

Wyckoff Heights Medical Center

Consolidated Financial Statements and Supplementary Information Years Ended December 31, 2019 and 2018

Wyckoff Heights Medical Center

Consolidated Financial Statements and Supplementary Information
Years Ended December 31, 2019 and 2018

Wyckoff Heights Medical Center

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Independent Auditor's Report

The Board of Trustees
Wyckoff Heights Medical Center
Brooklyn, New York

We have audited the accompanying consolidated financial statements of Wyckoff Heights Medical Center (the Medical Center), which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, and the related consolidated statements of operations and net asset deficit—without donor restrictions, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Wyckoff Heights Medical Center as of December 31, 2019 and 2018 and the changes in its net asset deficit—without donor restrictions and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.



Emphasis of Matter Regarding Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Medical Center will continue as a going concern. As described in Note 2 to the consolidated financial statements, the Medical Center has suffered recurring losses from operations and has a net working capital deficiency and deficit in net assets that raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Other Matter

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

BDO USA, LLP

June 24, 2020

Wyckoff Heights Medical Center
Consolidated Statements of Financial Position
(in thousands)

<i>December 31,</i>	2019	2018
Assets		
Current		
Cash and cash equivalents (Note 3)	\$ 13,198	\$ 18,538
Patient accounts receivable, net (Notes 3, 4 and 5)	29,274	26,298
Other receivables, net	6,215	17,153
Due from third-party payors (Note 4)	10,020	9,511
Inventories and other current assets (Note 3)	9,088	6,964
Assets limited as to use (Notes 3, 6, 7 and 8)	4,365	4,316
Total Current Assets	72,160	82,780
Assets Limited as to Use, net of current portion (Notes 3, 6, 7 and 8)	9,789	9,888
Insurance Claims Receivable (Note 3 and 10)	35,726	35,200
Property, Buildings and Equipment, Net (Notes 3 and 7)	85,646	78,565
Total Assets	\$ 203,321	\$ 206,433
Liabilities and Net Asset Deficit		
Current Liabilities		
Accounts payable and accrued expenses	\$ 56,293	\$ 49,135
Accrued salaries and related liabilities	16,216	17,822
Due to third-party payors, current portion	1,623	5,070
HCRA loan payable (Note 8)	13,923	15,951
Accrued interest payable	1,191	666
Current portion of long-term debt, net of deferred financing fees (Note 8)	58,266	57,994
Estimated self-insured professional liabilities (Notes 3 and 10)	797	1,042
Deferred revenue (Note 3)	3,715	556
Other current liabilities	2,618	2,618
Total Current Liabilities	154,642	150,854
Due to Third-Party Payors, less current portion (Note 4)	38,876	42,664
Long-Term Debt, less current portion and deferred financing fees (Note 8)	542	527
Estimated Self-Insured Professional Liabilities, less current portion (Notes 3 and 10)	42,053	40,745
Estimated Insured Professional Liabilities (Note 3 and 10)	35,726	35,200
Total Liabilities	271,839	269,990
Commitments and Contingencies (Notes 5, 8, 9, 10, 11 and 12)		
Net Asset Deficit—Without Donor Restrictions	(68,518)	(63,557)
Total Liabilities and Net Asset Deficit	\$ 203,321	\$ 206,433

See accompanying notes to consolidated financial statements.

Wyckoff Heights Medical Center

Consolidated Statements of Operations and Net Asset Deficit Without-Donor-Restrictions (in thousands)

<i>Year ended December 31,</i>	2019	2018
Changes in Net Asset Deficit—Without Donor Restrictions		
Operating Revenue		
Net patient service revenue (Notes 3, 4 and 5)	\$ 236,033	\$ 238,763
Physician service revenue	24,887	26,705
Grants (Note 13)	75,942	75,671
Medical training program	2,687	2,436
Other revenue	15,174	16,454
Total Revenues Without Donor Restrictions	354,723	360,029
Operating Expenses		
Salaries and wages	177,210	160,177
Employee benefits	57,079	52,348
Supplies and other	114,174	121,186
Interest and amortization of financing fees	1,834	1,481
Depreciation and leasehold improvement amortization	9,828	9,391
Total Operating Expenses	360,125	344,583
(Deficiency) Excess of Total Revenues Over Total Expenses, before other changes in net asset deficit—without donor restrictions	(5,402)	15,446
Other Changes in Net Asset Deficit—Without Donor Restrictions		
Grants for capital	441	423
MLMIC demutualization proceeds (Note 10)	-	19,033
(Deficiency) Excess of Total Revenues Over Total Expenses and Other Changes	(4,961)	34,902
Net Asset Deficit—Without Donor Restrictions, beginning of year	(63,557)	(98,459)
Net Asset Deficit—Without Donor Restrictions, end of year	\$ (68,518)	\$ (63,557)

See accompanying notes to consolidated financial statements.

Wyckoff Heights Medical Center
Consolidated Statements of Cash Flows
(in thousands)

<i>Year ended December 31,</i>	2019	2018
Cash Flows from Operating Activities		
Change in net asset deficit—without donor restrictions	\$ (4,961)	\$ 34,902
Adjustments to reconcile change in net asset deficit—without donor restrictions to net cash provided by operating activities:		
Depreciation and leasehold improvement amortization	9,828	9,391
Interest expense related to deferred financing fees	173	239
Changes in assets and liabilities:		
Patient accounts receivable	(2,976)	(3,591)
Other receivables, net	10,938	(8,009)
Due to/from third-party payors	(7,744)	(2,150)
Inventories and other current assets	(2,124)	(307)
Accounts payable and accrued expenses	7,158	4,005
Accrued salaries and related liabilities	(1,606)	1,129
Accrued interest payable	525	(151)
Due to related organizations	-	(808)
Deferred revenue	3,159	(11)
Estimated self-insured professional liabilities	1,063	1,042
Caritas settlement	-	(264)
Net Cash Provided by Operating Activities	13,433	35,417
Cash Flows from Investing Activities		
Change in assets limited as to use	(294)	5,791
Purchases of property, buildings and equipment, net	(15,783)	(17,835)
Net Cash Used in Investing Activities	(16,077)	(12,044)
Cash Flows from Financing Activities		
Principal payments of HCRA loan payable	(2,028)	(1,518)
Principal payments of long-term debt	(1,012)	(5,399)
Net Cash Used in Financing Activities	(3,040)	(6,917)
Net (Decrease) Increase in Cash and Cash Equivalents	(5,684)	16,456
Cash, Cash Equivalents, Restricted Cash and Restricted Cash Equivalents, beginning of year	29,468	13,012
Cash, Cash Equivalents, Restricted Cash and Restricted Cash Equivalents, end of year	\$ 23,784	\$ 29,468
Supplemental Disclosures of Cash Flow Information		
Cash paid for interest and financing fees	\$ 1,309	\$ 1,330
Assets acquired under capital leases	1,126	1,090
Accounts payable incurred for capital expenditures	6,669	8,545

See accompanying notes to consolidated financial statements.

Wyckoff Heights Medical Center

Notes to Consolidated Financial Statements

1. Nature of Organization and Principles of Consolidation

Operating Activity

Wyckoff Heights Medical Center (Wyckoff or the Medical Center) is a tax-exempt organization, which was incorporated under New York State not-for-profit corporation law for the purpose of providing healthcare services primarily to residents of the Brooklyn and Queens, New York areas. Effective December 21, 2006, Brooklyn-Queens Health Care, Inc. (BQHC), formerly known as Wyckoff Heights Medical Center Properties, became the sole member of the Medical Center and of Caritas Health Care, Inc. (Caritas). Caritas filed a voluntary petition of relief under Chapter 11 of the federal bankruptcy laws in February 2009 and ceased operations on March 6, 2009 (see Note 3).

Principles of Consolidation

The Medical Center consolidates the operations of its tax-exempt and taxable subsidiaries, which are as follows:

Tax-Exempt	Taxable
<ul style="list-style-type: none">• Stockholm Obstetrics and Gynecological Services, P.C. (Stockholm)*• Wyckoff Medical Services, P.C. (Wyckoff Medical)*• Wyckoff Heights Dental Services, P.C. (Wyckoff Dental)• Wyckoff Professional Medical Services, P.C.• Wyckoff Heights Medical Services, P.C. (Wyckoff Anesthesia)• Wyckoff Heights Medical Center Foundation (Wyckoff Foundation)• Wyckoff Imaging Services, P.C. (Wyckoff Imaging)*• Wyckoff Heights Hospital Self Insurance Fund (inactive)	<ul style="list-style-type: none">• Wyckoff Practice Management Corporation (Wyckoff Practice Management)*• Wyckoff Emergency Medicine Services, P.C. (Wyckoff Emergency Medicine)• Stephen Carryl, P.C.**• Preferred Health Ventures Pharmacy (inactive and closed in 2018)*• Preferred Health Ventures Placement (inactive and closed in 2018)*• Preferred Health Ventures Properties (inactive and closed in 2018)*• Wyckoff Medical Associates, P.C.*

* Subsidiary ceased operations in 2019, 2018 or 2017 and are currently pending dissolution.

** As of January 1, 2019, this entity was no longer controlled by the Medical Center.

The consolidated financial statements include the accounts of the Medical Center and its subsidiaries and are reported using the full consolidation method, whereby the consolidated financial statements include 100% of the assets and liabilities of the subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

Wyckoff Heights Medical Center

Notes to Consolidated Financial Statements

2. Going Concern, Liquidity and Availability of Resources

At December 31, 2019 and 2018, the Medical Center had a working capital deficiency of approximately \$82.5 million and \$68.1 million, respectively, and a net asset deficit of approximately \$68.5 million and \$63.6 million, respectively. The Medical Center also has incurred losses from operating and nonoperating activities in prior years. The New York State Department of Health (NYSDOH) has determined that it is in the best interest of the NYSDOH that Northwell Healthcare, Inc. (Northwell) and the Medical Center enter into a Management and Operations Agreement through which Northwell would provide management and operational strategies, guidance and directives to the Medical Center, subject to NYSDOH active oversight and supervision. During 2017, the Medical Center executed a three-party Supervisory Agreement between the NYSDOH and Northwell, whereas the Medical Center sought assistance and guidance in identifying areas of operation and revenue cycle improvement.

The Medical Center continues to embark on additional Statements of Work to include identifying revenue enhancements and cost reductions and is developing strategies with Northwell to improve the Medical Center's financial condition.

At the request of the Dormitory Authority of the State of New York (DASNY), and consistent with the debt covenant agreement, the Medical Center was required in December 2016 to contract with outside consultants (Consultant) to review the Medical Center's operations and to identify cost and revenue opportunities to improve its operating margin. The Medical Center has implemented the recommendations that were included in the Consultant's report to DASNY. During 2019 and 2018, the Medical Center continues as required by DASNY and NYSDOH to provide weekly, quarterly and yearly cashflows in an effort to monitor the Medical Center's receipts and disbursements. In addition to assure adequate funding to meet operating needs, management works closely with the NYSDOH and DASNY to secure incremental funding, including continued discussions with the Board of Trustees and community groups to help guide the Medical Center's future course.

The Medical Center continues to receive support from NYSDOH with respect to receiving Value Based Payment Quality Improvement Program (VBP-QIP) monies to support the Medical Center's operations and cash needs. The Medical Center has been identified as a safety net hospital under the NYS Vital Access Provider Assurance Program (VAPAP) (and related programs). The Medical Center received \$70.0 million of VBP-QIP in both 2019 and 2018. In addition, NYSDOH formally extended the VBP-QIP for a maximum of six months effective April 1, 2020. Finally, the New York State Budget (Budget SFY 2020-2021) includes in excess of \$400 million annually to support financially distressed hospitals through the following programs: VAPAP, Essential plan Quality Improvement Program (EIQIP), and the VBP-QIP program.

To complement the Delivery System Reform Incentive Payment (DSRIP) program, the NYSDOH announced that \$1.2 billion was available for Capital Funding to support Health Care Delivery System Transformation. In February 2015, the Medical Center applied to participate in the state's Capital Restructuring Financing Program (CRFP) and submitted an application requesting project funding. In March 2016, the Medical Center received approval from the NYSDOH and was awarded the \$58.4 million to support the Wyckoff Ambulatory Transformation Initiative and Extension Clinics. As a condition to participate in the CRFP and in order to get project approval, the Medical Center was required to submit a Certificate of Need application (CON). The CON was approved by NYSDOH on June 30, 2017. The Medical Center has complied with all conditions of approval and has started work on the CRFP projects with an estimated timeline ending in 2022. In early 2019, Northwell worked closely with the Medical Center's senior management in submitting a revised application to

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Notes to Consolidated Financial Statements

modify the previously approved CRFP projects. As of the date of this report, the Medical Center received approval on those modifications.

In March 2018, the Medical Center submitted two separate applications to participate in the Statewide Health Care Facility Transformation Program II (SHCFTP II). Through these applications, the Medical Center requested \$65.4 million to be used exclusively for debt restructuring and sustainability and \$11.2 million to be used exclusively for the purchase and implementation of the ambulatory care components of its enterprise-wide Health Information Technology (HIT) System. On February 5, 2019, the Medical Center received notification from the Commissioner of the NYSDOH stating that the Medical Center's applications for SHCFTP II were not selected for an award. The NYSDOH received 459 eligible applications totaling \$2.527 billion in request funding. As a result, many qualified projects could not be accommodated within the available program funds. The Governor's 2019-20 Executive Budget authorizes NYSDOH to allocate up to \$300 million of the \$525 million of Health Care Facility Transformation Funds III (SHCFTP III), authorized in the 2018-19 Enacted Budget, to support project applications from health care providers that were not awarded grants during the round of SHCFTP II. The previously submitted applications were automatically reconsidered for this funding and no further action is required by the Medical Center. The previously submitted applications were reconsidered for SHCFTP III as originally submitted and could not be amended. The Medical Center received confirmation that they will not be awarded for SHCFTP III. The SFY 2020-2021 Budget includes the remaining \$225 Million in funds available to be applied for, pending DOH's issuance of a request for application. The NYSDOH has recommended that the Medical Center apply for these funds for debt restructuring relief and the HIT system as it did in previous years applications.

These conditions raise substantial doubt about the Medical Center's ability to continue as a going concern. The ability of the Medical Center to continue in existence depends upon whether management can significantly improve the profitability of the Medical Center, while continuing to balance ambulatory growth by reducing in-patient preventable admissions. Management's plans, as discussed above, to improve profitability include improving volumes, enhancing reimbursement, seeking assistance, such as DSRIP and SHCFTP II/III, and continuing to manage operating costs.

Liquidity

The Medical Center's financial assets available within one year of the consolidated statements of financial position date for general expenditures are as follows:

<i>December 31,</i>	2019		2018	
Total Current Assets	\$	72,160	\$	82,780
Less:				
Amounts unavailable for general expenditures within one year, due to:				
Inventories and other current assets		(9,088)		(6,964)
Assets limited as to use		(4,365)		(4,316)
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	\$	58,707	\$	71,500

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Notes to Consolidated Financial Statements

Liquidity Management

As part of the Medical Center's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. Management continually evaluates the timing of estimated collections of accounts receivable and manages cash disbursements to ensure the availability of cash to meet its operating needs. Management is working on the above plans to work towards improving their liquidity.

3. Summary of Significant Accounting Policies

Basis of Financial Statement Presentation

The consolidated financial statements of the Medical Center have been prepared on the accrual basis and conform to accounting principles generally accepted in the United States of America (GAAP). In the consolidated statement of financial position, assets and liabilities are presented in order of liquidity or conversion to cash and their maturity resulting in the use of cash, respectively.

Financial Statement Presentation

The Medical Center's net asset deficit and its revenue, expenses, and other changes are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net asset deficit of the Medical Center and changes therein are classified and reported as follows:

With Donor Restrictions - This class consists of net assets resulting from contributions and other inflows of assets whose use by the Medical Center is limited by donor-imposed stipulations, time and/or purpose restrictions. The Medical Center reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires—that is, when a stipulated time restriction ends, or purpose restriction is accomplished—the net assets are reclassified as net assets—without donor restriction and reported in the consolidated statements of operations and net asset deficit.

Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting the Medical Center to expend the income generated by the assets in accordance with provisions of additional donor-imposed stipulations or a Board approved spending policy.

As of December 31, 2019 and 2018, the Medical Center had no net assets with donor-imposed restrictions.

Without Donor Restrictions - This class consists of net assets that are not subject to donor-imposed stipulations and are, therefore, available for the general operations of the Medical Center.

Use of Estimates

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, as well as the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

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Notes to Consolidated Financial Statements

Fair Value Measurements

Professional standards establish a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that inputs that are most observable be used when available. Observable inputs are those that market participants operating within the same marketplace as the Medical Center would use in pricing the Medical Center's asset or liability based on independently derived and objectively determinable market data. Unobservable inputs are inputs that cannot be sourced from a broad active market in which assets or liabilities identical or similar to those of the Medical Center are traded. The Medical Center estimates the price of any assets for which there are only unobservable inputs by using assumptions that market participants that have investments in the same or similar assets would use as determined by the money managers administering each investment based on the best information available in the circumstances. The input hierarchy is broken down into three levels based on the degree to which the exit price is independently observable or determinable, as follows:

Level 1 - Valuation is based on quoted market prices in active markets for identical assets or liabilities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

Level 2 - Valuation is based on quoted market prices of investments that are not actively traded or for which certain significant inputs are not observable, either directly or indirectly, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Valuation is based on inputs that are unobservable and reflect management's best estimate of what market participants would use as fair value.

Cash and Cash Equivalents

In November 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-18, "Statement of Cash Flows (Topic 230): Restricted Cash" (ASU 2016-18). ASU 2016-18 requires entities to show the changes in the total cash, cash equivalents, restricted cash and restricted cash equivalents in the consolidated statement of cash flows. As a result, entities will no longer present transfers between cash and cash equivalents and restricted cash and restricted cash equivalents in the consolidated statement of cash flows. The standard is effective for fiscal years beginning after December 15, 2018 and is required to be applied retrospectively. The Medical Center adopted the standard for the year ended December 31, 2019 and included for all periods presented.

For purposes of the consolidated statement of cash flows, the Medical Center considers all highly liquid investments purchased with an original maturity of three months or less, at the date of purchase, to be cash and cash equivalents. The Medical Center considers amounts limited as to use under internal designation, debt indentures or other agreements as restricted cash.

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Notes to Consolidated Financial Statements

Cash, cash equivalents, restricted cash and restricted cash equivalents consist of the following:

<i>December 31,</i>	2019	2018
Cash and cash equivalents	\$13,198	\$18,538
Assets limited as to use	10,586	10,930
Total	\$23,784	\$29,468

Assets limited as to use in the chart above is only the cash and cash equivalents portion of the total balance of assets limited as to use. See Note 6 for further information.

Patient Accounts Receivable, Net

Patient accounts receivable, net are amounts due from patients, third-party payors (including health insurers and government programs), and others. The receivables are recorded at the reimbursable or contracted amount and do not bear interest. Billings for services are included in revenue net of allowances for contractual discounts and implicit price concessions for differences between amounts billed and estimated payment amounts. Adjustments to the estimated payment amounts that are expected to be received upon final settlement with the payors are reviewed at the end of each reporting period and upon final settlement and are recorded as an adjustment to revenue in the period determined. In evaluating the collectability of accounts receivable, the Medical Center analyzes its past history and identifies trends for each of its major payor sources to estimate the appropriate allowance for credit losses and provision for bad debts. Management regularly reviews data about these major payor sources in evaluating the sufficiency of the allowance for credit losses. Actual results could differ from those estimates.

Inventories

Inventories consist of pharmaceutical and medical supplies valued at the lower of cost or market with cost determined using the first-in, first-out method and with market defined as the lower of replacement cost or realizable value.

Assets Limited as to Use

Assets limited or restricted as to use represent assets whose use is restricted for specific purposes under internal designation or terms of debt indentures or other agreements. Amounts required to meet current liabilities are reported within current assets.

Deferred Financing Fees

Deferred financing fees represent costs incurred to obtain financing. These costs are amortized using the effective-interest method over the term that the related debt is outstanding.

Deferred financing fees are presented as a direct reduction from the carrying amount of the related debt liability.

Property, Buildings, and Equipment, Net

Property, buildings, and equipment purchased are recorded at initial cost and those acquired by gifts and bequests are recorded at appraised or market value established at the date of the contribution, less accumulated depreciation. Assets acquired under capitalized leases are recorded

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at the present value of the future minimum lease payments at the inception of the lease. Depreciation is computed using the straight-line method over the estimated useful life for each class of depreciable assets. Equipment acquired through capital lease obligations is amortized using the straight-line method over the lesser of the estimated useful life of the asset or lease term. The carrying amounts of the assets and the related accumulated depreciation are removed from the accounts when such assets are disposed of, and any resulting gain or loss is included in operations.

The estimated useful lives of the assets are as follows:

Leasehold improvements, buildings and improvements	8 to 40 years
Movable equipment	5 to 20 years
Fixed equipment	5 to 15 years

Impairment of Long-Lived Assets to be Disposed of

Professional standards provide a single accounting model for long-lived assets to be disposed of. The standard also changes the criteria for classifying an asset as held for sale and broadens the scope of businesses to be disposed of that qualify for reporting as discontinued operations and changes the timing of recognizing losses on such operations. In accordance with the standard, long-lived assets, such as property, building and equipment, and purchased intangibles subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future net cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of would be separately presented in the consolidated statement of financial position and reported at the lower of the carrying amount or fair value less costs to sell and are no longer depreciated. The assets and liabilities of a disposed group classified as held for sale would be presented separately in the appropriate asset and liability sections of the consolidated statement of financial position. For the years ended December 31, 2019 and 2018, there were no impairments recorded in the consolidated financial statements.

Estimated Self-Insured Professional Liabilities

The provision for estimated self-insured malpractice claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported. The Medical Center, when evaluating probable losses relating to malpractice claims, reviews the latest information available. When the latest information indicates the probable loss is within a range of amounts, the most likely amount of the loss in the range is accrued.

The estimates for malpractice claims are based upon complex actuarial calculations which utilize factors such as historical claim experience for the Medical Center and related industry factors, estimates for the payment patterns of future claims, and present value discounting. Therefore, there is a possibility that recorded estimates will change by a material amount in the near term. Revisions to estimated amounts resulting from actual experience differing from projected expectations are recorded in the period the information becomes known or when changes are anticipated.

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Deferred Revenue

Deferred revenue consists of advance payments related to government grant funded programs.

Revenue Recognition

The Medical Center has agreements with its third-party payors that provide for payments to the Medical Center at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounts from charges, and per diem payments. Net patient service revenue is reported at estimated net realizable amounts from patients, third-party payors, and others for services rendered and includes estimated retroactive revenue adjustments due to future audits, reviews, or investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are provided and adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews, or investigations.

Functional Expenses

The majority of the Medical Center's expenses can generally be directly identified with program or supporting services to which they relate and are allocated accordingly. Program services consist of providing healthcare and related services to residents within its geographic location. Other expenses have been allocated among program and supporting service classifications. These expenses include depreciation and amortization, utilities, information technology and facilities operations and maintenance. Depreciation and amortization are allocated based on square footage and interest expense is allocated based on usage of space. Costs of other categories were allocated on estimates of time and effort. Operating expenses related to providing these services are as follows (in thousands):

<i>December 31, 2019</i>	Healthcare and Related Services	Program Support and General Services	Total
Salaries and wages	\$ 124,047	\$ 53,163	\$ 177,210
Employee benefits	39,955	17,124	57,079
Supplies and other	79,922	34,252	114,174
Interest and amortization of financing fees	1,284	550	1,834
Depreciation and leasehold improvement amortization	6,880	2,948	9,828
	\$ 252,088	\$ 108,037	\$ 360,125

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Notes to Consolidated Financial Statements

<i>December 31, 2018</i>	Healthcare and Related Services	Program Support and General Services	Total
Salaries and wages	\$ 112,028	\$ 48,149	\$ 160,177
Employee benefits	36,612	15,736	52,348
Supplies and other	84,758	36,428	121,186
Interest and amortization of financing fees	1,036	445	1,481
Depreciation and leasehold improvement amortization	6,568	2,823	9,391
	\$ 241,002	\$ 103,581	\$ 344,583

Charity Care

The Medical Center provides care to all patients regardless of the patient's ability to pay. For those patients who require financial assistance, the Medical Center has a charity care policy, as well as a sliding scale fee schedule for those patients that meet specific requirements. Because the Medical Center does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

For the years ended December 31, 2019 and 2018, the estimated cost of charity care was approximately \$2.9 and \$4.2 million, respectively. The estimated cost of charity care includes the direct and indirect costs of providing charity care services and is estimated utilizing a ratio of cost to gross charges applied to the gross uncompensated charges associated with providing charity care.

For patients who were determined by the Medical Center to have the ability to pay but did not, the uncollected amounts are recorded as bad-debt expense. Distinguishing between bad debt and charity care is difficult, in part because services are often rendered prior to full evaluation of a patient's ability to pay.

Insurance Claims Receivable and Estimated Insured Professional Liabilities

For medical malpractice, the Medical Center determines such claims liabilities without consideration of insurance recoveries. Accordingly, the Medical Center recognizes the insurance receivable 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 claims and other claims that are anticipated to be covered by insurance.

Performance Indicator

The consolidated statements of operations and net asset deficit—without donor restrictions include a (deficiency) excess of total revenue over total expenses and other changes as the performance indicator.

Wyckoff Heights Medical Center

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Tax Status

The Medical Center is exempt from federal, state and local income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and, therefore, has made no provision for income taxes in the accompanying consolidated financial statements. In addition, the Medical Center has been determined by the Internal Revenue Service (IRS) not to be a “private foundation” within the meaning of Section 509(a) of the IRC. There was no unrelated business income for the years ended December 31, 2019 or 2018.

Under GAAP an organization must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more likely than not that the position will not be sustained upon examination by a taxing authority. The Medical Center does not believe it has taken any material uncertain tax positions and, accordingly, it has not recorded any liability for unrecognized tax benefits. The Medical Center is subject to routine audits by a taxing authority. In December 2019, the IRS began a cursory compliance check of the Medical Center for the year ended December 31, 2017. This compliance check was favorably closed by the IRS in March 2020. Management believes it is no longer subject to income tax examinations for the years prior to 2016.

Recently Adopted Accounting Standards

Classification of Certain Cash Receipts and Cash Payments (Topic 230)

In August 2016, the FASB issued ASU 2016-15, “Classification of Certain Cash Receipts and Cash Payments (Topic 230)”, which clarifies how certain cash receipts and cash payments are presented and classified in the consolidated statement of cash flows. The amendments are intended to reduce diversity in practice. This ASU contains additional guidance clarifying when an entity should separate cash receipts and cash payments and classify them into more than one class of cash flows (including when reasonable judgment is required to estimate and allocate cash flows) versus when an entity should classify the aggregate amount into one class of cash flows on the basis of predominance. The provisions of ASU 2016-15 are effective for the Medical Center for annual periods beginning after December 15, 2018. The Medical Center has adopted the standard for the year ended December 31, 2019.

Recent Accounting Pronouncements Issued but Not Yet Adopted

Leases (Topic 842)

In February 2016, the FASB issued ASU 2016-02, “Leases (Topic 842)”. This update, along with ASU 2018-10, “Codification Improvements to Topic 842: Leases”, ASU 2018-11, “Leases (Topic 842): Targeted Improvements” ASU 2018-20, “Leases (Topic 842): Narrow-Scope Improvements for Lessors”, and ASU 2020-06, “Leases (Topic 842): Effective Dates” establishes a comprehensive leasing standard. These updates require the recognition of lease assets and lease liabilities on the consolidated statement of financial position and disclosure of key information about leasing arrangements for lessees and lessors. The new standard applies a right-of-use (ROU) model that requires, for leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset for the lease term and a liability to make lease payments to be recorded. The guidance also expands the required quantitative and qualitative lease disclosures, as well as provides entities with an additional (and optional) transition method to adopt the new standard. The standard is effective for public business entities for fiscal years beginning after December 15, 2019. As the Medical Center is deemed a public business entity, they will be required

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to adopt this standard for the year ending December 31, 2020. The Medical Center is currently evaluating the impact of this ASU on their consolidated financial statements.

Financial Instruments-Credit Losses (Topic 326)

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. The Medical Center is currently evaluating the impact of this ASU on their consolidated financial statements.

Reclassifications

Certain reclassifications have been made to the 2018 consolidated financial statements in order to conform to the 2019 presentation.

4. Patient Accounts Receivable and Patient Service Revenue

Net patient service revenue (collectively, Patient Revenue) is reported at the amount that reflects the consideration to which the Medical Center expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government programs), and others and includes variable consideration (reductions to revenue) for retroactive revenue adjustments due to settlement of ongoing and future audits, reviews, and investigations.

The Medical Center 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 primarily consist of major payor classes for inpatient revenue and major types of services provided for outpatient revenue. Based on historical collection trends and other analyses, the Medical Center believes that revenue recognized by utilizing the portfolio approach approximates the revenue that would have been recognized if an individual contract approach were used.

The Medical Center’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 the Medical Center’s standard charges. The Medical Center determines the transaction price associated with services provided to patients who have third-party payor coverage on the basis of contractual or formula-driven rates for the services rendered. The estimates for contractual allowances and discounts are based on contractual agreements, the Medical Center’s discount policies and historical experience. For uninsured and under-insured patients who do not qualify for charity care, the Medical Center’s 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 the Medical Center’s historical collection experience for applicable patient portfolios. Under the Medical Center’s charity care policy, a patient who has no insurance or is under-insured and is ineligible for any government assistance program has his or her bill reduced to (1) the lesser

Wyckoff Heights Medical Center

Notes to Consolidated Financial Statements

of charges or the Medicaid diagnostic-related group for inpatient and (2) a discount from Medicaid fee-for-service rates for outpatient. Patients who meet the Medical Center's criteria for free care are provided care without charge; such amounts are not reported as revenue.

Generally, the Medical Center's bills patients and third-party payors several days after the services are performed and/or the patient is discharged. Net patient service revenue is recognized as performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided by the Medical Center. Net patient service revenue for performance obligations satisfied over time is recognized based on estimated expected payment at that point in time. The Medical Center believes that this method provides a reasonable depiction of the transfer of services over the term of the performance obligation based on the services needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients receiving inpatient acute care services or patients receiving services in the Medical Center's outpatient and ambulatory care centers. The Medical Center measures the performance obligation from admission into the Medical Center or the commencement of an outpatient 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 visit.

Net patient service revenue disaggregated by payor is as follows (in thousands):

<i>Year ended December 31,</i>	2019	2018
Medicare and Medicare managed care	\$ 80,251	\$ 81,637
Medicaid and Medicaid managed care	120,377	121,157
Commercial carriers and health maintenance organizations	33,045	32,981
Self-pay	2,360	2,988
	<u>\$ 236,033</u>	<u>\$ 238,763</u>

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

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

Subsequent changes to the estimate of the transaction price (determined on a portfolio basis when applicable) are generally recorded as adjustments to patient service revenue in the period of the change. For years ended December 31, 2019 and 2018, changes in the Medical Center estimates of implicit price concessions, discounts, contractual adjustments or other reductions to expected payments for performance obligations satisfied in prior year was not significant. Portfolio collection estimates are updated quarterly based on collection trends. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay (determined on a portfolio basis when applicable) are recorded as bad-debt expense. Bad-debt expense for the year ended December 31, 2019 and 2018 were not significant.

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

Accounts receivable is comprised of the following components (in thousands):

<i>December 31,</i>		2019		2018
Patient receivables	\$	28,305	\$	25,428
Contract assets (for in-house patients)		969		870
	\$	29,274	\$	26,298

The Medical Center has established estimates, based on information presently available, of amounts due to or from Medicare and non-Medicare payors for adjustments to current and prior years' payment rates, based on industry-wide and Medical Center-specific data. The current Medicaid, Medicare and other third-party payor programs are based upon extremely complex laws and regulations that are subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount. Additionally, noncompliance with such laws and regulations could result in fines, penalties and exclusion from such programs. The Medical Center 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.

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 or revisions to health care reform that has been enacted by the federal government, cannot be determined presently. Future changes in the Medicare and Medicaid programs and New York reduction of funding could have an adverse impact on the Medical Center. Additionally, certain payors' payment rates for various years have been appealed by the Medical Center. If the appeals are successful, additional income applicable to those years could be realized in the year the appeal is finalized.

Indigent Care Pool

New York state regulations provide for the distribution of funds from an indigent care pool, which is intended to partially offset the cost of services provided to the uninsured. The funds are distributed to the Medical Center based on industry-wide and hospital-specific data.

Third-Party Payment Programs

Medicare and Non-Medicare Reimbursement

Under the Medicare program, the Medical Center receives reimbursement under a prospective payment system (PPS) for inpatient and outpatient services. Under the Medical Center inpatient PPS, fixed payment amounts per inpatient discharge are established based on the patient's assigned DRG. When the estimated cost of treatment for certain patients is higher than the average,

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providers typically will receive additional “outlier” payments. Under the outpatient PPS, services are paid based on service groups called ambulatory payment classifications.

The New York Health Care Reform Act of 1996 (the Act), as periodically updated, governs non-payments to hospitals in New York State. Under the Act, Medicaid, workers’ compensation, and no-fault payors pay rates are promulgated by the NYSDOH. Fixed payment amounts per inpatient discharge are established based on the patient’s assigned case mix intensity, similar to a Medicare diagnosis-related group (DRG). Effective December 1, 2009, the New York State prospective payment methodology was updated such that payments to hospitals for Medicaid, workers’ compensation and no-fault inpatient services are based on a statewide rate, with retroactive adjustments for certain rate components paid concurrently with the settlement of the final rate. Outpatient services also are paid based on a statewide prospective system that was effective December 1, 2008. Medicaid rate methodologies are subject to approval at the federal level by Center for Medicare and Medicaid Services (CMS), which may routinely request information about such methodologies prior to approval. All other third-party payors—principally Blue Cross, other private insurance companies, Health Maintenance Organizations (HMOs), Preferred Provider Organizations (PPOs), and other managed care plans—negotiate payment rates directly with the Medical Center. Such arrangements include DRG based payment systems, per diems, case rates, and percentage of billed charges. If such rates are not negotiated, then the payors are billed at the Medical Center’s established charges.

Both federal and New York state regulations provide for certain adjustments to current and prior years’ payment rates and indigent care pool distributions based on industry-wide and hospital-specific data. The Medical Center has established estimates based on information presently available of the amounts due to or from Medicare, Medicaid, workers’ compensation, and no-fault payors, and amounts due from the indigent care pool for such adjustments.

There are various proposals at the federal and New York state levels that could, among other things, reduce reimbursement rates, modify reimbursement methods, and increase managed care penetration, including Medicare and Medicaid. The ultimate outcome of these proposals and other market changes cannot presently be determined.

For both of the years ended December 31, 2019 and 2018, revenue from the Medicare and Medicaid programs (including managed care related revenue) accounted for approximately 85% of the Medical Center’s net patient service revenue. The federal government and many states have aggressively increased enforcement under Medicare and Medicaid antifraud and abuse legislation. Recent Federal initiatives have prompted a national review of federally funded healthcare programs. The Medical Center has a compliance program to monitor conformance with applicable laws and regulations, but the possibility of future government review and interpretation exists. The Medical Center believes that it is in compliance, in all material respects, with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. Compliance with such laws and regulations can be subject to future government review and interpretation. Noncompliance with such laws and regulations could result in repayments of amounts improperly reimbursed, substantial monetary fines, civil and criminal penalties, and exclusion from the Medicare and Medicaid programs.

The Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010 (collectively, the Health Reform Law), which was signed into law on March 23, 2010, changed how healthcare services are covered, delivered, and reimbursed through expanded coverage of uninsured individuals, reduced growth in Medicare program spending,

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reductions in Medicare and Medicaid Disproportionate Share Hospital (DSH) payments, and the establishment of programs in which reimbursement is tied to quality and integration. In addition, the Health Reform Law reformed certain aspects of health insurance, expands existing efforts to tie Medicare and Medicaid payments to performance and quality, and contains provisions intended to strengthen fraud and abuse enforcement.

Budget Control Act

The Budget Control Act of 2011 (the Budget Control Act) mandated significant reductions and spending caps on the federal budget for fiscal years 2014 through 2021. The Budget Control Act also created a Joint Select Committee on Deficit Reduction (the Super Committee) to develop a plan to further reduce the Federal deficit by \$1.5 trillion on or before November 23, 2011. Since the Super Committee failed to act before the mandated deadline, a 2% reduction in Medicare spending, among other reductions, took effect for nonphysician Medicare payments effective April 1, 2013 in a process known as Sequestration. During 2015, the Sequestration period was extended by legislation until 2024.

Delivery System Reform Incentive Payment

In April 2014, a Medicaid waiver was finalized that will reinvest \$8 billion in federal savings to support changes to critical issues in New York state's healthcare system. The comprehensive reform will be implemented through the DSRIP program and will promote community-level collaborations and focus on system reform, specifically a goal to achieve a 25% reduction in avoidable hospital use over five years.

DSRIP lead participants qualify as eligible providers by passing at least one of the three tests below: (1) must be either a public hospital, critical access hospital, or sole community hospital; (2) must have outpatient Medicaid patient volumes exceeding 35% of all inpatient volumes in business lines associated with Medicaid, uninsured and dual eligible Individuals and at least 30% of inpatient treatment volumes in business lines associated with Medicaid, uninsured and dual eligible individuals; and (3) must serve at least 30% of all Medicaid, uninsured and dual eligible members in the proposed county or multicounty community. Nonhospital-based providers, not participating as part of a state-designated health home, must have at least 35% of all patient volumes in their primary lines of business and must be associated with Medicaid, uninsured, and dual eligible individuals.

DSRIP is intended to produce a substantial restructuring of the health care delivery system for the medically indigent in New York; therefore, as a participant, the Medical Center may experience a decrease in inpatient admissions and/or a shift from inpatient and emergency-based services to outpatient and community-based services.

The Medical Center is a partner in the DSRIP Performing Provider System in formation led by Maimonides Medical Center along with several other providers.

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5. Concentration of Credit Risk

The Medical Center grants credit without collateral to its patients, most of who are local residents and are insured under various third-party payor arrangements. Significant concentrations of net patient accounts receivable from patients and third-party payors are as follows:

<i>December 31,</i>	2019 (%)	2018 (%)
Medicare (including Medicare managed care)	32	32
Medicaid (including Medicaid managed care)	46	43
Commercial and other payors	16	21
Self-pay	6	4
	100	100

For patient accounts receivable associated with self-pay patients, which includes those patients without insurance coverage and patients with deductibles and copayment balances for which third-party coverage exists for a portion of the bill, the Medical Center records a significant provision for implicit price concessions for patients that are unable or unwilling to pay for the portion of the bill representing their financial responsibility.

6. Assets Limited as to Use

Assets limited as to use consist of the following (in thousands):

<i>December 31,</i>	2019	2018
Cash and money market	\$ 10,586	\$ 10,930
U.S. Treasury bills and notes	3,568	3,274
	\$ 14,154	\$ 14,204

At December 31, 2019 and 2018, the entire balance of the assets limited as to use is valued at Level 1, in accordance with the fair value hierarchy table.

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At December 31, 2019 and 2018, the assets limited as to use are held for a Board-designated self-insured malpractice fund or by a trustee under the bond indenture for the following purposes under the Medical Center's Secured Hospital Revenue Refunding Bonds Series 2015 indenture agreement (in thousands):

<i>December 31,</i>		2019		2018
Board-designated fund self-insured malpractice	\$	10,586	\$	10,930
Capital reserve fund		34		1,487
Prepaid Non-Union Pension		2,498		-
Construction and renewal, replacement and depreciation fund		1,036		1,787
Assets Limited as to Use		14,154		14,204
Less: current portion		(4,365)		(4,316)
Assets Limited as to Use, net of current portion	\$	9,789	\$	9,888

7. Property, Buildings and Equipment, Net

Property, buildings and equipment, net consist of the following (in thousands):

<i>December 31,</i>		2019		2018
Land	\$	6,075	\$	6,075
Land improvements		1,553		1,553
Leasehold improvements		1,306		1,306
Buildings and improvements		116,487		112,285
Movable equipment		135,687		131,771
Fixed equipment		73,746		71,624
		334,854		324,614
Less: accumulated depreciation and amortization		(276,833)		(267,005)
		58,021		57,609
Construction-in-progress		27,625		20,956
	\$	85,646	\$	78,565

Depreciation and amortization expense amounted to approximately \$9.8 million and \$9.4 million for the years ended December 31, 2019 and 2018, respectively. Movable equipment includes gross capitalized leases aggregating approximately \$10.3 million and \$9.2 million, with \$8.0 million and \$7.9 million of accumulated amortization at December 31, 2019 and 2018, respectively.

Substantially all property, buildings, and equipment have been pledged as collateral under various debt agreements.

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8. Long-Term Debt

Long-term debt consists of the following (in thousands):

<i>December 31,</i>	2019	2018
Series 2015 bonds (a)	\$ 25,005	\$ 34,425
Forbearance agreement (b)	15,740	15,740
Premiums on bonds issued	621	1,268
Cost of bond issuance	(106)	(279)
Total Bonds Payable	41,260	51,154
Note payable (c)	993	740
Special debt service reserve fund (d)	5,555	5,555
New York State - Office of Budget (e)	9,361	-
Capitalized lease obligation (f)	1,639	1,072
	58,808	58,521
Less: current portion	(58,266)	(57,994)
	\$ 542	\$ 527

Pursuant to the bond documents and loan-related mortgage agreements, the Medical Center is, among other things, required to maintain a capital reserve, a debt service fund, and other funds. As of May 9, 2018, the Trustee, U.S Bank, has indicated that the mortgage payments due March 1, 2017 (partial) through June 1, 2020 are past due. The Medical Center's combined debt service payment arrearage is now \$38.4 million. Under the terms and conditions of the Medical Center's Loan Agreement, this non-payment constitutes an Event of Default. Pursuant to the terms and conditions of the Medical Center's Forbearance Agreement, failure to make a payment required by the mortgage also constitutes a Termination Event under the Forbearance Agreement.

The Medical Center is currently in violation of certain debt covenants, which constitutes a default under certain of its debt agreements. As a result of the defaults, in the absence of waivers, the lender may declare the debt immediately payable. Therefore, the Medical Center's debt in default has been classified as currently due. The Medical Center's various debt agreements are as follows:

(a) Series 2015 Bonds

In January 2015, the Medical Center, through DASNY, refunded its Series 1998H bonds and issued tax-exempt Secured Hospital Revenue Refunding Bonds, Series 2015 (the Series 2015 Bonds). The Series 2015 Bonds have maturity dates ranging from February 2016 to August 2021 and interest rates ranging from 2.0% to 5.0% and are secured by a first mortgage lien on the Medical Center's property, buildings, and equipment and substantially all other assets. Additional security is provided through the Secured Hospital Program, a special bond financing program, which effectively implements a service agreement between the State and DASNY that calls for the State to make payments, if required, at amounts equal to the principal and interest, subject to annual appropriations made by the State Legislature.

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Notes to Consolidated Financial Statements

The Series 2015 Bonds were issued for the purposes of providing funds which, together with other available monies, were used to (1) refund and defease the outstanding Series 1998H Bonds, (2) fund a capital reserve fund in an amount equal to the capital reserve fund requirement, (3) fund a special debt service reserve fund in an amount equal to the special debt service reserve fund requirement, (4) fund certain capital projects and acquire certain equipment approved by the NYSDOH and (5) pay the costs of issuance of the Series 2015 Bonds.

The Series 2015 Bonds were issued at premium to the face value resulting in additional proceeds to the Medical Center. This premium will be amortized as an offset to interest expense over the life of the bonds.

Pursuant to the bond documents and related mortgage agreement, the Medical Center is required to maintain a capital reserve fund, a debt service fund, and other funds whose use is limited to debt payments, capital asset acquisitions, and related items. As of December 31, 2018, the funds consist principally of U.S. Treasury securities.

As of December 31, 2019 and 2018, approximately \$25.5 million and \$34.4 million, respectively, was due on the Series 2015 Bonds.

As of December 31, 2019 and 2018, the Medical Center did not meet certain financial covenants. As a result, the Medical Center is required, in accordance with bond documents, to retain a consultant to review the Medical Center's operations and to identify cost and revenue opportunities to improve its operating margin, which it has. The result of the consultant's review is unknown as of the date of the audit opinion.

Pursuant to the Series 2015 Bond documents, the current portion of the Series 2015 Bonds at December 31, 2019 and 2018 is approximately \$9.8 million and \$9.4 million, respectively.

In connection with the Series 2015 Bond refinancing, NYSDOH agreed that mortgage fees payable that were due under the Series 1998H Bonds would not be payable until January 1, 2017, at which time they would be paid on a monthly basis over five years. For the year ended December 31, 2019 and 2018, \$2.6 million is reflected as other current liabilities in the consolidated statement of financial position due to the debt default.

(b) Forbearance Agreement

On May 4, 2011, the Medical Center entered into a forbearance agreement with DASNY, whereby DASNY forbore its rights and remedies under the existing loan documents and the arrearage of approximately \$15.7 million, including approximately \$0.2 million in financing fees. This amount has been included in the mortgage obligation and had the effect of extending its maturity an additional 18 months.

The amount due on the first interest payment date equals accrued interest, of 1%, from the date of the forbearance agreement through January 31, 2012. Payments on the arrearage, including monthly principal and interest at a rate of 1.0%, are estimated to begin in September 2021, after the original maturity of the Series 2015 Bonds.

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(c) Note Payable

During 2016 and 2015, the Medical Center settled a pension matter related to the Teamsters Local 819 regarding the membership breaking away from the union. Consequently, the Medical Center is responsible for a break away charge of \$0.9 million for 2015 (including interest), of which it signed a note payable to the Teamsters Local 819. The note is payable over ten years with quarterly payments of \$29,477, which includes principal and interest. The implicit interest rate is 6.7%.

(d) Special Debt Service Reserve Fund

As a result of the Medical Center failing to deposit the funds to meet the scheduled interest and principal payments on the Series 2015 Bonds on February 15, 2018, the Bond Trustee, per DASNY instructions, withdrew the full balance of \$5.6 million from the Special Debt Service Reserve Fund established at the time of issuance of the Bonds and withdrew \$4.4 million from the Capital Reserve Fund that was established at the time of issuance of the Bonds. These amounts are included in note 8 as long-term debt. Additionally, see note 15 for information related to subsequent events.

(e) New York State - Office of Budget

On February 15, 2019, the Medical Center was not able to make the required payment of principal and interest that was due on its 2015 Series Bonds in the amount of \$10.2 million. The Trustee withdrew the full balance of the Capital Reserve Fund in the amount of \$1.5 million, the New York State Office of Budget deposited, on behalf of the Medical Center \$8.6 million and also received \$0.1 million from a DASNY trust account to satisfy the scheduled interest and principal payments for the bonds that were due. DASNY currently expects that subsequent payments of principal and interest on the Bonds will be paid from one or more of the following sources: Payments, if any, made by the Medical Center, pursuant to the terms of the Loan Agreement; other financial resources that are or may be available to DASNY for this purpose; and payments to be made by the State, pursuant to the Service Contract.

(f) Capitalized Lease Obligations

The Medical Center's capital leases, which are secured by the underlying equipment, require monthly payments of principal and interest with interest rates ranging from approximately 0.6% to 11.9% through 2021. The following is a schedule of future minimum lease payments, including interest under the term of the leases, together with the present value of the net minimum lease payments as of December 31, 2019 (in thousands):

<i>Year ending December 31,</i>	
2020	\$ 1,277
2021	377
Total Minimum Lease Payments	1,654
Less: amount representing interest	(15)
Present Value of Net Minimum Lease Payments	1,639
Less: current portion	(1,097)
	\$ 542

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Notes to Consolidated Financial Statements

The original required principal payments on the Series 2015 Bonds and forbearance obligation as well as the revised schedule due to the default for the next five years and thereafter consist of the following (in thousands):

Year ending December 31,

	Original Scheduled Payments	Reclassification of Debt in Default	Total
2020	\$ 27,316	\$ 30,950	\$ 58,266
2021	19,383	(18,841)	542
2022	10,893	(10,893)	-
2023	1,216	(1,216)	-
2024			
Thereafter			
Total Long-Term Debt	\$ 58,808	\$ -	\$ 58,808

(g) Restructuring Pool Loans (HCRA)

During 2019 and 2018, the Medical Center received a total of \$0 and \$4.0 million of restructuring pool loans, respectively. As of December 31, 2019 and 2018, the restructuring pool loans balances of \$13.9 million and \$15.9 million, respectively, were recorded as a current liability.

The loans are secured loans with a loan agreement with DASNY as part of DASNY's restructuring pool loan program. The loans have a stated interest rate of 1%. The loans are secured by the gross receipts of the Medical Center and payments received under the VBP-QIP (see Note 2). The Medical Center has made payments of \$2.0 million during 2019 and \$1.5 million during 2019 and 2018, respectively.

9. Pension Plans

Money Purchase Plan

Effective January 1, 1985, the Medical Center established a noncontributory defined contribution plan (the Money Purchase Plan). The Money Purchase Plan was amended and restated effective January 1, 2008 and further amended and restated January 1, 2013. Nonunion employees of the Medical Center may participate in the Money Purchase Plan following the later of the employee's date of hire or attainment of age 20 and one-half. The Medical Center may make discretionary contributions into the Money Purchase Plan each year, which shall be determined annually by the Board of Trustees, with separate contribution determinations made for each employment classification as specified in the Money Purchase Plan, subject to IRC limitations. There were no discretionary contributions made to the Money Purchase Plan during the Money Purchase Plan years ended December 31, 2019 and 2018.

Union employees are generally included in the pension, health, and welfare plans of their collective bargaining units. Under these plans, the Medical Center is required to make payments based on contractual amounts. Expenses incurred under these plans were approximately \$37.4 million and \$35.6 million for the years ended December 31, 2019 and 2018, respectively.

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Multiemployer Plans

The Medical Center participates in two major multiemployer union pension plans, covering substantially all employees not eligible for the Medical Center's plan.

Local 1199 Multiemployer Plan

The Employee Identification Number/Three-Digit Pension Plan Number is 13-3604862/001. The most recent Pension Protection Act (PPA) zone status is green at December 31, 2019, which is for the plan year ended December 31, 2018. The zone status is based on information that the Medical Center received from the plan sponsor and, as required by the PPA, is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65% funded, plans in the yellow zone are less than 80% funded, and plans in the green zone are at least 80% funded.

The expiration date of the collective-bargaining agreement requiring contributions to the plan was September 30, 2018. The Medical Center is currently engaging in renewal negotiations and is continuing to operate under the terms of the expired contract. The contributions by the Medical Center to the union pension fund were \$6.0 million and \$4.8 million for the years ended December 31, 2019 and 2018, respectively. There have been no significant changes that affect the comparability of 2018 and 2017 contributions.

NYSNA Multiemployer Plan

The Employee Identification Number/Three-Digit Pension Plan Number is 13-3604862/001. The most recent PPA zone status is green at December 31, 2019, which is for the plan year ended December 31, 2018. The zone status is based on information that the Medical Center received from the plan sponsor and, as required by the PPA, is certified by the plan's actuary.

The expiration date of the collective-bargaining agreement requiring contributions to the plan was December 31, 2016. The Medical Center is currently engaging in renewal negotiations and is continuing to make payments to the NYSNA pension fund under the terms of the expired contract. The contributions by the Medical Center to the union pension fund were \$3.7 million and \$3.3 million for the years ended December 31, 2019 and 2018, respectively. There have been no significant changes that affect the comparability of 2019 and 2018 contributions.

If the Medical Center were to withdraw from the plan or should the plan be terminated, the Medical Center could be liable for a proportionate share of the unfunded actuarial present value of plan benefits at the date of withdrawal or termination.

10. Professional Liability Insurance

Effective September 18, 2004, the Medical Center began a self-insurance program for its primary layer of professional liability. In 2005, the Medical Center retroactively discontinued its initial layer of excess professional liability coverage, provided by NICL, effective September 18, 2004, and assumed this exposure through its self-insurance program through the present.

Professional liability and other claims have been asserted against the Medical Center by various claimants. The claims are in various stages of processing and some have been or may ultimately be brought to trial. There are also known incidents that have occurred that may result in the assertion of additional claims, and other claims may be asserted arising from services provided to patients in

Wyckoff Heights Medical Center

Notes to Consolidated Financial Statements

the past. It is the opinion of the Medical Center's management, based on prior experience and the advice of legal counsel, that the ultimate resolution of professional liability claims will not significantly impact the Medical Center's consolidated financial position.

The Medical Center records estimated liabilities related to professional liability claims occurring during self-insured periods for asserted and unasserted claims and for claims incurred but not reported. Such estimates are based upon valuations prepared by consulting actuaries and the advice of legal counsel. Actuarial valuations are based upon complex calculations, which utilize factors such as historical claim experience and related industry factors, trending models, estimates for the payment patterns of future claims, and present value discounting factors. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Revisions to estimated amounts resulting from actual experience differing from projected expectations are recorded in the period the information becomes known. Estimated undiscounted professional liabilities at December 31, 2019 and 2018 aggregating approximately \$42.9 million and \$41.8 million, respectively, have been recorded in the accompanying consolidated statements of financial position.

The Medical Center utilizes a revocable self-insurance trust fund for purposes of funding its self-insurance program. At December 31, 2019 and 2018, the Board of Directors had designated \$10.6 million and \$10.9 million for estimated self-insured professional liabilities as assets limited or restricted as to use, respectively.

The Medical Center and the related subsidiaries procure commercial physician malpractice insurance. The Medical Center records its estimate of insured malpractice claims associated with its employed physicians and the related amount of insurance recoverable, which totaled \$35.7 million and \$35.2 million as of December 31, 2019 and 2018, respectively.

The Medical Center purchased malpractice insurance from July 15, 2013 through July 14, 2016 from Medical Liability Mutual Insurance Company (MLMIC). In July 2016 MLMIC announced that it entered into a definitive agreement, pending regulatory and policyholder approval, to be acquired by National Indemnity Company, following the completion of the conversion of MLMIC to a stock company from a mutual company. Upon completion of the transaction, the Medical Center will be entitled to receive a proportionate share of all of the cash consideration paid by National Indemnity Company. The amount allocated to the Hospital will be based on premiums paid in prior years.

On September 16, 2018, the New York State Department of Financial Services approved Berkshire Hathaway acquisition of MLMIC. The cash consideration resulting from the conversion and acquisition will be paid out to eligible policyholders—policyholders with policies in effect from July 15, 2013 through July 14, 2016 or their designees. The Medical Center provided and paid for coverage for its employed physicians, as a result of the demutualization transaction, the Medical Center recorded \$19.0 million of revenue in 2018. During the month of October 2018, the Medical Center received approximately \$10.8 million in such refunds and deposited those amounts in the Board-Designated-Self-insured Malpractice Fund. The amount received was net of \$3.4 million that was withheld for taxes by the IRS. The Medical Center filed for a refund in 2019 and as of December 31, 2019 approximately \$1.3 million is still due from the IRS. As of December 31, 2019 and 2018, \$2.5 million and \$4.5 million is due to the Medical Center, including the IRS tax refund, which are included within other receivables on the consolidated statement of financial position.

Wyckoff Heights Medical Center

Notes to Consolidated Financial Statements

11. Commitments

The Medical Center leases office space and equipment under noncancelable operating leases requiring aggregate future minimum rental payments as follows (in thousands):

2020	\$	2,721
2021		1,971
2022		1,821
2023		1,646
2024		1,371
Thereafter		5,355
	\$	14,885

Rent expense for the years ended December 31, 2019 and 2018 amounted to approximately \$1.7 million and \$1.5 million, respectively.

12. Contingencies

At December 31, 2019 and 2018, 73% and 73%, respectively, of the Medical Center's employees were union employees covered by collective bargaining agreements.

The healthcare industry is subject to numerous laws and regulations of federal, state and local governments. Compliance with these laws and regulations is subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time. Government activity continues to increase with respect to investigations and allegations concerning possible violations by healthcare providers of fraud and abuse statutes and regulations, which would result in the imposition of significant fines and penalties as well as significant repayments for patient service previously billed. Even if the Medical Center were to ultimately prevail, a significant governmental inquiry or action under one of the above laws, regulations or rules could have a material adverse impact on it.

The Medical Center is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Medical Center's consolidated financial statements.

13. Grants

The Medical Center recorded grant revenue of approximately \$75.9 million and \$75.7 million for the years ended December 31, 2019 and 2018, respectively. The revenue is mainly related to awards from the VBP-QIP program. The award amounts are based on monthly financial performances and the projected cash needs of the Medical Center to sustain operations. The awards are designed to ensure that the Medical Center can continue participation in the DSRIP transformation process (see Note 2).

Wyckoff Heights Medical Center

Notes to Consolidated Financial Statements

14. Subsequent Events

The Medical Center has evaluated subsequent events through June 24, 2020, the date on which the consolidated financial statements were available to be issued. No events arose during the period which would require adjustments or additional disclosure to the accompanying consolidated financial statements except the following:

On February 15, 2020, the Medical Center was not able to make the required payment of principal and interest due on its 2015 Series Bonds in the amount of \$10.4 million. The Trustee received payment from New York State Office of Budget \$10.4 million for the principal and interest due on the bonds. DASNY currently expects that subsequent payments of principal and interest on the Bonds will be paid from one or more of the following sources: Payments, if any, made by the Medical Center, pursuant to the terms of the Loan Agreement; other financial resources that are or may be available to DASNY for this purpose; and payments to be made by the State, pursuant to the Service Contract.

Due to the global outbreak of Coronavirus Disease 2019 (COVID-19), there are negative effects which could negatively impact the Medical Center's financial condition. These include significant volatility in the investment markets, widespread temporary business closures, event cancellations, and other economic and societal effects resulting from the national response to the COVID-19 pandemic. These effects include the deferral of elective surgeries and non-emergent procedures and the disruption of other medical treatments and services at the Medical Center and throughout the United States 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.

The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, and deferment of employer side social security payments. For health care entities specifically, the CARES Act includes Medicare Accelerated and Advance Payment Program, Provider Relief Fund, Federal Emergency Management Agency Disaster Relief Fund, funds for reimbursement for treatment of uninsured COVID-19 patients.

The Medical Center obtained relief funds payments allowable under the Direct Aid pursuant to the CARES Act. This aid was obtained on May 12, 2020. These funds are restricted only for COVID-19 expenses and lost revenues. The Medical Center also filed and received approval for an accelerated payment for 6 months of period interim payment advance. The amount received will be treated as a loan which will be paid back when the 2020 Medicare cost report is submitted.

While planning for and managing through the COVID-19 pandemic, in partnership with New York State, operations across the continuum have been disrupted, however, the Medical Center is currently preparing for the recovery of elective and non-emergent operations post COVID-19 crisis. The ultimate impact of these various matters to the Medical Center and its 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.

Supplementary Information

Wyckoff Heights Medical Center
Consolidating Schedule of Financial Position
(in thousands)

December 31, 2019

	Wyckoff	Wyckoff Dental	Wyckoff Emergency Medicine	Wyckoff Anesthesia	Wyckoff Practice Management	Wyckoff Professional Medical Service	Stockholm	Wyckoff Imaging	Stephen Carryl	Preferred Health Ventures Pharmacy	Preferred Health Ventures Placement	Preferred Health Ventures Properties	Wyckoff Foundation	Subtotal	Elimination Entries	Total
Assets																
Current																
Cash and cash equivalents	\$ 11,974	\$ 44	\$ 179	\$ -	\$ -	\$ 734	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 267	\$ 13,198	\$ -	\$ 13,198
Patient accounts receivable, net	28,774	-	500	-	-	-	-	-	-	-	-	-	-	29,274	-	29,274
Other receivables, net	6,171	-	-	-	-	33	-	-	-	-	-	-	11	6,215	-	6,215
Due from third-party payors	10,020	-	-	-	-	-	-	-	-	-	-	-	-	10,020	-	10,020
Inventories and other current assets	8,689	2	88	-	-	309	-	-	-	-	-	-	-	9,088	-	9,088
Due from related organizations	26,294	-	-	-	-	-	-	-	-	-	-	-	4,020	30,314	(30,314)	-
Assets limited as to use - current portion	4,365	-	-	-	-	-	-	-	-	-	-	-	-	4,365	-	4,365
Total Current Assets	96,287	46	767	-	-	1,076	-	-	-	-	-	-	4,298	102,474	(30,314)	72,160
Asset Limited as to Use, net of current portion	9,789	-	-	-	-	-	-	-	-	-	-	-	-	9,789	-	9,789
Insurance Claims Receivable	35,726	-	-	-	-	-	-	-	-	-	-	-	-	35,726	-	35,726
Property, Buildings and Equipment, Net	85,646	-	-	-	-	-	-	-	-	-	-	-	-	85,646	-	85,646
Total Assets	\$ 227,448	\$ 46	\$ 767	\$ -	\$ -	\$ 1,076	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,298	\$ 233,635	\$ (30,314)	\$ 203,321
Liabilities and Net Asset Deficit																
Current Liabilities																
Accounts payable and accrued expenses	\$ 55,425	\$ 18	\$ 149	\$ -	\$ -	\$ 568	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 133	\$ 56,293	\$ -	\$ 56,293
Accrued salaries and related liabilities	14,328	72	497	-	-	1,319	-	-	-	-	-	-	-	16,216	-	16,216
Due to third-party payors, current portion	1,623	-	-	-	-	-	-	-	-	-	-	-	-	1,623	-	1,623
HCRA loan payable	13,923	-	-	-	-	-	-	-	-	-	-	-	-	13,923	-	13,923
Accrued interest payable	1,191	-	-	-	-	-	-	-	-	-	-	-	-	1,191	-	1,191
Current portion of long-term debt, net of deferred financing fees	58,266	-	-	-	-	-	-	-	-	-	-	-	-	58,266	-	58,266
Estimated self-insured professional liabilities	797	-	-	-	-	-	-	-	-	-	-	-	-	797	-	797
Due to related organization	4,020	1,435	10,180	-	-	14,679	-	-	-	-	-	-	-	30,314	(30,314)	-
Deferred revenue	3,715	-	-	-	-	-	-	-	-	-	-	-	-	3,715	-	3,715
Other current liabilities	2,618	-	-	-	-	-	-	-	-	-	-	-	-	2,618	-	2,618
Total Current Liabilities	155,906	1,525	10,826	-	-	16,566	-	-	-	-	-	-	133	184,956	(30,314)	154,642
Due to Third-Party Payors, less current portion	38,876	-	-	-	-	-	-	-	-	-	-	-	-	38,876	-	38,876
Long-Term Debt, less current portion and deferred financing fees	542	-	-	-	-	-	-	-	-	-	-	-	-	542	-	542
Estimated Self-Insured Professional Liabilities, less current portion	42,053	-	-	-	-	-	-	-	-	-	-	-	-	42,053	-	42,053
Estimated Insured Professional Liabilities	35,726	-	-	-	-	-	-	-	-	-	-	-	-	35,726	-	35,726
Total Liabilities	273,103	1,525	10,826	-	-	16,566	-	-	-	-	-	-	133	302,153	(30,314)	271,839
Equity Transfers from PCs Closing	(4,695)	-	-	(838)	2,630	-	1,211	1,078	6	142	(165)	631	-	-	-	-
Net Asset (Deficit)—Without Donor Restrictions	(40,960)	(1,479)	(10,059)	838	(2,630)	(15,490)	(1,211)	(1,078)	(6)	(142)	165	(631)	4,165	(68,518)	-	(68,518)
Total Liabilities and Net Asset Deficit	\$ 227,448	\$ 46	\$ 767	\$ -	\$ -	\$ 1,076	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,298	\$ 233,635	\$ (30,314)	\$ 203,321

Wyckoff Heights Medical Center
Consolidating Schedule of Financial Position
(in thousands)

December 31, 2018

	Wyckoff	Wyckoff Dental	Wyckoff Emergency Medicine	Wyckoff Anesthesia	Wyckoff Practice Management	Wyckoff Professional Medical Service	Stockholm	Wyckoff Imaging	Stephen Carryl	Preferred Health Ventures Pharmacy	Preferred Health Ventures Placement	Preferred Health Ventures Properties	Wyckoff Foundation	Subtotal	Elimination Entries	Total
Assets																
Current																
Cash and cash equivalents	\$ 16,696	\$ 49	\$ 240	\$ 204	\$ -	\$ 1,124	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 225	\$ 18,538	\$ -	\$ 18,538
Patient accounts receivable, net	26,298	-	-	-	-	-	-	-	-	-	-	-	-	26,298	-	26,298
Other receivables, net	17,115	-	-	-	-	33	-	-	-	-	-	-	5	17,153	-	17,153
Due from third-party payors	9,511	-	-	-	-	-	-	-	-	-	-	-	-	9,511	-	9,511
Inventories and other current assets	6,964	-	-	-	-	-	-	-	-	-	-	-	-	6,964	-	6,964
Due from related organizations	4,081	-	-	-	-	-	-	-	-	-	-	-	3,913	7,994	(7,994)	-
Assets limited as to use	4,316	-	-	-	-	-	-	-	-	-	-	-	-	4,316	-	4,316
Total Current Assets	84,981	49	240	204	-	1,157	-	-	-	-	-	-	4,143	90,774	(7,994)	82,780
Asset Limited as to Use, net of current portion	9,888	-	-	-	-	-	-	-	-	-	-	-	-	9,888	-	9,888
Insurance Claims Receivable	35,200	-	-	-	-	-	-	-	-	-	-	-	-	35,200	-	35,200
Property, Buildings and Equipment, Net	78,565	-	-	-	-	-	-	-	-	-	-	-	-	78,565	-	78,565
Total Assets	\$ 208,634	\$ 49	\$ 240	\$ 204	\$ -	\$ 1,157	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,143	\$ 214,427	\$ (7,994)	\$ 206,433
Liabilities and Net Asset Deficit																
Current Liabilities																
Accounts payable and accrued expenses	\$ 49,131	\$ -	\$ -	\$ -	\$ -	\$ 4	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 49,135	\$ -	\$ 49,135
Accrued salaries and related liabilities	17,785	2	5	-	-	29	-	-	-	-	-	-	1	17,822	-	17,822
Due to third-party payors, current portion	5,070	-	-	-	-	-	-	-	-	-	-	-	-	5,070	-	5,070
HCRA loan payable	15,951	-	-	-	-	-	-	-	-	-	-	-	-	15,951	-	15,951
Accrued interest payable	666	-	-	-	-	-	-	-	-	-	-	-	-	666	-	666
Current portion of long-term debt, net of deferred financing fees	57,994	-	-	-	-	-	-	-	-	-	-	-	-	57,994	-	57,994
Estimated self-insured professional liabilities	1,042	-	-	-	-	-	-	-	-	-	-	-	-	1,042	-	1,042
Due to related organizations	3,912	797	4,403	12	-	(1,130)	-	-	-	-	-	-	-	7,994	(7,994)	-
Deferred revenue	556	-	-	-	-	-	-	-	-	-	-	-	-	556	-	556
Other current liabilities	2,618	-	-	-	-	-	-	-	-	-	-	-	-	2,618	-	2,618
Total Current Liabilities	154,725	799	4,408	12	-	(1,097)	-	-	-	-	-	-	1	158,848	(7,994)	150,854
Due to Third-Party Payors, less current portion	42,664	-	-	-	-	-	-	-	-	-	-	-	-	42,664	-	42,664
Long-Term Debt, less current portion and deferred financing fees	527	-	-	-	-	-	-	-	-	-	-	-	-	527	-	527
Estimated Self-Insured Professional Liabilities, less current portion	40,745	-	-	-	-	-	-	-	-	-	-	-	-	40,745	-	40,745
Estimated Insured Professional Liabilities	35,200	-	-	-	-	-	-	-	-	-	-	-	-	35,200	-	35,200
Total Liabilities	273,861	799	4,408	12	-	(1,097)	-	-	-	-	-	-	1	277,984	(7,994)	269,990
Equity Transfers from PCs Closing	(5,418)	1	43	(646)	2,630	487	1,211	1,078	6	142	(165)	631	-	-	-	-
Net Asset Deficit—Without Donor Restrictions	(59,809)	(751)	(4,211)	838	(2,630)	1,767	(1,211)	(1,078)	(6)	(142)	165	(631)	4,142	(63,557)	-	(63,557)
Total Liabilities and Net Asset Deficit	\$ 208,634	\$ 49	\$ 240	\$ 204	\$ -	\$ 1,157	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,143	\$ 214,427	\$ (7,994)	\$ 206,433

Wyckoff Heights Medical Center

Consolidating Schedule of Operations and Net Asset Deficit - Without Donor Restrictions (in thousands)

Year ended December 31, 2019

	Wyckoff	Wyckoff Dental	Wyckoff Emergency Medicine	Wyckoff Anesthesia	Wyckoff Practice Management	Wyckoff Professional Medical Service	Stockholm	Wyckoff Imaging	Stephen Carryl	Preferred Health Ventures Pharmacy	Preferred Health Ventures Placement	Preferred Health Ventures Properties	Wyckoff Foundation	Subtotal	Elimination Entries	Total
Operating Revenue																
Net patient service	\$ 236,033	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	236,033	\$ -	\$ 236,033
Physician service revenue	6	1,165	5,823	-	-	17,893	-	-	-	-	-	-	-	24,887	-	24,887
Grants	75,942	-	-	-	-	-	-	-	-	-	-	-	-	75,942	-	75,942
Medical training program	2,687	-	-	-	-	-	-	-	-	-	-	-	-	2,687	-	2,687
Other Revenue	14,539	-	-	-	-	-	-	-	-	-	-	-	635	15,174	-	15,174
Total Revenues Without Donor Restrictions	329,207	1,165	5,823	-	-	17,893	-	-	-	-	-	-	635	354,723	-	354,723
Operating Expenses																
Salaries and wages	141,322	1,638	8,251	-	-	25,999	-	-	-	-	-	-	-	177,210	-	177,210
Employee benefits	54,894	-	432	-	-	1,753	-	-	-	-	-	-	-	57,079	-	57,079
Supplies and other	102,201	255	3,029	-	-	8,077	-	-	-	-	-	-	612	114,174	-	114,174
Interest and amortization of financing fees	1,834	-	-	-	-	-	-	-	-	-	-	-	-	1,834	-	1,834
Depreciation and leasehold improvement amortization	9,828	-	-	-	-	-	-	-	-	-	-	-	-	9,828	-	9,828
Total Operating Expenses	310,079	1,893	11,712	-	-	35,829	-	-	-	-	-	-	612	360,125	-	360,125
Excess (Deficiency) of Total Revenues Over Total Expenses, before other changes in net asset deficit-without donor restrictions	19,128	(728)	(5,889)	-	-	(17,936)	-	-	-	-	-	-	23	(5,402)	-	(5,402)
Other Changes in Net Asset Deficit - Without Donor Restrictions																
Grants for capital	441	-	-	-	-	-	-	-	-	-	-	-	-	441	-	441
MLMIC demutualization proceeds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Excess (Deficiency) of Total Revenues Over Total Expenses and Other Changes	19,569	(728)	(5,889)	-	-	(17,936)	-	-	-	-	-	-	23	(4,961)	-	(4,961)
Net Asset Deficit - Without Donor Restrictions, beginning of year	(60,529)	(751)	(4,170)	838	(2,630)	2,446	(1,211)	(1,078)	(6)	(142)	165	(631)	4,142	(63,557)	-	(63,557)
Net Asset Deficit - Without Donor Restrictions, end of year	\$ (40,960)	\$ (1,479)	\$ (10,059)	\$ 838	\$ (2,630)	\$ (15,490)	\$ (1,211)	\$ (1,078)	\$ (6)	\$ (142)	\$ 165	\$ (631)	\$ 4,165	\$ (68,518)	\$ -	\$ (68,518)

Wyckoff Heights Medical Center

Consolidating Schedule of Operations and Net Asset Deficit - Without Donor Restrictions (in thousands)

Year ended December 31, 2018

	Wyckoff	Wyckoff Dental	Wyckoff Emergency Medicine	Wyckoff Anesthesia	Wyckoff Practice Management	Wyckoff Professional Medical Service	Stockholm	Wyckoff Imaging	Stephen Carryl	Preferred Health Ventures Pharmacy	Preferred Health Ventures Placement	Preferred Health Ventures Properties	Wyckoff Foundation	Subtotal	Elimination Entries	Total
Operating Revenue																
Net patient service revenue	\$ 238,763	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 238,763	\$ -	\$ 238,763
Physician service revenue	4	1,395	6,510	3,447	-	14,490	790	5	64	-	-	-	-	26,705	-	26,705
Grants	75,671	-	-	-	-	-	-	-	-	-	-	-	-	75,671	-	75,671
Medical training program	2,436	294	3,574	336	182	6,862	402	-	-	-	-	-	-	14,086	(11,650)	2,436
Other revenue	16,454	-	-	-	-	-	-	-	-	-	-	-	-	16,454	-	16,454
Total Revenues Without Donor Restrictions	333,328	1,689	10,084	3,783	182	21,352	1,192	5	64	-	-	-	-	371,679	(11,650)	360,029
Operating Expenses																
Salaries and wages	133,147	1,590	7,336	828	500	16,500	276	-	-	-	-	-	-	160,177	-	160,177
Employee benefits	50,177	123	528	200	38	1,250	32	-	-	-	-	-	-	52,348	-	52,348
Supplies and other	123,288	135	3,575	1,238	55	3,785	679	1	69	-	-	-	5	132,836	(11,650)	121,186
Interest and amortization of financing fees	1,481	-	-	-	-	-	-	-	-	-	-	-	-	1,481	-	1,481
Depreciation and leasehold improvement amortization	9,391	-	-	-	-	-	-	-	-	-	-	-	-	9,391	-	9,391
Total Operating Expenses	317,484	1,848	11,439	2,266	593	21,535	987	1	69	-	-	-	5	356,233	(11,650)	344,583
Excess (Deficiency) of Total Revenues Over Total Expenses, before other changes in net asset deficit—without donor restrictions	15,844	(159)	(1,355)	1,517	(411)	(183)	205	4	(5)	-	-	-	(5)	15,446	-	15,446
Other Changes in Net Asset Deficit - Without Donor Restrictions																
Grants for capital	423	-	-	-	-	-	-	-	-	-	-	-	-	423	-	423
MLMIC demutualization proceeds	19,033	-	-	-	-	-	-	-	-	-	-	-	-	19,033	-	19,033
Excess (Deficiency) of Total Revenues Over Total Expenses and Other Changes	35,300	(159)	(1,355)	1,517	(411)	(183)	205	4	(5)	-	-	-	(5)	34,902	-	34,902
Net Asset Deficit—Without Donor Restrictions, beginning of year	(95,109)	(592)	(2,856)	(679)	(2,219)	1,950	(1,416)	(1,082)	(1)	(142)	165	(631)	4,147	(98,459)	-	(98,459)
Net Asset Deficit—Without Donor Restrictions, end of year	\$ (59,809)	\$ (751)	\$ (4,211)	\$ 838	\$ (2,630)	\$ 1,767	\$ (1,211)	\$ (1,078)	\$ (6)	\$ (142)	\$ 165	\$ (631)	\$ 4,142	\$ (63,557)	\$ -	\$ (63,557)