

CONSOLIDATED FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

Northwell Health, Inc.
Years Ended December 31, 2019 and 2018
With Report of Independent Auditors

Ernst & Young LLP



Northwell Health, Inc.

Consolidated Financial Statements
and Supplementary Information

Years Ended December 31, 2019 and 2018

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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, 2019 and 2018, 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.

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, 2019 and 2018, 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. 2016-02, *Leases*

As discussed in Note 2 to the consolidated financial statements, Northwell changed its method of accounting for leases as a result of the adoption of the amendments to the Financial Accounting Standards Board Accounting Standards Codification resulting from Accounting Standards Update No. 2016-02, *Leases*, effective January 1, 2019. Our opinion is not modified with respect to this matter.

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 29, 2020

Northwell Health, Inc.

Consolidated Statements of Financial Position
(In Thousands)

	December 31	
	2019	2018
Assets		
Current assets:		
Cash and cash equivalents	\$ 535,619	\$ 538,964
Short-term investments	2,931,431	2,581,695
Accounts receivable for services to patients, net	1,285,542	1,130,325
Accounts receivable for physician activities, net	255,893	205,422
Pledges receivable, current portion	47,316	67,590
Insurance claims receivable, current portion	44,256	54,877
Other current assets	349,832	326,685
Total current assets	<u>5,449,889</u>	<u>4,905,558</u>
Long-term investments	2,532,060	2,066,327
Pledges receivable, net of current portion	99,971	99,146
Property, plant and equipment, net	5,548,317	5,392,562
Right-of-use assets – operating leases	959,622	–
Insurance claims receivable, net of current portion	151,214	182,426
Other assets	415,610	390,963
Total assets	<u>\$ 15,156,683</u>	<u>\$ 13,036,982</u>
Liabilities and net assets		
Current liabilities:		
Short-term borrowings	\$ 95,000	\$ 103,500
Accounts payable and accrued expenses	989,611	979,100
Accrued salaries and related benefits	984,572	891,525
Current portion of operating lease obligations	118,163	–
Current portion of finance lease obligations	7,263	6,720
Current portion of long-term debt	56,950	55,469
Current portion of insurance claims liability	44,256	54,877
Current portion of malpractice and other insurance liabilities	184,506	175,728
Current portion of estimated payables to third-party payers	338,251	270,578
Total current liabilities	<u>2,818,572</u>	<u>2,537,497</u>
Accrued retirement benefits, net of current portion	646,738	1,041,936
Operating lease obligations, net of current portion	869,879	–
Finance lease obligations, net of current portion	227,819	177,449
Long-term debt, net of current portion	3,715,934	3,199,039
Insurance claims liability, net of current portion	151,214	182,426
Malpractice and other insurance liabilities, net of current portion	1,336,641	1,220,562
Other long-term liabilities	634,490	694,538
Total liabilities	<u>10,401,287</u>	<u>9,053,447</u>
Commitments and contingencies		
Net assets:		
Without donor restrictions	4,063,674	3,344,826
With donor restrictions	691,722	638,709
Total net assets	<u>4,755,396</u>	<u>3,983,535</u>
Total liabilities and net assets	<u>\$ 15,156,683</u>	<u>\$ 13,036,982</u>

See accompanying notes.

Northwell Health, Inc.

Consolidated Statements of Operations (In Thousands)

	Year Ended December 31	
	2019	2018
Operating revenue:		
Net patient service revenue	\$ 9,500,259	\$ 8,762,122
Physician practice revenue	2,093,076	1,854,861
Total patient revenue	11,593,335	10,616,983
Other operating revenue	833,653	826,999
Net assets released from restrictions used for operations	60,279	63,021
	12,487,267	11,507,003
Operating expenses:		
Salaries	6,410,803	5,851,950
Employee benefits	1,446,365	1,347,618
Supplies and expenses	3,788,695	3,530,160
Depreciation and amortization	510,653	474,509
Interest	152,444	146,660
	12,308,960	11,350,897
Excess of operating revenue over operating expenses, excluding Health Insurance Companies	178,307	156,106
Health Insurance Companies excess (deficiency) of operating revenue over operating expenses	10,067	(21,711)
Total excess of operating revenue over operating expenses	188,374	134,395
Non-operating gains and losses:		
Investment income	171,744	130,096
Change in net unrealized gains and losses and change in value of equity method investments	401,110	(328,931)
Change in fair value of interest rate swap agreements designated as derivative instruments	(464)	433
Non-operating net periodic benefit cost	(57,579)	(12,862)
Loss on refunding of long-term debt	(519)	-
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	(30,906)	(41,779)
Total non-operating gains and losses	483,386	(111,501)
Excess of revenue and gains and losses over expenses	671,760	22,894
Net assets released from restrictions for capital asset acquisitions	47,052	44,170
Change in fair value of interest rate swap agreements designated as cash flow hedges	(733)	1,279
Pension and other postretirement liability adjustments	9,105	(31,190)
Other changes in net assets	(8,336)	(7,438)
Increase in net assets without donor restrictions	\$ 718,848	\$ 29,715

See accompanying notes.

Northwell Health, Inc.

Consolidated Statements of Changes in Net Assets
(In Thousands)

Years Ended December 31, 2019 and 2018

	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	<u>\$ 3,344,826</u>	<u>\$ 638,709</u>	<u>\$ 3,983,535</u>

	Without Donor Restrictions	With Donor Restrictions	Total
Net assets, January 1, 2019	\$ 3,344,826	\$ 638,709	\$ 3,983,535
Contributions and grants	–	127,262	127,262
Investment income	–	10,257	10,257
Change in net unrealized gains and losses and change in value of equity method investments	–	29,714	29,714
Excess of revenue and gains and losses over expenses	671,760	–	671,760
Net assets released from restrictions for:			
Capital asset acquisitions	47,052	(47,052)	–
Operations	–	(60,279)	(60,279)
Non-operating activities	–	(14,088)	(14,088)
Change in fair value of interest rate swap agreements designated as cash flow hedges	(733)	–	(733)
Pension and other postretirement liability adjustments	9,105	–	9,105
Other changes in net assets	(8,336)	7,199	(1,137)
Increase in net assets	718,848	53,013	771,861
Net assets, December 31, 2019	<u>\$ 4,063,674</u>	<u>\$ 691,722</u>	<u>\$ 4,755,396</u>

See accompanying notes.

Northwell Health, Inc.

Consolidated Statements of Cash Flows (In Thousands)

	Year Ended December 31	
	2019	2018
Operating activities		
Increase in net assets	\$ 771,861	\$ 37,477
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	(18,398)	(25,332)
Depreciation and amortization	510,894	475,255
Amortization of bond premiums, discounts and financing costs	(2,699)	(1,584)
Net realized gains and losses, change in net unrealized gains and losses and change in value of equity method investments	(553,035)	242,753
Change in fair value of interest rate swap agreements	1,197	(1,712)
Gain on sale of property	-	(65,723)
Loss on refunding of long-term debt	519	-
Changes in operating assets and liabilities:		
Accounts receivable for services to patients, net	(155,217)	9,064
Accounts receivable for physician activities, net	(50,471)	(54,335)
Pledges receivable	4,503	26,775
Current portion of estimated payables to third-party payers	67,673	(87,940)
Accrued retirement benefits, net of current portion	(395,198)	43,033
Malpractice and other insurance liabilities	124,857	183,099
Net change in all other operating assets and liabilities	516,630	210,256
Net cash provided by operating activities	823,116	912,026
Investing activities		
Capital expenditures	(747,978)	(824,947)
Proceeds from sale of property	-	65,723
Net cash (invested in) from sales of short-term and long-term investments	(607,504)	125,214
Cash received in the acquisition of John T. Mather Memorial Hospital	-	15,222
Payments for acquisitions and clinical joint venture investments, net	(32,110)	(119,723)
Net cash used in investing activities	(1,387,592)	(738,511)
Financing activities		
Principal payments on long-term debt and finance lease obligations	(61,943)	(51,691)
Payments on refunded long-term debt	(49,910)	-
Payments on short-term borrowings	(198,500)	(110,608)
Proceeds from short-term borrowings	190,000	100,000
Proceeds from long-term debt	675,164	-
Payments for financing costs	(6,072)	-
Proceeds from permanent endowment donor contributions	33,344	21,543
Net cash provided by (used in) financing activities	582,083	(40,756)
Net increase in cash and cash equivalents (unrestricted and restricted)	17,607	132,759
Cash and cash equivalents (unrestricted and restricted), beginning of year	961,646	828,887
Cash and cash equivalents (unrestricted and restricted), end of year	\$ 979,253	\$ 961,646
Supplemental disclosure of cash flow information		
Cash paid during the year for interest (exclusive of amounts capitalized)	\$ 150,254	\$ 147,958

See accompanying notes.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (In Thousands)

December 31, 2019

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)

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)

(In Thousands)

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
- Greenwich Village Surgery Center – outpatient ambulatory surgery center currently 100% owned by Northwell
- The Feinstein Institutes for Medical Research – medical research
- Northwell Health Foundation – fundraising
- Hospice Care Network – hospice services
- Regional Insurance Company Ltd. (Regional Insurance) – captive insurance company providing excess professional liability insurance
- Montauk Risk Retention Group, Inc. – captive insurance company providing 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 53.1% owned by Northwell
- Suffolk Surgery Center, LLC – outpatient ambulatory surgery center 68% owned by Northwell
- Melville SC, LLC – outpatient ambulatory surgery center 65.7% owned by Northwell
- Other affiliated professional corporations

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued) (In Thousands)

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 8). 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, 2019 and 2018 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 has an 8% ownership interest in Optum360, LLC (Optum360) which is accounted for using the equity method of accounting. Under the agreement, Optum360 provides revenue cycle services for most of Northwell's hospitals. At December 31, 2019 and 2018, \$144,661 and \$137,104, respectively, is reported within long-term investments in the accompanying consolidated statements of financial position for this investment. Northwell incurred fees of \$175,752 and \$195,305 to Optum360 for revenue cycle services for the years ended December 31, 2019 and 2018, respectively.

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.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)
(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:

	<u>January 1, 2018</u>
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	<u>271,634</u>
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
Finance 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	<u>192,574</u>
Excess of assets acquired over liabilities assumed	<u>\$ 79,060</u>
Net assets acquired	
Without donor restrictions	\$ 75,819
With donor restrictions	3,241
	<u>\$ 79,060</u>

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued) (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	<u>\$ 6,460</u>
Change in net assets:	
Net assets without donor restrictions	\$ 3,637
Net assets with donor restrictions	(824)
Total change in net assets	<u>\$ 2,813</u>

In addition to the Mather acquisition, during 2019 and 2018, Northwell acquired various physician practices. These acquisitions were accounted for as business combinations. Assets acquired during 2018 were approximately \$100,000. Incremental revenue recorded in 2018 attributable to these entities acquired during 2018 was approximately \$80,000. Acquisitions during 2019 were not significant.

Health Insurance Companies

In July 2017, North Shore-LIJ Health Plan Inc. (Health Plan) filed a termination plan which was approved by the New York State Department of Health (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. Northwell expects the wind down of Health Plan's operations to be completed during 2020.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued) (In Thousands)

1. Organization and Principles of Consolidation (continued)

In August 2017, Northwell announced that it would wind down CareConnect Insurance Company Inc. (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. Northwell expects the wind down of CareConnect's operations to be substantially completed during 2020.

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, 2019 and 2018.

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.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued) (In Thousands)

2. Summary of Significant Accounting Policies (continued)

Recently Adopted Accounting Standards

In January 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*. Under ASU 2016-01, certain investments in limited partnerships and similar entities that are accounted for at cost, less impairment, are now 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 adoption of ASU 2016-01 did not have a material impact on the consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases*. ASU 2016-02 requires lessees to recognize the rights and obligations arising from both finance lease contracts (formerly referred to as capital leases) and operating lease contracts as assets and liabilities on the statement of financial position. The accounting for finance leases remains substantially unchanged as a result of adoption. Lessors in operating leases continue to recognize the underlying asset and recognize lease income on either a straight-line basis or another systematic and rational basis. Northwell adopted ASU 2016-02 effective January 1, 2019, following the modified retrospective method of application. As such, the 2018 consolidated financial statement amounts and disclosures have not been adjusted to reflect the provisions of the new standard. The standard did not materially impact Northwell's consolidated statements of operations, changes in net assets or cash flows for the year ended December 31, 2019. Northwell has made the transition-specific election to apply the package of practical expedients which allows for the carryforward of historical assessments of (i) whether contracts are or contain leases, (ii) the lease classification and (iii) initial direct costs. Certain other accounting policy elections and quantitative and qualitative information pertaining to Northwell's adoption of ASU 2016-02 are described in Note 7.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued) (In Thousands)

2. Summary of Significant Accounting Policies (continued)

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows – Restricted Cash*, which requires that the statement of cash flows explain the change during the period in the total of cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents. Northwell adopted ASU 2016-18 effective December 31, 2019. Therefore, amounts generally described as restricted cash and restricted cash equivalents included in assets limited as to use (see Note 4) should be included with cash and cash equivalents (including the amounts in the investment portfolio) when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. Northwell has adopted ASU 2016-18 using a retrospective transition method, and as such, certain reclassifications were made to 2018 amounts previously reported on the consolidated statement of cash flows.

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. The standard also clarifies the guidance on how entities determine when a contribution is conditional. Northwell adopted ASU 2018-08 effective January 1, 2019. The impact of the adoption of ASU 2018-08 did not have a material impact on the consolidated financial statements for the year ended December 31, 2019.

Other Recent Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The new credit losses standard changes the impairment model for most financial assets and certain other instruments. For trade and other receivables, contract assets recognized as a result of applying ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, loans and certain other instruments, entities will be required to use a new forward looking “expected loss” model that generally will result in earlier recognition of credit losses than under today’s incurred loss model. The ASU is effective for annual periods beginning after December 15, 2022. Northwell has not completed the process of evaluating the impact of ASU 2016-13 on its consolidated financial statements.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued) *(In Thousands)*

2. Summary of Significant Accounting Policies (continued)

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 2019 and 2018, Northwell revised certain estimates made in prior years to reflect the passage of time and the availability of more recent information. For the years ended December 31, 2019 and 2018, the net change in estimates related to prior years was not significant.

Cash and Cash Equivalents

Northwell classifies all highly liquid financial instruments purchased with a maturity of three months or less 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.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)
(In Thousands)

2. Summary of Significant Accounting Policies (continued)

Cash and cash equivalents (unrestricted and restricted), as reported in the accompanying consolidated statements of cash flows, are reported within the following categories in the accompanying consolidated statements of financial position as of December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 535,619	\$ 538,964
Short and long-term investments	443,634	422,682
	<u>\$ 979,253</u>	<u>\$ 961,646</u>

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. The equity method reflects Northwell's share of the net asset value of the respective funds.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)

(In Thousands)

2. Summary of Significant Accounting Policies (continued)

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, 2019, Northwell has future commitments of \$137,435 and \$17,666 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 at cost less any impairment, adjusted for observable price changes for an identical or similar investment of the same issuer (Adjusted Cost).

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, management designated funds (including management designated malpractice and other self-insurance assets), deferred employee compensation plan assets and donor restricted assets. Amounts required to meet current liabilities are reported as short-term investments. Northwell has future commitments of approximately \$162,000 at December 31, 2019 to purchase additional investments included in assets limited as to use.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)

(In Thousands)

2. Summary of Significant Accounting Policies (continued)

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.

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 finance 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.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued) (In Thousands)

2. Summary of Significant Accounting Policies (continued)

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.

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 \$243,000 and \$241,000 at December 31, 2019 and 2018, respectively. The intangible assets are subject to impairment testing on an annual basis. At December 31, 2019 and 2018, Northwell determined that there has been no impairment of these intangible assets.

Deferred Financing Costs

Deferred financing costs, included in long-term debt and finance 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.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)

(In Thousands)

2. Summary of Significant Accounting Policies (continued)

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.

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, the long-term portion of expected payment obligations, 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.

Northwell also recognizes governmental grants where commensurate value is not exchanged as contributions when conditions and restrictions are satisfied and reports such amounts within other operating revenue or net assets released from restrictions for capital asset acquisitions in the consolidated statements of operations.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)
(In Thousands)

2. Summary of Significant Accounting Policies (continued)

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, 2019 and 2018, \$70,120 and \$48,083, respectively, of conditional pledges have not been recognized in the consolidated statements of financial position.

Contributions and pledges raised through fundraising efforts for the years ended December 31, 2019 and 2018 are summarized as follows:

	<u>2019</u>	<u>2018</u>
Without donor restrictions	\$ 5,130	\$ 2,478
With donor restrictions	87,680	99,942
	<u>\$ 92,810</u>	<u>\$ 102,420</u>

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)
(In Thousands)

2. Summary of Significant Accounting Policies (continued)

Functional Expenses

Northwell provides health care services to residents primarily within its geographic areas. Expenses related to providing these services pertain to the following functional and natural categories for the years ended December 31, 2019 and 2018:

	2019			
	Health Care Services	Research	General and Administrative	Total
Salaries	\$ 5,629,582	\$ 75,551	\$ 705,670	\$ 6,410,803
Employee benefits	1,262,267	21,095	163,003	1,446,365
Supplies and expenses	3,305,122	50,227	433,346	3,788,695
Depreciation and amortization	316,997	6,413	187,243	510,653
Interest	134,754	–	17,690	152,444
	\$ 10,648,722	\$ 153,286	\$ 1,506,952	\$ 12,308,960

	2018			
	Health Care Services	Research	General and Administrative	Total
Salaries	\$ 5,161,998	\$ 72,214	\$ 617,738	\$ 5,851,950
Employee benefits	1,181,159	19,941	146,518	1,347,618
Supplies and expenses	3,128,322	53,874	347,964	3,530,160
Depreciation and amortization	302,072	6,324	166,113	474,509
Interest	130,690	–	15,970	146,660
	\$ 9,904,241	\$ 152,353	\$ 1,294,303	\$ 11,350,897

The accompanying consolidated financial statements report expense categories that are attributable to more than one health care service or support function. Costs not directly attributable to a function are allocated on a functional basis based on internal records and estimates.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued) (In Thousands)

2. Summary of Significant Accounting Policies (continued)

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.

At December 31, 2019 and 2018, Northwell has a deferred tax asset of approximately \$112,000 and \$118,000, 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 \$540,000 at December 31, 2019. 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. NOLs generated after 2017 can be carried forward indefinitely, but with limitations.

Reclassifications

Certain reclassifications have been made to the amounts previously reported in the 2018 functional expense and fair value disclosures reported above in Note 2 and in Note 9 to conform with the 2019 presentation.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued) (In Thousands)

3. Accounts Receivable and Patient Revenue

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 was 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 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,

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)
(In Thousands)

3. Accounts Receivable and Patient Revenue (continued)

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.

Substantially all of Northwell’s performance obligations relate to contracts with a duration of less than one year; 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.

At December 31, 2019 and 2018, accounts receivable for services to patients, net is comprised of the following components:

	<u>2019</u>	<u>2018</u>
Receivables for services to patients	\$ 1,203,722	\$ 1,057,798
Contract assets (for in-house patients)	81,820	72,527
	<u>\$ 1,285,542</u>	<u>\$ 1,130,325</u>

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, 2019 and 2018, 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. Bad debt expense and the related allowance for uncollectible accounts as of and for the years ended and as of December 31, 2019 and 2018 were not significant.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)
(In Thousands)

3. Accounts Receivable and Patient Revenue (continued)

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

Patient Revenue for the years ended December 31, 2019 and 2018, by payer, is approximately as follows:

	<u>2019</u>	<u>2018</u>
Medicare and Medicare managed care	\$ 3,785,000	\$ 3,598,000
Medicaid and Medicaid managed care	1,615,000	1,548,000
Self-pay	80,000	87,000
Other third-party payers	6,113,000	5,384,000
	<u>\$ 11,593,000</u>	<u>\$ 10,617,000</u>

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, 2019 and 2018, disaggregated by lines of service, is as follows:

	<u>2019</u>	<u>2018</u>
Net patient service revenue:		
Hospitals	\$ 9,241,342	\$ 8,512,094
Joint venture ambulatory surgery centers	69,430	63,382
Stern (skilled nursing facility and rehabilitation center)	58,161	56,727
Hospice Care Network	50,211	50,237
RegionCare, Inc.	51,802	51,745
Other	29,313	27,937
Net patient service revenue	<u>9,500,259</u>	8,762,122
Physician practice revenue	2,093,076	1,854,861
Total Patient Revenue	<u>\$ 11,593,335</u>	<u>\$ 10,616,983</u>

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)

(In Thousands)

3. Accounts Receivable and Patient Revenue (continued)

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:

Non-Medicare

In New York State, hospitals and all non-Medicare payers (including Medicare and Medicaid managed care plans), 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 prospective payment system, with retroactive and/or prospective 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

Hospitals are paid for most Medicare inpatient and outpatient services under national prospective payment systems 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 Health, Inc.

Notes to Consolidated Financial Statements (continued) (In Thousands)

3. Accounts Receivable and Patient Revenue (continued)

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.

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 years ended December 31, 2019 and 2018.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)
(In Thousands)

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.

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, 2019 and 2018 were as follows:

	December 31	
	2019	2018
Medicare and Medicare managed care	32%	33%
Medicaid and Medicaid managed care	20	20
Self-pay	5	5
Other third-party payers	43	42
	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 \$357,000 and \$340,000 for the years ended December 31, 2019 and 2018, respectively. The estimated cost of charity care provided was approximately \$260,000 and \$250,000 for the years ended December 31, 2019 and 2018, respectively. 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, 2019 and 2018, Northwell received \$66,476 and \$69,040, respectively. Northwell made payments into the Pool of \$60,132 and \$54,752 for the years ended December 31, 2019 and 2018, respectively, for the 1% assessment.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)
(In Thousands)

4. Cash, Investments and Liquidity

Northwell's cash, cash equivalents and investments are reported in the consolidated statements of financial position as presented below at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 535,619	\$ 538,964
Short-term investments	2,931,431	2,581,695
Long-term investments	2,532,060	2,066,327
Total cash, cash equivalents and investments	<u>5,999,110</u>	<u>5,186,986</u>
Less assets limited as to use:		
Management designated malpractice and other self-insurance assets	720,251	965,846
Other management designated assets*	1,283,324	644,575
Donor restricted assets	308,948	265,897
Deferred employee compensation plan assets	243,250	184,400
Assets under bond indentures and other	121,515	75,195
Total assets limited as to use	<u>2,677,288</u>	<u>2,135,913</u>
Total unrestricted cash, cash equivalents and investments	<u>\$ 3,321,822</u>	<u>\$ 3,051,073</u>

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

The total unrestricted cash, cash equivalents and investments is used in Northwell's days cash on hand calculation, a required financial ratio for certain debt compliance covenants (see Note 8).

Short-term investments include \$225,030 and \$166,290 of assets limited as to use at December 31, 2019 and 2018, respectively. Long-term investments include \$2,452,258 and \$1,969,623 of assets limited as to use at December 31, 2019 and 2018, respectively.

In September 2019, \$364,000 of management designated malpractice and other self-insurance assets were transferred to the Northwell Health Cash Balance Plan (the Cash Balance Plan) (see Note 10), which resulted in certain financial benefits and cash flow savings.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)
(In Thousands)

4. Cash, Investments and Liquidity (continued)

Cash and cash equivalents, short-term investments and long term-investments, stated on the applicable measurement basis as described in Note 2, consist of the following at December 31, 2019:

	Total	Unrestricted Cash and Investments	Assets Limited as to Use
Cash and cash equivalents (including amounts in the investment portfolio)	\$ 979,253	\$ 816,862	\$ 162,391
U.S. Government obligations	410,326	337,616	72,710
Corporate and other bonds	518,725	464,643	54,082
Fixed income mutual funds	450,547	371,217	79,330
Commingled fixed income funds	612,479	100,565	511,914
Equity securities	1,015,540	771,283	244,257
Equity mutual funds	785,480	451,022	334,458
Commingled equity funds	281,166	–	281,166
Target-age mutual funds	73,727	–	73,727
Funds of hedge funds	552,945	–	552,945
Hedge funds	480	–	480
Private equity funds	24,464	–	24,464
Private real estate funds	5,301	–	5,301
Non-clinical joint venture investments	187,340	–	187,340
Interest and other receivables	101,337	8,614	92,723
	<u>\$ 5,999,110</u>	<u>\$ 3,321,822</u>	<u>\$ 2,677,288</u>

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)

(In Thousands)

4. Cash, Investments and Liquidity (continued)

Cash and cash equivalents, short-term investments and long term-investments, stated on the applicable 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
	<u>\$ 5,186,986</u>	<u>\$ 3,051,073</u>	<u>\$ 2,135,913</u>

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)
(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, 2019 and 2018:

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Investment income:			
Interest and dividend income, net of fees	\$ 73,082	\$ 3,306	\$ 76,388
Net realized gains and losses	115,260	6,951	122,211
Less interest and dividend income on malpractice and other self-insurance assets (included in other operating revenue)	(16,598)	–	(16,598)
	<u>\$ 171,744</u>	<u>\$ 10,257</u>	<u>\$ 182,001</u>
Change in net unrealized gains and losses and change in value of equity method investments:			
Change in net unrealized gains and losses	\$ 333,809	\$ 22,951	\$ 356,760
Equity method investment gains	67,301	6,763	74,064
	<u>\$ 401,110</u>	<u>\$ 29,714</u>	<u>\$ 430,824</u>
	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Investment income:			
Interest and dividend income, net of fees	\$ 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)
	<u>\$ 130,096</u>	<u>\$ 13,379</u>	<u>\$ 143,475</u>
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)
	<u>\$ (328,931)</u>	<u>\$ (21,731)</u>	<u>\$ (350,662)</u>

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)
(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, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 535,619	\$ 538,964
Short-term investments	2,706,401	2,415,405
Accounts receivable for services to patients, net	1,285,542	1,130,325
Accounts receivable for physician activities, net	255,893	205,422
	<u>\$ 4,783,455</u>	<u>\$ 4,290,116</u>

In addition to the assets above, Northwell also has assets limited as to use of \$225,030 and \$166,290 included within short-term investments on the accompanying consolidated statements of financial position at December 31, 2019 and 2018, respectively, which are designated to be used within the next year. Also, included within long-term investments on the accompanying consolidated statements of financial position at December 31, 2019 and 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 8. As of December 31, 2019 and 2018, \$197,000 and \$188,500, respectively, remain available on such arrangements.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)
(In Thousands)

5. Pledges Receivable

Pledges receivable at December 31, 2019 and 2018 consist of the following:

	<u>2019</u>	<u>2018</u>
Amounts expected to be collected in:		
Less than one year	\$ 63,901	\$ 80,032
One to five years	103,806	105,910
More than five years	29,881	31,646
	<u>197,588</u>	<u>217,588</u>
Less:		
Discount to present value future cash flows (discount rates ranging from 0.75% to 4.68%)	15,174	15,588
Allowance for uncollectible amounts	35,127	35,264
Current portion of pledges receivable	47,316	67,590
Pledges receivable, net of current portion	<u>\$ 99,971</u>	<u>\$ 99,146</u>

6. Property, Plant and Equipment

Property, plant and equipment and accumulated depreciation and amortization at December 31, 2019 and 2018 are summarized as follows:

	<u>2019</u>	<u>2018</u>
Land	\$ 776,957	\$ 774,496
Land improvements	27,639	27,915
Buildings and fixed equipment	4,484,488	4,228,163
Movable equipment	2,147,277	1,950,463
Leasehold improvements	36,587	32,843
	<u>7,472,948</u>	<u>7,013,880</u>
Less accumulated depreciation and amortization	2,566,555	2,337,482
	<u>4,906,393</u>	<u>4,676,398</u>
Construction-in-progress	641,924	716,164
	<u>\$ 5,548,317</u>	<u>\$ 5,392,562</u>

Northwell wrote off approximately \$282,000 and \$271,000 of fully depreciated assets in 2019 and 2018, respectively.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued) (In Thousands)

6. Property, Plant and Equipment (continued)

Net interest capitalized for the years ended December 31, 2019 and 2018 was approximately \$9,000 and \$13,000, respectively.

7. Leases

As described in Note 2, Northwell adopted ASU 2016-02 effective January 1, 2019. Northwell leases certain medical offices, administrative offices and equipment under finance and operating leases. At the inception of a contract, a determination is made if the arrangement is or contains a lease. Leases are classified as either finance or operating leases, based on the underlying terms of the agreement and certain criteria, such as the term of the lease relative to the useful life of the asset and the total lease payments to be made as compared to the fair value of the asset, among other criteria.

As of December 31, 2019 and 2018, assets acquired under finance leases of \$187,587 and \$158,549, respectively, and accumulated amortization associated with finance leases of \$20,635 and \$13,773, respectively, are recorded in property, plant and equipment, net in the consolidated statements of financial position. As a result of implementing ASU 2016-02, certain transactions previously classified as long-term debt were reclassified as of January 1, 2019 and are now reported as finance leases.

Northwell's right-of-use assets pertaining to operating leases represent the right to use the agreement's underlying assets for the lease term, and the corresponding lease liabilities represent the obligation to make lease payments arising from the lease. Such right-of-use assets and lease liabilities are recognized at the lease's commencement date at the present value of lease payments over the lease term for leases with initial terms greater than one year. The present value of lease payments is calculated by utilizing the discount rate implicit in the lease, when readily determinable. For leases for which this rate is not readily determinable, Northwell uses its incremental borrowing rate for financing over a comparable period as the discount rate. A right-of-use asset and lease liability are not recognized for leases with an initial term of 12 months or less. Northwell recognizes lease expense for operating leases over the lease term within supplies and expenses on the consolidated statements of operations. The deferred rent liability resulting from recording operating lease expense using the straight-line method is recorded within the other long-term liabilities line of the accompanying consolidated statement of financial position at December 31, 2018. As a result of implementing ASU 2016-02, this amount is now reported as a reduction to the right-of-use assets – operating leases line of the accompanying consolidated statement of financial position at December 31, 2019.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued) (In Thousands)

7. Leases (continued)

Northwell's operating and finance leases have remaining lease terms, ranging from less than one year to sixty-five years, some of which may include options to extend. Lease payments related to periods subject to renewal options are excluded from the amounts used to determine the right-of-use leased assets and liabilities, unless Northwell is reasonably certain to exercise the option to extend the lease. Northwell's leases may also include variable lease payments. Variable lease payments are excluded from the amounts used to determine the right-of-use leased assets and liabilities, unless the variable lease payments depend on an index or rate or are in substance fixed payments.

Northwell has made an election for all leases to not separate lease components from non-lease components in contracts in the accounting for its lease payments, as permitted by ASU 2016-02. As such, Northwell accounts for the applicable non-lease components (e.g., fixed common area maintenance costs), together with the related lease components when determining the right-of-use assets and lease liabilities.

Operating leases with a present value of approximately \$900,000 were recorded as right-of-use liabilities and assets as of January 1, 2019 upon the adoption of ASU 2016-02.

The components of lease cost included in the accompanying consolidated statement of operations for the year ended December 31, 2019 are as follows:

Finance lease cost:	
Amortization of assets acquired under finance leases	\$ 6,508
Interest on finance lease obligations	16,924
Operating lease cost:	
Lease cost – leases with terms greater than one year	190,136
Short-term lease cost	3,309
Variable lease cost	26,654
Total lease cost	<u>\$ 243,531</u>

For the year ended December 31, 2018, rent expense under operating leases was approximately \$150,000.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)
(In Thousands)

7. Leases (continued)

Other information related to leases and supplemental cash flows as of and for the year ended December 31, 2019 are as follows:

Operating cash flows for interest on finance leases	\$ 16,924
Operating cash flows from operating leases*	174,388
Financing cash flows from finance leases	6,918
Assets acquired under new finance lease obligations	14,230
Right-of-use leased assets obtained in exchange for new operating lease obligations	164,481
Weighted-average remaining lease term:	
Finance leases	26 years
Operating leases	11 years
Weighted-average discount rate on finance leases	7.9%
Weighted-average discount rate on operating leases	4.1%

* Cash flows relating to operating lease costs for leases with terms greater than one year. Excludes variable lease costs.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)
(In Thousands)

7. Leases (continued)

The following table reconciles the undiscounted future lease payments to the lease obligations recorded on the accompanying consolidated statement of financial position at December 31, 2019:

	Operating	Finance
2020	\$ 155,748	\$ 22,598
2021	148,332	21,823
2022	130,925	20,654
2023	115,891	19,622
2024	104,888	19,197
Thereafter	608,386	432,652
Total minimum future payments	1,264,170	536,546
Less: Interest	276,128	299,422
Less: Net unamortized issuance costs	—	2,042
Total liabilities	988,042	235,082
Less: Current portion	118,163	7,263
Long-term liabilities	<u>\$ 869,879</u>	<u>\$ 227,819</u>

8. Debt

Long-Term Debt

Long-term debt at December 31, 2019 and 2018 consists of the following:

	2019	2018
Bonds payable at varying dates through November 2049, at fixed and variable interest rates ranging from 3.00% to 6.15%	\$ 3,228,562	\$ 2,666,010
Other long-term debt payable at varying dates through September 2045 at variable and fixed interest rates ranging from 2.00% to 4.46%	519,017	581,164
Total long-term debt	3,747,579	3,247,174
Less current portion of bonds payable	39,696	37,538
Less current portion of other long-term debt	17,254	17,931
Less net unamortized debt issuance costs	26,399	23,393
Add net unamortized bond premium	51,704	30,727
	<u>\$ 3,715,934</u>	<u>\$ 3,199,039</u>

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)
(In Thousands)

8. Debt (continued)

Annual aggregate principal payments applicable to long-term debt for years subsequent to December 31, 2019 are as follows:

	Bonds Payable	Other Long-Term Debt	Total
Year ended December 31:			
2020	\$ 39,696	\$ 17,254	\$ 56,950
2021	30,149	28,787	58,936
2022 ^(a)	31,222	30,744	61,966
2023	30,105	29,100	59,205
2024 ^(b)	26,603	30,628	57,231
Thereafter	3,070,787	382,504	3,453,291
	<u>\$ 3,228,562</u>	<u>\$ 519,017</u>	<u>\$ 3,747,579</u>

^(a) \$53,730 of Series 2019B-1 bonds subject to mandatory tender for purchase on May 1, 2022 are excluded from the principal payments noted above. Northwell has an option to refinance these bonds at that date.

^(b) \$53,725 of Series 2019B-2 bonds subject to mandatory tender for purchase on May 1, 2024 are excluded from the principal payments noted above. Northwell has an option to refinance these bonds at that date.

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, 2019 and 2018, 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, 2019 and 2018, Northwell was in compliance with the financial covenants.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)
(In Thousands)

8. Debt (continued)

Bonds Payable

Bonds payable by Northwell consist of the following at December 31, 2019:

	Interest Structure	Final Maturity	Outstanding Principal
Obligated Group			
Series 2019A (taxable)	Fixed	2049	\$ 447,675
Series 2019A	Fixed	2033	41,145
Series 2019B	Fixed	2048 ^(f)	161,180
Series 2017A (taxable)	Fixed	2047	956,919
Series 2016A (taxable)	Fixed	2046	500,000
Series 2015A	Fixed	2043	476,275
Series 2013A (taxable)	Fixed	2043	250,000
Series 2012A	Fixed	2023	12,875
Series 2012B (taxable)	Fixed	2042	135,000
Series 2009B	Fixed	2039	50,000
Series 2009C	Fixed	2039	37,500
Series 2009D	Fixed	2039	37,500
Other			
Phelps Series 2013 ^(a)	Fixed	2038	10,640
Phelps Series 2005 A and B ^(a)	Fixed	2030	15,885
Northern Westchester Series 2014 ^(b)	Fixed	2039	29,603
Northern Westchester Series 2009 ^(b)	Variable	2032	9,270
Northern Westchester Series 2004 ^(b)	Variable ^(c)	2024	5,540
Peconic Series A ^(c)	Variable ^(c)	2031	5,270
Peconic Series B ^(c)	Variable ^(c)	2031	10,305
Peconic Series D ^(c)	Variable ^(c)	2032	8,670
Mather Series 2013 ^(d)	Variable ^(c)	2043	20,760
Mather Series 2012 ^(d)	Variable ^(c)	2022	6,550
			<u>\$ 3,228,562</u>

^(a) 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.

^(b) 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 2024 and 2022, respectively.

^(c) Peconic is party to an agented direct purchase agreement with three commercial bank parties expiring in 2022 for its three outstanding bond issues.

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

^(e) Variable rate debt is swapped to a fixed rate via interest rate swap agreements.

^(f) \$53,730, \$53,725 and \$53,725 subject to mandatory tender for purchase on May 1, 2022, May 1, 2024 and May 1, 2026, respectively.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued) (In Thousands)

8. Debt (continued)

The Series 2019A, 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 2019, HCI issued \$447,675 of taxable Northwell Health Series 2019A bonds. The Series 2019A taxable bonds were issued by HCI as a joint and several general obligation of the Obligated Group. The Series 2019A taxable bonds bear interest at a fixed rate, payable semi-annually, with a maturity date of November 1, 2049. The proceeds from the Series 2019A taxable bonds will primarily be used for capital investments.

In September 2019, the Obligated Group issued \$41,145 of tax-exempt revenue bonds through the DASNY Series 2019A bonds. The DASNY Series 2019A bonds were sold at a premium of \$4,276 and bear interest at a fixed rate, payable semi-annually, with a final maturity date of May 1, 2033. The proceeds from the DASNY Series 2019A bonds, along with existing trustee-held Series 2009E debt service funds, were used to refund \$49,910 in Series 2009E bonds of the Obligated Group. A loss on refunding of long-term debt of \$519 resulted from the refunding.

In September 2019, the Obligated Group also issued \$161,180 of tax-exempt revenue bonds through the DASNY Series 2019B bonds. The DASNY Series 2019B bonds were sold at a premium of \$20,888 and bear interest at a fixed rate, payable semi-annually through May 1, 2048, with mandatory purchase dates ranging from May 1, 2022 through May 1, 2026. The proceeds from the DASNY Series 2019B bonds were and will be used to finance capital projects for certain members of the Obligated Group.

For certain Obligated Group bonds that were included in a prior year 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, 2019 and 2018. At December 31, 2019, outstanding principal amounts to be paid from escrow to bondholders are \$324,875 and have a final redemption date of May 1, 2021.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)
(In Thousands)

8. Debt (continued)

Other Long-Term Debt

Other long-term debt consists of the following at December 31, 2019:

	Interest Structure	Final Maturity	Outstanding Principal
Obligated Group			
2014 Private Placement Notes Payable	Fixed	2030	\$ 245,285
Other			
LIJMC's Center for Advanced Medicine			
Mortgage	Fixed	2045	196,546
Real Estate Financing	Fixed	2045	26,762
Staten Island Term Loan	Fixed	2023	14,000
Lenox Mortgage	Variable	2029	18,347
Phelps Mortgage	Fixed	2031	2,942
Northern Westchester Term Loan	Variable	2022	3,000
Peconic Loans	Variable	2027	6,075
Other Loans	Fixed	2026	6,060
			<u>\$ 519,017</u>

Short-Term Borrowings

Certain members of Northwell have entered into several unsecured revolving credit facilities with commercial banks with commitment availability through dates currently ranging from May 31, 2020 to September 30, 2022. 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 \$95,000 and \$103,500 at December 31, 2019 and 2018, respectively.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued) (In Thousands)

9. 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.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)
(In Thousands)

9. Fair Values of Financial Instruments (continued)

Financial assets and liabilities carried at fair value as of December 31, 2019 are classified in the following table in one of the three categories described previously:

	2019			Total
	Level 1	Level 2	Level 3	
Assets				
Cash and cash equivalents (including amounts in the investment portfolio)	\$ 979,253	\$ –	\$ –	\$ 979,253
Fixed income obligations:				
U.S. Government obligations	152,491	257,835	–	410,326
Corporate and other bonds	–	518,725	–	518,725
Fixed income mutual funds	450,547	–	–	450,547
Commingled fixed income funds*	–	267,342	–	267,342
Equity securities:				
Value	444,598	–	–	444,598
Small cap	162,855	–	–	162,855
Global	273,653	–	–	273,653
Growth	134,434	–	–	134,434
Equity mutual funds	785,480	–	–	785,480
Commingled equity funds*	–	216,308	–	216,308
Target-age mutual funds	73,727	–	–	73,727
Interest and other receivables	27,027	–	–	27,027
I added these total values:	3,484,065	1,260,210		
Liabilities				
Interest rate swap agreements	–	(6,130)	–	(6,130)
	<u>\$ 3,484,065</u>	<u>\$ 1,254,080</u>	<u>\$ –</u>	<u>\$ 4,738,145</u>

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)
(In Thousands)

9. 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	13,093	—	—	13,093
Liabilities				
Interest rate swap agreements	—	(4,933)	—	(4,933)
	<u>\$ 2,724,025</u>	<u>\$ 834,801</u>	<u>\$ —</u>	<u>\$ 3,558,826</u>

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

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued) (In Thousands)

9. Fair Values of Financial Instruments (continued)

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.

The amounts reported in the previous tables exclude certain amounts reported as investments, including investments under the equity method or at Adjusted Cost in the amounts of \$1,254,835 and \$1,623,227 at December 31, 2019 and 2018, respectively (see Note 2), and assets invested in Northwell's pension plans (see Note 10).

10. 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, 2019 and 2018.

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 2019 and 2018 related to the defined contribution plans amounted to \$200,016 and \$178,924, respectively.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued) (In Thousands)

10. Pension Plans and Other Postretirement Benefits (continued)

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.

Northwell's significant participation in certain multiemployer plans for the annual period ended December 31, 2019 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 2019 and 2018 is for a plan's year-end at December 31, 2018 and 2017, 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.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)
(In Thousands)

10. Pension Plans and Other Postretirement Benefits (continued)

Pension Fund	EIN/Pension Plan Number	Pension Protection Act Zone Status		FIP/RP Status Pending/ Implemented	Contributions of Northwell		Surcharge Imposed	Expiration Date of Collective-Bargaining Agreements
		2019	2018		2019	2018		
1199 Plan ^(a)	13-3604862/001	Green	Green	N/A	\$ 96,325	\$ 75,873	No	9/30/2021 to 3/31/2022
NYSNA Plan ^(a)	13-6604799/001	Green	Green	N/A	\$ 15,332	\$ 13,678	No	3/31/2021 to 12/31/2023

^(a)Northwell contributions represent more than 5% of total contributions to the 1199 and NYSNA Plans for the plan years ended December 31, 2019 and 2018.

In addition to the plans noted in the table above, Northwell also participates in several other multiemployer plans. Contributions for these other plans totaled \$1,083 and \$1,089 for the years ended December 31, 2019 and 2018, respectively.

Certain of Northwell's employees participate in deferred compensation plans. The liability for these plans totaled \$3,916 and \$5,616 at December 31, 2019 and 2018, 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 \$239,334 and \$178,784 at December 31, 2019 and 2018, respectively.

Certain employees are covered by noncontributory defined benefit pension plans (the Plans), with 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.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)
(In Thousands)

10. 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, 2019 and 2018 and the funded status and accumulated benefit obligation of the Plans as of December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Reconciliation of the projected benefit obligation		
Obligation at January 1	\$ 2,705,092	\$ 2,524,882
Inclusion of Mather obligation at Acquisition Date	–	202,931
Service cost	98,340	98,296
Interest cost	120,223	105,334
Plan amendments	–	33,944
Actuarial loss (gain)	233,398	(145,570)
Benefit payments	(208,907)	(113,281)
Settlements	(10,358)	(1,444)
Obligation at December 31	<u>\$ 2,937,788</u>	<u>\$ 2,705,092</u>
Reconciliation of fair value of plan assets		
Fair value of plan assets at January 1	\$ 1,874,898	\$ 1,789,091
Inclusion of Mather plan assets at Acquisition Date	–	155,059
Actual return (loss) on plan assets	312,331	(65,598)
Employer contributions	605,085	111,160
Benefit payments	(208,907)	(113,281)
Settlements	(10,319)	(1,533)
Fair value of plan assets at December 31	<u>\$ 2,573,088</u>	<u>\$ 1,874,898</u>
Funded status		
Funded status at December 31	<u>\$ (364,700)</u>	<u>\$ (830,194)</u>
Accumulated benefit obligation at December 31	<u>\$ 2,749,325</u>	<u>\$ 2,561,138</u>

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)
(In Thousands)

10. 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 \$2,040 and \$2,539 at December 31, 2019 and 2018, respectively. At December 31, 2019, certain plans were funded with plan assets at a level exceeding their respective projected benefit obligation. As a result, their funded status of \$6,007 is included in other assets in the accompanying consolidated statement of financial position as of December 31, 2019.

The actuarial loss in 2019 is primarily due to the decrease in the discount rate used in the measurement of the Plans' benefit obligation. The actuarial gain in 2018 is primarily due to the increase in the discount rate.

Included in net assets without donor restrictions at December 31, 2019 and 2018 are the following amounts related to the Plans that have not yet been recognized in net periodic benefit cost:

	<u>2019</u>	<u>2018</u>
Unrecognized actuarial loss	\$ (671,755)	\$ (676,826)
Unrecognized prior service cost	(23,474)	(37,595)
	<u>\$ (695,229)</u>	<u>\$ (714,421)</u>

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, 2020 are as follows:

Actuarial loss	\$ 41,331
Prior service cost	10,517
Increase to net periodic benefit cost	<u>\$ 51,848</u>

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)
(In Thousands)

10. 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, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Service cost (included in employee benefits)	<u>\$ 98,340</u>	<u>\$ 98,296</u>
Interest cost on projected benefit obligation	120,223	105,334
Expected return on plan assets	(122,897)	(134,957)
Amortization of actuarial loss	46,675	40,005
Amortization of prior service cost	14,120	3,525
Settlement loss	1,908	207
Total included in non-operating net periodic benefit cost	<u>60,029</u>	<u>14,114</u>
Net periodic benefit cost	<u>\$ 158,369</u>	<u>\$ 112,410</u>

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, 2019 and 2018 are shown in the following table:

	<u>2019</u>	<u>2018</u>
Discount rate	3.50%	4.35%
Rate of compensation increase	4.00%	4.00%

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)
(In Thousands)

10. 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, 2019 and 2018 are shown in the following table:

	<u>2019</u>	<u>2018</u>
Discount rate	4.35%	3.75%
Expected long-term rate of return on plan assets	6.50%	6.75%
Rate of compensation increase	4.00%	4.00%

The Cash Balance Plan comprises 81.6% and 82.1% of the Plans' total projected benefit obligation as of December 31, 2019 and 2018, respectively, and 84.2% and 97.1% of the net periodic benefit cost for the years ended December 31, 2019 and 2018, respectively.

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

2020	\$ 129,497
2021	141,606
2022	147,393
2023	153,629
2024	160,802
2025 to 2029	870,833

Northwell expects to make contributions of approximately \$64,000 to the Plans in 2020.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)
(In Thousands)

10. Pension Plans and Other Postretirement Benefits (continued)

Defined Benefit Pension Plan Assets

The fair values of the Plans' assets at December 31, 2019, by asset category, are as follows:

Asset Category	Level 1	Level 2	Level 3	Total
Cash and short-term investments	\$ 85,709	\$ –	\$ –	\$ 85,709
Fixed income obligations:				
U.S. Government obligations	14,339	76,264	–	90,603
Corporate and other bonds	–	187,273	–	187,273
Fixed income mutual funds	124,346	–	–	124,346
Commingled fixed income funds	–	267,852	–	267,852
Equity securities:				
Value	113,320	–	–	113,320
Small cap	71,728	–	–	71,728
Global	294,418	–	–	294,418
Growth	59,893	–	–	59,893
Equity mutual funds	294,334	–	–	294,334
Commingled equity funds	–	99,022	–	99,022
Interest and other receivables	4,357	–	–	4,357
	\$ 1,062,444	\$ 630,411	\$ –	1,692,855
Assets measured at net asset value:				
Commingled fixed income funds				159,370
Commingled equity funds				88,269
Funds of hedge funds				388,854
Hedge funds				22
Private equity funds				188,794
Private real estate funds				54,924
Total assets at fair value				\$ 2,573,088

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)
(In Thousands)

10. Pension Plans and Other Postretirement Benefits (continued)

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

Asset Category	Level 1	Level 2	Level 3	Total
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

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)
(In Thousands)

10. 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, 2019 (by asset category) with redemption restrictions:

	Asset Value	Redemption Period (Including Notice Period)
Commingled fixed income funds	\$ 427,222	1 day to 60 days
Commingled equity funds	187,291	2 days to 45 days
Funds of hedge funds	388,854	61 days to 29 months

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.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued) (In Thousands)

10. 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 funds and alternative investments that follow several different strategies.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)
(In Thousands)

10. 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, 2019 and 2018, by asset category, is as follows:

	2019	2018	Target Allocation
Cash and short-term investments	3.7%	2.6%	1.0%
Fixed income obligations, including commingled fixed income funds	32.0	32.7	33.0
Equity securities, including commingled equity funds	36.8	30.8	24.5
Commingled risk-parity funds	0.0	5.1	0.0
Alternative investments	27.5	28.8	41.5
	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 85.0% and 83.2% of the Plans' total fair value of plan assets as of December 31, 2019 and 2018, 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, 2019 and 2018, the total funded status of the plans was a liability of \$36,413 and \$31,418, 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 \$1,592 and \$1,537 at December 31, 2019 and 2018, respectively.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued) (In Thousands)

10. Pension Plans and Other Postretirement Benefits (continued)

For the years ended December 31, 2019 and 2018, there was a net periodic benefit (credit) cost related to these plans of \$(1,573) and \$335, respectively, of which \$(2,450) and \$(1,252), respectively, was recorded within non-operating net periodic benefit cost in the accompanying consolidated statements of operations.

11. 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, 2019 and 2018 was \$801,568 and \$721,206, respectively. At December 31, 2019 and 2018, the liability was recorded at the actuarially determined present value of \$749,229 and \$671,804, 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.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued) (In Thousands)

11. 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, 2019 and 2018 were \$116,547 and \$150,317, respectively, and were recorded at the actuarially determined present value of \$103,502 and \$144,880, respectively, based on a discount rate of 2.0%.

Effective January 1, 2015, the annual aggregate excess coverage provided by Regional Insurance was significantly reduced to \$6,500, and was subsequently increased to \$7,750 effective January 1, 2018 and \$8,375 effective January 1, 2019. This resulted in an undiscounted liability for the Northwell hospitals for estimated losses in excess of the aggregate at December 31, 2019 and 2018 of \$323,056 and \$263,671, respectively, recorded at the actuarially determined present value of \$299,580 and \$243,240, 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, 2019 and 2018 was \$116,806 and \$105,453, respectively, and was recorded at the actuarially determined present value of \$101,584 and \$91,635, respectively, based on a discount rate of 2.0%.

Other Self-Insurance Coverage

For certain years, certain Northwell hospitals and physicians were covered for malpractice claims under various other insured and self-insured arrangements. For self-insured claims and incidents, Northwell has reserved \$39,771 and \$39,308 at December 31, 2019 and 2018, 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, 2019 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.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)

(In Thousands)

11. 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, 2019 and 2018, the liability for retained losses under this program was recorded at the actuarially determined present value of \$188,810 and \$163,209, respectively, based on a discount rate of 2.0%. The estimated undiscounted liability was \$212,176 and \$182,982 at December 31, 2019 and 2018, respectively.

Prior to joining Northwell's high deductible program, certain hospitals had various self-insured programs for workers' compensation claims. At December 31, 2019 and 2018, the liability for these self-insured losses was recorded at the actuarially determined present value of \$19,278 and \$23,881, respectively, based on a discount rate of 2.0%.

Other Insurance

Some of Northwell's other insurance programs, including general liability, have a component of self-insurance or high deductibles. Liabilities for these other insurance programs were not significant at December 31, 2019 and 2018.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)
(In Thousands)

12. Other Operating Revenue

Other operating revenue consists of the following for the years ended December 31, 2019 and 2018:

	2019	2018
Laboratory services	\$ 284,685	\$ 265,005
Pharmacy sales	156,523	110,371
Grants and contracts	143,088	147,128
Health plan risk pool distributions	37,019	37,196
Rental income	32,829	29,516
Group purchasing revenue	21,818	16,978
Cafeteria and gift shop sales	18,497	18,093
Investment income (see Note 4)	16,598	15,771
MLMIC demutualization	10,858	104,075
Health plan care coordination revenue	9,987	7,489
Parking income	7,217	6,022
All other	94,534	69,355
	\$ 833,653	\$ 826,999

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 statements of operations for the years ended December 31, 2019 and 2018 is \$10,858 and \$104,075, respectively, from proceeds received by Northwell following the demutualization of MLMIC.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued) (In Thousands)

13. Net Assets

Donor restricted net assets at December 31, 2019 and 2018 are available for the following:

	<u>2019</u>	<u>2018</u>
Teaching, research, training and other	\$ 321,875	\$ 291,967
Capital projects and purchases of equipment	131,663	127,427
Permanent endowments	238,184	219,315
	<u>\$ 691,722</u>	<u>\$ 638,709</u>

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

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.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)
(In Thousands)

13. Net Assets (continued)

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.

For the years ended December 31, 2019 and 2018, Northwell had the following activity related to its endowment assets, including amounts to be held in perpetuity and earnings which may be expended:

	<u>2019</u>	<u>2018</u>
Endowment balance, beginning of year	\$ 262,512	\$ 261,045
Investment return:		
Investment income	10,257	13,379
Net appreciation (depreciation)	29,714	(21,731)
Total investment return	<u>39,971</u>	<u>(8,352)</u>
Contributions and other*	18,869	23,540
Amounts appropriated for expenditure	<u>(11,727)</u>	<u>(13,721)</u>
Net change in endowment funds	<u>47,113</u>	<u>1,467</u>
Endowment balance, end of year	<u>\$ 309,625</u>	<u>\$ 262,512</u>

*Contributions include pledges receivable for permanently restricted purposes.

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, 2019 and 2018.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued) (In Thousands)

14. 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.

Collective Bargaining Agreements

At December 31, 2019, approximately 29% 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 1% of union employees (0.4% 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, 2019, \$14,999 in direct-pay letters of credit were maintained with a commercial bank to secure certain Northern Westchester bond issues.

At December 31, 2019, four commercial banks are providing a total of \$410,000 in commitments, solely to support letters of credit required for Northwell's high deductible workers' compensation and vehicle insurance programs. At December 31, 2019, \$135,473 in secured direct-pay letters of credit were maintained with the banks, and \$274,527 of the commitments remain available for future letters of credit. At December 31, 2019, there was also a \$45,000 surety bond supporting these programs.

In addition, at December 31, 2019, \$16,798 in direct-pay letters of credit or surety bonds were maintained to support other workers' compensation insurance programs at certain Northwell hospitals.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued) (In Thousands)

14. 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 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.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued) (In Thousands)

14. 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.

15. Subsequent Events

Management has evaluated the impact of subsequent events through April 29, 2020, representing the date at which the consolidated financial statements were issued.

Due to the global outbreak of Coronavirus Disease 2019 (COVID-19) in 2020, there have been resulting effects which could negatively impact Northwell's consolidated financial condition. These include significant volatility in the investment markets, widespread temporary business closures and event cancellations, and other economic and societal effects resulting from the national response to the COVID-19 pandemic, including the deferral of elective surgeries and non-emergent procedures and the disruption of other medical treatments and services at Northwell and throughout the U.S. health care system. Management continues to closely monitor the operational and financial impact of COVID-19 in many respects, and is pursuing opportunities for Federal and any other funding that is or will become available, including from the Federal Coronavirus Aid, Relief and Economic Security Act, the Federal Emergency Management Agency or other sources. While planning for and managing through the COVID-19 pandemic, in partnership with New York State, operations across the continuum have been disrupted, however, Northwell is currently preparing for the recovery of operations post the COVID-19 crisis. The ultimate impact of these various matters to Northwell and its consolidated financial condition is presently unknown. The accompanying consolidated financial statements as of and for the year ended December 31, 2019 do not reflect the effects of these subsequent events.

Except for those mentioned above, 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, 2019

	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 Institutes 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	\$ 535,619	\$ –	\$ 364,449	\$ 2,980	\$ 30,783	\$ 10,575	\$ 42,393	\$ 3,708	\$ 8,210	\$ –	\$ 24,907	\$ –	\$ 1,044	\$ –	\$ 25,241	\$ 5,032	\$ 16,297
Short-term investments	2,931,431	–	2,348,696	166,974	162,780	18,483	27,365	109	45,960	26	59,424	–	38,353	966	62,295	–	–
Accounts receivable for services to patients, net	1,285,542	–	1,101,357	37,250	39,502	24,468	45,436	9,921	5,883	–	–	–	–	343	–	7,482	13,900
Accounts receivable for physician activities, net	255,893	–	195,946	2,243	1,156	2,662	4,020	–	–	–	–	–	–	–	–	–	49,866
Pledges receivable, current portion	47,316	–	–	–	–	–	–	–	–	–	46,435	–	–	–	–	–	881
Insurance claims receivable, current portion	44,256	–	41,951	231	394	149	397	709	35	90	6	294	–	–	–	–	–
Other current assets	349,832	(100)	217,144	6,249	7,551	9,969	12,017	3,101	444	12,013	267	34,519	6	219	6,496	1,617	38,320
Total current assets	5,449,889	(100)	4,269,543	215,927	242,166	66,306	131,628	17,548	60,532	12,129	131,039	34,813	39,403	1,528	94,032	14,131	119,264
Due from affiliates, net	–	(509,884)	481,441	–	–	–	–	–	59	–	9,342	18,275	–	–	767	–	–
Long-term investments	2,532,060	(329,574)	2,123,019	31,355	57,157	14,467	28,645	–	2,472	117,049	107,473	–	192,646	7,595	14,013	–	165,743
Pledges receivable, net of current portion	99,971	–	–	577	3,311	–	–	–	–	–	93,028	–	–	–	–	–	3,055
Property, plant and equipment, net	5,548,317	–	4,469,805	180,431	212,586	136,170	98,550	44,351	1,003	47,209	1,014	88,151	–	281	–	29,404	239,362
Right-of-use assets – operating leases	959,622	(19,210)	645,188	5,915	10,708	19,458	14,198	–	7,975	122	1,586	7,065	–	–	–	25,785	240,832
Insurance claims receivable, net of current portion	151,214	(133,763)	243,579	4,549	2,776	453	21,191	1,489	103	266	17	684	9,870	–	–	–	–
Other assets	415,610	(174,312)	369,087	5,527	7,691	20,067	11,397	9,696	214	–	77	–	196	70	–	63,720	102,180
Total assets	\$ 15,156,683	\$ (1,166,843)	\$ 12,601,662	\$ 444,281	\$ 536,395	\$ 256,921	\$ 305,609	\$ 73,084	\$ 72,358	\$ 176,775	\$ 343,576	\$ 148,988	\$ 242,115	\$ 9,474	\$ 108,812	\$ 133,040	\$ 870,436
Liabilities and net assets (deficit)																	
Current liabilities:																	
Short-term borrowings	\$ 95,000	\$ –	\$ 95,000	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –
Accounts payable and accrued expenses	989,611	(100)	745,970	18,668	28,700	20,725	16,603	3,450	2,039	16,161	1,645	38,326	4,991	133	17,202	5,689	69,409
Accrued salaries and related benefits	984,572	–	828,833	13,601	16,836	19,395	22,189	6,595	1,890	6,968	1,847	9,184	–	403	520	900	55,411
Current portion of operating lease obligations	118,163	(576)	77,467	1,261	1,341	1,814	4,047	–	1,618	91	248	1,458	–	–	–	1,907	27,487
Current portion of finance lease obligations	7,263	–	3,147	–	–	1,269	2,768	–	–	–	–	–	–	–	–	79	–
Current portion of long-term debt	56,950	–	45,914	1,942	3,766	1,693	2,685	–	–	–	–	–	–	–	–	950	–
Current portion of insurance claims liability	44,256	–	41,951	231	394	149	397	709	35	90	6	294	–	–	–	–	–
Current portion of malpractice and other insurance liabilities	184,506	–	135,433	1,634	4,318	1,588	2,717	461	–	–	–	–	38,355	–	–	–	–
Current portion of estimated payable to third-party payers	338,251	–	296,049	3,762	2,465	5,740	–	2,815	–	–	–	26,555	–	34	831	–	–
Total current liabilities	2,818,572	(676)	2,269,764	41,099	57,820	52,373	51,406	14,030	5,582	23,310	3,746	75,817	43,346	570	18,553	9,525	152,307
Due to affiliates, net	–	(520,771)	–	11,256	28,523	19,983	9,009	79,946	–	1,779	–	–	29,733	13,606	–	718	326,218
Accrued retirement benefits, net of current portion	646,738	–	544,822	5,421	28,531	–	67,089	556	200	–	–	–	–	–	119	–	–
Operating lease obligations, net of current portion	869,879	(18,635)	584,618	4,664	9,947	17,644	10,158	–	7,020	32	1,400	5,607	–	–	–	23,997	223,427
Finance lease obligations, net of current portion	227,819	–	222,816	–	–	1,701	3,179	–	–	–	–	–	–	–	–	123	–
Long-term debt, net of current portion	3,715,934	–	3,586,397	27,525	43,648	28,628	24,774	–	–	–	–	–	–	–	–	4,962	–
Insurance claims liability, net of current portion	151,214	(133,763)	243,579	4,549	2,776	453	21,191	1,489	103	266	17	684	9,870	–	–	–	–
Malpractice and other insurance liabilities, net of current portion	1,336,641	20,400	1,170,992	15,093	23,405	14,166	18,192	3,530	–	–	–	–	70,863	–	–	–	–
Other long-term liabilities	634,490	–	601,317	4,424	12,332	4,809	2,095	–	–	28	6,521	1,304	–	–	–	–	1,660
Total liabilities	10,401,287	(653,445)	9,224,305	114,031	206,982	139,757	207,093	99,551	12,905	25,415	11,684	83,412	153,812	14,176	18,672	39,325	703,612
Commitments and contingencies																	
Net assets (deficit):																	
Without donor restrictions	4,063,674	(183,083)	2,910,954	320,884	290,391	105,201	95,914	(26,467)	57,494	19,312	58	65,576	88,303	(11,726)	90,140	93,715	147,008
With donor restrictions	691,722	(330,315)	466,403	9,366	39,022	11,963	2,602	–	1,959	132,048	331,834	–	–	7,024	–	–	19,816
Total net assets (deficit)	4,755,396	(513,398)	3,377,357	330,250	329,413	117,164	98,516	(26,467)	59,453	151,360	331,892	65,576	88,303	(4,702)	90,140	93,715	166,824
Total liabilities and net assets (deficit)	\$ 15,156,683	\$ (1,166,843)	\$ 12,601,662	\$ 444,281	\$ 536,395	\$ 256,921	\$ 305,609	\$ 73,084	\$ 72,358	\$ 176,775	\$ 343,576	\$ 148,988	\$ 242,115	\$ 9,474	\$ 108,812	\$ 133,040	\$ 870,436

Northwell Health, Inc.

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

December 31, 2019

	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	\$ 364,449	\$ –	\$ 329,971	\$ 28,828	\$ 1,722	\$ 2,814	\$ 5	\$ 555	\$ 148	\$ 6	\$ 399	\$ 1
Short-term investments	2,348,696	–	101,578	735,369	688,978	486,895	52,762	–	234,240	47,773	709	392
Accounts receivable for services to patients, net	1,101,357	–	–	269,610	356,311	138,676	169,413	68,937	55,495	15,421	18,888	8,606
Accounts receivable for physician activities, net	195,946	–	–	194,876	–	–	1,070	–	–	–	–	–
Insurance claims receivable, current portion	41,951	–	891	10,475	11,191	5,910	6,645	2,800	1,949	619	1,206	265
Other current assets	217,144	(3,000)	46,238	44,215	55,127	23,424	27,625	12,199	6,635	1,512	3,122	47
Total current assets	4,269,543	(3,000)	478,678	1,283,373	1,113,329	657,719	257,520	84,491	298,467	65,331	24,324	9,311
Due from affiliates, net	481,441	(247,183)	311,465	153,317	197,126	54,466	–	–	–	–	–	12,250
Long-term investments	2,123,019	–	1,155,886	216,585	391,462	176,942	86,976	32,705	34,649	11,303	667	15,844
Property, plant and equipment, net	4,469,805	–	932,538	460,106	1,256,627	216,052	1,010,017	318,761	172,994	46,072	47,887	8,751
Right-of-use assets – operating leases	645,188	–	226,265	148,393	70,185	60,097	100,580	14,100	14,536	1,671	9,361	–
Insurance claims receivable, net of current portion	243,579	–	2,071	65,010	76,466	40,487	24,751	14,125	10,435	4,823	4,796	615
Other assets	369,087	(5,115)	105,790	219,469	16,588	7,500	23,465	1,390	–	–	–	–
Total assets	\$ 12,601,662	\$ (255,298)	\$ 3,212,693	\$ 2,546,253	\$ 3,121,783	\$ 1,213,263	\$ 1,503,309	\$ 465,572	\$ 531,081	\$ 129,200	\$ 87,035	\$ 46,771
Liabilities and net assets (deficit)												
Current liabilities:												
Short-term borrowings	\$ 95,000	\$ –	\$ –	\$ 47,000	\$ 48,000	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –
Accounts payable and accrued expenses	745,970	–	236,816	145,076	128,499	54,441	83,448	49,192	24,528	11,094	11,299	1,577
Accrued salaries and related benefits	828,833	–	320,021	133,108	164,775	53,861	68,954	38,687	25,472	7,426	13,801	2,728
Current portion of operating lease obligations	77,467	–	30,084	18,083	10,139	5,703	8,297	2,230	2,350	113	468	–
Current portion of finance lease obligations	3,147	–	1,824	164	535	115	270	152	87	–	–	–
Current portion of long-term debt	45,914	–	5,283	11,065	20,117	4,000	1,820	54	55	872	1,735	913
Current portion of insurance claims liability	41,951	–	891	10,475	11,191	5,910	6,645	2,800	1,949	619	1,206	265
Current portion of malpractice and other insurance liabilities	135,433	–	39,518	26,461	28,685	14,845	11,011	7,175	4,503	1,448	1,787	–
Current portion of estimated payable to third-party payers	296,049	–	1,116	76,027	165,994	19,156	13,170	12,025	1,194	1,697	1,917	3,753
Total current liabilities	2,269,764	–	635,553	467,459	577,935	158,031	193,615	112,315	60,138	23,269	32,213	9,236
Due to affiliates, net	–	(371,977)	–	–	–	–	91,978	179,179	65,521	6,269	29,030	–
Accrued retirement benefits, net of current portion	544,822	–	315,876	65,196	27,332	971	58,169	21,750	40,221	4,408	8,860	2,039
Operating lease obligations, net of current portion	584,618	–	190,460	133,855	61,516	68,398	95,743	11,954	12,190	1,560	8,942	–
Finance lease obligations, net of current portion	222,816	–	139,740	762	69,411	398	11,229	838	438	–	–	–
Long-term debt, net of current portion	3,586,397	–	2,181,100	137,362	826,138	103,253	111,356	128,766	85,757	6,298	5,051	1,316
Insurance claims liability, net of current portion	243,579	–	2,071	65,010	76,466	40,487	24,751	14,125	10,435	4,823	4,796	615
Malpractice and other insurance liabilities, net of current portion	1,170,992	–	167,854	275,515	300,169	154,454	118,858	75,085	46,442	14,626	17,989	–
Other long-term liabilities	601,317	–	83,151	128,364	226,769	24,907	58,518	50,411	11,655	7,006	9,811	725
Total liabilities	9,224,305	(371,977)	3,715,805	1,273,523	2,165,736	550,899	764,217	594,423	332,797	68,259	116,692	13,931
Commitments and contingencies												
Net assets (deficit):												
Without donor restrictions	2,910,954	116,679	(503,112)	1,113,628	805,963	649,410	636,764	(138,679)	182,351	46,230	(30,215)	31,935
With donor restrictions	466,403	–	–	159,102	150,084	12,954	102,328	9,828	15,933	14,711	558	905
Total net assets (deficit)	3,377,357	116,679	(503,112)	1,272,730	956,047	662,364	739,092	(128,851)	198,284	60,941	(29,657)	32,840
Total liabilities and net assets (deficit)	\$ 12,601,662	\$ (255,298)	\$ 3,212,693	\$ 2,546,253	\$ 3,121,783	\$ 1,213,263	\$ 1,503,309	\$ 465,572	\$ 531,081	\$ 129,200	\$ 87,035	\$ 46,771

Northwell Health, Inc.

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

December 31, 2019

	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	\$	2,980	\$	–	\$	1,423	\$	1,277	\$	280
Short-term investments		166,974		–		166,974		–		–
Accounts receivable for services to patients, net		37,250		–		37,250		–		–
Accounts receivable for physician activities, net		2,243		–		715		–		1,528
Insurance claims receivable, current portion		231		–		231		–		–
Other current assets		6,249		–		5,944		133		172
Total current assets		215,927		–		212,537		1,410		1,980
Due from affiliates, net		–		(8,067)		7,178		889		–
Long-term investments		31,355		–		31,355		–		–
Pledges receivable, net of current portion		577		–		577		–		–
Property, plant and equipment, net		180,431		–		169,097		8,689		2,645
Right-of-use assets – operating leases		5,915		–		1,684		–		4,231
Insurance claims receivable, net of current portion		4,549		–		4,549		–		–
Other assets		5,527		(868)		6,395		–		–
Total assets	\$	444,281	\$	(8,935)	\$	433,372	\$	10,988	\$	8,856
Liabilities and net assets (deficit)										
Current liabilities:										
Accounts payable and accrued expenses	\$	18,668	\$	–	\$	17,945	\$	12	\$	711
Accrued salaries and related benefits		13,601		–		11,554		–		2,047
Current portion of operating lease obligations		1,261		–		434		–		827
Current portion of long-term debt		1,942		–		1,725		217		–
Current portion of insurance claims liability		231		–		231		–		–
Current portion of malpractice and other insurance liabilities		1,634		–		1,634		–		–
Current portion of estimated payable to third-party payers		3,762		–		3,762		–		–
Total current liabilities		41,099		–		37,285		229		3,585
Due to affiliates, net		11,256		(8,067)		–		–		19,323
Accrued retirement benefits, net of current portion		5,421		–		5,421		–		–
Operating lease obligations, net of current portion		4,664		–		1,260		–		3,404
Long-term debt, net of current portion		27,525		–		24,800		2,725		–
Insurance claims liability, net of current portion		4,549		–		4,549		–		–
Malpractice and other insurance liabilities, net of current portion		15,093		–		15,093		–		–
Other long-term liabilities		4,424		–		4,424		–		–
Total liabilities		114,031		(8,067)		92,832		2,954		26,312
Commitments and contingencies										
Net assets (deficit):										
Without donor restrictions		320,884		(868)		331,174		8,034		(17,456)
With donor restrictions		9,366		–		9,366		–		–
Total net assets (deficit)		330,250		(868)		340,540		8,034		(17,456)
Total liabilities and net assets (deficit)	\$	444,281	\$	(8,935)	\$	433,372	\$	10,988	\$	8,856

Northwell Health, Inc.

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

December 31, 2019

	Northern Westchester Hospital Association and Subsidiaries	Northern Westchester Hospital Association	Northern Westchester Hospital Center Foundation	Other Subsidiaries
Assets				
Current assets:				
Cash and cash equivalents	\$ 30,783	\$ 29,886	\$ –	\$ 897
Short-term investments	162,780	162,780	–	–
Accounts receivable for services to patients, net	39,502	39,502	–	–
Accounts receivable for physician activities, net	1,156	1,156	–	–
Insurance claims receivable, current portion	394	394	–	–
Other current assets	7,551	7,551	–	–
Total current assets	242,166	241,269	–	897
Long-term investments	57,157	12,278	44,879	–
Pledges receivable, net of current portion	3,311	–	3,311	–
Property, plant and equipment, net	212,586	199,227	120	13,239
Right-of-use assets – operating leases	10,708	10,708	–	–
Insurance claims receivable, net of current portion	2,776	2,776	–	–
Other assets	7,691	6,761	–	930
Total assets	\$ 536,395	\$ 473,019	\$ 48,310	\$ 15,066
Liabilities and net assets				
Current liabilities:				
Accounts payable and accrued expenses	\$ 28,700	\$ 28,636	\$ 33	\$ 31
Accrued salaries and related benefits	16,836	16,789	47	–
Current portion of operating lease obligations	1,341	1,341	–	–
Current portion of long-term debt	3,766	3,766	–	–
Current portion of insurance claims liability	394	394	–	–
Current portion of malpractice and other insurance liabilities	4,318	4,318	–	–
Current portion of estimated payable to third-party payers	2,465	2,465	–	–
Total current liabilities	57,820	57,709	80	31
Due to affiliates, net	28,523	14,804	9,302	4,417
Accrued retirement benefits, net of current portion	28,531	28,531	–	–
Operating lease obligations, net of current portion	9,947	9,947	–	–
Long-term debt, net of current portion	43,648	43,648	–	–
Insurance claims liability, net of current portion	2,776	2,776	–	–
Malpractice and other insurance liabilities, net of current portion	23,405	23,405	–	–
Other long-term liabilities	12,332	11,051	–	1,281
Total liabilities	206,982	191,871	9,382	5,729
Commitments and contingencies				
Net assets:				
Without donor restrictions	290,391	280,179	875	9,337
With donor restrictions	39,022	969	38,053	–
Total net assets	329,413	281,148	38,928	9,337
Total liabilities and net assets	\$ 536,395	\$ 473,019	\$ 48,310	\$ 15,066

Northwell Health, Inc.

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

December 31, 2019

	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	\$ 5,032	\$ –	\$ 1,796	\$ 890	\$ 348	\$ 598	\$ 415	\$ 105	\$ 880
Accounts receivable for services to patients, net	7,482	–	–	625	1,158	1,034	776	258	3,631
Other current assets	1,617	–	–	–	464	392	68	110	583
Total current assets	14,131	–	1,796	1,515	1,970	2,024	1,259	473	5,094
Due from affiliates, net	–	(15)	–	–	15	–	–	–	–
Property, plant and equipment, net	29,404	–	337	6,747	2,559	486	149	18,243	883
Right-of-use assets – operating leases	25,785	–	1,289	20,590	3,156	–	188	–	562
Other assets	63,720	–	29,939	6,632	4,143	5,358	4,237	–	13,411
Total assets	\$ 133,040	\$ (15)	\$ 33,361	\$ 35,484	\$ 11,843	\$ 7,868	\$ 5,833	\$ 18,716	\$ 19,950
Liabilities and net assets									
Current liabilities:									
Accounts payable and accrued expenses	\$ 5,689	\$ –	\$ 195	\$ 2,228	\$ 755	\$ 282	\$ 182	\$ 1,401	\$ 646
Accrued salaries and related benefits	900	–	242	143	155	49	35	81	195
Current portion of operating lease obligations	1,907	–	399	757	261	–	173	–	317
Current portion of finance lease obligations	79	–	–	–	39	–	–	–	40
Current portion of long-term debt	950	–	–	855	–	81	14	–	–
Total current liabilities	9,525	–	836	3,983	1,210	412	404	1,482	1,198
Due to affiliates, net	718	(15)	224	268	–	67	78	–	96
Operating lease obligations, net of current portion	23,997	–	890	19,833	2,895	–	15	–	364
Finance lease obligations, net of current portion	123	–	–	–	–	–	–	–	123
Long-term debt, net of current portion	4,962	–	–	4,851	–	69	42	–	–
Total liabilities	39,325	(15)	1,950	28,935	4,105	548	539	1,482	1,781
Commitments and contingencies									
Net assets:									
Without donor restrictions	93,715	–	31,411	6,549	7,738	7,320	5,294	17,234	18,169
With donor restrictions	–	–	–	–	–	–	–	–	–
Total net assets	93,715	–	31,411	6,549	7,738	7,320	5,294	17,234	18,169
Total liabilities and net assets	\$ 133,040	\$ (15)	\$ 33,361	\$ 35,484	\$ 11,843	\$ 7,868	\$ 5,833	\$ 18,716	\$ 19,950

Northwell Health, Inc.

Consolidating Statement of Operations
(In Thousands)

Year Ended December 31, 2019

	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 Institutes 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	\$ 9,500,259	\$ (1,670)	\$ 8,101,472	\$ 279,468	\$ 285,696	\$ 209,928	\$ 339,211	\$ 85,398	\$ 50,211	\$ -	\$ -	\$ -	\$ -	\$ 4,880	\$ -	\$ 69,430	\$ 76,235
Physician practice revenue	2,093,076	(50,374)	1,367,303	26,122	4,836	23,715	35,125	1,961	294	-	-	-	-	-	-	-	684,094
Total patient revenue	11,593,335	(52,044)	9,468,775	305,590	290,532	233,643	374,336	87,359	50,505	-	-	-	-	4,880	-	69,430	760,329
Other operating revenue	833,653	(1,120,517)	923,098	14,879	7,671	6,476	7,757	4,550	103	63,604	-	496,394	(17,587)	2,735	-	20	444,470
Net assets released from restrictions used for operations	60,279	-	45,890	86	487	1,668	-	-	1,403	10,325	-	-	-	392	-	-	28
	12,487,267	(1,172,561)	10,437,763	320,555	298,690	241,787	382,093	91,909	52,011	73,929	-	496,394	(17,587)	8,007	-	69,450	1,204,827
Operating expenses:																	
Salaries	6,410,803	(205,598)	5,183,236	165,666	140,136	120,308	180,079	62,392	22,318	69,064	-	115,856	-	4,880	-	15,045	537,421
Employee benefits	1,446,365	(153,751)	1,258,170	26,308	35,268	33,988	45,253	26,408	7,138	21,093	-	40,190	-	1,998	-	2,754	101,548
Supplies and expenses	3,788,695	(813,212)	3,133,019	100,071	92,119	77,335	135,956	15,041	21,605	28,023	-	329,569	(16,671)	2,035	-	37,583	646,222
Depreciation and amortization	510,653	-	425,663	15,783	16,607	7,124	15,914	2,657	322	6,413	-	4,549	-	67	-	3,672	11,882
Interest	152,444	-	146,401	1,001	1,447	1,736	1,546	-	-	-	-	-	-	-	-	313	-
	12,308,960	(1,172,561)	10,146,489	308,829	285,577	240,491	378,748	106,498	51,383	124,593	-	490,164	(16,671)	8,980	-	59,367	1,297,073
Excess (deficiency) of operating revenue over operating expenses, excluding Health insurance Companies	178,307	-	291,274	11,726	13,113	1,296	3,345	(14,589)	628	(50,664)	-	6,230	(916)	(973)	-	10,083	(92,246)
Health Insurance Companies excess of operating revenue over operating expenses	10,067	-	-	-	-	-	-	-	-	-	-	-	-	-	10,067	-	-
Total excess (deficiency) of operating revenue over operating expenses	188,374	-	291,274	11,726	13,113	1,296	3,345	(14,589)	628	(50,664)	-	6,230	(916)	(973)	10,067	10,083	(92,246)
Non-operating gains and losses:																	
Investment income	171,744	-	144,292	6,263	4,786	1,380	1,674	80	1,992	55	3,210	(68)	5,890	-	2,329	(285)	146
Change in net unrealized gains and losses and change in value of equity method investments	401,110	-	336,972	12,666	9,543	8	2,463	-	3,938	15	2,385	-	20,529	-	3,301	-	9,290
Change in interest in acquired entities	-	(13,506)	13,422	-	-	-	-	-	-	-	-	-	-	-	-	-	84
Change in fair value of interest rate swap agreements designated as derivative instruments	(464)	-	-	-	-	-	(464)	-	-	-	-	-	-	-	-	-	-
Non-operating net periodic benefit (cost) credit	(57,579)	-	(54,417)	(12)	(506)	71	(1,226)	1,105	(31)	(545)	(452)	(806)	-	(169)	(27)	-	(564)
Loss on refunding of long-term debt	(519)	-	(519)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other non-operating gains and losses	(30,906)	-	(10,573)	795	(297)	150	-	-	123	-	(18,168)	-	-	-	-	-	(2,936)
Total non-operating gains and losses	483,386	(13,506)	429,177	19,712	13,526	1,609	2,447	1,185	6,022	(475)	(13,025)	(874)	26,419	(169)	5,603	(285)	6,020
Excess (deficiency) of revenue and gains and losses over expenses	671,760	(13,506)	720,451	31,438	26,639	2,905	5,792	(13,404)	6,650	(51,139)	(13,025)	5,356	25,503	(1,142)	15,670	9,798	(86,226)
Net assets released from restrictions for capital asset acquisitions	47,052	-	41,479	75	4,985	-	157	-	-	356	-	-	-	-	-	-	-
Change in fair value of interest rate swap agreements designated as cash flow hedges	(733)	-	-	-	(41)	(580)	(112)	-	-	-	-	-	-	-	-	-	-
Transfers (to) from affiliates	-	-	(283,407)	32,275	45,000	16,519	18,000	-	-	49,737	14,215	-	-	-	-	14,839	92,822
Pension and other postretirement liability adjustments	9,105	-	21,308	-	(9,672)	546	(7,379)	3,916	-	64	186	136	-	-	-	-	-
Other changes in net assets	(8,336)	14,119	-	(207)	-	-	-	-	-	-	-	-	-	-	-	(20,159)	(2,089)
Increase (decrease) in net assets without donor restrictions	\$ 718,848	\$ 613	\$ 499,831	\$ 63,581	\$ 66,911	\$ 19,390	\$ 16,458	\$ (9,488)	\$ 6,650	\$ (982)	\$ 1,376	\$ 5,492	\$ 25,503	\$ (1,142)	\$ 15,670	\$ 4,478	\$ 4,507

Northwell Health, Inc.

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

Year Ended December 31, 2019

	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	\$ 8,101,472	\$ (274)	\$ –	\$ 2,031,965	\$ 2,585,663	\$ 1,025,119	\$ 1,158,375	\$ 537,110	\$ 396,577	\$ 113,956	\$ 194,820	\$ 58,161
Physician practice revenue	1,367,303	–	–	514,026	416,990	83	153,278	143,551	93,273	19,570	25,254	1,278
Total patient revenue	9,468,775	(274)	–	2,545,991	3,002,653	1,025,202	1,311,653	680,661	489,850	133,526	220,074	59,439
Other operating revenue	923,098	(1,665,170)	1,654,803	409,267	201,015	51,049	214,168	31,725	7,693	5,416	12,535	597
Net assets released from restrictions used for operations	45,890	–	774	15,385	21,220	298	8,170	–	43	–	–	–
Total operating revenue	10,437,763	(1,665,444)	1,655,577	2,970,643	3,224,888	1,076,549	1,533,991	712,386	497,586	138,942	232,609	60,036
Operating expenses:												
Salaries	5,183,236	(531,994)	555,089	1,500,109	1,529,603	538,386	759,377	353,933	238,124	85,263	119,928	35,418
Employee benefits	1,258,170	(134,250)	154,329	298,783	393,542	156,911	162,245	94,049	59,127	21,295	38,691	13,448
Supplies and expenses	3,133,019	(999,200)	716,417	1,019,359	1,047,937	323,704	504,674	231,773	162,917	38,808	74,844	11,786
Depreciation and amortization	425,663	–	143,515	65,303	90,654	23,917	47,921	24,897	17,556	6,055	4,255	1,590
Interest	146,401	–	84,686	4,548	42,377	2,607	4,952	3,295	3,333	188	308	107
Total operating expenses	10,146,489	(1,665,444)	1,654,036	2,888,102	3,104,113	1,045,525	1,479,169	707,947	481,057	151,609	238,026	62,349
Excess (deficiency) of operating revenue over operating expenses	291,274	–	1,541	82,541	120,775	31,024	54,822	4,439	16,529	(12,667)	(5,417)	(2,313)
Non-operating gains and losses:												
Investment income	144,292	–	26,798	35,187	39,937	25,696	2,046	637	11,132	2,576	(72)	355
Change in net unrealized gains and losses and change in value of equity method investments	336,972	–	72,499	83,218	88,803	57,858	4,833	1,475	22,946	5,234	–	106
Change in interest in acquired entities	13,422	–	–	13,422	–	–	–	–	–	–	–	–
Non-operating net periodic benefit cost	(54,417)	–	(16,043)	(8,180)	(4,946)	(159)	(10,964)	(4,338)	(6,799)	(789)	(1,568)	(631)
Loss on refunding long-term debt	(519)	–	–	(210)	(256)	–	–	–	–	(12)	(28)	(13)
Other non-operating gains and losses	(10,573)	–	(21,002)	2,109	7,663	(8,200)	5,567	1,519	1,091	340	340	–
Total non-operating gains and losses	429,177	–	62,252	125,546	131,201	75,195	1,482	(707)	28,370	7,349	(1,328)	(183)
Excess (deficiency) of revenue and gains and losses over expenses	720,451	–	63,793	208,087	251,976	106,219	56,304	3,732	44,899	(5,318)	(6,745)	(2,496)
Net assets released from restrictions for capital asset acquisitions	41,479	–	1,732	8,366	10,301	10,126	3,365	7,355	28	206	–	–
Transfers to affiliates	(283,407)	–	(38,656)	(121,848)	(122,903)	–	–	–	–	–	–	–
Pension and other postretirement liability adjustments	21,308	–	3,645	2,714	1,445	27	5,939	2,546	3,473	446	937	136
Increase (decrease) in net assets without donor restrictions	\$ 499,831	\$ –	\$ 30,514	\$ 97,319	\$ 140,819	\$ 116,372	\$ 65,608	\$ 13,633	\$ 48,400	\$ (4,666)	\$ (5,808)	\$ (2,360)

Northwell Health, Inc.

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

Year Ended December 31, 2019

	Phelps Memorial Hospital Association and Subsidiaries	Eliminations	Phelps Memorial Hospital Association	Phelps Professional Building Co.	Phelps Medical Associates
Operating revenue:					
Net patient service revenue	\$ 279,468	\$ –	\$ 279,468	\$ –	\$ –
Physician practice revenue	26,122	–	1,889	–	24,233
Total patient revenue	305,590	–	281,357	–	24,233
Other operating revenue	14,879	(20,184)	14,708	2,427	17,928
Net assets released from restrictions used for operations	86	–	86	–	–
Total operating revenue	320,555	(20,184)	296,151	2,427	42,161
Operating expenses:					
Salaries	165,666	(17,316)	155,684	202	27,096
Employee benefits	26,308	–	20,381	50	5,877
Supplies and expenses	100,071	(2,868)	92,000	829	10,110
Depreciation and amortization	15,783	–	15,110	298	375
Interest	1,001	–	913	88	–
Total operating expenses	308,829	(20,184)	284,088	1,467	43,458
Excess (deficiency) of operating revenue over operating expenses	11,726	–	12,063	960	(1,297)
Non-operating gains and losses:					
Investment income	6,263	–	6,258	5	–
Change in net unrealized gains and losses and change in value of equity method investments	12,666	–	12,666	–	–
Non-operating net periodic benefit cost	(12)	–	(5)	–	(7)
Other non-operating gains and losses	795	–	795	–	–
Total non-operating gains and losses	19,712	–	19,714	5	(7)
Excess (deficiency) of revenue and gains and losses over expenses	31,438	–	31,777	965	(1,304)
Net assets released from restrictions for capital asset acquisitions	75	–	75	–	–
Transfers from affiliates	32,275	–	32,275	–	–
Other changes in net assets	(207)	508	–	(715)	–
Increase (decrease) in net assets without donor restrictions	\$ 63,581	\$ 508	\$ 64,127	\$ 250	\$ (1,304)

Northwell Health, Inc.

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

Year Ended December 31, 2019

	Northern Westchester Hospital Association and Subsidiaries	Northern Westchester Hospital Association	Northern Westchester Hospital Center Foundation	Other Subsidiaries
Operating revenue:				
Net patient service revenue	\$ 285,696	\$ 285,696	\$ –	\$ –
Physician practice revenue	4,836	4,836	–	–
Total patient revenue	290,532	290,532	–	–
Other operating revenue	7,671	6,113	–	1,558
Net assets released from restrictions used for operations	487	487	–	–
Total operating revenue	298,690	297,132	–	1,558
Operating expenses:				
Salaries	140,136	140,040	–	96
Employee benefits	35,268	35,268	–	–
Supplies and expenses	92,119	91,118	–	1,001
Depreciation and amortization	16,607	16,037	–	570
Interest	1,447	1,447	–	–
Total operating expenses	285,577	283,910	–	1,667
Excess (deficiency) of operating revenue over operating expenses	13,113	13,222	–	(109)
Non-operating gains and losses:				
Investment income	4,786	4,706	–	80
Change in net unrealized gains and losses and change in value of equity method investments	9,543	9,543	–	–
Non-operating net periodic benefit cost	(506)	(506)	–	–
Other non-operating gains and losses	(297)	510	(807)	–
Total non-operating gains and losses	13,526	14,253	(807)	80
Excess (deficiency) of revenue and gains and losses over expenses	26,639	27,475	(807)	(29)
Net assets released from restrictions for capital asset acquisitions	4,985	4,985	–	–
Change in fair value of interest rate swap agreements designated as cash flow hedges	(41)	(41)	–	–
Transfers from affiliates	45,000	45,000	–	–
Pension and other postretirement liability adjustments	(9,672)	(9,672)	–	–
Increase (decrease) in net assets without donor restrictions	\$ 66,911	\$ 67,747	\$ (807)	\$ (29)

Northwell Health, Inc.

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

Year Ended December 31, 2019

	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	\$ 69,430	\$ 20,858	\$ 11,233	\$ 8,332	\$ 5,442	\$ 3,845	\$ 5,470	\$ 14,250
Total patient revenue	69,430	20,858	11,233	8,332	5,442	3,845	5,470	14,250
Other operating revenue	20	–	1	8	–	–	11	–
Total operating revenue	69,450	20,858	11,234	8,340	5,442	3,845	5,481	14,250
Operating expenses:								
Salaries	15,045	1,994	3,718	2,120	1,172	1,182	2,027	2,832
Employee benefits	2,754	337	616	408	281	227	350	535
Supplies and expenses	37,583	6,211	9,378	3,883	3,068	1,154	8,299	5,590
Depreciation and amortization	3,672	37	809	298	297	119	1,782	330
Interest	313	–	287	3	4	–	–	19
Total operating expenses	59,367	8,579	14,808	6,712	4,822	2,682	12,458	9,306
Excess (deficiency) of operating revenue over operating expenses	10,083	12,279	(3,574)	1,628	620	1,163	(6,977)	4,944
Non-operating gains and losses:								
Investment income	(285)	(27)	(173)	(25)	–	(9)	–	(51)
Total non-operating gains and losses	(285)	(27)	(173)	(25)	–	(9)	–	(51)
Excess (deficiency) of revenue and gains and losses over expenses	9,798	12,252	(3,747)	1,603	620	1,154	(6,977)	4,893
Transfers from affiliates	14,839	–	–	–	–	–	14,839	–
Other changes in net assets	(20,159)	(12,341)	(30)	(1,775)	(570)	(1,053)	–	(4,390)
Increase (decrease) in net assets without donor restrictions	\$ 4,478	\$ (89)	\$ (3,777)	\$ (172)	\$ 50	\$ 101	\$ 7,862	\$ 503

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