Consolidated Financial Statements and Supplementary Information

Northwell Health, Inc.
Years Ended December 31, 2018 and 2017
With Report of Independent Auditors

Ernst & Young LLP

Northwell Health, Inc.

Consolidated Financial Statements
and Supplementary Information

Years Ended December 31, 2018 and 2017

Contents

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Building a better working world

Report of Independent Auditors

The Board of Trustees
Northwell Health, Inc.

We have audited the accompanying consolidated financial statements of Northwell Health, Inc. and its member corporations and other affiliated entities (collectively, Northwell), which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, and the related consolidated statements of operations, changes in net assets and cash flows for the years then ended, and the related notes to the 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 audits. We conducted our audits 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Northwell Health, Inc. and its member corporations and other affiliated entities at December 31, 2018 and 2017, and the consolidated results of its operations, changes in its net assets and its cash flows for the years 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, Northwell changed its method of revenue recognition as a result of the adoption of the amendments to the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) resulting from Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*, effective January 1, 2018 and adopted the amendments to the FASB ASC resulting from ASU 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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating and combining statements of financial position and consolidating and combining statements of operations 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 audits 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 30, 2019

Northwell Health, Inc.

Consolidated Statements of Financial Position
(In Thousands)

	December 31 2018	2017
Assets		
Current assets:		
Cash and cash equivalents	**$ 538,964**	$ 399,856
Short-term investments	**2,581,695**	2,689,489
Accounts receivable for services to patients, net	**1,130,325**	1,094,584
Accounts receivable for physician activities, net	**205,422**	149,504
Pledges receivable, current portion	**67,590**	63,459
Insurance claims receivable, current portion	**54,877**	78,468
Other current assets	**326,685**	288,197
Total current assets	**4,905,558**	4,763,557
Long-term investments	**2,066,327**	2,279,855
Pledges receivable, net of current portion	**99,146**	126,263
Property, plant and equipment, net	**5,392,562**	4,934,215
Insurance claims receivable, net of current portion	**182,426**	181,869
Other assets	**390,963**	283,229
Total assets	**$ 13,036,982**	$ 12,568,988
Liabilities and net assets		
Current liabilities:		
Short-term borrowings	**$ 103,500**	$ 110,608
Accounts payable and accrued expenses	**979,100**	998,686
Accrued salaries and related benefits	**891,525**	732,536
Current portion of capital lease obligations	**6,720**	3,742
Current portion of long-term debt	**55,469**	48,844
Current portion of insurance claims liability	**54,877**	78,468
Current portion of malpractice and other insurance liabilities	**175,728**	134,488
Current portion of estimated payables to third-party payers	**270,578**	358,518
Total current liabilities	**2,537,497**	2,465,890
Accrued retirement benefits, net of current portion	**1,041,936**	948,994
Capital lease obligations, net of current portion	**177,449**	171,873
Long-term debt, net of current portion	**3,199,039**	3,220,283
Insurance claims liability, net of current portion	**182,426**	181,869
Malpractice and other insurance liabilities, net of current portion	**1,220,562**	1,057,325
Other long-term liabilities	**694,538**	576,696
Total liabilities	**9,053,447**	8,622,930
Commitments and contingencies		
Net assets:		
Without donor restrictions	**3,344,826**	3,315,111
With donor restrictions	**638,709**	630,947
Total net assets	**3,983,535**	3,946,058
Total liabilities and net assets	**$ 13,036,982**	$ 12,568,988

See accompanying notes.

Northwell Health, Inc.

Consolidated Statements of Operations
(In Thousands)

	Year Ended December 31	
	2018	**2017**
Operating revenue:		
Net patient service revenue	**$ 8,762,122**	$ 7,784,115
Physician practice revenue	**1,854,861**	1,471,198
Total patient revenue	**10,616,983**	9,255,313
Other operating revenue	**826,999**	653,082
Net assets released from restrictions used for operations	**63,021**	61,375
	11,507,003	9,969,770
Operating expenses:		
Salaries	**5,851,950**	5,212,002
Employee benefits	**1,347,618**	1,230,621
Supplies and expenses	**3,530,160**	2,841,508
Depreciation and amortization	**474,509**	431,497
Interest	**146,660**	129,509
	11,350,897	9,845,137
Excess of operating revenue over operating expenses, excluding Health Insurance Companies	**156,106**	124,633
Health Insurance Companies operating revenue	**58,909**	828,077
Health Insurance Companies operating expenses	**80,620**	971,447
Health Insurance Companies excess of operating expenses over operating revenue	**(21,711)**	(143,370)
Total excess (deficiency) of operating revenue over operating expenses	**134,395**	(18,737)
Non-operating gains and losses:		
Investment income	**130,096**	109,051
Change in net unrealized gains and losses and change in value of equity method investments	**(328,931)**	281,520
Change in fair value of interest rate swap agreements designated as derivative instruments	**433**	–
Non-operating net periodic benefit cost	**(12,862)**	(27,863)
Loss on refunding of long-term debt	**–**	(42,619)
Contribution received in the acquisition of John T. Mather Memorial Hospital	**75,819**	–
Gain on sale of property	**65,723**	–
Other non-operating gains and losses	**(41,779)**	(7,107)
Total non-operating gains and losses	**(111,501)**	312,982
Excess of revenue and gains and losses over expenses	**22,894**	294,245
Net assets released from restrictions for capital asset acquisitions	**44,170**	32,516
Change in fair value of interest rate swap agreements designated as cash flow hedges	**1,279**	2,218
Pension and other postretirement liability adjustments	**(31,190)**	(36,130)
Other changes in net assets	**(7,438)**	(5,681)
Increase in net assets without donor restrictions	**$ 29,715**	$ 287,168

See accompanying notes.

Northwell Health, Inc.

Consolidated Statements of Changes in Net Assets
(In Thousands)

Years Ended December 31, 2018 and 2017

	Without Donor Restrictions	With Donor Restrictions	Total
Net assets, January 1, 2017	$ 3,027,943	$ 574,583	$ 3,602,526
Contributions and grants	–	137,807	137,807
Investment income	–	11,645	11,645
Change in net unrealized gains and losses and change in value of equity method investments	–	21,295	21,295
Excess of revenue and gains and losses over expenses	294,245	–	294,245
Net assets released from restrictions for:			
Capital asset acquisitions	32,516	(32,516)	–
Operations	–	(61,375)	(61,375)
Non-operating activities	–	(19,518)	(19,518)
Change in fair value of interest rate swap agreements designated as cash flow hedges	2,218	–	2,218
Pension and other postretirement liability adjustments	(36,130)	–	(36,130)
Other changes in net assets	(5,681)	(974)	(6,655)
Increase in net assets	287,168	56,364	343,532
Net assets, December 31, 2017	$ 3,315,111	$ 630,947	$ 3,946,058

	Without Donor Restrictions	With Donor Restrictions	Total
Net assets, January 1, 2018	**$ 3,315,111**	**$ 630,947**	**$ 3,946,058**
Contributions and grants	**–**	**137,057**	**137,057**
Investment income	**–**	**13,379**	**13,379**
Change in net unrealized gains and losses and change in value of equity method investments	**–**	**(21,731)**	**(21,731)**
Contribution received in the acquisition of John T. Mather Memorial Hospital	**–**	**3,241**	**3,241**
Excess of revenue and gains and losses over expenses	**22,894**	**–**	**22,894**
Net assets released from restrictions for:			
Capital asset acquisitions	**44,170**	**(44,170)**	**–**
Operations	**–**	**(63,021)**	**(63,021)**
Non-operating activities	**–**	**(16,400)**	**(16,400)**
Change in fair value of interest rate swap agreements designated as cash flow hedges	**1,279**	**–**	**1,279**
Pension and other postretirement liability adjustments	**(31,190)**	**–**	**(31,190)**
Other changes in net assets	**(7,438)**	**(593)**	**(8,031)**
Increase in net assets	**29,715**	**7,762**	**37,477**
Net assets, December 31, 2018	**$ 3,344,826**	**$ 638,709**	**$ 3,983,535**

See accompanying notes.

Northwell Health, Inc.

Consolidated Statements of Cash Flows
(In Thousands)

	Year Ended December 31 2018	2017
Operating activities		
Increase in net assets	**$ 37,477**	$ 343,532
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Contribution received in the acquisition of John T. Mather Memorial Hospital	**(79,060)**	–
Permanent endowment donor contributions	**(25,332)**	(15,776)
Depreciation and amortization	**475,255**	432,260
Amortization of bond premiums, discounts and financing costs	**(1,584)**	(1,816)
Net realized gains and losses, change in net unrealized gains and losses and change in value of equity method investments	**242,753**	(393,217)
Change in fair value of interest rate swap agreements	**(1,712)**	(2,218)
Gain on sale of property	**(65,723)**	–
Gain on sale of Broadlawn	**–**	(32,252)
Loss on refunding of long-term debt	**–**	42,619
Changes in operating assets and liabilities:		
Accounts receivable for services to patients, net	**9,064**	(119,161)
Accounts receivable for physician activities, net	**(54,335)**	(21,786)
Pledges receivable	**26,775**	(53,141)
Current portion of estimated payables to third-party payers	**(87,940)**	38,392
Accrued retirement benefits, net of current portion	**43,033**	21,616
Malpractice and other insurance liabilities	**183,099**	123,848
Net change in all other operating assets and liabilities	**210,256**	187,965
Net cash provided by operating activities	**912,026**	550,865
Investing activities		
Capital expenditures	**(824,947)**	(777,332)
Proceeds from sale of property	**65,723**	–
Proceeds from sale of Broadlawn	**–**	54,032
Net cash from sales of (invested in) short-term and long-term investments	**131,563**	(271,052)
Cash received in the acquisition of John T. Mather Memorial Hospital	**15,222**	–
Payments for acquisitions and clinical joint venture investments, net	**(119,723)**	(74,268)
Net cash used in investing activities	**(732,162)**	(1,068,620)
Financing activities		
Principal payments on long-term debt and capital lease obligations	**(51,691)**	(58,675)
Payments on refunded and redeemed long-term debt	**–**	(377,966)
Payments on short-term borrowings	**(110,608)**	(19,500)
Proceeds from short-term borrowings	**100,000**	19,500
Proceeds from long-term debt	**–**	956,919
Payments for financing costs	**–**	(7,725)
Proceeds from permanent endowment donor contributions	**21,543**	21,763
Net cash (used in) provided by financing activities	**(40,756)**	534,316
Net increase in cash and cash equivalents	**139,108**	16,561
Cash and cash equivalents, beginning of year	**399,856**	383,295
Cash and cash equivalents, end of year	**$ 538,964**	$ 399,856
Supplemental disclosure of cash flow information		
Cash paid during the year for interest (exclusive of amounts capitalized)	**$ 147,958**	$ 125,022
Supplemental disclosure of noncash investing and financing activities		
Assets acquired under capital lease obligations	**$ 2,773**	$ –

See accompanying notes.

Northwell Health, Inc.

Notes to Consolidated Financial Statements
(In Thousands)

December 31, 2018

1. Organization and Principles of Consolidation

Northwell Health, Inc. and its member corporations and other affiliated entities (collectively, Northwell) is an integrated health care delivery system in the New York metropolitan area. Most entities within Northwell are exempt from Federal income taxes on related income under the provisions of Section 501(a) of the Internal Revenue Code (the Code) as organizations described in Section 501(c)(3), while certain entities are not exempt from such income taxes. The exempt organizations also are exempt from New York State and local income taxes.

The accompanying consolidated financial statements include the accounts of the following principal operating organizations. All interorganization accounts and activities have been eliminated in consolidation.

Hospitals

- North Shore University Hospital (NSUH), including Syosset Hospital
- Long Island Jewish Medical Center (LIJMC), including Long Island Jewish Hospital, Long Island Jewish Forest Hills, Long Island Jewish Valley Stream, Steven and Alexandra Cohen Children's Medical Center of New York, Zucker Hillside Hospital and Orzac Center for Rehabilitation
- Staten Island University Hospital (Staten Island), including both North and South campuses
- Lenox Hill Hospital (Lenox)
- Southside Hospital (Southside)
- Glen Cove Hospital (Glen Cove)
- Huntington Hospital Association (Huntington)
- Plainview Hospital (Plainview)
- The Long Island Home (South Oaks Hospital)
- Phelps Memorial Hospital Association (Phelps, collectively with its subsidiaries)
- Northern Westchester Hospital Association (Northern Westchester, collectively with its subsidiaries)
- Peconic Bay Medical Center (Peconic, collectively with its subsidiaries)
- John T. Mather Memorial Hospital (Mather, collectively with its subsidiary)

1. Organization and Principles of Consolidation (continued)

Other Entities

- Northwell Health, Inc. and Northwell Healthcare, Inc. (HCI) – parent holding companies
- Northwell Health Stern Family Center for Rehabilitation (Stern) – skilled nursing facility and rehabilitation center
- Northwell Health Laboratories – laboratory services
- North Shore Health System Enterprises, Inc., North Shore Health Enterprises, Inc. and True North Health Services Company, LLC – holding companies for certain related entities
- RegionCare, Inc. – infusion therapy and licensed home health agency services
- North Shore Community Services, Inc. – real estate holdings and related services
- North Shore University Hospital Housing, Inc., North Shore University Hospital at Glen Cove Housing, Inc. and Hillside Hospital Houses, Inc. – housing and auxiliary facilities for staff members, students and employees
- Visiting Nurse Association of Hudson Valley, Inc. and subsidiaries – home care and hospice services
- True North Health Pharmacy, Inc. – retail pharmacy
- North Shore-LIJ and Yale New Haven Medical Air Transport, LLC – medical air transport company 90% owned by Northwell
- Melville SC, LLC – outpatient ambulatory surgery center 51% owned by Northwell
- Greenwich Village Surgery Center – outpatient ambulatory surgery center currently 100% owned by Northwell
- The Feinstein Institute for Medical Research – medical research
- Northwell Health Foundation – fundraising
- Hospice Care Network – hospice services
- North Shore-LIJ Health Plan Inc. (Health Plan) – tax-exempt health insurance entity
- CareConnect Insurance Company Inc. (CareConnect) – for-profit health insurance entity
- Regional Insurance Company Ltd. (Regional Insurance) – captive insurance company providing excess professional liability insurance
- Huntington Hospital Dolan Family Health Center – community health center
- Endoscopy Center of Long Island, LLC – outpatient endoscopy center 70.2% owned by Northwell
- North Shore Medical Accelerator, P.C. – outpatient radiation oncology center 70% owned by Northwell
- Endo Group, LLC – outpatient ambulatory surgery center 51% owned by Northwell
- DHCH, LLC (Digestive Health Center of Huntington) – outpatient endoscopy center 51% owned by Northwell
- South Shore Surgery Center, LLC – outpatient ambulatory surgery center 50.1% owned by Northwell
- Suffolk Surgery Center, LLC – outpatient ambulatory surgery center 68% owned by Northwell
- Other affiliated professional corporations

1. Organization and Principles of Consolidation (continued)

Certain members of Northwell (the Obligated Group) are jointly and severally liable for obligations under bond indentures (see Note 7). The Obligated Group consists of HCI, NSUH, LIJMC, Staten Island, Lenox, Southside, Huntington, Glen Cove, Plainview and Stern.

Northwell maintains a controlling ownership in various entities whose results of operations are included in the accompanying consolidated financial statements. Northwell's non-controlling interest in these entities at December 31, 2018 and 2017 is immaterial, both individually and in the aggregate, to Northwell's net assets and excess of revenue and gains and losses over expenses, as reported in the accompanying consolidated financial statements.

Northwell is party to an agreement with Optum360, LLC (Optum360), a provider of revenue cycle management solutions and technology, where Optum360 provides revenue cycle services for most of Northwell's hospitals. As part of the agreement, Northwell contributed certain intellectual property related to its internal revenue cycle functions in exchange for an 8% ownership interest in Optum360. Northwell accounts for the investment in Optum360 using the equity method of accounting. At December 31, 2018 and 2017, $137,104 and $127,456, respectively, is reported within long-term investments in the accompanying consolidated statements of financial position for this investment. Northwell incurred management fees of $117,501 and $121,764 to Optum360 for revenue cycle services for the years ended December 31, 2018 and 2017, respectively. In addition, during 2018 the agreement with Optum360 was amended, with Northwell incurring a related incremental fee of $77,804 included in the consolidated statement of operations for the year ended December 31, 2018, payable over several years.

Acquisitions

On January 1, 2018 (the Acquisition Date), Northwell acquired Mather, a 248-bed not-for-profit community teaching hospital located in Port Jefferson, New York, and its affiliated professional corporation. Northwell acquired Mather by means of an inherent contribution where no consideration was transferred by Northwell. Northwell accounted for the business combination by applying the acquisition method and, accordingly, the inherent contribution is valued as the excess of the fair value of assets acquired over the fair value of liabilities assumed. In determining the inherent contribution received, all assets and liabilities were measured at the fair value as of the Acquisition Date. The results of Mather's operations have been included in the consolidated financial statements since the Acquisition Date. Mather is not a member of the Obligated Group.

(In Thousands)

1. Organization and Principles of Consolidation (continued)

The following table summarizes the estimated fair values of Mather's assets acquired and liabilities assumed at the Acquisition Date:

	January 1, 2018
Assets	
Cash and cash equivalents	$ 15,222
Investments	54,506
Accounts receivable for services to patients	44,805
Accounts receivable for physician activities	1,583
Property, plant and equipment	105,882
Insurance claims receivable	21,257
Other assets	28,379
Total assets acquired	271,634
Liabilities	
Short-term borrowings	3,500
Accounts payable and accrued expenses	29,755
Accrued salaries and related benefits	20,325
Accrued retirement benefits	49,909
Capital lease obligations	11,792
Long-term debt	32,644
Insurance claims liability	21,257
Malpractice and other insurance liabilities	21,378
Other long-term liabilities	2,014
Total liabilities assumed	192,574
Excess of assets acquired over liabilities assumed	$ 79,060
Net assets acquired	
Without donor restrictions	$ 75,819
With donor restrictions	3,241
	$ 79,060

(In Thousands)

1. Organization and Principles of Consolidation (continued)

The following table summarizes amounts attributable to Mather from the Acquisition Date through December 31, 2018 that are included in the accompanying 2018 consolidated statements of operations and changes in net assets:

	Year Ended December 31, 2018
Total operating revenue	$ 376,577
Total operating expenses	372,052
Excess of operating revenue over operating expenses	4,525
Total non-operating gains and losses	1,935
Excess of revenue and gains and losses over expenses	$ 6,460
Change in net assets:	
Net assets without donor restrictions	$ 3,637
Net assets with donor restrictions	(824)
Total change in net assets	$ 2,813

The following table represents unaudited pro forma financial information for Northwell, assuming the acquisition of Mather had taken place on January 1, 2017. The unaudited pro forma financial information excludes the contribution received in the acquisition of Mather and is not necessarily indicative of the results of operations as they would have been had the transaction been effected on January 1, 2017.

	Year Ended December 31	
	2018	**2017**
Total operating revenue	**$ 11,565,912**	$ 11,164,036
Total operating expenses	**11,431,517**	11,183,845
Excess (deficiency) of operating revenue over operating expenses	**134,395**	(19,809)
Total non-operating gains and losses	**(187,320)**	315,110
(Deficiency) excess of revenue and gains and losses over expenses	**$ (52,925)**	$ 295,301
Change in net assets:		
Without donor restrictions	**$ (46,104)**	$ 284,613
With donor restrictions	**4,521**	55,574
Total change in net assets	**$ (41,583)**	$ 340,187

1. Organization and Principles of Consolidation (continued)

In addition to the Mather acquisition, during 2018 and 2017, Northwell acquired various physician practices and other health providers. These acquisitions were accounted for as business combinations. Assets acquired during 2018 and 2017 were approximately $100,000 and $60,000, respectively. Incremental revenue recorded in 2018 and 2017 attributable to entities acquired during each year was approximately $80,000.

Sale of Broadlawn

In November 2017, The Long Island Home closed on an agreement to sell the assets of Broadlawn Manor Nursing and Rehabilitation Center to an independent operator of skilled nursing facilities for approximately $54,000. As part of the sale, $21,080 of property, plant and equipment, net was transferred to the purchaser. A portion of the sale proceeds were used to pay off existing long-term debt of $23,792 of The Long Island Home. As a result of the sale, a gain of $32,252 was recognized within the other operating revenue line of the accompanying consolidated statement of operations for the year ended December 31, 2017.

Health Insurance Companies

In July 2017, Health Plan filed a termination plan with the New York State Department of Health (NYSDOH). Under the termination plan, which was approved by the NYSDOH in September 2017, Health Plan ceased new enrollment in its Medicaid Managed Long-Term Care Plan and, by January 2018, had transitioned its existing members to other plans. Health Plan expects the wind down of operations to be completed by the end of 2019, including the payment of remaining claim liabilities.

In August 2017, Northwell announced that it would wind down CareConnect and withdraw from New York State's insurance markets. The New York State Department of Financial Services approved CareConnect's plan which allowed CareConnect to stop writing and renewing annual large and small group policies effective December 1, 2017 and individual policies effective January 1, 2018. As no new policies were to be written in 2018, and the health insurance premium revenue to be earned on existing policies was not expected to be sufficient to cover medical claims and other expenses incurred during the wind down of CareConnect, a premium deficiency reserve of $38,513 was recorded in 2017 and included within accounts payable and accrued expenses in the accompanying consolidated statement of financial position and within Health Insurance Companies operating expenses in the accompanying consolidated statement of operations for the year ended December 31, 2017. As of December 31, 2018, $11,191 remains accrued for the estimated expenses to complete the wind down of CareConnect.

1. Organization and Principles of Consolidation (continued)

As a result of Northwell's decision to exit the health insurance business, the net operating results of CareConnect and Health Plan (collectively, the Health Insurance Companies) are separately reported within the accompanying consolidated statements of operations for the years ended December 31, 2018 and 2017. See Note 2 for further information regarding health insurance premium revenue and the impact of the Affordable Care Act (ACA) risk adjustment program, as well as medical claims expense for the Health Insurance Companies.

2. Summary of Significant Accounting Policies

Consolidated Statements of Operations

The accompanying consolidated statements of operations include the excess of revenue and gains and losses over expenses as the performance indicator. For purposes of display, transactions deemed by management to be ongoing, major or central to the provision of health care services are reported as operating revenue and operating expenses; peripheral or incidental transactions and unusual, nonrecurring items are reported as non-operating gains and losses.

Net assets released from restrictions for capital asset acquisitions, the change in fair value of interest rate swap agreements designated as cash flow hedges, pension and other postretirement liability adjustments and other changes in net assets are excluded from Northwell's performance indicator.

Recently Adopted Accounting Standards

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. (ASU) 2014-09, *Revenue from Contracts with Customers*. The FASB codified ASU 2014-09 in the Accounting Standards Codification (ASC) as Topic 606. 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 previous revenue recognition requirements and most industry-specific guidance. The provisions of ASU 2014-09 became effective for Northwell for annual reporting periods after December 15, 2017.

2. Summary of Significant Accounting Policies (continued)

Effective January 1, 2018, Northwell adopted ASU 2014-09 following the full retrospective method of application. 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 been approximately $120,000 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 service revenue and physician practice revenue in the accompanying consolidated statements of operations. For the year ended December 31, 2017, the comparable amount (approximately $122,000) has been reclassified to conform to the current year presentation. For changes in credit status relating to third-party payers not identified at the date of service, Northwell will recognize those amounts as bad debt expense. Bad debt expense is now included as a component of supplies and expenses in the accompanying consolidated statements of operations. Other aspects of Northwell's implementation of ASU 2014-09 impacting net patient service revenue and physician practice revenue, which include judgments regarding collections and the addition of certain qualitative and quantitative disclosures, are reflected in Note 3. The adoption of ASU 2014-09 in relation to other applicable revenue activity did not have a material impact on the consolidated financial statements.

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 entities report net asset classes, expenses, and liquidity in the financial statements. The guidance is effective for fiscal years beginning after December 15, 2017. Northwell adopted ASU 2016-14, effective December 31, 2018. The adoption resulted in the presentation of two classes of net assets, those without donor restrictions which were previously presented as unrestricted net assets, and those with donor restrictions which were previously presented as temporarily and permanently restricted net assets. Not-for-profits are also required to report all expenses by both functional and natural classification in one location. Additionally, ASU 2016-14 requires additional disclosures around liquidity, which have been included in Note 4. The effects of the adoption of ASU 2016-14 were applied retrospectively, except for disclosure of expenses by both natural and functional classification and the disclosures about liquidity, as permitted by ASU 2016-14. The adoption of ASU 2016-14 had no impact on the total net assets previously reported by Northwell as of December 31, 2017.

2. Summary of Significant Accounting Policies (continued)

In January 2017, the FASB issued ASU 2017-04, *Intangibles – Goodwill and Other*. ASU 2017-04 simplifies the accounting for goodwill impairment and removes Step 2 of the goodwill impairment test, which required a hypothetical purchase price allocation. Under ASU 2017-04, a goodwill impairment charge is recognized for the amount by which the carrying value of a reporting unit exceeds its fair value, not to exceed the carrying amount of goodwill. Northwell adopted 2017-04 in 2018 with no impact to the consolidated financial statements, as there were no indicators of impairment.

Other Recent Accounting Pronouncements

In January 2016, the FASB issued ASU 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*. This guidance primarily affects the accounting for equity investments, financial liabilities under the fair value option, and the presentation and disclosure requirements for financial instruments. Under ASU 2016-01, certain investments in limited partnerships and similar entities that are accounted for at cost, less impairment, will now generally need to be recorded at fair value. The standard also allows entities that are not public business entities, among other things, to no longer disclose the fair value and significant assumptions used to estimate the fair value of certain financial instruments carried at amortized cost. The standard is effective for fiscal years beginning after December 15, 2018 for non-public business entities. Northwell early adopted the provision of the standard that eliminates the disclosure requirement for the fair value of long-term debt in 2017. The other provisions of the standard that are not eligible for early adoption are not expected to have a significant impact on the consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases.* 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 statements of financial position, including both finance and operating leases. 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 Northwell beginning January 1, 2019 and will be applied using a modified retrospective approach. 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 statement of financial position and significant incremental disclosures in the financial statement footnotes. Northwell does not expect to have any transition adjustments having a material impact on the consolidated statement of operations.

2. Summary of Significant Accounting Policies (continued)

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 not-for-profit entities. 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 June 15, 2018 and including interim periods within those annual periods. 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. Northwell is currently evaluating the potential impact of ASU 2018-08 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 standard. ASU 2018-15 will require an entity (customer) in a hosting arrangement that is a service contract to follow the guidance in ASC Subtopic 350-40 to determine which 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 this Update also require the entity to present the expense related to the capitalized implementation costs in the same line item in the statements of operations as the fees associated with the hosting element (service) of the arrangement and classify payments for capitalized implementation costs in the statements 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 statements of financial position 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

2. Summary of Significant Accounting Policies (continued)

periods thereafter. Early adoption is permitted. The amendments should be applied either retrospectively or prospectively to all implementation costs incurred after the date of adoption. Northwell has not completed the process of evaluating the impact of ASU 2018-15 on its consolidated financial statements.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, including accounts receivable for services to patients, and liabilities, including accounts payable and accrued expenses, estimated payables to third-party payers, accrued retirement benefits and malpractice and other insurance liabilities, and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

During 2018 and 2017, Northwell revised certain estimates made in prior years to reflect the passage of time and the availability of more recent information. For the year ended December 31, 2018, the net change in estimates related to prior years, excluding the Health Insurance Companies, was not significant. For the year ended December 31, 2017, the net change in estimates related to prior years, excluding the Health Insurance Companies, resulted in a decrease in liabilities by approximately $50,000 due to a reduction in estimated payables to third-party payers (see Note 3). For the Health Insurance Companies, the net change in estimates related to prior years resulted in an increase in liabilities of approximately $30,000 for the year ended December 31, 2018, mainly related to the Affordable Care Act risk adjustment program, and a decrease in liabilities of approximately $20,000 for the year ended December 31, 2017.

Cash and Cash Equivalents

Northwell classifies all highly liquid financial instruments purchased with a maturity of three months or less, other than those held in the investment portfolio, as cash equivalents. Northwell maintains cash on deposit with major banks and invests in money market securities with financial institutions which exceed federally-insured limits. Management believes the credit risk related to these deposits is minimal. Northwell does not hold any money market funds with significant liquidity restrictions that would be required to be excluded from cash equivalents.

2. Summary of Significant Accounting Policies (continued)

Pledges Receivable

Pledges (promises to give), less an allowance for uncollectible amounts, are recorded as receivables in the year made at net present value and are recorded as additions to net assets with donor restrictions. Pledges receivable that are due more than one year from the statement of financial position date are discounted to reflect the present value of future cash flows.

Investments

Short-term and long-term investments include marketable securities and other investments. Marketable securities are classified as trading securities. Investments in debt securities, equity securities and mutual funds with readily determinable fair values are reported at fair value, based on quoted market prices.

Northwell has also invested in alternative investments, including funds of hedge funds, hedge funds, private equity funds and private real estate funds. These other investments are not readily marketable and are reported under the equity method of accounting, which approximates fair value. The equity method reflects Northwell's share of the net asset value of the respective funds.

Individual investment holdings of the funds of hedge funds, hedge funds, private equity funds and private real estate funds may include investments in both nonmarketable and market-traded securities. Valuations of these investments, and therefore Northwell's holdings, may be determined by the investment managers or general partners. Values may be based on estimates that require varying degrees of judgment. Recorded estimates may change by a material amount in the near term. The investments may indirectly expose Northwell to securities lending, short sales of securities and trading in futures and forwards contracts, options and other derivative products. However, Northwell's risk is limited to its amounts invested. At December 31, 2018, Northwell has future commitments of $130,680 and $19,681 to invest in private equity and private real estate funds for pension and restricted assets, respectively.

Other investments also include non-controlling interests in non-clinical joint ventures held by Northwell for investment purposes. Such investments are accounted for under the equity method or cost method of accounting.

2. Summary of Significant Accounting Policies (continued)

Northwell is also invested in commingled fixed income, equity and risk-parity funds. The underlying investment holdings of the commingled funds are predominantly marketable securities. These investments are reported either at fair value based on quoted market prices, if their fair values are readily determinable, or under the equity method of accounting, which approximates fair value. The equity method reflects Northwell's share of the net asset value of these investments.

The financial statements of the alternative investments and commingled fixed income, equity and risk-parity funds noted above are audited annually by independent auditors, although the timing for reporting the results of such audits for certain investments does not coincide with Northwell's annual financial statement reporting.

Included in investments are assets limited as to use, which include funds held pursuant to debt financing arrangements, internally designated funds (including internally designated malpractice and other self-insurance assets), deferred employee and other retirement plan assets and donor restricted assets. Northwell has future commitments of approximately $144,000 at December 31, 2018 to purchase additional investments for these purposes. Amounts required to meet current liabilities are reported as short-term investments.

Investment income (including realized gains and losses on investments, interest and dividends) and the change in net unrealized gains and losses and change in value of equity method investments are included in the performance indicator, unless the income or loss is restricted by donor or law. Interest and dividend income earned on Northwell's internally designated malpractice and other self-insurance assets is recorded in other operating revenue.

Inventory of Supplies

Inventory, included in other current assets, is stated at the lower of cost and net realizable value.

2. Summary of Significant Accounting Policies (continued)

Insurance Claims Receivable and Liability

For medical malpractice and similar contingent liabilities, Northwell determines such claims liabilities without consideration of insurance recoveries. Accordingly, Northwell recognizes insurance receivables at the same time that it recognizes the liabilities, measured on the same basis as the liabilities, subject to the need for a valuation allowance for uncollectible amounts in the accompanying consolidated statements of financial position. Such amounts represent the actuarially determined present value of medical malpractice and other claims that are anticipated to be covered by insurance, discounted at a rate of 2.0%.

Property, Plant and Equipment

Property, plant and equipment is stated at cost or, in the case of gifts, at fair value at the date of the gift, less accumulated depreciation and amortization. Property, plant and equipment from acquired entities that existed at their respective acquisition dates was recorded at fair value based upon an independent valuation. Depreciation and amortization of land improvements, buildings, fixed equipment and major movable equipment is computed by the straight-line method based upon the estimated useful lives of the assets, ranging from three to forty years.

Equipment under capital lease obligations and leasehold improvements are amortized using the straight-line method over the lesser of the estimated useful life of the asset or the lease term. Such amortization is included in depreciation and amortization in the accompanying consolidated financial statements.

During the period of construction of capital assets, interest costs are capitalized as a component of the cost of assets. When assets are disposed of, the carrying amounts of the assets and the related accumulated depreciation are removed from the accounts, and any resulting gain or loss on disposal is included in the performance indicator. When assets become fully depreciated, the carrying amounts of such assets and the related accumulated depreciation are removed from the accounts (see Note 6).

Long-Lived Assets

Gifts of long-lived assets are reported at fair value established at the date of contribution as changes in net assets without donor restrictions, excluded from the performance indicator, unless explicit donor stipulations specify how the donated asset must be used.

2. Summary of Significant Accounting Policies (continued)

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If long-lived assets are deemed to be impaired, the impairment to be recognized is measured as the amount by which the carrying amount of the assets exceeds the fair value. Assets to be disposed of are reported at the lower of the carrying amount or the fair value, less costs to sell.

Other Assets

Other assets included in the accompanying consolidated statements of financial position primarily consist of goodwill, other intangible assets and investments in clinical joint ventures.

In connection with various acquisitions, Northwell has recognized certain indefinite-lived intangible assets totaling approximately $241,000 and $133,000 at December 31, 2018 and 2017, respectively. The intangible assets are subject to impairment testing on an annual basis. At December 31, 2018 and 2017, Northwell determined that there has been no impairment of these intangible assets.

Deferred Financing Costs

Deferred financing costs, included in long-term debt and capital lease obligations, represent costs incurred to obtain financing for various Northwell projects and initiatives. Amortization of these costs is provided over the term of the applicable indebtedness.

Interest Rate Swap Agreements

Interest rate swap agreements are reported at fair value. Fair value is estimated using discounted cash flow analyses based on current and projected interest rates with consideration of the risk of non-performance. Changes in fair value of interest rate swap agreements designated as derivative instruments are recognized in Northwell's performance indicator. Changes in fair value of interest rate swap agreements designated as cash flow hedges are excluded from the performance indicator.

2. Summary of Significant Accounting Policies (continued)

Other Long-Term Liabilities

Other long-term liabilities included in the accompanying consolidated statements of financial position primarily consist of the long-term portion of estimated payables to third-party payers, deferred rent payable, the long-term portion of the obligation related to the revised Optum360 agreement (see Note 1), deferred revenue and the fair value of the interest rate swap agreements.

Classification of Net Assets

Northwell separately accounts for and reports net assets without donor restrictions and net assets with donor restrictions. Net assets without donor restrictions include resources that the governing board may use for any designated purpose and resources whose use is limited by an agreement between Northwell and an outside party other than the donor or grantor. Net assets with donor restrictions are those whose use by Northwell has been limited by donors to a specific time period or purpose. When donor restrictions expire, that is, when a time restriction ends or a purpose restriction is accomplished, these net assets are reclassified to net assets without donor restrictions and reported as net assets released from restrictions.

Certain net assets with donor restrictions have been restricted by donors to be maintained in perpetuity. Income from these net assets is available to support certain teaching, research and training programs.

Donor Gifts

Gifts of cash and other assets, including unconditional promises to give cash and other assets (pledges), are reported at fair value when the gift is received (or promise is made). Donor-restricted contributions whose restrictions are met within the same year as received are classified as contributions without donor restrictions in the accompanying consolidated financial statements. Northwell receives conditional pledges, which are not reflected in the accompanying consolidated financial statements. The conditional pledges primarily relate to the establishment of certain programs. As the conditions of the pledges are met, the pledges are recognized. At December 31, 2018 and 2017, $48,083 and $25,508, respectively, of conditional pledges have not been recognized in the consolidated statements of financial position.

(In Thousands)

2. Summary of Significant Accounting Policies (continued)

Contributions and pledges raised through fundraising efforts for the years ended December 31, 2018 and 2017 are summarized as follows:

	2018	2017
Without donor restrictions	**$ 2,478**	$ 4,581
With donor restrictions	**99,942**	113,497
	$ 102,420	$ 118,078

Health Insurance Premium Revenue

Health insurance premium revenue for the Health Insurance Companies was earned over the term of the related insurance policies and recorded in the month for which members were entitled to health care services at estimated net realizable value. Included in the Health Insurance Companies operating revenue line in the accompanying consolidated statements of operations for the years ended December 31, 2018 and 2017 is $44,779 and $812,920, respectively, of health insurance premium revenue. Included in other current assets in the accompanying consolidated statement of financial position at December 31, 2017 is $16,337 of health insurance premium receivables (none at December 31, 2018 due to the wind-down of the Health Insurance Companies as noted in Note 1).

Affordable Care Act Risk Adjustment Program

The ACA risk adjustment program intends to reallocate funds from insurers with lower risk populations to insurers with higher risk populations, based on the relative risk scores of participants in non-grandfathered plans in the individual and small group markets, both on and off the health insurance exchanges. Included in the current portion of estimated payables to third-party payers in the accompanying consolidated statements of financial position at December 31, 2018 and 2017 is $14,131 and $95,845, respectively, related to CareConnect's estimated ACA risk adjustment program liability. Due to the limited publicly available information, such estimates could change in the future as more information becomes known and, as a result, there is at least a reasonable possibility that the recorded estimate may change by a material amount in the near term. Increases to the ACA risk adjustment program liability are recorded as a reduction of health insurance premium revenue included within the Health Insurance Companies operating revenue line in the

(In Thousands)

2. Summary of Significant Accounting Policies (continued)

accompanying consolidated statements of operations. Health insurance premium revenue was reduced by $39,109 and $106,974 for the years ended December 2018 and 2017, respectively, related to the ACA risk adjustment program.

Medical Claims Expense and Accrued Medical Claims

The Health Insurance Companies contracted with various health care providers, including Northwell, to provide care to their members. The Health Insurance Companies compensate these providers on either a capitated or fee-for-service basis. The cost of health care services is accrued in the period provided to enrollees and includes estimates for such services which have been incurred but not reported. Adjustments to these estimates are recorded in future periods as amounts become known. Included in the Health Insurance Companies operating expenses line in the accompanying consolidated statements of operations for the years ended December 31, 2018 and 2017 is $65,225 and $809,224, respectively, of medical claims expense, inclusive of Northwell's cost to care for members served at its facilities.

Included in accounts payable and accrued expenses in the accompanying consolidated statements of financial position at December 31, 2018 and 2017 is $13,584 and $76,709, respectively, of accrued medical claims liability, net of amounts payable to Northwell for services to members at its facilities.

Functional Expenses

Northwell provides health care services to residents primarily within its geographic areas. Expenses related to providing these services, including the expenses of the Health Insurance Companies, pertain to the following functional and natural categories for the year ended December 31, 2018:

	Health Care Services	Research	General and Administrative	Total
Salaries	$ 5,167,503	$ 72,214	$ 625,598	$ 5,865,315
Employee benefits	1,182,211	19,941	148,022	1,350,174
Supplies and expenses	3,189,571	53,874	350,668	3,594,113
Depreciation and amortization	302,098	6,324	166,833	475,255
Interest	130,690	–	15,970	146,660
	$ 9,972,073	$ 152,353	$ 1,307,091	$ 11,431,517

2. Summary of Significant Accounting Policies (continued)

Prior to the adoption of ASU 2016-14, operating expenses for the year ended December 31, 2017, including the expenses of the Health Insurance Companies, included $9,594,464 related to health care services (including research) and $1,222,120 related to general and administrative expenses.

Gain on Sale of Property

As a result of a prior year donation, Northwell held title to a remainder interest in a property located in Brea, California. In June 2018, the property was sold and Northwell recognized a $65,723 gain on sale of property for its share of the sale proceeds received.

Tax Status

Certain entities included in Northwell's consolidated financial statements are taxable entities under Federal or state laws. U.S. generally accepted accounting principles require that the asset and liability method of accounting for income taxes be utilized by these organizations and for unrelated business activities of the tax-exempt entities included in Northwell's consolidated financial statements. Under the asset and liability method, deferred income taxes are recognized for the tax consequences of temporary differences by applying enacted statutory tax rates applicable to future years to differences between the financial statement carrying amounts and the tax basis of existing assets and liabilities.

The effect on deferred taxes of a change in tax rates is recognized in income in the period of enactment. At December 31, 2018 and 2017, Northwell has a deferred income tax asset of approximately $118,000 and $123,000, respectively, both of which have been fully offset by a related valuation allowance. A valuation allowance is provided when it is more likely than not that some portion or all of the deferred tax asset will not be realized. Significant components of the deferred tax asset relate to net operating loss (NOL) carryforwards. Certain entities have NOL carryforwards aggregating approximately $559,000 at December 31, 2018. NOL carryforwards generated prior to 2018 will expire in varying amounts through 2037 and are available to offset future taxable income of the respective entity. Under the Tax Cuts and Jobs Act (TCJA) enacted on December 22, 2017, NOLs generated after 2017 can be carried forward indefinitely, but the TCJA placed limitations on how these NOL carryforwards can be used.

2. Summary of Significant Accounting Policies (continued)

Regulations necessary to implement certain other 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, Northwell has made reasonable estimates for the impact of the TCJA, which was not significant to the consolidated financial statements.

Reclassifications

Certain reclassifications have been made to the amounts previously reported in the 2017 consolidated statement of operations and in the 2017 fair value disclosures reported in Notes 8 and 9 to conform with the 2018 presentation.

3. Accounts Receivable and Patient Revenue

As a result of the adoption of ASU 2014-09, net patient service revenue and physician practice revenue (collectively, Patient Revenue) are reported at the amount that reflects the consideration to which Northwell expects to be entitled in exchange for providing patient care. These amounts are due from patients and third-party payers (including health insurers and government programs) and include various elements of variable consideration in determining a transaction price.

Northwell uses a portfolio approach to account for categories of patient contracts as a collective group, rather than recognizing revenue on an individual contract basis. The portfolios consist of major payer classes for Patient Revenue. Based on historical collection trends and other analyses, Northwell believes that revenue recognized by utilizing the portfolio approach approximates the revenue that would have been recognized if an individual contract approach were used.

Northwell's initial estimate of the transaction price for services provided to patients subject to revenue recognition is determined by reducing the total standard charges related to the patient services provided by various elements of variable consideration, including contractual adjustments, discounts, implicit price concessions and other reductions to Northwell's standard charges. Northwell determines the transaction price associated with services provided to patients who have third-party payer coverage on the basis of contractual rates, governmental rates or established charges for the services rendered. The estimates for contractual allowances and discounts are based on contractual agreements, Northwell's discount policies and historical experience. For uninsured patients who are ineligible for any government assistance program, Northwell provides services without charge or at amounts less than its established rates for patients

3. Accounts Receivable and Patient Revenue (continued)

who meet the criteria of its charity care policy. Because Northwell does not pursue collection of amounts determined to qualify as charity care, such services are not reported as Patient Revenue. For uninsured and under-insured patients who do not qualify for charity care, Northwell determines the transaction price associated with services on the basis of charges reduced by implicit price concessions. Implicit price concessions included in the estimate of the transaction price are based on Northwell's historical collection experience for applicable patient portfolios.

Generally, Northwell bills patients and third-party payers several days after the services are performed and/or the patient is discharged. Patient Revenue is recognized as performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided by Northwell. Patient Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total charges. Northwell 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 Northwell's outpatient and ambulatory care centers. Northwell measures the performance obligation from admission into the hospital or the commencement of an outpatient or physician service 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 or physician visit.

As substantially all of its performance obligations relate to contracts with a duration of less than one year, Northwell 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 below 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). As such, accounts receivable related to in-house patients are considered contract assets as the performance obligation is not completed until the patients are discharged, which for the majority of the in-house patients occur within days or weeks after the end of the reporting period and at which point Northwell has the right to bill.

(In Thousands)

3. Accounts Receivable and Patient Revenue (continued)

At December 31, 2018 and 2017, accounts receivable for services to patients, net is comprised of the following components:

	2018	2017
Receivables for services to patients	**$ 1,057,798**	$ 1,021,147
Contract assets (for in-house patients)	**72,527**	73,437
	$ 1,130,325	$ 1,094,584

Subsequent changes to the estimate of the transaction price (determined on a portfolio basis when applicable) are generally recorded as adjustments to Patient Revenue in the period of the change. For the years ended December 31, 2018 and 2017, changes in Northwell's estimates of implicit price concessions, discounts, contractual adjustments or other reductions to expected payments for performance obligations satisfied in prior years were not significant. Portfolio collection estimates are updated periodically 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 in supplies and expenses in the accompanying consolidated statements of operations for the years ended December 31, 2018 and 2017. Bad debt expense and the related allowance for uncollectible accounts for the years ended and as of December 31, 2018 and 2017 were not significant.

Northwell has determined that the nature, amount, timing and uncertainty of revenue and cash flows are primarily affected by its mix of payers.

Patient Revenue for the years ended December 31, 2018 and 2017, by payer, is approximately as follows:

	2018	2017
Medicare and Medicare managed care	**$ 3,598,000**	$ 3,110,000
Medicaid and Medicaid managed care	**1,548,000**	1,447,000
Self-pay	**87,000**	82,000
Other third-party payers	**5,384,000**	4,616,000
	$ 10,617,000	$ 9,255,000

(In Thousands)

3. Accounts Receivable and Patient Revenue (continued)

Deductibles, copayments and coinsurance under third-party payment programs which are the patient's responsibility are included within the appropriate payer category above.

Patient Revenue for the years ended December 31, 2018 and 2017, disaggregated by lines of service, is as follows:

	2018	2017
Hospitals	**$ 8,512,094**	$ 7,560,707
Physician practice revenue	**1,854,861**	1,471,198
Joint venture ambulatory surgery centers	**63,382**	51,484
Stern (skilled nursing facility and rehabilitation center)	**56,727**	55,387
Hospice Care Network	**50,237**	51,262
RegionCare, Inc.	**51,745**	45,948
Other	**27,937**	19,327
	$ 10,616,983	$ 9,255,313

Northwell has elected the practical expedient allowed under ASU 2014-09 and does not adjust the promised amount of consideration from patients and third-party payers for the effects of a significant financing component due to Northwell'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 payer pays for that service will be one year or less. However, Northwell 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.

Third-Party Payment Programs

Northwell has agreements with third-party payers that provide for payment for services rendered at amounts different from its established charges. A summary of the payment arrangements with major third-party payers follows:

3. Accounts Receivable and Patient Revenue (continued)

Non-Medicare Reimbursement

In New York State, hospitals and all non-Medicare payers, except Medicaid, workers' compensation and no-fault insurance programs, negotiate payment rates. If negotiated rates are not established, payers are billed at hospitals' established charges. Medicaid, workers' compensation and no-fault payers pay hospital rates promulgated by the NYSDOH. Payments to hospitals for Medicaid, workers' compensation and no-fault inpatient services are based on a statewide rate, with retroactive adjustments for certain rate components paid concurrently with the settlement of the final rate. Outpatient services also are paid based on a statewide prospective system. Medicaid rate methodologies are subject to approval at the Federal level by the Centers for Medicare and Medicaid Services (CMS), which may routinely request information about such methodologies prior to approval. Revenue related to specific rate components that have not been approved by CMS is not recognized until Northwell is reasonably assured that such amounts are realizable. Adjustments to the current and prior years' payment rates for those payers will continue to be made in future years.

Medicare Reimbursement

Hospitals are paid for most Medicare inpatient and outpatient services under the national prospective payment system and other methodologies of the Medicare program for certain other services. Federal regulations provide for certain adjustments to current and prior years' payment rates, based on industry-wide and Northwell-specific data.

Northwell has established estimates, based on information presently available, of amounts due to or from Medicare and non-Medicare payers for adjustments to current and prior years' payment rates, based on industry-wide and Northwell-specific data. The current Medicaid, Medicare and other third-party payer programs are based upon extremely complex laws and regulations that are subject to interpretation. Noncompliance with such laws and regulations could result in fines, penalties and exclusion from such programs. Northwell is not aware of any allegations of noncompliance 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. Medicare cost reports, which are filed individually by the applicable Northwell entities and serve as the basis for final settlement with the Medicare program, have been audited by the Medicare fiscal intermediary and settled through years ranging from 2000 to 2017. Other years remain open for audit and settlement, as do certain 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 and additional information is obtained.

3. Accounts Receivable and Patient Revenue (continued)

There are various proposals at the Federal and State levels that could, among other things, significantly reduce payment rates or modify payment methods. The ultimate outcome of these proposals and other market changes, including the potential effects of revisions to health care regulations that may be enacted by the Federal and State governments, cannot presently be determined. Future changes in the Medicare and Medicaid programs and any reduction of funding could have an adverse impact on Northwell. Additionally, certain payers' payment rates for various years have been appealed by certain members of Northwell. If the appeals are successful, additional income applicable to those years might be realized.

Settlements with third-party payers for cost report filings and retroactive adjustments due to ongoing and future audits, reviews or investigations are considered variable consideration and are included in the determination of Patient Revenue. These settlements are estimated based on the terms of the payment agreement with the payer, correspondence from the payer and Northwell'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 estimated 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 such audits, reviews and investigations. Changes in estimates relating to prior year settlements were not significant for the year ended December 31, 2018 and resulted in a decrease in liabilities by approximately $50,000 for the year ended December 31, 2017.

(In Thousands)

3. Accounts Receivable and Patient Revenue (continued)

Northwell grants credit without collateral to its patients, most of whom are insured under various third-party agreements. The significant concentrations of accounts receivable for services to patients at December 31, 2018 and 2017 were as follows:

	December 31	
	2018	**2017**
Medicare and Medicare managed care	**33%**	33%
Medicaid and Medicaid managed care	**20**	21
Self-pay	**5**	6
Other third-party payers	**42**	40
	100%	100%

Charity Care

Together, charity care, implicit price concessions and bad debt expense represent uncompensated care. The estimated cost of total uncompensated care was approximately $340,000 for each of the years ended December 31, 2018 and 2017. The estimated cost of charity care provided was approximately $250,000 for each of the years ended December 31, 2018 and 2017. The estimated cost of uncompensated care and charity care is based on the ratio of cost to charges, as determined using Northwell-specific data.

The NYSDOH Hospital Indigent Care Pool (the Pool) was established to provide funds to hospitals for the provision of uncompensated care and is funded, in part, by a 1% assessment on hospital net inpatient service revenue. For the years ended December 31, 2018 and 2017, Northwell received $69,040 and $60,550, respectively. Northwell made payments into the Pool of $54,752 and $50,863 for the years ended December 31, 2018 and 2017, respectively, for the 1% assessment.

(In Thousands)

4. Cash, Investments and Liquidity

Northwell's cash and investments are reported in the consolidated statements of financial position as presented below at December 31, 2018 and 2017:

	2018	2017
Cash and cash equivalents	**$ 538,964**	$ 399,856
Short-term investments	**2,581,695**	2,689,489
Long-term investments	**2,066,327**	2,279,855
Total cash and investments	**5,186,986**	5,369,200
Less assets limited as to use:		
Management designated malpractice and other self-insurance assets	**965,846**	762,473
Other management designated assets*	**644,575**	1,092,743
Donor restricted assets	**265,897**	268,553
Deferred employee compensation plan assets	**184,400**	174,495
Assets under bond indentures and other	**75,195**	87,450
Total assets limited as to use	**2,135,913**	2,385,714
Total unrestricted cash and investments	**$ 3,051,073**	$ 2,983,486

*Other management designated assets include sinking funds established to repay Northwell's taxable debt and proceeds from taxable bond issues and other amounts designated to fund future capital expenditures and investments.

The total unrestricted cash and investments is used in Northwell's days cash on hand calculation, a required financial ratio for certain debt compliance covenants (see Note 7).

Short-term investments include $166,290 and $216,415 of assets limited as to use at December 31, 2018 and 2017, respectively. Long-term investments include $1,969,623 and $2,169,299 of assets limited as to use at December 31, 2018 and 2017, respectively.

(In Thousands)

4. Cash, Investments and Liquidity (continued)

Cash and cash equivalents, short-term investments and long term-investments, stated at fair value or under the equity or cost method of accounting as applicable based on the appropriate measurement basis as described in Note 2, consist of the following at December 31, 2018:

	Total	Unrestricted Cash and Investments	Assets Limited as to Use
Cash and cash equivalents (including amounts in the investment portfolio)	**$ 961,646**	**$ 847,903**	**$ 113,743**
U.S. Government obligations	**356,098**	**296,086**	**60,012**
Corporate and other bonds	**440,259**	**407,154**	**33,105**
Fixed income mutual funds	**339,731**	**231,566**	**108,165**
Commingled fixed income funds	**646,314**	**284,813**	**361,501**
Equity securities	**703,431**	**615,163**	**88,268**
Equity mutual funds	**555,495**	**360,623**	**194,872**
Commingled equity funds	**183,742**	**–**	**183,742**
Target-age mutual funds	**50,440**	**–**	**50,440**
Commingled risk-parity funds	**199,953**	**–**	**199,953**
Funds of hedge funds	**530,197**	**–**	**530,197**
Hedge funds	**446**	**–**	**446**
Private equity funds	**15,351**	**–**	**15,351**
Private real estate funds	**4,992**	**–**	**4,992**
Non-clinical joint venture investments	**170,935**	**–**	**170,935**
Interest and other receivables	**27,956**	**7,765**	**20,191**
	$ 5,186,986	**$ 3,051,073**	**$ 2,135,913**

(In Thousands)

4. Cash, Investments and Liquidity (continued)

Cash and cash equivalents, short-term investments and long term-investments, stated at fair value or under the equity or cost method of accounting as applicable based on the appropriate measurement basis as described in Note 2, consist of the following at December 31, 2017:

	Total	Unrestricted Cash and Investments	Assets Limited as to Use
Cash and cash equivalents (including amounts in the investment portfolio)	$ 828,887	$ 747,177	$ 81,710
U.S. Government obligations	430,829	325,057	105,772
Corporate and other bonds	314,095	241,836	72,259
Fixed income mutual funds	466,595	345,685	120,910
Commingled fixed income funds	679,434	152,770	526,664
Equity securities	804,877	714,331	90,546
Equity mutual funds	671,122	450,892	220,230
Commingled equity funds	222,094	–	222,094
Target-age mutual funds	44,410	–	44,410
Commingled risk-parity funds	191,131	–	191,131
Funds of hedge funds	493,710	–	493,710
Hedge funds	993	–	993
Private equity funds	11,866	–	11,866
Private real estate funds	4,329	–	4,329
Non-clinical joint venture investments	196,170	–	196,170
Interest and other receivables	8,658	5,738	2,920
	$ 5,369,200	$ 2,983,486	$ 2,385,714

(In Thousands)

4. Cash, Investments and Liquidity (continued)

Investment income and the change in net unrealized gains and losses and change in value of equity method investments are comprised of the following for the years ended December 31, 2018 and 2017:

	2018		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Investment income:			
Interest and dividend income	**$ 48,466**	**$ 2,871**	**$ 51,337**
Net realized gains and losses	**97,401**	**10,508**	**107,909**
Less interest and dividend income on malpractice and other self-insurance assets (included in other operating revenue)	**(15,771)**	**–**	**(15,771)**
	$ 130,096	**$ 13,379**	**$ 143,475**
Change in net unrealized gains and losses and change in value of equity method investments:			
Change in net unrealized gains and losses	**$ (259,401)**	**$ (19,525)**	**$ (278,926)**
Equity method investment losses	**(69,530)**	**(2,206)**	**(71,736)**
	$ (328,931)	**$ (21,731)**	**$ (350,662)**

	2017		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Investment income:			
Interest and dividend income	$ 41,571	$ 2,592	$ 44,163
Net realized gains and losses	81,349	9,053	90,402
Less interest and dividend income on malpractice and other self-insurance assets (included in other operating revenue)	(13,869)	–	(13,869)
	$ 109,051	$ 11,645	$ 120,696
Change in net unrealized gains and losses and change in value of equity method investments:			
Change in net unrealized gains and losses	$ 181,740	$ 14,869	$ 196,609
Equity method investment gains	99,780	6,426	106,206
	$ 281,520	$ 21,295	$ 302,815

(In Thousands)

4. Cash, Investments and Liquidity (continued)

Liquidity

Financial assets available for general expenditure within one year of the consolidated statement of financial position date consist of the following at December 31, 2018:

Cash and cash equivalents	$ 538,964
Short-term investments	2,415,405
Accounts receivable for services to patients, net	1,130,325
Accounts receivable for physician activities, net	205,422
	$ 4,290,116

In addition to the assets above, Northwell also has assets limited as to use of $166,290 included within short-term investments on the accompanying consolidated statement of financial position at December 31, 2018 which are designated to be used within the next year. Also, included within long-term investments on the accompanying consolidated statement of financial position at December 31, 2018 are certain management designated assets limited as to use not currently available for general expenditure within the next year, but which could be made available if necessary. Refer to Note 2 for further discussion of assets limited as to use.

As part of Northwell's liquidity management plan, cash in excess of daily requirements is invested in marketable securities and other investments.

Additionally, Northwell has entered into various unsecured revolving credit facilities with commercial banks, as discussed in more detail in Note 7. As of December 31, 2018, $188,500 remained available on such arrangements.

(In Thousands)

5. Pledges Receivable

Pledges receivable at December 31, 2018 and 2017 consist of the following:

	2018	2017
Amounts expected to be collected in:		
Less than one year	**$ 80,032**	$ 78,943
One to five years	**105,910**	134,663
More than five years	**31,646**	37,608
	217,588	251,214
Less:		
Discount to present value future cash flows (discount rates ranging from 0.75% to 4.68%)	**15,588**	16,663
Allowance for uncollectible amounts	**35,264**	44,829
Current portion of pledges receivable	**67,590**	63,459
Pledges receivable, net of current portion	**$ 99,146**	$ 126,263

6. Property, Plant and Equipment

Property, plant and equipment and accumulated depreciation and amortization at December 31, 2018 and 2017 are summarized as follows:

	2018	2017
Land	**$ 774,496**	$ 752,101
Land improvements	**27,915**	28,122
Buildings and fixed equipment	**4,228,163**	3,916,466
Movable equipment	**1,950,463**	1,768,414
Leasehold improvements	**32,843**	29,417
	7,013,880	6,494,520
Less accumulated depreciation and amortization	**2,337,482**	2,133,002
	4,676,398	4,361,518
Construction-in-progress	**716,164**	572,697
	$ 5,392,562	$ 4,934,215

Northwell wrote off approximately $271,000 and $282,000 of fully depreciated assets in 2018 and 2017, respectively.

(In Thousands)

6. Property, Plant and Equipment (continued)

Net interest capitalized for the years ended December 31, 2018 and 2017 was approximately $13,000 and $14,000, respectively.

Certain leases are considered to be the equivalent of installment purchases for purposes of accounting presentation. The liabilities relating to these assets are included in capital lease obligations. The cost, less accumulated amortization, of these assets is included in property, plant and equipment at December 31, 2018 and 2017 as follows:

	2018	2017
Land	**$ 56,640**	$ 56,640
Buildings and fixed equipment	**77,461**	77,461
Movable equipment	**24,448**	10,237
	158,549	144,338
Less accumulated amortization	**13,773**	8,303
	$ 144,776	$ 136,035

7. Debt

Long-Term Debt

Long-term debt at December 31, 2018 and 2017 consists of the following:

	2018	2017
Bonds payable at varying dates through November 2047, at fixed and variable interest rates ranging from 3.00% to 6.15%	**$ 2,666,010**	$ 2,669,270
Other long-term debt payable at varying dates through August 2051 at variable and fixed interest rates ranging from 2.00% to 4.46%	**581,164**	590,876
Total long-term debt	**3,247,174**	3,260,146
Less current portion of bonds payable	**37,538**	33,159
Less current portion of other long-term debt	**17,931**	15,685
Less net unamortized debt issuance costs	**23,393**	24,951
Add net unamortized bond premium	**30,727**	33,932
	$ 3,199,039	$ 3,220,283

(In Thousands)

7. Debt (continued)

Annual aggregate principal payments applicable to long-term debt for years subsequent to December 31, 2018 are as follows:

	Bonds Payable	Other Long-Term Debt	Total
Year ended December 31:			
2019	$ 37,538	$ 17,931	$ 55,469
2020	40,116	17,185	57,301
2021	30,584	28,669	59,253
2022	31,682	30,587	62,269
2023	30,590	28,939	59,529
Thereafter	2,495,500	457,853	2,953,353
	$ 2,666,010	$ 581,164	$ 3,247,174

Most of Northwell's debt arrangements include security agreements of various types. The agreements include, among other provisions, the pledging as collateral certain assets and revenues, and limitations on the use of assets, including restrictions on the transfer of assets to entities outside Northwell. At December 31, 2018 and 2017, the majority of Northwell's assets were pledged as collateral under the terms of various debt agreements. In addition, certain debt agreements contain covenants related to the maintenance of financial ratios, including debt service coverage ratios and days cash on hand, and the maintenance of certain debt service and other reserve funds included in assets limited as to use. At December 31, 2018 and 2017, Northwell was in compliance with the financial covenants.

(In Thousands)

7. Debt (continued)

Bonds Payable

Bonds payable by Northwell consist of the following at December 31, 2018:

	Interest Structure	Final Maturity	Outstanding Principal
Obligated Group			
Series 2017A (taxable)	Fixed	2047	$ 956,919
Series 2016A (taxable)	Fixed	2046	500,000
Series 2015A	Fixed	2043	483,525
Series 2013A (taxable)	Fixed	2043	250,000
Series 2012A	Fixed	2023	20,415
Series 2012B (taxable)	Fixed	2042	135,000
Series 2009A	Fixed	2019	3,500
Series 2009B	Fixed	2039	50,000
Series 2009C	Fixed	2039	37,500
Series 2009D	Fixed	2039	37,500
Series 2009E	Fixed	2033	60,890
Other			
Phelps Series 2013 [(b)]	Fixed	2038	11,200
Phelps Series 2005 A and B [(b)]	Fixed	2030	17,010
Northern Westchester Series 2014 [(c)]	Fixed	2039	30,661
Northern Westchester Series 2009 [(c)]	Variable	2032	9,915
Northern Westchester Series 2004 [(c)]	Variable [(a)]	2024	6,510
Peconic Series A [(d)]	Variable [(a)]	2031	5,570
Peconic Series B [(d)]	Variable [(a)]	2031	10,895
Peconic Series D [(d)]	Variable [(a)]	2032	9,100
Mather Series 2013 [(e)]	Variable [(a)]	2043	21,265
Mather Series 2012 [(e)]	Variable [(a)]	2022	8,635
			$ 2,666,010

[(a)] Variable rate debt is swapped to a fixed rate via interest rate swap agreements.

[(b)] Phelps is party to direct purchase agreements with a commercial bank expiring in 2025 and 2030 for its Series 2013 and Series 2005 A and B bonds, respectively.

[(c)] Northern Westchester is party to direct purchase agreements with two commercial banks expiring in 2024 for its Series 2014 Series bonds. Northern Westchester's Series 2009 and 2004 bonds are backed by commercial bank direct pay letters of credit expiring in 2023 and 2021, respectively.

[(d)] Peconic is party to a direct purchase agreement with a commercial bank expiring in 2022 for its three outstanding bond issues.

[(e)] Mather is party to direct purchase agreements with a commercial bank expiring in 2023 and 2022 for its Series 2013 and 2012 bonds, respectively.

(In Thousands)

7. Debt (continued)

The Series 2017A, 2016A, 2013A and 2012B bonds are taxable bonds and were each issued by HCI as a joint and several obligation of the Obligated Group. The bonds of Phelps, Northern Westchester, Peconic and Mather are tax-exempt and are not obligations of the Obligated Group. All other bonds are tax-exempt and were issued through the Dormitory Authority of the State of New York (DASNY) on behalf of the Obligated Group.

In September 2017, HCI issued $956,919 of taxable Northwell Health Series 2017A bonds. The Series 2017A bonds were issued by HCI as a joint and several general obligation of the Obligated Group. The 2017A bonds bear interest at fixed rates, payable semi-annually, with a final maturity date of November 1, 2047. A portion of the proceeds of the Series 2017A bonds was used to refund $341,490 in Series 2011A bonds of the Obligated Group. The remaining proceeds were or will be used for capital expenditures and investments. At December 31, 2018, approximately $163,000 remains unexpended and is included in management designated assets limited as to use (see Note 4). A loss on refunding of long-term debt of $42,619 resulted from the Series 2017A bond transaction.

For certain Obligated Group bonds that were included in Northwell's 2017 refunding transaction and a 2015 refunding transaction, funds were placed in escrow with a trustee to pay bondholders at future redemption dates. These funds and the liability for the corresponding bonds are excluded from Northwell's consolidated statements of financial position at December 31, 2018 and 2017. Outstanding principal amounts to be paid from escrow to bondholders are comprised of the following at December 31, 2018:

	Date of Final Redemption	Outstanding Principal
Series 2009A Bonds	May 1, 2019	$ 200,955
Series 2011A Bonds	May 1, 2021	333,445
		$ 534,400

(In Thousands)

7. Debt (continued)

Other Long-Term Debt

Other long-term debt consists of the following at December 31, 2018:

	Interest Structure	Final Maturity	Outstanding Principal
Obligated Group			
2014 Private Placement Notes Payable	Fixed	2030	$ 250,000
Other			
LIJMC's Center for Advance Medicine Mortgage	Fixed	2045	199,967
Real Estate Financing	Fixed	2051	72,207
Staten Island Term Loan	Fixed	2023	18,000
Lenox Mortgage	Variable	2029	20,167
LIJMC Tax-Exempt Lease Financing	Fixed	2019	747
Phelps Mortgage	Fixed	2031	3,153
Northern Westchester Term Loan	Variable	2022	4,000
Peconic Loans	Variable	2027	6,961
Other Loans	Fixed	2024	5,962
			$ 581,164

Capital Lease Obligations

Northwell has entered into various capital lease agreements for land, buildings and equipment. Capital lease obligations at December 31, 2018 and 2017 consist of the following:

	2018	2017
Minimum lease payments	**$ 386,210**	$ 384,049
Less interest	**201,056**	207,386
Less current portion at net present value	**6,720**	3,742
Present value of net minimum long-term lease payments	**178,434**	172,921
Less net unamortized issuance costs	**985**	1,048
	$ 177,449	$ 171,873

(In Thousands)

7. Debt (continued)

Future minimum lease payments under capital lease obligations as of December 31, 2018 are as follows:

Year ending December 31:	
2019	$ 18,027
2020	17,568
2021	16,696
2022	15,505
2023	14,444
Thereafter	303,970
Total minimum lease payments	$ 386,210

Short-Term Borrowings

Certain members of Northwell have entered into several unsecured revolving credit facilities with commercial banks with commitment availability through dates ranging from August 31, 2019 to August 31, 2021. Borrowings under these credit facilities are short-term and are primarily used to provide interim financing for capital improvement projects, with repayment to be provided from bond proceeds and/or the receipt of fundraising proceeds from capital campaigns. Additionally, amounts can be used to provide backup financing for the support of the certificate of need process as required by the NYSDOH and short-term working capital to support the monthly operating cash conversion cycle. Total credit available under such arrangements is $292,000. Balances outstanding from these borrowings are $103,500 and $110,608 at December 31, 2018 and 2017, respectively.

8. Fair Values of Financial Instruments

For assets and liabilities required to be measured at fair value, Northwell measures fair value based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements are applied based on the unit of account from Northwell's perspective. The unit of account determines what is being measured by reference to the level at which the asset or liability is aggregated (or disaggregated) for purposes of applying other accounting pronouncements.

Northwell follows a valuation hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels, which are described below:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2: Observable inputs that are based on inputs not quoted in active markets, but corroborated by market data.

Level 3: Unobservable inputs are used when little or no market data is available.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. In determining fair value, Northwell uses valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible and considers nonperformance risk in its assessment of fair value.

A financial instrument's categorization within the three levels of the valuation hierarchy is not indicative of the investment risk associated with the underlying assets.

(In Thousands)

8. Fair Values of Financial Instruments (continued)

Financial assets and liabilities carried at fair value as of December 31, 2018 are classified in the following table in one of the three categories described previously:

	2018			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Cash and cash equivalents (including amounts in the investment portfolio)	**$ 961,646**	**$ –**	**$ –**	**$ 961,646**
Fixed income obligations:				
U.S. Government obligations	**100,189**	**255,909**	**–**	**356,098**
Corporate and other bonds	**–**	**440,259**	**–**	**440,259**
Fixed income mutual funds	**339,731**	**–**	**–**	**339,731**
Equity securities:				
Value	**288,137**	**–**	**–**	**288,137**
Small cap	**116,179**	**–**	**–**	**116,179**
Global	**206,806**	**–**	**–**	**206,806**
Growth	**92,309**	**–**	**–**	**92,309**
Equity mutual funds	**555,495**	**–**	**–**	**555,495**
Commingled equity funds*	**–**	**143,566**	**–**	**143,566**
Target-age mutual funds	**50,440**	**–**	**–**	**50,440**
Interest and other receivables	**27,956**	**–**	**–**	**27,956**
Liabilities				
Interest rate swap agreements	**–**	**(4,933)**	**–**	**(4,933)**
	$ 2,738,888	**$ 834,801**	**$ –**	**$ 3,573,689**

(In Thousands)

8. Fair Values of Financial Instruments (continued)

Financial assets and liabilities carried at fair value as of December 31, 2017 are classified in the following table in one of the three categories described previously:

	2017			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Cash and cash equivalents (including amounts in the investment portfolio)	$ 828,887	$ –	$ –	$ 828,887
Fixed income obligations:				
U.S. Government obligations	142,702	288,127	–	430,829
Corporate and other bonds	–	314,095	–	314,095
Fixed income mutual funds	466,595	–	–	466,595
Equity securities:				
Value	335,751	–	–	335,751
Small cap	126,259	–	–	126,259
Global	235,469	–	–	235,469
Growth	107,398	–	–	107,398
Equity mutual funds	671,122	–	–	671,122
Commingled equity funds*	–	176,032	–	176,032
Target-age mutual funds	44,410	–	–	44,410
Interest and other receivables	8,658	–	–	8,658
Liabilities				
Interest rate swap agreements	–	(5,699)	–	(5,699)
	$ 2,967,251	$ 772,555	$ –	$ 3,739,806

* Certain of Northwell's commingled equity fund investments are valued based on inputs not quoted in active markets, but corroborated by market data, while other commingled equity fund investments are recorded on the equity method of accounting and excluded from the fair value tables above.

Fair value for Level 1 is based upon quoted market prices. Fair value for Level 2 is based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the investment.

8. Fair Values of Financial Instruments (continued)

The amounts reported in the previous tables exclude investments reported under the equity method or cost method of accounting in the amounts of $1,608,364 and $1,623,695 at December 31, 2018 and 2017, respectively (see Note 2), and assets invested in Northwell's pension plans (see Note 9).

9. Pension Plans and Other Postretirement Benefits

Pension Plans

Northwell maintains several pension plans for its employees. The following are descriptions of such plans and the respective pension expense for the years ended December 31, 2018 and 2017.

Certain members of Northwell provide pension and similar benefits to their employees through defined contribution plans. Contributions to the defined contribution plans are based on percentages of annual salaries. It is the policy of these members to fund accrued costs under these plans on a current basis. Pension expense for 2018 and 2017 related to the defined contribution plans amounted to $178,924 and $154,533, respectively.

Certain members of Northwell contribute to various multiemployer defined benefit pension plans under the terms of collective-bargaining agreements that cover union-represented employees. The risks of participating in these multiemployer plans are different from single-employer plans in the following aspects:

a. Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.

b. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.

c. If Northwell stops participating in any of its multiemployer plans, it may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

(In Thousands)

9. Pension Plans and Other Postretirement Benefits (continued)

Northwell's significant participation in certain multiemployer plans for the annual period ended December 31, 2018 is outlined in the following table. The following information for the 1199SEIU Health Care Employees Pension Fund (the 1199 Plan) and the New York State Nurses Association Pension Plan (the NYSNA Plan) is included within the table:

a. The "EIN/Pension Plan Number" column provides the plans' Employee Identification Number (EIN) and the three-digit plan number.

b. The most recent "Pension Protection Act Zone Status" available in 2018 and 2017 is for a plan's year-end at December 31, 2017 and 2016, respectively, and is based on information that Northwell received from the plans and is certified by the plans' actuaries. 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.

c. The "FIP/RP Status Pending/Implemented" column indicates plans for which a financial improvement plan (FIP) or a rehabilitation plan (RP) is either pending or has been implemented.

d. The last column lists the expiration dates of the collective bargaining agreements to which the plans are subject.

Pension Fund	EIN/Pension Plan Number	Pension Protection Act Zone Status 2018	Pension Protection Act Zone Status 2017	FIP/RP Status Pending/ Implemented	Contributions of Northwell 2018	Contributions of Northwell 2017	Surcharge Imposed	Expiration Date of Collective-Bargaining Agreements
1199 Plan[(a)]	13-3604862/001	**Green**	Green	N/A	**$ 75,873**	$ 69,056	No	3/31/2019 to 1/15/2022
NYSNA Plan[(a)]	13-6604799/001	**Green**	Green	N/A	**$ 13,678**	$ 12,784	No	12/31/2019 to 2/28/2022

[(a)] Northwell contributions represent more than 5% of total contributions to the 1199 and NYSNA Plans for the plan years ended December 31, 2018 and 2017.

In addition to the plans noted in the table above, Northwell also participates in several other multiemployer plans. Contributions for these other plans totaled $1,089 and $1,154 for the years ended December 31, 2018 and 2017, respectively.

9. Pension Plans and Other Postretirement Benefits (continued)

Certain of Northwell's employees participate in deferred compensation plans. The liability for these plans totaled $5,616 and $8,396 at December 31, 2018 and 2017, respectively. In connection with these plans, Northwell deposits amounts with trustees on behalf of the participating employees. Under the terms of the plans, Northwell is not responsible for investment gains or losses incurred. The assets are restricted for payments under the plans, but may revert to Northwell under certain specified circumstances.

In addition, Northwell maintains various deferred compensation plans pursuant to Section 457(b) of the Code (the 457(b) Plans). Eligible employees may defer compensation under a salary reduction agreement, subject to certain dollar limitations. Non-elective employer contributions may also be made for some of the 457(b) Plans. Payments upon retirement or termination of employment are based on amounts credited to the individual accounts. The assets and corresponding liability for the 457(b) Plans, included in long-term investments and accrued retirement benefits in the accompanying consolidated statements of financial position, totaled $178,784 and $166,099 at December 31, 2018 and 2017, respectively.

Certain employees are covered by noncontributory defined benefit pension plans (the Plans), with the Northwell Health Cash Balance Plan (the Cash Balance Plan) being the primary plan. Northwell recognizes the funded status (i.e., the difference between the fair value of plan assets and the projected benefit obligations) of the Plans in its consolidated statements of financial position.

(In Thousands)

9. Pension Plans and Other Postretirement Benefits (continued)

Defined Benefit Pension Plans

The following tables provide a reconciliation of the changes in the Plans' aggregated projected benefit obligation and fair value of plan assets for the years ended December 31, 2018 and 2017 and the funded status and accumulated benefit obligation of the Plans as of December 31, 2018 and 2017:

	2018	2017
Reconciliation of the projected benefit obligation		
Obligation at January 1	**$ 2,524,882**	$ 2,272,298
Inclusion of Mather obligation at Acquisition Date	**202,931**	–
Service cost	**98,296**	77,960
Interest cost	**105,334**	98,662
Plan amendments	**33,944**	2,078
Actuarial (gain) loss	**(145,570)**	174,104
Benefit payments	**(113,281)**	(97,722)
Settlements	**(1,444)**	(2,498)
Obligation at December 31	**$ 2,705,092**	$ 2,524,882
Reconciliation of fair value of plan assets		
Fair value of plan assets at January 1	**$ 1,789,091**	$ 1,520,250
Inclusion of Mather plan assets at Acquisition Date	**155,059**	–
Actual (loss) return on plan assets	**(65,598)**	210,739
Employer contributions	**111,160**	158,328
Benefit payments	**(113,281)**	(97,722)
Settlements	**(1,533)**	(2,504)
Fair value of plan assets at December 31	**$ 1,874,898**	$ 1,789,091
Funded status		
Funded status at December 31	**$ (830,194)**	$ (735,791)
Accumulated benefit obligation at December 31	**$ 2,561,138**	$ 2,352,372

(In Thousands)

9. Pension Plans and Other Postretirement Benefits (continued)

The current portion of accrued retirement benefits related to the Plans, included in accrued salaries and related benefits in the accompanying consolidated statements of financial position, is $2,539 and $3,812 at December 31, 2018 and 2017, respectively.

The actuarial gain in 2018 is primarily due to the increase in the discount rate used in the measurement of the Plans' benefit obligation. The actuarial loss in 2017 is primarily due to the decrease in the discount rate.

Included in net assets without donor restrictions at December 31, 2018 and 2017 are the following amounts related to the Plans that have not yet been recognized in net periodic benefit cost:

	2018	2017
Unrecognized actuarial loss	**$ (676,826)**	$ (661,630)
Unrecognized prior service cost	**(37,595)**	(7,176)
	$ (714,421)	$ (668,806)

The Plans' actuarial loss and prior service cost included in net assets without donor restrictions expected to be recognized in net periodic benefit cost during the year ended December 31, 2019 are as follows:

Actuarial loss	$ 43,533
Prior service cost	14,120
Increase to net periodic benefit cost	$ 57,653

(In Thousands)

9. Pension Plans and Other Postretirement Benefits (continued)

The following table provides the components of the net periodic benefit cost for the Plans for the years ended December 31, 2018 and 2017:

	2018	2017
Service cost (included in employee benefits)	**$ 98,296**	$ 77,960
Interest cost on projected benefit obligation	**105,334**	98,662
Expected return on plan assets	**(134,957)**	(112,143)
Amortization of actuarial loss	**40,005**	39,323
Amortization of prior service cost	**3,525**	3,611
Settlement loss (gain)	**207**	(95)
Total included in non-operating net periodic benefit cost	**14,114**	29,358
Net periodic benefit cost	**$ 112,410**	$ 107,318

Prior service costs are amortized over the average remaining service period of active participants. Actuarial gains and losses in excess of 10% of the greater of the projected benefit obligations and the market-related value of assets are amortized over the average remaining service period of active participants.

The assumptions used in the measurement of the Cash Balance Plan's benefit obligations at December 31, 2018 and 2017 are shown in the following table:

	2018	2017
Discount rate	**4.35%**	3.75%
Rate of compensation increase	**4.00%**	4.00%

(In Thousands)

9. Pension Plans and Other Postretirement Benefits (continued)

The assumptions used in the measurement of the Cash Balance Plan's net periodic benefit cost for the years ended December 31, 2018 and 2017 are shown in the following table:

	2018	2017
Discount rate	**3.75%**	4.25%
Expected long-term rate of return on plan assets	**6.75%**	7.00%
Rate of compensation increase	**4.00%**	4.00%

The Cash Balance Plan comprises 82.1% and 89.4% of the Plans' total projected benefit obligation as of December 31, 2018 and 2017, respectively, and 97.1% and 94.6% of the net periodic benefit cost for the years ended December 31, 2018 and 2017, respectively.

Benefit payments for the Plans, which reflect expected future service, as appropriate, are expected to be paid as follows:

2019	$ 126,804
2020	136,350
2021	141,255
2022	151,406
2023	157,896
2024 to 2028	873,836

Northwell expects to make contributions of approximately $170,000 to the Plans in 2019.

(In Thousands)

9. Pension Plans and Other Postretirement Benefits (continued)

Defined Benefit Pension Plan Assets

The fair values of the Plans' assets at December 31, 2018, by asset category, are as follows:

	Level 1	Level 2	Level 3	Total
Asset Category				
Cash and short-term investments	**$ 39,763**	**$ –**	**$ –**	**$ 39,763**
Fixed income obligations:				
U.S. Government obligations	**7,898**	**20,379**	**–**	**28,277**
Corporate and other bonds	**–**	**135,796**	**–**	**135,796**
Fixed income mutual funds	**62,602**	**–**	**–**	**62,602**
Commingled fixed income funds	**–**	**85,403**	**–**	**85,403**
Equity securities:				
Value	**80,376**	**–**	**–**	**80,376**
Small cap	**42,115**	**–**	**–**	**42,115**
Global	**187,893**	**–**	**–**	**187,893**
Growth	**34,792**	**–**	**–**	**34,792**
Equity mutual funds	**181,231**	**–**	**–**	**181,231**
Commingled equity funds	**–**	**56,272**	**–**	**56,272**
Interest and other receivables	**4,571**	**–**	**–**	**4,571**
	$ 641,241	**$ 297,850**	**$ –**	**939,091**
Assets measured at net asset value:				
Commingled fixed income funds				**311,026**
Commingled equity funds				**62,646**
Commingled commodity fund				**499**
Commingled risk-parity fund				**83,889**
Funds of hedge funds				**286,685**
Hedge funds				**31**
Private equity funds				**137,679**
Private real estate funds				**53,352**
Total assets at fair value				**$ 1,874,898**

(In Thousands)

9. Pension Plans and Other Postretirement Benefits (continued)

The fair values of the Plans' assets at December 31, 2017, by asset category, are as follows:

	Level 1	Level 2	Level 3	Total
Asset Category				
Cash and short-term investments	$ 81,612	$ –	$ –	$ 81,612
Fixed income obligations:				
U.S. Government obligations	14,061	17,194	–	31,255
Corporate and other bonds	–	67,026	–	67,026
Fixed income mutual funds	103,029	–	–	103,029
Commingled fixed income funds	–	84,415	–	84,415
Equity securities:				
Value	40,367	–	–	40,367
Small cap	46,841	–	–	46,841
Global	175,362	–	–	175,362
Growth	41,189	–	–	41,189
Equity mutual funds	208,454	–	–	208,454
Commingled equity funds	–	69,177	–	69,177
Interest and other receivables	1,778	–	–	1,778
	$ 712,693	$ 237,812	$ –	950,505
Assets measured at net asset value:				
Commingled fixed income funds				241,825
Commingled equity funds				73,018
Commingled commodity fund				680
Commingled risk-parity fund				85,104
Funds of hedge funds				281,262
Hedge funds				83
Private equity funds				109,548
Private real estate funds				47,066
Total assets at fair value				$ 1,789,091

(In Thousands)

9. Pension Plans and Other Postretirement Benefits (continued)

Assets invested in the Plans are carried at fair value. Debt and equity securities and certain commingled funds with readily determinable values are carried at fair value, as determined based on independent published sources. Other commingled funds and alternative investments are stated at fair value, determined by using net asset value as a practical expedient, as permitted by generally accepted accounting principles, rather than using another valuation method to independently estimate fair value (see Note 2).

The following is a summary of assets in the Plans at December 31, 2018 (by asset category) with redemption restrictions:

	Asset Value	Redemption Period (Including Notice Period)
Commingled fixed income funds	$ 396,429	1 day to 65 days
Commingled equity funds	118,918	3 days to 45 days
Commingled risk-parity fund	83,889	90 days to 120 days
Funds of hedge funds	286,685	60 days to 365 days

Private equity and private real estate funds have long lifecycles with distributions not expected for several years. In the instance of certain redemptions, some investments noted above may require an extended waiting period to receive a remainder portion of the redemption.

9. Pension Plans and Other Postretirement Benefits (continued)

Basis Used to Determine the Expected Long-Term Rate of Return on Assets

The overall expected long-term rate of return on assets assumption is based upon a long-term building-block approach adjusted for current market conditions. First, return expectations for each asset class are developed with economic and fundamental drivers such as inflation, dividends and real earnings growth for stocks and real yields, defaults and recoveries for bonds. These expectations assume that market levels at the beginning of the forecast period are in a state of equilibrium. With the understanding that markets are more often than not in some state of disequilibrium, the "next ten year" return forecasts are adjusted to reflect the starting point for inflation expectations, interest rate levels and market risk premiums relative to historically normal market levels. The fundamental building blocks used to develop the long-term equilibrium return expectations are based on a combination of consensus forecasts and long-term historical averages. The historical data is adjusted to reflect any fundamental changes that have occurred in the relative markets.

Once long-term equilibrium forecasts are developed, returns are adjusted for the next ten years to reflect the current environment as it relates to the key economic variables that influence returns across the capital markets. In doing so, the expected path for breakeven inflation, real interest rates and investment grade corporate bond spreads are modeled for the next ten years. In this framework, the investment grade corporate spreads are used as a proxy for the risk premium priced broadly into all asset classes within the capital markets.

While the precise expected return derived using the above approach will fluctuate somewhat from year to year, the Plans' policy is to hold this long-term assumption constant as long as it remains within a reasonable tolerance from the derived rate.

Description of Investment Policies and Strategies

The Plans' overall investment strategy is to achieve wide diversification of asset types, fund strategies and fund managers. Equity securities include investments in domestic, international, global and emerging markets equities. Fixed income securities include corporate bonds of companies from diversified industries, mortgage-backed securities, emerging markets debt and U.S. Treasuries. Other types of investments include investments in commingled commodity funds and alternative investments that follow several different strategies.

(In Thousands)

9. Pension Plans and Other Postretirement Benefits (continued)

There are specific guidelines and diversification standards for each investment manager. Eligible investments are specifically outlined. Each manager must disclose its strategies and report that it abides by the Employee Retirement Income Security Act of 1974 (ERISA) rules, where applicable.

The Cash Balance Plan's asset allocation at December 31, 2018 and 2017, by asset category, is as follows:

	2018	2017	Target Allocation
Cash and short-term investments	**2.6%**	4.9%	6.0%
Fixed income obligations, including commingled fixed income funds	**32.7**	29.3	32.9
Equity securities, including commingled equity funds	**30.8**	35.2	24.5
Commingled risk-parity funds	**5.1**	5.0	0.0
Alternative investments	**28.8**	25.6	36.6
	100.0%	100.0%	100.0%

The target allocation percentages are set as long-term diversification objectives to be met over time, as the portfolio increases the allocation to alternative investments.

The Cash Balance Plan comprises 83.2% and 89.6% of the Plans' total fair value of plan assets as of December 31, 2018 and 2017, respectively.

Other Postretirement Benefits

Certain employees are covered by the Northwell Health Retiree Medical and Life Insurance Plan and other postretirement benefit plans other than pensions. As of December 31, 2018 and 2017, the total funded status of the plans was a liability of $31,418 and $44,165, respectively. The current portion of accrued retirement benefits related to the plans, included in accrued salaries and related benefits in the accompanying consolidated statements of financial position, is $1,537 and $1,645 at December 31, 2018 and 2017, respectively.

9. Pension Plans and Other Postretirement Benefits (continued)

For the years ended December 31, 2018 and 2017, there was a net periodic benefit cost (credit) related to these plans of $335 and ($483), respectively, of which ($1,252) and ($1,495), respectively, was recorded within non-operating net periodic benefit cost in the accompanying consolidated statements of operations.

10. Malpractice and Other Insurance Liabilities

Malpractice

Northwell provides for potential medical malpractice losses through a combination of a self-insurance program and purchased primary and excess insurance, on both a claims-made and occurrence basis, as follows:

Primary Insurance Program

From January 2003 through December 2016, Northwell purchased primary malpractice insurance on an occurrence basis, covering most hospitals. The policies provided coverage with limits of $1,000 per claim and a $50,000 annual policy aggregate through 2009. Effective January 2010, the program retained $750 of the primary coverage per indemnity claim, while aggregate limits increased to $60,000. Effective January 2013, the retention level increased to $900 per claim. Effective January 2017, Northwell decided to fully self-insure the primary layer covering most hospitals up to $1,000 per claim.

In December 2002, Northwell purchased a tail insurance policy to cover unreported occurrences from its prior claims-made primary insurance program.

The estimated undiscounted liability for the retained primary coverage and losses in excess of the insured primary aggregate at December 31, 2018 and 2017 was $721,206 and $622,487, respectively. At December 31, 2018 and 2017, the liability was recorded at the actuarially determined present value of $671,804 and $576,357, respectively, based on a discount rate of 2.0%. Malpractice and other insurance liabilities are discounted based on the expected timing of the actuarially estimated future claim payments under the programs, using a risk-free rate. Such estimates are reviewed and updated on an annual basis.

10. Malpractice and Other Insurance Liabilities (continued)

Excess Insurance Coverage

Regional Insurance covers certain excess malpractice losses above the primary per claim limit, on a claims-made basis. Additional commercial excess malpractice insurance is purchased on a claims-made basis for excess coverage layers above the Regional Insurance per claim limit.

Regional Insurance's estimated undiscounted reserves for losses and loss expenses outstanding at December 31, 2018 and 2017 were $150,317 and $177,563, respectively, and were recorded at the actuarially determined present value of $144,880 and $170,149, respectively, based on a discount rate of 2.0%.

Effective January 1, 2015, the aggregate excess coverage provided by Regional Insurance was reduced to $6,500 per year, which resulted in an undiscounted liability for the Northwell hospitals for estimated losses in excess of the aggregate at December 31, 2018 and 2017 of $263,671 and $180,794, respectively, recorded at the actuarially determined present value of $243,240 and $165,624, respectively, based on a 2.0% discount rate.

The estimated undiscounted incurred but not reported liability for claims in excess of primary insurance layers at December 31, 2018 and 2017 was $105,453 and $97,718, respectively, and was recorded at the actuarially determined present value of $91,635 and $84,864, respectively, based on a discount rate of 2.0%.

Other Self-Insurance Coverage

For certain years, certain Northwell hospitals were covered for malpractice claims under various other insured and self-insured arrangements. For self-insured claims and incidents, Northwell has reserved $39,308 and $37,972 at December 31, 2018 and 2017, respectively, based on actuarial determinations and a discount rate of 2.0%, as its best estimates of the ultimate cost of such losses.

Malpractice claims have been asserted against Northwell by various claimants. These claims are in various stages of processing, and some may ultimately be brought to trial. There are known incidents that have occurred through December 31, 2018 that may result in the assertion of additional claims, and other claims may be asserted arising from services provided to patients in the past. It is the opinion of Northwell's management that adequate insurance, including self-insurance, and malpractice reserves are being maintained to cover potential malpractice losses.

(In Thousands)

10. Malpractice and Other Insurance Liabilities (continued)

Workers' Compensation

In June 2013, Northwell changed its workers' compensation insurance program from a guaranteed cost program to a high deductible program with a $1,000 per claim retention level. At December 31, 2018 and 2017, the liability for retained losses under this program was recorded at the actuarially determined present value of $163,209 and $137,609, respectively, based on a discount rate of 2.0%. The estimated undiscounted liability was $182,982 and $156,572 at December 31, 2018 and 2017, respectively.

Prior to joining Northwell's high deductible program, certain hospitals had various self-insured programs for workers' compensation claims. At December 31, 2018 and 2017, the liability for these self-insured losses was recorded at the actuarially determined present value of $23,881 and $10,846, respectively, based on a discount rate of 2.0%.

11. Other Operating Revenue

Other operating revenue consists of the following for the years ended December 31, 2018 and 2017:

	2018	2017
Laboratory services	**$ 265,005**	$ 243,839
Grants and contracts	**147,128**	126,534
Pharmacy sales	**110,371**	83,349
MLMIC demutualization	**104,075**	–
Health plan risk pool distributions	**37,196**	20,739
Rental income	**29,516**	36,249
Gain on sale of Broadlawn	**–**	32,252
Cafeteria and gift shop sales	**18,093**	17,849
Group purchasing rebates	**16,978**	11,692
Investment income *(see Note 4)*	**15,771**	13,869
Health plan care coordination revenue	**7,489**	6,940
All other	**75,377**	59,770
	$ 826,999	$ 653,082

(In Thousands)

11. Other Operating Revenue (continued)

The table above excludes other operating revenue of the Health Insurance Companies of $14,130 and $15,157 for the years ended December 31, 2018 and 2017, respectively.

In October 2018, Medical Liability Mutual Insurance Company (MLMIC), one of Northwell's malpractice insurers, was acquired by National Indemnity Company. As a result of the acquisition, MLMIC went through a demutualization whereby its legal structure converted from a customer-owned mutual organization to a joint stock company. Included in other operating revenue in the accompanying consolidated statement of operations for the year ended December 31, 2018 is $104,075 from proceeds received by Northwell following the demutualization of MLMIC.

12. Net Assets

Donor restricted net assets at December 31, 2018 and 2017 are available for the following:

	2018	2017
Teaching, research, training and other	**$ 291,967**	$ 279,664
Capital projects and purchases of equipment	**127,427**	155,508
Permanent endowments	**219,315**	195,775
	$ 638,709	$ 630,947

Northwell's endowments consist of donor restricted funds, the income from which is available for a variety of purposes.

12. Net Assets (continued)

Northwell follows the requirements of the New York Prudent Management of Institutional Funds Act (NYPMIFA) as they relate to its permanent endowments. Northwell has interpreted NYPMIFA as requiring the preservation of the fair value of the original gift, as of the gift date, of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Northwell classifies as net assets with donor restrictions to be maintained in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining income from the permanent endowments is classified as net assets with donor restrictions to be used for described purposes or over specified periods of time until those amounts are appropriated for expenditure. Northwell considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds: (1) the duration and preservation of the fund, (2) the purpose of the donor restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, and (6) the investment policies of Northwell.

Northwell's investment and spending policies for endowment assets seek to provide a predictable stream of funding to programs supported by its endowments, while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that Northwell must hold in perpetuity or for a donor-specified term. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that expects to generate an average annual return over time in excess of 5.0%. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, Northwell relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Northwell targets a diversified asset allocation that consists of equities, fixed income and alternative investments.

Northwell has a policy of appropriating for distribution each year, no more than a 7% return on its endowment funds' corpus. In establishing this policy, Northwell considered the long-term expected return on its endowments.

(In Thousands)

12. Net Assets (continued)

For the years ended December 31, 2018 and 2017, Northwell had the following activity related to its endowment assets including amounts to be held in perpetuity and earnings which may be expended:

	2018	2017
Endowment balance, beginning of year	**$ 261,045**	$ 221,613
Investment return:		
Investment income	**13,379**	11,645
Net (depreciation) appreciation	**(21,731)**	21,295
Total investment return	**(8,352)**	32,940
Contributions and other	**23,540**	14,802
Amounts appropriated for expenditure	**(13,721)**	(8,310)
Net change in endowment funds	**1,467**	39,432
Endowment balance, end of year	**$ 262,512**	$ 261,045

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires Northwell to retain as a fund of perpetual duration. There was no such deficiency as of December 31, 2018 and 2017.

13. Commitments and Contingencies

Litigation and Claims

Northwell is involved in litigation and claims which are not considered unusual to its business. While the ultimate outcome of these lawsuits cannot be determined at this time, it is the opinion of management that the ultimate resolution of these claims will not have a material adverse effect on the accompanying consolidated financial statements.

Operating Leases

Northwell leases certain office facility space, patient care facility space and equipment under operating leases that have initial or remaining noncancelable terms in excess of one year. Aggregate minimum operating lease payments are amortized on the straight-line basis over the terms of the respective leases. Rent expense was $146,394 and $119,257 for 2018 and 2017, respectively.

(In Thousands)

13. Commitments and Contingencies (continued)

Future minimum lease payments under noncancelable operating leases with terms of one year or more are as follows:

2019	$ 143,520
2020	131,371
2021	122,866
2022	104,287
2023	88,360
Thereafter	454,912

Collective Bargaining Agreements

At December 31, 2018, approximately 33% of Northwell's employees are union employees who are covered under the terms of various collective bargaining agreements. Certain collective bargaining agreements which represent approximately 10% of union employees (3% of total employees) have expired, or will expire, within the next year and are currently being renegotiated.

Letters of Credit and Surety Bonds

At December 31, 2018, $9,015 in direct-pay letters of credit are maintained with a commercial bank, in lieu of debt service reserve funds for certain Obligated Group bond issues.

At December 31, 2018, $16,635 in direct-pay letters of credit are maintained with a commercial bank to secure certain Northern Westchester bond issues.

At December 31, 2018, four commercial banks are providing a total of $233,000 in commitments, solely to support letters of credit required for Northwell's high deductible workers' compensation insurance program. At December 31, 2018, $120,473 in secured direct-pay letters of credit were maintained with three of the banks, and $112,527 of the commitments remain available for future letters of credit. At December 31, 2018, there was also a $29,000 surety bond supporting this program.

In addition, at December 31, 2018, $16,195 in direct-pay letters of credit or surety bonds were maintained to support other workers' compensation insurance programs at certain Northwell hospitals.

13. Commitments and Contingencies (continued)

Other Commitments and Contingencies

In 2008, Hofstra University (the University) and Northwell entered into a joint academic agreement to establish what is now known as the Donald and Barbara Zucker School of Medicine at Hofstra/Northwell (the Medical School), at the University, while remaining as separate corporations with separate governance. Under the agreement, Northwell will reimburse the University a minimum of $5,000 each academic year for a portion of the Medical School's annual costs, with amounts indexed to the Medical School tuition. Such reimbursement is contingent upon annual approval by the boards of Northwell and the University. Northwell shall not advance funds to the University that have not yet been spent in connection with the Medical School. Northwell also provides a minimum of $4,000 annually for funding of Medical School scholarships and student loans, with amounts indexed to the Medical School tuition.

In April 2015, Northwell entered into a strategic affiliation with Cold Spring Harbor Laboratory (CSHL). Under the terms of this affiliation, Northwell and CSHL will continue as independent organizations governed by their respective boards of trustees. The goals of the affiliation include advancing cancer diagnostic and therapeutic research, developing a new clinical cancer research unit at Northwell to support early-phase clinical studies of new cancer therapies, and recruiting and training more clinician-scientists in oncology. Pursuant to the agreement, Northwell is now committed to pay CSHL $15,000 annually throughout the remaining term of the affiliation.

In August 2015, Northwell entered into a clinical affiliation and collaboration agreement with Maimonides Medical Center (Maimonides), a not-for-profit acute care hospital located in Brooklyn, New York. The purpose of the affiliation is to pursue collaborative activities, such as clinical integration initiatives and ambulatory services joint ventures, as well as service agreements that may generate operational efficiencies. Under the terms of the affiliation agreement, Northwell and Maimonides will remain independent organizations governed by their respective boards of trustees. Pursuant to the affiliation agreement, the parties have also entered into an unsecured loan agreement, whereby through August 2017, Northwell loaned a total of $125,000 to Maimonides. Payments on the loan and accrued interest thereon would not commence until the termination of the affiliation agreement. However, if Northwell becomes the sole member and corporate parent of Maimonides, outstanding amounts borrowed under the loan agreement, including accrued interest, will be forgiven.

13. Commitments and Contingencies (continued)

In August 2018, Northwell entered into an option agreement with a third party that recently acquired property on the Upper East Side of Manhattan. Under the agreement, Northwell is required to make minimum monthly payments of approximately $806 to the property owner and is given the option to purchase the property at a defined price at certain future dates. The option agreement is for a three-year period with the ability to extend for up to two additional years.

In the normal course of business, Northwell enters into multi-year contracts with vendors, suppliers and service providers for goods or services to be provided to Northwell. Under the terms of such agreements, Northwell may be contingently liable for termination or other fees in the event of contract termination or default. Northwell does not believe that such contingent liabilities, should they become due, would have a material impact on its consolidated financial statements.

14. Subsequent Events

Management has evaluated the impact of subsequent events through April 30, 2019, representing the date at which the consolidated financial statements were issued. No events have occurred that require disclosure in or adjustment to the accompanying consolidated financial statements.

Supplementary Information

Northwell Health, Inc.

Consolidating Statement of Financial Position
(In Thousands)

December 31, 2018

	Northwell Health, Inc. Total	Eliminations	Northwell Health Obligated Group	Phelps Memorial Hospital Association and Subsidiaries	Northern Westchester Hospital Association and Subsidiaries	Peconic Bay Medical Center and Subsidiaries	John T. Mather Memorial Hospital and Subsidiary	The Long Island Home	Hospice Care Network	The Feinstein Institute for Medical Research	Northwell Health Foundation	Northwell Health Laboratories	Captive Insurance Companies	Dolan Family Health Center	Health Insurance Companies	Joint Venture Ambulatory Surgery Centers	Other Northwell Health Entities
Assets																	
Current assets:																	
Cash and cash equivalents	$ 538,964	$ –	$ 284,292	$ 3,349	$ 30,065	$ 11,134	$ 30,402	$ 2,557	$ 5,905	$ –	$ 79,722	$ –	$ 881	$ –	$ 30,086	$ 7,238	$ 53,333
Short-term investments	2,581,695	–	2,188,394	101,929	76,328	18,059	24,378	86	37,575	26	7,267	–	34,767	963	91,923	–	–
Accounts receivable for services to patients, net	1,130,325	(6,294)	969,521	30,940	32,221	18,673	41,448	12,124	9,709	–	–	–	–	352	–	6,869	14,762
Accounts receivable for physician activities, net	205,422	(1,294)	141,021	3,061	1,941	3,789	2,747	–	–	–	–	–	–	–	–	–	54,157
Pledges receivable, current portion	67,590	–	–	–	–	–	–	–	81	–	66,563	–	–	–	–	–	946
Insurance claims receivable, current portion	54,877	–	52,037	202	586	189	–	1,394	35	90	6	338	–	–	–	–	–
Other current assets	326,685	(2,354)	209,788	6,342	8,296	6,171	13,972	2,491	338	10,286	759	28,529	13	64	4,731	1,477	35,782
Total current assets	4,905,558	(9,942)	3,845,053	145,823	149,437	58,015	112,947	18,652	53,643	10,402	154,317	28,867	35,661	1,379	126,740	15,584	158,980
Due from affiliates, net	–	(472,816)	461,214	–	2,394	–	–	–	399	1,553	–	–	7,256	–	–	–	–
Long-term investments	2,066,327	(324,270)	1,685,668	34,596	69,501	16,644	26,362	–	2,421	113,558	93,988	–	173,119	6,227	13,724	–	154,789
Pledges receivable, net of current portion	99,146	–	–	213	441	–	–	–	–	–	97,419	–	–	–	–	–	1,073
Property, plant and equipment, net	5,392,562	–	4,342,987	176,971	203,101	115,445	101,697	43,335	801	50,130	1,154	118,468	–	312	2,332	30,088	205,741
Insurance claims receivable, net of current portion	182,426	(147,778)	278,422	5,873	2,532	528	26,390	2,759	103	266	17	829	12,485	–	–	–	–
Other assets	390,963	(174,925)	354,810	5,552	7,791	12,084	11,466	4,782	214	–	77	–	446	35	–	63,474	105,157
Total assets	$ 13,036,982	$ (1,129,731)	$ 10,968,154	$ 369,028	$ 435,197	$ 202,716	$ 278,862	$ 69,528	$ 57,581	$ 175,909	$ 346,972	$ 148,164	$ 228,967	$ 7,953	$ 142,796	$ 109,146	$ 625,740
Liabilities and net assets (deficit)																	
Current liabilities:																	
Short-term borrowings	$ 103,500	$ –	$ 100,000	$ –	$ –	$ –	$ 3,500	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –
Accounts payable and accrued expenses	979,100	(9,945)	703,283	18,319	30,012	20,873	18,396	3,364	1,665	19,717	17,823	43,093	4,957	142	46,926	2,922	57,553
Accrued salaries and related benefits	891,525	–	742,560	12,827	17,739	17,668	20,916	5,681	1,760	6,166	1,661	8,700	–	396	1,281	822	53,348
Current portion of capital lease obligations	6,720	–	2,398	–	–	1,365	2,917	–	–	–	–	–	–	–	–	40	–
Current portion of long-term debt	55,469	–	44,759	1,913	3,675	2,167	2,632	–	–	–	–	–	–	–	–	323	–
Current portion of insurance claims liability	54,877	–	52,037	202	586	189	–	1,394	35	90	6	338	–	–	–	–	–
Current portion of malpractice and other insurance liabilities	175,728	–	132,434	2,030	3,753	1,402	835	507	–	–	–	–	34,767	–	–	–	–
Current portion of estimated payable to third-party payers	270,578	–	220,776	167	1,136	7,114	–	3,314	–	–	–	20,138	–	35	17,898	–	–
Total current liabilities	2,537,497	(9,945)	1,998,247	35,458	56,901	50,778	49,196	14,260	3,460	25,973	19,490	72,269	39,724	573	66,105	4,107	110,901
Due to affiliates, net	–	(453,590)	–	2,315	–	4,208	5,879	57,754	–	–	9,858	13,678	–	11,958	1,680	464	345,796
Accrued retirement benefits, net of current portion	1,041,936	–	922,434	5,044	40,296	3,678	62,097	8,077	200	–	–	–	–	–	110	–	–
Capital lease obligations, net of current portion	177,449	–	168,267	–	–	2,970	5,894	–	–	–	–	–	–	–	–	318	–
Long-term debt, net of current portion	3,199,039	–	3,058,911	29,450	47,413	30,358	27,458	–	–	–	–	–	–	–	–	5,449	–
Insurance claims liability, net of current portion	182,426	(147,778)	278,422	5,873	2,532	528	26,390	2,759	103	266	17	829	12,485	–	–	–	–
Malpractice and other insurance liabilities, net of current portion	1,220,562	(8,417)	1,044,711	14,655	20,984	12,472	18,542	3,657	–	–	–	–	113,958	–	–	–	–
Other long-term liabilities	694,538	–	642,319	6,321	13,083	4,229	1,533	–	873	28	6,512	1,304	–	–	431	9,571	8,334
Total liabilities	9,053,447	(619,730)	8,113,311	99,116	181,209	109,221	196,989	86,507	4,636	26,267	35,877	88,080	166,167	12,531	68,326	19,909	465,031
Commitments and contingencies																	
Net assets (deficit):																	
Without donor restrictions	3,344,826	(183,696)	2,411,123	257,303	223,480	85,811	79,456	(16,979)	50,844	20,294	(1,318)	60,084	62,800	(10,584)	74,470	89,237	142,501
With donor restrictions	638,709	(326,305)	443,720	12,609	30,508	7,684	2,417	–	2,101	129,348	312,413	–	–	6,006	–	–	18,208
Total net assets (deficit)	3,983,535	(510,001)	2,854,843	269,912	253,988	93,495	81,873	(16,979)	52,945	149,642	311,095	60,084	62,800	(4,578)	74,470	89,237	160,709
Total liabilities and net assets (deficit)	$ 13,036,982	$ (1,129,731)	$ 10,968,154	$ 369,028	$ 435,197	$ 202,716	$ 278,862	$ 69,528	$ 57,581	$ 175,909	$ 346,972	$ 148,164	$ 228,967	$ 7,953	$ 142,796	$ 109,146	$ 625,740

Northwell Health, Inc.

Combining Statement of Financial Position –
Northwell Health Obligated Group
(In Thousands)

December 31, 2018

	Total Obligated Group	Eliminations	Northwell Healthcare, Inc.	North Shore University Hospital	Long Island Jewish Medical Center	Staten Island University Hospital	Lenox Hill Hospital	Southside Hospital	Huntington Hospital Association	Glen Cove Hospital	Plainview Hospital	Northwell Health Stern Family Center for Rehabilitation
Assets												
Current assets:												
Cash and cash equivalents	$ 284,292	$ –	$ 246,117	$ 31,240	$ 1,166	$ 2,079	$ 2,398	$ 7	$ 475	$ 418	$ 391	$ 1
Short-term investments	2,188,394	–	121,837	705,915	659,218	399,388	45,737	–	200,374	54,881	668	376
Accounts receivable for services to patients, net	969,521	–	–	224,729	321,144	128,356	142,494	61,797	49,596	13,545	18,648	9,212
Accounts receivable for physician activities, net	141,021	–	–	124,250	3,185	–	11,992	1,073	341	95	85	–
Insurance claims receivable, current portion	52,037	–	1,023	12,730	13,693	7,380	8,893	3,335	2,382	788	1,509	304
Other current assets	209,788	(3,000)	39,176	50,823	53,780	20,436	25,530	10,423	6,379	3,161	3,010	70
Total current assets	3,845,053	(3,000)	408,153	1,149,687	1,052,186	557,639	237,044	76,635	259,547	72,888	24,311	9,963
Due from affiliates, net	461,214	(103,088)	211,016	109,526	189,590	27,144	–	–	–	1,189	6,465	19,372
Long-term investments	1,685,668	–	766,990	248,285	342,826	165,893	80,903	22,955	31,373	10,449	652	15,342
Property, plant and equipment, net	4,342,987	–	915,691	470,487	1,227,604	193,192	974,726	286,661	180,991	44,412	40,274	8,949
Insurance claims receivable, net of current portion	278,422	–	2,509	63,348	96,693	42,903	37,874	16,048	6,318	5,575	6,409	745
Other assets	354,810	(5,112)	94,119	203,060	14,549	13,264	33,539	1,391	–	–	–	–
Total assets	$ 10,968,154	$ (111,200)	$ 2,398,478	$ 2,244,393	$ 2,923,448	$ 1,000,035	$ 1,364,086	$ 403,690	$ 478,229	$ 134,513	$ 78,111	$ 54,371
Liabilities and net assets (deficit)												
Current liabilities:												
Short-term borrowings	$ 100,000	$ –	$ –	$ 7,500	$ 92,500	$ –	$ –	$ –	$ –	$ –	$ –	$ –
Accounts payable and accrued expenses	703,283	–	220,970	138,332	121,598	47,068	80,342	44,845	21,839	12,262	14,522	1,505
Accrued salaries and related benefits	742,560	–	280,673	118,291	153,986	46,986	58,637	36,533	24,392	7,082	13,524	2,456
Current portion of capital lease obligations	2,398	–	1,731	158	51	111	263	–	84	–	–	–
Current portion of long-term debt	44,759	–	5,502	10,044	20,173	4,000	1,820	45	45	763	1,542	825
Current portion of insurance claims liability	52,037	–	1,023	12,730	13,693	7,380	8,893	3,335	2,382	788	1,509	304
Current portion of malpractice and other insurance liabilities	132,434	–	34,441	27,205	29,778	16,036	9,399	7,143	4,708	1,624	2,100	–
Current portion of estimated payable to third-party payers	220,776	–	–	64,648	90,978	28,274	16,033	14,362	702	1,522	463	3,794
Total current liabilities	1,998,247	–	544,340	378,908	522,757	149,855	175,387	106,263	54,152	24,041	33,660	8,884
Due to affiliates, net	–	(227,879)	–	–	–	–	31,074	174,979	21,826	–	–	–
Accrued retirement benefits, net of current portion	922,434	–	287,583	147,065	74,854	7,131	178,715	66,191	114,561	13,238	26,477	6,619
Capital lease obligations, net of current portion	168,267	–	97,751	926	66,538	512	2,015	–	525	–	–	–
Long-term debt, net of current portion	3,058,911	–	1,785,312	94,510	834,077	68,503	113,145	71,169	78,170	5,050	6,760	2,215
Insurance claims liability, net of current portion	278,422	–	2,509	63,348	96,693	42,903	37,874	16,048	6,318	5,575	6,409	745
Malpractice and other insurance liabilities, net of current portion	1,044,711	–	142,267	247,356	276,045	146,086	91,293	65,151	43,223	14,612	18,678	–
Other long-term liabilities	642,319	–	72,342	145,030	238,794	39,648	66,292	50,954	11,235	7,321	9,991	712
Total liabilities	8,113,311	(227,879)	2,932,104	1,077,143	2,109,758	454,638	695,795	550,755	330,010	69,837	101,975	19,175
Commitments and contingencies												
Net assets (deficit):												
Without donor restrictions	2,411,123	116,679	(533,626)	1,016,309	665,144	533,038	571,156	(152,312)	133,951	50,896	(24,407)	34,295
With donor restrictions	443,720	–	–	150,941	148,546	12,359	97,135	5,247	14,268	13,780	543	901
Total net assets (deficit)	2,854,843	116,679	(533,626)	1,167,250	813,690	545,397	668,291	(147,065)	148,219	64,676	(23,864)	35,196
Total liabilities and net assets (deficit)	$ 10,968,154	$ (111,200)	$ 2,398,478	$ 2,244,393	$ 2,923,448	$ 1,000,035	$ 1,364,086	$ 403,690	$ 478,229	$ 134,513	$ 78,111	$ 54,371

Northwell Health, Inc.

Consolidating Statement of Financial Position – Phelps Memorial Hospital
(In Thousands)

December 31, 2018

	Phelps Memorial Hospital Association and Subsidiaries	Eliminations	Phelps Memorial Hospital Association	Phelps Professional Building Co.	Phelps Medical Associates
Assets					
Current assets:					
Cash and cash equivalents	$ 3,349	$ –	$ 1,822	$ 1,500	$ 27
Short-term investments	101,929	–	101,929	–	–
Accounts receivable for services to patients, net	30,940	–	30,940	–	–
Accounts receivable for physician activities, net	3,061	–	833	–	2,228
Insurance claims receivable, current portion	202	–	202	–	–
Other current assets	6,342	–	6,133	79	130
Total current assets	145,823	–	141,859	1,579	2,385
Due from affiliates, net	–	(16,234)	15,784	450	–
Long-term investments	34,596	–	34,596	–	–
Pledges receivable, net of current portion	213	–	213	–	–
Property, plant and equipment, net	176,971	–	165,462	8,930	2,579
Insurance claims receivable, net of current portion	5,873	–	5,873	–	–
Other assets	5,552	(1,376)	6,928	–	–
Total assets	$ 369,028	$ (17,610)	$ 370,715	$ 10,959	$ 4,964
Liabilities and net assets (deficit)					
Current liabilities:					
Accounts payable and accrued expenses	$ 18,319	$ –	$ 17,875	$ 22	$ 422
Accrued salaries and related benefits	12,827	–	10,683	–	2,144
Current portion of long-term debt	1,913	–	1,685	228	–
Current portion of insurance claims liability	202	–	202	–	–
Current portion of malpractice and other insurance liabilities	2,030	–	2,030	–	–
Current portion of estimated payable to third-party payers	167	–	167	–	–
Total current liabilities	35,458	–	32,642	250	2,566
Due to affiliates, net	2,315	(16,234)	–	–	18,549
Accrued retirement benefits, net of current portion	5,044	–	5,044	–	–
Long-term debt, net of current portion	29,450	–	26,525	2,925	–
Insurance claims liability, net of current portion	5,873	–	5,873	–	–
Malpractice and other insurance liabilities, net of current portion	14,655	–	14,655	–	–
Other long-term liabilities	6,321	–	6,320	–	1
Total liabilities	99,116	(16,234)	91,059	3,175	21,116
Commitments and contingencies					
Net assets (deficit):					
Without donor restrictions	257,303	(1,376)	267,047	7,784	(16,152)
With donor restrictions	12,609	–	12,609	–	–
Total net assets (deficit)	269,912	(1,376)	279,656	7,784	(16,152)
Total liabilities and net assets (deficit)	$ 369,028	$ (17,610)	$ 370,715	$ 10,959	$ 4,964

Northwell Health, Inc.

Consolidating Statement of Financial Position – Northern Westchester Hospital
(In Thousands)

December 31, 2018

	Northern Westchester Hospital Association and Subsidiaries	Eliminations	Northern Westchester Hospital Association	Northern Westchester Hospital Center Foundation	Other Subsidiaries
Assets					
Current assets:					
Cash and cash equivalents	$ 30,065	$ –	$ 29,165	$ –	$ 900
Short-term investments	76,328	–	76,328	–	–
Accounts receivable for services to patients, net	32,221	–	32,221	–	–
Accounts receivable for physician activities, net	1,941	–	1,941	–	–
Insurance claims receivable, current portion	586	–	586	–	–
Other current assets	8,296	–	8,296	–	–
Total current assets	149,437	–	148,537	–	900
Due from affiliates, net	2,394	(9,337)	11,731	–	–
Long-term investments	69,501	–	34,026	35,475	–
Pledges receivable, net of current portion	441	–	–	441	–
Property, plant and equipment, net	203,101	–	189,285	7	13,809
Insurance claims receivable, net of current portion	2,532	–	2,532	–	–
Other assets	7,791	–	6,858	–	933
Total assets	$ 435,197	$ (9,337)	$ 392,969	$ 35,923	$ 15,642
Liabilities and net assets					
Current liabilities:					
Accounts payable and accrued expenses	$ 30,012	$ –	$ 29,775	$ 41	$ 196
Accrued salaries and related benefits	17,739	–	17,633	106	–
Current portion of long-term debt	3,675	–	3,675	–	–
Current portion of insurance claims liability	586	–	586	–	–
Current portion of malpractice and other insurance liabilities	3,753	–	3,753	–	–
Current portion of estimated payable to third-party payers	1,136	–	1,136	–	–
Total current liabilities	56,901	–	56,558	147	196
Due to affiliates, net	–	(9,337)	–	4,493	4,844
Accrued retirement benefits, net of current portion	40,296	–	40,296	–	–
Long-term debt, net of current portion	47,413	–	47,413	–	–
Insurance claims liability, net of current portion	2,532	–	2,532	–	–
Malpractice and other insurance liabilities, net of current portion	20,984	–	20,984	–	–
Other long-term liabilities	13,083	–	11,847	–	1,236
Total liabilities	181,209	(9,337)	179,630	4,640	6,276
Commitments and contingencies					
Net assets:					
Without donor restrictions	223,480	–	212,432	1,682	9,366
With donor restrictions	30,508	–	907	29,601	–
Total net assets	253,988	–	213,339	31,283	9,366
Total liabilities and net assets	$ 435,197	$ (9,337)	$ 392,969	$ 35,923	$ 15,642

Northwell Health, Inc.

Combining Statement of Financial Position –
Joint Venture Ambulatory Surgery Centers
(In Thousands)

December 31, 2018

	Joint Venture Ambulatory Surgery Centers	Eliminations	Endoscopy Center of Long Island	Endo Group, LLC	South Shore Surgery Center	Suffolk Surgery Center	Digestive Health Center of Huntington	Greenwich Village Surgery Center	Melville Surgery Center
Assets									
Current assets:									
Cash and cash equivalents	$ 7,238	$ –	$ 1,807	$ 2,878	$ 435	$ 528	$ 361	$ 537	$ 692
Accounts receivable for services to patients, net	6,869	–	–	400	1,160	1,035	645	–	3,629
Other current assets	1,477	–	3	–	440	383	68	–	583
Total current assets	15,584	–	1,810	3,278	2,035	1,946	1,074	537	4,904
Due from affiliates, net	–	(6)	–	–	6	–	–	–	–
Property, plant and equipment, net	30,088	–	355	6,815	2,628	698	268	18,495	829
Other assets	63,474	–	29,939	6,386	4,143	5,358	4,237	–	13,411
Total assets	$ 109,146	$ (6)	$ 32,104	$ 16,479	$ 8,812	$ 8,002	$ 5,579	$ 19,032	$ 19,144
Liabilities and net assets									
Current liabilities:									
Accounts payable and accrued expenses	$ 2,922	$ –	$ 212	$ 550	$ 640	$ 339	$ 233	$ 138	$ 810
Accrued salaries and related benefits	822	–	123	87	148	79	29	70	286
Current portion of capital lease obligations	40	–	–	–	–	–	–	–	40
Current portion of long-term debt	323	–	–	157	–	97	69	–	–
Total current liabilities	4,107	–	335	794	788	515	331	208	1,136
Due to affiliates, net	464	(6)	269	60	–	67	55	–	19
Capital lease obligations, net of current portion	318	–	–	–	114	–	–	–	204
Long-term debt, net of current portion	5,449	–	–	5,299	–	150	–	–	–
Other long-term liabilities	9,571	–	–	–	–	–	–	9,452	119
Total liabilities	19,909	(6)	604	6,153	902	732	386	9,660	1,478
Commitments and contingencies									
Net assets:									
Without donor restrictions	89,237	–	31,500	10,326	7,910	7,270	5,193	9,372	17,666
With donor restrictions	–	–	–	–	–	–	–	–	–
Total net assets	89,237	–	31,500	10,326	7,910	7,270	5,193	9,372	17,666
Total liabilities and net assets	$ 109,146	$ (6)	$ 32,104	$ 16,479	$ 8,812	$ 8,002	$ 5,579	$ 19,032	$ 19,144

Northwell Health, Inc.

Consolidating Statement of Operations
(In Thousands)

Year Ended December 31, 2018

	Northwell Health, Inc. Total	Eliminations	Northwell Health Obligated Group	Phelps Memorial Hospital Association and Subsidiaries	Northern Westchester Hospital Association and Subsidiaries	Peconic Bay Medical Center and Subsidiaries	John T. Mather Memorial Hospital and Subsidiary	The Long Island Home	Hospice Care Network	The Feinstein Institute for Medical Research	Northwell Health Foundation	Northwell Health Laboratories	Captive Insurance Companies	Dolan Family Health Center	Health Insurance Companies	Joint Venture Ambulatory Surgery Centers	Other Northwell Health Entities
Operating revenue:																	
Net patient service revenue	$ 8,762,122	$ (24,129)	$ 7,469,636	$ 259,776	$ 274,010	$ 194,852	$ 316,942	$ 77,739	$ 50,237	$ –	$ –	$ –	$ –	$ 4,675	$ –	$ 63,379	$ 75,005
Physician practice revenue	1,854,861	(47,058)	1,228,932	25,851	6,382	24,200	35,710	1,855	319	–	–	–	–	–	–	–	578,670
Total patient revenue	10,616,983	(71,187)	8,698,568	285,627	280,392	219,052	352,652	79,594	50,556	–	–	–	–	4,675	–	63,379	653,675
Other operating revenue	826,999	(929,644)	841,589	24,144	6,538	8,136	23,925	4,064	106	55,747	–	465,069	3,213	2,340	–	32	321,740
Net assets released from restrictions used for operations	63,021	–	46,383	78	594	1,875	–	–	926	12,501	–	–	–	643	–	–	21
	11,507,003	(1,000,831)	9,586,540	309,849	287,524	229,063	376,577	83,658	51,588	68,248	–	465,069	3,213	7,658	–	63,411	975,436
Operating expenses:																	
Salaries	5,851,950	(162,917)	4,679,798	152,345	128,658	109,585	177,592	59,214	21,176	63,924	–	109,303	–	4,677	–	12,878	495,717
Employee benefits	1,347,618	(117,259)	1,149,646	24,405	34,436	30,804	45,532	21,740	6,457	19,939	–	36,575	–	1,914	–	2,320	91,109
Supplies and expenses	3,530,160	(720,655)	2,953,713	81,361	85,755	76,926	132,351	14,549	20,720	30,993	–	309,497	422	2,324	–	29,083	513,121
Depreciation and amortization	474,509	–	403,530	13,344	15,264	6,572	14,658	2,273	267	6,324	–	1,744	–	85	–	2,905	7,543
Interest	146,660	–	140,044	1,057	1,577	1,944	1,919	–	–	–	–	–	–	–	–	119	–
	11,350,897	(1,000,831)	9,326,731	272,512	265,690	225,831	372,052	97,776	48,620	121,180	–	457,119	422	9,000	–	47,305	1,107,490
Excess (deficiency) of operating revenue over operating expenses, excluding Health Insurance Companies	156,106	–	259,809	37,337	21,834	3,232	4,525	(14,118)	2,968	(52,932)	–	7,950	2,791	(1,342)	–	16,106	(132,054)
Health Insurance Companies operating revenue	58,909	–	–	–	–	–	–	–	–	–	–	–	–	–	58,909	–	–
Health Insurance Companies operating expenses	80,620	–	–	–	–	–	–	–	–	–	–	–	–	–	80,620	–	–
Health Insurance Companies excess of operating expenses over operating revenue	(21,711)	–	–	–	–	–	–	–	–	–	–	–	–	–	(21,711)	–	–
Total excess (deficiency) of operating revenue over operating expenses	134,395	–	259,809	37,337	21,834	3,232	4,525	(14,118)	2,968	(52,932)	–	7,950	2,791	(1,342)	(21,711)	16,106	(132,054)
Non-operating gains and losses:																	
Investment income	130,096	–	120,419	2,063	2,704	97	299	55	1,509	50	903	(45)	5,555	–	(3,331)	(226)	44
Change in net unrealized gains and losses and change in value of equity method investments	(328,931)	–	(306,338)	(4,812)	(6,106)	120	(2,380)	–	(3,041)	2	(571)	–	(15,895)	–	203	–	9,887
Change in interest in acquired entities	–	(14,051)	14,051	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Change in fair value of interest rate swap agreements designated as derivative instruments	433	–	–	–	–	–	433	–	–	–	–	–	–	–	–	–	–
Non-operating net periodic benefit (cost) credit	(12,862)	–	(18,605)	–	1,144	56	3,583	1,924	–	(112)	(63)	(616)	–	(55)	–	–	(118)
Contribution received in the acquisition of John T. Mather Memorial Hospital	75,819	–	75,819	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Gain on sale of property	65,723	–	65,723	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Other non-operating gains and losses	(41,779)	–	(21,677)	255	(1,189)	5,501	–	–	214	–	(19,468)	–	–	–	–	–	(5,415)
Total non-operating gains and losses	(111,501)	(14,051)	(70,608)	(2,494)	(3,447)	5,774	1,935	1,979	(1,318)	(60)	(19,199)	(661)	(10,340)	(55)	(3,128)	(226)	4,398
Excess (deficiency) of revenue and gains and losses over expenses	22,894	(14,051)	189,201	34,843	18,387	9,006	6,460	(12,139)	1,650	(52,992)	(19,199)	7,289	(7,549)	(1,397)	(24,839)	15,880	(127,656)
Net assets released from restrictions for capital asset acquisitions	44,170	–	27,482	5,946	9,422	–	1,086	–	–	234	–	–	–	–	–	–	–
Change in fair value of interest rate swap agreements designated as cash flow hedges	1,279	–	140	–	111	1,031	(3)	–	–	–	–	–	–	–	–	–	–
Transfers (to) from affiliates	–	–	(362,592)	–	15,000	19,993	18,000	–	–	50,102	18,000	–	–	–	–	11,205	230,292
Pension and other postretirement liability adjustments	(31,190)	–	(4,126)	–	(784)	(1,642)	(21,906)	(4,280)	102	176	34	415	–	22	–	–	799
Other changes in net assets	(7,438)	13,586	2,875	(200)	–	–	–	–	–	265	–	–	(3,013)	–	(253)	(19,848)	(850)
Increase (decrease) in net assets without donor restrictions	$ 29,715	$ (465)	$ (147,020)	$ 40,589	$ 42,136	$ 28,388	$ 3,637	$ (16,419)	$ 1,752	$ (2,215)	$ (1,165)	$ 7,704	$ (10,562)	$ (1,375)	$ (25,092)	$ 7,237	$ 102,585

Northwell Health, Inc.

Combining Statement of Operations –
Northwell Health Obligated Group
(In Thousands)

Year Ended December 31, 2018

	Total Obligated Group	Eliminations	Northwell Healthcare, Inc.	North Shore University Hospital	Long Island Jewish Medical Center	Staten Island University Hospital	Lenox Hill Hospital	Southside Hospital	Huntington Hospital Association	Glen Cove Hospital	Plainview Hospital	Northwell Health Stern Family Center for Rehabilitation
Operating revenue:												
Net patient service revenue	$ 7,469,636	$ (347)	$ –	$ 1,827,040	$ 2,464,818	$ 934,818	$ 1,064,528	$ 464,580	$ 351,864	$ 117,204	$ 188,404	$ 56,727
Physician practice revenue	1,228,932	–	–	451,870	393,814	–	126,729	130,116	81,894	19,773	23,513	1,223
Total patient revenue	8,698,568	(347)	–	2,278,910	2,858,632	934,818	1,191,257	594,696	433,758	136,977	211,917	57,950
Other operating revenue	841,589	(1,441,163)	1,369,618	374,041	209,625	42,212	226,045	33,827	8,565	5,111	12,896	812
Net assets released from restrictions used for operations	46,383	–	2,104	14,881	19,319	703	9,296	34	46	–	–	–
Total operating revenue	9,586,540	(1,441,510)	1,371,722	2,667,832	3,087,576	977,733	1,426,598	628,557	442,369	142,088	224,813	58,762
Operating expenses:												
Salaries	4,679,798	(470,636)	452,281	1,328,466	1,446,993	480,829	674,253	324,489	213,872	83,878	110,317	35,056
Employee benefits	1,149,646	(108,589)	118,487	263,189	370,582	144,962	150,468	86,180	54,202	20,632	36,472	13,061
Supplies and expenses	2,953,713	(862,285)	602,428	932,511	1,030,938	295,438	472,744	212,306	143,753	40,715	73,060	12,105
Depreciation and amortization	403,530	–	122,882	64,997	89,589	25,918	47,199	22,611	18,916	6,011	3,883	1,524
Interest	140,044	–	75,746	6,032	43,533	2,820	4,752	3,004	3,344	255	403	155
Total operating expenses	9,326,731	(1,441,510)	1,371,824	2,595,195	2,981,635	949,967	1,349,416	648,590	434,087	151,491	224,135	61,901
Excess (deficiency) of operating revenue over operating expenses	259,809	–	(102)	72,637	105,941	27,766	77,182	(20,033)	8,282	(9,403)	678	(3,139)
Non-operating gains and losses:												
Investment income	120,419	–	18,596	31,860	35,260	20,712	1,663	424	8,759	2,885	(35)	295
Change in net unrealized gains and losses and change in value of equity method investments	(306,338)	–	(99,508)	(66,760)	(69,208)	(43,655)	(3,359)	(797)	(17,554)	(5,468)	–	(29)
Change in interest in acquired entities	14,051	–	–	14,051	–	–	–	–	–	–	–	–
Non-operating net periodic benefit cost	(18,605)	–	(3,939)	(2,766)	(1,654)	(31)	(4,468)	(1,862)	(2,775)	(310)	(719)	(81)
Contribution received in the acquisition of John T. Mather Memorial Hospital	75,819	–	75,819	–	–	–	–	–	–	–	–	–
Gain on sale of property	65,723	–	65,723	–	–	–	–	–	–	–	–	–
Other non-operating gains and losses	(21,677)	–	(8,645)	(739)	(376)	(11,885)	(32)	–	–	–	–	–
Total non-operating gains and losses	(70,608)	–	48,046	(24,354)	(35,978)	(34,859)	(6,196)	(2,235)	(11,570)	(2,893)	(754)	185
Excess (deficiency) of revenue and gains and losses over expenses	189,201	–	47,944	48,283	69,963	(7,093)	70,986	(22,268)	(3,288)	(12,296)	(76)	(2,954)
Net assets released from restrictions for capital asset acquisitions	27,482	–	2	1,402	10,071	968	8,940	6,099	–	–	–	–
Change in fair value of interest rate swap agreements designated as cash flow hedges	140	–	–	50	90	–	–	–	–	–	–	–
Transfers (to) from affiliates	(362,592)	–	111,860	(241,350)	(233,111)	–	9	–	–	–	–	–
Pension and other postretirement liability adjustments	(4,126)	–	(24,700)	7,095	3,470	907	3,785	1,402	2,569	536	537	273
Other changes in net assets	2,875	–	–	–	–	–	2,875	–	–	–	–	–
(Decrease) increase in net assets without donor restrictions	$ (147,020)	$ –	$ 135,106	$ (184,520)	$ (149,517)	$ (5,218)	$ 86,595	$ (14,767)	$ (719)	$ (11,760)	$ 461	$ (2,681)

Northwell Health, Inc.

Consolidating Statement of Operations – Phelps Memorial Hospital
(In Thousands)

Year Ended December 31, 2018

	Phelps Memorial Hospital Association and Subsidiaries	Eliminations	Phelps Memorial Hospital Association	Phelps Professional Building Co.	Phelps Medical Associates
Operating revenue:					
Net patient service revenue	$ 259,776	$ –	$ 259,776	$ –	$ –
Physician practice revenue	25,851	–	5,834	–	20,017
Total patient revenue	285,627	–	265,610	–	20,017
Other operating revenue	24,144	(2,320)	23,787	2,346	331
Net assets released from restrictions used for operations	78	–	78	–	–
Total operating revenue	309,849	(2,320)	289,475	2,346	20,348
Operating expenses:					
Salaries	152,345	–	126,453	198	25,694
Employee benefits	24,405	–	19,874	50	4,481
Supplies and expenses	81,361	(2,320)	76,905	733	6,043
Depreciation and amortization	13,344	–	12,769	294	281
Interest	1,057	–	963	94	–
Total operating expenses	272,512	(2,320)	236,964	1,369	36,499
Excess (deficiency) of operating revenue over operating expenses	37,337	–	52,511	977	(16,151)
Non-operating gains and losses:					
Investment income	2,063	–	2,059	4	–
Change in net unrealized gains and losses and change in value of equity method investments	(4,812)	–	(4,812)	–	–
Other non-operating gains and losses	255	–	255	–	–
Total non-operating gains and losses	(2,494)	–	(2,498)	4	–
Excess (deficiency) of revenue and gains and losses over expenses	34,843	–	50,013	981	(16,151)
Net assets released from restrictions for capital asset acquisitions	5,946	–	5,946	–	–
Other changes in net assets	(200)	492	–	(692)	–
Increase (decrease) in net assets without donor restrictions	$ 40,589	$ 492	$ 55,959	$ 289	$ (16,151)

Northwell Health, Inc.

Consolidating Statement of Operations – Northern Westchester Hospital
(In Thousands)

Year Ended December 31, 2018

	Northern Westchester Hospital Association and Subsidiaries	Northern Westchester Hospital Association	Northern Westchester Hospital Center Foundation	Other Subsidiaries
Operating revenue:				
Net patient service revenue	$ 274,010	$ 274,010	$ –	$ –
Physician practice revenue	6,382	6,382	–	–
Total patient revenue	280,392	280,392	–	–
Other operating revenue	6,538	5,044	–	1,494
Net assets released from restrictions used for operations	594	594	–	–
Total operating revenue	287,524	286,030	–	1,494
Operating expenses:				
Salaries	128,658	128,565	–	93
Employee benefits	34,436	34,436	–	–
Supplies and expenses	85,755	84,801	–	954
Depreciation and amortization	15,264	14,694	–	570
Interest	1,577	1,577	–	–
Total operating expenses	265,690	264,073	–	1,617
Excess (deficiency) of operating revenue over operating expenses	21,834	21,957	–	(123)
Non-operating gains and losses:				
Investment income	2,704	2,351	–	353
Change in net unrealized gains and losses and change in value of equity method investments	(6,106)	(6,106)	–	–
Non-operating net periodic benefit credit	1,144	1,144	–	–
Other non-operating gains and losses	(1,189)	(1)	(1,188)	–
Total non-operating gains and losses	(3,447)	(2,612)	(1,188)	353
Excess (deficiency) of revenue and gains and losses over expenses	18,387	19,345	(1,188)	230
Net assets released from restrictions for capital asset acquisitions	9,422	9,422		
Change in fair value of interest rate swap agreements designated as cash flow hedges	111	111	–	–
Transfers from affiliates	15,000	15,000	–	–
Pension and other postretirement liability adjustments	(784)	(784)	–	–
Increase (decrease) in net assets without donor restrictions	$ 42,136	$ 43,094	$ (1,188)	$ 230

Northwell Health, Inc.

Combining Statement of Operations –
Joint Venture Ambulatory Surgery Centers
(In Thousands)

Year Ended December 31, 2018

	Joint Venture Ambulatory Surgery Centers	Endoscopy Center of Long Island	Endo Group, LLC	South Shore Surgery Center	Suffolk Surgery Center	Digestive Health Center of Huntington	Greenwich Village Surgery Center	Melville Surgery Center
Operating revenue:								
Net patient service revenue	$ 63,379	$ 19,643	$ 11,053	$ 8,349	$ 5,393	$ 3,940	$ 699	$ 14,302
Total patient revenue	63,379	19,643	11,053	8,349	5,393	3,940	699	14,302
Other operating revenue	32	–	–	29	–	–	3	–
Total operating revenue	63,411	19,643	11,053	8,378	5,393	3,940	702	14,302
Operating expenses:								
Salaries	12,878	2,043	2,834	1,889	1,159	1,139	1,133	2,681
Employee benefits	2,320	324	447	339	287	215	235	473
Supplies and expenses	29,083	5,570	5,807	3,944	3,036	1,001	4,713	5,012
Depreciation and amortization	2,905	36	225	286	274	27	1,480	577
Interest	119	–	81	12	8	–	–	18
Total operating expenses	47,305	7,973	9,394	6,470	4,764	2,382	7,561	8,761
Excess (deficiency) of operating revenue over operating expenses	16,106	11,670	1,659	1,908	629	1,558	(6,859)	5,541
Non-operating gains and losses:								
Investment income	(226)	(24)	(120)	(20)	(6)	(12)	(5)	(39)
Total non-operating gains and losses	(226)	(24)	(120)	(20)	(6)	(12)	(5)	(39)
Excess (deficiency) of revenue and gains and losses over expenses	15,880	11,646	1,539	1,888	623	1,546	(6,864)	5,502
Transfers from affiliates	11,205	–	–	–	–	–	11,205	–
Other changes in net assets	(19,848)	(10,843)	(690)	(1,500)	(778)	(1,110)	–	(4,927)
Increase (decrease) in net assets without donor restrictions	$ 7,237	$ 803	$ 849	$ 388	$ (155)	$ 436	$ 4,341	$ 575

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