover all claims including those in excess of captive insurance limits. Management believes this agreement adequately covers this exposure. At June 30, 2004, the jointly owned captive insurance company went into run off and no longer writes premiums.

Effective July 1, 2004, SLR joined with six other not-for-profit institutions to form a segregated cell captive insurance company which provides deposit liability based coverage up to the limits of the individual cell funding. The funding of premiums is actuarially determined and currently SLR's cell is funded to the required level. Based on actuarial studies, management believes that the amount of professional liability insurance available in the segregated cells is not sufficient to meet the projected ultimate losses of the cell years. As such, SLR has recorded an additional liability on a discounted basis as of December 31, 2012 and 2011.

At December 31, 2012 and 2011, a liability related to uninsured professional liability exposures of $111,527 and $130,242, respectively, has been recorded. Of this amount, $10,255 relates to premiums payable as of December 31, 2012 and 2011 and $101,272 and $119,987 relates to actuarially determined claims reserves and incurred-but-not-reported losses in excess of insurance limits as of December 31, 2012 and 2011, respectively. Of this total liability, $4,401 has been recorded within other current liabilities at December 31, 2012 and 2011, and $107,126 and $125,841 within other noncurrent liabilities at December 31, 2012 and 2011, respectively.

SLR's equity investment in these captives at December 31, 2012 and 2011, is approximately $12,730 and $14,670, respectively. Income on investment in captive insurance companies under the equity method were $5,473 and $4,340 for the years ended December 31, 2012 and 2011, respectively.

8. Pension and Similar Plans

Retirement Benefits

SLR provides pension and similar benefits to its employees through various multi-employer defined benefit plans for union employees and a solely sponsored defined benefit plan for nonunion employees (the "nonunion plan"). Approximately 71% of SLR's employees are covered by union plans. Contributions to these plans are intended to provide not only for benefits attributed to service to date, but also for those expected to be earned in the future. On May 12, 2007, SLR froze the nonunion defined benefit plan, which had covered certain members of its nonunion workforce, and converted these nonunion employees on a go forward basis to a defined contribution plan. Presently, the entire nonunion workforce is covered by the defined contribution plan.

(in thousands of dollars)

SLR's contributions to the defined benefit multi-employer union plans and nonunion defined contribution plans are generally based on gross salaries. It is SLR's policy to fund accrued costs under these plans on a current basis. The total cost relating to union defined multi-employer pension plans amounted to $22,041 and $20,622 for the years ended December 31, 2012 and 2011, respectively.

The risks of participating in multi-employer plans are different from single-employer plans in the following aspects: (1) assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers, (2) if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers and (3) if SLR chooses to stop participating in some of its multi-employer plans, it may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability. SLR has contributed cash and recorded expenses for the multi-employer plans as noted in the table below. The measurement dates for the following plans are as of December 31.

	SLR Contributions		
	2012	**2011**	
Pension Fund			
1199 SEIU Health Care Employees Pension Fund (1199)	$ 11,121	$ 10,005	(a)
New York State Nurses Association Pension Fund (NYSNA)	9,881	9,630	(b)
Other Pension Funds (c)	1,039	987	
	$ 22,041	$ 20,622	

(a) Represents less than 5% of total plan contributions, based on available Form 5500.

(b) Represents greater than 5% of total plan contributions, based on available Form 5500.

(c) Consists of four pension funds in which the SLR's contributions are individually and in the aggregate insignificant.

EIN/Pension Plan Number	Pension Protection Act Zone Status(e) 2012	Pension Protection Act Zone Status(e) 2011	FIP/RP(d) Status Pending/	Surcharge Imposed	Expiration Date of Collective-Bargaining Agreement
13-3604862 (1199)	N/A	Green	No	No	April 15, 2015
13-6604799/001 (NYSNA)	Green	Green	No	No	December 31, 2014

(d) Funding improvement plan (FIP) or rehabilitation plan (RP).

(e) A zone status rating of green indicates the plan is at least 80% funded. "N/A" indicates the current information is not available.

(in thousands of dollars)

Postretirement Medical Benefits
SLR provides certain non-union retirees and their spouses with hospital and medical insurance which supplements health coverage provided through the Medicare program for Medicare covered retirees and provides primary coverage for retirees younger than 65 years of age. Employees are generally eligible for this benefit if they commenced employment prior to 1988, and if the total of their age and years of service at the time of their retirement equals or exceeds 70. Retirees qualifying for the plan also receive $5 in life insurance benefits. SLR also provides benefits to certain current NYSNA retirees and NYSNA employees entitled to future benefits.

Effective September 30, 2012, the Beth Israel Medical Center King's Highway Division Employee's Pension Plan was merged with and into the St. Luke's Roosevelt Hospital Center Employees' Pension Plan. The unfunded obligation as of December 31, 2012 of $185 has been recognized during 2012.

SLR uses a measurement date of December 31 for their defined benefit and postretirement healthcare benefit plans.

The following table sets forth the funded status of the nonunion plans as of December 31, 2012 and 2011:

	Retirement Benefits		Health Retirement Benefits	
	2012	**2011**	**2012**	**2011**
Change in benefit obligation				
Benefit obligation at beginning of year	$ 175,366	$ 157,709	$ 22,162	$ 20,407
Service cost	-	-	1	1
Interest cost	8,205	8,415	632	777
Plan participants' contributions	-	-	522	544
Actuarial loss (gain)	21,151	15,868	(496)	1,988
Benefits paid	(7,243)	(6,625)	(1,588)	(1,696)
Medicare Part D subsidy	-	-	126	140
Plan merger	4,265	-	-	-
Benefit obligation at end of year	201,744	175,366	21,360	22,162
Change in plan assets				
Fair value of plan assets at beginning of year	135,348	118,882		
Actual return on plan assets	13,895	16,094		
Employer contribution	8,000	6,997		
Benefits paid	(7,243)	(6,625)		
Plan merger	4,080	-		
Fair value of plan assets at end of year	154,080	135,348	-	-
Underfunded status of the plans	(47,664)	(40,018)	(21,360)	(22,162)
Accrued benefits obligation	(47,664)	(40,018)	(21,360)	(22,162)
Less: Current liability	-	-	1,331	1,417
Long-term liability	$ (47,664)	$ (40,018)	$ (20,029)	$ (20,745)

(in thousands of dollars)

Weighted-average assumptions used to determine benefit obligations are as follows:

	Retirement Benefits		Health Retirement Benefits	
	2012	2011	2012	2011
Discount rate	3.95 %	4.75 %	3.45 %	4.25 %
Expected long-term rate of return on plan assets	6.25 %	7.25 %	N/A	N/A

In accordance with Statement of Accounting Standards Codification No. 715, Compensation – Retirement Benefits, SLR recorded the funded status for both the pension and postretirement health and welfare plans, representing the excess of the projected benefit obligation and accumulated postretirement benefit obligation over the fair value of the plan assets.

The following represents the accumulated benefit obligation:

	2012	2011
Retirement plan	$ 201,745	$ 175,366

SLR's funding policy is to contribute amounts to the plan sufficient to meet the minimum funding requirements set forth in the Employee Retirement Income Security Act of 1974, plus such additional amounts as SLR may determine to be appropriate from time to time. SLR contributed approximately $8,000 and $6,997 to the Plan in 2012 and 2011, respectively. The required minimum funding for 2013 is $6,000.

The following table sets forth the components of net periodic benefit costs for the years ended December 31:

	Retirement Benefits		Health Retirement Benefits	
	2012	2011	2012	2011
Service cost	$ -	$ -	$ 1	$ 1
Interest cost	8,205	8,415	632	777
Expected return on plan assets	(8,514)	(8,662)	-	-
Actuarial loss (gain)	1,730	1,462	(598)	2,324
Plan merger	185	-	-	-
Benefit cost recognized in operating activities	$ 1,606	$ 1,216	$ 35	$ 3,102

(in thousands of dollars)

	2012			2011		
	Retirement Plan	Health Retirement Benefits	Total	Retirement Plan	Health Retirement Benefits	Total
Other changes recognized in unrestricted net assets						
Actuarial loss (gain)	$ 15,770	$ (488)	$ 15,282	$ 8,435	$ 2,019	$ 10,454
Amortization of actuarial (loss) gain	(1,730)	598	(1,132)	(1,462)	(2,324)	(3,787)
Total recognized in unrestricted net assets	$ 14,041	$ 110	14,151	$ 6,973	$ (305)	6,668
Change in unrestricted net assets						
Total recognized in net periodic cost and unrestricted net assets	$ 15,646	$ 145	$ 15,791	$ 8,188	$ 2,798	$ 10,986

	Retirement Benefits		Health Retirement Benefits	
	2012	2011	2012	2011
Amount recognized in unrestricted net assets				
Actuarial losses	$ 78,827	$ 64,786	$ 750	$ 640
	$ 78,827	$ 64,786	$ 750	$ 640
Amounts in unrestricted net assets expected to be recognized in net periodic pension cost in fiscal 2013				
Actuarial loss	$ 2,177	$ 1,665	$ 750	$ 640
	$ 2,177	$ 1,665	$ 750	$ 640

Weighted-average assumptions used in determining the net periodic pension cost are as follows:

	Retirement Benefits		Health Retirement Benefits	
	2012	2011	2012	2011
Discount rate	4.75 %	5.45 %	4.25 %	4.95 %
Expected long-term rate of return on plan assets	6.25 %	7.25 %	N/A	N/A
Initial health care trend			8.00 %	8.50 %
Ultimate health care trend			5.00 %	5.00 %
Year in which ultimate health care trend is reached			2018	2018

The assumed health care cost trend rate has a significant effect on the amounts reported for other postretirement benefits. A one-percentage-point change in the assumed health care cost trend rate would have the following effects:

	One Percentage Point Increase	One Percentage Point Decrease
Effect on total of service and interest cost components	$ 48	$ (43)
Effect on postretirement benefit obligation	1,150	(1,027)

(in thousands of dollars)

The fair values of plan assets and fair value hierarchy at December 31, 2012 and 2011 are as follows:

	2012			
	Level 1	**Level 2**	**Level 3**	**Total**
Asset category				
Cash equivalents	$ 3,005	$ -	$ -	$ 3,005
Equities	3,387	-	-	3,387
Fixed income	37,239	21,413	-	58,652
Mutual funds	-	72,200	-	72,200
Multi-strategy hedge fund	-	-	16,836	16,836
	$ 43,631	$ 93,613	$ 16,836	$ 154,080

	2011			
	Level 1	**Level 2**	**Level 3**	**Total**
Asset category				
Cash equivalents	$ 1,552	$ -	$ -	$ 1,552
Equities	4,675	-	-	4,675
Fixed income	31,110	22,191	-	53,301
Mutual funds	-	57,820	-	57,820
Multi-strategy hedge fund	-	-	18,000	18,000
	$ 37,337	$ 80,011	$ 18,000	$ 135,348

The composition of asset categories and valuation techniques used to measure fair value are described in Note 3.

The fair value measurement of plan assets using significant unobservable inputs (Level 3) changed as follows:

	Alternative Assets	**Multi-strategy Hedge Fund**	**Total**
Balances at December 31, 2010	$ 805	$ 17,991	$ 18,796
Realized gains	-	369	369
Unrealized losses	-	(360)	(360)
Purchase, sales and settlements (net)	(805)	-	(805)
Balances at December 31, 2011	-	18,000	18,000
Realized gains	-	284	284
Unrealized gains	-	1,352	1,352
Sales and settlements	-	(2,800)	(2,800)
Balances at December 31, 2012	$ -	$ 16,836	$ 16,836

(in thousands of dollars)

The expected long-term rate of return on plan assets assumption was based on expected rates of return, plus inflation less anticipated expense paid from the plan assets. The expected return rate selected was consistent with historical returns and target percentages for various asset classes and with the plan's desired investment return objectives (in the context of a long-term inflation rate of 1.9%), as follows:

	Target Allocation	2012 Allocation	2011 Allocation
Asset Category			
Equity securities (a)	30 %	30 %	37 %
Debt securities (b)	70	70	63
	100 %	100 %	100 %

(a) Including equities, mutual funds, and multi strategy hedge funds
(b) Including fixed income and cash equivalents

The Plan's investment policy includes target asset allocation percentages assigned for equity, debt and other securities (hedge funds and private equity funds), as shown above. The investment objective for the plan is to achieve a targeted long-term rate of investment return that is approximately 5.35% greater than inflation.

Expected benefit payments by year as of December 31, 2012 follows:

	Retirement Benefits Fund	Other Retirement Benefits, Medicare Part D Subsidy	Other Retirement Benefits, Net of Medicare Part D Subsidy
2013	$ 8,509	$ 126	$ 1,331
2014	8,807	125	1,323
2015	9,280	123	1,307
2016	9,621	119	1,260
2017	9,891	115	1,219
2018–2022	54,594	485	5,442

Defined Contribution

Contributions to nonunion defined contribution plans approximated $10,044 and $9,094 for the years ended December 31, 2012 and 2011, respectively.

(in thousands of dollars)

9. Related Party Transactions

SLR has various transactions with other affiliated organizations of CHP. The following table summarizes amounts due to affiliated companies at December 31:

	2012	2011
Amounts due to affiliates		
Beth Israel Medical Center, net intercompany transactions	$ (798)	$ (761)
Beth Israel Medical Center loans	(5,673)	(6,947)
Due to affiliated organizations, net	(6,471)	(7,708)
Less: Current portion	(2,079)	(2,035)
Total due to affiliated organizations, net, long term portion	$ (4,392)	$ (5,673)

In September 2004, SLR entered into a $12,000 loan, from BIMC, in order to meet certain pension funding requirements. Interest only is due for the first two years of the loan at LIBOR plus 1%, established annually on September 15th. Beginning on September 15, 2006, SLR paid principal and interest payments amortized over a ten year period with interest set annually on September 15th at LIBOR plus 1%. At December 31, 2012 the balance remaining on the loan amounted to $4,288. Amounts due to affiliated companies are classified as current or noncurrent in the accompanying balance sheets based on when payment is expected.

In April 2011, SLR entered into a $1,600 loan from BIMC in order to finance capital improvements. The loan has a 10 year term and bears interest at 5% per annum. Principal and interest payments are due monthly. At December 31, 2012, the balance remaining on the loan amounted to $1,386.

During 2012 and 2011, SLR was charged by BIMC for the use of a clinical management system ("Prism"). The assets related to purchase and implementation of Prism were recorded by BIMC. These charges are paid in full on a monthly basis. Total amounts charged by BIMC and recorded in other operating expenses in the consolidated statements of operations was $6,334 and $7,835 for the years ended December 31, 2012 and 2011, respectively. Prism rent payments are included in future minimum noncancelable operating lease payments in Note 10.

10. Commitments and Contingencies

Third-Party Reimbursement Programs

In 2002, SLR filed an initial report with the Office of the Inspector General of the U.S. Department of Health and Human Services ("OIG") pursuant to the OIG Provider Self Disclosure Protocol. This matter relates to erroneous SLR cost reports that were filed with Medicare and Medicaid for the years ended December 31, 1998 and 1999. These erroneous cost reports resulted in estimated overpayments to SLR. Management anticipates that it is possible that SLR will be assessed a penalty related to the erroneous cost reports; however, management cannot estimate such amounts at this time. Accordingly, no liability for penalties has been provided for in the accompanying consolidated balance sheets at December 31, 2012 and 2011. Management has recorded a liability for the estimated amount of the settlements due for over payments.

(in thousands of dollars)

Litigation
SLR is involved in litigation and claims in the normal course of business. The ultimate outcome of these cases cannot be predicted at this time. Management does not believe that the ultimate outcome of these matters will have a material adverse effect on the consolidated financial position of SLR.

Operating Leases
SLR leases various equipment and facilities under operating leases expiring at various dates through 2018 and thereafter.

Total rental expense charged to operations approximated $18,714 and $19,950 in 2012 and 2011, respectively. Sublease income and contingent rentals during those years and to be received in the future are not significant.

Future minimum payments under noncancelable operating leases with initial or remaining terms of one year or more consisted of the following at December 31, 2012:

2013	$	7,581
2014		5,473
2015		5,975
2016		6,073
2017		6,492
2018 and thereafter		57,982

11. Concentration of Credit Risk

SLR grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor arrangements. The mix of net receivables (net of contractual allowances, advances from certain third-parties and allowance for doubtful accounts) from patients and third-party payors was as follows:

	December 31,	
	2012	**2011**
Medicare	24 %	23 %
Medicaid	25	32
Blue Cross	8	9
Managed Care and Other	31	26
Self Pays	12	10
	100 %	100 %

(in thousands of dollars)

12. Functional Expenses

The functional expenses related to SLR providing its services are:

	December 31, 2012	December 31, 2011
Program services	$ 1,100,016	$ 1,101,288
Management/administrative	68,952	69,032
Research	20,085	20,108
	$ 1,189,053	$ 1,190,428

13. Subsequent Event

In the first quarter of 2013, SLR agreed to a Memorandum of Understanding among CHP and another major academic medical center in Manhattan, which is intended to summarize the mutual intent of the parties thereto to form an affiliation. The timing and nature of any ultimate arrangement is not known at this time.

Supplemental Schedules

St. Luke's-Roosevelt Hospital Center and Affiliates
Consolidating Balance Sheets
December 31, 2012

(in thousands of dollars)

	2012 SLR	2012 A&J Corp.	2012 59th St. Condo	Eliminations	2012 Total
Assets					
Current assets					
Cash and cash equivalents	$ 64,248	$ 2,105	$ 9,297		$ 75,650
Receivable for patient care, less allowances for doubtful accounts of $139,955 in 2012	164,153				164,153
Grants, contracts and other receivables	9,866	901	99		10,866
Inventories	12,632				12,632
Prepaid expenses and other current assets	2,292	70	156		2,518
Current portion of assets limited as to use	56,130				56,130
Due from St. Luke's-Roosevelt Hospital Center		1,139	7,697	$ (8,836)	-
Total current assets	309,321	4,215	17,249	(8,836)	321,949
Assets limited as to use	57,935	2,595	1		60,531
Long-term investments	35,627				35,627
Reinsurance receivables	182,516				182,516
Investments in captive insurance companies	12,730				12,730
Property, plant and equipment, net	313,253	14,345	25,773		353,371
Deferred financing costs, net	7,693	1,582	881		10,156
Other assets	32,695				32,695
Total assets	$ 951,770	$ 22,737	$ 43,904	$ (8,836)	$ 1,009,575
Liabilities and net assets (deficit)					
Current liabilities					
Accounts payable and accrued expenses	$ 78,847	$ 1,590	$ 307		$ 80,744
Accrued salaries and related liabilities	113,847				113,847
Current portion of long-term debt and capitalized leases	18,220	1,609	1,202		21,031
Due to affiliated organizations	2,079				2,079
Due to third party payors	23,737				23,737
Other current liabilities	22,809				22,809
Due to Augustus and James Corporation	1,139			$ (1,139)	-
Due to 425 West 59th Condominium, LLC	7,697			(7,697)	-
Total current liabilities	268,375	3,199	1,509	(8,836)	264,247
Due to affiliated organizations	4,392				4,392
Insured liabilities	182,516				182,516
Long-term debt and capitalized leases	262,952	115,355	38,578		416,885
Accrued pension and other postretirement medical benefits	67,693				67,693
Other noncurrent liabilities	190,399	23,794			214,193
Total liabilities	976,327	142,348	40,087	(8,836)	1,149,926
Net assets (deficit)					
Unrestricted	(103,804)	(119,611)	3,817		(219,598)
Temporarily restricted	19,458				19,458
Permanently restricted	59,789				59,789
Total net assets (deficit)	(24,557)	(119,611)	3,817	-	(140,351)
Total liabilities and net assets	$ 951,770	$ 22,737	$ 43,904	$ (8,836)	$ 1,009,575

(in thousands of dollars)

	2012 SLR	2012 A&J Corp.	2012 59th St. Condo	2012 Total
Operating revenue				
Net patient service revenue	$ 905,171			$ 905,171
Faculty practice revenue	134,310			134,310
Net assets released from restriction	5,842			5,842
Investment income	8,021	$ 7	$ 15	8,043
Other revenue	126,463	11,410	7,393	145,266
Total operating revenue	1,179,807	11,417	7,408	1,198,632
Operating expenses				
Salaries and wages	584,901	749	462	586,112
Employee benefits	154,143	179	150	154,472
Supplies, insurance, and other expenses	365,613	1,968	1,487	369,068
Depreciation and amortization	48,583	1,434	1,748	51,765
Interest	17,777	7,352	2,507	27,636
Total operating expenses	1,171,017	11,682	6,354	1,189,053
Operating income (loss)	8,790	(265)	1,054	9,579
Unrestricted contributions	4,473			4,473
Excess (deficiency) of revenue over expenses	13,263	(265)	1,054	14,052
Change in fair value of interest rate swap		700		700
Change in pension and postretirement benefits	(14,151)			(14,151)
(Decrease) Increase in unrestricted net assets	$ (888)	$ 435	$ 1,054	$ 601

St. Luke's-Roosevelt Hospital Center and Affiliates
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2012

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identification Number	Federal Expenditures
Department of Housing and Urban Development (HUD)			
Direct Programs			
FHA 223 insured Mortgage Loan	14.128		$ 265,807,126
Total HUD Direct Programs			265,807,126
Research and Development and Research Training Cluster			
Department of Health and Human Services (DHHS)			
Direct Programs			
Centers for Disease Control and Prevention			
Assistance Programs for Chronic Disease Prevention and Control	93.945		560,532
Total Direct Center for Disease and Prevention			560,532
National Institutes of Health (NIH)			
Mental Health Research Grants	93.242		621,857
Drug Abuse and Addiction Research Programs	93.279		598,871
Mental Health National Research Service Awards for Research Training	93.282		14,795
Cardiovascular Disease Research	93.837		284,088
Lung Disease Research	93.838		435,251
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847		5,778,533
Digestive Disease and Nutrition Research	93.848		107,189
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853		488,364
Allergy, Immunology and Transplantation Research	93.855		443,926
Vision Research	93.867		1,974,974
ARRA Awards-Direct			
ARRA - Exploring Specific Metabolic Rates of Major Cell Categories in Adiposity-Diverse	93.701		91,294
ARRA - Sleep deprivation and energy balance	93.701		44,514
ARRA - Appetite Hormones in Binge Eating Disorder	93.701		96,275
ARRA - NeuroAIDS Therapy in the EcoHIV Mouse Model	93.701		21,418
ARRA - Neuro-Ophthalmology Research Disease Investigator Consortium (NORDIC)	93.701		26,174
ARRA - Markers of HIV Brain Disease/HAART	93.701		25,879
ARRA - Imaging evidence: Is there competition between marrow fat and bone?	93.701		62,678
Total Direct National Institute of Health			11,116,080
Pass Through Programs			
National Institutes of Health (NIH)			
SBIR Project Grants			
Passed Through Prosperity Organic Foods	10.212	2012-33610-19482	31,406
Mental Health Research Grants			
Research Foundation for Mental Hygiene	93.242	1007738-2-24751	16,210
Alcohol Research Programs			
Passed through Research Foundation of the State University of New York	93.273	1R25 AA0200480-01	42,347
Drug Abuse and Addiction Research Programs			
Passed through Research Foundation for Mental Health	93.279	5U10 DA013035-11	39,375
Passed through Columbia University	93.279	U1013035-01	170,909
Passed Through University of Nebraska	93.279	5P01DA028555-02	35,989
National Center for Research Resources			
Passed through Columbia University	93.389	RR-0241-57	59,496
Passed through Columbia University	93.389	H9T10899-02	306,547
National Institute of Nursing Research			
ARRA - Passed through Columbia University - Center for Evidence-based Practice in the Underserved	93.701	5-37893	1,337
Centers for Disease Control and Prevention			
ARRA - Passed through Fund for Public Health-Assessing Inpatient and Outpatient Smoking Prevalence	93.701	1U58DP002419-1	3,594
National Institute of Mental Health Research			
ARRA - Passed through New York University - Spanish Language Intervention to Enhance Routine HIV Care Delivery	93.701	F6596-02	19,270
National Heart Lung and Blood Institute			
ARRA - Passed Through Duke University Clinical Research Institute	93.701	R01 HL098237	155
Cardiovascular Disease Research			
Passed Through Brigham and Woman's Hospital	93.837	1P20 HL101408-02	6,052
Diabetes, Digestive, and Kidney Diseases Extramural Research			
Passed through Columbia University	93.847	DK063608-06	113,196
Passed through Columbia University	93.847	2(5-33496)	(13,125)
Passed through Drexel University	93.847	R21 DK076748-02	33,615
Extramural Research Programs in the Neurosciences and Neurological Disorders			
Passed Through University of Cincinnati	93.853	5U01 NS069763-03	140,133
Passed through Columbia University	93.853	5R01 NS048212-05	37,879
Aging Research			
Passed Through University of Alabama	93.866	R01 AG033682-01A1	53,151
Total DHHS Pass-Through Programs			1,097,536
Total Research and Development and Research Training Cluster			$ 12,774,148

The accompanying notes are an integral part of this Schedule of expenditures of federal awards.

St. Luke's-Roosevelt Hospital Center and Affiliates
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2012

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identification Number	Federal Expenditures
Other Programs			
Department of Health and Human Services (DHHS)			
Direct Programs			
Health Research Services Administration (HRSA)			
Capital Development Building Capacity	93.501		$ 769
Grants for Outpatient Early Intervention Services as Concerns HIV Diseases	93.918		1,007,467
Special Projects of National Significance	93.928		77,169
Ryan White HIV/AIDS Dental Reimbursements Community Based Dental Partnership	93.924		489,230
Coordinated Services and Access to Research for Women, Infants, Children, and Youth	93.153		1,944,667
Health Improvement for Re-entering Ex-offenders Initiative (HIRE) HIV/AIDS	93.452		10,130
Substance Abuse and Mental Health Services Administration (SAMHSA)			
Projects of Regional National Significance	93.243		78,225
Total DHHS Direct Programs			3,607,657
Pass-Through Programs			
Department of Agriculture Food and Nutrition Service			
Special Supplemental Nutrition Program for Women, Infants, and Children			
Passed through NY State Department of Health WIC Program	10.557	C-012379	599,779
Passed through NY State Department of Health WIC Program	10.557	C-O25798	34,058
Total Department of Agriculture Pass Through Programs			633,837
Department of Justice			
Sexual Assault Services Formula Program			
Passed Through NYS DOH	16.017	C-652044	13,903
Crime Victim Assistance			
Passed through NY State Department of Health	16.575	C-501156	510,384
Passed through NY State Department of Health	16.575	C-501157	284,183
Total Crime Victim Assistance			808,470
Violence Against Women Formula Grants			
Passed through NY State Department of Health - ARRA	16.588	C-548830	55,115
Total Department of Justice Programs			863,585
Department of Health and Human Services			
National Institutes of Health			
Passed Through Public Health Solutions	93.855	5-39206	47,407
Administration for Children and Families			
Social Services Block Grants			
Passed Through New York City Administration for Children's Services	93.667	145-173-200-6868	(336)
Passed Through New York City Administration for Children's Services	93.667	265-150-27-200-2222	(11,184)
Passed Through New York City Administration for Children's Services	93.667	20111427497	685,695
Passed Through New York City Administration for Children's Services	93.667	068-20120000463	337,105
Total Social Services Block Grants			1,011,280
Health Research Services Administration (HRSA)			
Maternal and Child Health Services Block Grant to the States			
Passed Through NY State Department of Health via Columbia University	93.994	C-022478	1,314,095
Passed Through NY State Department of Health via Columbia University	93.994	C-023850	52,761
Total Maternal and Child Health Services Block Grant			1,366,856
AIDS Education and Training Centers			
Passed Through Columbia University	93.145	6(Acct#S-39396)	120,178
HIV Emergency Relief Project Grants			
Passed Through Public Health Solutions (MHRA)	93.914	09-MCM-175	1,517,222
Passed Through Public Health Solutions (MHRA)	93.914	11-FNS-175	226,667
Total Emergency Reliefe Project Grants			1,743,889
NIH Recovery Act Research Support			
Passed Through Johns Hopkins University - ARRA	93.701	2001359549	40,266
Centers for Disease Control and Prevention			
Preventative Health and Health Services Block Grants			
Passed Through NY State Department of Health	93.991	C-014501	132,125
Total Preventative Health and Health Services Block Grants			132,125
Occupational Health and Safety Program			
Passed Through Public Health Solutions	93.262	10-NPP-175	23,666
HIV Prevention Activities-Health Department Based			
Passed Through Public Health Solutions	93.940	11-HTR-175	202,432

The accompanying notes are an integral part of this
Schedule of expenditures of federal awards.

St. Luke's-Roosevelt Hospital Center and Affiliates
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2012

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identification Number	Federal Expenditures
Other Programs (continued)			
Office of the Secretary			
National Bioterrorism Hospital Preparedness Program			
Passed Through New York State Department of Health	93.889	CORE 12807500	69,591
Passed Through New York State Department of Health	93.889	CORE 12907500	291,426
Total National Bioterrorism Hospital Preparedness Program			361,017
Substance Abuse and Mental Health Services Administration			
Block Grants for Prevention and Treatment of Substance abuse			
Projects of Regional and National Significance			
Passed through Beth Israel Medical Center	93.243	5479SM059569-02	64,456
Passed through Beth Israel Medical Center	93.243	U79 SM059313	11,288
Total SAMHSA Projects of Regional and National Significance			75,744
Department of Health and Human Services			
HIV Research Network Project			
Passed through Johns Hopkins University	93.XXX	HHSA29021106007C	425,485
Total PassThrough Programs			7,047,767
Total Direct Programs			3,607,657
Total Other Programs			10,655,424
Total Expenditures of Federal Awards			$ 289,236,698

The accompanying notes are an integral part of this
Schedule of expenditures of federal awards.

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federally funded activity of the St. Luke's-Roosevelt Hospital Center and Affiliates ("SLR") and is presented on the accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic consolidated financial statements. For purposes of the Schedule, Federal Awards include any assistance provided by a Federal agency directly or indirectly in the form of grants, contracts, cooperative agreements, loan and loan guarantees, or other noncash assistance. Negative amounts listed on the Schedule represent adjustments, in the normal course of business, to amounts included on the prior year's Schedule. Because the Schedule presents only a selected portion of the activities of SLR, it is not intended to and does not; present either the financial position or the revenues, expenditures and other changes in net assets of SLR. Pass-through numbers are presented where available.

The significant accounting principles followed by SLR in preparing the accompanying schedule are as follows:

Direct and indirect costs are charged to awards in accordance with cost principles contained in the Department of Health and Human Services, U.S. Office of the Assistant Secretary Comptroller (OASC), OASC-3 A Guide for Hospitals. Under these cost principles, certain types of expenditures are not allowable or are limited as to reimbursement.

Indirect costs are recovered at rates specified under the various grants and contracts or SLR's approved indirect cost rate, whichever is lower.

2. Subrecipients

Of the federal expenditures presented in the Schedule, SLR provided the following to subrecipients:

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Research and Development Cluster	Various	$ 1,813,356
Other Programs		
	93.145	$ (29,500)
	93.153	1,167,534
	93.914	2,060
	93.940	9,435
	93.991	896
Total Other Programs		1,150,425
Total passed to subrecipients		$ 2,963,781

3. Department of Housing and Urban Development Loans

The Schedule includes one mortgage loan insured by the Federal Housing Administration (FHA), under the Department of Housing and Urban Development (CFDA 14.128). Please refer to footnote 5 of the consolidated financial statements for further information.

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Trustees of
St. Luke's-Roosevelt Hospital Center and Affiliates

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of St. Luke's-Roosevelt Hospital Center and Affiliates ("SLR"), which comprise the consolidated balance sheet as of December 31, 2012, and the related consolidated statement of operations, changes in net assets and cash flows for the year then ended and the related notes to the consolidated financial statements, and have issued our report thereon dated April 24, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered SLR's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of SLR's internal control. Accordingly, we do not express an opinion on the effectiveness of SLR's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether SLR's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PricewaterhouseCoopers LLP

April 24, 2013

Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

To the Board of Trustees of
St. Luke's-Roosevelt Hospital Center and Affiliates

Report on Compliance for Each Major Federal Program

We have audited St. Luke's-Roosevelt Hospital Center and Affiliates ("SLR") compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of SLR's major federal programs for the year ended December 31, 2012. SLR's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of SLR's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about SLR's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of SLR's compliance.

Opinion on Each Major Federal Program

In our opinion, SLR complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012.

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Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2012-1. Our opinion on each major federal program is not modified with respect to this matter.

SLR's response to the noncompliance findings identified in our audit is described in the accompanying Management's Views and Corrective Action Plan. SLR's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of SLR is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered SLR's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of SLR's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

PricewaterhouseCoopers LLP

June 27, 2013

Section I - Summary of Auditors' Results

Financial Statements

Type of auditor's reports issued	Unqualified
Internal control over financial reporting	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs	Unqualified
Any audit findings disclosed that are required to be Reported with Circular A-133 Section 510(a)?	Yes

Identification of major programs

CFDA Number	Name of Program or Cluster
Various	Research and Development and Research Training Cluster
14.128	FHA 223 Mortgage Loan
10.557	Department of Agriculture (Food and Nutrition Service)
93.924	Ryan White HIV/AIDs Dental Reimbursement Partnership
93.667	Administration for Children and Families
93.918	Outpatient Early Intervention Services with Respect to HIV Disease

Dollar threshold used to distinguish between Type A and Type B programs	$702,887
Auditee qualifies as low-risk auditee?	Yes

Section II - Financial Statement Findings

None noted.

Section III - Federal Award Findings and Questioned Costs

2012-1: Effort Reporting

R&D Cluster

Condition
SLR policy and procedure requires monthly effort certifications and evidence of review and approval of time charges to grants by the Principal Investigator and supervisory official. Of the 40 effort certification tested, we noted that two effort certifications were not obtained or retained on file.

Criteria
OMB Circular A-122 *Cost Principles for Non-Profit Organizations,* Attachment B, Item 8, Subpart M requires that effort reports "reflecting the distribution of activity of each employee must be maintained for all staff members (professionals and nonprofessionals) whose compensation is charged, in whole or in part, directly to awards".

Cause
Management does not maintain a separate log or repository to track approved monthly effort certifications received from the Principal Investigator, and supervisory official to monitor and follow-up receipt of effort certifications to ensure completeness.

Effect

Federal grants could be charged incorrectly when effort reports are not completed.

Questioned Cost
None noted. Time charged to federal awards is approved via bimonthly time sheets, in the two instances noted above the effort certifications were not maintained on file.

Recommendation
We recommend that SLR develop a centralized monitoring mechanism to track monthly effort certifications to ensure all certifications have been received, and also retain all certifications received in a central repository to facilitate retrieval on an as needed basis.

Management's Views and Corrective Action Plan

Following these findings are management's views and corrective action plan.

2011-1: Allowable Costs

R&D Cluster: Appetite hormones in binge eating disorder CFDA 93.701

3R01DK074046-02S2, 9/30/09 - 8/31/11

Condition
Of the 40 selections tested for Allowable Costs/Cost Principles: Other Direct Costs within the R&D Cluster, one transaction included a charge of $751 for travel reimbursement related to foreign travel which did not receive prior approval from the awarding agency. The charge for airfare was appropriately removed but other foreign travel costs including taxi and meal charges were not removed from the federally sponsored account and are questioned costs.

Recommendation
PwC recommended that SLR reimburse the agency for the questioned cost and continue to communicate and enforce policies and procedures in place which include the review of transactions by Departmental Administrators, approval of transactions by Principal Investigators and review of payments by Accounts Payable to ensure that all charges are reviewed in detail to prevent an unallowable cost being charged to a federally sponsored account.

Status
SLR continues to reinforce its policies and procedures on ensuring that pre-approval of reimbursable costs as stipulated in any federal awards is obtained. The unallowable cost item identified of $715 was subsequently approved for reimbursement by the applicable agency.

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Management's Views and Corrective Action Plan

2012-1 Effort Reporting
Management recognizes the need to obtain monthly certification of time and effort expenditures on federally sponsored grants and continues to enforce monthly certification requirements. Management will review the cost effectiveness of various central monitoring mechanisms and central repositories for the monthly certifications and will implement one during 2013.

Ken Barritt, Corporate V.P. Financial Operations