Consolidated Financial Statements and Supplementary Information

Northwell Health, Inc.
(Formerly, North Shore-Long Island Jewish Health System, Inc.)
Years Ended December 31, 2015 and 2014
With Report of Independent Auditors

Ernst & Young LLP

Building a better working world

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(Formerly, North Shore-Long Island Jewish Health System, Inc.)

Consolidated Financial Statements
and Supplementary Information

Years Ended December 31, 2015 and 2014

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Report of Independent Auditors

The Board of Trustees
Northwell Health, Inc.

We have audited the accompanying consolidated financial statements of Northwell Health, Inc. (formerly, North Shore-Long Island Jewish Health System, Inc.) and its member corporations and other affiliated entities (collectively, Northwell), which comprise the consolidated statements of financial position as of December 31, 2015 and 2014, and the related consolidated statements of operations, changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Northwell Health, Inc. and its member corporations and other affiliated entities at December 31, 2015 and 2014, and the consolidated results of their operations, changes in their net assets and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating and combining statements of financial position and consolidating and combining statements of operations are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Ernst & Young LLP

April 27, 2016

Northwell Health, Inc.
(Formerly, North Shore-Long Island Jewish Health System, Inc.)

Consolidated Statements of Financial Position
(In Thousands)

	December 31 2015	December 31 2014
Assets		
Current assets:		
Cash and cash equivalents	**$ 432,829**	$ 194,570
Marketable securities and other investments	**1,844,892**	1,905,161
Accounts receivable for services to patients, net of allowance for doubtful accounts of $94,700 in 2015 and $91,200 in 2014	**876,130**	774,831
Accounts receivable for physician activities, net	**111,902**	74,058
Assets limited as to use, current portion	**101,683**	104,566
Pledges receivable, current portion	**35,097**	36,129
Insurance claims receivable, current portion	**71,068**	83,268
Other current assets	**207,968**	172,369
Total current assets	**3,681,569**	3,344,952
Assets limited as to use, net of current portion	**1,508,032**	1,365,666
Pledges receivable, net of current portion	**91,090**	101,423
Property, plant and equipment, net	**4,315,166**	3,762,104
Insurance claims receivable, net of current portion	**278,530**	312,169
Other assets	**264,340**	125,240
Total assets	**$ 10,138,727**	$ 9,011,554
Liabilities and net assets		
Current liabilities:		
Short-term borrowings	**$ 110,218**	$ 110,218
Accounts payable and accrued expenses	**733,653**	607,224
Accrued salaries and related benefits	**625,383**	595,405
Current portion of capital lease obligations	**3,138**	5,902
Current portion of long-term debt	**55,613**	55,357
Current portion of insurance claims liability	**71,068**	83,268
Current portion of malpractice and other insurance liabilities	**101,720**	81,344
Current portion of third-party payer structured liabilities	**4,346**	4,346
Current portion of estimated payable to third-party payers	**235,768**	247,935
Total current liabilities	**1,940,907**	1,790,999
Accrued retirement benefits, net of current portion	**782,972**	706,145
Capital lease obligations, net of current portion	**171,888**	196,582
Long-term debt, net of current portion	**2,199,401**	1,822,743
Insurance claims liability, net of current portion	**278,530**	312,169
Malpractice and other insurance liabilities, net of current portion	**881,794**	758,983
Third-party payer structured liabilities, net of current portion	**8,303**	13,266
Other long-term liabilities	**635,892**	577,276
Total liabilities	**6,899,687**	6,178,163
Commitments and contingencies		
Net assets:		
Unrestricted	**2,710,921**	2,340,552
Temporarily restricted	**363,573**	357,127
Permanently restricted	**164,546**	135,712
Total net assets	**3,239,040**	2,833,391
Total liabilities and net assets	**$ 10,138,727**	$ 9,011,554

See accompanying notes.

Northwell Health, Inc.
(Formerly, North Shore-Long Island Jewish Health System, Inc.)

Consolidated Statements of Operations

(In Thousands)

	Year Ended December 31	
	2015	**2014**
Operating revenue:		
Net patient service revenue	**$ 6,962,767**	$ 6,078,845
Physician practice revenue	**1,125,838**	961,772
Provision for bad debts	**(110,265)**	(103,871)
Total patient revenue, net of provision for bad debts	**7,978,340**	6,936,746
Other operating revenue	**457,612**	367,374
Health insurance premium revenue	**228,427**	85,808
Net assets released from restrictions used for operations	**58,276**	45,119
Total operating revenue	**8,722,655**	7,435,047
Operating expenses:		
Salaries	**4,319,212**	3,816,925
Employee benefits	**1,100,101**	947,744
Supplies and expenses	**2,724,420**	2,156,716
Depreciation and amortization	**384,206**	331,036
Interest	**105,018**	95,113
Total operating expenses	**8,632,957**	7,347,534
Excess of operating revenue over operating expenses	**89,698**	87,513
Non-operating gains and losses:		
Investment income	**62,205**	100,817
Change in net unrealized gains and losses and change in value of equity method investments	**(112,700)**	(24,354)
Change in fair value of interest rate swap agreements designated as derivative instruments	**790**	841
Loss on refunding and redemption of long-term debt	**(56,975)**	–
Contributions received in the acquisitions of Phelps Memorial Hospital and Northern Westchester Hospital	**259,807**	–
Gain from acquired interest in Optum360	**115,600**	–
Other non-operating gains and losses	**(10,981)**	25,967
Total non-operating gains and losses	**257,746**	103,271
Excess of revenue and gains and losses over expenses	**347,444**	190,784
Net assets released from restrictions for capital asset acquisitions	**7,696**	27,136
Change in fair value of interest rate swap agreements designated as cash flow hedges	**1,289**	1,310
Loss of fair value of endowment corpus	**(608)**	–
Pension and other postretirement liability adjustments	**18,131**	(359,743)
Other changes in net assets	**(3,583)**	(27,340)
Increase (decrease) in unrestricted net assets	**$ 370,369**	$ (167,853)

See accompanying notes.

Northwell Health, Inc.
(Formerly, North Shore-Long Island Jewish Health System, Inc.)

Consolidated Statements of Changes in Net Assets
(In Thousands)

Years Ended December 31, 2015 and 2014

	Total	Unrestricted	Temporarily Restricted	Permanently Restricted
Net assets, January 1, 2014	$ 2,988,926	$ 2,508,405	$ 346,046	$ 134,475
Contributions and grants	96,230	–	94,993	1,237
Investment income	8,834	–	8,834	–
Change in net unrealized gains and losses and change in value of equity method investments	(2,314)	–	(2,314)	–
Excess of revenue and gains and losses over expenses	190,784	190,784	–	–
Net assets released from restrictions for:				
Capital asset acquisitions	–	27,136	(27,136)	–
Operations	(45,119)	–	(45,119)	–
Non-operating activities	(18,177)	–	(18,177)	–
Change in fair value of interest rate swap agreements designated as cash flow hedges	1,310	1,310	–	–
Pension and other postretirement liability adjustments	(359,743)	(359,743)	–	–
Other changes in net assets	(27,340)	(27,340)	–	–
(Decrease) increase in net assets	(155,535)	(167,853)	11,081	1,237
Net assets, December 31, 2014	2,833,391	2,340,552	357,127	135,712
Contributions and grants	**86,124**	**–**	**66,496**	**19,628**
Investment income	**5,944**	**–**	**5,944**	**–**
Change in net unrealized gains and losses and change in value of equity method investments	**(6,326)**	**–**	**(6,326)**	**–**
Contributions received in the acquisitions of Phelps Memorial Hospital and Northern Westchester Hospital	**35,061**	**–**	**25,855**	**9,206**
Excess of revenue and gains and losses over expenses	**347,444**	**347,444**	**–**	**–**
Net assets released from restrictions for:				
Capital asset acquisitions	**–**	**7,696**	**(7,696)**	**–**
Operations	**(58,276)**	**–**	**(58,276)**	**–**
Non-operating activities	**(20,159)**	**–**	**(20,159)**	**–**
Change in fair value of interest rate swap agreements designated as cash flow hedges	**1,289**	**1,289**	**–**	**–**
Loss of fair value of endowment corpus	**–**	**(608)**	**608**	**–**
Pension and other postretirement liability adjustments	**18,131**	**18,131**	**–**	**–**
Other changes in net assets	**(3,583)**	**(3,583)**	**–**	**–**
Increase in net assets	**405,649**	**370,369**	**6,446**	**28,834**
Net assets, December 31, 2015	**$ 3,239,040**	**$ 2,710,921**	**$ 363,573**	**$ 164,546**

See accompanying notes.

Northwell Health, Inc.
(Formerly, North Shore-Long Island Jewish Health System, Inc.)

Consolidated Statements of Cash Flows
(In Thousands)

	Year Ended December 31 2015	2014
Operating activities		
Increase (decrease) in net assets	**$ 405,649**	$ (155,535)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Contributions received in the acquisitions of Phelps Memorial Hospital and Northern Westchester Hospital	**(294,868)**	–
Permanently restricted contributions	**(19,628)**	(1,237)
Depreciation and amortization	**384,206**	331,036
Net realized gains and losses, change in net unrealized gains and losses and change in value of equity method investments	**84,234**	(50,121)
Change in fair value of interest rate swap agreements	**(2,079)**	(2,151)
Gain from acquired interest in Optum360	**(115,600)**	–
Loss on refunding and redemption of long-term debt	**56,975**	–
Changes in operating assets and liabilities:		
Accounts receivable for services to patients, net	**(47,557)**	(74,633)
Accounts receivable for physician activities, net	**(37,844)**	(5,615)
Pledges receivable	**37,239**	9,514
Current portion of estimated payable to third-party payers	**(14,209)**	37,498
Accrued retirement benefits, net of current portion	**25,138**	365,101
Malpractice and other insurance liabilities	**91,622**	71,389
Net change in all other operating assets and liabilities	**118,498**	46,230
Net cash provided by operating activities	**671,776**	571,476
Investing activities		
Capital expenditures	**(558,079)**	(454,113)
Net cash invested in marketable securities and other investments and assets limited as to use	**(88,305)**	(308,080)
Cash received in the acquisitions of Phelps Memorial Hospital and Northern Westchester Hospital	**71,243**	–
Payments for joint venture investments, net	**(19,259)**	–
Net cash used in investing activities	**(594,400)**	(762,193)
Financing activities		
Principal payments on long-term debt and capital lease obligations	**(63,603)**	(59,062)
Payments on refunded and redeemed long-term debt	**(483,555)**	(10,005)
Payments on short-term borrowings	**(174,500)**	(52,103)
Principal payments on third-party payer structured liabilities	**(4,963)**	(6,114)
Proceeds from short-term borrowings	**174,500**	51,781
Proceeds from long-term debt	**543,569**	250,000
Net proceeds received from real estate financing transactions	**169,516**	–
Payments for financing costs	**(5,385)**	(2,380)
Proceeds from permanently restricted contributions	**5,304**	2,569
Net cash provided by financing activities	**160,883**	174,686
Net increase (decrease) in cash and cash equivalents	**238,259**	(16,031)
Cash and cash equivalents, beginning of year	**194,570**	210,601
Cash and cash equivalents, end of year	**$ 432,829**	$ 194,570
Supplemental disclosure of cash flow information		
Cash paid during the year for interest (exclusive of amounts capitalized)	**$ 102,991**	$ 89,453
Supplemental disclosure of noncash investing and financing activities		
Assets acquired under capital lease obligations and long-term debt	**$ 74,747**	$ 133,001

See accompanying notes.

1. Organization and Principles of Consolidation

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

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

Hospitals

- North Shore University Hospital (NSUH), including the accounts of Syosset Hospital
- Long Island Jewish Medical Center (LIJMC), including Long Island Jewish Hospital, Steven and Alexandra Cohen Children's Medical Center of New York and Zucker Hillside Hospital
- Staten Island University Hospital (Staten Island)
- Lenox Hill Hospital (Lenox)
- Southside Hospital (Southside)
- Forest Hills Hospital (Forest Hills)
- Franklin Hospital (Franklin), including the accounts of the Orzac Center for Rehabilitation
- Glen Cove Hospital (Glen Cove)
- Huntington Hospital Association (Huntington)
- Plainview Hospital (Plainview)
- South Oaks Hospital (South Oaks)
- Phelps Memorial Hospital Association
- Northern Westchester Hospital Association

Other Entities

- Northwell Health, Inc. and Northwell Healthcare, Inc. (HCI) – parent holding companies
- Northwell Health Stern Family Center for Rehabilitation (Stern) – skilled nursing facility and rehabilitation center
- North Shore-Long Island Jewish Health System Laboratories – laboratory services
- The Feinstein Institute for Medical Research – medical research
- Northwell Health Foundation, Inc. – fundraising

1. Organization and Principles of Consolidation (continued)

Other Entities (continued)

- Broadlawn Manor Nursing and Rehabilitation Center (Broadlawn) – skilled nursing facility and rehabilitation center
- North Shore Health System Enterprises, Inc. and North Shore Health Enterprises, Inc. – holding companies for certain for-profit related entities
- RegionCare, Inc. – infusion therapy, diagnostic laboratory, nurse staffing and licensed home health agency services
- North Shore Community Services, Inc. – real estate holdings and related services
- North Shore University Hospital Housing, Inc., North Shore University Hospital at Glen Cove Housing, Inc. and Hillside Hospital Houses, Inc. – housing and auxiliary facilities for staff members, students and employees
- Endoscopy Center of Long Island, LLC – outpatient endoscopy center 70% owned by Northwell
- North Shore Medical Accelerator, P.C. – outpatient radiation oncology center 70% owned by Northwell
- North Shore-LIJ and Yale New Haven Medical Air Transport, LLC – medical air transport company 90% owned by Northwell
- Hospice Care Network, Inc. – hospice services
- North Shore-LIJ Health Plan Inc. (Health Plan) – tax-exempt health insurance entity authorized by the State of New York to operate a Medicaid Managed Long-Term Care Plan and a Fully Integrated Dual Advantage Plan
- North Shore-LIJ CareConnect Insurance Company Inc. (CareConnect) – for-profit health insurance entity licensed to issue commercial health insurance products in the State of New York
- Regional Insurance Company Ltd. (Regional Insurance) – captive insurance company providing excess professional liability insurance
- Huntington Hospital Dolan Family Health Center – community health center
- Endo Group, LLC (d/b/a Garden City SurgiCenter) – outpatient ambulatory surgery center 70% owned by Northwell
- Northwell Health GoHealth Urgent Care – urgent care centers 90% owned by Northwell
- Other affiliated professional corporations

1. Organization and Principles of Consolidation (continued)

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

Effective January 14, 2016, Forest Hills and Franklin merged into LIJMC. In conjunction with the merger, the names of the hospitals were changed to Long Island Jewish Forest Hills and Long Island Jewish Valley Stream, respectively.

Northwell maintains a controlling ownership in various entities whose results of operations are included in the accompanying consolidated financial statements. Northwell's non-controlling interest in these entities at December 31, 2015 and 2014 is immaterial, both individually and in the aggregate, to Northwell's net assets and excess of revenue and gains and losses over expenses as reported in the accompanying consolidated financial statements.

Acquisitions

On January 1, 2015 (the Acquisition Date), Northwell acquired Phelps Memorial Hospital Association, a not-for-profit 238 bed acute care hospital located in Westchester County, New York, and its subsidiaries (collectively, Phelps). Also on January 1, 2015, Northwell acquired Northern Westchester Hospital Association, a not-for-profit 245 bed acute care hospital in Westchester County, and its subsidiaries (collectively, NWH). Northwell acquired Phelps and NWH by means of inherent contributions, where no consideration was transferred by Northwell. Northwell accounted for these business combinations by applying the acquisition method and, accordingly, the inherent contributions received were valued as the excess of Phelps' and NWH's assets over liabilities. In determining the inherent contributions received, all assets and liabilities were measured at fair value as of the Acquisition Date. The results of Phelps' and NWH's operations have been included in the consolidated financial statements since the Acquisition Date. In December 2014, prior to the acquisition, Northwell contributed $25,000 to NWH to be used for capital expenditures, which is reported in the accompanying 2014 consolidated statement of operations within other changes in net assets. Phelps and NWH are not members of the Obligated Group.

(In Thousands)

1. Organization and Principles of Consolidation (continued)

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

	January 1, 2015		
	Phelps	**NWH**	**Total**
Assets			
Cash and cash equivalents	$ 30,360	$ 40,883	$ 71,243
Marketable securities and other investments	5,748	–	5,748
Accounts receivable for services to patients	24,065	29,677	53,742
Other current assets	4,749	8,991	13,740
Assets limited as to use	38,272	82,626	120,898
Pledges receivable, net	4,573	6,977	11,550
Property, plant and equipment	139,701	164,741	304,442
Insurance claims receivable	8,405	–	8,405
Other assets	5,770	7,983	13,753
Total assets acquired	261,643	341,878	603,521
Liabilities			
Accounts payable and accrued expenses	16,964	40,273	57,237
Accrued salaries and related benefits	11,297	8,697	19,994
Estimated payable to third-party payers	754	4,042	4,796
Accrued retirement benefits	–	51,689	51,689
Capital lease obligations	138	1,545	1,683
Long-term debt	37,814	65,775	103,589
Insurance claims liability	8,405	–	8,405
Malpractice and other insurance liabilities	30,566	20,999	51,565
Other long-term liabilities	5,729	3,966	9,695
Total liabilities assumed	111,667	196,986	308,653
Excess of assets acquired over liabilities assumed	$ 149,976	$ 144,892	$ 294,868
Net assets acquired			
Unrestricted	$ 138,894	$ 120,913	$ 259,807
Temporarily restricted	8,848	17,007	25,855
Permanently restricted	2,234	6,972	9,206
	$ 149,976	$ 144,892	$ 294,868

(In Thousands)

1. Organization and Principles of Consolidation (continued)

The following table summarizes amounts attributable to Phelps and NWH from the Acquisition Date through December 31, 2015 that are included in the accompanying 2015 consolidated statement of operations and statement of changes in net assets:

	Year Ended December 31, 2015		
	Phelps	**NWH**	**Total**
Total operating revenue	$ 241,351	$ 259,435	$ 500,786
Total operating expenses	237,356	247,109	484,465
Excess of operating revenue over operating expenses	3,995	12,326	16,321
Total non-operating gains and losses	595	(1,593)	(998)
Excess of revenue and gains and losses over expenses	$ 4,590	$ 10,733	$ 15,323
Change in net assets:			
Unrestricted net assets	$ 14,490	$ 12,898	$ 27,388
Temporarily restricted net assets	(173)	1,764	1,591
Permanently restricted net assets	1,050	75	1,125
Total change in net assets	$ 15,367	$ 14,737	$ 30,104

(In Thousands)

1. Organization and Principles of Consolidation (continued)

The following table represents unaudited pro forma financial information for Northwell, assuming the acquisitions of Phelps and NWH had taken place on January 1, 2014. The pro forma financial information excludes the contributions received in the acquisitions of Phelps and NWH, and is not necessarily indicative of the results of operations as they would have been had the transactions been effected on January 1, 2014.

	Year Ended December 31	
	2015	**2014**
Total operating revenue	**$ 8,722,655**	$ 7,919,095
Total operating expenses	**8,632,957**	7,818,765
Excess of operating revenue over operating expenses	**89,698**	100,330
Total non-operating gains and losses	**(2,061)**	105,376
Excess of revenue and gains and losses over expenses	**$ 87,637**	$ 205,706
Change in net assets:		
Unrestricted net assets	**$ 110,562**	$ (151,899)
Temporarily restricted net assets	**(19,409)**	13,386
Permanently restricted net assets	**19,628**	1,645
Total change in net assets	**$ 110,781**	$ (136,868)

1. Organization and Principles of Consolidation (continued)

In April 2015, Northwell entered into an agreement with Optum360, LLC (Optum360), a provider of revenue cycle management solutions and technology, for Optum360 to provide end-to-end revenue cycle services for most of Northwell's hospitals, effective July 2015. As part of the agreement, Northwell contributed certain intellectual property related to its internal revenue cycle management functions in exchange for an 8% ownership interest in Optum360. A non-cash gain on the transaction of $115,600, representing the difference between the fair value of the interest in Optum360 received in the transaction and the value of the assets contributed, was recorded within non-operating gains and losses in the accompanying consolidated statement of operations for the year ended December 31, 2015. Northwell accounts for this ownership interest under the equity method.

On January 15, 2016, Northwell acquired Peconic Bay Medical Center (Peconic), a not-for-profit corporation that operates a 122 bed acute care hospital and a skilled nursing/rehabilitation center located in eastern Suffolk County, New York. Northwell will account for the business combination by applying the acquisition method and will determine the inherent contribution received on January 15, 2016, based on the fair value of Peconic's assets in excess of liabilities; such determination has not been finalized. Peconic is not a member of the Obligated Group. The operating revenue of Peconic for the year ended December 31, 2015 was approximately $164,000; however, the operating results of Peconic are not included in the consolidated financial statements of Northwell for the year ended December 31, 2015.

2. Summary of Significant Accounting Policies

Consolidated Statements of Operations

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

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

2. Summary of Significant Accounting Policies (continued)

Recent Accounting Standards

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. (ASU) 2014-09, *Revenue from Contracts with Customers*. The core principle of ASU 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance in ASU 2014-09 supersedes the FASB's current revenue recognition requirements and most industry-specific guidance. The provisions of ASU 2014-09, as amended by ASU 2015-14, are effective for Northwell for annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period. Early application is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. Northwell has not completed the process of evaluating the impact of ASU 2014-09 on its consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03, *Simplifying the Presentation of Debt Issuance Costs*. ASU 2015-03 requires debt issuance costs related to a recognized debt liability to be presented in the statement of financial position as a direct deduction from the corresponding debt liability rather than as an asset. This change will make the presentation of debt issuance costs consistent with the presentation of debt discounts or premiums. The recognition and measurement guidance for debt issuance costs is not affected. The provisions of ASU 2015-03 are effective for annual reporting periods beginning after December 15, 2015, with retrospective application to all periods presented. Early application is permitted. Northwell has early adopted ASU 2015-03 and, as such, has reclassified debt financing costs to long-term debt and capital lease obligations in the accompanying consolidated financial statements for December 31, 2015 and 2014.

In April 2015, the FASB issued ASU 2015-05, *Intangibles – Goodwill and Other – Internal-Use Software*. ASU 2015-05 requires Northwell to determine whether an arrangement contains a software license element. If so, the related fees paid are accounted for as an internal-use software intangible under ASC 350-40. If not, the arrangement is accounted for as a service contract. The provisions of ASU 2015-05 are effective for Northwell for annual periods beginning after December 15, 2015 and interim periods in annual periods beginning after December 15, 2016. An entity adopting ASU 2015-05 may apply it either prospectively to new arrangements or retrospectively. Northwell has not completed the process of evaluating the impact of ASU 2015-05 on its consolidated financial statements.

2. Summary of Significant Accounting Policies (continued)

In May 2015, the FASB issued ASU 2015-07, *Disclosures for Investments in Certain Entities that Calculate Net Asset Value Per Share (or its Equivalent)*. ASU 2015-07 removes the requirement to categorize within the fair value hierarchy investments for which fair values are estimated using the net asset value practical expedient provided by Accounting Standards Codification 820, *Fair Value Measurement*. Disclosures about investments in certain entities that calculate net asset value per share are limited under ASU 2015-07 to those investments for which the entity has elected to estimate the fair value using the net asset value practical expedient. ASU 2015-07 is effective for fiscal years beginning after December 15, 2016, with retrospective application to all periods presented. Early application is permitted. Northwell has early adopted ASU 2015-07. The adoption of ASU 2015-07 did not have a significant impact on Northwell's consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases*, that will require lessees to report most leases on their statements of financial position but recognize expenses on their income statements in a manner similar to current accounting. The guidance also eliminates current real estate-specific provisions. The provisions of ASU 2016-02 are effective for Northwell for annual periods beginning after December 15, 2018 and interim periods within those years. Early adoption is permitted. Northwell has not completed the process of evaluating the impact of ASU 2016-02 on its consolidated financial statements.

Use of Estimates

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

During 2015 and 2014, Northwell revised certain estimates made in prior years to reflect the passage of time and the availability of more recent information. For the year ended December 31, 2015, the net change in estimates affecting the reported amounts of assets and liabilities related to prior years was not significant. For the year ended December 31, 2014, the net change in estimates related to prior years resulted in a decrease in liabilities by approximately $24,000.

2. Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

Northwell classifies all highly liquid financial instruments purchased with a maturity of three months or less, other than those held in the investment portfolio and assets limited as to use, as cash equivalents. Northwell maintains cash on deposit with major banks and invests in money market securities with financial institutions which exceed federally-insured limits. Management believes the credit risk related to these deposits is minimal.

Accounts Receivable and Patient Revenue

Net patient service revenue and physician practice revenue (collectively, patient revenue) are reported at estimated net realizable amounts due from patients and third-party payers for services rendered and include estimated retroactive revenue adjustments due to ongoing and future audits, reviews and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are provided and are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews and investigations.

Northwell recognizes accounts receivable and patient revenue associated with services provided to patients who have third-party payer coverage on the basis of contractual rates, governmental rates or established charges for the services rendered. For uninsured patients who are ineligible for any government assistance program, Northwell provides services without charge or at amounts less than its established rates for patients who meet the criteria of its charity care policy. Because Northwell does not pursue collection of amounts determined to qualify as charity care, such services are not reported as patient revenue. For patients who were determined by Northwell to have the ability to pay but do not, the estimated uncollectible amounts are recorded as the provision for bad debts. In distinguishing charity care from the provision for bad debts, a number of factors are considered, certain of which require a high degree of judgment.

2. Summary of Significant Accounting Policies (continued)

Patient revenue, net of contractual and charity care allowances, but before the provision for bad debts, from insured and self-pay patients was approximately $7,995,000 and $94,000, respectively, for the year ended December 31, 2015, and approximately $6,950,000 and $91,000, respectively, for the year ended December 31, 2014. Deductibles and copayments due from patients under third-party payment programs are included in the insured amount above.

The allowance for doubtful accounts represents Northwell's estimate of the uncollectible accounts receivable related to bad debts. Additions to the allowance for doubtful accounts result from the provision for bad debts. Accounts written off as uncollectible are deducted from the allowance for doubtful accounts. The allowance for doubtful accounts is based upon Northwell's assessment of historical and expected net collections, business and economic conditions, trends in health care coverage and other collection indicators.

For receivables associated with services provided to patients who have third-party payer coverage, Northwell analyzes amounts due from third-parties and provides an allowance for doubtful accounts and a provision for bad debts, if necessary (for example, for third-party payers who are known to be having financial difficulties that make the realization of amounts due unlikely). For receivables associated with self-pay balances, which includes amounts for patients without insurance, patients with deductible and copayment balances due after third-party coverage and balances for services not covered by insurance, Northwell records an allowance for doubtful accounts and a provision for bad debts in the period of service based on past experience. The allowances for both doubtful accounts and anticipated charity care for self-pay patients aggregated to approximately 87% of the gross self-pay accounts receivable balance as of December 31, 2015 and 2014.

Northwell's allowance for doubtful accounts relating to accounts receivable for services to patients and accounts receivable for physician activities totaled approximately $106,900 and $102,300 at December 31, 2015 and 2014, respectively.

2. Summary of Significant Accounting Policies (continued)

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

Non-Medicare Reimbursement

In New York State, hospitals and all non-Medicare payers, except Medicaid, workers' compensation and no-fault insurance programs, negotiate hospitals' payment rates. If negotiated rates are not established, payers are billed at hospitals' established charges. Medicaid, workers' compensation and no-fault payers pay hospital rates promulgated by the New York State Department of Health (NYSDOH). Effective December 1, 2009, the New York State prospective payment methodology was updated such that payments to hospitals for Medicaid, workers' compensation and no-fault inpatient services are based on a statewide rate, with retroactive adjustments for certain rate components paid concurrently with the settlement of the final rate. Outpatient services also are paid based on a statewide prospective system that was effective December 1, 2008. Medicaid rate methodologies are subject to approval at the Federal level by the Centers for Medicare and Medicaid Services (CMS), which may routinely request information about such methodologies prior to approval. Revenue related to specific rate components that have not been approved by CMS is not recognized until Northwell is reasonably assured that such amounts are realizable. Adjustments to the current and prior years' payment rates for those payers will continue to be made in future years.

Medicare Reimbursement

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

2. Summary of Significant Accounting Policies (continued)

Northwell has established estimates, based on information presently available, of amounts due to or from Medicare and non-Medicare payers for adjustments to current and prior years' payment rates, based on industry-wide and Northwell-specific data. The current Medicaid, Medicare and other third-party payer programs are based upon extremely complex laws and regulations that are subject to interpretation. Noncompliance with such laws and regulations could result in fines, penalties and exclusion from such programs. Northwell is not aware of any allegations of noncompliance that could have a material adverse effect on the accompanying consolidated financial statements and believes that it is in compliance with all applicable laws and regulations. Medicare cost reports, which are filed individually by the applicable Northwell entities and serve as the basis for final settlement with the Medicare program, have been audited by the Medicare fiscal intermediary and settled through years ranging from 2000 to 2013. Other years remain open for audit and settlement, as do certain issues related to the New York State Medicaid program for prior years. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount when open years are settled and additional information is obtained.

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 health care reform that have been enacted by the Federal and State governments, cannot presently be determined. Future changes in the Medicare and Medicaid programs and any reduction of funding could have an adverse impact on Northwell. Additionally, certain payers' payment rates for various years have been appealed by certain members of Northwell. If the appeals are successful, additional income applicable to those years might be realized.

In 2014, CMS offered hospitals the opportunity to settle certain denied claims related to prior years that were in various stages of appeal under the Medicare recovery audit contractor and other claim review programs, for 68% of the original claim value. Northwell's hospitals entered into settlement agreements with CMS and, as a result, received a cash settlement payment of approximately $48,200 in January 2015. The settlement amount was included in the consolidated statement of financial position at December 31, 2014 within accounts receivable for services to patients and in the consolidated statement of operations for the year ended December 31, 2014 within other non-operating gains and losses.

(In Thousands)

2. Summary of Significant Accounting Policies (continued)

Northwell grants credit without collateral to its patients, most of whom are insured under various third-party agreements. Government payer programs account for a significant portion of net patient service revenue. For the years ended December 31, 2015 and 2014, revenue from the Medicare and Medicaid programs, including Medicare and Medicaid managed care programs, accounted for approximately 50% of Northwell's net patient service revenue.

The significant concentrations of gross accounts receivable for services to patients from third-party payers and patients at December 31, 2015 and 2014 are as follows:

	December 31	
	2015	**2014**
Medicare and Medicare managed care	**36%**	36%
Medicaid and Medicaid managed care	**20**	19
Self-pay	**6**	8
Other third-party payers	**38**	37
	100%	100%

Charity Care

Together, charity care and the provision for bad debts represent uncompensated care. The estimated cost of total uncompensated care was approximately $191,384 and $181,900 for the years ended December 31, 2015 and 2014, respectively. The estimated cost of uncompensated care is based on the ratio of cost to charges, as determined by Northwell-specific data.

The estimated cost of charity care provided was approximately $151,681 and $141,400 for the years ended December 31, 2015 and 2014, respectively. The estimated cost of charity care is based on the ratio of cost to charges, as determined by Northwell-specific data.

For the years ended December 31, 2015 and 2014, the provision for bad debts, primarily at established rates, was $110,265 and $103,871, respectively. The provision for bad debts is multiplied by the ratio of cost to charges for purposes of inclusion in the total estimated cost of uncompensated care amount identified above.

2. Summary of Significant Accounting Policies (continued)

The NYSDOH Hospital Indigent Care Pool (the Pool) was established to provide funds to hospitals for the provision of uncompensated care and is funded, in part, by a 1% assessment on hospital net inpatient service revenue. For the years ended December 31, 2015 and 2014, Northwell received $88,823 and $77,763, respectively, in Pool distributions, of which approximately $72,000 and $62,000 was related to charity care. Northwell made payments into the Pool of $46,620 and $40,652 for the years ended December 31, 2015 and 2014, respectively, for the 1% assessment.

See Note 8 for additional disclosure on charity care relating to Staten Island's settlement with the New York State Attorney General.

Pledges Receivable

Pledges (promises to give), less an allowance for uncollectible amounts, are recorded as receivables in the year made at net present value and are recorded as temporarily or permanently restricted net assets. Pledges receivable that are due more than one year from the balance sheet date are discounted to reflect the present value of future cash flows.

Marketable Securities and Other Investments

Marketable securities are classified as trading securities. Investments in debt securities, equity securities and mutual funds with readily determinable fair values are reported at fair value, based on quoted market prices.

Northwell has invested in investment funds of hedge funds (funds of hedge funds), hedge funds, private equity funds and private real estate funds, which are included in marketable securities and other investments and assets limited as to use in the accompanying consolidated statements of financial position. These Northwell investments are not readily marketable and are reported under the equity method of accounting, which approximates fair value. The equity method reflects Northwell's share of the net asset value of the respective funds.

2. Summary of Significant Accounting Policies (continued)

Individual investment holdings of the funds of hedge funds, hedge funds, private equity funds and private real estate funds may include investments in both nonmarketable and market-traded securities. Valuations of these investments, and therefore Northwell's holdings, may be determined by the investment managers or general partners. Values may be based on estimates that require varying degrees of judgment. Recorded estimates may change by a material amount in the near term. The investments may indirectly expose Northwell to securities lending, short sales of securities and trading in futures and forwards contracts, options and other derivative products. However, Northwell's risk is limited to its amounts invested. The financial statements of the funds of hedge funds, hedge funds, private equity funds and private real estate funds are audited annually by independent auditors. At December 31, 2015, Northwell has future commitments of $102,256 and $10,697 to invest in private equity and private real estate funds for pension and restricted assets, respectively.

Other investments also include investments in commingled fixed income, equity and risk-parity funds. The individual investment holdings of these commingled funds are predominantly marketable securities. These investments are reported under the equity method of accounting, which approximates fair value. The equity method reflects Northwell's share of the net asset value of these investments. The financial statements of the commingled fixed income, equity and risk-parity funds are audited annually by independent auditors.

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

Assets Limited as to Use

Assets limited as to use include funds held pursuant to debt financing arrangements, medical malpractice claims trust agreements, internally designated funds, including internally designated malpractice and other self-insurance assets, deferred employee compensation plans and temporarily and permanently restricted assets. Amounts required to meet current liabilities are reported as current assets.

2. Summary of Significant Accounting Policies (continued)

Inventory of Supplies

Inventory, included in other current assets, is stated at the lower of cost (first-in, first-out method) or market.

Insurance Claims Receivable and Liability

For medical malpractice and similar contingent liabilities, Northwell does not net insurance recoveries against related claims liabilities and determines such claims liabilities without consideration of insurance recoveries. Accordingly, Northwell recognizes insurance receivables at the same time that it recognizes the liabilities, measured on the same basis as the liabilities, subject to the need for a valuation allowance for uncollectible amounts in the accompanying consolidated statements of financial position. Such amounts represent the actuarially determined present value of medical malpractice and other claims that are anticipated to be covered by insurance, discounted at a rate of 2.0%.

Property, Plant and Equipment

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

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

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

2. Summary of Significant Accounting Policies (continued)

Long-Lived Assets

Gifts of long-lived assets are reported at fair value established at the date of contribution as changes in unrestricted net assets, excluded from the performance indicator, unless explicit donor stipulations specify how the donated asset must be used.

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

Intangible Assets

In connection with various acquisitions, Northwell has recognized certain indefinite-lived intangible assets totaling approximately $73,000 and $55,000 at December 31, 2015 and 2014, respectively. The intangible assets are subject to impairment testing on an annual basis. At December 31, 2015 and 2014, Northwell determined that there has been no impairment of these intangible assets.

In addition, in 2011, Staten Island purchased from Richmond University Medical Center (RUMC) the remainder interest in a joint venture between the hospitals for $30,500. The purchase price was determined based upon an independent valuation and, as a result, an intangible asset was recorded for the purchase price which is being amortized over a five and one-half year useful life. At December 31, 2015 and 2014, the value of the intangible asset, net of accumulated amortization, was $3,697 and $9,242, respectively.

Intangible assets are included within other assets in the accompanying consolidated statements of financial position.

Deferred Financing Costs

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

2. Summary of Significant Accounting Policies (continued)

Interest Rate Swap Agreements

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

Other Long-Term Liabilities

Other long-term liabilities included in the accompanying consolidated statements of financial position primarily consist of the long-term portion of estimated payable to third-party payers, deferred rent payable, asset retirement obligations, deferred revenue, and the fair value of the interest rate swap agreements.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are restricted by donors or other external parties to be used for designated purposes or over specified time periods. When donor restrictions expire, that is, when a time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions.

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

(In Thousands)

2. Summary of Significant Accounting Policies (continued)

Donor Gifts

Gifts of cash and other assets, including unconditional promises to give cash and other assets (pledges), are reported at fair value when the gift is received (or promise is made). Donor-restricted contributions whose restrictions are met within the same year as received are classified as unrestricted contributions in the accompanying consolidated financial statements. Northwell receives conditional pledges, which are not reflected in the accompanying consolidated financial statements. The conditional pledges primarily relate to the establishment of certain programs. As the conditions of the pledges are met, the pledges are recognized. At December 31, 2015 and 2014, $11,305 and $4,221, respectively, of conditional pledges have not been recognized in the consolidated statements of financial position.

Contributions and pledges raised through fundraising efforts for the years ended December 31, 2015 and 2014 are summarized as follows:

	2015	2014
Unrestricted	**$ 3,894**	$ 1,977
Temporarily restricted	**39,934**	70,064
Permanently restricted	**19,628**	1,237
	$ 63,456	$ 73,278

Health Insurance Premium Revenue

Health insurance premium revenue for Health Plan and CareConnect (collectively, the Health Insurance Companies) is earned over the term of the related insurance policies and recorded in the month for which members are entitled to health care services at estimated net realizable value. Unearned premium reserves are established to cover the unexpired portion of premiums written and are included in accounts payable and accrued expenses in the accompanying consolidated statements of financial position.

(In Thousands)

2. Summary of Significant Accounting Policies (continued)

Medical Claims Expense and Accrued Medical Claims

The Health Insurance Companies contract with various health care providers, including Northwell, to provide care to their members. The Health Insurance Companies compensate these providers on either a capitated or fee-for-service basis. The cost of health care services is accrued in the period provided to enrollees and is based on estimates for such services which have been incurred but not reported. Adjustments to these estimates are recorded in future periods as amounts become known. Included in supplies and expenses in the accompanying consolidated statements of operations for the years ended December 31, 2015 and 2014 is $135,204 and $40,289, respectively, of medical claims expense. For the years ended December 31, 2015 and 2014, this amount is net of $73,125 and $34,420, respectively, of medical claims expense eliminated in consolidation, along with a corresponding amount of total patient revenue, related to transactions between the Health Insurance Companies and Northwell's health care providers.

Functional Expenses

Northwell provides health care services to residents primarily within its geographic areas. Expenses related to providing these services pertain to the following functional categories for the years ended December 31, 2015 and 2014:

	2015	**2014**
Health care services	**$ 7,663,295**	$ 6,566,804
General and administrative	**969,662**	780,730
Total operating expenses	**$ 8,632,957**	$ 7,347,534

Tax Status

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

(In Thousands)

2. Summary of Significant Accounting Policies (continued)

The effect on deferred taxes of a change in tax rates is recognized in income in the period of enactment. At December 31, 2015 and 2014, Northwell has a deferred income tax asset which has been fully offset by a related valuation allowance. A valuation allowance is provided when it is more likely than not that some portion or all of the deferred tax asset will not be realized. Significant components of the deferred tax asset relate to the allowance for doubtful accounts and net operating loss carryforwards. Certain entities have net operating loss carryforwards aggregating approximately $219,000, which expire in varying amounts through 2035, and are available to offset future taxable income.

Reclassifications

Certain 2014 amounts in the accompanying consolidated financial statements have been reclassified from amounts previously reported to conform to the 2015 presentation. These reclassifications have no impact on the net assets previously reported.

3. Marketable Securities and Other Investments

Marketable securities and other investments, stated at fair value or under the equity method of accounting as applicable based on the appropriate measurement basis as described in Note 2, consist of the following at December 31, 2015 and 2014:

	2015	**2014**
Cash and short-term investments	**$ 89,571**	$ 133,689
U.S. Government obligations	**62,584**	70,590
Corporate and other bonds	**269,564**	296,199
Fixed income mutual funds	**240,846**	235,262
Commingled fixed income funds	**223,899**	236,295
Equity securities	**314,683**	314,967
Equity mutual funds	**181,256**	190,094
Commingled equity funds	**125,000**	121,365
Commingled risk-parity funds	**106,232**	89,083
Funds of hedge funds	**227,633**	214,108
Interest and other receivables	**3,624**	3,509
	$ 1,844,892	$ 1,905,161

(In Thousands)

3. Marketable Securities and Other Investments (continued)

Investment income and the change in net unrealized gains and losses and change in value of equity method investments are comprised of the following for the years ended December 31, 2015 and 2014:

	2015		
	Unrestricted	**Temporarily Restricted**	**Total**
Investment income:			
Interest and dividend income	**$ 40,512**	**$ 1,909**	**$ 42,421**
Net realized gains and losses	**30,757**	**4,035**	**34,792**
Less interest and dividend income on malpractice and other self-insurance assets *(see Note 2)*	**(9,064)**	**–**	**(9,064)**
	$ 62,205	**$ 5,944**	**$ 68,149**
Change in net unrealized gains and losses and change in value of equity method investments:			
Change in net unrealized gains and losses	**$ (74,704)**	**$ (4,304)**	**$ (79,008)**
Equity method investment gains and losses	**(37,840)**	**(2,022)**	**(39,862)**
Equity method investment gains – other assets	**(156)**	**–**	**(156)**
	$ (112,700)	**$ (6,326)**	**$ (119,026)**

	2014		
	Unrestricted	**Temporarily Restricted**	**Total**
Investment income:			
Interest and dividend income	$ 39,159	$ 1,767	$ 40,926
Net realized gains and losses	69,722	7,067	76,789
Less interest and dividend income on malpractice and other self-insurance assets *(see Note 2)*	(8,064)	–	(8,064)
	$ 100,817	$ 8,834	$ 109,651
Change in net unrealized gains and losses and change in value of equity method investments:			
Change in net unrealized gains and losses	$ (6,207)	$ (1,285)	$ (7,492)
Equity method investment gains and losses	(23,085)	(1,029)	(24,114)
Equity method investment gains – other assets	4,938	–	4,938
	$ (24,354)	$ (2,314)	$ (26,668)

(In Thousands)

4. Assets Limited as to Use

Assets limited as to use, including marketable securities and other investments stated at fair value or under the equity method of accounting as applicable based on the appropriate measurement basis as described in Note 2, consist of the following at December 31, 2015:

	2015			
	Bond Indenture, Third-party Agreements and Other	**Malpractice and Other Self-Insurance Assets**	**Temporarily and Permanently Restricted Assets (Including Investment Return)**	**Total**
Cash and short-term investments	$ 197,061	$ 27,391	$ 32,970	$ 257,422
U.S. Government obligations	146,808	15,671	2,049	164,528
Corporate and other bonds	64,348	51,905	8,780	125,033
Fixed income mutual funds	74,545	109,436	12,830	196,811
Commingled fixed income funds	46,011	80,742	8,811	135,564
Equity securities	64,792	68,573	36,949	170,314
Equity mutual funds	94,897	94,459	26,143	215,499
Commingled equity funds	25,527	30,266	14,447	70,240
Target-age mutual funds	22,632	–	–	22,632
Commingled risk-parity funds	21,810	33,024	14,548	69,382
Funds of hedge funds	46,692	76,287	24,703	147,682
Hedge funds	7,783	13,189	746	21,718
Private equity funds	–	–	7,231	7,231
Private real estate funds	–	–	3,920	3,920
Interest and other receivables	842	705	192	1,739
	$ 813,748	$ 601,648	$ 194,319	1,609,715
Less current portion				101,683
				$ 1,508,032

(In Thousands)

4. Assets Limited as to Use (continued)

Assets limited as to use, including marketable securities and other investments stated at fair value or under the equity method of accounting as applicable based on the appropriate measurement basis as described in Note 2, consist of the following at December 31, 2014:

	2014			
	Bond Indenture, Third-party Agreements and Other	**Malpractice and Other Self-Insurance Assets**	**Temporarily and Permanently Restricted Assets (Including Investment Return)**	**Total**
Cash and short-term investments	$ 107,257	$ 24,909	$ 26,251	$ 158,417
U.S. Government obligations	160,625	14,857	2,346	177,828
Corporate and other bonds	83,860	47,010	7,269	138,139
Fixed income mutual funds	77,620	109,893	7,817	195,330
Commingled fixed income funds	47,228	66,965	9,888	124,081
Equity securities	76,847	59,397	40,984	177,228
Equity mutual funds	88,393	82,658	20,878	191,929
Commingled equity funds	27,890	27,432	23,146	78,468
Target-age mutual funds	18,781	–	–	18,781
Commingled risk-parity funds	21,740	26,046	14,323	62,109
Funds of hedge funds	52,252	62,097	23,524	137,873
Hedge funds	–	–	107	107
Private equity funds	–	–	4,556	4,556
Private real estate funds	–	–	3,461	3,461
Interest and other receivables	974	638	313	1,925
	$ 763,467	$ 521,902	$ 184,863	1,470,232
Less current portion				104,566
				$ 1,365,666

(In Thousands)

4. Assets Limited as to Use (continued)

Included in bond indenture, third-party agreements and other above are depreciation funds and other internally designated funds of approximately $93,000 and $67,000 at December 31, 2015 and 2014, respectively, which are included in Northwell's days cash on hand calculation for certain debt compliance covenants (see Note 7).

5. Pledges Receivable

Pledges receivable at December 31, 2015 and 2014 consist of the following:

	2015	2014
Amounts expected to be collected in:		
Less than one year	**$ 50,544**	$ 49,215
One to five years	**95,167**	95,687
More than five years	**38,401**	52,696
	184,112	197,598
Less:		
Discount to present value of future cash flows (discount rates ranging from 0.75% to 4.7%)	**12,478**	13,819
Allowance for uncollectible amounts	**45,447**	46,227
Current portion of pledges receivable	**35,097**	36,129
Pledges receivable, net of current portion	**$ 91,090**	$ 101,423

(In Thousands)

6. Property, Plant and Equipment

Property, plant and equipment and accumulated depreciation and amortization at December 31, 2015 and 2014 are summarized as follows:

	2015	2014
Land	**$ 713,770**	$ 633,801
Land improvements	**23,385**	19,880
Buildings and fixed equipment	**3,571,323**	3,225,943
Movable equipment	**1,514,512**	1,295,146
Leasehold improvements	**16,773**	14,597
	5,839,763	5,189,367
Less accumulated depreciation and amortization	**1,830,697**	1,682,447
	4,009,066	3,506,920
Construction-in-progress	**306,100**	255,184
	$ 4,315,166	$ 3,762,104

Northwell wrote off approximately $236,000 and $201,000 of fully depreciated assets in 2015 and 2014, respectively.

Net interest capitalized for the years ended December 31, 2015 and 2014 was approximately $8,700 and $6,200, respectively.

Certain leases are considered to be the equivalent of installment purchases for purposes of accounting presentation. The liabilities relating to these assets are included in capital lease obligations. The cost, less accumulated amortization, of these assets is included in property, plant and equipment at December 31, 2015 and 2014 as follows:

	2015	2014
Land	**$ 29,973**	$ 29,973
Buildings and fixed equipment	**103,887**	124,863
Movable equipment	**11,706**	19,641
	145,566	174,477
Less accumulated amortization	**11,526**	41,291
	$ 134,040	$ 133,186

(In Thousands)

7. Debt

Long-Term Debt

Long-term debt at December 31, 2015 and 2014 consists of the following:

	2015	2014
Bonds payable at varying dates through November 2043, at fixed and variable interest rates ranging from 0.95% to 6.15%	**$ 1,602,935**	$ 1,527,695
Other long-term debt payable at varying dates through June 2049 at variable and fixed interest rates ranging from 1.74% to 5.69%	**632,169**	372,020
Total long-term debt	**2,235,104**	1,899,715
Less current portion of bonds payable	**35,657**	37,775
Less current portion of other long-term debt	**19,956**	17,582
Less net unamortized debt issuance costs	**25,710**	33,555
Add net unamortized bond premium	**45,620**	11,940
	$ 2,199,401	$ 1,822,743

Annual aggregate principal payments applicable to long-term debt for years subsequent to December 31, 2015 are as follows:

	Bonds Payable	Other Long-Term Debt	Total
Year ended December 31:			
2016	$ 35,657	$ 19,956	$ 55,613
2017	37,817	17,215	55,032
2018	39,974	14,921	54,895
2019	42,198	39,217	81,415
2020	44,741	15,744	60,485
Thereafter	1,402,548	525,116	1,927,664
	$ 1,602,935	$ 632,169	$ 2,235,104

(In Thousands)

7. Debt (continued)

Most of Northwell's debt arrangements include security agreements of various types. The agreements may include the pledging as collateral certain assets and revenues, and limitations on the use of assets, including restrictions on the transfer of assets to entities outside Northwell. At December 31, 2015 and 2014, the majority of Northwell's assets were pledged as collateral under the terms of various debt agreements. In addition, certain debt agreements contain covenants related to the maintenance of financial ratios, including debt service coverage ratios and days cash on hand, and the maintenance of certain debt service and other reserve funds included in assets limited as to use. At December 31, 2015 and 2014, Northwell was in compliance with the financial covenants.

Bonds Payable

Bonds payable by Northwell consists of the following at December 31, 2015:

	Interest Structure	Final Maturity	Outstanding Principal
Obligated Group:			
Series 2015A	Fixed	2043	$ 503,640
Series 2013A (taxable)	Fixed	2043	250,000
Series 2012A	Fixed	2023	41,680
Series 2012B (taxable)	Fixed	2042	135,000
Series 2011A	Fixed	2041	355,960
Series 2009A	Fixed	2019	7,500
Series 2009B	Fixed	2039	50,000
Series 2009C	Fixed	2039	37,500
Series 2009D	Fixed	2039	37,500
Series 2009E	Fixed	2033	60,890
Series 2007B	Variable*	2018	33,915
Other:			
Phelps Series 2013	Fixed	2038	12,880
Phelps Series 2005	Fixed	2030	20,105
NWH Series 2014	Fixed	2039	33,000
NWH Series 2009	Variable	2034	14,180
NWH Series 2004	Variable*	2024	9,185
			$ 1,602,935

*Variable rate debt is swapped to a fixed rate via interest rate swap agreements.

(In Thousands)

7. Debt (continued)

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

In May 2015, the outstanding $13,245 of the Obligated Group's Series 2003 bonds were cash defeased. A loss on redemption of long-term debt of $457 resulted from this cash defeasance.

In June 2015, the Obligated Group issued $503,640 of revenue bonds through the DASNY Series 2015A bonds. The Series 2015A bonds were sold at a premium of $39,929 and bear interest at fixed interest rates, payable semi-annually with a final maturity date of May 2043. The proceeds of the Series 2015A bonds were used to: (i) refund $470,385 in Series 2005A, 2005B, 2007A and 2009A bonds of the Obligated Group, (ii) finance projects for certain members of the Obligated Group, (iii) pay a portion of the interest on the Series 2015A bonds, and (iv) pay costs of issuance incurred in connection with the issuance of the Series 2015A bonds. A loss on refunding of long-term debt of $56,518 resulted from the Series 2015A bond transaction.

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

	Date of Final Redemption	Outstanding Principal
Series 2005A and B Bonds	November 1, 2016	$ 103,090
Series 2007A Bonds	May 1, 2017	137,525
Series 2009A Bonds	May 1, 2019	200,955
		$ 441,570

(In Thousands)

7. Debt (continued)

Other Long-Term Debt

Other long-term debt consists of the following at December 31, 2015:

	Interest Structure	Final Maturity	Outstanding Principal
HCI Notes Payable	Fixed	2030	$ 250,000
Real Estate Financing	Fixed	2049	66,737
Staten Island Term Loan[(a)]	Variable[(b)]	2023	30,000
Lenox Mortgage	Variable	2029	25,625
The Long Island Home Mortgage[(c)]	Variable[(b)]	2019	25,543
LIJMC Tax-Exempt Lease Financing	Fixed	2019	8,933
Staten Island Tax-Exempt Lease Financing	Fixed	2018	6,129
LIJMC Mortgage	Fixed	2045	209,003
Phelps Mortgage[(c)]	Fixed	2016	3,199
NWH Term Loan[(c)]	Variable	2022	7,000
			$ 632,169

(a) The lender has an April 2018 call option.
(b) Variable rate debt is swapped to a fixed rate via interest rate swap agreements.
(c) Debt of The Long Island Home, Phelps and NWH is not included in the Obligated Group.

In October 2014, HCI issued $250,000 of notes payable as a joint and several general obligation of the Obligated Group. The notes bear interest at a fixed interest rate of 4.20%, payable semiannually, with a final maturity date of May 1, 2030. The proceeds of the notes were used to finance a portion of the Obligated Group’s capital expenditures in 2014 and 2015.

During 2014, Northwell entered into two real estate transactions to finance the purchase of buildings and land directly with the seller. In May 2015, one of the transactions was modified to finance additional construction on the property. As a result of these financing transactions, obligations of $36,921 exist at December 31, 2015 and payments of principal and interest are due monthly through 2049.

(In Thousands)

7. Debt (continued)

In March 2015, LIJMC entered into a real estate transaction to purchase a building and land that it previously occupied under a capital lease agreement. In conjunction with the transaction, LIJMC obtained a mortgage for $211,000, with principal and interest payable in monthly installments through March 2045, at a fixed interest rate of 4.47%. The proceeds of the mortgage were primarily used to purchase the property, with the remaining funds put into escrow to be used to fund capital improvements. As a result of the transaction, capital lease obligations of approximately $70,000 were removed from Northwell's consolidated statement of financial position.

In November 2015, Northwell amended an existing real estate lease which was previously accounted for as a capital lease obligation. The modification terminated the lease and provided Northwell with ownership of leasehold condominiums relating to the property. In conjunction with purchasing the leasehold condominiums, Northwell recorded $30,000 of debt under a promissory note, with principal and interest payable in monthly installments through September 2045, at a fixed interest rate of 2.0%. As a result of the transaction, capital lease obligations of approximately $22,000 were removed from Northwell's consolidated statement of financial position.

Capital Lease Obligations

Northwell has entered into various capital lease agreements for land, buildings and equipment. Capital lease obligations at December 31, 2015 and 2014 consist of the following:

	2015	2014
Minimum lease payments	**$ 389,054**	$ 498,647
Less executory costs	**–**	90,457
Less interest	**212,851**	204,463
Less current portion at net present value	**3,138**	5,902
Present value of net minimum long-term lease payments	**173,065**	197,825
Less net unamortized issuance costs	**1,177**	1,243
	$ 171,888	$ 196,582

(In Thousands)

7. Debt (continued)

Future minimum lease payments under capital lease obligations as of December 31, 2015 are as follows:

Year ending December 31:	
2016	$ 12,948
2017	11,593
2018	11,652
2019	11,727
2020	11,790
Thereafter	329,344
Total minimum lease payments	$ 389,054

During 2014, Northwell entered into several real estate leases for buildings and land that were accounted for as capital lease obligations, valued in total for approximately $125,000. In November 2015, one of these leases was amended, and Northwell's liability is now recorded as long-term debt (refer to "Other Long-Term Debt" herein). Payments of principal and interest on the remaining 2014 capital lease obligations are due monthly and extend through 2049.

In December 2015, Northwell entered into a real estate lease for a building and land that was accounted for as a capital lease obligation, valued for approximately $67,000. Payments of principal and interest are due monthly and extend through 2045.

Short-Term Borrowings

Certain members of Northwell have entered into several unsecured revolving credit facilities with commercial banks with commitment availability through dates ranging from August 31, 2016 to July 23, 2020. Borrowings under these credit facilities are short-term and are primarily used to provide interim financing for capital improvement projects, with repayment to be provided from bond proceeds and/or the receipt of fundraising proceeds from capital campaigns. Additionally, amounts can be used to provide backup financing for the support of the certificate of need process as required by the NYSDOH and short-term working capital to support the monthly operating cash conversion cycle. Interest options include prime-based rates, LIBOR-based rates and bank cost of funds rates. Total credit under such arrangements was $288,000 and $312,000 at December 31, 2015 and 2014, respectively. Balances outstanding from these borrowings are $110,218 at December 31, 2015 and 2014.

8. Third-Party Payer Structured Liabilities

In 1999, Staten Island agreed to settle an outstanding matter with the New York State Attorney General. This matter related to Staten Island receiving payments at various part-time clinics during the period January 1, 1994 through August 31, 1998 at an enhanced rate known as Products of Ambulatory Care. As a result of this matter, Staten Island agreed to remit to the State of New York (the State) the gross sum of $41,200, payable over an extended period. Payments commenced in November 1999 and are being made monthly, totaling $2,000 per year for 20 years. Included in third-party payer structured liabilities is the present value of this agreement based upon a 6% discount factor. For 2015 and 2014, payments made under such arrangement totaled $2,000 for each year, including $484 and $572 recorded as interest expense in the accompanying consolidated statements of operations for 2015 and 2014, respectively. Additionally, in accordance with Staten Island's mission and commitment to provide uncompensated care, Staten Island agreed to continue to provide uncompensated care and services to individuals unable to pay for such services. Such uncompensated care and services shall have value, as defined in the agreement, of not less than $1,950 per year for 20 years. As the provision of uncompensated care is not considered incremental to those uncompensated services already provided by Staten Island, no liability was recorded for such amounts. Staten Island was in compliance with such provision in 2015 and 2014.

In 2005, Staten Island agreed to settle an action commenced by the New York State Attorney General. The settlement related to the recovery of prior Medicaid payments to Chaps Community Health Center, Inc., a subsidiary of Staten Island. Pursuant to the settlement, Staten Island agreed to remit to the State $76,500. This amount includes approximately $8,000 of Medicaid reimbursement previously withheld in 2004 by the State, in connection with its investigation of this matter. The remaining amounts are payable to the State over a 13-year period which began in 2005. The required payment for 2016 and 2017 is approximately $3,000 each year. Staten Island has recorded the present value of these settlement payments based upon a 6% discount factor in the accompanying consolidated statements of financial position. Payments made under this settlement for 2015 and 2014 totaled $3,979 and $5,500, respectively, including approximately $532 and $814 recorded as interest expense in the accompanying consolidated statements of operations for the years ended December 31, 2015 and 2014, respectively. As part of the 2005 settlement agreement, Staten Island adopted a number of managerial and operational reforms that will govern the conduct of Staten Island officers, employees and Board members. The amounts payable under the 2005 settlement agreement are in addition to the amounts which continue to be payable under the 1999 settlement described previously.

9. Fair Values of Financial Instruments

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

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

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

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

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

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

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

(In Thousands)

9. Fair Values of Financial Instruments (continued)

Financial assets and liabilities carried at fair value as of December 31, 2015 are classified in the following table in one of the three categories described previously:

	2015			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Cash and short-term investments	**$ 779,822**	**$ –**	**$ –**	**$ 779,822**
Fixed income obligations:				
U.S. Government obligations	**107,015**	**120,097**	**–**	**227,112**
Corporate and other bonds	**–**	**394,597**	**–**	**394,597**
Fixed income mutual funds	**437,657**	**–**	**–**	**437,657**
Equity securities:				
Value	**76,589**	**–**	**–**	**76,589**
Small cap	**31,735**	**–**	**–**	**31,735**
Global	**305,907**	**–**	**–**	**305,907**
Growth	**70,766**	**–**	**–**	**70,766**
Equity mutual funds	**396,755**	**–**	**–**	**396,755**
Target-age mutual funds	**22,632**	**–**	**–**	**22,632**
Interest and other receivables	**5,363**	**–**	**–**	**5,363**
Liabilities				
Interest rate swap agreements	**–**	**(3,653)**	**–**	**(3,653)**
	$ 2,234,241	**$ 511,041**	**$ –**	**$ 2,745,282**

(In Thousands)

9. Fair Values of Financial Instruments (continued)

Financial assets and liabilities carried at fair value as of December 31, 2014 are classified in the following table in one of the three categories described previously:

	2014			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Cash and short-term investments	$ 486,676	$ –	$ –	$ 486,676
Fixed income obligations:				
U.S. Government obligations	57,482	190,936	–	248,418
Corporate and other bonds	–	434,338	–	434,338
Fixed income mutual funds	430,592	–	–	430,592
Equity securities:				
Value	73,993	–	–	73,993
Small cap	76,573	–	–	76,573
Global	275,826	–	–	275,826
Growth	65,803	–	–	65,803
Equity mutual funds	382,023	–	–	382,023
Target-age mutual funds	18,781	–	–	18,781
Interest and other receivables	5,434	–	–	5,434
Liabilities				
Interest rate swap agreements	–	(5,005)	–	(5,005)
	$ 1,873,183	$ 620,269	$ –	$ 2,493,452

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

The amounts reported in the previous tables exclude investments reported under the equity method of accounting in the amounts of $1,138,501 and $1,071,506 at December 31, 2015 and 2014, respectively (see Note 2), and assets invested in Northwell's pension plans (see Note 10).

(In Thousands)

9. Fair Values of Financial Instruments (continued)

The fair values and carrying values of Northwell's financial instruments that are not required to be carried at fair value are as follows at December 31, 2015 and 2014:

	2015		**2014**	
	Fair Value	**Carrying Value**	**Fair Value**	**Carrying Value**
Debt (including short-term borrowings; excluding capital lease obligations)	**$ 2,485,298**	**$ 2,365,232**	$ 2,170,515	$ 1,988,318

The fair value of Northwell's bonds payable is based on quoted market prices for the related bonds. The fair value of other debt is based upon discounted cash flow analyses. Fair value of bonds payable at December 31, 2015 and 2014 is classified as Level 1 ($1,768,622 and $1,721,832, respectively), while fair value of other debt is classified as Level 2 ($716,676 and $448,683, respectively).

10. Pension Plans

Northwell maintains several pension plans for its employees. The following are descriptions of such plans and the respective pension expense for the years ended December 31, 2015 and 2014.

Certain members of Northwell provide pension and similar benefits to their employees through defined contribution plans. Contributions to the defined contribution plans are based on percentages of annual salaries. It is the policy of these members to fund accrued costs under these plans on a current basis. Pension expense for 2015 and 2014 related to the defined contribution plans amounted to $123,885 and $105,974, respectively.

10. Pension Plans (continued)

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

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

Northwell's significant participation in certain plans for the annual period ended December 31, 2015 is outlined in the following table. The following information for the 1199SEIU Health Care Employees Pension Fund (the 1199 Plan) and the New York State Nurses Association Pension Plan (the NYSNA Plan) is included within the table:

a. The "EIN/Pension Plan Number" column provides the plans' Employee Identification Number (EIN) and the three-digit plan number.
b. The "Pension Protection Act Zone Status" is based on information that Northwell received from the plans and is certified by the plans' actuaries. Among other factors, plans in the red zone are generally less than 65% funded, plans in the yellow zone are less than 80% funded and plans in the green zone are at least 80% funded.
c. The "FIP/RP Status Pending/Implemented" column indicates plans for which a financial improvement plan (FIP) or a rehabilitation plan (RP) is either pending or has been implemented.
d. The last column lists the expiration dates of the collective bargaining agreements to which the plans are subject.

(In Thousands)

10. Pension Plans (continued)

Pension Fund	EIN/Pension Plan Number	Pension Protection Act Zone Status		FIP/RP Status Pending/ Implemented	Contributions of Northwell		Surcharge Imposed	Expiration Date of Collective-Bargaining Agreements
		2015	2014		2015	2014		
1199 Plan[(a)]	13-3604862/001	**Green**	Green	N/A	**$ 63,106**	$ 58,494	No	9/30/2018 to 3/31/2019
NYSNA Plan[(a)]	13-6604799/001	**Green**	Green	N/A	**$ 9,258**	$ 8,949	No	10/12/2017 & 12/31/2017

(a) Northwell contributions represent more than 5% of total contributions to the 1199 and NYSNA Plans for the plan years ended December 31, 2015 and 2014.

In addition to the plans noted in the table above, Northwell also participates in several other multiemployer plans. Contributions for these other plans totaled $886 and $825 for the years ended December 31, 2015 and 2014, respectively.

Certain of Northwell's employees participate in deferred compensation plans. The liability for these plans totaled $7,123 and $3,948 at December 31, 2015 and 2014, respectively. In connection with these plans, Northwell deposits amounts with trustees on behalf of the participating employees. Under the terms of the plans, Northwell is not responsible for investment gains or losses incurred. The assets are restricted for payments under the plans, but may revert to Northwell under certain specified circumstances.

In addition, Northwell maintains various deferred compensation plans pursuant to Section 457(b) of the Code (the 457(b) Plans). Eligible employees may defer compensation under a salary reduction agreement, subject to certain dollar limitations. Non-elective employer contributions may also be made for some of the 457(b) Plans. Payments upon retirement or termination of employment are based on amounts credited to the individual accounts. The assets and corresponding liability for the 457(b) Plans, included in assets limited as to use and accrued retirement benefits in the accompanying consolidated statements of financial position, totaled $104,198 and $90,158 at December 31, 2015 and 2014, respectively.

Certain employees, except for certain members of the medical staff and certain employees represented by collective bargaining agreements, are covered by noncontributory defined benefit plans (the Plans).

(In Thousands)

10. Pension Plans (continued)

Effective December 31, 2014, the Lenox Hill Health Services Retirement Plan was merged into the North Shore-Long Island Jewish Health System Cash Balance Plan, now the Northwell Health Cash Balance Plan (the Cash Balance Plan).

Northwell recognizes the funded status (i.e., the difference between the fair value of plan assets and the projected benefit obligations) of the Plans in its consolidated statements of financial position.

The following tables provide a reconciliation of the changes in the Plans' projected benefit obligation and fair value of plan assets for the years ended December 31, 2015 and 2014 and the funded status and accumulated benefit obligation of the Plans as of December 31, 2015 and 2014:

	2015	2014
Reconciliation of the projected benefit obligation		
Obligation at January 1	**$ 1,968,263**	$ 1,699,932
Inclusion of NWH obligation at Acquisition Date	**128,379**	–
Service cost	**72,322**	55,662
Interest cost	**91,623**	88,216
Plan amendments	**45**	312
Actuarial (gain) loss	**(100,027)**	306,864
Benefit payments	**(81,170)**	(182,723)
Obligation at December 31	**$ 2,079,435**	$ 1,968,263
Reconciliation of fair value of plan assets		
Fair value of plan assets at January 1	**$ 1,409,341**	$ 1,468,616
Inclusion of NWH plan assets at Acquisition Date	**78,252**	–
Actual return on plan assets	**(20,844)**	60,423
Employer contributions	**60,340**	63,025
Benefit payments	**(81,170)**	(182,723)
Fair value of plan assets at December 31	**$ 1,445,919**	$ 1,409,341
Funded status		
Funded status at December 31	**$ (633,516)**	$ (558,922)
Accumulated benefit obligation at December 31	**$ 1,938,265**	$ 1,823,619

(In Thousands)

10. Pension Plans (continued)

The current portion of accrued retirement benefits related to the Plans, included in accrued salaries and related benefits in the accompanying consolidated statements of financial position, is $6,013 and $2,023 at December 31, 2015 and 2014, respectively.

The actuarial gain in 2015 is primarily due to the increase in the discount rate. The actuarial loss in 2014 is primarily due to the decrease in the discount rate and a change in the mortality table and mortality projection scale.

Included in unrestricted net assets at December 31, 2015 and 2014 are the following amounts that have not yet been recognized in net periodic benefit cost:

	2015		
	Defined Benefit Plans	**Postretirement Benefit Plans (See Note 11)**	**Total**
Unrecognized actuarial (loss) gain	**$ (565,061)**	**$ 37,613**	**$ (527,448)**
Unrecognized prior service (cost) credit	**(14,001)**	**3,178**	**(10,823)**
	$ (579,062)	**$ 40,791**	**$ (538,271)**

	2014		
	Defined Benefit Plans	**Postretirement Benefit Plans (See Note 11)**	**Total**
Unrecognized actuarial (loss) gain	$ (569,514)	$ 25,931	$ (543,583)
Unrecognized prior service (cost) credit	(17,939)	5,120	(12,819)
	$ (587,453)	$ 31,051	$ (556,402)

(In Thousands)

10. Pension Plans (continued)

The actuarial loss (gain) and prior service cost (credit) included in unrestricted net assets expected to be recognized in net periodic benefit cost during the year ended December 31, 2016 are as follows:

	Defined Benefit Plans	Postretirement Benefit Plans (See Note 11)	Total
Actuarial loss (gain)	$ 36,888	$ (2,154)	$ 34,734
Prior service cost (credit)	3,725	(1,138)	2,587
Increase (decrease) to net periodic benefit cost	$ 40,613	$ (3,292)	$ 37,321

The following table provides the components of the net periodic benefit cost for the Plans for the years ended December 31, 2015 and 2014:

	2015	**2014**
Service cost	**$ 72,322**	$ 55,662
Interest cost on projected benefit obligation	**91,623**	88,216
Expected return on plan assets	**(112,531)**	(109,600)
Amortization of actuarial loss	**38,172**	8,234
Amortization of prior service cost	**3,983**	4,078
Settlement loss	**–**	207
Net periodic benefit cost	**$ 93,569**	$ 46,797

Assumptions

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

(In Thousands)

10. Pension Plans (continued)

The assumptions used in the measurement of the Cash Balance Plan's benefit obligations at December 31, 2015 and 2014 are shown in the following table:

	2015	2014
Discount rate	**4.65%**	4.30%
Rate of compensation increase	**4.00%**	4.00%

The assumptions used in the measurement of the Cash Balance Plan's net periodic benefit cost for the years ended December 31, 2015 and 2014 are shown in the following table:

	2015	2014
Discount rate	**4.30%**	5.15%
Expected long-term rate of return on plan assets	**7.50%**	7.50%
Rate of compensation increase	**4.00%**	4.00%

The Cash Balance Plan comprises 89.6% and 95.2% of the Plans' total projected benefit obligation as of December 31, 2015 and 2014, respectively, and 94.2% and 92.4% of the net periodic benefit cost for the years ended December 31, 2015 and 2014, respectively.

Estimated Future Benefit Payments

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

2016	$ 89,607
2017	91,182
2018	97,246
2019	105,002
2020	108,564
2021 to 2025	642,866

(In Thousands)

10. Pension Plans (continued)

Cash Flows

Northwell expects to make contributions of approximately $41,000 to the Plans in 2016.

The fair values of the Plans' assets at December 31, 2015, by asset category, are as follows:

	Level 1	Level 2	Level 3	Total
Asset Category				
Cash and short-term investments	$ **71,097**	$ **–**	$ **–**	$ **71,097**
Fixed income obligations:				
U.S. Government obligations	**2,506**	**14,336**	**–**	**16,842**
Corporate and other bonds	**–**	**119,644**	**–**	**119,644**
Fixed income mutual funds	**103,625**	**–**	**–**	**103,625**
Equity securities:				
Value	**33,656**	**–**	**–**	**33,656**
Small cap	**13,562**	**–**	**–**	**13,562**
Global	**137,642**	**–**	**–**	**137,642**
Growth	**33,948**	**–**	**–**	**33,948**
Equity mutual funds	**116,975**	**–**	**–**	**116,975**
Interest and other receivables	**25,945**	**–**	**–**	**25,945**
	$ **538,956**	$ **133,980**	$ **–**	**672,936**
Assets measured at net asset value:				
Commingled fixed income funds				**184,549**
Commingled equity funds				**130,666**
Commingled risk-parity fund				**127,397**
Funds of hedge funds				**209,652**
Hedge funds				**28,465**
Private equity funds				**59,989**
Private real estate funds				**32,265**
Total assets at fair value				**$ 1,445,919**

Subsequent to Northwell's acquisition of NWH, Northwell began the process of aligning NWH's pension plan investment portfolio with Northwell's target allocations. At December 31, 2015, certain assets of NWH's pension plan were in the process of being redeemed and reinvested in a manner in which to more closely attain Northwell's target allocation.

(In Thousands)

10. Pension Plans (continued)

The fair values of the Plans' assets at December 31, 2014, by asset category, are as follows:

	Level 1	Level 2	Level 3	Total
Asset Category				
Cash and short-term investments	$ 27,238	$ –	$ –	$ 27,238
Fixed income obligations:				
U.S. Government obligations	8,600	14,887	–	23,487
Corporate and other bonds	–	119,149	–	119,149
Fixed income mutual funds	101,128	–	–	101,128
Equity securities:				
Value	36,516	–	–	36,516
Small cap	46,731	–	–	46,731
Global	157,131	–	–	157,131
Growth	35,994	–	–	35,994
Equity mutual funds	127,043	–	–	127,043
Interest and other receivables	1,521	–	–	1,521
	$ 541,902	$ 134,036	$ –	675,938
Assets measured at net asset value:				
Commingled fixed income funds				181,350
Commingled equity funds				140,614
Commingled risk-parity fund				135,652
Funds of hedge funds				219,578
Hedge funds				1,013
Private equity funds				29,008
Private real estate funds				26,188
Total assets at fair value				$ 1,409,341

(In Thousands)

10. Pension Plans (continued)

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

The following is a summary of assets in the Plans at December 31, 2015 (by asset category) with redemption restrictions:

	Fair Value	Redemption Period (Including Notice Period)
Commingled fixed income funds	$ 184,549	1 day to 13 days
Commingled equity funds	130,666	3 days to 51 days
Commingled risk-parity fund	127,397	5 days to 36 days
Funds of hedge funds	209,652	61 days to 299 days
Hedge funds	28,465	30 days to 90 days

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

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

10. Pension Plans (continued)

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

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

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

Description of Investment Policies and Strategies

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

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

(In Thousands)

10. Pension Plans (continued)

The Cash Balance Plan's asset allocation at December 31, 2015 and 2014, by asset category, is as follows:

	2015	**2014**	**Target Allocation**
Cash and short-term investments	**3.4%**	2.1%	1.0%
Fixed income obligations, including commingled fixed income funds	**31.2**	30.1	32.0
Equity securities, including commingled equity funds	**32.4**	37.2	37.0
Commingled risk-parity funds	**9.8**	10.1	10.0
Alternative investments	**23.2**	20.5	20.0
	100.0%	100.0%	100.0%

Target allocations generally have permitted variances of plus/minus ten points.

The Cash Balance Plan comprises 90.1% and 95.3% of the Plans' total fair value of plan assets as of December 31, 2015 and 2014, respectively.

11. Postretirement Benefits Other Than Pensions

Certain employees are covered by the North Shore-Long Island Jewish Health System Retiree Medical and Life Insurance Plan (the NS-LIJ Plan) and other postretirement benefit plans other than pensions.

The NS-LIJ Plan is contributory with a 2% per year service subsidy up to 30 years (maximum 60%) for non-union employees hired prior to January 1, 2001. The subsidy for future retirees is as follows: for pre-65 retirees, a 2% per year service subsidy for years of service through 2000 and a 1% per year service subsidy for years of service for 2001 and thereafter, up to 30 years. For post-65 retirees, a 1% per year service subsidy for years of service through 2000 and a 0.5% per year service subsidy for years of service for 2001 and thereafter, up to 30 years. For non-union employees hired after January 1, 2001, the NS-LIJ Plan provides a defined dollar benefit subsidy of $2,500 per year prior to age 65 and $1,000 per year age 65 and later. To be eligible for the medical benefits, the employee must be at least 55 years old and be employed for at least fifteen years or after age 65, be employed for at least five years. Only pre-1994 retirees are eligible for the life insurance benefits. The life insurance benefit is not available to active employees. The NS-LIJ Plan is unfunded.

(In Thousands)

11. Postretirement Benefits Other Than Pensions (continued)

The following tables provide a reconciliation of the changes in the plans' benefit obligations and fair value of plan assets for the years ended December 31, 2015 and 2014 and a statement of the funded status of the plans as of December 31, 2015 and 2014:

	2015	2014
Reconciliation of the benefit obligation		
Obligation at January 1	**$ 58,785**	$ 48,772
Service cost	**1,144**	826
Interest cost	**2,328**	2,381
Plan participants' contributions	**2,198**	2,383
Plan amendments	**283**	–
Actuarial (gain) loss	**(13,309)**	11,625
Benefit payments	**(5,044)**	(7,471)
Federal subsidy on benefits paid	**217**	269
Obligation at December 31	**$ 46,602**	$ 58,785
Reconciliation of fair value of plan assets		
Fair value of plan assets at January 1	**$ –**	$ –
Employer contributions	**2,846**	5,088
Plan participants' contributions	**2,198**	2,383
Benefit payments	**(5,044)**	(7,471)
Fair value of plan assets at December 31	**$ –**	$ –
Funded status		
Funded status at December 31	**$ (46,602)**	$ (58,785)

The current portion of accrued retirement benefits related to the plans, included in accrued salaries and related benefits in the accompanying consolidated statements of financial position, is $2,454 and $3,645 at December 31, 2015 and 2014, respectively.

(In Thousands)

11. Postretirement Benefits Other Than Pensions (continued)

The actuarial gain in 2015 is primarily due to an increase in the discount rate and favorable claims experience. The actuarial loss in 2014 is primarily due to a decrease in the discount rate and a change in the mortality table, partially offset by favorable demographic and claims experience.

The following table provides the components of the net periodic benefit cost (credit) for the plans for the years ended December 31, 2015 and 2014:

	2015	2014
Service cost	**$ 1,144**	$ 826
Interest cost on benefit obligation	**2,328**	2,381
Amortization of net gain	**(1,587)**	(2,394)
Amortization of prior service credit	**(1,677)**	(1,731)
Net periodic benefit cost (credit)	**$ 208**	$ (918)

Assumptions

The range of weighted-average discount rates used in the measurement of benefit obligations for the plans was 4.15% to 4.70% and 3.75% to 4.25% at December 31, 2015 and 2014, respectively. The range of weighted-average discount rates used in the measurement of net periodic benefit cost (credit) for the plans was 3.75% to 4.25% and 4.40% to 5.15% for 2015 and 2014, respectively.

Assumed Health Care Cost Trends

The assumed health care cost trend rates used in measuring the postretirement benefit obligation for the plans for 2015 and 2014 are as follows:

	2015	2014
Health care cost trend rate assumed for next year	**7.0%**	7.0%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	**5.0%**	5.0%
Year that the rate reaches the ultimate trend rate	**2022**	2022

(In Thousands)

11. Postretirement Benefits Other Than Pensions (continued)

Assumed health care cost trend rates have a significant effect on the amounts reported. A 1% change in assumed health care cost trend rates would have the following effects on the plans:

	2015		**2014**	
	1% Increase	**1% Decrease**	**1% Increase**	**1% Decrease**
Effect on total of service and interest cost components of net periodic postretirement benefit cost	**$ 245**	**$ (204)**	$ 224	$ (189)
Effect on the health care component of the postretirement benefit obligation	**3,619**	**(2,879)**	4,768	(3,992)

Estimated Future Benefit Payments

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

2016	$ 2,720
2017	2,195
2018	2,340
2019	2,469
2020	2,577
2021 to 2025	14,386

Prescription Drug Benefits

The Medicare Prescription Drug, Improvement and Modernization Act of 2003 provides for a prescription drug benefit under Medicare (Medicare Part D), as well as a federal subsidy to sponsors of retiree health care benefit plans that provide a benefit that is at least actuarially equivalent to Medicare Part D. The subsidy did not have a material impact on net postretirement benefit cost for the 2015 and 2014 plan years.

(In Thousands)

11. Postretirement Benefits Other Than Pensions (continued)

Expected federal subsidies to be received in future years for the plans are as follows:

2016	$ 266
2017	221
2018	227
2019	234
2020	320
2021 to 2025	1,452

12. Malpractice and Other Insurance Liabilities

Malpractice

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

Primary Insurance Coverage

Since January 2003, Northwell purchases primary malpractice insurance on an occurrence basis, covering most hospitals. The policy provides coverage with limits of $1,000 per claim and a $50,000 annual policy in the aggregate through 2009. Effective January 2010, the program retained $750 of the primary coverage per indemnity claim, while aggregate limits increased to $60,000. Effective January 2013, the retention level increased to $900 per claim.

From January 1, 1997 to December 31, 2002, Northwell's hospitals primarily participated in a combined insurance program, which provided coverage on a claims-made basis. In December 2002, Northwell purchased a tail insurance policy to cover unreported occurrences from these prior claims-made policy periods.

12. Malpractice and Other Insurance Liabilities (continued)

The estimated undiscounted liability for the retained primary coverage and losses in excess of the primary aggregate for the hospitals at December 31, 2015 and 2014 was $493,523 and $447,291, respectively. At December 31, 2015 and 2014, the liability is recorded at the actuarially determined present value of $455,245 and $412,183, respectively, based on a discount rate of 2.0%. Malpractice and other insurance liabilities are discounted based on the expected timing of the actuarially estimated future claim payments under the programs, using a risk-free rate. Such estimates are reviewed and updated on an annual basis.

Excess Insurance Coverage

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

Regional Insurance's estimated undiscounted reserves for losses and loss expenses outstanding at December 31, 2015 and 2014 were $271,389 and $285,562, respectively, and are recorded at the actuarially determined present value of $256,189 and $260,881, respectively, based on a discount rate of 2.0%.

Effective January 1, 2015, the aggregate excess coverage provided by Regional Insurance was reduced to $6,500 per year, which resulted in an undiscounted liability for the hospitals for estimated losses in excess of the aggregate of $52,497 at December 31, 2015, recorded at the actuarially determined present value of $47,081, based on a 2% discount rate.

The estimated undiscounted incurred but not reported liability for claims in excess of primary insurance layers at December 31, 2015 and 2014 was $96,944 and $94,734, respectively, and is recorded at the actuarially determined present value of $84,242 and $81,208, respectively, based on a discount rate of 2.0%.

12. Malpractice and Other Insurance Liabilities (continued)

Self-Insurance Coverage

For certain years, certain Northwell hospitals were covered for malpractice claims under various self-insured arrangements. For self-insured claims and incidents, Northwell has accrued $33,889 and $1,100 at December 31, 2015 and 2014, respectively, based on actuarial determinations and a discount rate of 2%, as its best estimates of the ultimate cost of such losses. $32,789 of the December 31, 2015 amount pertains to Phelps and NWH.

North Shore-LIJ Physicians Insurance Company Risk Retention Group (RRG) provided medical malpractice coverage to certain employed and voluntary physicians affiliated with Northwell. RRG's liability for insured losses and related expenses was $17,539 at December 31, 2014. RRG purchased reinsurance for certain layers of coverage. Reinsurance balances recoverable, included in other assets in the accompanying consolidated statements of financial position, were $6,687 at December 31, 2014. During 2015, RRG ceased operations and was dissolved.

Malpractice claims have been asserted against Northwell by various claimants. These claims are in various stages of processing, and some may ultimately be brought to trial. There are known incidents that have occurred through December 31, 2015 that may result in the assertion of additional claims, and other claims may be asserted arising from services provided to patients in the past. It is the opinion of Northwell's management that adequate insurance, including self-insurance, and malpractice reserves are being maintained to cover potential malpractice losses.

Workers' Compensation

In June 2013, Northwell changed its workers' compensation insurance program from a guaranteed cost program to a high deductible program with a $1,000 per claim retention level. Effective July 2013, the employees of Lenox and The Long Island Home became covered under Northwell's high deductible program. At December 31, 2015 and 2014, the liability for retained losses under this program was recorded at the actuarially determined present value of $92,095 and $59,643, respectively, based on a discount rate of 2.0%.

12. Malpractice and Other Insurance Liabilities (continued)

Prior to joining Northwell's high deductible program, Lenox had a self-insured program for workers' compensation claims since 1979 that included excess insurance coverage for claims above certain amounts. At December 31, 2015 and 2014, the liability for the self-insured losses is recorded at the actuarially determined present value of $6,056 and $6,291, respectively, based on a discount rate of 2.0%.

The Long Island Home participated in a self-insurance trust (the Trust) administered through the New York Association of Homes and Services for the Aging, along with other New York not-for-profit facilities to provide its workers' compensation insurance. The Trust provided a retrospectively rated insurance policy to its policy holders. The Long Island Home resigned from the Trust effective June 30, 2011. Effective December 31, 2011, the Trust ceased operations and is currently in a run-off phase. Under the terms of the Trust, the policy holders are responsible for the obligations of the Trust until all claims are fully matured. At December 31, 2015 and 2014, a liability for retrospective premium adjustments is recorded at the actuarially determined present value of $825 and $1,482, respectively.

Both Phelps and NWH participate in separate self-insured programs for workers' compensation insurance. At December 31, 2015, the liability for the self-insured losses is recorded at the actuarially determined present value of $4,365 and $2,754, respectively, based on a 2% discount rate.

(In Thousands)

13. Other Operating Revenue

Other operating revenue consists of the following for the years ended December 31, 2015 and 2014:

	2015	2014
Grants and contracts	**$ 79,376**	$ 74,618
Laboratory services	**165,010**	140,019
Pharmacy sales	**53,126**	20,637
Electronic Health Record meaningful use revenue	**14,596**	23,597
Health plan risk pool distributions	**23,876**	22,517
Health plan care coordination revenue	**7,946**	–
Group purchasing rebates	**8,751**	9,695
Miscellaneous	**52,136**	32,770
Investment income *(see Note 3)*	**9,064**	8,064
Rental income	**20,633**	15,432
Cafeteria sales and vending machines	**14,989**	12,645
Parking garage	**5,832**	5,136
Telephone and television	**553**	314
Resident rotations	**1,724**	1,930
	$ 457,612	$ 367,374

14. Net Assets

Temporarily restricted net assets at December 31, 2015 and 2014 are available for the following health care services:

	2015	2014
Teaching, research, training, and other	**$ 242,140**	$ 232,432
Major modernization and purchases of equipment	**121,433**	124,695
	$ 363,573	$ 357,127

14. Net Assets (continued)

Northwell follows the requirements of the New York Prudent Management of Institutional Funds Act (NYPMIFA) as they relate to its permanently restricted endowments. Northwell has interpreted NYPMIFA as requiring the preservation of the fair value of the original gift, as of the gift date, of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Northwell classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment funds.

Northwell's endowments consist of donor-restricted funds established for a variety of purposes. As required by U.S. generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Northwell requires the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Northwell classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment funds that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure. Northwell considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purpose of the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, and (6) the investment policies of Northwell.

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

(In Thousands)

14. Net Assets (continued)

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

Northwell has a policy of appropriating for distribution each year, no more than a 5% return on its endowment funds' corpus. In establishing this policy, Northwell considered the long-term expected return on its endowments.

For the year ended December 31, 2015, Northwell had the following endowment-related activities:

	2015		
	Temporarily Restricted	**Permanently Restricted**	**Total**
Endowment balance, beginning of year	**$ 33,650**	**$ 135,712**	**$ 169,362**
Investment return:			
Investment income	**5,944**	**–**	**5,944**
Net depreciation	**(6,326)**	**–**	**(6,326)**
Loss of fair value of endowment corpus	**–**	**(608)**	**(608)**
Total investment return	**(382)**	**(608)**	**(990)**
Contributions	**–**	**19,628**	**19,628**
Contributions received in the acquisitions of Phelps and NWH	**–**	**9,206**	**9,206**
Amounts appropriated for expenditure	**(2,771)**	**–**	**(2,771)**
Net change in endowment funds	**(3,153)**	**28,226**	**25,073**
Endowment balance, end of year	**$ 30,497**	**$ 163,938**	**$ 194,435**

(In Thousands)

14. Net Assets (continued)

For the year ended December 31, 2014, Northwell had the following endowment-related activities:

	2014		
	Temporarily Restricted	**Permanently Restricted**	**Total**
Endowment balance, beginning of year	$ 31,693	$ 134,475	$ 166,168
Investment return:			
Investment income	8,834	–	8,834
Net depreciation	(2,314)	–	(2,314)
Total investment return	6,520	–	6,520
Contributions	–	1,237	1,237
Amounts appropriated for expenditure	(4,563)	–	(4,563)
Net change in endowment funds	1,957	1,237	3,194
Endowment balance, end of year	$ 33,650	$ 135,712	$ 169,362

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires Northwell to retain as a fund of perpetual duration. Deficiencies of this nature that are reported in unrestricted net assets were $608 as of December 31, 2015 and resulted from unfavorable market fluctuations. The individual donor-restricted endowment funds with deficiencies will retain future income and appreciation to restore the required fair value of the assets. There was no such deficiency as of December 31, 2014.

15. Commitments and Contingencies

LIJMC was the only entity within Northwell that held minority ownership interests in captive and commercial insurance companies (the FOJP Companies) affiliated with a pooled insurance program (the FOJP program). Such interests were held by LIJMC through December 31, 2010 and LIJMC has not purchased insurance from the FOJP Companies since 1998. LIJMC's ownership interests ranged from 1.3% to 17.6%, and LIJMC accounted for its interests using the equity method of accounting. LIJMC has been informed that sometime in 2014, the FOJP program and the various affiliated captive insurance companies began an internal review of several insurance regulatory and related matters that had come to the attention of the FOJP Companies' management, and thereafter reported the preliminary results of the internal review to the New York State Department of Financial Services (DFS), the primary State insurance regulator. LIJMC has also been informed that DFS has initiated its own review of this matter and that the period under review extends to the time period in which LIJMC maintained its ownership interest in the FOJP Companies. As of December 31, 2015, it is not possible to predict the final outcome of the DFS review or any review that other regulators might undertake in connection with this matter. However, Northwell reserved approximately $14,900 in 2014 for a note receivable from the sale of LIJMC's minority interest in the FOJP Companies and its share of an investment trust related to the FOJP program, which was included in other non-operating gains and losses in the consolidated statement of operations for the year ended December 31, 2014. It is possible that an adverse outcome with respect to this matter could have an additional impact on Northwell's consolidated financial statements, although such outcome cannot be estimated at this time.

Litigation and Claims

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

(In Thousands)

15. Commitments and Contingencies (continued)

Operating Leases

Northwell leases certain office facility space, patient care facility space and equipment under operating leases that have initial or remaining noncancelable terms in excess of one year. Aggregate minimum operating lease payments are amortized on the straight-line basis over the terms of the respective leases. Rent expense under such leases was $93,547 and $89,025 for 2015 and 2014, respectively.

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

2016	$ 88,983
2017	83,526
2018	73,570
2019	64,435
2020	56,529
Thereafter	335,923

Collective Bargaining Agreements

At December 31, 2015, approximately 36% of Northwell's employees are union employees who are covered under the terms of various collective bargaining agreements. Certain collective bargaining agreements, which represent approximately 7% of union employees (3% of total employees), have expired, or will expire, within the next year and are currently being renegotiated.

Letters of Credit

At December 31, 2015, $18,816 in secured irrevocable direct-pay letters of credit were maintained with two commercial banks, replacing various debt service reserve funds for certain Obligated Group bond issues. A $22,314 commitment from one commercial bank remains available for future letters of credit.

15. Commitments and Contingencies (continued)

Four commercial banks are providing a total of $233,000 in commitments, solely to support letters of credit required for Northwell's high deductible workers' compensation insurance program. At December 31, 2015, $58,491 in secured irrevocable direct-pay letters of credit were maintained with two of the banks, and $174,509 of the commitments remain available for future letters of credit.

Other Commitments

In 2008, Hofstra University (the University) and Northwell entered into a joint academic agreement to work in close collaboration in the development of a medical school, now known as the Hofstra Northwell School of Medicine (the Medical School), at the University, while remaining as separate corporations with separate governance. In 2010, the Medical School received preliminary accreditation from the Liaison Committee on Medical Education and in February 2015 was granted full accreditation. Northwell has agreed to reimburse the University for a portion of the Medical School's annual costs each year through June 30, 2017 in an aggregate amount of up to $50,000. Reimbursement payments after June 30, 2017 will be a minimum of $5,000 for each academic year, with amounts indexed to the Medical School tuition. Reimbursement payments are contingent upon annual approval by the Boards of Northwell and the University. Northwell shall not advance funds to the University that have not yet been spent in connection with the Medical School. To date, Northwell has recorded approximately $42,500 of these costs related to the Medical School. Northwell also provides approximately $2,000 annually for funding of Medical School scholarships and approximately $2,000 annually for funding of student loans, with amounts indexed to the Medical School tuition.

In April 2015, Northwell entered into a strategic affiliation with Cold Spring Harbor Laboratory (CSHL). Under the terms of this affiliation, Northwell and CSHL will continue as independent organizations governed by their respective Boards of Trustees. The institutions appointed a committee with responsibility for the oversight, staffing and implementation of the affiliation. The goals of the affiliation include advancing cancer diagnostic and therapeutic research, developing a new clinical cancer research unit at Northwell to support early-phase clinical studies of new cancer therapies, and recruiting and training more clinician-scientists in oncology. Pursuant to the agreement, Northwell is committed to pay CSHL $5,000 in year one, $10,000 in year two and $15,000 annually thereafter, throughout the term of the affiliation.

15. Commitments and Contingencies (continued)

In August 2015, Northwell entered into a clinical affiliation and collaboration agreement with Maimonides Medical Center (Maimonides), a not-for-profit acute care hospital located in Brooklyn, New York. The purpose of the affiliation is to pursue collaborative activities, such as clinical integration initiatives and ambulatory services joint ventures, as well as service agreements that may generate operational efficiencies. Under the terms of the affiliation agreement, Northwell and Maimonides will remain independent organizations governed by their respective Boards of Trustees. Pursuant to the affiliation agreement, the parties have also entered into an unsecured loan agreement, whereby Northwell has loaned $31,250 to Maimonides in August 2015 and an additional $25,000 in February 2016, with a commitment to loan a total increasing to $125,000 over a two-year period. Payments on the loan and accrued interest thereon would not commence until the termination or expiration of the affiliation agreement. However, if Northwell becomes the sole member and corporate parent of Maimonides, outstanding amounts borrowed under the loan agreement, including accrued interest, will be forgiven.

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

16. Subsequent Events

Management has evaluated the impact of subsequent events through April 27, 2016 representing the date at which the consolidated financial statements were issued. No events, aside from the acquisition of Peconic and the merger of Franklin and Forest Hills into LIJMC, as disclosed in Note 1, and the loan to Maimonides, as disclosed in Note 15, have occurred that require disclosure in, or adjustment to, the consolidated financial statements.

Supplementary Information

Northwell Health, Inc.

Consolidating Statement of Financial Position

(In Thousands)

December 31, 2015

	Northwell Health, Inc. Total	Eliminations	Northwell Health Obligated Group	Phelps Memorial Hospital Association and Subsidiaries	Northern Westchester Hospital Association and Subsidiaries	The Long Island Home	Hospice Care Network, Inc.	The Feinstein Institute for Medical Research	Northwell Health Foundation, Inc.	North Shore-Long Island Jewish Health System Laboratories	Captive Insurance Companies	Dolan Family Health Center	Health Insurance Companies	Endoscopy Center of Long Island	Garden City SurgiCenter	Other Northwell Health Entities
Assets																
Current assets:																
Cash and cash equivalents	$ 432,829	$ –	$ 230,613	$ 31,087	$ 51,319	$ 3,357	$ 9,636	$ –	$ 29,056	$ –	$ 120	$ 290	$ 67,829	$ 916	$ 365	$ 8,241
Marketable securities and other investments	1,844,892	–	1,810,714	5,768	–	70	21,878	20	6,387	–	–	55	–	–	–	–
Accounts receivable for services to patients, net of allowance for doubtful accounts	876,130	(14,337)	803,107	24,106	22,590	12,541	6,706	–	–	12,544	–	258	–	–	–	8,615
Accounts receivable for physician activities, net	111,902	(1,546)	97,118	3,058	1,158	–	–	–	–	–	–	–	–	–	–	12,114
Assets limited as to use, current portion	101,683	–	73,585	1,133	4,537	–	–	–	–	–	22,428	–	–	–	–	–
Pledges receivable, current portion	35,097	–	–	–	–	–	97	–	34,402	–	–	–	–	–	–	598
Insurance claims receivable, current portion	71,068	(16,690)	85,484	–	–	1,797	39	100	6	332	–	–	–	–	–	–
Other current assets	207,968	(165)	149,639	6,965	6,966	1,338	200	10,764	409	3,521	1	823	23,176	–	–	4,331
Total current assets	3,681,569	(32,738)	3,250,260	72,117	86,570	19,103	38,556	10,884	70,260	16,397	22,549	1,426	91,005	916	365	33,899
Due from affiliates, net	–	(105,849)	–	–	–	–	–	–	–	31,807	65,467	–	8,575	–	–	–
Note receivable from affiliate	–	(35,089)	35,089	–	–	–	–	–	–	–	–	–	–	–	–	–
Assets limited as to use, net of current portion	1,508,032	(217,470)	1,246,022	22,995	66,579	7,000	1,862	69,710	78,166	–	207,428	5,980	6,379	–	–	13,381
Pledges receivable, net of current portion	91,090	–	–	3,459	4,314	–	227	–	81,275	–	–	–	–	–	–	1,815
Property, plant and equipment, net	4,315,166	–	3,812,912	146,130	174,894	56,996	901	56,164	1,275	9,508	–	698	2,761	303	739	51,885
Insurance claims receivable, net of current portion	278,530	(192,621)	437,602	7,032	–	6,123	147	378	24	1,255	18,590	–	–	–	–	–
Other assets	264,340	(423,446)	622,019	5,592	7,997	9,428	216	56	–	–	1,475	–	–	29,939	6,341	4,723
Total assets	$ 10,138,727	$ (1,007,213)	$ 9,403,904	$ 257,325	$ 340,354	$ 98,650	$ 41,909	$ 137,192	$ 231,000	$ 58,967	$ 315,509	$ 8,104	$ 108,720	$ 31,158	$ 7,445	$ 105,703
Liabilities and net assets (deficit)																
Current liabilities:																
Short-term borrowings	$ 110,218	$ –	$ 110,218	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –
Accounts payable and accrued expenses	733,653	(16,051)	546,471	10,680	30,161	3,421	1,969	13,207	889	32,170	169	109	71,188	137	108	39,025
Accrued salaries and related benefits	625,383	–	555,223	12,830	9,173	5,257	1,903	5,608	1,349	6,721	–	381	3,063	62	24	23,789
Current portion of capital lease obligations	3,138	–	1,755	–	904	479	–	–	–	–	–	–	–	–	–	–
Current portion of long-term debt	55,613	–	47,189	4,750	2,782	892	–	–	–	–	–	–	–	–	–	–
Current portion of insurance claims liability	71,068	(16,690)	85,484	–	–	1,797	39	100	6	332	–	–	–	–	–	–
Current portion of malpractice and other insurance liabilities	101,720	(5,220)	68,911	1,827	4,088	762	–	–	–	–	31,352	–	–	–	–	–
Current portion of third-party payer structured liabilities	4,346	–	4,346	–	–	–	–	–	–	–	–	–	–	–	–	–
Current portion of estimated payable to third-party payers	235,768	–	231,636	–	292	2,364	–	–	–	1	–	–	1,441	–	–	34
Total current liabilities	1,940,907	(37,961)	1,651,233	30,087	47,400	14,972	3,911	18,915	2,244	39,224	31,521	490	75,692	199	132	62,848
Due to affiliates, net	–	(41,891)	10,559	138	51	5,452	198	1,130	2,800	–	–	9,212	–	170	17	12,164
Note payable to affiliate	–	(35,089)	–	–	–	35,089	–	–	–	–	–	–	–	–	–	–
Accrued retirement benefits, net of current portion	782,972	–	722,449	4,837	45,194	10,466	–	–	–	–	–	–	26	–	–	–
Capital lease obligations, net of current portion	171,888	–	171,888	–	–	–	–	–	–	–	–	–	–	–	–	–
Long-term debt, net of current portion	2,199,401	–	2,082,732	31,435	60,583	24,651	–	–	–	–	–	–	–	–	–	–
Insurance claims liability, net of current portion	278,530	(192,621)	437,602	7,032	–	6,123	147	378	24	1,255	18,590	–	–	–	–	–
Malpractice and other insurance liabilities, net of current portion	881,794	(60,247)	678,702	16,414	18,875	3,213	–	–	–	–	224,837	–	–	–	–	–
Third-party payer structured liabilities, net of current portion	8,303	–	8,303	–	–	–	–	–	–	–	–	–	–	–	–	–
Other long-term liabilities	635,892	–	613,467	2,039	8,622	1,161	752	99	7,314	1,304	–	–	182	–	–	952
Total liabilities	6,899,687	(367,809)	6,376,935	91,982	180,725	101,127	5,008	20,522	12,382	41,783	274,948	9,702	75,900	369	149	75,964
Commitments and contingencies																
Net assets (deficit):																
Unrestricted	2,710,921	(387,430)	2,610,605	153,384	133,811	(2,477)	34,994	27,505	1,412	17,184	40,561	(7,578)	32,820	30,789	7,296	18,045
Temporarily restricted	363,573	(216,654)	339,039	8,675	18,771	–	1,529	47,816	151,126	–	–	1,577	–	–	–	11,694
Permanently restricted	164,546	(35,320)	77,325	3,284	7,047	–	378	41,349	66,080	–	–	4,403	–	–	–	–
Total net assets (deficit)	3,239,040	(639,404)	3,026,969	165,343	159,629	(2,477)	36,901	116,670	218,618	17,184	40,561	(1,598)	32,820	30,789	7,296	29,739
Total liabilities and net assets (deficit)	$ 10,138,727	$ (1,007,213)	$ 9,403,904	$ 257,325	$ 340,354	$ 98,650	$ 41,909	$ 137,192	$ 231,000	$ 58,967	$ 315,509	$ 8,104	$ 108,720	$ 31,158	$ 7,445	$ 105,703

The consolidating schedules are presented for supplementary informational purposes. Due to the effects of intercompany transactions, which are eliminated in consolidation, the schedules are not intended to present the financial position or results of operations of the individual entities.

Northwell Health, Inc.

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

December 31, 2015

	Total Obligated Group	Eliminations	Northwell Healthcare, Inc.	North Shore University Hospital	Long Island Jewish Medical Center	Staten Island University Hospital	Lenox Hill Hospital	Southside Hospital	Huntington Hospital Association	Glen Cove Hospital	Plainview Hospital	Forest Hills Hospital	Franklin Hospital	Northwell Health Stern Family Center for Rehabilitation
Assets														
Current assets:														
Cash and cash equivalents	$ 230,613	$ –	$ 168,040	$ 3,441	$ 380	$ 33,968	$ 403	$ 1	$ 23,563	$ 15	$ 45	$ 373	$ 383	$ 1
Marketable securities and other investments	1,810,714	–	16,587	750,927	538,154	271,807	39,175	290	121,203	72,571	–	–	–	–
Accounts receivable for services to patients, net of allowance for doubtful accounts	803,107	–	–	195,553	196,588	107,072	118,215	49,422	41,581	10,761	18,477	30,264	26,099	9,075
Accounts receivable for physician activities, net	97,118	–	–	89,231	2,824	–	1,932	1,026	998	181	499	234	193	–
Assets limited as to use, current portion	73,585	–	–	45,525	15,998	1,312	3,822	1,640	1,723	777	639	813	518	818
Insurance claims receivable, current portion	85,484	–	1,005	19,875	17,496	11,866	16,247	5,130	3,921	1,515	2,364	3,265	2,502	298
Other current assets	149,639	(3,000)	19,018	41,313	33,535	15,099	18,484	8,818	6,445	1,337	2,957	2,294	3,269	70
Total current assets	3,250,260	(3,000)	204,650	1,145,865	804,975	441,124	198,278	66,327	199,434	87,157	24,981	37,243	32,964	10,262
Due from affiliates, net	–	(190,021)	–	24,859	92,623	–	–	–	–	7,726	10,357	31,282	–	23,174
Note receivable from affiliate	35,089	–	35,089	–	–	–	–	–	–	–	–	–	–	–
Assets limited as to use, net of current portion	1,246,022	–	431,298	193,944	272,120	153,445	55,710	53,957	60,133	6,599	567	190	3,970	14,089
Property, plant and equipment, net	3,812,912	–	557,147	457,389	1,172,348	210,901	939,552	148,635	140,284	50,199	34,016	55,518	35,561	11,362
Insurance claims receivable, net of current portion	437,602	–	3,799	103,443	100,132	64,831	66,522	27,014	21,314	7,918	11,923	18,361	11,217	1,128
Other assets	622,019	(553,878)	1,048,325	73,798	13,638	14,541	24,205	1,390	–	–	–	–	–	–
Total assets	$ 9,403,904	$ (746,899)	$ 2,280,308	$ 1,999,298	$ 2,455,836	$ 884,842	$ 1,284,267	$ 297,323	$ 421,165	$ 159,599	$ 81,844	$ 142,594	$ 83,712	$ 60,015
Liabilities and net assets (deficit)														
Current liabilities:														
Short-term borrowings	$ 110,218	$ –	$ –	$ 7,500	$ 102,718	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –
Accounts payable and accrued expenses	546,471	–	148,114	120,011	76,487	51,852	58,912	34,084	20,035	9,403	9,161	8,232	8,368	1,812
Accrued salaries and related benefits	555,223	–	128,684	128,761	99,027	46,123	47,348	29,735	21,722	9,438	10,558	17,908	13,569	2,350
Current portion of capital lease obligations	1,755	–	1,511	–	–	–	244	–	–	–	–	–	–	–
Current portion of long-term debt	47,189	–	741	9,510	16,417	8,347	4,795	1,080	1,100	716	1,454	1,849	405	775
Current portion of insurance claims liability	85,484	–	1,005	19,875	17,496	11,866	16,247	5,130	3,921	1,515	2,364	3,265	2,502	298
Current portion of malpractice and other insurance liabilities	68,911	–	15,545	14,224	12,996	9,512	4,032	3,627	2,597	1,181	1,441	2,149	1,607	–
Current portion of third-party payer structured liabilities	4,346	–	–	–	–	4,346	–	–	–	–	–	–	–	–
Current portion of estimated payable to third-party payers	231,636	–	–	66,264	28,468	43,145	31,232	17,025	2,438	7,364	5,552	18,680	7,686	3,782
Total current liabilities	1,651,233	–	295,600	366,145	353,609	175,191	162,810	90,681	51,813	29,617	30,530	52,083	34,137	9,017
Due to affiliates, net	10,559	(334,272)	161,660	–	–	21,123	84,324	48,014	5,305	–	–	–	24,405	–
Accrued retirement benefits, net of current portion	722,449	–	156,155	133,371	50,840	3,186	170,703	61,871	98,253	12,546	19,176	4,282	8,396	3,670
Capital lease obligations, net of current portion	171,888	–	102,414	–	66,667	–	2,807	–	–	–	–	–	–	–
Long-term debt, net of current portion	2,082,732	–	692,221	126,296	859,150	83,113	119,215	71,114	78,285	7,456	11,536	15,839	13,751	4,756
Insurance claims liability, net of current portion	437,602	–	3,799	103,443	100,132	64,831	66,522	27,014	21,314	7,918	11,923	18,361	11,217	1,128
Malpractice and other insurance liabilities, net of current portion	678,702	–	77,225	167,073	148,437	89,019	54,957	41,833	31,349	12,548	14,962	23,187	18,112	–
Third-party payer structured liabilities, net of current portion	8,303	–	–	–	–	8,303	–	–	–	–	–	–	–	–
Other long-term liabilities	613,467	–	4,721	146,144	173,888	44,374	93,617	46,505	17,874	12,850	20,110	32,199	20,468	717
Total liabilities	6,376,935	(334,272)	1,493,795	1,042,472	1,752,723	489,140	754,955	387,032	304,193	82,935	108,237	145,951	130,486	19,288
Commitments and contingencies														
Net assets (deficit):														
Unrestricted	2,610,605	(326,628)	662,724	859,326	566,535	382,081	443,308	(112,542)	109,216	66,318	(26,852)	(3,547)	(49,248)	39,914
Temporarily restricted	339,039	(61,081)	88,540	70,066	127,431	12,137	61,086	22,833	6,593	7,511	459	190	2,461	813
Permanently restricted	77,325	(24,918)	35,249	27,434	9,147	1,484	24,918	–	1,163	2,835	–	–	13	–
Total net assets (deficit)	3,026,969	(412,627)	786,513	956,826	703,113	395,702	529,312	(89,709)	116,972	76,664	(26,393)	(3,357)	(46,774)	40,727
Total liabilities and net assets (deficit)	$ 9,403,904	$ (746,899)	$ 2,280,308	$ 1,999,298	$ 2,455,836	$ 884,842	$ 1,284,267	$ 297,323	$ 421,165	$ 159,599	$ 81,844	$ 142,594	$ 83,712	$ 60,015

The combining schedules are presented for supplementary informational purposes. Due to the effects of intercompany transactions, which are eliminated in combination, the schedules are not intended to present the financial position or results of operations of the individual entities.

Northwell Health, Inc.

Consolidating Statement of Financial Position – Phelps Memorial Hospital

(In Thousands)

December 31, 2015

	Phelps Memorial Hospital Association and Subsidiaries	Eliminations	Phelps Memorial Hospital Association	Phelps Professional Building Co., L.P.	Phelps Medical Associates
Assets					
Current assets:					
Cash and cash equivalents	$ 31,087	$ –	$ 28,817	$ 1,312	$ 958
Marketable securities and other investments	5,768	–	5,768	–	–
Accounts receivable for services to patients, net of allowance for doubtful accounts	24,106	–	24,106	–	–
Accounts receivable for physician activities, net	3,058	–	1,616	–	1,442
Assets limited as to use, current portion	1,133	–	1,133	–	–
Other current assets	6,965	–	6,810	155	–
Total current assets	72,117	–	68,250	1,467	2,400
Due from affiliates, net	–	(2,337)	2,337	–	–
Assets limited as to use, net of current portion	22,995	–	22,995	–	–
Pledges receivable, net of current portion	3,459	–	3,459	–	–
Property, plant and equipment, net	146,130	–	136,394	9,736	–
Insurance claims receivable, net of current portion	7,032	–	7,032	–	–
Other assets	5,592	(2,080)	7,672	–	–
Total assets	$ 257,325	$ (4,417)	$ 248,139	$ 11,203	$ 2,400
Liabilities and net assets					
Current liabilities:					
Accounts payable and accrued expenses	$ 10,680	$ –	$ 10,623	$ 57	$ –
Accrued salaries and related benefits	12,830	–	12,830	–	–
Current portion of long-term debt	4,750	–	1,551	3,199	–
Current portion of malpractice and other insurance liabilities	1,827	–	1,827	–	–
Total current liabilities	30,087	–	26,831	3,256	–
Due to affiliates, net	138	(2,337)	–	91	2,384
Accrued retirement benefits, net of current portion	4,837	–	4,837	–	–
Long-term debt, net of current portion	31,435	–	31,435	–	–
Insurance claims liability, net of current portion	7,032	–	7,032	–	–
Malpractice and other insurance liabilities, net of current portion	16,414	–	16,414	–	–
Other long-term liabilities	2,039	–	2,039	–	–
Total liabilities	91,982	(2,337)	88,588	3,347	2,384
Commitments and contingencies					
Net assets:					
Unrestricted	153,384	(2,080)	147,592	7,856	16
Temporarily restricted	8,675	–	8,675	–	–
Permanently restricted	3,284	–	3,284	–	–
Total net assets	165,343	(2,080)	159,551	7,856	16
Total liabilities and net assets	$ 257,325	$ (4,417)	$ 248,139	$ 11,203	$ 2,400

The consolidating schedules are presented for supplementary informational purposes. Due to the effects of intercompany transactions, which are eliminated in consolidation, the schedules are not intended to present the financial position or results of operations of the individual entities.

Northwell Health, Inc.

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

December 31, 2015

	Northern Westchester Hospital Association and Subsidiaries	Eliminations	Northern Westchester Hospital Association	Northern Westchester Hospital Center Foundation, Inc.	Other Subsidiaries
Assets					
Current assets:					
Cash and cash equivalents	$ 51,319	$ –	$ 51,131	$ –	$ 188
Accounts receivable for services to patients, net of allowance for doubtful accounts	22,590	–	22,590	–	–
Accounts receivable for physician activities, net	1,158	–	1,158	–	–
Assets limited as to use, current portion	4,537	–	4,537	–	–
Other current assets	6,966	–	6,894	–	72
Total current assets	86,570	–	86,310	–	260
Due from affiliates, net	–	(7,621)	6,983	–	638
Assets limited as to use, net of current portion	66,579	–	46,145	20,434	–
Pledges receivable, net of current portion	4,314	–	–	4,314	–
Property, plant and equipment, net	174,894	–	159,542	–	15,352
Other assets	7,997	–	7,544	–	453
Total assets	$ 340,354	$ (7,621)	$ 306,524	$ 24,748	$ 16,703
Liabilities and net assets					
Current liabilities:					
Accounts payable and accrued expenses	$ 30,161	$ –	$ 29,973	$ 17	$ 171
Accrued salaries and related benefits	9,173	–	9,173	–	–
Current portion of capital lease obligations	904	–	904	–	–
Current portion of long-term debt	2,782	–	2,782	–	–
Current portion of malpractice and other insurance liabilities	4,088	–	4,088	–	–
Current portion of estimated payable to third-party payers	292	–	292	–	–
Total current liabilities	47,400	–	47,212	17	171
Due to affiliates, net	51	(7,621)	–	700	6,972
Accrued retirement benefits, net of current portion	45,194	–	45,194	–	–
Long-term debt, net of current portion	60,583	–	60,583	–	–
Malpractice and other insurance liabilities, net of current portion	18,875	–	18,875	–	–
Other long-term liabilities	8,622	–	7,568	–	1,054
Total liabilities	180,725	(7,621)	179,432	717	8,197
Commitments and contingencies					
Net assets:					
Unrestricted	133,811	–	121,384	3,921	8,506
Temporarily restricted	18,771	–	4,798	13,973	–
Permanently restricted	7,047	–	910	6,137	–
Total net assets	159,629	–	127,092	24,031	8,506
Total liabilities and net assets	$ 340,354	$ (7,621)	$ 306,524	$ 24,748	$ 16,703

The consolidating schedules are presented for supplementary informational purposes. Due to the effects of intercompany transactions, which are eliminated in consolidation, the schedules are not intended to present the financial position or results of operations of the individual entities.

Northwell Health, Inc.

Consolidating Statement of Operations
(In Thousands)

Year Ended December 31, 2015

	Northwell Health, Inc. Total	Eliminations	Northwell Health Obligated Group	Phelps Memorial Hospital Association and Subsidiaries	Northern Westchester Hospital Association and Subsidiaries	The Long Island Home	Hospice Care Network, Inc.	The Feinstein Institute for Medical Research	Northwell Health Foundation, Inc.	North Shore-Long Island Jewish Health System Laboratories	Captive Insurance Companies	Dolan Family Health Center	Health Insurance Companies	Endoscopy Center of Long Island	Garden City SurgiCenter	Other Northwell Health Entities
Operating revenue:																
Net patient service revenue	$ 6,962,767	$ (65,748)	$ 6,322,516	$ 212,022	$ 250,001	$ 101,555	$ 51,228	$ 258	$ –	$ –	$ –	$ 4,552	$ –	$ 13,980	$ 8,135	$ 64,268
Physician practice revenue	1,125,838	(28,336)	899,548	22,760	7,712	1,901	–	–	–	–	–	–	–	–	–	222,253
Provision for bad debts	(110,265)	56	(99,258)	(1,851)	(4,965)	(1,797)	(300)	–	–	(846)	–	(1)	–	–	–	(1,303)
Total patient revenue, net of provision for bad debts	7,978,340	(94,028)	7,122,806	232,931	252,748	101,659	50,928	258	–	(846)	–	4,551	–	13,980	8,135	285,218
Other operating revenue	457,612	(477,313)	408,110	8,185	5,685	938	–	49,250	–	303,590	6,772	2,461	1,137	–	3	148,794
Health insurance premium revenue	228,427	–	–	–	–	–	–	–	–	–	–	–	228,427	–	–	–
Net assets released from restrictions used for operations	58,276	–	41,851	235	1,002	–	1,074	13,859	–	–	–	255	–	–	–	–
Total operating revenue	8,722,655	(571,341)	7,572,767	241,351	259,435	102,597	52,002	63,367	–	302,744	6,772	7,267	229,564	13,980	8,138	434,012
Operating expenses:																
Salaries	4,319,212	(28,250)	3,648,776	124,367	104,477	63,201	18,875	51,180	–	72,759	–	4,058	23,957	1,747	2,244	231,821
Employee benefits	1,100,101	(37,632)	951,115	33,986	32,674	20,601	4,634	16,059	–	24,020	–	1,622	4,733	199	336	47,754
Supplies and expenses	2,724,420	(500,929)	2,362,471	66,667	97,433	23,002	24,346	30,141	–	190,978	8,895	2,296	241,883	4,852	3,783	168,602
Depreciation and amortization	384,206	–	346,498	10,976	11,637	2,605	315	5,435	–	1,680	–	68	419	18	109	4,446
Interest	105,018	(393)	101,497	1,360	888	1,657	–	–	–	–	–	–	–	–	–	9
Total operating expenses	8,632,957	(567,204)	7,410,357	237,356	247,109	111,066	48,170	102,815	–	289,437	8,895	8,044	270,992	6,816	6,472	452,632
Excess (deficiency) of operating revenue over operating expenses	89,698	(4,137)	162,410	3,995	12,326	(8,469)	3,832	(39,448)	–	13,307	(2,123)	(777)	(41,428)	7,164	1,666	(18,620)
Non-operating gains and losses:																
Investment income (loss)	62,205	–	59,166	575	331	39	824	1	(467)	(42)	1,877	–	18	(51)	(23)	(43)
Change in net unrealized gains and losses and change in value of equity method investments	(112,700)	–	(101,680)	(162)	(1,802)	–	(1,044)	4	(458)	–	(7,558)	–	–	–	–	–
Change in interest in acquired entities	–	(67,336)	77,097	–	–	–	–	–	–	–	–	–	–	–	–	(9,761)
Change in fair value of interest rate swap agreements designated as derivative instruments	790	–	790	–	–	–	–	–	–	–	–	–	–	–	–	–
Loss on refunding and redemption of long-term debt	(56,975)	–	(56,975)	–	–	–	–	–	–	–	–	–	–	–	–	–
Contributions received in the acquisitions of Phelps Memorial Hospital and Northern Westchester Hospital	259,807	–	259,807	–	–	–	–	–	–	–	–	–	–	–	–	–
Gain from acquired interest in Optum360	115,600	–	115,600	–	–	–	–	–	–	–	–	–	–	–	–	–
Other non-operating gains and losses	(10,981)	–	(1,538)	182	(122)	1	451	(2,500)	(7,970)	–	–	–	–	–	–	515
Total non-operating gains and losses	257,746	(67,336)	352,267	595	(1,593)	40	231	(2,495)	(8,895)	(42)	(5,681)	–	18	(51)	(23)	(9,289)
Excess (deficiency) of revenue and gains and losses over expenses	347,444	(71,473)	514,677	4,590	10,733	(8,429)	4,063	(41,943)	(8,895)	13,265	(7,804)	(777)	(41,410)	7,113	1,643	(27,909)
Net assets released from restrictions for capital asset acquisitions	7,696	–	6,868	224	150	–	–	454	–	–	–	–	–	–	–	–
Change in fair value of interest rate swap agreements designated as cash flow hedges	1,289	–	1,070	–	–	219	–	–	–	–	–	–	–	–	–	–
Loss of fair value of endowment corpus	(608)	–	(180)	–	–	–	–	(325)	(103)	–	–	–	–	–	–	–
Transfers (to) from affiliates	–	6,637	(178,081)	10,009	–	–	–	38,943	–	(4,137)	(1,160)	–	71,890	–	–	55,899
Pension and other postretirement liability adjustments	18,131	–	17,667	–	2,015	(1,551)	–	–	–	–	–	–	–	–	–	–
Other changes in net assets	(3,583)	5,350	–	(333)	–	–	–	–	–	–	–	–	(378)	(6,800)	(1,422)	–
Increase (decrease) in unrestricted net assets	$ 370,369	$ (59,486)	$ 362,021	$ 14,490	$ 12,898	$ (9,761)	$ 4,063	$ (2,871)	$ (8,998)	$ 9,128	$ (8,964)	$ (777)	$ 30,102	$ 313	$ 221	$ 27,990

The consolidating schedules are presented for supplementary informational purposes. Due to the effects of intercompany transactions, which are eliminated in consolidation, the schedules are not intended to present the financial position or results of operations of the individual entities.

Northwell Health, Inc.

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

Year Ended December 31, 2015

	Total Obligated Group	Eliminations	Northwell Healthcare, Inc.	North Shore University Hospital	Long Island Jewish Medical Center	Staten Island University Hospital	Lenox Hill Hospital	Southside Hospital	Huntington Hospital Association	Glen Cove Hospital	Plainview Hospital	Forest Hills Hospital	Franklin Hospital	Northwell Health Stern Family Center for Rehabilitation
Operating revenue:														
Net patient service revenue	$ 6,322,516	$ (599)	$ –	$ 1,585,909	$ 1,542,117	$ 859,059	$ 897,195	$ 388,744	$ 306,545	$ 99,450	$ 173,784	$ 231,970	$ 182,353	$ 55,989
Physician practice revenue	899,548	–	–	334,731	263,055	–	89,099	70,176	58,108	22,375	20,686	24,318	15,959	1,041
Provision for bad debts	(99,258)	6,507	–	(35,685)	(23,157)	(10,196)	(14,027)	(6,871)	(4,438)	(1,703)	(1,980)	(4,079)	(3,230)	(399)
Total patient revenue, net of provision for bad debts	7,122,806	5,908	–	1,884,955	1,782,015	848,863	972,267	452,049	360,215	120,122	192,490	252,209	195,082	56,631
Other operating revenue	408,110	(1,061,660)	969,086	271,038	95,506	19,417	54,616	19,774	7,155	4,748	9,158	8,861	9,870	541
Net assets released from restrictions used for operations	41,851	–	846	14,442	13,118	670	12,499	117	98	–	–	–	–	61
Total operating revenue	7,572,767	(1,055,752)	969,932	2,170,435	1,890,639	868,950	1,039,382	471,940	367,468	124,870	201,648	261,070	204,952	57,233
Operating expenses:														
Salaries	3,648,776	(344,034)	336,814	1,052,419	895,307	367,958	491,207	244,159	176,665	74,435	98,406	125,476	99,912	30,052
Employee benefits	951,115	(77,755)	89,153	220,219	217,286	123,905	126,148	67,746	48,150	19,430	30,804	41,436	33,322	11,271
Supplies and expenses	2,362,471	(633,566)	433,690	773,807	600,006	287,697	366,905	160,585	122,380	34,706	64,587	76,819	63,204	11,651
Depreciation and amortization	346,498	–	83,044	60,409	80,238	29,103	40,680	12,731	15,486	6,417	4,160	7,764	4,923	1,543
Interest	101,497	(397)	37,240	7,659	39,909	5,394	5,409	1,949	1,827	346	568	631	726	236
Total operating expenses	7,410,357	(1,055,752)	979,941	2,114,513	1,832,746	814,057	1,030,349	487,170	364,508	135,334	198,525	252,126	202,087	54,753
Excess (deficiency) of operating revenue over operating expenses	162,410	–	(10,009)	55,922	57,893	54,893	9,033	(15,230)	2,960	(10,464)	3,123	8,944	2,865	2,480
Non-operating gains and losses:														
Investment income (loss)	59,166	–	5,819	15,802	11,026	8,120	252	102	16,494	1,667	(36)	(42)	(34)	(4)
Change in net unrealized gains and losses and change in value of equity method investments	(101,680)	–	(7,924)	(32,700)	(24,605)	(15,975)	(978)	(206)	(16,641)	(2,682)	–	–	3	28
Change in interest in acquired entities	77,097	29,272	34,905	12,920	–	–	–	–	–	–	–	–	–	–
Change in fair value of interest rate swap agreements designated as derivative instruments	790	–	–	–	–	790	–	–	–	–	–	–	–	–
Loss on refunding and redemption of long-term debt	(56,975)	–	–	(6,111)	(50,477)	–	–	–	–	(158)	–	(229)	–	–
Contributions received in the acquisitions of Phelps Memorial Hospital and Northern Westchester Hospital	259,807	–	259,807	–	–	–	–	–	–	–	–	–	–	–
Gain from acquired interest in Optum360	115,600	–	115,600	–	–	–	–	–	–	–	–	–	–	–
Other non-operating gains and losses	(1,538)	–	–	–	4,007	(5,545)	–	–	–	–	–	–	–	–
Total non-operating gains and losses	352,267	29,272	408,207	(10,089)	(60,049)	(12,610)	(726)	(104)	(147)	(1,173)	(36)	(271)	(31)	24
Excess (deficiency) of revenue and gains and losses over expenses	514,677	29,272	398,198	45,833	(2,156)	42,283	8,307	(15,334)	2,813	(11,637)	3,087	8,673	2,834	2,504
Net assets released from restrictions for capital asset acquisitions	6,868	–	–	3,340	1,098	414	625	2	1,369	20	–	–	–	–
Change in fair value of interest rate swap agreements designated as cash flow hedges	1,070	–	–	385	685	–	–	–	–	–	–	–	–	–
Loss of fair value of endowment corpus	(180)	–	–	(180)	–	–	–	–	–	–	–	–	–	–
Transfers to affiliates	(178,081)	–	(92,781)	(28,373)	(17,564)	–	(39,363)	–	–	–	–	–	–	–
Pension and other postretirement liability adjustments	17,667	–	(338)	3,843	(205)	(741)	1,159	(2,349)	17,673	(782)	(1,196)	(266)	1,098	(229)
Increase (decrease) in unrestricted net assets	$ 362,021	$ 29,272	$ 305,079	$ 24,848	$ (18,142)	$ 41,956	$ (29,272)	$ (17,681)	$ 21,855	$ (12,399)	$ 1,891	$ 8,407	$ 3,932	$ 2,275

The combining schedules are presented for supplementary informational purposes. Due to the effects of intercompany transactions, which are eliminated in combination, the schedules are not intended to present the financial position or results of operations of the individual entities.

Northwell Health, Inc.

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

Year Ended December 31, 2015

	Phelps Memorial Hospital Association and Subsidiaries	Eliminations	Phelps Memorial Hospital Association	Phelps Professional Building Co., L.P.	Phelps Medical Associates
Operating revenue:					
Net patient service revenue	$ 212,022	$ –	$ 212,022	$ –	$ –
Physician practice revenue	22,760	–	8,193	–	14,567
Provision for bad debts	(1,851)	–	(1,847)	–	(4)
Total patient revenue, net of provision for bad debts	232,931	–	218,368	–	14,563
Other operating revenue	8,185	(2,269)	7,855	2,114	485
Net assets released from restrictions used for operations	235	–	235	–	–
Total operating revenue	241,351	(2,269)	226,458	2,114	15,048
Operating expenses:					
Salaries	124,367	–	108,877	–	15,490
Employee benefits	33,986	–	30,236	124	3,626
Supplies and expenses	66,667	(2,269)	63,400	844	4,692
Depreciation and amortization	10,976	–	10,689	287	–
Interest	1,360	–	1,138	222	–
Total operating expenses	237,356	(2,269)	214,340	1,477	23,808
Excess (deficiency) of operating revenue over operating expenses	3,995	–	12,118	637	(8,760)
Non-operating gains and losses:					
Investment income	575	–	575	–	–
Change in net unrealized gains and losses and change in value of equity method investments	(162)	–	(162)	–	–
Change in interest in acquired entities	–	(461)	461	–	–
Other non-operating gains and losses	182	–	182	–	–
Total non-operating gains and losses	595	(461)	1,056	–	–
Excess (deficiency) of revenue and gains and losses over expenses	4,590	(461)	13,174	637	(8,760)
Net assets released from restrictions for capital asset acquisitions	224	–	224	–	–
Transfers from affiliates	10,009	–	1,234	–	8,775
Other changes in net assets	(333)	402	(156)	(579)	–
Increase (decrease) in unrestricted net assets	$ 14,490	$ (59)	$ 14,476	$ 58	$ 15

The consolidating schedules are presented for supplementary informational purposes. Due to the effects of intercompany transactions, which are eliminated in consolidation, the schedules are not intended to present the financial position or results of operations of the individual entities.

Northwell Health, Inc.

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

Year Ended December 31, 2015

	Northern Westchester Hospital Association and Subsidiaries	Eliminations	Northern Westchester Hospital Association	Northern Westchester Hospital Center Foundation, Inc.	Other Subsidiaries
Operating revenue:					
Net patient service revenue	$ 250,001	$ –	$ 247,907	$ –	$ 2,094
Physician practice revenue	7,712	–	7,712	–	–
Provision for bad debts	(4,965)	–	(4,965)	–	–
Total patient revenue, net of provision for bad debts	252,748	–	250,654	–	2,094
Other operating revenue	5,685	(1,017)	3,634	1,017	2,051
Net assets released from restrictions used for operations	1,002	–	664	338	–
Total operating revenue	259,435	(1,017)	254,952	1,355	4,145
Operating expenses:					
Salaries	104,477	(593)	102,626	593	1,851
Employee benefits	32,674	(148)	32,355	148	319
Supplies and expenses	97,433	(801)	95,008	1,139	2,087
Depreciation and amortization	11,637	–	11,014	–	623
Interest	888	–	888	–	–
Total operating expenses	247,109	(1,542)	241,891	1,880	4,880
Excess (deficiency) of operating revenue over operating expenses	12,326	525	13,061	(525)	(735)
Non-operating gains and losses:					
Investment income	331	–	177	–	154
Change in net unrealized gains and losses and change in value of equity method investments	(1,802)	–	(1,802)	–	–
Other non-operating gains and losses	(122)	(525)	403	–	–
Total non-operating gains and losses	(1,593)	(525)	(1,222)	–	154
Excess (deficiency) of revenue and gains and losses over expenses	10,733	–	11,839	(525)	(581)
Net assets released from restrictions for capital asset acquisitions	150	–	150	–	–
Pension and other postretirement liability adjustments	2,015	–	2,015	–	–
Increase (decrease) in unrestricted net assets	$ 12,898	$ –	$ 14,004	$ (525)	$ (581)

The consolidating schedules are presented for supplementary informational purposes. Due to the effects of intercompany transactions, which are eliminated in consolidation, the schedules are not intended to present the financial position or results of operations of the individual entities.

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