Consolidated Financial Statements and Supplementary Information

Catholic Health Services of Long Island
Years Ended December 31, 2018 and 2017
With Report of Independent Auditors

Ernst & Young LLP

Catholic Health Services of Long Island

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Years Ended December 31, 2018 and 2017

Contents

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Report of Independent Auditors

The Board of Directors
Catholic Health Services of Long Island

We have audited the accompanying consolidated financial statements of Catholic Health Services of Long Island, which comprise the consolidated balance sheet as of December 31, 2018, and the related consolidated statements of operations, changes in net assets, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Catholic Health Services of Long Island at December 31,

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2018, and the consolidated results of their operations, changes in their net assets and their cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Adoption of ASU No. 2014-09, *Revenue from Contracts with Customers* and ASU No. 2016-14, *Not-for-Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities*

As discussed in Note 2 to the consolidated financial statements, Catholic Health Services of Long Island changed its method of revenue recognition as a result of the adoption of the amendments to the FASB Accounting Standards Codification resulting from Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers*, effective January 1, 2018 and adopted the amendments to the FASB Accounting Standards Codification resulting from Accounting Standards Update No. 2016-14, *Not-for-Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities*, effective December 31, 2018. Our opinion is not modified with respect to these matters.

Report of Other Auditors on 2017 Consolidated Financial Statements

The consolidated financial statements of Catholic Health Services of Long Island for the year ended December 31, 2017, were audited by other auditors who expressed an unmodified opinion on those statements on April 16, 2018.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating balance sheet as of December 31, 2018, and consolidating statement of activities for the year ended December 31, 2018, are presented for purposes of additional analysis and are 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. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Ernst & Young LLP

April 22, 2019

Catholic Health Services of Long Island

Consolidated Balance Sheets
(In Thousands)

	December 31 2018	2017
Assets		
Current assets:		
Cash and cash equivalents	**$ 170,722**	$ 182,278
Investments	**556,199**	600,885
Assets limited or restricted as to use	**35,130**	24,674
Patient accounts receivable, net	**312,384**	287,519
Contributions receivable, net	**5,579**	4,625
Other receivables	**29,720**	35,571
Inventories	**33,701**	31,241
Prepaid expenses and other	**28,898**	22,963
Total current assets	**1,172,333**	1,189,756
Assets limited or restricted as to use:		
Board designated and other	**61,682**	66,471
Donor-restricted funds	**52,216**	48,948
Funded depreciation	**333,709**	358,576
Trustee held and other agreements	**128,694**	133,936
Captive assets	**115,944**	102,874
Total assets limited or restricted as to use	**692,245**	710,805
Less assets limited or restricted as to use and required for current liabilities	**35,130**	24,674
Total assets limited or restricted as to use, net	**657,115**	686,131
Contributions receivable, net of current portion	**6,197**	7,974
Other assets, net	**32,080**	29,727
Insurance claims receivable	**190,825**	168,274
Property, plant, and equipment, net	**857,916**	813,061
Total assets	**$ 2,916,466**	$ 2,894,923

	December 31	
	2018	**2017**
Liabilities and net assets		
Current liabilities:		
Current portion of long-term debt	**$ 35,833**	$ 35,622
Accounts payable and accrued expenses	**226,048**	209,809
Accrued salaries, related withholdings, and benefits	**176,081**	164,446
Current portion of other self-insured liabilities	**31,804**	31,379
Current portion of estimated third-party payor liabilities	**54,883**	55,377
Other liabilities	**39,579**	28,174
Total current liabilities	**564,228**	524,807
Long-term debt, net of current portion	**398,504**	432,863
Estimated third-party payor liabilities, net of current portion	**29,774**	32,095
Other self-insured liabilities, net of current portion	**111,106**	117,633
Estimated malpractice liabilities	**309,184**	275,633
Other long-term liabilities	**52,007**	64,768
Total liabilities	**1,464,803**	1,447,799
Commitments and contingencies		
Net assets:		
Net assets without donor restrictions:		
Catholic Health Services of Long Island	**1,385,901**	1,384,034
Noncontrolling interests	**1,770**	1,543
Total net assets without donor restrictions	**1,387,671**	1,385,577
Net assets with donor restrictions	**63,992**	61,547
Total net assets	**1,451,663**	1,447,124
Total liabilities and net assets	**$ 2,916,466**	$ 2,894,923

See accompanying notes.

Catholic Health Services of Long Island

Consolidated Statements of Operations
(In Thousands)

	Year Ended December 31	
	2018	**2017**
Revenues, gains, and other support:		
Net patient services revenue	**$ 2,597,570**	$ 2,473,332
Provision for bad debts, net	**–**	(25,899)
Net patient services revenue, less provision for bad debts	**2,597,570**	2,447,433
Investment income, net	**60,351**	60,836
Contributions, net	**5,070**	6,073
Other revenue	**162,238**	137,593
Net assets released from restrictions used for operations	**1,770**	1,637
Total revenues, gains, and other support	**2,826,999**	2,653,572
Expenses:		
Salaries	**1,399,451**	1,320,975
Employee benefits	**433,567**	388,704
Supplies and other expenses	**735,375**	693,054
Insurance	**50,333**	57,679
Depreciation and amortization	**107,634**	101,690
Interest	**18,902**	19,507
Total expenses	**2,745,262**	2,581,609
Operating income	**81,737**	71,963
Nonoperating gains (losses):		
Net unrealized (losses) gains on investments	**(101,418)**	47,483
(Deficiency) excess of revenues, gains, and other support over expenses before noncontrolling interests	**(19,681)**	119,446
Income attributable to noncontrolling interests	**(1,405)**	(1,191)
(Deficiency) excess of revenues, gains, and other support over expenses	**(21,086)**	118,255
Other changes in net assets without donor restrictions:		
Postretirement benefit plan changes other than net periodic benefit cost	**11,996**	710
Net assets released from restrictions for purchases of property, plant, and equipment	**1,992**	7,431
Grant income for purchases of property, plant, and equipment	**8,965**	167
Increase in net assets without donor restrictions	**$ 1,867**	$ 126,563

See accompanying notes.

Catholic Health Services of Long Island

Consolidated Statements of Changes in Net Assets
(In Thousands)

	Without Donor Restrictions				
	Catholic Health Services of Long Island	**Noncontrolling Interests**	**Total**	**With Donor Restrictions**	**Total**
Net assets, January 1, 2017	$ 1,257,471	$ 1,752	$ 1,259,223	$ 56,269	$ 1,315,492
Excess of revenues, gains, and other support over expenses	118,255	–	118,255	–	118,255
Investment gains including unrealized gains, net	–	–	–	4,366	4,366
Restricted contributions, net	–	–	–	9,980	9,980
Net assets released from restrictions used for operations	–	–	–	(1,637)	(1,637)
Postretirement benefit plan changes other than net periodic benefit cost	710	–	710	–	710
Net assets released from restrictions for purchases of property, plant, and equipment	7,431	–	7,431	(7,431)	–
Grant income for purchases of property, plant, and equipment	167	–	167	–	167
Distributions to noncontrolling shareholders	–	(1,400)	(1,400)	–	(1,400)
Income attributable to noncontrolling interests	–	1,191	1,191	–	1,191
Increase (decrease) in net assets	126,563	(209)	126,354	5,278	131,632
Net assets, December 31, 2017	1,384,034	1,543	1,385,577	61,547	1,447,124
Deficiency of revenues, gains, and other support over expenses	**(21,086)**	**–**	**(21,086)**	**–**	**(21,086)**
Investment losses including unrealized losses, net	**–**	**–**	**–**	**(1,847)**	**(1,847)**
Restricted contributions, net	**–**	**–**	**–**	**8,054**	**8,054**
Net assets released from restrictions used for operations	**–**	**–**	**–**	**(1,770)**	**(1,770)**
Postretirement benefit plan changes other than net periodic benefit cost	**11,996**	**–**	**11,996**	**–**	**11,996**
Net assets released from restrictions for purchases of property, plant, and equipment	**1,992**	**–**	**1,992**	**(1,992)**	**–**
Grant income for purchases of property, plant, and equipment	**8,965**	**–**	**8,965**	**–**	**8,965**
Distributions to noncontrolling shareholders	**–**	**(1,178)**	**(1,178)**	**–**	**(1,178)**
Income attributable to noncontrolling interests	**–**	**1,405**	**1,405**	**–**	**1,405**
Increase in net assets	**1,867**	**227**	**2,094**	**2,445**	**4,539**
Net assets, December 31, 2018	**$ 1,385,901**	**$ 1,770**	**$ 1,387,671**	**$ 63,992**	**$ 1,451,663**

See accompanying notes.

Catholic Health Services of Long Island

Consolidated Statements of Cash Flows
(In Thousands)

	Year Ended December 31 2018	2017
Operating activities		
Increase in net assets	**$ 4,539**	$ 131,632
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	**106,860**	101,466
Distributions to noncontrolling shareholders	**1,178**	1,400
Amortization of deferred financing costs	**680**	793
Amortization of intangible assets	**774**	224
Provision for bad debts, net	**–**	25,899
Net realized and unrealized losses and (gains) on investments	**68,111**	(91,707)
Investment income on restricted assets, net	**(1,219)**	(2,388)
Postretirement benefit plan changes other than net periodic benefit cost	**(11,996)**	(710)
Grant income for purchases of property, plant, and equipment	**(8,965)**	(167)
Restricted contributions	**(5,784)**	(10,274)
Changes in asset and liability accounts:		
Patient accounts receivable, net	**(24,865)**	(26,355)
Other operating assets	**(28,721)**	(5,795)
Other operating liabilities	**26,120**	23,681
Estimated third-party payor liabilities	**(2,815)**	(10,400)
Other self-insured and estimated malpractice liabilities	**27,449**	14,311
Net cash provided by operating activities	**151,346**	151,610
Investing activities		
Purchases of property and equipment	**(151,715)**	(123,446)
Increase in accounts payable due to capital purchases	**12,394**	9,885
Proceeds from sale of investments and assets limited or restricted as to use	**359,216**	625,473
Purchases of investments and assets limited or restricted as to use	**(364,081)**	(662,821)
Net cash used in investing activities	**(144,186)**	(150,909)
Financing activities		
Principal payments on long-term debt	**(34,828)**	(36,084)
Restricted contributions	**5,784**	10,274
Change in contributions receivable	**1,322**	(1,442)
Distributions to noncontrolling shareholders	**(1,178)**	(1,400)
Grant income for purchases of property, plant, and equipment	**8,965**	167
Investment income on restricted assets, net	**1,219**	2,388
Net cash used in financing activities	**(18,716)**	(26,097)
Net decrease in cash and cash equivalents	**(11,556)**	(25,396)
Cash and cash equivalents at beginning of year	**182,278**	207,674
Cash and cash equivalents at end of year	**$ 170,722**	$ 182,278
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	**$ 19,215**	$ 19,787

See accompanying notes.

Catholic Health Services of Long Island

Notes to Consolidated Financial Statements

December 31, 2018
(In Thousands)

1. Organization

Catholic Health System of Long Island, Inc. (d/b/a Catholic Health Services of Long Island) (CHSLI or CHS) is a New York not-for-profit corporation organized to serve as the coordinating body of an integrated network of providers. CHS, as a ministry of the Catholic Church, continues Christ's healing mission, promotes excellence in care, and commits itself to those in need. CHS affirms the sanctity of life, advocates for the poor and underserved, and serves the common good. CHS conducts its healthcare practice, business, education, and innovation with justice, integrity, and respect for the dignity of each person. CHS is sponsored by the Roman Catholic Diocese of Rockville Centre (Diocese). Active legal entities of CHS, or operational divisions of such entities, include:

CHS Hospitals

- Good Samaritan Hospital Medical Center (Good Samaritan)
- Mercy Medical Center (Mercy)
- St. Catherine of Siena Medical Center (St. Catherine)
- St. Charles Hospital (St. Charles)
- St. Francis Hospital (St. Francis)
- St. Joseph Hospital (St. Joseph; formerly, New Island)

CHS Organizations

Nursing Homes

- Good Samaritan Nursing Home
- Our Lady of Consolation Geriatric Care Center (Consolation)
- St. Catherine of Siena Nursing Home

Insurance

- Good Samaritan Self Insurance Against Malpractice
- RVC Insurance Company, Inc. (the Captive)

Continuing Care Entities

- Catholic Home Care
- CHS Home Support Services
- Good Shepherd Hospice
- Maryhaven Center of Hope (Maryhaven)
- Maryhaven School Corporation
- Maryhaven Transportation Services
- MCH-Wisdom, LLC
- Riverhead Hostel Holding Corporation
- Wisdom Gardens Housing Development Fund, Inc.
- Wisdom Gardens Limited Partnership

1. Organization (continued)

Foundations and Other Entities

- The Center of Hope Foundation
- CHS Physician Partners
- CHS Services, Inc.
- Good Samaritan Hospital Foundation
- Good Shepherd Hospice Foundation
- Mercy Medical Center Foundation
- Our Lady of Consolation Foundation
- St. Catherine of Siena Medical Center Foundation
- St. Charles Hospital Foundation
- St. Francis Hospital Foundation
- St. Francis Hospital Research & Educational Corporation, Inc.

Professional Corporations

- Advanced Rehabilitation Medicine, PLLC
- Cardiac EKG Interpretations, P.C.
- Long Island Emergency Medical Care, P.C.
- Long Island Regional Arthritis & Osteoporosis Care, P.C.
- Mercy Internal Medicine P.C.
- Radiology Consultants of Long Island, PLLC
- Samaritan Emergency Medical Services, P.C.
- Samaritan Medical Services, P.C.
- Samaritan Pediatric Services, P.C.
- St. Francis Cardiac Prevention Services, P.C. (d/b/a NY Surgical Partners)
- St. Francis Cardiovascular Physicians, P.C.
- Southwest Suffolk Medical, P.C.

The accompanying consolidated financial statements include the accounts of all of the CHS Hospitals and all related CHS organizations. All significant intercompany accounts and transactions have been eliminated in consolidation.

2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets, including patient accounts receivable, net and insurance claims receivable, and liabilities, including other self-insured liabilities, estimated third-party payor liabilities and estimated malpractice liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the amounts of revenue and expenses during the reporting period. There is at least a reasonable possibility that

2. Summary of Significant Accounting Policies (continued)

certain estimates will change by material amounts in the near term. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with an original maturity of three months or less at the date of purchase, excluding amounts limited or restricted as to use. CHS does not hold any money market funds with significant liquidity restrictions that would be required to be excluded from cash equivalents.

Investments and Assets Limited or Restricted as to Use

Investments in equity securities with readily determinable fair values and all investments in debt securities are classified as trading securities and are measured at fair value in the accompanying consolidated balance sheets. Alternative investments (nontraditional, not readily marketable asset classes) are reported based upon net asset values (NAV) derived from the application of the equity method of accounting. The equity method reflects CHS's share of the net asset values of these investments. Because of the inherent uncertainty in these valuations, those estimated values may significantly differ from the values that would have been used had a ready market for the investments existed.

Assets limited or restricted as to use include assets that are both internally and externally designated for future purposes. Board designated and other, funded depreciation, and captive assets are internally designated funds set aside primarily for future capital improvements and malpractice and other captive-related insurance expenditures. Donor-restricted funds are funds set aside for future use to be spent in accordance with the applicable donor-restricted purposes. Trustee held and other agreements are externally designated funds and are set aside primarily for future debt service and executive retirement plan payments. The current portion of assets limited or restricted as to use of $35,130 and $24,674 at December 31, 2018 and 2017, respectively, represents amounts that will be used to repay certain current installments of long-term debt and related accrued interest.

Equity method investments are non-controlling interests in joint ventures held by CHS for investment purposes. Equity method investments are included within other assets on the accompanying consolidated balance sheets. Income attributable to equity method investments is included within net unrealized (losses) gains on investments in the accompanying consolidated statements of operations.

2. Summary of Significant Accounting Policies (continued)

Net investment income (including net realized and unrealized gains and losses on investments, interest, and dividends) is included in (deficiency) excess of revenues, gains, and other support over expenses, unless the income or loss is restricted by donor or law.

Patient Accounts Receivable, Net and Net Patient Services Revenue

Patient accounts receivable, net and net patient services revenue result from the health care services provided by CHS and are reported at the amount that reflects the consideration to which CHS expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government programs), and others and includes variable consideration for retroactive revenue adjustments due to settlement of ongoing and future audits, reviews, and investigations.

CHS uses a portfolio approach as a practical expedient to account for categories of patient contracts as collective groups, rather than recognizing revenue on an individual contract basis. The portfolio consists of major payor classes for inpatient revenue, and major payor classes and types of services provided for outpatient revenue. The financial statement effects of using this practical expedient are not materially different from an individual contract approach.

CHS has elected the practical expedient and does not adjust the promised amount of consideration from patients and third-party payors for the effects of a significant financing component due to CHS's expectation that the period between the time the service is provided to a patient and the time that the patient or a third-party payor pays for that service will be one year or less. However, CHS does, in certain instances, enter into payment agreements with patients that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract.

Inventories

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

2. Summary of Significant Accounting Policies (continued)

Related-Party Transactions

Certain CHS entities provide services and advances to other CHS entities. Most of these receivables associated with the services provided and advances are noninterest bearing and due on demand. Certain advances accrue interest and have stated repayment periods. The related party receivables and payables and related interest expense and income are eliminated in consolidation, as are any reserves created after evaluation of the related party's ability to repay.

Contributions

Unconditional promises to give cash and other assets to CHS are reported at fair value at the date the promise is received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions upon which they depend are substantially met. Contributions are reported as assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction is satisfied, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the consolidated statements of operations as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the consolidated statements of operations.

Property, Plant, and Equipment

Property, plant, and equipment are recorded at cost when purchased and at estimated fair value when donated. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets (ranging from 3 to 40 years). Equipment under capital lease obligations is amortized utilizing the straight-line basis over the lesser of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the accompanying consolidated statements of operations.

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

2. Summary of Significant Accounting Policies (continued)

Estimated Malpractice Liabilities

The provision for estimated malpractice claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported. As of December 31, 2018 and 2017, amounts recorded within estimated malpractice liabilities in the accompanying consolidated balance sheets are undiscounted.

Other Self-Insured Liabilities

The CHS Hospitals, excluding St. Joseph, were self-insured for certain claims, including workers' compensation, through the Protective Self-Insurance Program (PSIP) of the Diocese for outstanding claims through the year ended December 31, 2011. During 2012, the CHS Hospitals, excluding St. Joseph, entered into an arrangement with a commercial carrier in which a $500 per-claim stop-loss coverage is provided for workers' compensation claims. In August 2015, St. Joseph entered into an arrangement with a commercial carrier in which a $250 per-claim stop-loss coverage is provided for workers' compensation claims. The other CHS entities are insured through the New York State Insurance Fund. CHS has coverage for general liability, property, and other lines of coverage through a combination of commercial polices and through the Captive. Additionally, under the CHS health insurance program, all CHS entities are self-insured for employee medical and related costs. The provisions for estimated self-insured claims include estimates of the ultimate costs for both reported claims and claims incurred but not reported.

It is the policy of CHS to record estimated workers' compensation self-insured liabilities and related insurance claims receivable on a discounted basis based on the expected timing of future estimated claim payments and recoveries, using a risk-free rate.

Net Assets without Donor Restrictions

Net assets that are not subject to donor-imposed restrictions may be expended for any purpose in performing the primary objectives of CHS. These net assets may be used at the discretion of CHS's management and Board of Directors.

2. Summary of Significant Accounting Policies (continued)

Net Assets with Donor Restrictions

Net assets with donor restrictions are subject to stipulations imposed by donors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of CHS, or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the consolidated statements of operations.

Performance Indicator

The consolidated statements of operations include (deficiency) excess of revenues, gains, and other support over expenses as the performance indicator. Other changes in net assets without donor restrictions, which are excluded from (deficiency) excess of revenues, gains, and other support over expenses include grant income for purchases of property, plant, and equipment; postretirement benefit plan changes other than net periodic benefit cost; and net assets released from restrictions for purchases of property, plant, and equipment.

Operating Income and Nonoperating Gains (Losses)

CHS's primary mission is to meet the healthcare needs in its market area through a broad range of general and specialized healthcare services, including inpatient acute care, outpatient services, home healthcare, hospice, and other healthcare services. Activities directly associated with the furtherance of this purpose are considered to be operating activities, and are included within operating income. Other activities, which are peripheral to CHS's primary mission, are considered to be nonoperating. Nonoperating gains and losses include net unrealized (losses) gains on investments and income attributable to noncontrolling interests.

2. Summary of Significant Accounting Policies (continued)

Impairment of Long-Lived Assets, Goodwill, and Intangible Assets

Long-lived assets, such as property, plant, and equipment, and definite-lived intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated undiscounted future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset.

Goodwill and indefinite lived intangible assets are evaluated for impairment annually or more frequently if circumstances require. A qualitative assessment is performed to determine whether there are events or circumstances that indicate it is more likely than not that the reporting unit's fair value is less than its carrying amount.

No impairment was recognized in 2018 or 2017.

Income Taxes

CHS and most of its subsidiaries are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. CHS accounts for uncertain tax positions in accordance with the Accounting Standards Codification (ASC) Topic 740, *Income Taxes*. Management annually reviews its tax positions and has determined that there are no material uncertain tax positions that require recognition in the consolidated financial statements, using a threshold of more likely than not of being sustained.

The Tax Cuts and Jobs Act (TCJA) was enacted on December 22, 2017. For tax-exempt entities, TCJA requires organizations to categorize certain fringe benefit expenses as a source of unrelated business income subject to tax, pay an excise tax on compensation above certain thresholds, and record income or losses for tax determination purposes from unrelated business activities on an activity-by-activity basis, among other provisions. Regulations necessary to implement certain aspects of TCJA are expected to be promulgated by the Internal Revenue Service (IRS) in 2019. As of and for the year ended December 31, 2018, CHS has made reasonable estimates of the provision for income taxes, the compensation excise tax, and the effects, if any, on existing

2. Summary of Significant Accounting Policies (continued)

deferred tax balances based on accounting guidance included in ASC 740. These estimates did not have a material impact on the consolidated financial statements. CHS will continue to refine its calculations in future periods as additional regulations and guidance are issued by the IRS.

New Accounting Pronouncements and Adoption of New Accounting Standards

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*. The core principle of ASU 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance in ASU 2014-09 supersedes the FASB's current revenue recognition requirements and most industry-specific guidance. The FASB subsequently issued ASU 2015-14, *Revenue from Contracts with Customers*, which deferred the effective dates of ASU 2014-09. Based on ASU 2015-14, the provisions of ASU 2014-09 became effective for CHS for annual reporting periods after December 15, 2017, including interim reporting periods within that reporting period.

Effective January 1, 2018, CHS adopted ASU 2014-09 following the modified retrospective method of application to all contracts existing on January 1, 2018. As a result, at the adoption of ASU 2014-09, the majority of what was previously classified as the provision for bad debts (which would have approximated $32,112 for the year ended December 31, 2018) is now reflected as an implicit price concession (as defined in ASU 2014-09) and therefore is included as a reduction to net patient services revenue in the accompanying consolidated statement of operations. For changes in credit issues not assessed at the date of service, CHS will prospectively recognize those amounts as bad debt expense. Bad debt expense is now included as a component of supplies and other expenses in the accompanying consolidated statement of operations. For periods prior to the adoption of ASU 2014-09, the provision for bad debts has been presented consistent with the previous revenue recognition standards that required it to be presented as a separate component of net patient services revenue. Additionally, upon adoption of ASU 2014-09, the allowance for uncollectible accounts of approximately $50,505 as of January 1, 2018 was reclassified as a component of patient accounts receivable, net in the accompanying consolidated balance sheet. Other aspects of CHS's adoption of ASU 2014-09 impacting net patient services revenue, which include judgments regarding collection analyses and estimates of variable consideration and the addition of certain qualitative and quantitative disclosures, are reflected in Note 4 to the consolidated financial statements. The adoption of ASU 2014-09 did not have a material impact in relation to other applicable revenue activity.

2. Summary of Significant Accounting Policies (continued)

In January 2016, the FASB issued ASU 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*. ASU 2016-01 makes targeted improvements to the accounting for, and presentation and disclosure of, financial instruments. ASU 2016-01 requires that most equity instruments be measured at fair value, with subsequent changes in fair value recognized in (deficiency) excess of revenues, gains, and other support over expenses. ASU 2016-01 does not affect the accounting for investments that would otherwise be consolidated or accounted for under the equity method. The standard also impacts financial liabilities under the fair value option and the presentation and disclosure requirements for financial instruments. This ASU is effective for fiscal years beginning after December 15, 2018. CHS is evaluating the impact of ASU 2016-01 on the consolidated financial statements.

In February 2016, the FASB ASU 2016-02, *Leases (Topic 842).* ASU 2016-02 requires the rights and obligations arising from the lease contracts, including existing and new arrangements, to be recognized as assets and liabilities on the balance sheets. ASU 2016-02 will require disclosures to help the financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases. The recognition, measurement and presentation of expenses and cash flows arising from a lease will primarily depend on its classification as a finance or operating lease. ASU 2016-02 is effective for CHS beginning January 1, 2019 and will be applied using a modified retrospective approach. CHS is currently in the process of evaluating its lease contracts, as well as certain service contracts that may include embedded leases. Additionally, CHS is finalizing its analysis of certain key assumptions that will be utilized at the transition date, including the incremental borrowing rate. The primary effect of the new standard will be to record right-of-use assets and obligations for current operating leases, which will have a material impact on the consolidated balance sheet and significant incremental disclosures in the notes to the consolidated financial statements. The transition adjustment is not expected to have a material impact on the consolidated statements of operations.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 changes how not-for-profit (NFP) entities report net asset classes, expenses, and liquidity in the financial statements. The guidance is effective for fiscal years beginning after December 15, 2017. CHS adopted ASU 2016-14 on December 31, 2018. The adoption of ASU 2016-14 resulted in the presentation of two classes of net assets, without donor restrictions and with donor restrictions, which were previously presented as unrestricted, temporarily and permanently restricted net assets. Additionally, ASU 2016-14 requires additional disclosures around liquidity and functional expenses which have been included in Notes 16 and 13, respectively.

2. Summary of Significant Accounting Policies (continued)

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows – Classification of Certain Cash Receipts and Cash Payments*, which addresses the following eight specific cash flow issues in order to limit diversity in practice: debt prepayment or debt extinguishment costs; settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing; contingent consideration payments made after a business combination; proceeds from the settlement of insurance claims; proceeds from the settlement of corporate-owned life insurance policies, including bank-owned life insurance policies; distributions received from equity method investees; beneficial interests in securitization transactions; and separately identifiable cash flows and application of the predominance principle. The provisions of ASU 2016-15 are effective for CHS for annual periods beginning after December 15, 2018 and interim periods thereafter. Early adoption is permitted. Adoption of ASU 2016-15 is not expected to have a material impact on CHS's consolidated financial statements.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows – Restricted Cash*, which requires that the statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The provisions of ASU 2016-18 are effective for CHS for annual periods beginning after December 15, 2018 and interim periods thereafter. Early adoption is permitted. Adoption of ASU 2016-18 is not expected to have a material impact on CHS's consolidated financial statements, although certain cash or cash equivalent amounts that are currently classified as assets limited or restricted as to use may be transferred to the cash and cash equivalents line on the consolidated balance sheets.

In March 2017, the FASB issued ASU 2017-07, *Compensation – Retirement Benefits: Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. ASU 2017-07 addresses how employers that sponsor defined benefit pension and/or other postretirement benefit plans present the net periodic benefit cost in the income statement. Employers will be required to present the service cost component of net periodic benefit cost in the same income statement line item as other employee compensation costs arising from services rendered during the period. Employers will present the other components of the net periodic benefit cost separately from the line item that includes the service cost and outside of any subtotal of operating income,

2. Summary of Significant Accounting Policies (continued)

if one is presented. The standard is effective for CHS for annual periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. Early adoption is permitted as of the beginning of an annual period for which financial statements have not been issued. Adoption of ASU 2017-07 will require CHS to include the service cost component of net periodic benefit cost related to its other postretirement plan within salaries and wages on the consolidated statements of operations and to present all other components of net periodic benefit cost in a separate line item excluded from the subtotal for operating income. Net periodic benefit cost is reported currently within employee benefits expense on the consolidated statements of operations.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, which clarifies existing guidance in order to address diversity in practice in classifying grants (including governmental grants) and contracts received by NFPs. This guidance will likely result in more grants and contracts being accounted for as contributions, rather than exchange transactions. The standard clarifies the guidance on how entities determine when a contribution is conditional. The clarified guidance applies to all entities (including business entities) that make or receive contributions, except for certain transactions such as transfers of assets business entities receive from government entities (e.g., a government grant to a for-profit biotechnology company). The provisions of ASU 2018-08 are effective for annual periods beginning after December 15, 2018 and interim periods thereafter. Early adoption is permitted. Amendments should be applied on a modified prospective basis to agreements that are not completed as of the effective date and to agreements entered into after the effective date. Retrospective application is permitted. CHS does not expect the adoption of ASU 2018-08 to have a material impact on its consolidated financial statements.

In August 2018, the FASB issued ASU 2018-15, *Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*, which aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal use software license). The accounting for the service element of a hosting arrangement that is a service contract is not affected by the amendments in the ASU. ASU 2018-15 will require an entity (customer) in a hosting arrangement that is a service contract to follow the guidance in Subtopic 350-40 to determine which

2. Summary of Significant Accounting Policies (continued)

implementation costs to capitalize as an asset related to the service contract and which costs to expense. ASU 2018-15 also requires the entity (customer) to expense the capitalized implementation costs of a hosting arrangement that is a service contract over the term of the hosting arrangement. The amendments in ASU 2018-15 also require the entity to present the expense related to the capitalized implementation costs in the same line item in the statement of income as the fees associated with the hosting element (service) of the arrangement and classify payments for capitalized implementation costs in the statement of cash flows in the same manner as payments made for fees associated with the hosting element. The entity is also required to present the capitalized implementation costs in the consolidated balance sheets in the same line item that a prepayment for the fees of the associated hosting arrangement would be presented. The amendments in ASU 2018-15 are effective for annual reporting periods beginning after December 15, 2020, and interim periods thereafter. Early adoption of the amendments is permitted. The amendments should be applied either retrospectively or prospectively to all implementation costs incurred after the date of adoption. CHS has not completed the process of evaluating the impact of ASU 2018-15 on its consolidated financial statements.

Reclassifications

Certain reclassifications have been made to the 2017 consolidated financial statements in order to conform to the 2018 presentation. These reclassifications have no effect on the net assets previously reported.

3. Community Benefit and Uncompensated Care

In accordance with its mission and philosophy, CHS commits substantial resources to both the indigent and the broader community. These activities include access to medically necessary treatment for individuals unable to pay for services, care provided under other means-tested government insurance programs that reimburse CHS at less than the cost of the services provided, education for future health providers, research to advance knowledge and other programs designed to meet local community needs.

3. Community Benefit and Uncompensated Care (continued)

CHS is committed to providing care without regard to the patient's ability to pay for services rendered. CHS records charity care for the care provided to patients who meet certain criteria, under its charity care policy, without charge or at amounts less than CHS established rates. Because CHS does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. CHS utilizes a cost-to-charge ratio methodology to convert charity care to cost. The cost-to-charge ratio is calculated utilizing the methodology employed on the Medicare cost report.

Uninsured patients that do not meet the criteria for charity care are billed at amounts in accordance with CHS policy and federal regulations. Balances not collected or not expected to be collected are recognized as implicit price concessions as described in Note 4 to the consolidated financial statements, and are considered uncompensated care and a community benefit. These amounts were formerly recognized as provision for bad debts. CHS utilizes a cost-to-charge ratio methodology to convert implicit price concessions to cost.

The unpaid cost of public programs, Medicaid, and other means tested programs includes losses incurred in providing services to patients who participate in certain public health programs such as Medicaid, and for whom the reimbursement received by CHS is less than the cost of providing such care. To the extent these payments are less than the cost of providing such care, that uncompensated care is considered to be a community benefit. CHS utilizes a cost-to-charge ratio methodology to estimate the cost of providing this care.

The cost of education primarily consists of personnel support costs provided to residents and interns, offset by amounts reimbursed for medical education from the Medicare and Medicaid programs. Research includes expenses incurred to advance medical care and clinical knowledge.

CHS also provides other community benefit through a broad range of community service programs and charitable activities. CHS responds to identified community health related needs by offering specific services including, among others, wellness programs, community education programs, health screenings and community support services. In addition, CHS provides certain subsidized health services, particularly behavioral health and services to individuals with special needs. Where direct costs are not available, CHS utilizes a cost-to-charge ratio to estimate the cost of providing these benefits.

(In Thousands)

3. Community Benefit and Uncompensated Care (continued)

The amount of community benefits and other uncompensated care provided to the indigent and broader community for the years ended December 31 is as follows:

	2018	2017
Cost of community benefit:		
Net cost of charity care provided	**$ 10,707**	$ 11,371
Unpaid cost of public programs, Medicaid, and other means tested programs	**88,848**	55,800
Education and research	**12,605**	12,063
Other community benefit programs	**16,476**	8,013
Total cost of community benefit from continuing operations	**$ 128,636**	$ 87,247
Implicit price concessions (at cost)	**$ 5,342**	$ 4,298

New York State regulations provide for the distribution of funds from an indigent care pool, which is intended to partially offset the cost of services provided to the uninsured. The funds are distributed to the CHS Hospitals based on their level of implicit price concessions (formerly bad debt), charity care, and uninsured units of service in relation to all other New York State hospitals. For the years ended December 31, 2018 and 2017, the CHS Hospitals received distributions of $17,100 and $17,201, respectively, from the indigent care pool while contributing $12,820 in 2018 and $11,525 in 2017. These amounts are included in net patient services revenue in the consolidated financial statements. The net shortfall of contributions to the indigent care pool over distributions received has been applied against amounts reported above as net cost of charity care provided and net uncompensated care reported as implicit price concessions.

4. Patient Accounts Receivable, Net, Net Patient Services Revenue, and Estimated Third-Party Payor Liabilities

For Periods Commencing January 1, 2018

Effective January 1, 2018, upon adoption of ASU 2014-09, net patient services revenue is reported at the amount that reflects the consideration to which CHS expects to be entitled in exchange for providing patient care.

(In Thousands)

4. Patient Accounts Receivable, Net, Net Patient Services Revenue, and Estimated Third-Party Payor Liabilities (continued)

CHS's initial estimate of the transaction price (as defined in ASU 2014-09) for services provided to patients subject to revenue recognition is determined by reducing the total standard charges related to patient services provided by various elements of variable consideration, including contractual adjustments, discounts provided to uninsured patients as charity care, implicit price concessions provided primarily to uninsured patients, and other reductions to CHS's standard charges. CHS determines the transaction price associated with services provided to patients who have third-party payor coverage of the basis of contractual or formula-driven rates for the services rendered (see third-party payor programs below). The estimates for contractual allowances and discounts are based on contractual agreements, CHS's discount policies, and historical experience. For uninsured and under-insured patients who do not qualify for charity care, CHS determines the transaction price associated with services rendered on the basis of charges reduced by implicit price concessions. Implicit price concessions included in the estimation of the transaction price are based on CHS's historical collection experience for applicable portfolios.

The table below depicts CHS's sources of net patient services revenue disaggregated by payor. The amounts presented are based on an allocation of the estimated transaction price between the primary patient classifications of insurance coverage for the year ended December 31, 2018:

Medicare (including managed Medicare)	$ 1,043,264
Medicaid (including managed Medicaid and Medicaid Pending)	223,618
Commercial and managed care	1,250,490
Self-pay and other fee for service	80,198
	$ 2,597,570

The following table depicts CHS's sources of net patient services revenue disaggregated by lines of service for the year ended December 31, 2018:

Inpatient services	$ 1,443,028
Outpatient services, including emergency department	820,482
Physician services	252,498
All other	81,562
	$ 2,597,570

(In Thousands)

4. Patient Accounts Receivable, Net, Net Patient Services Revenue, and Estimated Third-Party Payor Liabilities (continued)

As an integral part of its mission, CHS provides care to all patients regardless of their ability to pay for services rendered. Under CHS's charity care policy, a patient who has no insurance or is under-insured and is ineligible for any government assistance programs has his or her bill reduced to no more than the negotiated rates for CHS's largest commercial payor. Patients who meet the criteria for free care are provided care without charge. Because CHS does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

Generally, CHS bills patients and third-party payors several days after the services are performed or shortly after discharge. Revenues are recognized as performance obligations are satisfied. CHS determines performance obligations based on the nature of the services provided. CHS recognizes revenues for performance obligations satisfied over time based on actual charges incurred in relation to total expected charges. CHS believes that this method provides a reasonable depiction of the transfer of services over the term of the performance obligation based on the services needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients receiving inpatient acute care services or patients receiving services in CHS's outpatient care centers or in their homes (home care). CHS measures the performance obligation from admission into the hospital or the commencement of outpatient services to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge or the completion of the outpatient visit.

As substantially all of its performance obligations relate to contracts with a duration of less than one year, CHS has elected to apply the optional exemption provided in ASU 2014-09 and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to inpatient acute care services at the end of the reporting period for patients who remain admitted at that time (in-house patients). The performance obligations for in-house patients are generally completed when the patients are discharged, which for the majority of CHS's in-house patients occurs within days or weeks after the end of the reporting period.

4. Patient Accounts Receivable, Net, Net Patient Services Revenue, and Estimated Third-Party Payor Liabilities (continued)

Subsequent changes to the estimate of the transaction price (determined on a portfolio basis when applicable) are generally recorded as adjustments to net patient services revenue in the period of change. For the year ended December 31, 2018, changes in the estimates of implicit price concessions, discounts, contractual adjustments and other reductions to expected payments for performance obligations satisfied in prior years were not significant. Portfolio collection estimates are updated based on collection trends. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay (determined on a portfolio basis when applicable) are recorded as bad debt expense. Bad debt expense for the year ended December 31, 2018 was not significant.

After satisfaction of amounts due from insurance, CHS follows established guidelines for placing certain patient balances with collection agencies, subject to certain restrictions on collection efforts as determined by CHS policy. Changes in the effectiveness of these collection efforts could impact the amounts expected to be collected and, therefore, could impact net patient services revenue in future periods.

Settlements with third-party payors (see description of third-party payor programs below) for cost report filing and retroactive adjustments due to ongoing and future audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated contract price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and CHS's historical settlement activity (for example, cost report final settlements or repayments related to recovery audits), including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Such estimates are determined through either a probability-weighted estimate or an estimate of the most likely amount, depending on the circumstances related to a given settlement item. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to audit, reviews, and investigations. Adjustments arising from a change in the transaction price were $15,399 for the year ended December 31, 2018.

(In Thousands)

4. Patient Accounts Receivable, Net, Net Patient Services Revenue, and Estimated Third-Party Payor Liabilities (continued)

Patient accounts receivable, net is comprised of the following as of December 31, 2018:

Patient receivables	$ 295,493
Contract assets	16,891
	$ 312,384

Contract assets are related to in-house patients who were provided services during the reporting period but were not discharged as of the reporting date and for which CHS does not have the right to bill.

Net patient accounts receivable has been adjusted to the estimated amounts expected to be collected. The amounts expected to be collected are based upon management's assessment of historical and expected net collections considering business and economic conditions, trends in healthcare coverage, and other collection indicators. Management periodically assesses the expected amounts to be collected based upon historical collection and write-off experience by payor category. The results of these reviews are used to modify, if necessary, the expected amounts to be collected. CHS does not have any off-balance sheet credit exposure related to its patient accounts receivable.

For Periods Through December 31, 2017

Prior to the adoption of ASU 2014-09, CHS recognized net patient services revenue at the estimated net realizable amount from patients, third-party payors and others for services rendered, including estimated retroactive adjustments due to future audits, reviews, and investigations, and excluding amounts that may be considered uncollectible. The differences between the estimated and actual adjustments were recorded as a part of net patient services revenue in future periods, as the amounts became known, or as years are no longer subject to such audits, reviews, and investigations. For the year ended December 31, 2017, net patient services revenue increased $16,688 for settlements related to prior years and changes in estimates to reflect the most recent information available.

(In Thousands)

4. Patient Accounts Receivable, Net, Net Patient Services Revenue, and Estimated Third-Party Payor Liabilities (continued)

The following table depicts net patient services revenue by major payor category for the year ended December 31, 2017, net of contractual allowances, discounts and the provision for bad debts, based on primary insurance designation:

Medicare (including managed Medicare)	$ 975,208
Medicaid (including managed Medicaid and Medicaid pending)	231,634
Commercial and managed care	1,165,444
Self-pay and other fee for service	75,147
	$ 2,447,433

Patient accounts receivable, net was recorded at its expected net realizable value. In evaluating the collectibility of accounts receivable, CHS analyzed its past history and identified trends for each of its major payor sources of revenue to estimate the appropriate allowances and provision for bad debts. The allowance for doubtful accounts for self-pay patients was approximately 60% of self-pay accounts receivable as of December 31, 2017. CHS did not experience significant changes in write-off trends and did not change its charity care policy in 2017.

Third-Party Payment Programs

CHS has agreements with third-party payors that provide for payments for services rendered at amounts different from its established charges. A summary of the payments arrangements with major third-party payors is as follows:

Medicare

Inpatient acute and certain outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge or procedure. These rates vary according to patient classification systems based on clinical, diagnostic, and other factors. Certain items are reimbursed at a tentative rate with final settlement determined after submission of annual cost reports and audits thereof by the Medicare fiscal intermediary.

(In Thousands)

4. Patient Accounts Receivable, Net, Net Patient Services Revenue, and Estimated Third-Party Payor Liabilities (continued)

Medicaid

The New York Health Care Reform Act of 1996 (the Act), as amended, governs payments to hospitals in New York State, and Medicaid, workers' compensation, and no-fault payors rates are promulgated by the New York State Department of Health. Reimbursement for services to Medicaid program beneficiaries includes prospectively determined rates per discharge and per visit amounts.

Other Third-Party Payors

CHS has entered into payment arrangements with certain commercial carriers, health maintenance organizations, and preferred provider organizations. The basis for reimbursement under these agreements includes prospectively determined rates per discharge, discounts from established charges, and per diem payment rates. If such rates are not negotiated, then the payors are billed at CHS's established charges.

Medicare cost reports, which serve as the basis for final settlement with the Medicare program, have been audited by the Medicare fiscal intermediary and settled through 2014, although revisions to final settlements or other retroactive changes could be made. Other years and various issues remain open for audit and settlement, as are numerous issues related to the New York State Medicaid program for prior years. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount when open years are settled, audits are completed and additional information is obtained.

The healthcare industry is subject to extensive governmental regulation through numerous and complex laws, some of which are ambiguous and subject to varying interpretation. The federal government and many states, including the State of New York, have aggressively increased enforcement under a number of such laws that are often referred to as Medicare and Medicaid "antifraud and abuse" legislation. For many years, CHS has maintained a corporate compliance program to monitor the organization's compliance with applicable laws, including the so-called "antifraud and abuse" rules. Noncompliance with such rules could result in repayments of amounts improperly reimbursed, substantial monetary fines, civil and criminal penalties, and exclusion from the Medicare and Medicaid programs. There can be no assurance that regulatory authorities will not challenge CHS's compliance with these laws and regulations, and it is not possible to

(In Thousands)

4. Patient Accounts Receivable, Net, Net Patient Services Revenue, and Estimated Third-Party Payor Liabilities (continued)

determine the impact (if any) such claims or penalties would have upon CHS. CHS is not aware of any allegations of non-compliance that could have a material adverse effect on the accompanying consolidated financial statements and believes that it is in compliance with all applicable laws and regulations. In addition, certain contracts that CHS has with commercial payors also provide for retroactive audit and review of claims.

There are various proposals at the federal and state levels that could, among other things, significantly change payment rates or modify payment methods. The ultimate outcome of these proposals and other market changes, including the potential effects or revisions to healthcare reform that has been or will be enacted by the federal and state governments, cannot be determined presently. Future changes in the Medicare and Medicaid programs and any reduction of funding could have an adverse impact on CHS.

5. Concentration of Credit Risk

CHS provides healthcare and other services through its inpatient and outpatient care facilities located throughout Long Island, New York. CHS grants credit without collateral to patients, most of whom are local residents, and routinely obtains assignment of or is otherwise entitled to receive patients' benefits payable under their health insurance program. The composition of patient accounts receivable, net (including from third-party payors) at December 31 is as follows:

	2018	2017
Medicare (including managed Medicare)	**25%**	24%
Medicaid (including managed Medicaid and Medicaid pending)	**17**	18
Commercial and managed care	**46**	45
Self-pay and other fee for service	**12**	13
	100%	100%

(In Thousands)

5. Concentration of Credit Risk (continued)

At December 31, 2018 and 2017, CHS has cash balances in financial institutions that exceed federal depository insurance limits. CHS routinely invests its surplus operating funds in money market funds. These funds generally invest in highly liquid U.S. government and agency obligations. Investments in money market funds are not insured or guaranteed by the U.S. government.

6. Other Assets, Net

Other assets consist of the following at December 31:

	2018	2017
Goodwill	**$ 21,948**	$ 21,870
Intangible assets	**11,737**	11,737
	33,685	33,607
Accumulated amortization of intangible assets	**(11,067)**	(10,843)
Goodwill and intangible assets, net	**22,618**	22,764
Equity method investments	**3,102**	1,511
Other	**6,360**	5,452
Other assets, net	**$ 32,080**	$ 29,727

Goodwill represents the future economic benefit arising from certain assets acquired and represents the excess of the purchase price of those acquired assets in excess of their fair value. Intangible assets are recorded at fair value at the date of acquisition. Definite-lived intangible assets are amortized over their estimated useful lives.

(In Thousands)

7. Property, Plant, and Equipment

The components of property, plant, and equipment, including assets under capitalized lease obligations, and accumulated depreciation and amortization are as follows at December 31:

	2018	2017
Land	**$ 35,477**	$ 35,147
Land improvements	**38,876**	38,346
Buildings (including building service equipment)	**1,131,163**	1,103,175
Furniture and equipment	**1,149,649**	1,040,731
Leasehold improvements	**60,991**	56,398
Construction-in-progress	**34,799**	27,093
	2,450,955	2,300,890
Less accumulated depreciation	**1,593,039**	1,487,829
Property, plant, and equipment, net	**$ 857,916**	$ 813,061

Construction in progress includes the costs associated with various expansion and renovation projects, mainly at Good Samaritan, construction of an inpatient hospice unit located at Mercy Medical Center, emergency generator replacement at Mercy Medical Center, and the build of a new systemwide revenue cycle management system.

(In Thousands)

8. Long-Term Debt

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

	2018	2017
Long-term debt:		
Series 2011 fixed-rate bonds (a)	**$ 206,225**	$ 216,780
Series 2014A fixed-rate bonds (b)	**71,313**	74,452
Series 2014B and C fixed-rate bonds (b)	**87,693**	88,266
DASNY 1999B revenue bonds – variable rate (c)	**26,078**	27,913
Term loans – variable rate SJH (d)	**11,479**	12,429
TELP loan – fixed rate (e)	**–**	15,507
Term loan – CHS fixed (f)	**22,588**	25,931
Other	**8,961**	7,207
	434,337	468,485
Less current portion	**35,833**	35,622
Total long-term debt, net of current portion	**$ 398,504**	$ 432,863

CHS maintains an Obligated Group for purposes of issuing debt instruments under a Master Trust Indenture (MTI). Each of the CHS Hospitals other than St. Joseph is a member of the Obligated Group. Under the terms of the MTI, all obligations issued thereunder are joint and several obligations of the members. In addition, the MTI contains certain debt compliance covenants related to the maintenance of certain financial ratios, including days cash on hand and debt service coverage ratio, among other non-financial ratio covenants. As of December 31, 2018, CHS is in compliance with these financial ratio covenants. CHS is not aware of any items that would cause non-compliance with the non-financial ratio covenants.

(a) In December 2011, $245,230 of tax-exempt revenue bonds were issued on behalf of the Obligated Group, of which $184,680 were issued through the Suffolk County Economic Development Corporation and $60,550 through the Nassau County Local Economic Assistance Corporation (together, the Series 2011 Bonds). Pursuant to the MTI, each member of the Obligated Group is jointly and severally liable for outstanding obligations under the MTI and is subject to the debt compliance covenants of the MTI. The Series 2011 Bonds are secured by the mortgaged property and by a security interest in all revenues of the Obligated Group and are subject to the debt compliance covenants of the MTI.

8. Long-Term Debt (continued)

The original issue premium of $12,738 and deferred financing costs of $5,397, which are included in long-term debt, are amortized over the life of the bonds using the effective interest method. The Series 2011 Bonds bear interest at combined effective yields ranging from 1.50% to 4.85%.

Proceeds of the Series 2011 Bonds were used to defease the Dormitory Authority of the State of New York (DASNY) 1999A revenue bonds, issued on behalf of the Obligated Group (with the exception of St. Catherine), the DASNY Series 2000A and 2000B revenue bonds on behalf of St. Catherine and Siena Village, Inc., and commercially held debt of Consolation.

Approximately $79,474 was deposited within a trustee held account to reimburse the CHS Hospitals (with the exception of St. Joseph) for routine capital expenditures. The remaining bond funds were used to pay for the cost of issuance and related interest payable. All amounts were drawn down upon as of December 31, 2014.

During 2015, as a part of the sale of Siena Village, Inc., in the amount of $62,000, CHS defeased $15,000 of the Series 2011 Bonds issued through the Suffolk County Economic Development Corporation. In order to receive regulatory approval of the sale, the balance of the proceeds received is restricted for the payment of principal for St. Catherine as amounts relating to St. Catherine debt become due in future years. The remaining proceeds were deposited into a trustee held account, of which $33,453 and $41,334 remain as of December 31, 2018 and 2017, respectively. These amounts are included in trustee held and other agreements within assets limited or restricted as to use on the accompanying consolidated balance sheets.

(b) On May 21, 2014, $77,725 of tax-exempt revenue bonds were issued through the Nassau County Local Economic Assistance Corporation (Series 2014A Revenue Bonds). The revenue bonds are secured by the joint and several obligations of the Obligated Group under the MTI and are subject to the debt compliance covenants of the MTI. The bonds were issued in order to refund the Series 2004 DASNY revenue bonds on behalf of St. Francis. The original issue premium of $7,999 and deferred financing costs of $1,989, which are included in long-term debt, are amortized over the life of the bonds using the effective interest method. The effective interest rate, including bond issuance costs, is 4.07%. Debt service is payable semiannually.

8. Long-Term Debt (continued)

On September 24, 2014, $81,290 of tax-exempt bonds were issued on behalf of the Obligated Group, of which $41,745 were issued through the Nassau County Local Economic Assistance Corporation and $39,545 was issued through the Suffolk County Economic Development Corporation (together, the Series 2014 B and C Bonds). The original issue premium of $10,263 and deferred financing costs of $1,553, which are included in long-term debt, are amortized over the life of the bonds using the effective interest method. The Series 2014 bonds combined effective interest rate, including bond issuance costs, is 3.98%. Debt service is payable semiannually. The bonds were issued to reimburse CHS for renovations, equipment, and technology purchases. Approximately $90,058 was deposited into a trustee held account, of which $0 and approximately $13,147 remained within trustee held and other agreements on the accompanying consolidated financial statements as of December 31, 2018 and 2017, respectively. The remaining bond funds were used to pay for the cost of issuance and related interest payable. The Series 2014 B and C Bonds are secured by the mortgaged property and by a security interest in all revenues of the Obligated Group and are subject to the debt compliance covenants of the MTI.

(c) The DASNY 1999B, issued on behalf of Mercy, revenue bonds consist of term bonds of serial Periodic Auction Rate Securities (PARS) bonds with interest payable at variable rates, ranging from 2.74% to 4.78% during 2018, of which $26,500 and $28,375 were outstanding at December 31, 2018 and 2017, respectively. The PARS are subject to a weekly auction; should the weekly auction not produce sufficient purchasers of the PARS, the underwriter is obligated to purchase the unpurchased PARS and is entitled to an annual interest rate of the lesser of (a) 14% or (b) the product of the seven-day AA composite commercial paper rate and a sliding scale of 125% to 200%, depending on the rating of the PARS bond obligor, rated A- as of December 31, 2018. The PARS bonds do not provide for any put feature for the benefit of the holders.

(d) On December 30, 2010, St. Joseph entered into two term loan agreements with a bank. The first for $12,500 was to refinance St. Joseph's existing debt and to provide working capital, and the second for $6,500 for information technology upgrades, facility renovations, and the acquisition of related equipment. The term loans are payable in annual installments of $625 and $325, respectively, beginning February 2011, with a balloon payment of $9,579 due in December 2020 for the then remaining balance of the loans. Interest is payable at a rate of LIBOR plus 1.10%. The term loans are guaranteed by the Obligated Group and are subject to the debt compliance covenants of the MTI.

(In Thousands)

8. Long-Term Debt (continued)

(e) In December 2011, CHS entered into an agreement under the New York State tax-exempt leasing program (TELP) in the amount of $88,849 to finance the implementation of electronic health record technology. The agreement called for an interest rate of 1.89%. The TELP loan was guaranteed by the Obligated Group and was subject to the debt compliance covenants of the MTI. The TELP loan was repaid in full during 2018.

(f) On January 28, 2015, CHS entered into an agreement for a fixed rate term loan with a bank in the amount of $35,000. The loan bears an interest rate of 2.49% and is payable in 120 equal installments through January 31, 2025. The term loan is guaranteed by the Obligated Group and is subject to the debt compliance covenants of the MTI.

At December 31, 2018, aggregate annual principal payments of long-term debt are as follows:

2019	$ 35,833
2020	47,866
2021	38,688
2022	42,505
2023	28,825
Thereafter	227,508
	421,225
Unamortized bond premium	18,084
Unamortized deferred financing costs	(4,972)
Total long-term debt	$ 434,337

9. Fair Value of Financial Instruments and Investment Income

Fair value is defined as the exchange 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. With the exception of long-term debt, the carrying amounts of CHS's financial instruments, including other debt obligations, approximate their fair value. The carrying amounts and fair values of long-term debt are $434,337 and $443,746, respectively, at December 31, 2018 and $468,485 and $490,768, respectively, at December 31, 2017. The fair value of the debt was determined by comparing market prices of similar debt based on Level 2 inputs under a market approach. At December 31, 2018 and 2017, the carrying amount of other debt obligations approximated fair value.

9. Fair Value of Financial Instruments and Investment Income (continued)

The FASB *Fair Value Measurement* Topic also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

- Level 1: Quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include cash and cash equivalents, debt and equity securities that are traded in an active exchange market, as well as U.S. Treasury securities.

- Level 2: Observable inputs other than Level 1 prices, 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 the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted market prices that are traded less frequently than exchange-traded instruments. This category generally includes certain U.S. government and agency mortgage-backed debt securities, and corporate debt securities.

- Level 3: Unobservable inputs supported by little or no market activity that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. This category generally includes certain private debt and equity instruments and alternative investments.

The following discussion describes the valuation methodologies used for financial assets measured at fair value. The techniques utilized in estimating the fair values are affected by assumptions used, including discount rates and estimates of the amount and timing of future cash flows.

Fair values for CHS fixed-maturity and equity securities are based on prices provided by its investment managers and its custodian banks. Both the investment managers and the custodian banks use a variety of pricing sources to determine market valuations. Each designates specific pricing services or indices for each sector of the market based upon the provider’s expertise. CHS fixed-maturity securities portfolio is highly liquid, which allows for a high percentage of the portfolio to be priced through pricing services.

9. Fair Value of Financial Instruments and Investment Income (continued)

CHS's alternative investments are reported based upon net asset values derived from the application of the equity method of accounting. This method reflects CHS's share of the NAV of the funds, as provided by external investment managers or in audited financial statements when available. Valuations provided by external investment managers include estimates, appraisals, assumptions, and methods that are reviewed by management.

CHS has three alternative investments as of December 31, 2018. One investment can be redeemed at the option of CHS upon 45 days' prior written notice, on a quarterly basis. The remaining two investments can only be redeemed at the discretion of the investment managers. The external investment manager of each investment has the right to waive both the notice period and any one-year wait period. CHS's alternative investments are primarily invested in fund of funds.

All other investments and assets limited or restricted as to use may be redeemed daily and are able to be withdrawn upon the settlement date.

There were no significant transfers into or out of Level 1 or Level 2 for the years ended December 31, 2018 and 2017. CHS recognizes transfers between the levels of the fair value hierarchy at the beginning of the reporting period in which the date of the event or change in circumstances that caused the transfer occurs.

CHS had no investments categorized as Level 3 at December 31, 2018 or 2017.

(In Thousands)

9. Fair Value of Financial Instruments and Investment Income (continued)

The following table presents CHS's fair value measurements for assets measured at fair value on a recurring basis as of December 31, 2018:

	Fair Value	Level 1	Level 2	Level 3
Assets limited or restricted to use measured at fair value:				
Cash and cash equivalents	$ 110,121	$ 110,121	$ –	$ –
U.S. Treasury obligations	94,111	94,111	–	–
U.S. government agencies obligations	25,006	–	25,006	–
Marketable equity securities – domestic	186	186	–	–
Corporate debt securities – domestic	104,855	–	104,855	–
Corporate debt securities – foreign	8,782	–	8,782	–
Municipal debt obligations	35,157	–	35,157	–
Equity mutual funds – domestic	164,335	164,335	–	–
Equity mutual funds – foreign	50,420	50,420	–	–
Fixed-income mutual funds – domestic	94,006	94,006	–	–
Accrued interest receivable	1,836	1,836	–	–
	$ 688,815	$ 515,015	$ 173,800	$ –
Investments measured at fair value:				
Cash and cash equivalents	$ 1,981	$ 1,981	$ –	$ –
U.S. Treasury obligations	59,228	59,228	–	–
U.S. government agencies obligations	12,667	–	12,667	–
Marketable equity securities – domestic	289	289	–	–
Corporate debt securities – domestic	71,776	–	71,776	–
Corporate debt securities – foreign	7,004	–	7,004	–
Municipal debt obligations	24,920	–	24,920	–
Equity mutual funds – domestic	222,787	222,787	–	–
Equity mutual funds – foreign	72,688	72,688	–	–
Fixed-income mutual funds – domestic	75,059	75,059	–	–
Accrued interest receivable	1,240	1,240	–	–
	$ 549,639	$ 433,272	$ 116,367	$ –

Alternative investments reported using the equity method of accounting and measured at NAV, in the amount of $3,430 within assets limited or restricted to use and $6,560 within investments, are not included in the tables above.

(In Thousands)

9. Fair Value of Financial Instruments (continued)

The following table presents CHS's fair value measurements for assets measured at fair value on a recurring basis as of December 31, 2017:

	Fair Value	Level 1	Level 2	Level 3
Assets limited or restricted to use measured at fair value:				
Cash and cash equivalents	$ 113,272	$ 113,272	$ –	$ –
U.S. Treasury obligations	75,887	75,887	–	–
U.S. government agencies obligations	27,231	–	27,231	–
Marketable equity securities – domestic	188	188	–	–
Corporate debt securities – domestic	98,453	–	98,453	–
Corporate debt securities – foreign	5,664	–	5,664	–
Municipal debt obligations	68,442	–	68,442	–
Equity mutual funds – domestic	172,563	172,563	–	–
Equity mutual funds – foreign	61,071	61,071	–	–
Fixed-income mutual funds – domestic	83,450	83,450	–	–
Accrued interest receivable	1,857	1,857	–	–
	$ 708,078	$ 508,288	$ 199,790	$ –
Investments measured at fair value:				
Cash and cash equivalents	$ 1,913	$ 1,913	$ –	$ –
U.S. Treasury obligations	42,582	42,582	–	–
U.S. government agencies obligations	13,730	–	13,730	–
Marketable equity securities – domestic	331	331	–	–
Corporate debt securities – domestic	63,493	–	63,493	–
Corporate debt securities – foreign	4,060	–	4,060	–
Municipal debt obligations	44,818	–	44,818	–
Equity mutual funds – domestic	238,854	238,854	–	–
Equity mutual funds – foreign	87,112	87,112	–	–
Fixed-income mutual funds – domestic	96,724	96,724	–	–
Accrued interest receivable	1,317	1,317	–	–
	$ 594,934	$ 468,833	$ 126,101	$ –

Alternative investments reported using the equity method of accounting and measured at NAV, in the amount of $2,727 within assets limited or restricted to use and $5,951 within investments, are not included in the tables above.

(In Thousands)

9. Fair Value of Financial Instruments and Investment Income (continued)

Total net investment (losses) gains are reported as follows in the accompanying consolidated statements of operations and statements of changes in net assets for the years ended December 31:

	2018	2017
Interest income	**$ 25,197**	$ 20,978
Net realized gains on sales of securities	**39,291**	42,246
Investment income, net	**64,488**	63,224
Net unrealized (losses) gains on investments	**(107,402)**	49,461
Total net investments (losses) gains	**$ (42,914)**	$ 112,685

Total net investment (losses) gains are classified as follows for the years ended December 31:

	2018	2017
Net assets without donor restrictions	**$ (41,067)**	$ 108,319
Net assets with donor restrictions	**(1,847)**	4,366
Total net investment (losses) gains	**$ (42,914)**	$ 112,685

(In Thousands)

10. Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes as of December 31:

	2018	2017
Capital expenditures	**$ 31,293**	$ 28,388
Indigent and charity care	**1,083**	1,080
Health education	**4,718**	4,778
Research	**5,175**	5,138
Pediatric cardiology	**2,411**	2,558
Healthcare services	**7,041**	6,548
Other	**12,271**	13,057
	$ 63,992	$ 61,547

Assets restricted for capital expenditures relate mainly to the expansion of the St. Francis Oncology Program, St. Francis Emergency Room and program specific renovations and additions at other facilities and are released from restriction as stages of the projects are placed into service. Included in other is contributions receivable of approximately $11,776 and $12,599 at December 31, 2018 and 2017, respectively, mainly for capital expenditures.

CHS has adopted investment and spending policies for assets with donor restrictions that attempt to provide a predictable stream of funding to programs supported by its assets with donor restrictions, while seeking to maintain the purchasing power of these assets. As required by GAAP, assets with donor restrictions are classified and reported based on the existence of donor-imposed restrictions. Income earned net assets with donor restrictions is available for the support of the programs listed above.

(In Thousands)

11. Other Revenue

Other revenue consists of the following for the years ended December 31:

	2018	2017
Maryhaven program service revenues (a)	**$ 89,698**	$ 86,194
Rental income	**11,778**	8,253
Electronic Health Records incentive revenue	**563**	4,509
Contracted services	**9,105**	7,161
Cafeteria and coffee shops	**5,278**	5,160
Grant income	**3,942**	2,690
DSRIP (b)	**31,563**	16,385
Miscellaneous income, net	**10,311**	7,241
	$ 162,238	$ 137,593

(a) Maryhaven revenue relates to program services that are principally cost-based or fee-for-service and is recognized as services are performed. Revenues from such services are recorded at rates established by governmental payors (principally, New York State Education Department, New York Department of Social Services, and Medicaid).

(b) New York State's Delivery System Reform Incentive Payment (DSRIP) Program

DSRIP is the main mechanism by which the DOH will implement the Medicaid Redesign Team Waiver Amendment. DSRIP's purpose is to fundamentally restructure the healthcare delivery system by reinvesting in the Medicaid program, with the ultimate goal of reducing the cost of care, while improving the quality and access to care provided. Up to $6.42 billion is allocated to this program statewide, with payouts based upon achieving predefined results in system transformation, clinical management, and population health over a five-year period.

11. Other Revenue (continued)

The five-year DSRIP period began on April 1, 2015. During the five-year DSRIP period, DSRIP payments are to be made based upon achieving predefined results in system transformation, clinical management, and population health. The payments to be made are based upon performance against predefined milestones and outcomes. Failure to meet milestones and reporting requirements may result in a reduction to the payments or, in some instances, receiving no payment.

DSRIP lead participants are limited to public hospitals and safety net hospitals. Safety net hospitals, as defined by New York State, include public hospitals, critical access hospitals, sole community hospitals, and hospitals that have outpatient Medicaid patient volumes exceeding 35% of all patient volumes in business lines associated with Medicaid, uninsured and dual eligible individuals and have inpatient volumes exceeding 30% Medicaid, uninsured and dual eligibles. Nonhospital-based providers, not participating as part of a state-designated health home, must have at least 35% of all patient volume in their primary lines of business and must be associated with Medicaid, uninsured and dual eligible individuals. During 2014, Mercy and Good Samaritan were designated as safety net hospitals.

In November 2014, CHS entered into an affiliation agreement with two unrelated providers to form a limited liability company, in which CHS is a member, to act as a Performing Provider System (PPS), encompassing the Nassau and Queens (Nassau-Queens PPS) service areas. In February 2015, CHS entered into an agreement with SB Clinical Network IPA, LLC (Suffolk PPS), which was created to act as the PPS within Suffolk County, in which CHS would participate in the Suffolk PPS asa coalition partner through an affiliation agreement.

As of December 31, 2018, CHS received approximately $123,817 of cumulative DSRIP funding, of which $54,512 and $38,633 was received in 2018 and 2017, respectively. In 2018, CHS has recognized revenue of $31,563 and also distributed $11,354 to subrecipients. In 2017, CHS recognized revenue of $16,385 and also distributed $13,339 to subrecipients. As of December 31, 2018 and 2017, there is $35,213 and $23,618, respectively, of deferred revenue included in other liabilities, $12,591 and $13,194, respectively, included in trustee held and other agreements, and the remainder included in cash and cash equivalents on the accompanying consolidated balance sheets for future subrecipient distributions.

11. Other Revenue (continued)

The DSRIP program contains significant reporting requirements for each PPS, which includes submission of claims and other data to the New York State DOH. DSRIP payments to the PPS are based upon this data. PPS funds may be reduced if the state's overall DSRIP PPS performance does not meet statewide benchmarks for certain measures. Audits may be performed to validate submissions and performance metrics. Funds may be subject to recoupment or recovery based upon internal review or audit if it is determined that funds are willfully misused and/or the information relied upon for payment purposes was in error, misreported, or if DOH made an error in determining the payment.

In March 2016, CHS was notified that it was awarded $19,743 under the NYS DOH Capital Restructuring Finance Program and the Essential Health Care Provider Support Program relating to information technology capital expenditures. CHS is the lead applicant for this program proposal, participating in the Nassau-Queens PPS as one of the three Hub integrated delivery systems committed to coordinating care and sharing information to enhance patient care and safety through PPS's mutual DSRIP projects. Also included in this application, as a subgrantee, is St. John's Episcopal Health (SJEH). SJEH is a safety net provider and Interim Access Assurance Fund (IAAF) recipient that operates as part of the CHS Hub. It is estimated that SJEH will receive $5,159 of the $19,743 award total. During the year ended December 31, 2018, CHS received $8,849 of reimbursement under the grant, of which $2,974 was distributed to SJEH.

12. Retirement Plan and Other Postretirement Benefits

Retirement Plans

Diocese Pension Plan

CHS participates in a multi-employer pension plan of the Diocese, a noncontributory defined-benefit church plan, which covers substantially all lay employees with one year of continuous service. CHS's combined retirement plan expense is equal to the required annual contributions to the plan, which are calculated based on actuarially determined methods. Amounts charged to pension expense in 2018 and 2017 totaled $82,364 and $75,959, respectively, and are included in employee benefits in the accompanying consolidated statements of operations. CHS contribution

(In Thousands)

12. Retirement Plan and Other Postretirement Benefits (continued)

to the plan is in excess of 5% of total plan contributions. The following table discloses the name and funded status of the pension plan as of January 1, 2018 (the date of the last actuarial valuation):

Legal Name and Plan Number	EIN	Accumulated Benefit Obligation	Market Value of Plan Assets
Diocese of Rockville Center Pension Plan Number 002	27-1715985	$ 1,563,400	$ 1,619,066

The accumulated benefit obligation and market value of plan assets are not reflected in the accompanying consolidated balance sheets of CHS.

1199 SEIU HealthCare Employees Pension Fund and New York State Nurses Association (NYSNA)

St. Joseph participates in two multiemployer union pension plans under the terms of a collective bargaining agreement, covering substantially all employees not eligible for the CHS Hospitals' plan. If St. Joseph stops participating in either of its multiemployer plans, CHS may be required to pay the plans an amount based on the underfunded status of the plans.

The Employee Identification Number/three-digit Pension Plan number for the 1199 SEIU HealthCare Employees Pension Fund plan is 13-3604862/001. The most recent Pension Protection Act (PPA) zone status is green at December 31, 2018 and 2017, which is for the plan years ended December 31, 2017 and 2016. The zone status is based on information that St. Joseph received from the plan sponsor and, as required by the PPA, is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65% funded, plans in the yellow zone are less than 80% funded, and plans in the green zone are at least 80% funded.

The financial improvement plan (FIP) or a rehabilitation plan (RP), as required by PPA, has been implemented by the plan's sponsor. The contributions by St. Joseph to the union pension fund were $1,938 and $1,767 for the years ended December 31, 2018 and 2017, respectively, which is included in employee benefits within the consolidated statements of operations. There have been no significant changes that affect the comparability of 2018 and 2017 contributions.

12. Retirement Plan and Other Postretirement Benefits (continued)

The Employee Identification Number/three-digit Pension Plan number for the NYSNA plan is 13-6604799/001. The most recent PPA zone status is green at December 31, 2018 and 2017, which is for the plan years ended December 31, 2017 and 2016. The zone status is based on information that St. Joseph received from the plan sponsor and, as required by the PPA, is certified by the plan's actuary.

The FIP or an RP, as required by PPA, has been implemented by the plan's sponsor. The contributions by St. Joseph to the union pension fund were $1,750 and $1,714 for the years ended December 31, 2018 and 2017, respectively, which are included in employee benefits within the consolidated statements of operations. There have been no significant changes that affect the comparability of 2018 and 2017 contributions.

Postretirement Benefit Plans

The CHS Hospitals have postretirement benefit plans that provide benefits for eligible employees at varying ages of retirement. The postretirement benefit plans primarily reimburse employees for unused sick pay dollars an employee accumulated during employment, or provide a set payment for certain eligible benefits for up to a maximum of $5 per year for a fixed number of years.

Effective January 1, 2014, employees hired on or after January 1, 2014 were no longer be eligible to participate in the St. Francis Sick Pay Plan. At December 31, 2013, the plan was frozen and existing employees will receive the lower of their balance in the plan as of December 31, 2013, or their accrued sick time at retirement based on their 2013 rate of pay.

CHS recognizes an asset or liability for the overfunded or underfunded status, respectively, of its postretirement benefit plans in its consolidated financial statements. When recognizing a postretirement benefit plan's funded status, certain gains, losses, and transition amounts will be recognized with the offset to a separate line item outside (below) the performance indicator. These amounts will subsequently be reclassified out of net assets without donor restrictions into the performance indicator through net periodic benefit cost based on the measurement and recognition requirements.

(In Thousands)

12. Retirement Plan and Other Postretirement Benefits (continued)

The net periodic benefit cost for postretirement benefits for the years ended December 31, 2018 and 2017 includes the following components:

	2018	2017
Service cost	**$ 389**	$ 383
Interest cost	**656**	712
Actuarial gain	**(116)**	(81)
Amortization of prior service cost	**126**	124
Net periodic benefit cost	**$ 1,055**	$ 1,138

Total benefits paid under the plan were $435 and $423 in 2018 and 2017, respectively.

The following table sets forth the unfunded status for CHS's postretirement benefit plan at December 31:

	2018	2017
Accumulated postretirement benefit obligation:		
Retirees and beneficiaries	**$ 875**	$ 1,241
Fully eligible active plan participants	**8,829**	19,839
Total accumulated postretirement benefit obligation	**9,704**	21,080
Plan assets, at fair value	**–**	–
Accumulated postretirement benefit obligation in excess of plan assets	**$ 9,704**	$ 21,080

The postretirement benefit obligation is predominantly included within the caption other long-term liabilities in the accompanying consolidated balance sheets.

(In Thousands)

12. Retirement Plan and Other Postretirement Benefits (continued)

The following table represents the changes in accumulated postretirement benefit obligation for the years ended December 31:

	2018	2017
Accumulated postretirement benefit obligation – January 1	**$ 21,080**	$ 21,075
Service cost	**389**	383
Interest cost	**656**	712
Benefits paid	**(435)**	(423)
Actuarial gain	**(11,986)**	(667)
Accumulated postretirement benefit obligation – December 31	**$ 9,704**	$ 21,080

During 2018, an experience study was performed on all of the CHS postretirement benefit plans which resulted in updated actuarial assumptions and the actuarial gain included in the table above.

Assumptions used in accounting for postretirement benefits as of December 31, 2018 and 2017 were predominantly as follows:

	2018	2017
Assumed discount rate ranging from	**3.93%–4.14%**	3.13%–3.39%
Assumed rates of increase in compensation levels	**N/A**	N/A

Expected benefit payments for the next five years and thereafter are as follows:

2019	$ 875
2020	931
2021	1,033
2022	875
2023	834
2024–2028	2,682
	$ 7,230

(In Thousands)

12. Retirement Plan and Other Postretirement Benefits (continued)

Amounts not yet reflected in net periodic benefit cost and included in net assets without donor restrictions consist of a gain of $12,028 and $32 in 2018 and 2017, respectively.

Changes in the assumed healthcare cost trend would not materially affect the accumulated postretirement benefit obligation, as the benefit is limited to the amount of the employees' unused sick pay or a stated maximum eligible benefit.

13. Functional Expenses

CHS provides healthcare and other services to residents within its geographical location. Expenses related to providing these services are as follows:

	Year Ended December 31, 2018						
	Hospital Patient Care	**Post-Acute and Continuing Care**	**Ambulatory Physician Practices**	**Research**	**Foundations and Fundraising**	**Management and Administrative**	**Total**
Salaries	**$ 773,262**	**$ 163,122**	**$ 257,953**	**$ 5,120**	**$ 1,636**	**$ 198,358**	**$ 1,399,451**
Employee Benefits	**245,586**	**67,785**	**49,359**	**1,161**	**491**	**69,185**	**433,567**
Supplies and other expenses	**514,966**	**45,002**	**51,742**	**1,638**	**1,295**	**120,732**	**735,375**
Insurance	**38,096**	**3,005**	**8,844**	**41**	**–**	**347**	**50,333**
Depreciation and amortization	**59,742**	**5,044**	**4,664**	**1,179**	**561**	**36,444**	**107,634**
Interest	**17,251**	**1,333**	**61**	**–**	**–**	**257**	**18,902**
Total	**$ 1,648,903**	**$ 285,291**	**$ 372,623**	**$ 9,139**	**$ 3,983**	**$ 425,323**	**$ 2,745,262**

	Year Ended December 31, 2017						
	Hospital Patient Care	**Post-Acute and Continuing Care**	**Ambulatory Physician Practices**	**Research**	**Foundations and Fundraising**	**Management and Administrative**	**Total**
Salaries	$ 733,393	$ 151,989	$ 244,237	$ 5,172	$ 1,451	$ 184,733	$ 1,320,975
Employee benefits	223,331	57,438	46,245	994	419	60,277	388,704
Supplies and other expenses	479,801	44,125	52,900	1,449	1,137	113,642	693,054
Insurance	45,502	3,213	8,641	41	–	282	57,679
Depreciation and amortization	57,223	4,909	5,147	1,323	4	33,084	101,690
Interest	17,871	1,431	101	–	–	104	19,507
Total	$ 1,557,121	$ 263,105	$ 357,271	$ 8,979	$ 3,011	$ 392,122	$ 2,581,609

The financial statements report certain expense categories that are attributable to more than one healthcare service or support function. Therefore, these expenses require an allocation on a reasonable basis that is consistently applied. Costs not directly attributable to a function, including

(In Thousands)

13. Functional Expenses (continued)

depreciation, amortization, interest and other occupancy costs are allocated to a function based on square footage or units of service basis. Allocated healthcare services costs not allocated on a units of service basis are otherwise allocated based on revenue.

14. Commitments

Operating Leases

CHS has entered into various operating leases for equipment and facilities, expiring at various dates. Total rental expense for the years ended December 31, 2018 and 2017 for such operating leases was approximately $37,050 and $35,296, respectively, and is included in supplies and other expenses in the accompanying consolidated statements of operations.

The following is a schedule of future minimum lease payments under significant operating leases that have initial or remaining lease terms in excess of one year:

Year ending December 31:	
2019	$ 26,865
2020	24,782
2021	22,036
2022	20,850
2023	17,961
2024 and thereafter	75,598
	$ 188,092

Collective-Bargaining Agreements

Approximately 14% of CHS's employees are union employees covered under the terms of various collective bargaining agreements. CHS has two collective bargaining agreements with 1199 SEIU. One contract at St. Joseph, covering 2% of employees, was recently extended from September 30, 2018 to September 30, 2021. A second 1199 SEIU contract at Mercy, covering an additional 3% of employees, was recently negotiated and expires July 31, 2020. The three collective bargaining agreements with NYSNA covering approximately 6% of CHS employees expired on March 31, 2019 at St. Charles and St. Joseph and is due to expire on July 31, 2019 at St. Catherine. The

14. Commitments (continued)

contracts at St. Charles and St. Joseph are currently being negotiated. Other collective bargaining agreements in place include International Association of Machinists, covering approximately 2% of employees at St. Catherine and St. Charles. The St. Catherine contract expired on February 28, 2019 and is currently being negotiated. The St. Charles contract is due to expire on October 31, 2019.

15. Contingencies

General

The CHS entities have been named as defendants in a number of legal actions involving alleged professional liability claims and other claims arising from the normal conduct of its affairs, certain of which seek damages in unstated amounts. It is the opinion of CHS management, based on a review of the aforementioned claims by defense attorneys and CHS in-house legal counsel, that insurance coverage and self-insurance reserves are adequate and the final disposition of such claims will not have any material adverse effect on CHS's consolidated financial position, results of operations, or liquidity. In addition, there are known, and possibly unknown, incidents that occurred through December 31, 2018 that may result in the assertion of additional claims. In management's opinion, any liability that may arise from settlement of such claims will be settled within either insurance coverage limits or self-insured liability estimates or otherwise will not have any material adverse effect on CHS consolidated financial position, results of operations, or liquidity.

Workers' Compensation and Other Self-Insured Liabilities

The CHS Hospitals are self-insured for certain claims, including workers' compensation, through the PSIP of the Diocese for outstanding claims through the year ended December 31, 2011. During 2012, the CHS Hospitals (excluding St. Joseph) entered into an arrangement with a commercial carrier in which per-claim deductible and coverage is provided. In August 2015, St. Joseph entered into an arrangement with a commercial carrier in which a $250 per-claim stop-loss coverage is provided for workers' compensation claims. The other CHS entities are insured through the New York State Insurance fund. CHS has coverage for general liability, property, and other lines of coverage through a combination of commercial polices and through the Captive.

(In Thousands)

15. Contingencies (continued)

In connection with these self-insured liabilities related to workers' compensation, CHS recorded insurance expense for the years ended December 31, 2018 and 2017 of $14,131 and $13,413, respectively, which is included in employee benefits within the consolidated statements of operations. The current portion of the PSIP and workers' compensation self-insurance liability of $14,952 and $14,740 at December 31, 2018 and 2017, respectively, is included within the caption current portion of other self-insured liabilities in the accompanying consolidated balance sheets.

As of December 31, 2018 and 2017, CHS has recorded a liability and a related insurance receivable as follows:

	2018	2017
Other self-insured liabilities	**$ 126,058**	$ 132,323
Insurance claims receivable	**37,397**	39,310

The current portion of insurance claims receivable related to other self-insured liabilities of $3,998 and $3,614 is included within other receivables in the consolidated balance sheets as of December 31, 2018 and 2017, respectively. The estimated undiscounted workers' compensation self-insurance liabilities are $139,042 and $143,337 as of December 31, 2018 and 2017, respectively. Such amounts were discounted to the actuarially determined present value at rates of 2.0% and 1.75% as of December 31, 2018 and 2017, respectively.

Estimated Malpractice Liabilities

CHS provides for potential medical malpractice losses through a combination of purchased primary insurance, self-insurance, and layers of commercial excess insurance.

From November 1, 2002 through October 31, 2006, the CHS Hospitals (excluding St. Joseph) purchased a shared claims-made commercial policy for primary coverage with varying limits per claim and in the aggregate, which were augmented by a shared claims-made commercial excess policy, with varying layers of self-insurance. From November 1, 2006 through October 31, 2013, the CHS Hospitals (excluding St. Joseph) each purchased an individual claims-made malpractice policy for primary first-dollar coverage with limits of $1,000 per claim and an aggregate of $6,000.

(In Thousands)

15. Contingencies (continued)

Effective November 1, 2013, the CHS Hospitals retained $250 of primary coverage per malpractice claim. Each CHS Hospital purchased an individual claims-made malpractice policy with each Hospital, excluding Good Samaritan, with coverage limits of $1,000 per claim and aggregate of $6,000 (Good Samaritan with limits of $2,000 per claim and aggregate of $10,000) after exhausted primary per claim coverage. Effective November 1, 2017, St. Francis has increased its coverage limits to $2,000 per claim and aggregate of $10,000. The $250 of primary coverage per malpractice claim, along with excess coverage, is provided by the Captive with coverage limits shared with the other participants of the Captive of $59,000 per claim and $59,000 in the aggregate.

For the period November 1, 2002 through October 31, 2006, defense costs are outside the stated policy limits and are provided by the primary carrier for the life of the claim. For the period beginning November 1, 2006 to the present, defense costs are outside of the stated policy limits. However, if the aggregate of the primary policy is exhausted, the primary carrier will cease to pay defense costs and the Captive will assume responsibility for these costs. All defense costs are included in estimated malpractice liabilities on the accompanying consolidated balance sheets.

In August 1, 2010, St. Joseph purchased a commercial claims-made policy with limits of $1,000 per claim and $6,000 in the aggregate. St. Joseph also purchased an excess policy with limits of $10,000 per claim, and in the aggregate. Effective November 1, 2012, St. Joseph's excess coverage is provided by the Captive with coverage limits shared with other participants.

Each CHS Hospital has obtained an actuarial valuation of the estimated liability, which includes self-insured periods prior to November 1, 2002, self-insured buffer layers, and incidents that have occurred but for which a claim has not been reported. Insurance expense decreased $3,764 and increased $3,544 due to changes in self-insurance liability estimates from prior years in the consolidated statements of operations as of December 31, 2018 and 2017, respectively.

As of December 31, 2018 and 2017, CHS has recorded a liability and a related insurance receivable as follows:

	2018	2017
Estimated malpractice liability	**$ 309,184**	$ 275,633
Insurance claims receivable	**157,426**	132,578

(In Thousands)

15. Contingencies (continued)

Letters of Credit

CHS maintains a letter of credit for workers' compensation claims in the amount of $36,548 to secure the deductible provision of certain workers' compensation policies, which expired on December 31, 2018. In January 2019, the letter of credit was extended to December 31, 2019 and the amount was revised to $35,048.

16. Liquidity and Availability

The table below represents financial assets available for general expenditures within one year at December 31:

	2018	2017
Financial assets at year-end:		
Cash and cash equivalents	**$ 170,722**	$ 182,278
Investments	**556,199**	600,885
Assets limited or restricted as to use	**692,245**	710,805
Patient accounts receivable, net	**312,384**	287,519
Contributions receivable, net	**11,776**	12,599
Total financial assets	**1,743,326**	1,794,086
Less amounts not available to be used within one year:		
Assets limited or restricted as to use	**296,854**	285,758
Contributions receivable, net	**11,776**	12,599
Financial assets not available to be used within one year	**308,630**	298,357
Financial assets available to meet general expenditures within one year	**$ 1,434,696**	$ 1,495,729

16. Liquidity and Availability (continued)

CHS has certain assets limited or restricted as to use which are available for general expenditures within one year in the normal course of operations. Accordingly, these assets have been included in the table above for financial assets to meet general expenditures within one year. CHS has other assets limited or restricted as to use which are primarily for donor restricted purposes, malpractice and other captive-related insurance expenditures, and debt service. Those assets, which are described further in Note 2, are not available for general expenditure within the next year.

17. Subsequent Events

CHS has evaluated subsequent events from the consolidated balance sheet date through April 22, 2019, the date at which the consolidated financial statements were issued. Other than the aforementioned, there were no additional items identified for disclosure.

Supplementary Information

Catholic Health Services of Long Island

Consolidating Balance Sheet
(In Thousands)

December 31, 2018

	Good Samaritan Hospital	St. Francis Hospital	Mercy Medical Center	St. Charles Hospital	St. Catherine Medical Center & Subsidiaries	Subtotal	Consolidating and Eliminating Entries	Obligated Group Subtotal	St. Joseph Hospital	CHSLI	CHS Services	RVC Insurance Company, Inc.
Assets												
Current assets:												
Cash and cash equivalents	$ 14,369	$ 31,443	$ 2,294	$ 3,289	$ 7,142	$ 58,537	$ –	$ 58,537	$ 4,556	$ 39,896	$ 13,844	$ 16,019
Investments	79,679	340,422	–	575	–	420,676	–	420,676	–	24,197	–	99,925
Assets limited or restricted as to use	–	1,657	975	–	–	2,632	–	2,632	–	32,498	–	–
Patient accounts receivable, net	82,675	111,040	26,064	28,322	33,568	281,669	–	281,669	13,294	–	–	–
Contributions receivable, net	112	–	–	–	5	117	–	117	–	–	–	–
Other receivables	4,033	9,626	2,879	975	944	18,457	–	18,457	56	–	104	–
Inventories	7,502	12,342	3,167	4,036	4,055	31,102	–	31,102	2,178	–	–	–
Prepaid expenses and other	7,260	8,207	2,595	1,848	2,635	22,545	–	22,545	1,439	196	7,068	3,378
Due from related parties	7,405	44,931	8,284	3,018	2,603	66,241	(45,920)	20,321	417	9,065	40,703	64,847
Total current assets	203,035	559,668	46,258	42,063	50,952	901,976	(45,920)	856,056	21,940	105,852	61,719	184,169
Assets limited or restricted as to use:												
Board designated and other	35,906	5,899	804	–	–	42,609	–	42,609	–	–	–	–
Donor-restricted funds	5,373	2,717	2,396	3,087	1,366	14,939	–	14,939	232	185	–	–
Funded depreciation	9,550	317,645	–	–	5,072	332,267	–	332,267	–	–	–	–
Trustee held and other agreements	12,045	6,571	4,911	711	33,942	58,180	–	58,180	177	68,221	1,906	–
Captive assets	–	–	–	–	–	–	–	–	–	–	–	–
Total assets limited or restricted as to use	62,874	332,832	8,111	3,798	40,380	447,995	–	447,995	409	68,406	1,906	–
Less assets limited or restricted as to use and required for current liabilities	–	1,657	975	–	–	2,632	–	2,632	–	32,498	–	–
Total assets limited or restricted as to use, net	62,874	331,175	7,136	3,798	40,380	445,363	–	445,363	409	35,908	1,906	–
Due from related parties, net of current portion	30,599	34,159	8,047	8,788	4,019	85,612	(4,081)	81,531	–	7,886	45,161	–
Contributions receivable, net of current portion	229	–	–	8	–	237	–	237	–	–	–	–
Other investments, at cost	–	–	–	–	–	–	–	–	–	2,250	–	–
Other assets, net	773	13,843	–	113	31	14,760	–	14,760	90	12,387	–	–
Insurance claims receivable	101,045	60,034	57,660	32,143	30,290	281,172	–	281,172	14,398	–	–	15,816
Property, plant, and equipment, net	195,821	266,653	106,120	54,469	80,839	703,902	–	703,902	34,139	43	74,911	–
Total assets	$ 594,376	$ 1,265,532	$ 225,221	$ 141,382	$ 206,511	$ 2,433,022	$ (50,001)	$ 2,383,021	$ 70,976	$ 164,326	$ 183,697	$ 199,985

Catholic Health Services of Long Island

Consolidating Balance Sheet (continued)

(In Thousands)

December 31, 2018

	St. Francis Hospital Foundation	St. Francis Research and Educational Corporation	Catholic Home Care & Hospice	Maryhaven	Our Lady of Consolation	Other Entities	Subtotal	Consolidating and Eliminating Entries	CHS Consolidated Total
Assets									
Current assets:									
Cash and cash equivalents	$ 5,196	$ 3,763	$ 28,760	$ 5,724	$ 6,422	$ 4,024	$ 186,741	$ (16,019)	$ 170,722
Investments	101,659	–	5,095	1,886	2,686	–	656,124	(99,925)	556,199
Assets limited or restricted as to use	–	–	–	–	–	–	35,130	–	35,130
Patient accounts receivable, net	–	–	11,805	–	5,616	–	312,384	–	312,384
Contributions receivable, net	5,462	–	–	–	–	–	5,579	–	5,579
Other receivables	–	1,085	–	9,908	798	355	30,763	(1,043)	29,720
Inventories	–	–	–	333	88	–	33,701	–	33,701
Prepaid expenses and other	29	–	431	1,081	574	1	36,742	(7,844)	28,898
Due from related parties	–	1,568	5,210	2,233	2,773	1,523	148,660	(148,660)	–
Total current assets	112,346	6,416	51,301	21,165	18,957	5,903	1,445,824	(273,491)	1,172,333
Assets limited or restricted as to use:									
Board designated and other	18,417	–	–	656	–	–	61,682	–	61,682
Donor-restricted funds	35,211	–	615	79	955	–	52,216	–	52,216
Funded depreciation	–	–	–	442	1,000	–	333,709	–	333,709
Trustee held and other agreements	–	–	46	164	–	–	128,694	–	128,694
Captive assets	–	–	–	–	–	–	–	115,944	115,944
Total assets limited or restricted as to use	53,628	–	661	1,341	1,955	–	576,301	115,944	692,245
Less assets limited or restricted as to use and required for current liabilities	–	–	–	–	–	–	35,130	–	35,130
Total assets limited or restricted as to use, net	53,628	–	661	1,341	1,955	–	541,171	115,944	657,115
Due from related parties, net of current portion	–	–	–	–	–	–	134,578	(134,578)	–
Contributions receivable, net of current portion	5,960	–	–	–	–	–	6,197	–	6,197
Other investments, at cost	–	–	–	–	–	–	2,250	(2,250)	–
Other assets, net	–	–	15	4,823	5	–	32,080	–	32,080
Insurance claims receivable	–	–	1,330	4,208	6,261	–	323,185	(132,360)	190,825
Property, plant, and equipment, net	–	5,353	8,426	14,864	15,755	523	857,916	–	857,916
Total assets	$ 171,934	$ 11,769	$ 61,733	$ 46,401	$ 42,933	$ 6,426	$ 3,343,201	$ (426,735)	$ 2,916,466

Catholic Health Services of Long Island

Consolidating Balance Sheet (continued)

(In Thousands)

December 31, 2018

	Good Samaritan Hospital	St. Francis Hospital	Mercy Medical Center	St. Charles Hospital	St. Catherine Medical Center & Subsidiaries	Subtotal	Consolidating and Eliminating Entries	Obligated Group Subtotal	St. Joseph Hospital	CHSLI	CHS Services	RVC Insurance Company, Inc.
Liabilities and net assets (deficit)												
Current liabilities:												
Current portion of long-term debt	$ 1,293	$ 5,640	$ 2,128	$ 4,045	$ 8,492	$ 21,598	$ –	$ 21,598	$ 950	$ 11,341	$ –	$ –
Accounts payable and accrued expenses	52,744	61,677	16,832	14,568	17,855	163,676	–	163,676	8,505	12,944	33,312	947
Accrued salaries, related withholdings, and benefits	35,054	62,784	8,785	16,562	17,890	141,075	–	141,075	5,068	2,958	13,131	–
Current portion of other self-insured liabilities	8,980	6,741	2,938	3,444	4,658	26,761	–	26,761	305	–	1,469	–
Current portion of estimated third-party payor liabilities	18,181	15,806	6,570	6,286	5,802	52,645	–	52,645	2,120	–	–	–
Due to related parties	22,555	7,728	18,576	20,156	17,213	86,228	(46,458)	39,770	7,087	13,430	33,075	24,942
Other liabilities	–	–	–	–	–	–	–	–	–	36,256	–	–
Total current liabilities	138,807	160,376	55,829	65,061	71,910	491,983	(46,458)	445,525	24,035	76,929	80,987	25,889
Long-term debt, net of current portion	65,028	154,667	42,357	48,551	49,390	359,993	–	359,993	10,529	11,249	–	–
Estimated third-party payor liabilities, net of current portion	6,369	6,511	929	2,055	13,247	29,111	–	29,111	663	–	–	–
Other self-insured liabilities, net of current portion	35,879	18,935	11,519	11,948	17,550	95,831	–	95,831	2,630	–	–	5,895
Estimated malpractice liabilities	107,667	57,816	61,150	31,138	31,717	289,488	–	289,488	18,264	–	–	126,465
Other long-term liabilities	7,940	12,649	500	857	882	22,828	–	22,828	177	23,532	4,217	–
Due to related parties, net of current portion	–	–	21,235	8,752	18,631	48,618	(8,822)	39,796	11,700	76,580	–	–
Total liabilities	361,690	410,954	193,519	168,362	203,327	1,337,852	(55,280)	1,282,572	67,998	188,290	85,204	158,249
Commitments and contingencies												
Net assets (deficit):												
Net assets without donor restrictions:												
Attributable to CHS	225,369	851,861	29,306	(30,075)	1,813	1,078,274	5,279	1,083,553	2,746	(24,149)	98,493	39,486
Attributable to noncontrolling interests	1,603	–	–	–	–	1,603	–	1,603	–	–	–	–
Total net assets without donor restrictions	226,972	851,861	29,306	(30,075)	1,813	1,079,877	5,279	1,085,156	2,746	(24,149)	98,493	39,486
Net assets with donor restrictions	5,714	2,717	2,396	3,095	1,371	15,293	–	15,293	232	185	–	–
Capital stock and paid-in capital	–	–	–	–	–	–	–	–	–	–	–	2,250
Total net assets (deficit)	232,686	854,578	31,702	(26,980)	3,184	1,095,170	5,279	1,100,449	2,978	(23,964)	98,493	41,736
Total liabilities and net assets (deficit)	$ 594,376	$ 1,265,532	$ 225,221	$ 141,382	$ 206,511	$ 2,433,022	$ (50,001)	$ 2,383,021	$ 70,976	$ 164,326	$ 183,697	$ 199,985

Catholic Health Services of Long Island

Consolidating Balance Sheet (continued)
(In Thousands)

December 31, 2018

	St. Francis Hospital Foundation	St. Francis Research and Educational Corporation	Catholic Home Care & Hospice	Maryhaven	Our Lady of Consolation	Other Entities	Subtotal	Consolidating and Eliminating Entries	CHS Consolidated Total
Liabilities and net assets (deficit)									
Current liabilities:									
Current portion of long-term debt	$ –	$ –	$ –	$ 474	$ 1,470	$ –	$ 35,833	$ –	$ 35,833
Accounts payable and accrued expenses	372	24	6,667	1,815	3,038	2,732	234,032	(7,984)	226,048
Accrued salaries, related withholdings, and benefits	–	–	6,846	3,468	3,535	–	176,081	–	176,081
Current portion of other self-insured liabilities	–	–	958	1,510	801	–	31,804	–	31,804
Current portion of estimated third-party payor liabilities	–	–	143	(2,101)	2,076	–	54,883	–	54,883
Due to related parties	1,849	11	1,550	2,952	8,596	3,371	136,633	(136,633)	–
Other liabilities	2	1,517	–	2,847	–	–	40,622	(1,043)	39,579
Total current liabilities	2,223	1,552	16,164	10,965	19,516	6,103	709,888	(145,660)	564,228
Long-term debt, net of current portion	–	–	–	5,298	11,435	–	398,504	–	398,504
Estimated third-party payor liabilities, net of current portion	–	–	–	–	–	–	29,774	–	29,774
Other self-insured liabilities, net of current portion	–	–	–	4,650	2,100	–	111,106	–	111,106
Estimated malpractice liabilities	–	–	1,330	665	5,332	–	441,544	(132,360)	309,184
Other long-term liabilities	–	–	46	1,207	–	–	52,007	–	52,007
Due to related parties, net of current portion	–	–	18,907	1,950	–	–	148,933	(148,933)	–
Total liabilities	2,223	1,552	36,447	24,735	38,383	6,103	1,891,756	(426,953)	1,464,803
Commitments and contingencies									
Net assets (deficit):									
Net assets without donor restrictions:									
Attributable to CHS	123,078	10,217	24,671	21,587	3,595	(1,024)	1,382,253	3,648	1,385,901
Attributable to noncontrolling interests	–	–	–	–	–	167	1,770	–	1,770
Total net assets without donor restrictions	123,078	10,217	24,671	21,587	3,595	(857)	1,384,023	3,648	1,387,671
Net assets with donor restrictions	46,633	–	615	79	955	–	63,992	–	63,992
Capital stock and paid-in capital	–	–	–	–	–	1,180	3,430	(3,430)	–
Total net assets (deficit)	169,711	10,217	25,286	21,666	4,550	323	1,451,445	218	1,451,663
Total liabilities and net assets (deficit)	$ 171,934	$ 11,769	$ 61,733	$ 46,401	$ 42,933	$ 6,426	$ 3,343,201	$ (426,735)	$ 2,916,466

Catholic Health Services of Long Island

Consolidating Statement of Operations
(In Thousands)

Year Ended December 31, 2018

	Good Samaritan Hospital	St. Francis Hospital	Mercy Medical Center	St. Charles Hospital	St. Catherine Medical Center & Subsidiaries	Subtotal	Consolidating and Eliminating Entries	Obligated Group Subtotal	St. Joseph Hospital	CHSLI	CHS Services	RVC Insurance Company, Inc.
Revenues, gains, and other support:												
Net patient services revenue	$ 692,488	$ 920,142	$ 218,690	$ 225,563	$ 254,551	$ 2,311,434	$ –	$ 2,311,434	$ 117,139	$ –	$ –	$ –
Investment income, net	4,120	37,783	218	68	930	43,119	–	43,119	56	3,189	–	2,177
Contributions, net	420	6	104	197	29	756	–	756	23	–	5	–
Other revenue	55,754	67,763	14,846	7,581	15,344	161,288	(113,314)	47,974	908	50,856	181,453	28,480
Net assets released from restrictions used for operations	103	38	38	146	23	348	–	348	13	210	–	–
Total revenues, gains, and other support	752,885	1,025,732	233,896	233,555	270,877	2,516,945	(113,314)	2,403,631	118,139	54,255	181,458	30,657
Expenses:												
Salaries	328,612	438,117	98,994	95,458	117,593	1,078,774	–	1,078,774	50,728	15,552	98,102	–
Employee benefits	102,481	99,539	33,903	29,778	43,837	309,538	–	309,538	20,442	5,643	32,357	–
Supplies and other expenses	207,885	279,415	64,989	71,625	66,997	690,911	(103,532)	587,379	38,454	19,359	50,535	1,226
Insurance	16,893	15,949	9,804	4,691	5,924	53,261	–	53,261	3,799	17	296	18,757
Depreciation and amortization	24,725	29,661	9,356	6,518	7,111	77,371	–	77,371	4,003	99	20,567	–
Interest	433	4,074	1,281	1,562	3,259	10,609	–	10,609	372	7,304	153	–
CHS Services, Inc.	48,747	52,798	21,938	23,171	20,510	167,164	–	167,164	10,419	–	–	–
CHS corporate office allocation	8,030	8,399	3,222	2,958	3,137	25,746	–	25,746	1,498	–	–	–
Total expenses	737,806	927,952	243,487	235,761	268,368	2,413,374	(103,532)	2,309,842	129,715	47,974	202,010	19,983
Operating income (loss)	15,079	97,780	(9,591)	(2,206)	2,509	103,571	(9,782)	93,789	(11,576)	6,281	(20,552)	10,674
Nonoperating gains (losses):												
Net unrealized (losses) gains on investments	(9,281)	(63,038)	(102)	(35)	(213)	(72,669)	–	(72,669)	–	(6,015)	–	(4,013)
Excess (deficiency) of revenue, gains, and other support over expenses before noncontrolling interests	5,798	34,742	(9,693)	(2,241)	2,296	30,902	(9,782)	21,120	(11,576)	266	(20,552)	6,661
Income attributable to noncontrolling interests	(1,438)	–	–	–	–	(1,438)	–	(1,438)	–	–	–	–
Excess (deficiency) of revenue, gains, and other support over expenses	4,360	34,742	(9,693)	(2,241)	2,296	29,464	(9,782)	19,682	(11,576)	266	(20,552)	6,661
Other changes in net assets without donor restrictions:												
Postretirement benefit plan changes other than net periodic benefit cost	2,877	4,817	1,343	937	2,022	11,996	–	11,996	–	–	–	–
Net assets released from restrictions for purchases of property, plant, and equipment	–	58	125	68	–	251	–	251	–	–	–	–
Grant income for purchases of property, plant, and equipment	5	21	–	15	49	90	–	90	59	–	5,874	–
Transfer (to) from Catholic Health Services of Long Island	(2,009)	(2,095)	8,226	22,292	20,203	46,617	–	46,617	15,623	(71,957)	(12,220)	–
Transfer (to) from CHS Services, Inc.	(11,635)	(12,484)	(4,041)	(5,702)	(4,711)	(38,573)	–	(38,573)	(1,734)	12,220	40,323	–
Transfers (to) from related parties	938	1,116	(303)	(21,584)	(812)	(20,645)	–	(20,645)	(392)	–	–	–
Increase (decrease) in net assets without donor restrictions	$ (5,464)	$ 26,175	$ (4,343)	$ (6,215)	$ 19,047	$ 29,200	$ (9,782)	$ 19,418	$ 1,980	$ (59,471)	$ 13,425	$ 6,661

Catholic Health Services of Long Island

Consolidating Statement of Operations (continued)
(In Thousands)

Year Ended December 31, 2018

	St. Francis Hospital Foundation	St. Francis Research and Educational Corporation	Catholic Home Care & Hospice	Maryhaven	Our Lady of Consolation	Other Entities	Subtotal	Consolidating and Eliminating Entries	CHS Consolidated Total
Revenues, gains, and other support:									
Net patient services revenue	$ –	$ –	$ 115,131	$ –	$ 54,161	$ –	$ 2,597,865	$ (295)	$ 2,597,570
Investment income, net	11,912	–	138	(25)	79	–	60,645	(294)	60,351
Contributions, net	3,589	–	308	373	16	–	5,070	–	5,070
Other revenue	–	4,958	346	90,412	475	3,236	409,098	(246,860)	162,238
Net assets released from restrictions used for operations	929	–	222	9	39	–	1,770	–	1,770
Total revenues, gains, and other support	16,430	4,958	116,145	90,769	54,770	3,236	3,074,448	(247,449)	2,826,999
Expenses:									
Salaries	925	5,120	65,952	54,618	29,513	167	1,399,451	–	1,399,451
Employee benefits	268	1,161	24,033	25,836	14,289	–	433,567	–	433,567
Supplies and other expenses	684	1,637	15,982	14,614	10,226	3,252	743,348	(7,973)	735,375
Insurance	–	41	357	1,117	1,168	–	78,813	(28,480)	50,333
Depreciation and amortization	550	1,179	866	1,634	1,365	–	107,634	–	107,634
Interest	–	–	–	170	588	–	19,196	(294)	18,902
CHS Services, Inc.	–	–	1,284	787	1,012	–	180,666	(180,666)	–
Captive assets	–	–	374	292	264	–	28,174	(28,174)	–
Total expenses	2,427	9,138	108,848	99,068	58,425	3,419	2,990,849	(245,587)	2,745,262
Operating income (loss)	14,003	(4,180)	7,297	(8,299)	(3,655)	(183)	83,599	(1,862)	81,737
Nonoperating gains (losses):									
Net unrealized (losses) gains on investments	(18,617)	–	(34)	(20)	(50)	–	(101,418)	–	(101,418)
Excess (deficiency) of revenue, gains, and other support over expenses before noncontrolling interests	(4,614)	(4,180)	7,263	(8,319)	(3,705)	(183)	(17,819)	(1,862)	(19,681)
Income attributable to noncontrolling interests	–	–	–	22	–	11	(1,405)	–	(1,405)
Excess (deficiency) of revenue, gains, and other support over expenses	(4,614)	(4,180)	7,263	(8,297)	(3,705)	(172)	(19,224)	(1,862)	(21,086)
Other changes in net assets without donor restrictions:									
Postretirement benefit plan changes other than net periodic benefit cost	–	–	–	–	–	–	11,996	–	11,996
Net assets released from restrictions for purchases of property, plant, and equipment	1,741	–	–	–	–	–	1,992	–	1,992
Grant income for purchases of property, plant, and equipment	–	–	–	2,818	124	–	8,965	–	8,965
Transfer (to) from Catholic Health Services of Long Island	–	–	(307)	4,738	1,829	2,457	(13,220)	13,220	–
Transfer (to) from CHS Services, Inc.	–	–	(6)	(5)	(5)	–	12,220	(12,220)	–
Transfers (to) from related parties	(5,782)	4,436	7,081	8,663	6,639	–	–		
Increase (decrease) in net assets without donor restrictions	$ (8,655)	$ 256	$ 14,031	$ 7,917	$ 4,882	$ 2,285	$ 2,729	$ (862)	$ 1,867

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