

CONSOLIDATED FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION AND
ACCOMPANYING REPORTS AND SCHEDULES
RELATED TO THE UNIFORM GUIDANCE

The New York and Presbyterian Hospital
Year Ended December 31, 2021
With Reports of Independent Auditors

Ernst & Young LLP



The New York and Presbyterian Hospital

Consolidated Financial Statements and Supplementary Information and
Accompanying Reports and Schedules Related to the Uniform Guidance

Year Ended December 31, 2021

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Report of Independent Auditors

The Board of Trustees
The New York and Presbyterian Hospital

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of The New York and Presbyterian Hospital (the Hospital), which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes (collectively referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Hospital at December 31, 2021 and 2020, and the results of its operations, changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Hospital, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hospital’s ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Hospital's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hospital's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal-control-related matters that we identified during the audit.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. We have not performed any procedures with respect to the audited financial statements subsequent to April 28, 2022. The accompanying consolidating statements of financial position and operations as of and for the year ended December 31, 2021, and the schedule of expenditures of federal awards for the year ended December 31, 2021, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we also have issued our report dated April 28, 2022 on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hospital's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control over financial reporting and compliance.

Ernst + Young LLP

April 28, 2022, except for our report on the
Schedule of Expenditures of Federal Awards,
for which the date is September 27, 2022

The New York and Presbyterian Hospital

Consolidated Statements of Financial Position

	December 31	
	2021	2020
	<i>(In Thousands)</i>	
Assets		
Current assets:		
Cash, cash equivalents and short-term investments:		
Cash and cash equivalents	\$ 455,807	\$ 647,337
Short-term investments	2,702,956	3,171,416
Total cash, cash equivalents and short-term investments	3,158,763	3,818,753
Patient accounts receivable – net	1,198,620	898,365
Other current assets	540,835	431,733
Assets limited as to use – current portion	50,628	70,125
Professional liabilities insurance recoveries receivable and related deposits – current portion	100,021	101,556
Beneficial interest in net assets held by related organizations – current portion	75,087	93,903
Due from related organizations – net	3,836	31,288
Total current assets	5,127,790	5,445,723
Assets limited as to use – noncurrent	5,736,988	5,073,399
Property, buildings and equipment – net	5,127,269	5,197,641
Operating lease assets	588,490	436,880
Other noncurrent assets – net	89,051	51,082
Professional liabilities insurance recoveries receivable and related deposits – noncurrent	301,435	307,762
Beneficial interest in net assets held by related organizations – noncurrent	2,694,449	2,260,093
Total assets	<u>\$ 19,665,472</u>	<u>\$ 18,772,580</u>

	December 31	
	2021	2020
	<i>(In Thousands)</i>	
Liabilities and net assets		
Current liabilities:		
Long-term debt – current portion	\$ 262,502	\$ 92,282
Operating lease liability – current portion	60,727	59,619
Accounts payable and accrued expenses	1,046,644	1,038,089
Accrued salaries and related liabilities	686,160	667,756
Pension and postretirement benefit liabilities – current portion	22,015	25,228
Professional and other insurance liabilities – current portion	122,007	125,072
Other current liabilities	775,395	703,252
Total current liabilities	2,975,450	2,711,298
Long-term debt	3,604,749	4,095,488
Operating lease liability	546,554	395,571
Professional and other insurance liabilities	808,153	775,404
Pension liability	122,393	609,611
Postretirement benefit liability	50,225	74,312
Other noncurrent liabilities	501,422	1,052,090
Total liabilities	8,608,946	9,713,774
Commitments and contingencies		
Net assets:		
Net assets without donor restrictions	8,223,150	6,644,997
Net assets with donor restrictions	2,833,376	2,413,809
Total net assets	11,056,526	9,058,806
Total liabilities and net assets	\$ 19,665,472	\$ 18,772,580

See accompanying notes.

The New York and Presbyterian Hospital

Consolidated Statements of Operations

	Year Ended December 31	
	2021	2020
	<i>(In Thousands)</i>	
Operating revenues		
Net patient service revenue	\$ 9,038,318	\$ 7,554,326
Other revenue	821,173	1,461,767
Total operating revenues	9,859,491	9,016,093
Operating expenses		
Salaries and wages	4,538,193	4,633,533
Employee benefits	1,127,571	1,079,929
Supplies and other expenses	3,366,837	3,304,672
Interest and amortization of deferred financing fees	155,220	143,775
Depreciation and amortization	561,300	505,055
Total operating expenses	9,749,121	9,666,964
Operating income (loss)	110,370	(650,871)
Investment return – net	882,668	476,942
Voluntary retirement program costs	—	(34,173)
Expected return on plan assets and other components of net periodic pension and postretirement cost	31,190	20,669
Excess (deficiency) of revenues over expenses	1,024,228	(187,433)
Other changes in net assets without donor restrictions:		
Net asset transfers to related parties	(10,175)	(17,858)
Other changes in net assets	(86)	(216)
Disaster Relief Fund receipts from Federal Emergency Management Agency for the purchase of fixed assets	25,364	25,000
Distributions from New York-Presbyterian Fund, Inc. for the purchase of fixed assets	24,541	62,131
Change in pension and postretirement benefit liabilities to be recognized in future periods	514,281	(264,207)
Change in net assets without donor restrictions	\$ 1,578,153	\$ (382,583)

See accompanying notes.

The New York and Presbyterian Hospital

Consolidated Statements of Changes in Net Assets

	Net Assets without Donor Restrictions	Net Assets With Donor Restrictions	Beneficial Interest in Net Assets with Donor Restrictions Held by Related Organizations				Total Beneficial Interest	Total Net Assets With Donor Restrictions	Total Net Assets
			Plant Replacement	Specific Purpose	Endowment Earnings	Permanent Endowment			
Net assets at January 1, 2020	\$ 7,027,580	\$ 52,072	\$ 755,204	\$ 931,365	\$ 217,564	\$ 265,871	\$ 2,170,004	\$ 2,222,076	\$ 9,249,656
Change in net assets without donor restrictions	(382,583)	—	—	—	—	—	—	—	(382,583)
Net investment return – donor restricted	—	9,059	—	—	—	—	—	9,059	9,059
Net assets released from restrictions	—	(1,318)	—	—	—	—	—	(1,318)	(1,318)
Changes in beneficial interest in net assets held by related organizations	—	—	2,760	166,494	4,726	10,012	183,992	183,992	183,992
Changes in net assets	(382,583)	7,741	2,760	166,494	4,726	10,012	183,992	191,733	(190,850)
Net assets at December 31, 2020	6,644,997	59,813	757,964	1,097,859	222,290	275,883	2,353,996	2,413,809	9,058,806
Change in net assets without donor restrictions	1,578,153	—	—	—	—	—	—	—	1,578,153
Net investment return – donor restricted	—	4,027	—	—	—	—	—	4,027	4,027
Changes in beneficial interest in net assets held by related organizations	—	—	162,755	183,635	44,494	24,656	415,540	415,540	415,540
Changes in net assets	1,578,153	4,027	162,755	183,635	44,494	24,656	415,540	419,567	1,997,720
Net assets at December 31, 2021	\$ 8,223,150	\$ 63,840	\$ 920,719	\$ 1,281,494	\$ 266,784	\$ 300,539	\$ 2,769,536	\$ 2,833,376	\$ 11,056,526

See accompanying notes.

The New York and Presbyterian Hospital

Consolidated Statements of Cash Flows

	Year Ended December 31	
	2021	2020
	<i>(In Thousands)</i>	
Operating activities		
Change in net assets	\$ 1,997,720	\$ (190,850)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	561,300	505,055
Amortization of deferred financing costs, deferred revenue, fair value adjustment to debt and mortgage discount	7,579	4,117
Disaster Relief Fund receipts from Federal Emergency Management Agency for the purchase of fixed assets	(25,364)	(25,000)
Distributions from New York-Presbyterian Fund, Inc. for the purchase of fixed assets	(24,541)	(62,131)
Net investment return – without donor restrictions, excluding interest and dividends	(875,208)	(459,308)
Equity in income from investee	(7,298)	(1,518)
Net asset transfers to related parties	10,175	17,858
Increase in debt for interest accretion	1,174	1,098
Changes in operating assets and liabilities:		
Patient accounts receivable – net	(300,255)	212,103
Other assets and operating lease assets	(299,708)	(110,445)
Beneficial interest in net assets held by related organizations	(415,540)	(183,992)
Accounts payable and accrued expenses	8,555	216,172
Accrued salaries and related liabilities	18,404	188,987
Due from related organizations – net	27,452	(21,481)
Other liabilities	(326,434)	1,069,747
Professional and other insurance liabilities and related insurance recoveries receivable and deposits	37,546	73,973
Pension and postretirement benefit liabilities	(514,518)	342,669
Net cash (used in) provided by operating activities	(118,961)	1,577,054
Investing activities		
Net sales (purchases) of short-term investments and assets limited as to use	692,858	(1,520,444)
Acquisitions of property, buildings and equipment – net	(444,270)	(630,713)
Loan receivable issued to Gracie Square Hospital	(7,504)	–
Distribution from investee	6,000	1,700
(Advances) collections on loan to Silvercrest Center for Nursing and Rehabilitation	(2,750)	500
Net cash provided by (used in) investing activities	244,334	(2,148,957)
Financing activities		
Repayments of long-term debt and line of credit advances	(370,216)	(492,281)
Proceeds from the issuance of long-term debt and line of credit advances	–	1,300,000
Payment of deferred financing costs	(5,716)	(5,168)
Net asset transfers to related parties	(10,175)	(17,858)
Disaster Relief Fund receipts from Federal Emergency Management Agency for the purchase of fixed assets	25,364	25,000
Distributions from New York-Presbyterian Fund, Inc. for the purchase of fixed assets	24,541	62,131
Net cash (used in) provided by financing activities	(336,202)	871,824
Net (decrease) increase in cash and cash equivalents and restricted cash and restricted cash equivalents	(210,829)	299,921
Cash and cash equivalents and restricted cash and restricted cash equivalents at beginning of year	705,053	405,132
Cash and cash equivalents and restricted cash and restricted cash equivalents at end of year	\$ 494,224	\$ 705,053
Supplemental disclosure of cash flow information		
Assets acquired under finance lease obligations	\$ 46,658	\$ 113,847

See accompanying notes.

The New York and Presbyterian Hospital
Notes to Consolidated Financial Statements

December 31, 2021

1. Organization and Basis of Presentation and Significant Accounting Policies

Organization and Basis of Presentation

The accompanying consolidated financial statements include the accounts of The New York and Presbyterian Hospital (referred to herein as “NYPH” when referencing the legal entity separate from its subsidiaries), NYP Community Programs, Inc. (Community Programs) and other consolidated entities as described below. NYPH is the sole member of Community Programs. The reporting entity resulting from the consolidation of these entities is referred to herein as the “Hospital”. All significant intercompany balances and transactions have been eliminated in consolidation.

NYPH is a tax-exempt organization that was incorporated under New York State not-for-profit corporation law. NYPH is a major academic medical center operating at seven campuses comprised of 2,812 beds, providing a full range of inpatient and outpatient services, mainly to residents of the New York metropolitan area. The Board of Trustees of NYPH consists of persons who have first been elected as members of New York-Presbyterian Foundation, Inc. (Foundation, Inc.), a New York State not-for-profit corporation. Foundation, Inc. is related to a number of organizations.

Community Programs is the sole member of the following entities: Hudson Valley Hospital Center, Westchester Putnam Health Management System, Inc. and their subsidiaries (collectively referred to herein as NYP/Hudson Valley or Hudson Valley); NewYork-Presbyterian/Queens and its controlled affiliates (collectively referred to herein as NYP/Queens or Queens); and NewYork-Presbyterian/Brooklyn Methodist (referred to as “BMH” when referencing the legal entity separate from its controlled affiliates) and its controlled affiliates (collectively referred to herein as NYP/Brooklyn Methodist or Methodist). NYP/Hudson Valley consists of a 128-bed acute care hospital located in Cortlandt Manor, Westchester County, New York, a fundraising foundation, a multi-specialty physician practice and certain other entities primarily formed to purchase and lease space. NYP/Queens consists of a 535-bed acute care hospital located in Queens County, New York, a multi-specialty physician practice and certain other entities. NYP/Brooklyn Methodist consists of a 591-bed acute care hospital located in Kings County, New York, physician practices and certain other entities. Hudson Valley, Queens and Methodist are collectively referred to herein as the “Regional Hospitals”.

The New York and Presbyterian Hospital

Notes to Consolidated Financial Statements (continued)

1. Organization and Basis of Presentation and Significant Accounting Policies (continued)

Other entities included in the accompanying consolidated financial statements include the following:

- Lawrence Care, Inc. (LCI), the sole corporate member of Lawrence Community Health Services which operates a certified home health agency, a certified hospice program and a bereavement center. LCI has no corporate member and a majority of its Board of Directors consists of individuals concurrently participating in the supervision, control or management of NYPH.
- Lawrence Medical Associates, P.C. (d/b/a NewYork-Presbyterian Medical Group/Westchester) (NYPMG/W), a State of New York professional corporation exempt from federal income tax that was organized in 2009 and supports and furthers the charitable purposes of NYPH.
- NYP Sports Performance, LLC, incorporated on July 30, 2019 to operate facilities for the provision of services, training and skills development related to physical fitness, sports performance and wellbeing.

Although NYPH, Community Programs and the other entities described above have been consolidated for financial statement reporting purposes under applicable accounting requirements, there may be limitations on the use of one entity's funds by another member of the consolidated group resulting from the charitable nature of some of the entities or other factors.

On November 16, 2021, NYPH filed a certificate of need (CON) application with the New York State Department of Health seeking approval of a corporate merger of BMH with and into NYPH, with NYPH as the surviving corporation and NYPH acquiring all assets and assuming all liabilities of BMH. In addition, the CON requests approval of the disestablishment of NYP Community Programs, Inc. as the active parent of BMH. The merger is subject to various approvals and conditions. There can be no assurance that all of the approvals will be obtained, and all conditions will be met. If approved, this change will have no impact on the Hospital's consolidated financial statements as BMH is currently included in the accompanying consolidated financial statements.

The New York and Presbyterian Hospital

Notes to Consolidated Financial Statements (continued)

1. Organization and Basis of Presentation and Significant Accounting Policies (continued)

Coronavirus Disease 2019 Pandemic and CARES Act Funding

On March 11, 2020, the World Health Organization designated the Coronavirus Disease 2019 (COVID-19) outbreak as a global pandemic. Federal, state and local government policies resulted in a substantial portion of the population remaining at home and forced the closure of certain businesses, which had an impact on the Hospital's patient volumes and revenues for most services. Through executive order, effective March 25, 2020, a New York State Mandate was issued to suspend all non-essential medical and surgical procedures and suspended elective procedures, which resumed at different dates during the year ended December 31, 2020. The Hospital's volumes and operations were impacted to varying degrees throughout 2020 and 2021, particularly as several waves of the pandemic intensified in the New York City metropolitan area at different points in time. During this time, the Hospital has also experienced significant price increases in, and utilization of, personnel costs and medical supplies, particularly personal protective equipment, as global supply lines were disrupted by the pandemic.

In response to COVID-19, the Coronavirus Aid, Relief and Economic Security Act (the CARES Act) was signed into law on March 27, 2020. The CARES Act authorized funding to hospitals and other healthcare providers to be distributed through the Public Health and Social Services Emergency Fund (Provider Relief Fund). Payments from the Provider Relief Fund are to be used to prevent, prepare for, and respond to coronavirus, and shall reimburse the recipient for health care related expenses and/or lost revenues attributable to coronavirus and are not required to be repaid except where Provider Relief Funds received exceed the actual amounts of eligible health care related expenses and/or lost revenues as defined by the U.S. Department of Health and Human Services (HHS), provided the recipients attest to and comply with the terms and conditions. HHS distributions from the Provider Relief Fund include general distributions and targeted distributions, to support hospitals in high impact areas and rural providers. HHS has issued several Post-Payment Notices of Reporting Requirements and published responses to frequently asked questions (FAQs), most recently in September 2021, regarding the Provider Relief Fund distributions.

Additionally, on December 27, 2020, the Consolidated Appropriations Act, 2021 (CAA) was signed into law. The CAA appropriated additional funding for COVID-19 response and relief through the Provider Relief Fund and provided several changes to the administration of the Provider Relief Fund. The CAA clarified the methods available to calculate lost revenues and indicated that for any payment, including both general and targeted distributions, received by an eligible health care provider that is a subsidiary of a parent organization, the parent organization may allocate all or any portion of the distribution among any other eligible subsidiaries.

The New York and Presbyterian Hospital

Notes to Consolidated Financial Statements (continued)

1. Organization and Basis of Presentation and Significant Accounting Policies (continued)

Distributions from the Provider Relief Fund are available for specified service periods through December 31, 2022 with various required data submissions (data regarding activity for Provider Relief Fund receipts through June 30, 2020 and the use of such funds through June 30, 2021 was submitted to HHS on September 30, 2021; data for funds received from July 1, 2020 to December 31, 2020 and the use of such funds through December 31, 2021 was submitted to HHS on March 24, 2022).

During the years ended December 31, 2021 and 2020, the Hospital received approximately \$5.5 million and \$949.9 million, respectively, in funding and recognized revenue of \$44.5 million and \$910.9 million, respectively, which is included in other revenue in the accompanying consolidated statements of operations. The recognized revenue has been determined based on applicable accounting guidance, Post-Payment Notice of Reporting Requirements and FAQs that the Hospital has interpreted as being applicable to the accompanying consolidated financial statements. The unrecognized amount of the Hospital's Provider Relief Fund receipts was reported in other current liabilities in the accompanying consolidated statements of financial position at December 31, 2020.

Additionally, the Hospital also received approximately \$115.3 million from the Provider Relief Fund in January 2022. Management will continue to monitor communications from HHS applicable to the Provider Relief Fund reporting and data submission requirements.

In 2021 and 2020, the Hospital applied for reimbursement for qualifying expenses under the Federal Emergency Management Agency (FEMA) Disaster Relief Fund and received reimbursement payment advances of approximately \$74.0 million and \$129.4 million in 2021 and 2020, respectively. For the years ended December 31, 2021 and 2020, the Hospital recognized \$114.0 million and \$39.0 million, respectively, as other revenue (for reimbursement of operating costs) and \$25.4 million and \$25.0 million, respectively, as FEMA receipts for capital expenditures (reported as a component of other changes in net assets without donor restrictions). The advances received in 2021 and 2020 relate to project worksheets totaling over \$412.0 million submitted by the Hospital to FEMA under its expedited claim submission process and streamlined submission process. The Hospital will be finalizing project worksheets previously submitted to allow for submission of expenses incurred during subsequent periods. The Hospital also intends to submit additional applications for funding of costs incurred through the end of the defined period. The ultimate amount that the Hospital may be reimbursed is uncertain.

The New York and Presbyterian Hospital

Notes to Consolidated Financial Statements (continued)

1. Organization and Basis of Presentation and Significant Accounting Policies (continued)

To enhance liquidity in 2020, the Centers for Medicare & Medicaid Services (CMS) expanded and streamlined the process for its Accelerated and Advance Payment Program, pursuant to which providers could receive advance Medicare payments. This program allowed eligible health care facilities to request up to six months of advance Medicare payments for acute care hospitals or up to three months of advance Medicare payments for other health care providers. During April 2020, the Hospital received approximately \$740.1 million of expedited payments for future services. CMS advances under this program are included as a contract liability in other current liabilities for \$448.1 million and \$277.5 million at December 31, 2021 and 2020, respectively, and other noncurrent liabilities of \$462.6 million at December 31, 2020, respectively, in the accompanying consolidated statements of financial position.

Under the CARES Act, the Hospital has elected to defer the payment of the employer portion of social security taxes totaling approximately \$160.7 million that otherwise would have been due between March 27, 2020 and December 31, 2020. The CARES Act requires that 50% of the total deferred amount be paid by December 31, 2021, with the remaining balance due by December 31, 2022. The Hospital paid \$78.5 million of deferred taxes in December 2021; the remaining balance is recorded within accrued salaries and related liabilities in the accompanying consolidated statements of financial position at December 31, 2021.

Under the CARES Act, the Hospital is eligible to receive an employee retention credit (ERC) against the employer portion of Social Security taxes for certain wages between March 13, 2020 and December 31, 2020. The CAA subsequently extended the ERC through June 30, 2021, while also modifying the provisions of the credit. The American Rescue Plan Act keeps the modified provisions of the credit and extends the ERC through December 31, 2021. The Infrastructure Investment and Jobs Act further changed the expiration date of the ERC to September 30, 2021. As of December 31, 2021, the Hospital submitted amended Forms 941-X for calendar year 2020 and the first quarter of calendar year 2021 to claim the ERC. Approximately \$53.3 million of the filed ERC applications was received through April 2022. The Hospital recognized \$20.2 million as other revenue in 2021. The Hospital continues to process applications for the ERC.

Due to the evolving nature of the COVID-19 pandemic, the ultimate impact to the Hospital's operating results, including costs that may be incurred in the future and the level of utilization of the Hospital's services and resulting impact on net patient service revenue reported in the future, and its financial condition is presently unknown.

The New York and Presbyterian Hospital

Notes to Consolidated Financial Statements (continued)

1. Organization and Basis of Presentation and Significant Accounting Policies (continued)

Significant Accounting Policies

The following is a summary of significant accounting policies:

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, such as collections on accounts receivable for services to patients, valuation of alternative investments, estimated settlements with third-party payors, professional liabilities and pension and postretirement benefit liabilities, and disclosures of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the amounts of revenue and expenses reported during the period. There is at least a reasonable possibility that certain estimates will change by material amounts in the near term.

Cash and Cash Equivalents and Short-term Investments: The Hospital classifies as cash equivalents all highly liquid financial instruments with a maturity of three months or less when purchased, excluding those held in short-term investments and assets limited as to use for funded depreciation and board designated purposes as such holdings are within investment portfolios. A reconciliation of amounts reported on the accompanying consolidated statements of financial position to the accompanying consolidated statements of cash flows as of and for the years ended December 31, 2021 and 2020 follows (in thousands):

	2021	2020
Cash and cash equivalents	\$ 455,807	\$ 647,337
Assets limited as to use – funds held under loan agreements: cash and cash equivalents	699	10,359
Assets limited as to use – funded self-insurance (professional liabilities): cash and cash equivalents	37,689	33,672
Assets limited as to use – donor restricted: cash and cash equivalents	29	13,685
Total cash and cash equivalents and restricted cash and restricted cash equivalents	<u>\$ 494,224</u>	<u>\$ 705,053</u>

The New York and Presbyterian Hospital

Notes to Consolidated Financial Statements (continued)

1. Organization and Basis of Presentation and Significant Accounting Policies (continued)

Investments that are readily marketable and that are not classified as assets limited as to use are considered short-term investments and are classified as current assets. Short-term investments are used for cash management purposes and consist of cash and cash equivalents, fixed income securities, equity securities, hedge funds and pooled investments held by related parties. At December 31, 2021 and 2020, the Hospital's cash and cash equivalents include money market funds and interest-bearing accounts that are not fully insured by the U.S. government. The Hospital does not hold any money market funds with significant liquidity restrictions that would be required to be excluded from cash equivalents.

Receivables for Patient Care: Patient accounts receivable for which the Hospital receives payment under prospective payment formulae, cost reimbursement or negotiated rates, which cover the majority of patient services, are stated at the estimated net amounts receivable from payors, which are generally less than the established billing rates of the Hospital (see Note 2).

Supplies: Supplies, which are determined on the first-in, first-out method, are stated at the lower of cost or net realizable value. Supplies are used in the provision of patient care and are not held for sale. Supplies are included in other current assets in the accompanying consolidated statements of financial position at December 31, 2021 and 2020.

Investments and Investment Return: Investments are held in the Hospital's short-term and assets limited as to use portfolios. All investments are classified as trading investments and, excluding interests in common collective/commingled trusts, alternative investments and pooled investments held by related parties, are carried at fair value determined as described in Note 13. Common collective/commingled trusts and alternative investments are reported in the accompanying consolidated statements of financial position based upon net asset values derived from the application of the equity method of accounting.

Alternative investment interests generally are structured such that the Hospital holds a limited partnership interest or an interest in an investment management company, including hedge funds, private equity funds and private real estate funds. The Hospital's ownership structure does not provide for control over the related investees and the Hospital's financial risk is limited to the carrying amount reported for each investee, in addition to any unfunded capital commitment.

The New York and Presbyterian Hospital

Notes to Consolidated Financial Statements (continued)

1. Organization and Basis of Presentation and Significant Accounting Policies (continued)

Individual investment holdings within the alternative investments include non-marketable and market-traded debt, equity and real asset securities and interests in other alternative investments. The Hospital may be exposed indirectly to securities lending, short sales of securities and trading in futures and forward contracts, options and other derivative products. Alternative investments often have liquidity restrictions under which the Hospital's capital may be divested only at specified times.

Financial information used by the Hospital to evaluate its alternative investments is provided by the investment manager or general partner and includes fair value valuations (quoted market prices and values determined through other means) of underlying securities and other financial instruments held by the investee and estimates that require varying degrees of judgment. The financial statements of the investee companies are audited annually by independent auditors, although the timing for reporting the results of such audits for certain investee companies does not coincide with the Hospital's annual financial statement reporting.

Interests in pooled investments held by related parties are reported based upon unitized net asset value (see Note 3). Assets held in the Hospital's defined benefit pension plans are carried at fair value (see Note 9).

There is uncertainty in the accounting for alternative investments arising from factors such as lack of active markets (primary and secondary), lack of transparency into underlying holdings and time lags associated with reporting by the investee companies. As a result, there is at least a reasonable possibility that estimates will change in the near term.

Investments received as a gift are recorded at fair value on the date of contribution. All investment transactions are recorded on the dates such trades take place. Realized gains and losses on sales of marketable securities are based on the average cost method. Interest income is recorded as earned. Dividends are recorded on the ex-dividend date. Investment return is included within the performance indicator in the accompanying consolidated statements of operations, unless restricted by donor or by law. Investment return is reported net of external and direct internal investment expenses, such as trustee fees, investment fund manager fees and salaries and related costs for the Hospital's investment management personnel.

The New York and Presbyterian Hospital

Notes to Consolidated Financial Statements (continued)

1. Organization and Basis of Presentation and Significant Accounting Policies (continued)

Assets Limited as to Use: Assets so classified represent investments whose use is restricted for specific purposes under internal and/or external designation, terms of loan agreements and for self-insured liabilities (see Note 3). Assets limited as to use which are internally designated for funded depreciation represent amounts that will be expended in future periods for acquisitions of property, buildings and equipment. Assets limited as to use required to meet current liabilities are reported as current assets.

Beneficial Interest in Net Assets Held by Related Organizations: New York-Presbyterian Fund, Inc. (Fund, Inc.) was incorporated under New York State not-for-profit corporation law to solicit, receive and administer funds to be applied exclusively for charitable, educational and scientific purposes, primarily for the benefit of health care related charitable organizations. The directors of Fund, Inc. consist of persons who have first been elected as members of Foundation, Inc. Fund, Inc. is related to NYPH and a number of other organizations. The Hospital recognizes its accumulated interest in the net assets held by Fund, Inc. and The New York Weill Cornell Medical Center Fund, Inc. (WCMC Fund) as beneficial interest in net assets held by related organizations in the accompanying consolidated statements of financial position and also recognizes the periodic changes in such interests in the accompanying consolidated statements of changes in net assets.

Related-Party Transactions: The entities comprising the Hospital provide various inter-entity services to their affiliated entities. The services consist of certain financial planning, information systems and telecommunications, general accounting, and other services. Charges for such services are based on the approximate cost to provide the services and are allocated between the entities based on an agreed-upon method which reflects the approximate level of usage by each entity. Such inter-entity charges and all intercompany balances between the entities comprising the Hospital eliminate in consolidation.

Property, Buildings and Equipment: Property, buildings and equipment purchased are initially recorded at cost. Assets acquired through acquisitions of businesses not previously under common control, gifts and bequests are initially recorded at appraised or fair value established at the date of the transaction. The carrying amounts of 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. Depreciation of buildings, building improvements, and fixed equipment is recorded using the straight-line method over the estimated useful lives of the assets. Depreciation of NYPH movable equipment is recorded using the sum-of-the-years-digits method. Depreciation of the Regional Hospitals' movable equipment is recorded using

The New York and Presbyterian Hospital

Notes to Consolidated Financial Statements (continued)

1. Organization and Basis of Presentation and Significant Accounting Policies (continued)

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

Deferred Financing Costs: Capitalized financing costs are included as a deduction to long-term debt in the accompanying consolidated statements of financial position and are amortized using the effective interest method over the term that the related debt is expected to be outstanding.

Classification of Net Assets: The Hospital separately accounts for and reports net assets with donor restrictions and net assets without donor restrictions. Net assets without donor restrictions are not externally restricted for identified purposes by donors or grantors. Net assets without donor restrictions include resources that the governing board may use for any designated purpose and resources whose use is limited by agreement between the Hospital and an outside party other than a donor or grantor.

Net assets with donor restrictions are those whose use by the Hospital has been limited by donors to a specific time frame or purpose or have been restricted by donors as permanent endowments to be maintained in perpetuity. When donor restrictions expire, that is, when a time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as net assets released from restriction.

The Hospital also recognizes governmental grants where commensurate value is not exchanged as contributions when conditions and restrictions are satisfied and reports such amounts within other revenue (see Note 11).

Operating Leases: Scheduled base rent increases under operating leases are recognized as rental expense on a straight-line basis over the lease term (see Note 6).

The New York and Presbyterian Hospital

Notes to Consolidated Financial Statements (continued)

1. Organization and Basis of Presentation and Significant Accounting Policies (continued)

Program Services: The Hospital's program services consist of providing health care and related services, including graduate medical education. For the year ended December 31, 2021, expenses related to providing these services are summarized as follows (in thousands):

	Health Care and Related Services		Program Support and General Services		Total
	NYPH	Regional Hospitals	NYPH	Regional Hospitals	
Salaries and wages	\$ 2,811,978	\$ 973,986	\$ 537,231	\$ 214,998	\$ 4,538,193
Employee benefits	682,467	285,231	102,068	57,805	1,127,571
Supplies and other expenses	1,881,274	859,844	468,767	156,952	3,366,837
Interest and amortization of deferred financing fees	115,245	6,016	19,606	14,353	155,220
Depreciation and amortization	325,412	79,168	146,112	10,608	561,300
	<u>\$ 5,816,376</u>	<u>\$ 2,204,245</u>	<u>\$ 1,273,784</u>	<u>\$ 454,716</u>	<u>\$ 9,749,121</u>

For the year ended December 31, 2020, expenses related to providing these services are summarized as follows (in thousands):

	Health Care and Related Services		Program Support and General Services		Total
	NYPH	Regional Hospitals	NYPH	Regional Hospitals	
Salaries and wages	\$ 2,896,836	\$ 1,000,735	\$ 549,365	\$ 186,597	\$ 4,633,533
Employee benefits	660,748	274,860	99,683	44,638	1,079,929
Supplies and other expenses	1,959,367	773,029	458,775	113,501	3,304,672
Interest and amortization of deferred financing fees	111,555	7,189	19,527	5,504	143,775
Depreciation and amortization	320,722	60,324	115,472	8,537	505,055
	<u>\$ 5,949,228</u>	<u>\$ 2,116,137</u>	<u>\$ 1,242,822</u>	<u>\$ 358,777</u>	<u>\$ 9,666,964</u>

The New York and Presbyterian Hospital

Notes to Consolidated Financial Statements (continued)

1. Organization and Basis of Presentation and Significant Accounting Policies (continued)

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

The Hospital maintains academic affiliations with two medical colleges: Columbia University Vagelos College of Physicians & Surgeons (Columbia VP&S) and The Joan and Sanford I. Weill Medical College of Cornell University (Weill Cornell Medical College) (collectively, the Schools). Transactions occur on a routine basis between the Hospital and the Schools, based upon arrangements between the parties.

Performance Indicator: The accompanying consolidated statements of operations include excess (deficiency) of revenues over expenses as the performance indicator. Excluded from the performance indicator are permanent transfers of assets to related entities, net assets released from restrictions and distributions received for the purchase of fixed assets, certain Disaster Relief Fund receipts and the change in pension and postretirement benefit liabilities to be recognized in future periods. Transactions deemed by management to be ongoing, major or central to the provision of health care services are reported as operating revenues and operating expenses and are included in operating income (loss). Investment return and certain transactions which are peripheral or of an infrequent nature are excluded from operating income (loss).

Commencing October 2019, the Hospital offered a voluntary retirement option (VRO) to certain eligible employees aged 60 or older with a minimum of 15 years of total service (as defined). The VRO includes enhanced benefits including salary continuation and coverage for certain medical and other benefits. VRO costs incurred in 2020 totaled approximately \$34.2 million, related to severance and other accrued amounts under the VRO. The VRO was not offered in 2021.

Tax Status: The majority of the entities comprising the Hospital are Section 501(c)(3) organizations exempt from Federal income taxes on related income under Section 501(a) of the Internal Revenue Code (IRC). These entities are also exempt from New York State income taxes. NYPH, Community Programs, NYP/Queens and NYP/Brooklyn Methodist are exempt from New York City income taxes.

The New York and Presbyterian Hospital

Notes to Consolidated Financial Statements (continued)

1. Organization and Basis of Presentation and Significant Accounting Policies (continued)

Certain subsidiaries of the Hospital are for-profit entities. Taxable operations and the potential for income taxes from these entities and from unrelated business activities of the tax-exempt entities are not significant to the accompanying consolidated financial statements.

Reclassifications: Certain reclassifications have been made to the 2020 amounts previously reported or disclosed in order to conform to the current year presentation.

Recent Accounting Pronouncements: In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. (ASU) 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The main objective of ASU 2016-13 and related ASU updates is to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. The amendments affect loans, debt securities, trade receivables, net investments in leases, off balance sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash. The amendments in ASU 2016-13 are effective for the Hospital for fiscal years beginning after December 15, 2022. The Hospital is in the process of evaluating the impact of ASU 2016-13 on its consolidated financial statements.

The FASB has amended certain guidance related to various disclosures in ASU 2018-14, *Compensation – Retirement Benefits – Defined Benefit Plans – General (Subtopic 715-20) – Disclosure Framework – Changes to the Disclosure Requirements for Defined Benefit Plans*. The guidance in ASU 2018-14 requires all sponsors of defined benefit plans to provide certain new disclosures: the weighted-average interest crediting rate for cash balance plans and other plans with promised interest crediting rates and an explanation of the reasons for significant gains and losses related to changes in the benefit obligation for the period. Among other changes, ASU 2018-14 eliminates the required disclosure for all sponsors of defined benefit plans to disclose the amounts in accumulated other comprehensive income expected to be recognized as components of net periodic benefit cost over the next fiscal year. ASU 2018-14 is effective for fiscal years ending after December 15, 2021. The adoption of ASU 2018-14 in 2021 did not have a material impact on the Hospital's consolidated financial statements.

The New York and Presbyterian Hospital

Notes to Consolidated Financial Statements (continued)

1. Organization and Basis of Presentation and Significant Accounting Policies (continued)

In August 2018, the FASB issued ASU 2018-15, *Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*, which aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal use software license). The accounting for the service element of a hosting arrangement that is a service contract is not affected by the standard. ASU 2018-15 will require an entity (customer) in a hosting arrangement that is a service contract to follow the guidance in Subtopic 350-40 to determine which implementation costs to capitalize as an asset related to the service contract and which costs to expense. ASU 2018-15 also requires the entity (customer) to expense the capitalized implementation costs of a hosting arrangement that is a service contract over the term of the hosting arrangement, among other provisions. The amendments in ASU 2018-15 are effective for annual reporting periods beginning after December 15, 2020, and interim periods thereafter. In 2021, the amendments can be applied either retrospectively or prospectively to all implementation costs incurred after the date of adoption. The adoption of ASU 2018-15 in 2021 did not have a material impact on the Hospital’s consolidated financial statements.

2. Net Patient Service Revenue

Net Patient Service Revenue and Accounts Receivable

Net patient service revenue is reported at the amount that reflects the consideration to which the Hospital 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 include provisions for variable consideration (reductions to revenue) for retroactive revenue adjustments, including adjustments due to the settlement of ongoing and future audits, reviews, and investigations.

The Hospital 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 Hospital 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 New York and Presbyterian Hospital

Notes to Consolidated Financial Statements (continued)

2. Net Patient Service Revenue (continued)

The Hospital's initial estimate of the transaction price for services provided to patients 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 Hospital's standard charges. The Hospital 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 Hospital's discount policies and historical experience. For uninsured and under-insured patients who do not qualify for charity care, the Hospital 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 Hospital's historical collection experience for applicable patient portfolios. Under the Hospital'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 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 Hospital's criteria for free care are provided care without charge; such amounts are not reported as revenue.

Generally, the Hospital 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 Hospital. Net patient service revenue for performance obligations satisfied over time is recognized based on the estimated expected payment at that point in time. The Hospital 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 Hospital's outpatient and ambulatory care centers. The Hospital measures the performance obligation from admission into the Hospital 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. Substantially all of its performance obligations relate to contracts with a duration of less than one year. Unsatisfied or partially unsatisfied performance obligations primarily relate 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 Hospital's in-house patients occurs within days or weeks after the end of the reporting period.

The New York and Presbyterian Hospital

Notes to Consolidated Financial Statements (continued)

2. Net Patient Service Revenue (continued)

Net patient service revenue for the years ended December 31 by payor is as follows (in thousands):

	2021					
	NYPH		Regional Hospitals		Total	
Medicare	\$ 1,655,140	24%	\$ 782,083	37%	\$ 2,437,223	
Medicaid	1,068,643	15	399,182	19	1,467,825	
Commercial carriers and health maintenance organizations	4,144,835	60	908,871	43	5,053,706	
Self-pay	60,816	1	18,748	1	79,564	
	<u>\$ 6,929,434</u>	<u>100%</u>	<u>\$ 2,108,884</u>	<u>100%</u>	<u>\$ 9,038,318</u>	
	2020					
	NYPH		Regional Hospitals		Total	
Medicare	\$ 1,530,031	26%	\$ 673,668	36%	\$ 2,203,699	
Medicaid	905,576	16	373,905	20	1,279,481	
Commercial carriers and health maintenance organizations	3,232,465	57	786,368	43	4,018,833	
Self-pay	35,467	1	16,846	1	52,313	
	<u>\$ 5,703,539</u>	<u>100%</u>	<u>\$ 1,850,787</u>	<u>100%</u>	<u>\$ 7,554,326</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.

The New York and Presbyterian Hospital

Notes to Consolidated Financial Statements (continued)

2. Net Patient Service Revenue (continued)

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. Changes in the Hospital's estimates of implicit price concessions, discounts, contractual adjustments or other reductions to expected payments for performance obligations satisfied in prior periods were 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 years ended December 31, 2021 and 2020 was not significant.

At December 31, accounts receivable is comprised of the following components (in thousands):

	<u>2021</u>	<u>2020</u>
Patient receivables	\$ 1,119,903	\$ 824,877
Contract assets	78,717	73,488
	<u>\$ 1,198,620</u>	<u>\$ 898,365</u>

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

Third-Party Payment Programs

The Hospital has agreements with third-party payors that provide for payment for services rendered at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

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

The New York and Presbyterian Hospital

Notes to Consolidated Financial Statements (continued)

2. Net Patient Service Revenue (continued)

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

The Hospital 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 Hospital-specific data. Medicare cost reports, which serve as the basis for final settlement with the Medicare program, have been audited by the Medicare fiscal intermediary and settled through 2001 and years 2005, 2006, and 2014 to 2017 for NYPH and through various years ranging from 2008 to 2018 for the Regional Hospitals, although revisions to final settlements or other retroactive changes could be made. Other years and various issues remain open for Medicare audit and settlement, as are numerous issues related to the New York State Medicaid program for prior years. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount when open years are settled, audits are completed and additional information is obtained. Settlements with third-party payors for cost report filings and retroactive adjustments due to ongoing and future audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and the Hospital's historical settlement activity (for example, cost report final settlements or repayments related to recovery audits), including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Such estimates are determined through either a probability-weighted estimate or an estimate of the most likely amount, depending on the circumstances related to a given estimated settlement item. Estimated settlements are adjusted in future periods

The New York and Presbyterian Hospital

Notes to Consolidated Financial Statements (continued)

2. Net Patient Service Revenue (continued)

as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations. For the years ended December 31, 2021 and 2020, the net effect of the Hospital's revisions to prior year estimates resulted in net patient service revenue increasing by approximately \$101.9 million and \$35.8 million, respectively.

The current Medicaid, Medicare and other third-party payor programs are based upon extremely complex laws and regulations that are subject to interpretation. Non-compliance with such laws and regulations could result in fines, penalties and exclusion from such programs. The Hospital is not aware of any allegations of non-compliance that could have a material adverse effect on the accompanying consolidated financial statements and believes that it is in compliance in all material respects with all applicable laws and regulations, except for the matter disclosed in Note 12.

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 or will be enacted by the federal and state governments, cannot be determined presently. Future changes in the Medicare and Medicaid programs and any reduction of funding could have an adverse impact on the Hospital. Additionally, certain payors' payment rates for various years have been appealed by the Hospital. If the appeals are successful, additional income applicable to those years could be realized.

The Hospital grants credit without collateral to its patients, most of whom are insured under third-party payor agreements. Significant concentrations of patient accounts receivable at December 31, 2021 and 2020 are as follows:

	2021	2020
Medicare	24%	26%
Medicaid	23	22
Commercial carriers and health maintenance organizations	48	46
Self-pay patients	5	6
	100%	100%

The New York and Presbyterian Hospital

Notes to Consolidated Financial Statements (continued)

2. Net Patient Service Revenue (continued)

Uncompensated Care and Community Benefit Expense

The Hospital's Division of Community and Population Health (the CPH Division) collaborates with community, hospital, and academic organizations to improve the health and well-being of children, adolescents, and adults in the communities served by the Hospital.

The CPH Division conducts a comprehensive community needs assessment every three years to enhance management and staff's understanding of the health and social needs of the communities served by the Hospital. Based on the results, the Hospital creates a community service plan outlining health priorities and addresses the approach to each priority. The Hospital collaborates with community members and entities to decrease local health disparities through population health initiatives, care provider training, scholarship, and research that are collaboratively developed, executed, assessed, and maintained.

The Hospital's commitment to community service is evidenced by services provided to special populations such as minorities, the elderly, persons with disabilities, the mentally ill, persons with AIDS and poor persons (Special Populations) and benefits provided to the broader community. Services provided to such Special Populations include services provided to persons who cannot afford health care because of inadequate resources and who are uninsured or underinsured.

The Hospital provides quality medical care regardless of race, creed, sex, sexual orientation, national origin, handicap, age or ability to pay. Although payment for services rendered is critical to the operations and financial stability of the Hospital, the Hospital recognizes that not all individuals have the ability to pay for medically necessary services and, furthermore, the Hospital's mission is to serve the community with respect to health care. Therefore, in keeping with the Hospital's commitment to serve members of the community, the Hospital provides uncompensated care through: medical care to the indigent for free or at discounted prices (charity care/financial aid) and care to persons covered by governmental programs that pay the Hospital less than the full cost of services provided.

In addition, the Hospital provides significant community benefit activities which include, among others impacted by social determinants of health: wellness programs, community education and health literacy programs, behavioral health clinical services, childhood and adolescent obesity programs, prenatal care, weight management and nutrition education, HIV counseling, testing and comprehensive services, other health screenings and a broad variety of community support services, health professionals' education, school based programs, and subsidized health services.

The New York and Presbyterian Hospital

Notes to Consolidated Financial Statements (continued)

2. Net Patient Service Revenue (continued)

The Hospital believes it is important to quantify comprehensively the benefits it provides to the community, which is an area of emphasis for not-for-profit health care providers. The costs of uncompensated care and community benefit activities are derived from various Hospital records. Amounts for activities as reported below are based on estimated and actual data, subject to changes in estimates upon the finalization of the Hospital's annual cost reports and other government filings. The amounts reported below are calculated in accordance with guidelines prescribed by the Internal Revenue Service (IRS); 2020 estimates have been updated to reflect final amounts reported in IRS filings based on accumulated data for costs and patient activity meeting certain criteria and classifications (such updates to final reported data do not impact revenue or expense recognition for the related period). The net cost of charity care includes the direct and indirect cost of providing charity care services, offset by revenues received from indigent care pools and other subsidies. The cost is estimated by utilizing a ratio of cost to gross charges applied to the gross uncompensated charges associated with providing charity care. Funds received to offset implicit price concessions and charity services totaled approximately \$51.6 million and \$62.2 million for the years ended December 31, 2021 and 2020, respectively, including approximately \$50.9 million and \$60.9 million, respectively, from the Indigent Care Pool under the New York State Medicaid program. The charity care component of the Indigent Care Pool payments (approximately 48% for 2021 and 59% 2020) is estimated utilizing a ratio of charity care charges to total charity care and bad debt charges applied to the Indigent Care Pool payment.

Net costs related to uncompensated care and community benefit activities are summarized for the years ended December 31, 2021 and 2020 as follows (in thousands):

	<u>2021</u>	<u>2020</u>
Charity care – net ^(a)	\$ 68,561	\$ 85,729
Means-tested programs ^(b)	906,836	858,118
Other community benefits ^{(c)(d)}	1,284,405	1,246,988
Total charity care and other community benefits	<u>\$ 2,259,802</u>	<u>\$ 2,190,835</u>

The New York and Presbyterian Hospital

Notes to Consolidated Financial Statements (continued)

2. Net Patient Service Revenue (continued)

Charity care, at cost, and means-tested programs include the following (and exclude losses incurred on providing services to Medicare patients):

- ^(a) *Charity Care:* As part of its charity care and financial aid policy, the Hospital obtains and uses additional financial information for uninsured or under-insured patients who have not supplied the requisite information to qualify for charity care. The additional information obtained is used by the Hospital to determine whether to qualify patients for charity care and/or financial aid in accordance with the Hospital's policies.

The Hospital makes available free care programs for qualifying patients under its charity care and financial aid policy. During the registration, billing and collection process, a patient's eligibility for free care funds is determined. For patients who do not receive free care and who are determined to be eligible for charity care in the form of discounted medical services under the Hospital's charity care and financial aid policy, care given but not paid for is classified as charity care. Amounts related to patients who were determined by the Hospital to have the ability to pay but did not represent implicit price concessions and are not classified as charity care. Distinguishing between charity care and implicit price concessions is difficult, in part because services are often rendered prior to the Hospital's full evaluation of a patient's ability to pay. Implicit price concessions were approximately \$212.8 million and \$161.7 million in 2021 and 2020, respectively.

Annually, the Hospital accrues for potential losses that meet the definition of charity care (including free and discounted medical care) allowances.

- ^(b) *Means-Tested Programs:* Community benefits include losses incurred in providing services to patients who participate in certain public health programs such as Medicaid. Payments received by the Hospital for patient services provided to Medicaid program participants are less than the actual cost of providing such services. Therefore, to the extent Medicaid payments are less than the cost of care provided to Medicaid patients, the uncompensated cost of that care is considered to be a community benefit. Such costs increased significantly in 2020 and 2021 due to the COVID-19 pandemic.

The New York and Presbyterian Hospital

Notes to Consolidated Financial Statements (continued)

2. Net Patient Service Revenue (continued)

Other community benefits include the following:

- ^(c) *Community Health Improvement Services and Community Benefit Operations:* The Hospital is committed to serving the vast array of neighborhoods comprising its service area and recognizes the importance of preserving a local community focus to effectively meet community need. The Hospital adheres to a single standard for assessing and meeting community need, while retaining a geographically focused approach for soliciting community participation and involvement and providing community outreach.

The Hospital has fostered continued community participation and outreach activities through linkages with numerous community-based groups. Community health improvement services and related operations include clinical services, screening and exams, and other education or support services in areas such as the following: asthma, behavioral health, cancer, children's health, community-based outreach and health education, digestive diseases, emergency services/emergency preparedness, heart disease, HIV/AIDS, neuroscience, vascular disease and women's health (a complete description of each service can be found in the Hospital's annual community service plan). The net cost of such services is accumulated based on actual expenditures plus estimates using the Hospital's cost to charge ratio and related standard charges associated with the services, offset by payments received.

In October 2020, the Hospital launched The Dalio Center for Health Justice (Dalio Center) with the goal of understanding and addressing the root causes of health inequities. Through the Dalio Center, the Hospital invests in research and education, advocates for policy change, and drives measurable improvements in health outcomes for all members of the community.

- ^(d) *Health Professional Education:* Helping to prepare future health care professionals is a distinguishing characteristic of major academic not-for-profit teaching hospitals and constitutes a significant community benefit. The Hospital has world renowned residency programs and trains approximately 2,200 residents each year in all clinical programs (the programs are in two medical schools and cover approximately 177 accredited graduate medical education programs). The Hospital is committed to offering quality graduate medical education programs as part of its education mission. The estimated cost of health professional education consists primarily of personnel costs provided to graduate staff, offset by amounts received from CMS and the DOH for medical education programs.

The New York and Presbyterian Hospital

Notes to Consolidated Financial Statements (continued)

3. Investments, Assets Limited as to Use and Liquidity

The Hospital's investments are either separately invested or held on a pooled basis with related parties. Hudson East River Systems, LLC (HERS) was formed to receive, hold, and manage the investments of certain related organizations in a unitized structure. Fund Inc., NYPH and the Regional Hospitals maintain member capital accounts with HERS. Each entity's member capital account for HERS is tracked for various strategic pools of investments. Each entity is allocated income from investments on a monthly basis based on the underlying fair values and net asset values of the invested securities and their individual unitized capital interest. The Hospital recognizes in its accompanying consolidated statements of financial position only the unitized portion of the HERS assets attributable to the Hospital's member capital accounts. The HERS assets attributable to the Hospital, consisting of separate member capital accounts for NYPH, NYP/Hudson Valley, NYP/Queens and NYP/Brooklyn Methodist, represented approximately 73% and 75% of the total HERS portfolio at December 31, 2021 and 2020, respectively; the composition of the HERS investment portfolio asset allocation is provided in this Note.

The composition and reported value of short-term investments at December 31, 2021 and 2020 consist of the following (in thousands):

	2021	2020
Investments held by the Hospital:		
Marketable securities, carried at fair value	\$ 257,821	\$ 523,711
Hedge funds, accounted for using the equity method	1,551	1,434
Total investments held by the Hospital	259,372	525,145
Unitized investments held by HERS, accounted for using the equity method	2,436,403	2,640,548
Pooled investments held by Fund, Inc. on behalf of NYP/Queens, accounted for using the equity method	7,181	5,723
Total short-term investments	<u>\$ 2,702,956</u>	<u>\$ 3,171,416</u>

The New York and Presbyterian Hospital

Notes to Consolidated Financial Statements (continued)

3. Investments, Assets Limited as to Use and Liquidity (continued)

The composition and reported value of assets limited as to use, which excludes the beneficial interest in net assets held by related organizations (see Note 7), at December 31, 2021 and 2020 consist of the following (in thousands):

	2021	2020
Investments accounted for at fair value:		
Marketable securities, carried at fair value	\$ 146,581	\$ 470,985
Investments held by captive insurance companies, at allocated fair value	265,856	241,498
Total investments accounted for at fair value	412,437	712,483
Hospital held investments accounted for using the equity method:		
Common collective equity funds	31,738	33,194
Hedge funds	334	326
Private equity	2,200	2,222
Private real assets	160	35,280
Total Hospital held investments accounted for using the equity method	34,432	71,022
Pooled investments held by Fund, Inc. on behalf of NYP/Queens, accounted for using the equity method	28,119	24,560
Unitized investments held by HERS, accounted for using the equity method	5,312,628	4,335,459
Total investments accounted for using the equity method	5,375,179	4,431,041
Total assets limited as to use	5,787,616	5,143,524
Less current portion	50,628	70,125
Assets limited as to use – noncurrent	\$ 5,736,988	\$ 5,073,399

The New York and Presbyterian Hospital

Notes to Consolidated Financial Statements (continued)

3. Investments, Assets Limited as to Use and Liquidity (continued)

The asset allocation of the HERS investment portfolio and unfunded commitments and liquidity restrictions of certain alternative investments held by HERS at December 31, 2021 are as follows (in thousands):

Description of Investment	Asset Allocation	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Cash and cash equivalents	3%			
Fixed income securities:				
U.S. government bonds and notes	8			
Mortgage and asset-backed	7			
Corporate	7			
Equities:				
U.S. equities	1			
Non-U.S. equities	1			
Common collective equity funds	31	\$ —	Weekly to annually	5 to 90 days
Hedge funds	12	—	Monthly to annually	30 to 180 days
Private equity	21	746,083	*	*
Private real assets	9	611,636	*	*
	100%	\$ 1,357,719		

The New York and Presbyterian Hospital

Notes to Consolidated Financial Statements (continued)

3. Investments, Assets Limited as to Use and Liquidity (continued)

The asset allocation of the HERS investment portfolio and unfunded commitments and liquidity restrictions of certain alternative investments held by HERS at December 31, 2020 are as follows (in thousands):

Description of Investment	Asset Allocation	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Cash and cash equivalents	4%			
Fixed income securities:				
U.S. government bonds and notes	11			
Mortgage and asset-backed	10			
Corporate	9			
Equities:				
U.S. equities	4			
Non-U.S. equities	3			
Real asset investments	1			
Common collective equity funds	22	\$ —	Daily to annually	3 to 90 days
Hedge funds	14	—	Monthly to annually	30 to 180 days
Private equity	15	899,267	*	*
Private real assets	7	579,673	*	*
	100%	\$ 1,478,940		

* HERS' liquidity restrictions range from several months to ten years for certain private equity and private real asset investments. Liquidity restrictions may apply to all or portions of a particular invested amount.

The New York and Presbyterian Hospital

Notes to Consolidated Financial Statements (continued)

3. Investments, Assets Limited as to Use and Liquidity (continued)

Assets limited as to use at December 31, 2021 and 2020 are limited to the following (in thousands):

	2021	2020
Board designated funds – capital expenditures	\$ 3,295,818	\$ 2,984,826
Funded depreciation	2,025,505	1,673,137
Investments held by captive insurance companies	265,856	241,498
Funds held under loan agreements	38,169	80,796
Funded self-insurance	50,438	50,704
Board designated funds – other	38,341	41,159
Donor restricted	41,751	38,210
Employee benefit funds	31,738	33,194
	\$ 5,787,616	\$ 5,143,524

Funds held under loan agreements at December 31, 2021 and 2020 are for the following purposes (in thousands):

	2021	2020
Mortgage reserve funds	\$ 33,914	\$ 71,964
Escrow fund	604	631
Capital reserve fund	3,651	3,642
Debt service fund	–	4,559
	\$ 38,169	\$ 80,796

Investment return, net related to net assets without donor restrictions for the years ended December 31, 2021 and 2020 consists of the following (in thousands):

	2021	2020
Change in interest in unitized investments held by HERS	\$ 835,741	\$ 420,521
Net change in unrealized gains and losses	(11,427)	19,811
Interest and dividend income	7,460	17,634
Equity in earnings of common collective/commingled trusts and alternative investment companies and investment return of captive insurance companies	25,277	16,302
Change in interest in pooled investments held by Fund, Inc. on behalf of NYP/Queens	3,424	1,635
Net realized gains and losses on sales of investments	22,193	1,039
Total	\$ 882,668	\$ 476,942

The New York and Presbyterian Hospital

Notes to Consolidated Financial Statements (continued)

3. Investments, Assets Limited as to Use and Liquidity (continued)

The table below presents financial assets and liquidity resources available for general expenditures within one year at December 31 (in thousands):

	<u>2021</u>	<u>2020</u>
Financial assets as reported on the accompanying consolidated statements of financial position:		
Cash and cash equivalents	\$ 455,807	\$ 647,337
Short-term investments	2,702,956	3,171,416
Patient accounts receivable – net	1,198,620	898,365
Assets limited as to use	5,787,616	5,143,524
Total financial assets as reported on the accompanying consolidated statements of financial position	10,144,999	9,860,642
Liquidity resources:		
Line of credit availability	750,000	600,000
Total financial assets and liquidity resources	10,894,999	10,460,642
Less amounts not available to be used for general expenditures within one year:		
Assets limited as to use	5,787,616	5,143,524
Financial assets available to be used for general expenditures within one year	<u>\$ 5,107,383</u>	<u>\$ 5,317,118</u>

The Hospital has assets limited as to use which are not available for general expenditure within one year in the normal course of operations. Accordingly, these assets have not been included in the total for financial assets to meet general expenditures within one year.

The New York and Presbyterian Hospital

Notes to Consolidated Financial Statements (continued)

4. Property, Buildings and Equipment

A summary of property, buildings and equipment at December 31, 2021 and 2020 follows (in thousands):

	<u>2021</u>	<u>2020</u>
Land and land improvements	\$ 238,386	\$ 238,792
Buildings, building improvements and fixed equipment	5,893,090	5,352,016
Movable equipment	2,039,315	1,846,932
Leasehold improvements	422,506	390,096
	<u>8,593,297</u>	<u>7,827,836</u>
Less accumulated depreciation and amortization	3,591,765	3,280,271
	<u>5,001,532</u>	<u>4,547,565</u>
Construction-in-progress	125,737	650,076
	<u>\$ 5,127,269</u>	<u>\$ 5,197,641</u>

During 2021 and 2020, the Hospital wrote off approximately \$249.8 million and \$225.7 million of fully depreciated assets, respectively.

Substantially all property, buildings and equipment have been pledged as collateral under various debt agreements (see Note 5).

At December 31, 2021 and 2020, assets recorded in connection with finance leases aggregated approximately \$242.9 million and \$223.6 million, respectively, with accumulated amortization aggregating approximately \$180.3 million and \$160.4 million, respectively.

The Hospital leases certain buildings from Royal Charter Properties – Westchester, Inc., a related entity (see Note 10).

The New York and Presbyterian Hospital

Notes to Consolidated Financial Statements (continued)

5. Long-Term Debt

A summary of long-term debt at December 31, 2021 and 2020 follows (in thousands):

	2021	2020
The New York and Presbyterian Hospital taxable bonds, Series 2020 ^(a)	\$ 750,000	\$ 750,000
The New York and Presbyterian Hospital taxable bonds, Series 2019 ^(b)	500,000	500,000
The New York and Presbyterian Hospital taxable bonds, Series 2016 ^(c)	850,000	850,000
The New York and Presbyterian Hospital taxable bonds, Series 2015 ^(d)	750,000	750,000
FHA Section 242 insured mortgage loan – 1998 ^(e)	–	115,450
FHA Section 241 insured mortgage loan – 2007 ^(f)	–	187,986
Secured hospital revenue refunding bonds – 2011 – Lower Manhattan Campus ^(g)	–	8,555
FHA Section 241 insured mortgage loan – 2013 ^(h)	391,853	407,193
Term loan payable ⁽ⁱ⁾	9,358	11,659
Leasehold condominium note payable ^(j)	280,830	279,653
Line of credit ^(k)	200,000	200,000
Finance leases ^(l)	180,507	180,150
	3,912,548	4,240,646
Add unamortized fair value adjustment related to acquisitions and unamortized bond premium	–	45
Less deferred financing costs – net of accumulated amortization	45,297	52,921
Less current portion – net of current deferred financing costs	262,502	92,282
Long-term portion	\$ 3,604,749	\$ 4,095,488

- (a) *The New York and Presbyterian Hospital Taxable Bonds, Series 2020:* In August 2020, NYPH issued \$750.0 million in unsecured, taxable bonds. The bonds have three separate final maturity dates: \$150.0 million due August 1, 2030, \$300.0 million due August 1, 2040, and \$300.0 million due August 1, 2060, and bear interest payable semi-annually at approximate fixed rates of 1.7%, 2.3%, and 2.6%, respectively. NYPH is the only member of the obligated group for this debt. NYPH incurred approximately \$5.2 million of financing costs in 2020 in connection with the issuance of the bonds that will be amortized over the life of the bonds using the effective interest method. The proceeds of the Series 2020 bonds may be used for eligible corporate purposes of NYPH and its affiliates.

The New York and Presbyterian Hospital

Notes to Consolidated Financial Statements (continued)

5. Long-Term Debt (continued)

- (b) *The New York and Presbyterian Hospital Taxable Bonds, Series 2019:* In October 2019, NYPH issued \$500.0 million in unsecured, taxable bonds. The bonds bear interest at a fixed rate of 3.95%, payable semi-annually. The bonds have a final maturity date of August 1, 2119, at which time the full principal balance is due. NYPH is the only member of the obligated group for this debt. The proceeds of the Series 2019 bonds may be used for eligible corporate purposes of NYPH and its affiliates.
- (c) *The New York and Presbyterian Hospital Taxable Bonds, Series 2016:* In June 2016, NYPH issued \$850.0 million in unsecured, taxable bonds. The bonds have three separate final maturity dates, \$250.0 million due August 1, 2036, \$350.0 million due August 1, 2056, and \$250.0 million due August 1, 2116, and bear interest payable semi-annually at approximate fixed rates of 3.6%, 4.1% and 4.8%, respectively. NYPH is the only member of the obligated group for this debt. The proceeds of the Series 2016 bonds may be used for eligible corporate purposes of NYPH and its affiliates, which have included the following: (a) making a loan to NYP/Hudson Valley to refinance its then outstanding 1993 and 2007 U.S. Department of Housing and Urban Development Federal Housing Agency (FHA) insured mortgage loans, (b) making a loan to NYP/Queens to refinance its then outstanding 2007 FHA-insured mortgage loan, (c) refinancing then outstanding Westchester County Industrial Development Agency bonds, (d) refinancing outstanding debt of NYPH and other outstanding debt of certain NYPH affiliates, (e) financing of one or more projects of NYPH and certain NYPH affiliates, and (f) making a loan in 2017 to Methodist for a capital project.

In November 2016, NYPH loaned NYP/Hudson Valley \$56.5 million and loaned NYP/Queens \$124.9 million from the proceeds of the Series 2016 bonds to finance the repayment of certain of their obligations. In connection with these loans, NYP/Hudson Valley and NYP/Queens issued mortgage loans to NYPH to repay the obligations. The mortgage loans are secured by substantially all of the property, buildings and equipment and the gross receipts of the respective entities. The loans bear interest at a fixed rate of 4.21% and call for monthly payments of interest and principal through 2035.

In January 2017, proceeds from the Series 2016 bonds were used to loan Methodist \$327.0 million to finance the design, construction and equipping of the Center for Community Health, an approximately 400,000 square foot ambulatory care facility located in Brooklyn, New York. The loan bears interest at a fixed rate of 4.21% and calls for monthly payments of interest only through January 1, 2020, and monthly payments of interest and principal of approximately \$1.7 million through January 1, 2047.

The New York and Presbyterian Hospital

Notes to Consolidated Financial Statements (continued)

5. Long-Term Debt (continued)

In September 2017 and 2018, proceeds from the Series 2016 Bonds were used to loan NYP/Queens \$16.0 million and \$39.4 million, respectively, to finance contributions into NYP/Queens' pension plan. In connection with the loans, NYP/Queens issued promissory notes to NYPH. The interest rate on the loans resets annually on December 1 to a variable LIBOR-based rate. In no event shall the rate be less than 1.00% or greater than 4.21%. The loans call for monthly payments of interest through December 1, 2037, with the entire principal amount of each loan due on that date.

The outstanding principal balance and interest related to all of the loans between NYPH and the Regional Hospitals are eliminated in the accompanying consolidated financial statements as of and for the years ended December 31, 2021 and 2020.

- (d) *The New York and Presbyterian Hospital Taxable Bonds, Series 2015*: In February 2015, NYPH issued \$750.0 million in unsecured, taxable bonds. The bonds bear interest at a fixed rate of 4.02%, payable semi-annually. The bonds have a final maturity date of August 1, 2045, at which time the full principal balance is due. NYPH is the only member of the obligated group for this debt.
- (e) *FHA Section 242 Insured Mortgage Loan – 1998*: In 1998 the Dormitory Authority of the State of New York (DASNY) issued revenue bonds to fund a mortgage loan to NYPH. NYPH's original mortgage agreement with DASNY was insured under the provisions of the FHA Section 242 mortgage insurance program. In December 2010, DASNY assigned NYPH's mortgage to Prudential Huntoon Paige Associates, Ltd. (Prudential); the mortgage continued to be FHA-insured. In connection with the assignment of the mortgage, the associated DASNY bonds were defeased and Prudential issued new Government National Mortgage Association bonds to fund the mortgage loan. This transaction resulted in a reduction in the interest rate of the mortgage loan, effective December 15, 2010, to a fixed rate of 4.22% over the remaining term and required NYPH to make an equity contribution of \$23.8 million (\$15.1 million of the equity contribution was made, with the remaining balance of amounts held in assets limited as to use as part of the final endorsement). The FHA Section 242 mortgage loan was fully repaid in February 2021 and the related collateral for the mortgage was released.
- (f) *FHA Section 241 Insured Mortgage Loan – 2007*: In September 2007, DASNY issued \$296.1 million of The New York and Presbyterian Hospital FHA-Insured Mortgage Hospital Revenue Bonds, Series 2007. A portion of the proceeds of the bonds was used to fund a mortgage loan from DASNY to NYPH. The maximum principal amount of

The New York and Presbyterian Hospital

Notes to Consolidated Financial Statements (continued)

5. Long-Term Debt (continued)

\$278.5 million incorporated a discount of \$5.4 million. The mortgage was insured under the provisions of the FHA Section 241 mortgage insurance program. The mortgage bore interest at a rate of 6.5% through May 31, 2010, and 4.9% through July 31, 2012 (in addition, NYPH paid an incremental rate of 1.6% until final endorsement). On August 7, 2012, NYPH completed final endorsement and the terms of the mortgage were amended and, effective August 1, 2012, interest was paid at a rate of 4.55%. In December 2012, DASNY assigned NYPH's mortgage loan to Prudential; the mortgage continued to be FHA-insured. In connection therewith, the DASNY bonds were refunded and Prudential issued new Government National Mortgage Association securities to fund NYPH's mortgage. This transaction resulted in a reduction in the interest rate on the mortgage loan to a fixed rate of 2.74% over the remaining term of the loan, effective December 13, 2012. The FHA Section 241 mortgage loan was fully repaid in February 2021 and the related collateral for the mortgage was released.

- (g) *Secured Hospital Revenue Refunding Bonds – 2011:* In March 2011, NewYork-Presbyterian/Lower Manhattan Hospital (NYP/LMH), a campus of NYPH, issued \$32.6 million of Secured Hospital Revenue Refunding Bonds – 2011 through DASNY. The bonds bore interest at a fixed interest rate of 5%, payable semi-annually, with a final maturity date of February 15, 2022. In February 2021, the Hospital completed the redemption of the entire outstanding principal amount. The bonds were outstanding in the aggregate principal amount of \$8.6 million. Approximately \$8.5 million of mortgage and debt service reserve funds and the related collateral were released as part of the transaction.
- (h) *FHA Section 241 Insured Mortgage Loan – 2013:* In September 2013, NYPH executed a \$500.0 million mortgage note with Prudential. The mortgage note bears interest at a fixed interest rate of 4.5%, payable semi-annually. The loan has a final maturity of September 1, 2038, with principal payable annually. The proceeds of the loan were deposited into a construction escrow account and were used to construct an ambulatory care center and pay related costs (see Note 3).
- (i) *Term Loan Payable:* A term loan agreement with an initial principal amount of \$25.7 million used for the construction of a three-story surgery and oncology center and a six-room operating suite on the NYP/Lawrence Hospital campus. The loan is payable through 2025 with interest at a fixed rate of 3.4% per annum.

The New York and Presbyterian Hospital

Notes to Consolidated Financial Statements (continued)

5. Long-Term Debt (continued)

- (i) *Leasehold Condominium Note Payable:* In June 2017, the Hospital entered into a transaction pursuant to which the Hospital purchased a 30-year leasehold condominium interest (with an option to extend) in approximately 480,000 square feet of space located at 466 Lexington Avenue (the Leasehold Condominium) to consolidate corporate services of the Hospital. To finance the acquisition of the Leasehold Condominium, the Hospital issued to the seller a promissory note in the principal amount of \$249.9 million (the Promissory Note) which bears interest at a rate of 7% per annum. Interest payments for the period from July 2017 through December 2018 were deferred. The debt service terms require principal and interest payments in escalating amounts over the life of the note, ranging from \$1.5 million to \$2.5 million commencing January 2019 through December 2048.

Unpaid interest incurred during the period accrues to the outstanding principal balance on the Promissory Note. Under this arrangement, the amount due will increase to an ultimate principal balance of \$283.3 million in December 2023. As of December 31, 2021, and 2020, the balance due includes the original principal amount of the Promissory Note and accrued interest of approximately \$30.9 million and \$29.8 million, respectively. The Promissory Note is secured by a mortgage granted by the Hospital in its interest in the Leasehold Condominium. In connection with this transaction, the seller/landlord provided the Hospital with a tenant allowance for leasehold improvements of approximately \$75.6 million, which is recorded in the accompanying consolidated statements of financial position within other current assets and other noncurrent assets based on the timing of the related cash receipts from the seller/landlord and other noncurrent liabilities for the deferred benefit, to be amortized over the term of the Promissory Note. As of December 31, 2021, and 2020, the accompanying consolidated statements of financial position include \$5.6 million as receivable for leasehold improvements in current assets, a \$19.2 million receivable recorded in noncurrent assets at a net present value of approximately \$3.2 million and \$4.6 million, respectively, and noncurrent liabilities totaling approximately \$64.8 million and \$67.2 million, respectively.

- (k) *Lines of Credit:* The Hospital has an unsecured \$200.0 million line of credit agreement with a commercial bank available through June 30, 2022. Effective March 27, 2020, the commitment was amended to \$350.0 million and the termination date was extended through March 31, 2023. The Hospital borrowed \$200.0 million from this line of credit on March 25, 2020, with the balance outstanding at December 31, 2020 and 2021. Effective April 1, 2021, the termination date was extended through March 31, 2024. The Hospital is in the process of extending the termination date for an additional year. In February 2022, the Hospital repaid the outstanding balance of \$200.0 million.

The New York and Presbyterian Hospital

Notes to Consolidated Financial Statements (continued)

5. Long-Term Debt (continued)

The Hospital had an unsecured \$150.0 million line of credit with a second commercial bank available through August 15, 2022. The Hospital borrowed \$150.0 million from this line of credit on March 27, 2020 and repaid the balance of \$150.0 million in 2020. Effective April 17, 2020, the Hospital entered into an additional unsecured \$100.0 million line of credit available through April 16, 2021. The Hospital did not draw on this line of credit in 2020. Effective January 11, 2021, the \$100.0 million line of credit was amended to \$150.0 million and the termination date was extended through December 30, 2021. Effective November 26, 2021, the two \$150.0 million lines of credit were combined into one \$300.0 million line of credit, with the termination date extended to August 15, 2024. No amounts were drawn in 2021 and no balance is outstanding at December 31, 2021.

Effective March 30, 2020, the Hospital entered into an unsecured \$200.0 million line of credit with a third commercial bank available through March 29, 2021. The Hospital borrowed \$200.0 million from this line of credit on March 30, 2020 and repaid the balance of \$200.0 million in 2020. Effective March 29, 2021, the \$200.0 million line of credit was amended to \$300.0 million, and the termination date was extended through November 2023. No amounts were drawn in 2021 and no balance is outstanding at December 31, 2021.

- ⁽¹⁾ *Finance Leases:* Certain equipment leases are the equivalent of an installment purchase for purposes of financial statement reporting. The lenders hold a first security interest in the financed equipment. The Hospital entered into several finance leases in 2021 and 2020 totaling approximately \$46.7 million and \$113.8 million, respectively. Interest rates related to the Hospital's outstanding finance lease obligations range from 0.0% to 4.3%.

Estimated principal payments under long-term debt for the next five years and thereafter, excluding the line of credit balance and finance leases, consist of the following (in thousands):

2022	\$ 18,426
2023	19,245
2024	21,128
2025	21,430
2026	20,385
Thereafter	3,431,427

In connection with previously outstanding Methodist Series 2014 Bonds, the bonds were advance refunded in December 2020 through an escrow account deposit of \$24.2 million, with final redemption of the defeased bonds to occur on July 1, 2024.

The New York and Presbyterian Hospital

Notes to Consolidated Financial Statements (continued)

5. Long-Term Debt (continued)

In 2019 and 2020, NYPH loaned NYP/Queens \$8.6 million and \$20.7 million, respectively, to finance contributions into NYP/Queens' pension plan and to repay a previously outstanding mortgage loan. In connection with these loans, NYP/Queens issued promissory notes to NYPH with similar terms as noted in (c) above.

Pursuant to its debt agreements, NYPH is required to maintain certain debt service and other funds, including mortgage reserve funds (see Note 3). In addition, NYPH is required to maintain certain working capital, debt service coverage and other financial ratios and financial conditions, and to obtain approvals to incur additional debt above specified levels if certain covenant requirements are not met. At December 31, 2021, NYPH was in compliance with the applicable financial covenants. At December 31, 2020, NYPH was in compliance with the applicable financial covenants except for the long-term debt service coverage ratio as required by the Master Trust Indenture (MTI) related to NYPH's Series 2015, 2016, 2019 and 2020 taxable bonds. The MTI requires that the long-term debt service coverage ratio, as defined and as calculated at the end of each fiscal year, will not be less than 1.10. If the long-term debt service coverage ratio is not met, NYPH is required to retain an independent consultant to make recommendations to increase such long-term debt service coverage ratio in the following fiscal year to the level required or, if in the opinion of the independent consultant the attainment of such level is impracticable, to the highest level attainable. The MTI required NYPH to retain an independent consultant within 30 days of providing its consolidated financial statements to the master trustee and that the consultant's recommendations be provided within 45 days after being retained. NYPH complied with these remedy provisions in 2021. The long-term debt is classified based on scheduled maturities in the accompanying consolidated statements of financial position.

Certain of the debt instruments described above are collateralized by designated NYPH property, buildings and equipment and gross receipts derived from operations and certain Regional Hospital property and equipment on an entity-specific basis.

Interest paid under all borrowings for the years ended December 31, 2021 and 2020 aggregated approximately \$168.2 million and \$143.0 million, respectively.

The New York and Presbyterian Hospital

Notes to Consolidated Financial Statements (continued)

6. Leases

The Hospital leases certain property and equipment under finance and operating leases. Leases are classified as either finance or operating leases based on the underlying terms of the agreement and certain criteria, such as the term of the lease relative to the useful life of the asset and the total lease payments to be made as compared to the fair value of the asset, amongst other criteria. Finance leases result in an accounting treatment similar to an acquisition of the asset.

For leases with initial terms greater than a year, the Hospital records the related right-of-use assets and liabilities at the present value of the lease payments to be paid over the life of the related lease. The Hospital's leases may include variable lease payments and renewal options. Variable lease payments are excluded from the amounts used to determine the right-of-use assets and liabilities unless the variable lease payments depend on an index or rate or are in substance fixed payments. Lease payments related to periods subject to renewal options are also excluded from the amounts used to determine the right-of-use assets and liabilities unless the Hospital is reasonably certain to exercise the option to extend the lease. The present value of lease payments is calculated by utilizing the discount rate stated in the lease, when readily determinable. For leases for which this rate is not readily available, the Hospital uses a risk-free discount rate determined using a period comparable with that of the lease term. The Hospital separates lease components from non-lease components in contracts when determining its lease payments for its asset classes except for medical equipment. As such, the Hospital does not account for the applicable non-lease components together with the related lease components when determining the right-of-use assets and liabilities. The Hospital does not record leases with an initial term of less than a year as right-of-use assets and liabilities.

The New York and Presbyterian Hospital

Notes to Consolidated Financial Statements (continued)

6. Leases

The following schedule summarizes information related to the lease assets and liabilities as of and for the years ended December 31 (in thousands):

	2021	2020
Lease cost		
Finance lease cost:		
Amortization of right-of-use asset	\$ 38,332	\$ 31,344
Interest on lease liabilities	3,578	3,273
Operating lease cost	79,493	85,271
Short-term lease cost	8,624	10,949
Variable lease cost	45,926	7,658
Total lease cost	<u>\$ 175,953</u>	<u>\$ 138,495</u>
Right-of-use assets		
Right-of-use assets – finance leases	\$ 55,166	\$ 62,574
Right-of-use assets – operating leases	588,490	436,880
Total right-of-use assets	<u>\$ 643,656</u>	<u>\$ 499,454</u>
Right-of-use liabilities		
Right-of-use liabilities – finance leases	\$ 180,507	\$ 180,150
Right-of-use liabilities – operating leases	607,281	455,190
Total right-of-use liabilities	<u>\$ 787,788</u>	<u>\$ 635,340</u>
Other information		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from finance leases	\$ 3,569	\$ 10,922
Operating cash flows from operating leases	79,192	82,713
Financing cash flows from finance leases	46,301	40,636
Right-of-use assets obtained in exchange for new finance lease liabilities	\$ 46,658	\$ 113,847
Right-of-use assets obtained in exchange for new operating lease liabilities	214,900	29,298
Weighted-average remaining lease term – finance leases	3.49	4.32
Weighted-average remaining lease term – operating leases	9.37	9.36
Weighted-average discount rate – finance leases	2.57	2.55
Weighted-average discount rate – operating leases	2.12	2.54

The New York and Presbyterian Hospital

Notes to Consolidated Financial Statements (continued)

6. Leases (continued)

For finance leases, right-of-use assets are recorded in property, buildings and equipment and lease liabilities are recorded in long-term debt in the accompanying consolidated statements of financial position. For operating leases, right-of-use assets are recorded in operating lease assets and lease liabilities are recorded in operating lease liabilities, current and noncurrent, in the accompanying consolidated statements of financial position.

The following table reconciles the undiscounted lease payments to the lease liabilities recorded in the accompanying consolidated statements of financial position at December 31, 2021 (in thousands):

	Finance Leases	Operating Leases
2022	\$ 48,918	\$ 70,211
2023	39,962	70,618
2024	36,091	66,470
2025	31,512	54,134
2026	21,177	44,995
Thereafter	10,471	394,907
Total lease payments	188,131	701,335
Less imputed interest	7,624	94,054
Total lease obligation	180,507	607,281
Less current portion	46,067	60,727
Long-term portion	<u>\$ 134,440</u>	<u>\$ 546,554</u>

Sublease income and contingent rentals for the years ended December 31, 2021 and 2020 were not significant. The Hospital leases certain properties owned by related entities (see Note 10).

The New York and Presbyterian Hospital

Notes to Consolidated Financial Statements (continued)

7. Beneficial Interest in Net Assets Held by Related Organizations

The Hospital recognizes its accumulated interest in certain net assets held by Fund, Inc. and WCMC Fund, which are as follows at December 31, 2021 and 2020 (in thousands):

	2021	2020
Fund, Inc.:		
Building and equipment replacement	\$ 920,719	\$ 757,964
Specific purpose health care services	1,281,494	1,097,859
Endowment earnings restricted for specific-purpose health care services	266,784	222,290
Permanent endowment to be held in perpetuity	246,015	233,944
	2,715,012	2,312,057
WCMC Fund:		
Investments held in perpetual trust	54,524	41,939
Total beneficial interest in net assets held by related organizations	2,769,536	2,353,996
Less current portion	75,087	93,903
	\$ 2,694,449	\$ 2,260,093

Certain net assets that are included in the beneficial interest in net assets held by related organizations represent endowments that have been restricted by donors to be maintained in perpetuity and are held by Fund, Inc. and WCMC Fund on behalf of the Hospital. The Hospital follows the requirements of the New York Prudent Management of Institutional Funds Act (NYPMIFA) as they relate to permanent endowment contributions and net assets.

The Hospital has interpreted NYPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund, absent explicit donor stipulations to the contrary. The Hospital classifies as net assets with donor restrictions – permanent endowment the original value of the gifts donated to the permanent endowment and the original value of subsequent gifts to the permanent endowment. Accumulations to the permanent endowment are used in accordance with NYPMIFA and at the direction of the applicable donor gift, such amounts are expended annually.

The New York and Presbyterian Hospital

Notes to Consolidated Financial Statements (continued)

7. Beneficial Interest in Net Assets Held by Related Organizations (continued)

The Hospital considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (i) the duration and preservation of the fund; (ii) the purposes of the Hospital and the donor-restricted endowment fund; (iii) general economic conditions; (iv) the possible effects of inflation and deflation; (v) where appropriate and circumstances would otherwise warrant, alternatives to expenditure of the endowment fund, giving due consideration to the effect that such alternatives may have on the Hospital; (vi) the expected total return from income and the appreciation of investments; (vii) other resources of the Hospital and (viii) the investment and spending policies of the Hospital. Fund, Inc.'s endowment investment return distribution policy, which applies to the Hospital, allows for expenditures of investment return only, at a rate not to exceed 4.5% of the permanent endowment net asset balance on an annual basis. Income distributions based on the annual endowment spending policy are recorded within investment return.

The Hospital has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding related to the endowment funds, while seeking to maintain the purchasing power of the funds. To satisfy long-term return objectives, the Hospital relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Hospital employs a long-term equity-oriented strategy of investing in both traditional and alternative asset classes.

The New York and Presbyterian Hospital

Notes to Consolidated Financial Statements (continued)

7. Beneficial Interest in Net Assets Held by Related Organizations (continued)

Assets held by Fund, Inc. and WCMC Fund for the benefit of the Hospital consist of pledges and investments (at fair value) that represent allocated amounts from Fund, Inc.'s pooled investments portfolio, a significant portion of which is invested in the HERS program, and WCMC Fund's interest in a perpetual trust. These assets are comprised of the following at December 31, 2021 and 2020 (in thousands):

	2021	2020
Fund, Inc. pooled investment portfolio allocation:		
Marketable securities:		
Cash and cash equivalents	\$ 122,668	\$ 151,740
Fixed income:		
U.S. government	106,752	127,173
Equities:		
U.S. equities	23,135	61,776
Non-U.S. equities	21,954	36,453
Common collective/commingled trusts	829,683	553,255
Total marketable securities	<u>1,104,192</u>	<u>930,397</u>
Hedge funds	356,808	380,460
Private equity	599,423	416,865
Private real assets	<u>272,993</u>	<u>242,434</u>
Total Fund, Inc. pooled investment portfolio allocation	2,333,416	1,970,156
Fund, Inc. pledges receivable – net	<u>381,596</u>	<u>341,901</u>
	2,715,012	2,312,057
WCMC Fund:		
Investment held in perpetual trusts	<u>54,524</u>	<u>41,939</u>
Total beneficial interests in net assets held by related organizations	2,769,536	2,353,996
Less current portion	<u>75,087</u>	<u>93,903</u>
	<u>\$ 2,694,449</u>	<u>\$ 2,260,093</u>

The current portion of beneficial interest in net assets held by related organizations represents amounts the Hospital expects to receive and expend on operations in the subsequent year.

The New York and Presbyterian Hospital

Notes to Consolidated Financial Statements (continued)

7. Beneficial Interest in Net Assets Held by Related Organizations (continued)

Pledges receivable by Fund, Inc. at December 31, 2021 and 2020 are to be paid as follows (in thousands):

	<u>2021</u>	<u>2020</u>
Less than one year	\$ 127,963	\$ 120,000
One to five years	166,090	143,101
Thereafter and bequests	147,244	139,477
	<u>441,297</u>	<u>402,578</u>
Allowance for uncollectible pledges and discounts	(59,701)	(60,677)
	<u>\$ 381,596</u>	<u>\$ 341,901</u>

Estimated cash flows from pledges receivable due after one year are discounted using a risk-adjusted rate, ranging from 0.36% to 7.35%.

The New York and Presbyterian Hospital

Notes to Consolidated Financial Statements (continued)

7. Beneficial Interest in Net Assets Held by Related Organizations (continued)

Changes in the beneficial interest in net assets held by Fund, Inc. and WCMC Fund on the Hospital's behalf are recognized in the Hospital's accompanying consolidated statements of changes in net assets for the years ended December 31, 2021 and 2020 and are as follows (in thousands):

	Plant Replacement	Specific Purpose	Endowment Earnings	Permanent Endowment	Total Changes in Beneficial Interest
Year ended December 31, 2021					
Gifts, bequests and similar items	\$ 98,426	\$ 90,733	\$ —	\$ —	\$ 189,159
Investment return – net	102,526	170,643	47,991	24,656	345,816
Net assets released from restrictions for administrative and fundraising costs	(5,822)	(8,433)	(3,505)	—	(17,760)
Net assets released from restrictions for program expenditures	(15,379)	(59,094)	—	—	(74,473)
Net assets released from restrictions for distribution to the Hospital for the purchase of fixed assets	(23,411)	(3,762)	(29)	—	(27,202)
Transfers of donor-related net assets	6,415	(6,452)	37	—	—
Changes in beneficial interest in net assets	<u>\$ 162,755</u>	<u>\$ 183,635</u>	<u>\$ 44,494</u>	<u>\$ 24,656</u>	<u>\$ 415,540</u>
Year ended December 31, 2020					
Gifts, bequests and similar items	\$ 46,633	\$ 180,473	\$ —	\$ 3,100	\$ 230,206
Investment return – net	41,499	67,077	9,399	6,912	124,887
Net assets released from restrictions for administrative and fundraising costs	(8,723)	(6,259)	(4,672)	—	(19,654)
Net assets released from restrictions for program expenditures	(22,074)	(73,056)	—	—	(95,130)
Net assets released from restrictions for distribution to the Hospital for the purchase of fixed assets	(52,075)	(4,241)	(1)	—	(56,317)
Transfers of donor-related net assets	(2,500)	2,500	—	—	—
Changes in beneficial interest in net assets	<u>\$ 2,760</u>	<u>\$ 166,494</u>	<u>\$ 4,726</u>	<u>\$ 10,012</u>	<u>\$ 183,992</u>

Endowment distributions available to spend for operations and capital resulted in a 4.5% investment return allocation in 2021 and 2020.

The New York and Presbyterian Hospital

Notes to Consolidated Financial Statements (continued)

8. Insurance

Professional Liability Insurance: In 1978, NYPH, in conjunction with a number of unrelated health care entities, participated in the formation of captive insurance companies (collectively, the Captive) to provide professional liability and general liability insurance to its participants. The premiums are based on a modified claims-made coverage and are actuarially determined based on the actual experience of the Captive, NYPH-specific experience, and estimated current exposure. The Captive has reinsurance coverage from reinsurers for certain amounts above its coverage level per claim limits. The professional liability tower currently provides coverage in excess of \$200.0 million to the Hospital.

In January 1996, rights to equity in the Captive were transferred to Fund, Inc. Accordingly, insurance premiums are paid by the Hospital initially to Fund, Inc. (see Note 10).

Effective July 1, 2013, August 1, 2014, February 1, 2015 and December 1, 2015, NYP/LMH, NYP/Lawrence Hospital, NYP/Hudson Valley and NYP/Queens, respectively, became insured by the Captive. Prior to each entity's respective effective date with the Captive, the entities were covered by various self-insured, claims-made and excess insurance policies.

Exposure for claims that occurred prior to and reported after the respective dates of NYP/LMH, NYP/Lawrence Hospital, NYP/Hudson Valley and NYP/Queens being insured by the Captive is retained by each hospital and will be paid under a deposit program with the Captive (assets totaling \$13.3 million and \$17.4 million that are on deposit with the Captive at December 31, 2021 and 2020, respectively, are reported within professional liabilities insurance recoveries receivable and related deposits in the accompanying consolidated statements of financial position).

In 1983, Methodist and a number of other health care providers unrelated to Methodist or the Hospital formed Combined Coordinating Council, Inc. of New York (CCCI) to coordinate the access to insurance for professional and comprehensive general liability risks and to serve as a risk management advisor to the providers who participate in CCCI. The shareholders of CCCI are also the shareholders of CCC Insurance Company, Ltd. of Bermuda, a captive insurer formed in 1983, and its subsidiary, CCC Corporation of Barbados, formed in 1987. Through June 30, 2004, the CCCI insurance program provided insurance under a common occurrence-basis structure with reinsurance from outside reinsurers for specified amounts above per-claim limits.

The New York and Presbyterian Hospital

Notes to Consolidated Financial Statements (continued)

8. Insurance (continued)

Effective July 1, 2004, CCCI formed CCC Insurance SCC and implemented a “cell captive” structure which replaced the previous coverage structure. Under this program, primary coverage for individual claims for each participating hospital is provided through a commercial insurance carrier on an occurrence basis. The first layer of excess coverage under the program utilizes individual segregated cells for each participating hospital, under which invested assets and insurance-related liabilities are segregated for each participant and there is no shared risk among the entities. In addition to coverage for the participating hospitals’ professional liability, the program also includes coverage of voluntary attending physicians’ professional liability with premiums paid by the participating physicians.

The Hospital records Methodist’s investment under the cell captive structure, the related changes in Methodist’s segregated account as reported by CCC Insurance SCC and Methodist’s investments in other insurance companies within the CCC insurance group in the accompanying consolidated statements of financial position. At December 31, 2021 and 2020, investments held in the CCC segregated cell totaling approximately \$265.9 million and \$241.5 million, respectively, are included in assets limited as to use in the accompanying consolidated statements of financial position (see Note 3). Methodist also retains commercial reinsurance above the first excess coverage layer.

Other self-insurance funded amounts are included in assets limited as to use in the accompanying consolidated statements of financial position (see Note 3).

The Hospital’s undiscounted estimate for professional liabilities and the estimate for incidents that have been incurred but not reported aggregated approximately \$941.3 million and \$911.3 million at December 31, 2021 and 2020, respectively, and is included in professional and other insurance liabilities in the accompanying consolidated statements of financial position at the actuarially determined present value of approximately \$855.2 million and \$834.7 million, respectively, based on a composite discount rate of approximately 3.0% at December 31, 2021 and 2020. The Hospital has recorded related insurance recoveries receivable of approximately \$388.2 million and \$391.9 million at December 31, 2021 and 2020, respectively. The current portion of professional liabilities and the related insurance recoveries receivable represents an estimate of expected settlements and insurance recoveries over the next 12 months.

The New York and Presbyterian Hospital

Notes to Consolidated Financial Statements (continued)

8. Insurance (continued)

The Hospital's estimates for professional liabilities are based upon complex actuarial calculations which utilize factors such as historical claims experience for the Hospital and related industry factors, trending models, estimates for the payment patterns of future claims and present value discount factors. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term (see Note 12). 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.

Workers' Compensation Insurance: Prior to April 1, 1999, NYPH was self-insured for workers' compensation claims. From April 1, 1999 through March 31, 2019, NYPH purchased insurance through the New York State Insurance Fund in a program that effectively transferred risk from NYPH. At December 31, 2021 and 2020, the estimate for workers' compensation claims and incurred but not reported liabilities pertaining to NYPH under previous programs and similar liabilities related to the Regional Hospitals totaled approximately \$16.3 million and \$13.3 million, respectively.

Effective April 1, 2019, the Hospital entered into a workers' compensation insurance program with a commercial insurer which includes a \$1.0 million deductible per occurrence, as defined within the policy. At December 31, 2021 and 2020, the estimate for workers' compensation claims and incurred but not reported liabilities under this program is approximately \$58.7 million and \$52.4 million, respectively.

In connection with the workers' compensation self-insurance programs, the Hospital maintains three letters of credit through banks in the aggregate amount of approximately \$39.5 million, which satisfies the collateral deposit requirement.

The New York and Presbyterian Hospital

Notes to Consolidated Financial Statements (continued)

9. Pension and Similar Benefit Plans

Pension Plans: The Hospital provides pension and similar benefits to its employees through several plans, including various multiemployer plans for union employees (see Note 14), a qualified noncontributory defined benefit plan primarily for eligible non-union employees of NYPH (the Qualified Pension Plan), a nonqualified defined benefit plan for certain NYPH executives (the Nonqualified Pension Plan), a defined benefit retirement plan under a collective bargaining agreement for certain employees of NYP/LMH (the NYP/LMH Pension Plan), a non-contributory defined benefit retirement plan for eligible NYP/Lawrence Hospital employees (the Lawrence Pension Plan), a defined benefit plan for union and nonunion employees of NYP/Queens that was frozen for future benefit accruals in 2003 (the Queens Pension Plan) and a defined benefit plan primarily for eligible non-union employees of Methodist (the Methodist Pension Plan) (these non-multiemployer plans are collectively referred to as the Pension Plans).

The Hospital funds the noncontributory defined benefit plans in accordance with the minimum funding requirements of the Employee Retirement Income Security Act of 1974, as amended (ERISA), plus additional amounts that the Hospital may deem appropriate from time to time.

Amounts contributed to the Pension Plans are based on actuarial valuations. The benefits for participants or their beneficiaries in the Pension Plans sponsored by the Hospital are based on years of service and employees' compensation during their years of employment as applicable and defined within each plan. The Hospital also sponsors several contributory and non-contributory defined contribution plans.

The Lawrence Pension Plan was amended such that effective after December 31, 2017 benefit accruals for certain participants will be frozen. Non-union participants who were at least age 59 with 10 years of credited service as of December 31, 2017 are grandfathered and will continue to accrue benefits.

Other Postretirement Benefits: NYPH, NYP/Queens, NYP/Lawrence Hospital and Methodist provide certain health care and life insurance benefits to certain eligible retired non-union employees through several other postretirement defined benefit plans (the Postretirement Benefit Plans).

The Hospital recognizes in the accompanying consolidated statements of financial position an asset, for a defined benefit plan's overfunded status, or a liability, for a plan's underfunded status; measures a defined benefit plan's assets and obligations that determine funded status as of the end of the fiscal year; and recognizes the periodic change in the funded status of a defined benefit plan

The New York and Presbyterian Hospital

Notes to Consolidated Financial Statements (continued)

9. Pension and Similar Benefit Plans (continued)

as a component of other changes in net assets without donor restrictions in the year in which the change occurs. Amounts that are recognized as a component of other changes in net assets without donor restrictions will be subsequently recognized as net periodic pension and postretirement cost in future periods.

The reconciliation of the beginning and ending balances of the Pension Plans' aggregated benefit obligation and the fair value of the Pension Plans' assets and of the Postretirement Benefit Plans' aggregated benefit obligation and the fair value of such plans' assets for the years ended December 31, 2021 and 2020 is as follows (in thousands):

	Pension Plans		Postretirement Benefit Plans	
	2021	2020	2021	2020
Benefit obligation				
Benefit obligation at beginning of year	\$ 2,819,176	\$ 2,492,963	\$ 81,035	\$ 74,327
Service cost	132,501	109,256	2,369	2,900
Interest cost	70,001	79,844	1,556	2,151
Actuarial (gains) losses	(121,505)	258,967	(11,076)	436
Plan amendments	—	—	(13,892)	—
Special termination benefit	—	—	—	3,671
Settlements paid	(4,611)	(4,819)	—	—
Effect of curtailments	—	532	—	—
Medicare Part D subsidy	—	—	88	101
Plan participant contributions	—	—	1,099	990
Benefits paid	(145,211)	(117,567)	(5,641)	(3,541)
Benefit obligation at end of year	2,750,351	2,819,176	55,538	81,035
Fair value of plan assets				
Fair value of plan assets at beginning of year	2,191,060	2,200,808	—	—
Actual return on plan assets	472,184	104,589	—	—
Hospital contributions	124,397	10,558	4,542	2,551
Plan participant contributions	—	—	1,099	990
Settlements paid	(4,611)	(7,328)	—	—
Benefits paid	(145,211)	(117,567)	(5,641)	(3,541)
Fair value of plan assets at end of year	2,637,819	2,191,060	—	—
Funded status	\$ (112,532)	\$ (628,116)	\$ (55,538)	\$ (81,035)

The New York and Presbyterian Hospital

Notes to Consolidated Financial Statements (continued)

9. Pension and Similar Benefit Plans (continued)

The net actuarial gains in 2021 primarily relate to increases in the discount rate used to measure the projected benefit obligation, combined with updates in plan experience assumptions. The net actuarial losses in 2020 primarily relate to decreases in the discount rate used to measure the projected benefit obligation.

At December 31, 2021 and 2020, the funded status of the Pension Plans is reported in the accompanying consolidated statements of financial position as follows (in thousands):

	Pension Plans	
	2021	2020
Noncurrent assets – overfunded plans	\$ 26,563	\$ –
Current liability	(16,702)	(18,505)
Noncurrent liability	(122,393)	(609,611)
	<u>\$ (112,532)</u>	<u>\$ (628,116)</u>

At December 31, 2021 and 2020, the funded status of the Postretirement Benefit Plans is reported in the accompanying consolidated statements of financial position as follows (in thousands):

	Postretirement Benefit Plans	
	2021	2020
Current liability	\$ (5,313)	\$ (6,723)
Noncurrent liability	(50,225)	(74,312)
	<u>\$ (55,538)</u>	<u>\$ (81,035)</u>

Included in other changes in net assets without donor restrictions at December 31, 2021 and 2020 are the following amounts related to the Pension Plans and Postretirement Benefit Plans that have not yet been recognized in net periodic pension cost (in thousands):

	2021	2020
Unrecognized prior service cost	\$ (17,637)	\$ (6,896)
Unrecognized actuarial losses	598,564	1,102,104
	<u>\$ 580,927</u>	<u>\$ 1,095,208</u>

The New York and Presbyterian Hospital

Notes to Consolidated Financial Statements (continued)

9. Pension and Similar Benefit Plans (continued)

The change in net assets from pension and postretirement benefit liabilities to be recognized in future periods as reported in the accompanying consolidated statements of operations is an increase (decrease) in net assets of approximately \$514.3 million and \$(264.2) million for 2021 and 2020, respectively, and represents the combined change in the amounts for the Pension Plans and the Postretirement Benefit Plans.

The projected benefit obligation, accumulated benefit obligation, and fair value of the plans' assets by type of defined benefit pension plan follow (in thousands):

	December 31, 2021	
	Qualified Pension Plans	Nonqualified Pension Plan
Projected benefit obligation	\$ 2,705,582	\$ 44,769
Accumulated benefit obligation	2,157,177	36,076
Fair value of plans' assets	2,637,819	—

	December 31, 2020	
	Qualified Pension Plans	Nonqualified Pension Plan
Projected benefit obligation	\$ 2,769,093	\$ 50,083
Accumulated benefit obligation	2,748,255	38,794
Fair value of plans' assets	2,191,060	—

Weighted-average assumptions used in determining the pension and postretirement benefits obligations as of December 31, 2021 and 2020 were as follows:

	Pension Plans		Postretirement Benefit Plans	
	2021	2020	2021	2020
Discount rates	2.75%–3.00%	2.50–2.75%	2.50%–2.75%	2.00–2.75%
Rates of compensation increase	3.50%–4.00%	3.00–4.00	—	—

The New York and Presbyterian Hospital

Notes to Consolidated Financial Statements (continued)

9. Pension and Similar Benefit Plans (continued)

Net periodic pension cost for the Pension Plans and net periodic postretirement benefits cost for the Postretirement Benefit Plans for the years ended December 31, 2021 and 2020 consist of the following (in thousands):

	Pension Plans		Postretirement Benefit Plans	
	2021	2020	2021	2020
Service cost	\$ 132,501	\$ 109,256	\$ 2,369	\$ 2,900
Interest cost	70,001	79,844	1,556	2,151
Expected return on plan assets	(167,033)	(162,056)	—	—
Net amortization of prior service cost	255	714	(1,194)	(648)
Recognized actuarial loss	66,895	53,472	818	934
Recognized actuarial loss (gain) due to curtailment	—	532	(2,819)	—
Recognized actuarial loss due to settlement	—	717	—	—
Recognized actuarial loss due to special termination benefits	331	—	—	3,671
Net periodic pension cost and postretirement benefits cost	\$ 102,950	\$ 82,479	\$ 730	\$ 9,008

Weighted-average assumptions used in determining the net periodic pension and postretirement benefits cost for the years ended December 31, 2021 and 2020 were as follows:

	Pension Plans		Postretirement Benefit Plans	
	2021	2020	2021	2020
Discount rates	2.50-2.75%	3.25%	2.00-2.75%	3.00-3.25%
Expected rates of return on plan assets	7.25-7.50	7.25-7.50	—	—
Rates of compensation	3.50-4.00	3.00-4.00	—	—
Cash balance plan interest crediting rates*	1.54-4.00	0.86-4.00	—	—

* The Qualified Pension Plan and the Methodist Pension Plan include cash balance plan benefit formulas.

The New York and Presbyterian Hospital

Notes to Consolidated Financial Statements (continued)

9. Pension and Similar Benefit Plans (continued)

The overall expected long-term rate of return on assets of the Pension Plans is based on the historical returns of each asset class weighted by the target asset allocation. The target asset allocation has been selected consistent with the Hospital's desired risk and return characteristics. The Hospital reviews the expected long-term rate periodically and based on the building block approach, updates the rate for changes in the marketplace. The market conditions in 2021 and 2020 and changes in the pension asset allocations were considered in the Hospital's evaluation of the expected long-term rate of return assumption.

The measurement date used to determine the pension and postretirement benefits measurements is December 31.

Plan Assets: The overall objectives of the investment policies are to produce an asset allocation that will generate return annually in order to meet the expense and income needs and provide for sufficient annual asset growth. Funds are invested with a long-term (five years or greater) return objective.

The investment policies include the following strategic asset allocation guideline targets:

<u>Asset Category</u>	<u>NYPH Master Trust Investment Pool¹</u>
Equities	32%
Private Equity	22
Hedge Funds	16
Real Estate	8
Opportunistic Credit	7
Infrastructure	5
Fixed Income	4
Natural Resources	3
Uncorrelated Alpha	3

¹ At December 31, 2021, the qualified defined pension plans of NYPH, NYP/Queens, NYP/Lawrence Hospital, Methodist and NYP/LMH participate in the NYPH Master Trust.

The policy target percentages are reevaluated at least quarterly. Investment performance is reviewed quarterly with performance results and benchmarks.

The New York and Presbyterian Hospital

Notes to Consolidated Financial Statements (continued)

9. Pension and Similar Benefit Plans (continued)

Assets invested for the Pension Plans are carried at fair value. Fixed income and equity securities with readily determinable values are carried at fair value as determined based on independent published sources. Alternative investments are stated at fair value, as estimated in an unquoted market. Fair value for alternative investments is determined for each investment using net asset values as a practical expedient, as permitted by U.S. generally accepted accounting principles, rather than using another valuation method to independently estimate fair value.

The composition and reported value of the Pension Plans' assets at December 31, 2021 and 2020 are disclosed in Note 13.

The Hospital expects to contribute \$70.0 million to the Pension Plans in 2022.

The Hospital expects to pay the following benefit payments, which reflect expected future service as appropriate (in thousands):

	Pension Plans
Year:	
2022	\$ 155,498
2023	146,620
2024	151,223
2025	147,213
2026	156,276
2027 to 2031	775,556

10. Related Organizations

Fund, Inc. is an affiliated not-for-profit public charity whose revenue is derived from soliciting, receiving, investing and administering funds. Royal Charter Properties, Inc. (RCP, Inc.), Royal Charter Properties-East, Inc. (RCP-East) and Royal Charter Properties-Westchester, Inc. (RCP-West) are affiliated not-for-profit support corporations that derive revenue from acquiring and holding direct and indirect interests in real estate and related personal property, which are primarily used to provide residential housing, office space and parking to NYPH and its employees based on the market value of such services. RCP, Inc., RCP-East and RCP-West provide services primarily to or for the benefit of NYPH.

The New York and Presbyterian Hospital

Notes to Consolidated Financial Statements (continued)

10. Related Organizations (continued)

Amounts received by NYPH from or amounts contributed by NYPH to related support organizations, reflected in other revenue in the accompanying consolidated statements of operations for the years ended December 31, 2021 and 2020, are as follows (see Note 11) (in thousands):

	2021	2020
Distributions from (payments to) NYPH according to organization's bylaws:		
RCP, Inc.	\$ 1,859	\$ 7,130
RCP-East	22,043	31,198
RCP-West	(94)	(52)
	<u>\$ 23,808</u>	<u>\$ 38,276</u>

Fund, Inc. also pays certain program related costs on behalf of NYPH (see Note 7). Additionally, Fund, Inc. paid the Hospital approximately \$8.8 million during 2021 related to malpractice costs incurred by the Hospital. Fund, Inc. paid the Hospital approximately \$11.2 million during 2020 related to malpractice and postretirement costs incurred by the Hospital. Fund, Inc. paid approximately \$21.5 million in 2021 for Regional Hospital Medical Group expansion activities. Other distributions made by Fund, Inc. to NYPH include approximately \$24.5 million and \$62.1 million in 2021 and 2020, respectively, for the purchase of fixed assets.

Services provided to NYPH by related entities for the years ended December 31, 2021 and 2020 are as follows (in thousands):

	2021	2020
Fund, Inc. – insurance	\$ 82,081	\$ 70,506
RCP, Inc. – rentals (net)	4,164	4,653
RCP-East – rentals	10,071	9,845
RCP-West – rentals	182	238
	<u>\$ 96,498</u>	<u>\$ 85,242</u>

The New York and Presbyterian Hospital

Notes to Consolidated Financial Statements (continued)

10. Related Organizations (continued)

In connection with a financing initially completed by RCP, Inc. in 2001 for the renovation and improvement of a parking garage facility, NYPH entered into a noncancelable lease with RCP, Inc., for a period not longer than 29 years, whereby NYPH will lease 50% of the parking spaces at an amount sufficient to cover the debt service on the financing.

In connection with the financing completed by RCP-East in 1998, NYPH entered into a lease through April 2035, whereby NYPH is required to pay a fixed rent in the event that RCP-East does not meet certain covenants.

NYPH received income distributions of \$17.5 million and \$15.0 million in 2021 and 2020, respectively, from Weill Cornell Imaging at New York-Presbyterian, a radiology and imaging joint venture affiliated with NYPH and Weill Cornell Medical College.

The Hospital provides employee and other services to related entities for which the Hospital receives reimbursement, and the costs of providing such services are recorded directly by those entities. Accordingly, such amounts are not included in the accompanying consolidated financial statements of the Hospital. Charges for such services are based on the approximate cost to provide the services and totaled approximately \$28.6 million and \$29.2 million for the years ended December 31, 2021 and 2020, respectively. The services consist of patient accounting, financial planning, information systems and telecommunications, general accounting, medical supplies, biomedical engineering services, house staff, ambulance services, institutional billings, engineering and other services.

The New York and Presbyterian Hospital

Notes to Consolidated Financial Statements (continued)

10. Related Organizations (continued)

The following net balances are due from (to) related organizations at December 31, 2021 and 2020 (in thousands):

	<u>2021</u>	<u>2020</u>
Fund, Inc.	\$ 19,488	\$ 42,186
RCP, Inc.	(24,711)	(18,445)
RCP-East	6,246	7,876
RCP-West	(538)	(597)
Network Recovery Services, Inc.	1,085	658
The Silvercrest Center for Nursing and Rehabilitation (Silvercrest) ^(a)	9,822	2,838
The Hospital for Special Surgery	1,432	1,942
The New York Gracie Square Hospital, Inc. (Gracie) ^(a)	24,333	18,599
New York-Presbyterian Healthcare System, Inc.	(3,724)	(3,818)
The Rogosin Institute	2,090	1,984
	<u>35,523</u>	<u>53,223</u>
Less noncurrent portion included in other noncurrent assets, before valuation allowance	31,687	21,935
Due from related organizations – net	<u>\$ 3,836</u>	<u>\$ 31,288</u>

^(a) During 2021, NYPH transferred approximately \$8.9 million and \$1.3 million to Gracie and Silvercrest, respectively. During 2020, NYPH transferred approximately \$17.9 million to Gracie.

The Hospital periodically assesses the collectibility of amounts due from related organizations. The amounts included in other noncurrent assets are adjusted to state the receivables at their estimated net realizable value. The balances due from certain related organizations are provided for through a valuation allowance.

The New York and Presbyterian Hospital

Notes to Consolidated Financial Statements (continued)

11. Other Revenue

Other revenue consisted of the following for the years ended December 31, 2021 and 2020 (in thousands):

	<u>2021</u>	<u>2020</u>
Grants and contracts	\$ 44,233	\$ 36,497
HHS Provider Relief Fund (<i>Note 1</i>)	44,505	910,882
FEMA Disaster Relief Fund – operating expenses (<i>Note 1</i>)	114,011	39,000
Employee retention credit (<i>Note 1</i>)	20,221	–
Amounts received from related organizations – net	71,608	64,476
Rental of space	61,615	57,781
Cafeteria and vending	10,369	9,146
Net assets released from restrictions, including changes in beneficial interest in net assets held by related organizations	74,473	96,448
Affiliation agreements	5,500	10,403
Professional fees and other receipts	9,271	11,053
Pharmacy	273,700	163,607
Other	91,667	62,474
	<u>\$ 821,173</u>	<u>\$ 1,461,767</u>

The Hospital's pharmacy program relates to the distribution of certain prescribed medications, the cost of which is reported within supplies and other expenses in the accompanying consolidated statements of operations.

12. Commitments and Contingencies

Various lawsuits and claims arising in the normal course of operations are pending or are in progress against the Hospital. Such lawsuits and claims are specifically covered by insurance, are addressed through management-recorded provisions for certain estimated losses to the extent they are not covered by insurance, or are not deemed material. While the outcome of these lawsuits cannot be determined at this time, management, based on advice from legal counsel, believes that any loss which may arise from these actions will not have a material adverse effect on the financial position or results of operations of the Hospital.

The New York and Presbyterian Hospital

Notes to Consolidated Financial Statements (continued)

12. Commitments and Contingencies (continued)

Litigation pending against the Hospital includes certain cases in which the Hospital is a co-defendant with Columbia VP&S involving alleged sexual abuse by a former faculty member of Columbia VP&S. These cases continue to receive periodic media attention. In 2020, the Hospital received notice that plaintiffs' counsel filed a proposed class action lawsuit arising from the same type of allegations against the former Columbia VP&S faculty member. Based on the information presently available to the Hospital concerning the number and types of claims, management believes, upon advice of legal counsel, it to be unlikely the federal court will certify the class. Management therefore currently believes that the probable recoveries and estimated costs and expenses of defense of this litigation, after application of any available insurance coverage, will not materially and adversely affect the Hospital's operations or financial condition. The current status of this matter is based on New York State law and statutes as of the date of issuance of the consolidated financial statements. If certain proposed legislation which could impact the statute of limitations or other aspects of this matter is enacted, the Hospital could incur additional losses; however, as the proposed legislation is not currently enacted, such amounts cannot be determined at the present time.

The US Attorney's Office for the Eastern District of New York (Eastern District USAO) contacted the Hospital to renew discussions regarding certain self-disclosures and investigations that have been dormant for several years. The matters relate to Methodist, and certain activities pertaining to professional corporations affiliated with Methodist, and to a lesser extent Queens, regarding certain claims and an affiliated medical group. The potential issues related to Methodist concern certain physician compensation, billing, physician supervision and review, and other matters that potentially violate the Federal Civil Monetary Penalties Law (CMPL) as well as the Federal False Claims Act and similar state laws.

Two of these were matters submitted to the United States Department of Health and Human Services, Office of Counsel to the Inspector General, Office of Inspector General (the OIG) through the OIG's Self-Disclosure Protocol (SDP). As previously described in Note 2, noncompliance with Medicare and Medicaid laws and regulations can result in repayment obligations, fines, penalties or exclusion from such programs. However, the OIG's SDP indicates that a provider's good faith participation in the SDP can potentially mitigate the provider's exposure under the OIG's civil monetary penalties authorities as compared to what might otherwise be required in resolving a Government-initiated investigation and may result in faster resolution of such issues. Corrective action relating to the matters described in the SDPs has been taken by management.

The New York and Presbyterian Hospital

Notes to Consolidated Financial Statements (continued)

12. Commitments and Contingencies (continued)

Methodist is also responding to two other subpoenas, one received from the Eastern District USAO and one which was initially issued by the New York State Attorney General's Office (NYS AG Office), Medicaid Fraud Control Unit, to a contracted physician practice but later included involvement by the Eastern District USAO. Methodist has cooperated with the NYS AG's Office and the Eastern District USAO and is engaged in ongoing discussions regarding these matters. The financial impact, if any, has not yet been identified, but these matters are part of ongoing discussions with the Eastern District USAO.

In the accompanying consolidated financial statements, net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered and includes estimated retroactive revenue adjustments which may arise from ongoing and future audits, reviews and investigations. However, at December 31, 2021, and as of the issuance of the accompanying consolidated financial statements, the amount of potential repayment obligations to (or other actions that may be taken by) the OIG, NYS AG Office, the Eastern District USAO, other government agencies and/or others in connection with such matters is unknown. In addition, the amount of any fines or penalties which may be assessed in connection with these matters is also presently unknown and will be recorded by the Hospital when reasonably estimable. Other matters arise from time to time which have not been described above and are either in early stages of evaluation or are not deemed to be material to the accompanying consolidated financial statements.

At December 31, 2021 and 2020, approximately 41% of the Hospital's employees were covered by collective bargaining agreements, respectively. Collective bargaining agreements covering all such employees are set to expire at various dates through 2024.

Effective January 1, 2009, the IRS issued final regulations for purposes of determining common control for qualified retirement plans sponsored by tax-exempt organizations. In general, tax-exempt entities that are under common control are treated as one entity for certain of the requirements of qualified plans. The regulations determine control based on facts and circumstances; for this purpose, common control would exist if, among other situations, at least 80% of the directors or trustees of one organization were either representatives of, or directly or indirectly controlled by, another organization. These regulations could have an effect on the operations of the Hospital's and its related entities' retirement plans and the responsibilities of those entities for associated liabilities, although such effects are uncertain at this time.

The New York and Presbyterian Hospital

Notes to Consolidated Financial Statements (continued)

13. Fair Value Measurements

The Hospital uses various methods of calculating fair value of its financial assets and liabilities, when applicable. The Hospital defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and establishes a framework for measuring fair value. Fair value measurements are applied based on the unit of account from the Hospital's perspective. The unit of account determines what is being measured by reference to the level at which the asset or liability is aggregated (or disaggregated).

The Hospital uses a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

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

Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

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

The New York and Presbyterian Hospital

Notes to Consolidated Financial Statements (continued)

13. Fair Value Measurements (continued)

The following table presents financial instruments carried at fair value, excluding assets invested in the Pension Plans, as of December 31, 2021 and 2020 (in thousands):

	December 31, 2021			
	Total	Level 1	Level 2	Level 3
Cash and cash equivalents – held for investment	\$ 71,726	71,726	\$ –	\$ –
Fixed income:				
U.S. government	116,885	116,885	–	–
Corporate	329	–	329	–
Equities:				
U.S. equities ^(a)	70,349	70,349	–	–
Non-U.S. equities ^(b)	38,349	38,349	–	–
Mutual funds	106,764	106,764	–	–
Investments held by captive insurance companies ^(c)	265,856	–	214,688	51,168
	<u>\$ 670,258</u>	<u>\$ 404,073</u>	<u>\$ 215,017</u>	<u>\$ 51,168</u>

	December 31, 2020			
	Total	Level 1	Level 2	Level 3
Cash and cash equivalents – held for investment	\$ 368,150	\$ 368,150	\$ –	\$ –
Fixed income:				
U.S. government	146,166	146,166	–	–
Corporate	18,199	–	18,199	–
Mortgage and asset-backed	2,743	–	2,743	–
Equities:				
U.S. equities ^(a)	75,803	75,803	–	–
Non-U.S. equities ^(b)	52,718	52,718	–	–
Mutual funds	330,917	330,917	–	–
Investments held by captive insurance companies ^(c)	241,498	–	203,051	38,447
	<u>\$ 1,236,194</u>	<u>\$ 973,754</u>	<u>\$ 223,993</u>	<u>\$ 38,447</u>

The Hospital's alternative investments, common collective equity funds, unitized investments held by HERS and pooled investments held by Fund, Inc. are reported using the equity method of accounting and, therefore, are not included in the tables above (see Notes 1 and 3).

The New York and Presbyterian Hospital

Notes to Consolidated Financial Statements (continued)

13. Fair Value Measurements (continued)

Financial instruments invested in the Hospital's Pension Plans at fair value are classified in the tables below in one of the three categories described above as of December 31, 2021 and 2020 (in thousands):

		December 31, 2021			
		Total	Level 1	Level 2	Level 3
Cash and cash equivalents	\$	60,331	\$ 60,331	\$ —	\$ —
Fixed income:					
U.S. government		79,570	79,570	—	—
Equities:					
U.S. equities ^(a)		5,281	5,281	—	—
Non-U.S. equities ^(b)		19,924	19,924	—	—
		<u>165,106</u>	<u>\$ 165,106</u>	<u>\$ —</u>	<u>\$ —</u>
Assets measured at net asset value as a practical expedient:					
Common collective equity funds ^(d)		656,248			
Hedge funds ^(e)		428,315			
Private equity ^(f)		962,105			
Private real assets ^(g)		426,045			
	\$	<u>2,637,819</u>			
		December 31, 2020			
		Total	Level 1	Level 2	Level 3
Cash and cash equivalents	\$	30,467	\$ 30,467	\$ —	\$ —
Fixed income:					
U.S. government		162,720	162,720	—	—
Equities:					
U.S. equities ^(a)		93,534	93,534	—	—
Non-U.S. equities ^(b)		37,279	37,279	—	—
		<u>324,000</u>	<u>\$ 324,000</u>	<u>\$ —</u>	<u>\$ —</u>
Assets measured at net asset value as a practical expedient:					
Common collective equity funds ^(d)		437,751			
Hedge funds ^(e)		482,053			
Private equity ^(f)		637,292			
Private real assets ^(g)		309,964			
	\$	<u>2,191,060</u>			

The New York and Presbyterian Hospital

Notes to Consolidated Financial Statements (continued)

13. Fair Value Measurements (continued)

- (a) Equity portfolios invested in common stock of corporations primarily domiciled in the United States.
- (b) Equity portfolios invested in common stock of corporations primarily domiciled outside the United States, including emerging market countries.
- (c) Investments held by captive insurance companies consist of assets which are pooled with other assets maintained by the companies and include investments in marketable securities and alternative investments that are recorded by the captive insurance companies at fair value based on quoted market prices or other means for the companies' holdings of alternative investments. The Hospital reports an allocation of the fair value of the pooled investments in its accompanying consolidated statements of financial position.
- (d) Common collective equity funds invested in common stock of corporations domiciled in the United States and outside the United States, including emerging market countries.
- (e) Hedge funds include long and short equity, multi-strategy, event driven and relative value funds invested with managers who invest with different strategies and typically employ some leverage. In long and short equity, fund managers create a portfolio of long positions in stocks expected to appreciate over time and short positions in stocks expected to depreciate. Event driven managers create a portfolio designed to profit from corporate events such as mergers, spin-offs, defaults and bankruptcy. Relative value managers invest in long and short positions, but typically have a more neutral net market position than long and short. Multi-strategy is a fund employing a variety of hedge fund strategies.
- (f) Private equity investments include limited partnership investments in funds pursuing strategies in corporate buyouts, venture capital, growth equity, distressed and turnaround investments.
- (g) Real estate and natural resources investments.

The following is a description of the Hospital's valuation methodologies for assets measured at fair value. The fair value methodologies are not necessarily indicators of investment risk, but are descriptive of the measures used to arrive at fair value pricing. Fair value for Level 1 is based upon quoted market prices. Investments classified as Level 2 are primarily valued using techniques that are consistent with the market approach. Valuations for Level 2 are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets. Inputs, which include broker/dealer quotes, reported/comparable trades, and benchmark yields are obtained from various sources including market participants, dealers and brokers. Level 3 assets consist of Methodist's interest in pooled alternative investments managed by captive insurance companies; the valuation for alternative investments is described in Note 1. The Pension Plans' common collective equity funds and alternative investments are measured at net asset value; the valuation for these alternative investments is described in Note 9. The methods described above may produce a fair value that is not indicative of net realizable value or reflective

The New York and Presbyterian Hospital

Notes to Consolidated Financial Statements (continued)

13. Fair Value Measurements (continued)

of future fair values. Furthermore, while the Hospital believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

The following is a summary of investments (by major class) that have restrictions on the Hospital's or the Hospital's Pension Plans' ability to redeem its investments at the measurement date, any unfunded capital commitments and the investments strategies of the investees as of December 31, 2021 (including investments accounted for using the equity method) (in thousands):

Description of Investment	December 31, 2021 Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Common collective equity funds	\$ 687,986	\$ —	Weekly to annually	5 to 90 days
Hedge funds	430,200	—	Monthly to annually	30 to 180 days
Private equity	964,305	316,253	*	*
Private real assets	426,205	248,164	*	*
	<u>\$ 2,508,696</u>	<u>\$ 564,417</u>		

* The Hospital's liquidity restrictions range from several months to ten years for certain private equity and private real asset investments. Liquidity restrictions may apply to all or portions of a particular invested amount.

Following is a rollforward of the statement of financial position amounts for financial instruments classified by the Hospital in Level 3 of the valuation hierarchy defined above (in thousands):

	2021	2020
Fair value at beginning of year	\$ 38,447	\$ 33,871
Purchases	11,046	—
Total net realized and unrealized gains and losses	1,676	4,534
Other receipts	(1)	42
Fair value at end of year	<u>\$ 51,168</u>	<u>\$ 38,447</u>
Change in unrealized gains and losses related to financial instruments held at end of year	<u>\$ (2,858)</u>	<u>\$ 936</u>

The New York and Presbyterian Hospital

Notes to Consolidated Financial Statements (continued)

14. Multiemployer Pension Plans

Applicable entities comprising the Hospital contribute to the New York State Nurses Association Pension Plan (NYSNA), the 1199 SEIU Healthcare Employees Pension Fund (1199 SEIU) and the International Union of Operating Engineers Local 30 Pension Fund (Local 30). These are multiemployer defined benefit pension plans under the terms of collective bargaining agreements that cover the Hospital's union-represented employees. Contributions to union plans are based on union employee gross salary levels and rates required under union contractual arrangements.

The risks of participating in these multiemployer plans are different from single-employer plans in the following respects:

- Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
- If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- If the Hospital chooses to stop participating in some of its multiemployer plans, the Hospital may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

The Hospital's participation in these plans for the annual period ended December 31, 2021 is outlined in the table below. The "EIN/Pension Plan Number" column provides the Employee Identification Number (EIN) and the three-digit plan number, if applicable. Unless otherwise noted, the most recent Pension Protection Act (PPA) zone status available in 2021 and 2020 is for the plan's year-end at December 31, 2020 and 2019, respectively. The zone status is based on information that the Hospital received from the plan and 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 "FIP/RP Status" column indicates plans for which a financial improvement plan (FIP) or a rehabilitation plan (RP) is either pending or has been implemented. The last column lists the NYPH expiration dates of the

The New York and Presbyterian Hospital

Notes to Consolidated Financial Statements (continued)

14. Multiemployer Pension Plans (continued)

collective bargaining agreements to which the plans are subject (applicable Regional Hospital expiration dates range from September 30, 2021* to September 30, 2024).

Pension Fund	EIN/Pension Plan Number	Pension Protection Act Zone Status		FIP/RP Status	Contributions by the Hospital		Surcharge Imposed	NYPH Expiration Date of Collective Bargaining Agreement
		2021	2020		2021	2020		
(In Thousands)								
NYSNA	13-6604799/ Plan No. 001	Green	Green	No	\$ 45,866	\$ 46,507	No	12/31/2022
1199 SEIU	13-3604862/ Plan No. 001	Green	Green	No	70,392	67,622	No	9/30/2024
Local 30	51-6045848/ Plan No. 001	Green	Green	No	1,965	1,794	No	9/30/2021*
					\$ 118,223	\$ 115,923		

* Currently pending renegotiation.

NYPH and Methodist were listed in the NYSNA plan's Form 5500 as providing more than 5% of the total contributions during the plan's 2020 and 2019 plan year. NYPH was listed in the 1199 SEIU plan's Form 5500 as providing more than 5% of the total contributions during the plan's 2020 and 2019 plan years. Forms 5500 are not yet available for the plan year ended in 2021.

15. Events Subsequent to December 31, 2021

Subsequent events have been evaluated through April 28, 2022, which is the date the consolidated financial statements were issued. Except as disclosed in Notes 1 and 5 and below, no events have occurred that require disclosure in or adjustment to the accompanying consolidated financial statements.

On March 10, 2022, NYPH entered into a private placement Note Purchase Agreement which authorized the issuance and sale of \$200.0 million aggregate principal amount of Senior Notes (the "Notes"). The closing of the sale and purchase of the Notes is scheduled for May 2022 and the maturity date of the Notes is May 2047.

The New York and Presbyterian Hospital

Notes to Consolidated Financial Statements (continued)

15. Events Subsequent to December 31, 2021 (continued)

On March 1, 2022, NYPH entered into an agreement to purchase land, building and improvements located in White Plains, New York for the price of \$83.5 million. These two properties will serve as a state-of-the-art ambulatory care center along with a parking garage.

Supplementary Information and Accompanying
Reports and Schedules Related to the Uniform
Guidance

The New York and Presbyterian Hospital

Consolidating Statement of Financial Position

December 31, 2021

	Obligated Group	Other	NYP Community Programs, Inc.			Eliminations/	
	NYPH	Entities	NYP/Hudson Valley	NYP/ Queens	NYP/Brooklyn Methodist	Reclassifications	Consolidated
	(In Thousands)						
Assets							
Current assets:							
Cash, cash equivalents and short-term investments:							
Cash and cash equivalents	\$ 271,652	\$ 27,223	\$ 27,228	\$ 56,338	\$ 73,366	\$ —	\$ 455,807
Short-term investments	2,285,612	—	31,146	108,889	277,309	—	2,702,956
Total cash, cash equivalents and short-term investments	2,557,264	27,223	58,374	165,227	350,675	—	3,158,763
Patient accounts receivable – net	947,137	5,678	28,058	131,648	86,099	—	1,198,620
Other current assets	391,702	2,457	12,094	75,972	58,610	—	540,835
Assets limited as to use – current portion	31,738	—	—	1,207	17,683	—	50,628
Professional liabilities insurance recoveries receivable and related deposits – current portion	83,183	—	3,893	12,945	—	—	100,021
Beneficial interest in net assets held by related organizations – current portion	75,087	—	—	—	—	—	75,087
Due from related organizations – net	271,024	—	—	—	—	(267,188)	3,836
Loans receivable from Regional Hospitals – current portion	15,495	—	—	—	—	(15,495)	—
Total current assets	4,372,630	35,358	102,419	386,999	513,067	(282,683)	5,127,790
Assets limited as to use – noncurrent	5,110,536	16,316	15,316	50,955	543,865	—	5,736,988
Property, buildings and equipment – net	3,925,449	6,468	170,738	355,304	669,310	—	5,127,269
Operating lease assets	447,918	15,500	29,893	47,689	47,490	—	588,490
Other noncurrent assets – net	109,123	—	7,861	43,968	3,508	(75,409)	89,051
Loans receivable from Regional Hospitals – net of current portion	447,184	—	—	—	—	(447,184)	—
Professional liabilities insurance recoveries receivable and related deposits – noncurrent	232,898	—	17,938	41,740	8,859	—	301,435
Beneficial interest in net assets held by related organizations – noncurrent	2,694,449	—	—	—	—	—	2,694,449
Total assets	\$ 17,340,187	\$ 73,642	\$ 344,165	\$ 926,655	\$ 1,786,099	\$ (805,276)	\$ 19,665,472

The New York and Presbyterian Hospital

Consolidating Statement of Financial Position (continued)

December 31, 2021

	Obligated Group		NYP Community Programs, Inc.				
	Group	Other	NYP/Hudson	NYP/	NYP/Brooklyn	Eliminations/	
	NYPH	Entities	Valley	Queens	Methodist	Reclassifications	Consolidated
(In Thousands)							
Liabilities and net assets							
Current liabilities:							
Long-term debt – current portion	\$ 259,277	\$ –	\$ 655	\$ 1,876	\$ 694	\$ –	\$ 262,502
Loans payable to NYPH – current portion	–	–	2,495	5,641	7,359	(15,495)	–
Operating lease liability – current portion	42,287	2,207	2,073	8,724	5,436	–	60,727
Accounts payable and accrued expenses	777,686	30,111	27,655	107,392	93,704	10,096	1,046,644
Accrued salaries and related liabilities	518,778	8,370	33,620	30,211	95,181	–	686,160
Pension and postretirement benefit liabilities – current portion	20,512	–	–	1,107	396	–	22,015
Professional and other insurance liabilities – current portion	84,890	–	3,909	15,525	17,683	–	122,007
Other current liabilities	602,032	2,935	15,745	78,712	75,971	–	775,395
Due to related organizations – net	–	18,361	60,182	190,604	8,137	(277,284)	–
Total current liabilities	2,305,462	61,984	146,334	439,792	304,561	(282,683)	2,975,450
Long-term debt	3,600,815	–	1,910	4,268	223	(2,467)	3,604,749
Loans payable to NYPH	–	–	40,106	169,325	310,695	(520,126)	–
Operating lease liability	418,684	13,294	28,024	40,458	46,094	–	546,554
Professional and other insurance liabilities	483,298	6,128	24,270	86,276	208,181	–	808,153
Pension liability	122,393	–	–	–	–	–	122,393
Postretirement benefit liability	19,827	–	–	25,321	5,077	–	50,225
Other noncurrent liabilities	336,838	828	10,160	45,174	108,422	–	501,422
Total liabilities	7,287,317	82,234	250,804	810,614	983,253	(805,276)	8,608,946
Commitments and contingencies							
Net assets (deficiency):							
Net assets without donor restrictions	7,274,631	(9,028)	89,534	100,116	767,897	–	8,223,150
Net assets with donor restrictions	2,778,239	436	3,827	15,925	34,949	–	2,833,376
Total net assets	10,052,870	(8,592)	93,361	116,041	802,846	–	11,056,526
Total liabilities and net assets	\$ 17,340,187	\$ 73,642	\$ 344,165	\$ 926,655	\$ 1,786,099	\$ (805,276)	\$ 19,665,472

The New York and Presbyterian Hospital

Consolidating Statement of Operations

Year Ended December 31, 2021

	Obligated Group		NYP Community Programs, Inc.				Eliminations/ Reclassifications	Consolidated
		Other	NYP/Hudson	NYP/	NYP/Brooklyn			
	NYPH	Entities	Valley	Queens	Methodist			
(In Thousands)								
Operating revenues								
Net patient service revenue	\$ 6,880,605	\$ 48,829	\$ 272,383	\$ 879,303	\$ 957,198	\$ –	\$ 9,038,318	
Other revenue	427,978	54,510	21,980	312,720	55,649	(51,664)	821,173	
Total operating revenues	7,308,583	103,339	294,363	1,192,023	1,012,847	(51,664)	9,859,491	
Operating expenses								
Salaries and wages	3,287,755	61,454	151,781	505,462	531,741	–	4,538,193	
Employee benefits	766,957	17,578	37,257	151,565	154,214	–	1,127,571	
Supplies and other expenses	2,376,577	25,128	99,411	539,280	378,105	(51,664)	3,366,837	
Interest and amortization of deferred financing fees	134,851	–	1,956	5,557	12,856	–	155,220	
Depreciation and amortization	470,626	898	14,090	34,761	40,925	–	561,300	
Total operating expenses	7,036,766	105,058	304,495	1,236,625	1,117,841	(51,664)	9,749,121	
Operating income (loss)	271,817	(1,719)	(10,132)	(44,602)	(104,994)	–	110,370	
Investment return – net	784,644	2,155	2,304	12,778	80,787	–	882,668	
Expected return on plan assets and other components of net periodic pension and postretirement cost	19,616	–	–	8,266	3,308	–	31,190	
Excess (deficiency) of revenues over expenses	1,076,077	436	(7,828)	(23,558)	(20,899)	–	1,024,228	
Other changes in net assets without donor restrictions:								
Net asset transfers (to) from related parties	(55,875)	–	3,885	30,503	11,312	–	(10,175)	
Other changes in net assets	–	(86)	–	–	–	–	(86)	
Disaster Relief Fund receipts from Federal Emergency Management Agency for the purchase of fixed assets	25,364	–	–	–	–	–	25,364	
Distributions from New York-Presbyterian Fund, Inc. for the purchase of fixed assets	24,541	–	–	–	–	–	24,541	
Change in pension and postretirement benefit liabilities to be recognized in future periods	410,079	–	–	62,371	41,831	–	514,281	
Change in net assets without donor restrictions	\$ 1,480,186	\$ 350	\$ (3,943)	\$ 69,316	\$ 32,244	\$ –	\$ 1,578,153	

The New York and Presbyterian Hospital

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2021

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title/Project Name	Federal Assistance Listing Number	Contract/Pass- Through Entity Identifying Number(s)	Federal Expenditures
U.S. Department of Health and Human Services			
Direct programs:			
COVID-19 – Provider Relief Fund and American Rescue Plan (ARP)			
Rural Distribution (<i>Note 2</i>)			
Provider Relief Fund – NYPH	93.498	N/A	\$ 631,069,436
Provider Relief Fund – NYP/Queens	93.498	N/A	160,056,504
Provider Relief Fund – NYP/Brooklyn Methodist	93.498	N/A	121,155,626
Provider Relief Fund – NYP/Hudson Valley	93.498	N/A	29,238,799
Provider Relief Fund – NYP Lawrence Medical Group	93.498	N/A	1,537,785
Provider Relief Fund – NYP/Queens Medical Group	93.498	N/A	1,436,543
Provider Relief Fund – NYP/Hudson Valley Medical Group	93.498	N/A	1,321,606
Provider Relief Fund – NYP/Brooklyn Methodist Medical Group	93.498	N/A	3,630,428
Provider Relief Fund – NYP Lawrence Home Care	93.498	N/A	466,670
			<u>949,913,397</u>
COVID-19 – HRSA COVID-19 Claims Reimbursement for the			
Uninsured Program and the COVID-19 Coverage Assistance Fund:			
COVID-19 Uninsured – NYPH	93.461	N/A	1,605,561
COVID-19 Uninsured – NYP/Queens	93.461	N/A	60,850
COVID-19 Uninsured – NYP/Brooklyn Methodist	93.461	N/A	196,386
COVID-19 Uninsured – NYP/Hudson Valley	93.461	N/A	316,080
COVID-19 Uninsured – Lawrence MG	93.461	N/A	18,280
COVID-19 Uninsured – NYP/Queens MG	93.461	N/A	76,580
COVID-19 Uninsured – NYP/Hudson Valley MG	93.461	N/A	28,543
COVID-19 Uninsured – NYP/Brooklyn Methodist Medical Group	93.461	N/A	134,198
			<u>2,436,478</u>
Coordinated Services and Access to Research for Women, Infants,			
Children, and Youth:			
Ryan White Title IV Women, Infants, Children, Youth and Affected		4 H12HA24850-08-03;	
Family Members AIDS Healthcare	93.153	5 H12HA24850-09-00	392,095
Ryan White HIV/AIDS Program Part D WICY COVID-19			
Response	93.153	4 H1XHA37074-01-02	22,358
			<u>414,453</u>
Maternal and Child Health Federal Consolidated Programs:			
		5 H17MC30733-04-00;	
Healthy Tomorrow Partnership for Children Program	93.110	5 H17MC30733-05-00	64,410
		6 H17MC32708-02-01;	
Healthy Tomorrow Partnership for Children Program	93.110	5 H17MC32708-03-00	48,697
			<u>113,107</u>
Accountable Health Communities:			
		1P1CMS331608-04-00	
CMMI – Accountable Health Community Grant	93.650	1P1CMS331608-05-01	1,016,625

The New York and Presbyterian Hospital

Schedule of Expenditures of Federal Awards (continued)

Year Ended December 31, 2021

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title/Project Name	Federal Assistance Listing Number	Contract/Pass- Through Entity Identifying Number(s)	Federal Expenditures
Substance Abuse and Mental Health Services Projects of Regional and National Significance:			
Increasing Community Access to Early Childhood EBT Services	93.243	6U79SM063220-05-M003	\$ 224,193
HIV Prevention Activities Non-Governmental Organization Based: Comprehensive High-Impact HIV Prevention Programs for Community-Based Organizations	93.939	1 NU62PS924702-01-00	32,737
Ryan White HIV/AIDS Dental Reimbursement and Community Based Dental Partnership Grants:			
Dental Reimbursement Program	93.924	1 T22HA45111-01-00	5,720
Subtotal direct programs			<u>954,156,710</u>
Pass-through programs from:			
State of New York Department of Health:			
Maternal and Child Health Services Block Grant to the States:			
Comprehensive Family Planning and Reproductive Health Services	93.994	DOH01-C35208GG-3450000	72,800
School Based Health Centers Program	93.994	DOH01-C32407GG-3450000	38,447
New York-Presbyterian Hospital Comprehensive Adolescent Pregnancy Prevention Program	93.994	DOH01-C32143GG-3450000	24,729
DOVE Program EiE Initiative New York Presbyterian Hospital	93.994	DOH01-C33373GG-3450000	11,806
DOVE Program EiE Initiative	93.994	DOH01-C33374GG-3450000	10,161
Regional Perinatal Centers	93.994	C-028945	308,830
Regional Perinatal Centers	93.994	DOH01-C36790GG-3450000	77,017
Subtotal Maternal and Child Health Services Block Grant to the States			<u>543,790</u>
Medical Assistance Program:			
New York-Presbyterian Hospital Comprehensive Adolescent Pregnancy Prevention Program ^(a)	93.778	DOH01-C32143GG-3450000	154,364
Subtotal pass-through programs from State of New York Department of Health			698,154
Public Health Solutions Inc.:			
National Bioterrorism Hospital Preparedness Program:			
Hospital Preparedness Program – NYP/Queens ^(c)	93.889	19-NYPQ-01_AMD 1	16,800
Hospital Preparedness Program – NYP/Queens ^(c)	93.889	19-NYPQ-01_AMD 2	145,900
Hospital Preparedness Program – NYP/Queens ^(c)	93.889	19-NYPQ-01_AMD 3	12,250
HIV Emergency Relief Project Grants:			
Mental Health Services (MHV)	93.914	16-MHV-670	67,906
Mental Health Services (MHV)	93.914	22-MHV-670P	280,990

The New York and Presbyterian Hospital

Schedule of Expenditures of Federal Awards (continued)

Year Ended December 31, 2021

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title/Project Name	Federal Assistance Listing Number	Contract/Pass- Through Entity Identifying Number(s)	Federal Expenditures
HIV Prevention Activities Health Department Based:			
Status Neutral Linkage and Navigation in Clinical Settings (NCT)	93.940	18-NCT-670PC	\$ 205,215
Ending the HIV Epidemic: A Plan for America:			
Enhanced Data to Care (eD2c)	93.686	22-DTC-670P	175,000
Black and/or Hispanic/Latino Older People with HIV (ages 50 and older)	93.686	22-BHO-670P	249,868
Subtotal pass-through programs from Public Health Solutions Inc.			1,153,929
New York-Presbyterian Healthcare System, Inc.:			
National Bioterrorism Hospital Preparedness Program:			
Hospital Preparedness Program – NYPH ^(c)	93.889	19-NYPHS-01_AMD 1; 19-NYPHS-01_AMD 2	732,000
Subtotal pass-through programs from New York-Presbyterian Healthcare System, Inc.			732,000
New York City Department of Health and Mental Hygiene:			
Immunization Cooperative Agreements <i>(Note 3)</i> :			
Vaccines for Children Program – NYP/Queens	93.268	N/A	703,205
Vaccines for Children Program – NYPH	93.268	N/A	3,504,886
Vaccines for Children Program – NYP/Brooklyn Methodist	93.268	N/A	403,158
Subtotal Immunization Cooperative Agreements			4,611,249
Subtotal pass-through programs from New York City Department of Health and Mental Hygiene			4,611,249
Health Research Inc.:			
National Bioterrorism Hospital Preparedness Program:			
Hospital Preparedness Program – NYP/Lawrence ^(c)	93.889	1974-16; 1974-17	37,000
Subtotal pass-through programs from Health Research Inc.			37,000
Joan & Sanford I. Weill Medical College of Cornell University:			
Allergy and Infectious Diseases Research:			
Pediatric Research Immune Network on SARS-CoV-2 and MIS-C (PRISM) – NYP/Brooklyn Methodist ^(b)	93.855	3U19AI144301-02SI	31,828
Duke University:			
Cardiovascular Diseases Research: Spironolactone Imitation Registry			
Randomized Interventional trail in Heart failure and preserved Ejection Fraction SPIRIT-HFPEF “study” – NYP/Brooklyn Methodist ^(b)	93.837	5U01HL134679-02	1,425
Yale University:			
Cardiovascular Diseases Research: TRANSFORM-HF (ToRsemide CompArisoN with furoSemide FOR Management of Heart Failure):			
Study – NYP/Brooklyn Methodist ^(b)	93.837	5U01HL125511-04; 5U01HL125511-05	7,250
Subtotal Cardiovascular Diseases Research			8,675

The New York and Presbyterian Hospital

Schedule of Expenditures of Federal Awards (continued)

Year Ended December 31, 2021

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title/Project Name	Federal Assistance Listing Number	Contract/Pass- Through Entity Identifying Number(s)	Federal Expenditures
University of Cincinnati:			
Extramural Research Programs in the Neurosciences and Neurological Disorders:			
AtRisk Cardiopathy and Antithrombotic Drugs in Prevention After Cryptogenic Stroke (ARCADIA) "Study" – NYP/Brooklyn Methodist ^(b)	93.853	5U01NS095869-02	\$ 1,500
Research Foundation for Mental Hygiene, Inc.:			
Environmental Health:			
Human Placental Morphology, Function and Pathology: Relationship to Environmental Exposures and Newborn and Child Health – NYP/Brooklyn Methodist ^(b)	93.113	R01ES029281-03; R01ES029281-04	10,511
Subtotal pass-through programs			7,284,846
Total U.S. Department of Health and Human Services			961,441,556
U.S. Department of Justice			
Pass-through programs from:			
State of New York Office of Victim Services:			
Crime Victim Assistance:			
Domestic and Other Violence Emergencies Program	16.575	OVS01-C11083GG-1080200	902,584
COVID-19 Recovery Fund	16.575	PDV01-T00032GG-1310000	6,937
COVID-19 Recovery Fund	16.575	PDV01-T00033GG-1310000	40,816
DOVE Program Case Management Services	16.575	OVS01-C10745GG-1080200	57,589
Victim Intervention Program	16.575	OVS01-C11085GG-1080200	475,135
Family PEACE Trauma Treatment Center	16.575	OVS01-C11084GG-1080200	498,045
Subtotal Crime Victim Assistance			1,981,106
State of New York Division of Criminal Justice Services:			
Violence Against Women Formula Grants:			
STOP Violence Against Women Formula Grants-Safe Initiative – NYP/Brooklyn Methodist	16.588	DCJ01-C00362GG-1090000	15,385
STOP Violence Against Women Formula Grants-Safe Initiative – CUMC	16.588	DCJ01-C00262GG-1090000	24,320
Subtotal Violence Against Women Formula Grants			39,705

The New York and Presbyterian Hospital

Schedule of Expenditures of Federal Awards (continued)

Year Ended December 31, 2021

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title/Project Name	Federal Assistance Listing Number	Contract/Pass- Through Entity Identifying Number(s)	Federal Expenditures
Sexual Assault Services Formula Program:			
Sexual Assault Services Formula Program – CUMC	16.017	DCJ01-C0067GG- 1090000	\$ 9,040
Sexual Assault Services Formula Program – WCMC	16.017	DCJ01-C0067GG- 1090000	3,671
Subtotal Sexual Assault Services Formula Program			<u>12,711</u>
Total U.S. Department of Justice			<u>2,033,522</u>
U.S. Department of Agriculture			
Pass-through program from:			
State of New York Department of Health:			
WIC Special Supplemental Nutrition Program for Women, Infants, and Children: <i>(Note 4)</i>			
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	10.557	DOH01-C35481GG- 3450000	9,244,081
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	10.557	DOH01-C35481GG- 3450000	3,314,993
Subtotal WIC Special Supplemental Nutrition Program for Women, Infants, and Children			<u>12,559,074</u>
Total U.S. Department of Agriculture			<u>12,559,074</u>
U.S. Department of Housing and Urban Development			
Direct programs:			
Mortgage Insurance Hospitals <i>(Note 5)</i> :			
FHA Section 242 Insured Mortgages 1998 – NYPH	14.128	N/A	115,449,560
Supplemental Loan Insurance Multifamily Rental Housing <i>(Note 5)</i> :			
FHA Section 241 Insured Mortgages 2007/2013 – NYPH	14.151	N/A	595,178,741
Total U.S. Department of Housing and Urban Development			<u>710,628,301</u>
U.S. Department of Homeland Security			
Direct program:			
Financial Assistance for Targeted Violence and Terrorism Prevention:			
Targeted Violence and Terrorism Prevention Grant Program	97.132	EMW-2020-GR- 00090-S01	32,945
Subtotal direct program			<u>32,945</u>

The New York and Presbyterian Hospital

Schedule of Expenditures of Federal Awards (continued)

Year Ended December 31, 2021

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title/Project Name	Federal Assistance Listing Number	Contract/Pass- Through Entity Identifying Number(s)	Federal Expenditures
Pass-through program from:			
State of New York Division of Homeland Security and Emergency Services (Note 6):			
COVID-19 Disaster Grants – Public Assistance (Presidentially Declared Disasters) (Note 5) – NYPH	97.036	PA-02-NY-4480-PW- 00011	\$ 43,121,486
COVID-19 Disaster Grants – Public Assistance (Presidentially Declared Disasters) – NYP/Brooklyn Methodist	97.036	PA-02-NY-4480-PW- 00054	10,446,733
COVID-19 Disaster Grants – Public Assistance (Presidentially Declared Disasters) – NYP/Queens	97.036	PA-02-NY-4480-PW- 00255	11,812,286
COVID-19 Disaster Grants – Public Assistance (Presidentially Declared Disasters) – NYPH	97.036	PA-02-NY-4480-PW- 00254	8,630,226
Subtotal COVID-19 Disaster Grants			<u>74,010,731</u>
Total U.S. Department of Homeland Security			<u>74,043,676</u>
U.S. Department of Defense			
Pass-through program from:			
Joan & Sanford I. Weill Medical College of Cornell University:			
Military Medical Research and Development:			
A Phase II Study of Inhaled CO for the Treatment of ARDS – NYP/Brooklyn Methodist ^(b)	12.420	220745-06; 210811-06	21,727
Total U.S. Department of Defense			<u>21,727</u>
Total Expenditures of Federal Awards			<u>\$1,760,727,856</u>

See accompanying notes.

^(a) Expenditures for the Medicaid Cluster totaled \$154,364.

^(b) Expenditures for the Research and Development Cluster totaled \$74,241.

^(c) Expenditures for the National Bioterrorism Hospital Preparedness Program (93.889) totaled \$943,950.

The New York and Presbyterian Hospital

Notes to Schedule of Expenditures of Federal Awards

Year Ended December 31, 2021

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of The New York and Presbyterian Hospital (NYPH), NewYork-Presbyterian/Hudson Valley (NYP/Hudson Valley), NewYork-Presbyterian/Queens (NYP/Queens) and NewYork-Presbyterian/Brooklyn Methodist (NYP/Brooklyn Methodist) for the year ended December 31, 2021. The reporting entity resulting from the consolidation of these entities is referred to herein as the "Hospital." The Schedule is presented on the accrual basis of accounting. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance). In accordance with applicable requirements, certain programs may be presented in a fiscal period based on the program-specific guidance (see Notes 2 and 6). Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of, the consolidated financial statements of the Hospital.

For purposes of the Schedule, federal awards include any assistance provided by a federal agency directly or indirectly in the form of grants, contracts, cooperative agreements, loan and loan guarantees, or other noncash assistance. Pass-through programs received by the Hospital may include, in addition to federal funds, support from other sources. The Schedule reflects only those expenditures that have been supported by federal funds. Determinations as to the level of federal funding have been made based on communications of funding levels provided by the pass-through agencies. In certain circumstances, the funding levels communicated are estimated and subject to finalization upon the completion of the budget period for the program.

Direct and indirect costs are charged to awards in accordance with cost principles contained in the United States Department of Health and Human Services Cost Principles for Hospitals at 45 CFR Part 75 Appendix IX for Uniform Guidance awards. Under these cost principles, certain types of expenditures are not allowable or are limited as to reimbursement. The Uniform Guidance provides for a 10% de minimis indirect cost rate election; however, the Hospital did not make this election and uses a negotiated indirect cost rate in the accompanying Schedule.

The New York and Presbyterian Hospital

Notes to Schedule of Expenditures of Federal Awards (continued)

Year Ended December 31, 2021

2. COVID-19 – Provider Relief Fund

In accordance with the U.S. Department of Health and Human Services' requirements specific to Federal Assistance Listing No. 93.498, COVID-19 – Provider Relief Fund, the amount presented on the accompanying Schedule for the year ended December 31, 2021 for Federal Assistance Listing No. 93.498 relates to (i) Provider Relief Fund (PRF) payments received from April 10, 2020 through December 31, 2020 (ii) used for PRF-eligible activity from the period January 1, 2020 through December 31, 2021. This payment receipt period and activity period and the resulting amount presented on the accompanying Schedule for the year ended December 31, 2021 reconciles to the PRF information previously reported to the Health Resources and Services Administration (HRSA) for PRF Reporting Periods 1 and 2 as follows:

<u>Reporting Period 1:</u>			Activity from the period January 1, 2020 through June 30, 2021		
Name of Reporting Entity for HRSA Reporting Period 1 Provider Relief Fund Report	Reporting Entity Tax Identification Number (TIN)	Type of Distribution	Total Other PRF Payments Applied to Unreimbursed Expenses Attributable to Coronavirus	Total Other PRF Payments Applied to Lost Revenues	Amount Included on the Accompanying Schedule for the Year Ended December 31, 2021
NYPH	133957095	Targeted	\$ –	\$ 448,262,512	\$ 448,262,512
NYPH	133957095	General	–	121,834,947	121,834,947
Subtotal NYPH			–	570,097,459	570,097,459
NYP/Queens	111839362	Targeted	–	143,341,512	143,341,512
NYP/Queens	111839362	General	–	16,681,792	16,681,792
Subtotal NYP/Queens			–	160,023,304	160,023,304
NYP/Brooklyn Methodist	111631796	Targeted	–	86,952,151	86,952,151
NYP/Brooklyn Methodist	111631796	General	–	17,507,597	17,507,597
Subtotal NYP/Brooklyn Methodist			–	104,459,748	104,459,748
NYP/Hudson Valley	131740120	Targeted	–	19,502,808	19,502,808
NYP/Hudson Valley	131740120	General	–	4,345,056	4,345,056
Subtotal NYP/Hudson Valley			–	23,847,864	23,847,864
NYP Lawrence Medical Group	264076297	General	–	764,294	764,294
NYP/Queens Medical Group	274719998	General	–	1,436,543	1,436,543
NYP/Hudson Valley Medical Group	562662502	General	–	782,419	782,419
NYP/Brooklyn Methodist Medical Group	462333282	General	–	931,338	931,338
NYP/Brooklyn Methodist Medical Group	112843882	General	–	292,821	292,821
NYP/Brooklyn Methodist Medical Group	061160280	General	–	154,573	154,573
NYP/Brooklyn Methodist Medical Group	113423162	General	–	85,834	85,834
NYP/Brooklyn Methodist Medical Group	112843879	General	–	29,763	29,763
NYP/Brooklyn Methodist Medical Group	113564621	General	–	8,556	8,556
NYP/Brooklyn Methodist Medical Group	113124294	General	–	4,561	4,561
NYP/Brooklyn Methodist Medical Group	113231685	General	–	3,032	3,032
Subtotal NYP/Brooklyn Methodist Medical Group			–	1,510,478	1,510,478
NYP Lawrence Home Care	131740022	General	–	466,670	466,670
Total Reporting Period 1			–	863,388,779	863,388,779

The New York and Presbyterian Hospital

Notes to Schedule of Expenditures of Federal Awards (continued)

Year Ended December 31, 2021

2. COVID-19 – Provider Relief Fund (continued)

Reporting Period 2:			Activity from the period January 1, 2020 through December 31, 2021			
Name of Reporting Entity for HRSA Reporting Period 2 Provider Relief Fund Report	Reporting Entity Tax Identification Number (TIN)	Type of Distribution	Total Other PRF Payments Applied to Unreimbursed Expenses Attributable to Coronavirus	Total Other PRF Payments Applied to Lost Revenues	Amount Included on the Accompanying Schedule for the Year Ended December 31, 2021	
NYPH	133957095	Targeted	\$ –	\$ 60,971,977	\$ 60,971,977	
NYP/Queens	111839362	Infection Control	–	33,200	33,200	
NYP/Brooklyn Methodist	111631796	Targeted	–	16,695,878	16,695,878	
NYP/Hudson Valley	131740120	Targeted	–	5,390,935	5,390,935	
NYP Lawrence Medical Group	264076297	General	–	773,491	773,491	
NYP/Hudson Valley Medical Group	562662502	General	–	539,187	539,187	
NYP/Brooklyn Methodist Medical Group	113362663	General	–	977,239	977,239	
NYP/Brooklyn Methodist Medical Group	462333282	General	–	520,909	520,909	
NYP/Brooklyn Methodist Medical Group	112843879	General	–	228,078	228,078	
NYP/Brooklyn Methodist Medical Group	113231685	General	–	114,442	114,442	
NYP/Brooklyn Methodist Medical Group	061160280	General	–	100,684	100,684	
NYP/Brooklyn Methodist Medical Group	113303499	General	–	75,929	75,929	
NYP/Brooklyn Methodist Medical Group	113564621	General	–	55,918	55,918	
NYP/Brooklyn Methodist Medical Group	113423162	General	–	26,550	26,550	
NYP/Brooklyn Methodist Medical Group	432015903	General	–	20,201	20,201	
Subtotal NYP/Brooklyn Methodist Medical Group			–	2,119,950	2,119,950	
Total Reporting Period 2			–	86,524,618	86,524,618	
Total PRF activity reported on the accompanying Schedule for the year ended December 31, 2021			\$ –	\$ 949,913,397	\$	949,913,397

Through December 31, 2020, the Hospital received approximately \$949.9 million in PRF payments on a consolidated basis. The PRF-eligible expenses attributable to Coronavirus Disease 2019 (COVID-19) and lost revenues incurred by the Hospital during the period of availability for PRF Reporting Period 1 (January 1, 2020 through June 30, 2021) and PRF Reporting Period 2 (January 1, 2020 through December 31, 2021) are in excess of the general and targeted distributions received from April 10, 2020 through December 31, 2020 and, therefore, the amounts presented in the table above and on the accompanying Schedule are limited to the amount of such distributions. The Hospital also received PRF payments subsequent to December 31, 2020 which are required to be reported in subsequent HRSA PRF Reporting Periods and, accordingly, pursuant to the requirements specific to Federal Assistance Listing No. 93.498, activity related to such payments is excluded from the accompanying Schedule.

The New York and Presbyterian Hospital

Notes to Schedule of Expenditures of Federal Awards (continued)

Year Ended December 31, 2021

3. Vaccines for Children Program

During the year ended December 31, 2021, the Hospital participated in the New York City Department of Health and Mental Hygiene – Vaccines for Children Program through the provision of vaccinations. The U.S. Department of Health and Human Services, the federal agency that sponsors this program under Federal Assistance Listing number 93.268, has determined that the vaccines administered are considered “property in lieu of money” and, therefore, should be reported as federal awards expended by the Hospital for purposes of presentation in the accompanying Schedule.

4. Food and Nutritional Awards

During the year ended December 31, 2021, the Hospital participated in the State of New York Department of Health – Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) through the provision of nutritional counseling and the receipt and distribution of food vouchers. The U.S. Department of Agriculture, the federal agency that sponsors the WIC program under Federal Assistance Listing Number 10.557, has determined that WIC food vouchers are considered “property in lieu of money” and, therefore, should be reported as federal awards received by the Hospital for the purpose of presentation in the Schedule. The amount reported in the Schedule for the WIC program under Federal Assistance Listing Number 10.557 represents the federally funded value of food vouchers issued (\$9,364,706) plus administrative costs (\$3,194,368) for the year ended December 31, 2021. In addition to the federal funds received for the WIC program, in 2021 approximately 16.2% of the WIC program’s total administrative and nutritional counseling costs were funded by the State of New York Department of Health; such amounts are excluded from the Schedule.

The New York and Presbyterian Hospital

Notes to Schedule of Expenditures of Federal Awards (continued)

Year Ended December 31, 2021

5. U.S. Department of Housing and Urban Development Mortgage Insurance Programs

The Hospital has mortgage loans insured under the provisions of the U.S. Department of Housing and Urban Development – Federal Housing Administration (FHA) Section 242 and 241 mortgage insurance programs. The U.S. Department of Housing and Urban Development (HUD) has determined that the mortgage insurance programs are to be considered federal awards for purposes of compliance with the Uniform Guidance. The outstanding balances of the loans were as follows:

	December 31, 2021	January 1, 2021
FHA Section 242 insured mortgage loans – Federal Assistance Listing number 14.128	\$ –	\$ 115,449,560
FHA Section 241 insured mortgage loans – Federal Assistance Listing number 14.151	391,852,712	595,178,741
	<u>\$ 391,852,712</u>	<u>\$ 710,628,301</u>

Pursuant to the agreements related to the mortgage loans, the Hospital is, among other compliance requirements, required to maintain certain debt service funds, including mortgage reserve funds. In addition, the Hospital is required to maintain certain working capital, debt service coverage, other financial ratios and financial conditions and to obtain approval from HUD to incur additional debt above specified levels if profitability requirements are not met. Compliance with such requirements is measured separately for the applicable obligated entity. The mortgages are collateralized by certain Hospital property, buildings and equipment and gross receipts derived from operations. The Supplementary Information section accompanying the consolidated financial statements includes information pertaining to the mortgaged and non-mortgaged components of the obligated entity.

Through December 31, 2021, the Hospital was in compliance with the financial covenants. Due to the global viral outbreak caused by Coronavirus Disease 2019 (COVID-19) in 2020, in July 2020 HUD approved the continuation of the obligated entity's enhanced status through December 31, 2021, even if the obligated entity does not meet all of the financial tests for continued eligibility for the period from June 30, 2020 to December 31, 2021.

The New York and Presbyterian Hospital

Notes to Schedule of Expenditures of Federal Awards (continued)

Year Ended December 31, 2021

5. U.S. Department of Housing and Urban Development Mortgage Insurance Programs (continued)

A NYPH FHA Section 242 mortgage loan with a balance of approximately \$115.5 million at December 31, 2020 was fully repaid in February 2021 and the related collateral for the mortgage was released. A NYPH FHA Section 241 mortgage loan with a balance of approximately \$187.9 million at December 31, 2020 was fully repaid in February 2021 and the related collateral for the mortgage was released.

6. Federal Emergency Management Agency: Disaster Grants

The Hospital has applied for reimbursement for qualifying expenses under the Federal Emergency Management Agency (FEMA) COVID-19 Disaster Relief Fund – Public Assistance (Presidentially Declared Disasters) program (Federal Assistance Listing number 97.036). In 2020, the Hospital submitted project worksheets specific to NYPH totaling approximately \$345.0 million under FEMA's expedited claim submission process and streamlined submission process. These project worksheets were approved for reimbursement under FEMA's expedited approval process. For expedited submissions, FEMA approves 50% of the total project worksheet value. Additionally, at the time of such approval in September 2020, the federal cost share payment percentage was 75%. Under an Executive Order issued in February 2021, FEMA now pays 100% federal funding for the costs of all activities eligible for funding. This increase in the Federal share funding was made retroactively applicable to the beginning of the pandemic in January 2020. FEMA has amended projects that had previously been obligated to 75% to the now applicable 100% share. The Hospital received the resulting additional 25% federal share of funding for these project worksheets in 2021 and, accordingly, \$43.1 million is included for these project worksheets on the accompanying Schedule.

Project worksheets were also submitted during 2020 and 2021 through FEMA's expedited claim submission for NYP/Brooklyn Methodist totaling \$22.0 million, NYP/Queens totaling \$24.0 million and for NYPH's vaccination expenses totaling \$18.0 million. These projects were obligated in 2021 and funding was received in the amounts of \$10.4 million, \$11.8 million and \$8.6 million for NYP/Brooklyn Methodist, NYP/Queens and NYPH, respectively.

Other FEMA project worksheets have also been submitted by the Hospital but were not approved in 2021. The Hospital will continue to finalize the project worksheets previously submitted to FEMA and intends to submit additional applications for funding for costs incurred; however, the ultimate amount that the Hospital may be reimbursed is uncertain.

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

The Board of Trustees
The New York and Presbyterian Hospital

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of The New York and Presbyterian Hospital (the Hospital), which comprise the consolidated statement of financial position as of December 31, 2021, and the related consolidated statements of operations, changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 28, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Hospital's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hospital's internal control.

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Ernst + Young LLP

April 28, 2022

Report of Independent Auditors on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

The Board of Trustees
The New York and Presbyterian Hospital

Report of Independent Auditors on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited The New York and Presbyterian Hospital's (the Hospital) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on the Hospital's major federal program for the year ended December 31, 2021. The Hospital's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Hospital complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2021.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Hospital and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Hospital's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Hospital's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Hospital's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Hospital's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Hospital's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Hospital's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Ernst + Young LLP

September 27, 2022

The New York and Presbyterian Hospital
Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2021

Section I – Summary of Auditor’s Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	_____	Yes	_____	X	No
Significant deficiency(ies) identified?	_____	Yes	_____	X	None reported

Noncompliance material to financial statements noted?

_____	Yes	_____	X	No
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Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?	_____	Yes	_____	X	No
Significant deficiency(ies) identified?	_____	Yes	_____	X	None reported

Type of auditor’s report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

_____	Yes	_____	X	No
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The New York and Presbyterian Hospital

Schedule of Findings and Questioned Costs (continued)

Section I – Summary of Auditor’s Results (continued)

Identification of major federal programs:

Federal Assistance Listing Numbers	Name of Federal Program or Cluster
93.498	U.S. Department of Health and Human Services: COVID-19 – Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution

Dollar threshold used to distinguish between
Type A and Type B programs:

\$5,282,184

Auditee qualified as low-risk auditee?

 X Yes

 No

Section II – Financial Statement Findings

There are no matters that are required to be reported.

Section III – Federal Award Findings and Questioned Costs

There are no matters that are required to be reported.

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