

CONSOLIDATED FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION

Northwell Health, Inc.  
Years Ended December 31, 2020 and 2019  
With Report of Independent Auditors

Ernst & Young LLP



Northwell Health, Inc.

Consolidated Financial Statements  
and Supplementary Information

Years Ended December 31, 2020 and 2019

**Contents**

Report of Independent Auditors.....	1
Consolidated Financial Statements	
Consolidated Statements of Financial Position.....	3
Consolidated Statements of Operations .....	4
Consolidated Statements of Changes in Net Assets .....	5
Consolidated Statements of Cash Flows.....	6
Notes to Consolidated Financial Statements.....	7
Supplementary Information	
Consolidating Statement of Financial Position.....	67
Combining Statement of Financial Position – Northwell Health Obligated Group .....	68
Consolidating Statement of Financial Position – Phelps Memorial Hospital .....	69
Consolidating Statement of Financial Position – Northern Westchester Hospital .....	70
Consolidating Statement of Financial Position – Peconic Bay Medical Center .....	71
Combining Statement of Financial Position – Joint Venture Ambulatory Surgery Centers.....	72
Consolidating Statement of Operations .....	73
Combining Statement of Operations – Northwell Health Obligated Group.....	74
Consolidating Statement of Operations – Phelps Memorial Hospital .....	75
Consolidating Statement of Operations – Northern Westchester Hospital.....	76
Consolidating Statement of Operations – Peconic Bay Medical Center .....	77
Combining Statement of Operations – Joint Venture Ambulatory Surgery Centers.....	78

## Report of Independent Auditors

The Board of Trustees  
Northwell Health, Inc.

We have audited the accompanying consolidated financial statements of Northwell Health, Inc. and its member corporations and other affiliated entities (collectively, Northwell), which comprise the consolidated statements of financial position as of December 31, 2020 and 2019, 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 of America. 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, 2020 and 2019, and the consolidated results of its operations, changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

## 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 of America. 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 28, 2021

# Northwell Health, Inc.

## Consolidated Statements of Financial Position (In Thousands)

	December 31	
	2020	2019
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 830,955	\$ 535,619
Short-term investments	3,619,297	2,931,431
Accounts receivable for services to patients, net	1,276,235	1,285,542
Accounts receivable for physician activities, net	271,784	255,893
Current portion of pledges receivable	51,076	47,316
Current portion of insurance claims receivable	45,232	44,256
Other current assets	498,422	349,832
Total current assets	6,593,001	5,449,889
Long-term investments	3,970,226	2,532,060
Pledges receivable, net of current portion	100,339	99,971
Property, plant and equipment, net	5,858,662	5,548,317
Right-of-use assets – operating leases	942,817	959,622
Insurance claims receivable, net of current portion	136,067	151,214
Other assets	466,603	415,610
Total assets	<u>\$ 18,067,715</u>	<u>\$ 15,156,683</u>
<b>Liabilities and net assets</b>		
Current liabilities:		
Short-term borrowings	\$ 95,000	\$ 95,000
Accounts payable and accrued expenses	1,082,632	989,611
Accrued salaries and related benefits	1,327,075	984,572
Current portion of operating lease obligations	132,289	118,163
Current portion of finance lease obligations	7,995	7,263
Current portion of long-term debt	58,924	56,950
Current portion of insurance claims liability	45,232	44,256
Current portion of malpractice and other insurance liabilities	187,777	184,506
Current portion of Medicare advances	374,408	–
Current portion of estimated payables to third-party payers	306,581	338,251
Total current liabilities	3,617,913	2,818,572
Accrued retirement benefits, net of current portion	755,697	646,738
Operating lease obligations, net of current portion	845,642	869,879
Finance lease obligations, net of current portion	250,069	227,819
Long-term debt, net of current portion	3,650,825	3,715,934
Insurance claims liability, net of current portion	136,067	151,214
Malpractice and other insurance liabilities, net of current portion	1,601,430	1,336,641
Medicare advances, net of current portion	655,821	–
Other long-term liabilities	908,630	634,490
Total liabilities	12,422,094	10,401,287
Commitments and contingencies		
Net assets:		
Without donor restrictions	4,861,852	4,063,674
With donor restrictions	783,769	691,722
Total net assets	5,645,621	4,755,396
Total liabilities and net assets	<u>\$ 18,067,715</u>	<u>\$ 15,156,683</u>

See accompanying notes.

# Northwell Health, Inc.

## Consolidated Statements of Operations (In Thousands)

	Year Ended December 31	
	2020	2019
Operating revenue:		
Net patient service revenue	\$ 9,081,218	\$ 9,500,259
Physician practice revenue	2,055,320	2,093,076
Total patient revenue	11,136,538	11,593,335
CARES Act Provider Relief Fund revenue	1,209,679	—
Other operating revenue	1,020,400	833,653
Net assets released from restrictions used for operations	63,846	60,279
	<b>13,430,463</b>	<b>12,487,267</b>
Operating expenses:		
Salaries	7,021,865	6,410,803
Employee benefits	1,592,007	1,446,365
Supplies and expenses	4,167,383	3,788,695
Depreciation and amortization	540,960	510,653
Interest	160,948	152,444
	<b>13,483,163</b>	<b>12,308,960</b>
(Deficiency) excess of operating revenue over operating expenses, excluding Health Insurance Companies	(52,700)	178,307
Health Insurance Companies excess of operating revenue over operating expenses	26,285	10,067
Total (deficiency) excess of operating revenue over operating expenses	<b>(26,415)</b>	<b>188,374</b>
Non-operating gains and losses:		
Investment income	186,311	171,744
Change in net unrealized gains and losses and change in value of equity method investments	526,009	401,110
Change in fair value of interest rate swap agreements designated as derivative instruments	(283)	(464)
Non-operating net periodic benefit credit (cost)	895	(57,579)
Loss on refunding of long-term debt	—	(519)
Other non-operating gains and losses	123,364	(30,906)
Total non-operating gains and losses	<b>836,296</b>	<b>483,386</b>
Excess of revenue and gains and losses over expenses	<b>809,881</b>	<b>671,760</b>
Net assets released from restrictions for capital asset acquisitions	44,881	47,052
Change in fair value of interest rate swap agreements designated as cash flow hedges	(751)	(733)
Pension and other postretirement liability adjustments	(52,261)	9,105
Other changes in net assets	(3,572)	(8,336)
Increase in net assets without donor restrictions	<b>\$ 798,178</b>	<b>\$ 718,848</b>

See accompanying notes.

Northwell Health, Inc.

Consolidated Statements of Changes in Net Assets  
(In Thousands)

Years Ended December 31, 2020 and 2019

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

  

	Net Assets		
	Without Donor Restrictions	With Donor Restrictions	Total
Net assets, January 1, 2020	\$ 4,063,674	\$ 691,722	\$ 4,755,396
Contributions and grants	—	161,440	161,440
Investment income	—	12,519	12,519
Change in net unrealized gains and losses and change in value of equity method investments	—	28,419	28,419
Excess of revenue and gains and losses over expenses	809,881	—	809,881
Net assets released from restrictions for:			
Capital asset acquisitions	44,881	(44,881)	—
Operations	—	(63,846)	(63,846)
Non-operating activities	—	(10,959)	(10,959)
Change in fair value of interest rate swap agreements designated as cash flow hedges	(751)	—	(751)
Pension and other postretirement liability adjustments	(52,261)	—	(52,261)
Other changes in net assets	(3,572)	9,355	5,783
Increase in net assets	798,178	92,047	890,225
Net assets, December 31, 2020	\$ 4,861,852	\$ 783,769	\$ 5,645,621

See accompanying notes.

# Northwell Health, Inc.

## Consolidated Statements of Cash Flows (In Thousands)

	Year Ended December 31	
	2020	2019
<b>Operating activities</b>		
Increase in net assets	\$ 890,225	\$ 771,861
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Permanent endowment donor contributions	(13,914)	(18,398)
Depreciation and amortization	540,960	510,894
Amortization of bond premiums, discounts and financing costs	(5,959)	(2,699)
Net realized gains and losses, change in net unrealized gains and losses and change in value of equity method investments	(690,437)	(553,035)
Change in fair value of interest rate swap agreements	1,034	1,197
Loss on refunding of long-term debt	—	519
Changes in operating assets and liabilities:		
Accounts receivable for services to patients, net	9,307	(155,217)
Accounts receivable for physician activities, net	(15,891)	(50,471)
Pledges receivable	(10,108)	4,503
Medicare advances	1,030,229	—
Current portion of estimated payables to third-party payers	(31,670)	67,673
Accrued retirement benefits, net of current portion	108,959	(395,198)
Malpractice and other insurance liabilities	268,060	124,857
Net change in all other operating assets and liabilities	579,832	516,630
Net cash provided by operating activities	2,660,627	823,116
<b>Investing activities</b>		
Capital expenditures	(841,839)	(747,978)
Net cash invested in short-term and long-term investments	(1,445,219)	(607,504)
Payments for acquisitions and clinical joint venture investments, net	(39,501)	(32,110)
Net cash used in investing activities	(2,326,559)	(1,387,592)
<b>Financing activities</b>		
Principal payments on long-term debt and finance lease obligations	(64,269)	(61,943)
Payments on refunded long-term debt	—	(49,910)
Payments on short-term borrowings	(465,000)	(198,500)
Proceeds from short-term borrowings	465,000	190,000
Proceeds from long-term debt	—	675,164
Payments for financing costs	—	(6,072)
Proceeds from permanent endowment donor contributions	19,894	33,344
Net cash (used in) provided by financing activities	(44,375)	582,083
Net increase in cash and cash equivalents (unrestricted and restricted)	289,693	17,607
Cash and cash equivalents (unrestricted and restricted), beginning of year	979,253	961,646
Cash and cash equivalents (unrestricted and restricted), end of year	\$ 1,268,946	\$ 979,253
<b>Supplemental disclosure of cash flow information</b>		
Cash paid during the year for interest (exclusive of amounts capitalized)	\$ 165,907	\$ 150,254

See accompanying notes.



# Northwell Health, Inc.

## Notes to Consolidated Financial Statements (In Thousands)

December 31, 2020

### 1. Organization and Principles of Consolidation

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

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

#### Hospitals

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

## Northwell Health, Inc.

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

#### 1. Organization and Principles of Consolidation (continued)

##### Other Entities

- Northwell Health, Inc. and Northwell Healthcare, Inc. (HCI) – parent holding companies
- Northwell Health Stern Family Center for Rehabilitation (Stern) – skilled nursing facility and rehabilitation center
- Northwell Health Laboratories – laboratory services
- North Shore Health System Enterprises, Inc., North Shore Health Enterprises, Inc. and True North Health Services Company, LLC – holding companies for certain related entities
- RegionCare, Inc. – infusion therapy and licensed home health agency services
- North Shore Community Services, Inc. – real estate holdings and related services
- North Shore University Hospital Housing, Inc., North Shore University Hospital at Glen Cove Housing, Inc. and Hillside Hospital Houses, Inc. – housing and auxiliary facilities for staff members, students and employees
- Visiting Nurse Association of Hudson Valley, Inc. and subsidiaries – home care and hospice services
- True North Health Pharmacy, Inc. – retail pharmacy
- Staten Island Performing Provider System, LLC – population health organization
- North Shore-LIJ and Yale New Haven Medical Air Transport, LLC – medical air transport company 90% owned by Northwell
- Greenwich Village Surgery Center – outpatient ambulatory surgery center currently 100% owned by Northwell
- The Feinstein Institutes for Medical Research – medical research
- Northwell Health Foundation – fundraising
- Hospice Care Network – hospice services
- Regional Insurance Company Ltd. (Regional Insurance) – captive insurance company providing excess professional liability insurance
- Montauk Risk Retention Group, Inc. – captive insurance company providing professional liability insurance
- Huntington Hospital Dolan Family Health Center – community health center
- Endoscopy Center of Long Island, LLC – outpatient endoscopy center 70% owned by Northwell
- North Shore Medical Accelerator, P.C. – outpatient radiation oncology center
- Endo Group, LLC – outpatient ambulatory surgery center 54% owned by Northwell
- DHCH, LLC (Digestive Health Center of Huntington) – outpatient endoscopy center 51% owned by Northwell
- South Shore Surgery Center, LLC – outpatient ambulatory surgery center 68% owned by Northwell
- Suffolk Surgery Center, LLC – outpatient ambulatory surgery center 68% owned by Northwell
- Melville SC, LLC – outpatient ambulatory surgery center 54% owned by Northwell
- Other affiliated professional corporations

## Northwell Health, Inc.

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

#### **1. Organization and Principles of Consolidation (continued)**

Certain members of Northwell (the Obligated Group) are jointly and severally liable for obligations under bond indentures (see Note 8). The Obligated Group consists of HCI, NSUH, LIJMC, Staten Island, Lenox, SSUH, Huntington, Glen Cove, Plainview and Stern.

Northwell maintains a controlling ownership in various entities, whose results of operations are included in the accompanying consolidated financial statements. Northwell's non-controlling interest in these entities at December 31, 2020 and 2019 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.

At December 31, 2020 and 2019, Northwell had an 8% ownership interest in Optum360, LLC (Optum360) which was accounted for using the equity method of accounting. Under the agreement, Optum360 provides revenue cycle services for most of Northwell's hospitals. At December 31, 2020 and 2019, \$154,265 and \$144,661, respectively, is reported within long-term investments in the accompanying consolidated statements of financial position for this investment. Northwell incurred fees of \$80,144 and \$175,752 to Optum360 for revenue cycle services for the years ended December 31, 2020 and 2019, respectively. In March 2021, Northwell sold its ownership interest in Optum360.

#### **COVID-19 Impact**

The global outbreak of Coronavirus Disease 2019 (COVID-19) caused numerous and varied medical, economic and social impacts. There have been adverse effects on Northwell's operations and financial condition, beginning in March 2020. These impacts have included widespread business and school closures and event cancellations, high unemployment and other economic and societal effects resulting from the national response to the COVID-19 crisis. The Centers for Disease Control and Prevention confirmed the spread of the disease to the United States (US) in February 2020. In March 2020, the World Health Organization declared the COVID-19 outbreak a global pandemic. In New York State (NYS), and especially in the New York metropolitan area, the highest prevalence of COVID-19 began to be observed in March 2020 and peaked in mid-April 2020. In response, the NYS government issued a series of executive orders that directly and indirectly affected Northwell's operations by prohibiting elective surgeries and non-emergent surgical and interventional procedures, requiring hospitals to expand bed capacity and by mandating stay-at-home restrictions for all residents throughout Northwell's service area, which have resulted in the disruption of hospital and other medical services and physician office visits. These restrictions began to be lifted in phases in the Northwell service area starting in late May 2020.

## Northwell Health, Inc.

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

#### **1. Organization and Principles of Consolidation (continued)**

In preparation for the surge of COVID-19 patients, effective March 16, 2020, all non-emergent and elective surgeries and interventional procedures were discontinued at Northwell's hospitals (ahead of NYS executive orders), and at its ambulatory centers shortly thereafter. A number of ambulatory centers and physician offices were closed or started operating on a reduced schedule in March 2020 as a result of the pandemic. To the extent practicable, clinical employees at these sites were redeployed to hospital inpatient units or emergency departments to assist in treating the surge of COVID-19 patients. In addition, clinical staff was brought in from outside staffing agencies and leased from health systems in other parts of the country that were not as severely impacted as NYS. Outpatient visits for private referred ambulatory services, including imaging and rehabilitation, as well as physician office visits, declined significantly at the start of the crisis. Outpatient chemotherapy and radiation oncology services were also negatively affected by the coronavirus pandemic. Patient service volumes started to recover in late May 2020 and continue to improve; however, for certain inpatient, outpatient and physician services, through April 2021 they are still at levels lower than pre-COVID-19, including the impact of the second surge of COVID-19 which affected Northwell's service area starting in November 2020. However, the second COVID-19 surge did not result in any NYS executive orders prohibiting any elective or non-emergent medical services.

The negative financial impact of the coronavirus pandemic on Northwell's consolidated operating results for the year ended December 31, 2020 (before the impact of federal relief funding and reimbursement relief), is estimated to be approximately \$1,600,000, primarily attributable to the reductions in patient service volume and incremental costs resulting from the changes in operations in response to this crisis. A negative financial impact beyond 2020 is expected; however, the amount will ultimately be dependent on the level, duration and severity of the COVID-19 resurgence, the pace of economic activity and continued recovery in providing non-COVID-19 related services to patients, and the ultimate amount of federal and other relief received.

## Northwell Health, Inc.

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

#### **1. Organization and Principles of Consolidation (continued)**

Individual Northwell entities received grants from the Coronavirus Aid, Relief and Economic Security (CARES) Act Provider Relief Fund based on various criteria, and under current guidelines issued by the US Department of Health and Human Services (HHS), these funds can be used to cover certain COVID-19 related costs and revenue loss, as measured by comparing patient revenue in 2020 to the amounts budgeted for these entities in 2020. Additionally, on December 27, 2020, the Consolidated Appropriations Act, 2021 (CAA) was signed into law. The CAA appropriated additional funding for COVID-19 response and relief through the Provider Relief Fund and provided several changes to the administration of the Provider Relief Fund. The consolidated statement of operations for the year ended December 31, 2020 reflects approximately \$1,210,000 of Provider Relief Fund grant revenue. Management will continue to monitor communications from HHS applicable to the Provider Relief Fund reporting and data submission requirements.

In addition to the amounts from the Provider Relief Fund, there were certain temporary enhancements made to Medicare payment rates. Medicare advances were also made available under the CARES Act to provide liquidity to healthcare providers (separate and apart from the CARES Act Provider Relief Fund grants described in the paragraph above). Northwell received approximately \$1,030,000 in Medicare advances, which are anticipated to be repaid without interest beginning in April 2021 and continuing through February 2023. Amounts expected to be repaid in 2021 totaling approximately \$374,000 are reflected within current liabilities in the consolidated statement of financial position at December 31, 2020. In addition, Northwell is participating in the FICA tax deferral program under the CARES Act for the employer portion of social security taxes and, as of December 31, 2020, has deferred approximately \$229,000. The employer FICA amounts deferred under this program are payable without interest with half due by December 2021 and the remaining balance due by December 2022. The amounts expected to be paid in 2021 are recorded in accrued salaries and related benefits and the remaining balance is included in other long-term liabilities in the accompanying consolidated statement of financial position at December 31, 2020.

Management has designated funds in assets limited as to use for the Medicare advances and FICA deferral amounts, along with the unrecognized amount of Provider Relief Funds, and excluded such amounts from Northwell's total unrestricted cash, cash equivalents and investments as of December 31, 2020.

## Northwell Health, Inc.

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

#### **1. Organization and Principles of Consolidation (continued)**

Management is pursuing opportunities for additional federal funding including funding from the Federal Emergency Management Agency (FEMA) and any other funding that is or will become available. Approximately \$28,500 in FEMA grant revenue for certain COVID-19 related expenses was obligated through approval by Federal and NYS authorities during 2020, and is reported in other operating revenue in the consolidated statement of operations for the year ended December 31, 2020. Such amounts were received in January 2021.

Management continues to closely monitor the operational and financial impact of COVID-19. While the estimated financial impact noted above has been made using the best available information at the time, the ultimate net impact of the pandemic on Northwell's financial condition remains uncertain.

#### **Health Insurance Companies**

In July 2017, North Shore-LIJ Health Plan Inc. (Health Plan) filed a termination plan which was approved by the New York State Department of Health (NYSDOH) in September 2017. Health Plan ceased new enrollment in its Medicaid Managed Long-Term Care Plan and, by January 2018, had transitioned its existing members to other plans.

In August 2017, Northwell announced that it would wind down CareConnect Insurance Company, Inc. (CareConnect) and withdraw from New York State's insurance markets. The New York State Department of Financial Services approved CareConnect's plan which allowed CareConnect to stop writing and renewing annual large and small group policies effective December 1, 2017 and individual policies effective January 1, 2018.

As a result of Northwell's decision to exit the health insurance business, the net operating results of CareConnect and Health Plan (collectively, the Health Insurance Companies) are separately reported within the accompanying consolidated statements of operations for the years ended December 31, 2020 and 2019. For the year ended December 31, 2020, the Health Insurance Companies excess of operating revenue over operating expenses includes \$25,303 for CareConnect resulting from the Supreme Court of the United States' rulings on class action lawsuits related to the Affordable Care Act's risk corridor program.

## Northwell Health, Inc.

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

## 2. Summary of Significant Accounting Policies

### Consolidated Statements of Operations

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

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

### Recent Accounting Pronouncements

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

## Northwell Health, Inc.

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

#### **2. Summary of Significant Accounting Policies (continued)**

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The main objective of ASU 2016-13 and related ASU updates is to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. The amendments affect loans, debt securities, trade receivables, net investments in leases, off-balance sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash. The amendments in this ASU are effective for Northwell for fiscal years beginning after December 15, 2022. Northwell has not completed the process of evaluating the impact of ASU 2016-13 on its consolidated financial statements.

#### **Use of Estimates**

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

#### **Cash and Cash Equivalents**

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



## Northwell Health, Inc.

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

#### 2. Summary of Significant Accounting Policies (continued)

Cash and cash equivalents (unrestricted and restricted), as reported in the accompanying consolidated statements of cash flows, are reported within the following categories in the accompanying consolidated statements of financial position as of December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 830,955	\$ 535,619
Short and long-term investments	437,991	443,634
	<u>\$ 1,268,946</u>	<u>\$ 979,253</u>

#### Pledges Receivable

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

#### Investments

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

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

## Northwell Health, Inc.

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

#### **2. Summary of Significant Accounting Policies (continued)**

Individual investment holdings of the funds of hedge funds, hedge funds, private equity funds, private credit funds and private real estate funds may include investments in both nonmarketable and market-traded securities. Valuations of these investments, and therefore Northwell's holdings, may be determined by the investment managers or general partners. Values may be based on estimates that require varying degrees of judgment. Recorded estimates may change by a material amount in the near term. The investments may indirectly expose Northwell to securities lending, short sales of securities and trading in futures and forwards contracts, options and other derivative products. However, Northwell's risk is limited to its amounts invested. At December 31, 2020, Northwell has future commitments of \$163,939 and \$33,024 to invest in private equity, private credit and private real estate funds for pension and restricted assets, respectively.

Other investments also include non-controlling interests in non-clinical joint ventures held by Northwell for investment purposes. Such investments are accounted for under the equity method or at cost less any impairment, adjusted for observable price changes for an identical or similar investment of the same issuer (Adjusted Cost).

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

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

Included in short-term and long-term investments are assets limited as to use, which include funds held pursuant to debt financing arrangements, management designated funds (including malpractice and other self-insurance assets and funds set aside to repay Medicare advances), deferred employee compensation plan assets and donor restricted assets. Amounts required to meet current liabilities are reported as short-term investments. Northwell has future commitments of approximately \$153,000 at December 31, 2020 to purchase additional investments included in assets limited as to use.

## Northwell Health, Inc.

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

#### **2. Summary of Significant Accounting Policies (continued)**

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

#### **Inventory of Supplies**

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

#### **Insurance Claims Receivable and Liability**

For medical malpractice and similar contingent liabilities, Northwell determines such claims liabilities without consideration of insurance recoveries. Accordingly, Northwell recognizes insurance receivables at the same time that it recognizes the liabilities, measured on the same basis as the liabilities, subject to the need for a valuation allowance for uncollectible amounts in the accompanying consolidated statements of financial position. Such amounts represent the actuarially determined present value of medical malpractice and other claims that are anticipated to be covered by insurance, discounted at a risk-free rate of 0.5% and 2.0% at December 31, 2020 and 2019, respectively.

#### **Property, Plant and Equipment**

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

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

## Northwell Health, Inc.

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

#### **2. Summary of Significant Accounting Policies (continued)**

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

#### **Long-Lived Assets**

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

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

#### **Other Assets**

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

In connection with various acquisitions, Northwell has recognized certain indefinite-lived intangible assets totaling approximately \$264,000 and \$243,000 at December 31, 2020 and 2019, respectively. The intangible assets are subject to impairment testing on an annual basis. At December 31, 2020 and 2019, Northwell determined that there has been no impairment of these intangible assets.

#### **Deferred Financing Costs**

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

## Northwell Health, Inc.

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

#### **2. Summary of Significant Accounting Policies (continued)**

##### **Interest Rate Swap Agreements**

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

##### **Other Long-Term Liabilities**

Other long-term liabilities included in the accompanying consolidated statements of financial position primarily consist of the long-term portion of estimated payables to third-party payers, the long-term portion of expected payment obligations, the long-term portion of FICA employer tax payments deferred under the CARES Act, deferred revenue and the fair value of the interest rate swap agreements.

##### **Classification of Net Assets**

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

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

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

Northwell Health, Inc.

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

**2. Summary of Significant Accounting Policies (continued)**

**Donor Gifts**

Gifts of cash and other assets, including unconditional promises to give cash and other assets (pledges), are reported at fair value when the gift is received (or promise is made). 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, 2020 and 2019, \$66,910 and \$70,120, 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, 2020 and 2019 are summarized as follows:

	<u>2020</u>	<u>2019</u>
Without donor restrictions	\$ 3,343	\$ 5,130
With donor restrictions	<u>114,783</u>	<u>87,680</u>
	<u>\$ 118,126</u>	<u>\$ 92,810</u>

Northwell Health, Inc.

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

**2. Summary of Significant Accounting Policies (continued)**

**Functional Expenses**

Northwell provides health care services to residents primarily within its geographic areas. Expenses related to providing these services pertain to the following functional and natural categories for the years ended December 31, 2020 and 2019:

	<b>2020</b>			
	<b>Health Care Services</b>	<b>Research</b>	<b>General and Administrative</b>	<b>Total</b>
Salaries	\$ 6,123,887	\$ 80,828	\$ 817,150	\$ 7,021,865
Employee benefits	1,381,210	21,512	189,285	1,592,007
Supplies and expenses	3,642,250	50,498	474,635	4,167,383
Depreciation and amortization	327,031	6,316	207,613	540,960
Interest	141,679	—	19,269	160,948
	<b>\$ 11,616,057</b>	<b>\$ 159,154</b>	<b>\$ 1,707,952</b>	<b>\$ 13,483,163</b>

  

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

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

## Northwell Health, Inc.

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

#### **2. Summary of Significant Accounting Policies (continued)**

##### **Tax Status**

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

At December 31, 2020, Northwell has a deferred tax asset of approximately \$175,000, which has been partially offset by a related valuation allowance of approximately \$141,000 and is recorded within other current assets in the accompanying consolidated statement of financial position at December 31, 2020. At December 31, 2019, Northwell had a deferred tax asset of approximately \$112,000, which was fully offset by a related valuation allowance. A valuation allowance is provided when it is more likely than not that some portion or all of the deferred tax asset will not be realized. Significant components of the deferred tax asset relate to net operating loss (NOL) carryforwards. Certain entities have NOL carryforwards aggregating approximately \$514,000 at December 31, 2020. NOL carryforwards generated prior to 2018 will expire in varying amounts through 2037 and are available to offset future taxable income of the respective entity. NOLs generated after 2017 can be carried forward indefinitely, but with limitations.



## Northwell Health, Inc.

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

#### **3. Accounts Receivable and Patient Revenue**

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

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

Northwell's initial estimate of the transaction price for services provided to patients subject to revenue recognition is determined by reducing the total standard charges related to the patient services provided by various elements of variable consideration, including contractual adjustments, discounts, implicit price concessions and other reductions to Northwell's standard charges. Northwell determines the transaction price associated with services provided to patients who have third-party payer coverage on the basis of contractual rates, governmental rates or established charges for the services rendered. The estimates for contractual allowances and discounts are based on contractual agreements, Northwell's discount policies and historical experience. For uninsured patients who are ineligible for any government assistance program, Northwell provides services without charge or at amounts less than its established rates for patients who meet the criteria of its charity care policy. Because Northwell does not pursue collection of amounts determined to qualify as charity care, such services are not reported as Patient Revenue. For uninsured and under-insured patients who do not qualify for charity care, Northwell determines the transaction price associated with services on the basis of charges reduced by implicit price concessions. Implicit price concessions included in the estimate of the transaction price are based on Northwell's historical collection experience for applicable patient portfolios.

Generally, Northwell bills patients and third-party payers several days after the services are performed and/or the patient is discharged. Patient Revenue is recognized as performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided by Northwell. Patient Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total charges. Northwell believes that this method provides a reasonable depiction of the transfer of services over the term of the performance obligation based on the services needed to satisfy the obligation. Generally,

# Northwell Health, Inc.

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

### 3. Accounts Receivable and Patient Revenue (continued)

performance obligations satisfied over time relate to patients receiving inpatient acute care services or patients receiving services in Northwell's outpatient and ambulatory care centers. Northwell measures the performance obligation from admission into the hospital or the commencement of an outpatient or physician service to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge or the completion of the outpatient or physician visit.

Substantially all of Northwell's performance obligations relate to contracts with a duration of less than one year; the unsatisfied or partially unsatisfied performance obligations referred to below are primarily related to inpatient acute care services at the end of the reporting period for patients who remain admitted at that time (in-house patients). As such, accounts receivable related to in-house patients are considered contract assets as the performance obligation is not completed until the patients are discharged, which for the majority of the in-house patients occur within days or weeks after the end of the reporting period and at which point Northwell has the right to bill.

At December 31, 2020 and 2019, accounts receivable for services to patients, net is comprised of the following components:

	<u>2020</u>	<u>2019</u>
Receivables for services to patients	\$ 1,194,549	\$ 1,203,722
Contract assets (for in-house patients)	81,686	81,820
	<u>\$ 1,276,235</u>	<u>\$ 1,285,542</u>

Subsequent changes to the estimate of the transaction price (determined on a portfolio basis when applicable) are generally recorded as adjustments to Patient Revenue in the period of the change. For the years ended December 31, 2020 and 2019, changes in Northwell's estimates of implicit price concessions, discounts, contractual adjustments or other reductions to expected payments for performance obligations satisfied in prior years were not significant. Portfolio collection estimates are updated periodically based on collection trends. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay (determined on a portfolio basis when applicable) are recorded as bad debt expense in supplies and expenses in the accompanying consolidated statements of operations. Bad debt expense and the related allowance for uncollectible accounts for the years ended and as of December 31, 2020 and 2019 were not significant.

Northwell Health, Inc.

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

**3. Accounts Receivable and Patient Revenue (continued)**

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

Patient Revenue for the years ended December 31, 2020 and 2019, by payer, is approximately as follows:

	<b>2020</b>	<b>2019</b>
Medicare and Medicare managed care	\$ 3,580,000	\$ 3,785,000
Medicaid and Medicaid managed care	1,556,000	1,615,000
Self-pay	68,000	80,000
Other third-party payers	5,933,000	6,113,000
	<b>\$ 11,137,000</b>	<b>\$ 11,593,000</b>

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

Patient Revenue for the years ended December 31, 2020 and 2019, disaggregated by lines of service, is as follows:

	<b>2020</b>	<b>2019</b>
Net patient service revenue:		
Hospitals	\$ 8,837,462	\$ 9,241,342
Joint venture ambulatory surgery centers	65,345	69,430
Stern (skilled nursing facility and rehabilitation center)	47,649	58,161
Hospice Care Network	50,497	50,211
RegionCare, Inc.	52,888	51,802
Other	27,377	29,313
Net patient service revenue	<b>9,081,218</b>	<b>9,500,259</b>
Physician practice revenue	<b>2,055,320</b>	<b>2,093,076</b>
Total Patient Revenue	<b>\$ 11,136,538</b>	<b>\$ 11,593,335</b>

## Northwell Health, Inc.

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

#### 3. Accounts Receivable and Patient Revenue (continued)

##### Third-Party Payment Programs

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

##### *Non-Medicare*

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

##### *Medicare*

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

## Northwell Health, Inc.

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

#### **3. Accounts Receivable and Patient Revenue (continued)**

Northwell has established estimates, based on information presently available, of amounts due to or from Medicare and non-Medicare payers for adjustments to current and prior years' payment rates, based on industry-wide and Northwell-specific data. The current Medicaid, Medicare and other third-party payer programs are based upon extremely complex laws and regulations that are subject to interpretation. Noncompliance with such laws and regulations could result in fines, penalties and exclusion from such programs. Northwell is not aware of any allegations of noncompliance that could have a material adverse effect on the accompanying consolidated financial statements and believes that it is in compliance with all applicable laws and regulations. Medicare cost reports, which are filed individually by the applicable Northwell entities and serve as the basis for final settlement with the Medicare program, have been audited by the Medicare fiscal intermediary and settled through years ranging from 2000 to 2018. Other years remain open for audit and settlement, as do certain issues related to the New York State Medicaid program for prior years. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount when open years are settled and additional information is obtained.

Settlements with third-party payers for cost report filings and retroactive adjustments due to ongoing and future audits, reviews or investigations are considered variable consideration and are included in the determination of Patient Revenue. These settlements are estimated based on the terms of the payment agreement with the payer, correspondence from the payer and Northwell's historical settlement activity (for example, cost report final settlements or repayments related to recovery audits), including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Such estimates are determined through either a probability-weighted estimate or an estimate of the most likely amount, depending on the circumstances related to a given estimated settlement item. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews and investigations. Changes in estimates relating to prior year settlements were not significant for the years ended December 31, 2020 and 2019.

## Northwell Health, Inc.

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

#### 3. Accounts Receivable and Patient Revenue (continued)

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

Northwell grants credit without collateral to its patients, most of whom are insured under various third-party agreements. The significant concentrations of accounts receivable for services to patients at December 31, 2020 and 2019 were as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Medicare and Medicare managed care	<b>31%</b>	32%
Medicaid and Medicaid managed care	<b>19</b>	20
Self-pay	<b>4</b>	5
Other third-party payers	<b>46</b>	43
	<b>100%</b>	100%

#### Charity Care

Together, charity care, implicit price concessions and bad debt expense represent uncompensated care. The estimated cost of total uncompensated care was approximately \$352,000 and \$357,000 for the years ended December 31, 2020 and 2019, respectively. The estimated cost of charity care provided was approximately \$253,000 and \$260,000 for the years ended December 31, 2020 and 2019, respectively. The estimated cost of uncompensated care and charity care is based on the ratio of cost to charges, as determined using Northwell-specific data.

The NYSDOH Hospital Indigent Care Pool (the Pool) was established to provide funds to hospitals for the provision of uncompensated care and is funded, in part, by a 1% assessment on hospital net inpatient service revenue. For the years ended December 31, 2020 and 2019, Northwell received \$57,040 and \$66,476, respectively. Northwell made payments into the Pool of \$60,846 and \$60,132 for the years ended December 31, 2020 and 2019, respectively, for the 1% assessment.

# Northwell Health, Inc.

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

### 4. Cash, Investments and Liquidity

Northwell's cash, cash equivalents and investments are reported in the consolidated statements of financial position as presented below at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 830,955	\$ 535,619
Short-term investments	3,619,297	2,931,431
Long-term investments	3,970,226	2,532,060
Total cash, cash equivalents and investments	8,420,478	5,999,110
Less assets limited as to use:		
Management designated malpractice and other self-insurance assets	1,022,791	720,251
Management designated assets to repay Medicare advances	1,030,229	–
Other management designated assets*	1,927,682	1,283,324
Donor restricted assets	359,650	308,948
Deferred employee compensation plan assets	304,188	243,250
Assets under bond indentures and other	98,067	121,515
Total assets limited as to use	4,742,607	2,677,288
Total unrestricted cash, cash equivalents and investments	<u>\$ 3,677,871</u>	<u>\$ 3,321,822</u>

\*Other management designated assets include sinking funds established to repay Northwell's taxable debt, proceeds from taxable bond issues and other amounts designated to fund future capital expenditures and investments, and at December 31, 2020, the unrecognized amount of CARES Act Provider Relief Funds and amounts deferred under the CARES Act FICA employer tax deferral program.

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

Short-term investments include \$859,140 and \$225,030 of assets limited as to use at December 31, 2020 and 2019, respectively. Long-term investments include \$3,883,467 and \$2,452,258 of assets limited as to use at December 31, 2020 and 2019, respectively.

Northwell Health, Inc.

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

**4. Cash, Investments and Liquidity (continued)**

Cash and cash equivalents, short-term investments and long term-investments, stated on the applicable measurement basis as described in Note 2, consist of the following at December 31, 2020:

	<b>Total</b>	<b>Unrestricted Cash and Investments</b>	<b>Assets Limited as to Use</b>
Cash and cash equivalents (including amounts in the investment portfolio)	\$ 1,268,946	\$ 1,015,178	\$ 253,768
U.S. Government obligations	509,496	335,619	173,877
Corporate and other bonds	760,113	506,263	253,850
Fixed income mutual funds	704,141	468,910	235,231
Commingled fixed income funds	901,918	—	901,918
Equity securities	1,481,716	854,724	626,992
Equity mutual funds	1,072,221	489,735	582,486
Commingled equity funds	390,269	—	390,269
Target-age mutual funds	99,042	—	99,042
Funds of hedge funds	839,500	—	839,500
Hedge funds	487	—	487
Private equity funds	20,801	—	20,801
Private real estate funds	5,888	—	5,888
Private credit funds	16,301	—	16,301
Non-clinical joint venture investments	198,972	—	198,972
Accrued interest and other	150,667	7,442	143,225
	<u>\$ 8,420,478</u>	<u>\$ 3,677,871</u>	<u>\$ 4,742,607</u>



Northwell Health, Inc.

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

**4. Cash, Investments and Liquidity (continued)**

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

	<b>Total</b>	<b>Unrestricted Cash and Investments</b>	<b>Assets Limited as to Use</b>
Cash and cash equivalents (including amounts in the investment portfolio)	\$ 979,253	\$ 816,862	\$ 162,391
U.S. Government obligations	410,326	337,616	72,710
Corporate and other bonds	518,725	464,643	54,082
Fixed income mutual funds	450,547	371,217	79,330
Commingled fixed income funds	612,479	100,565	511,914
Equity securities	1,015,540	771,283	244,257
Equity mutual funds	785,480	451,022	334,458
Commingled equity funds	281,166	—	281,166
Target-age mutual funds	73,727	—	73,727
Funds of hedge funds	552,945	—	552,945
Hedge funds	480	—	480
Private equity funds	20,941	—	20,941
Private real estate funds	5,301	—	5,301
Private credit funds	3,523	—	3,523
Non-clinical joint venture investments	187,340	—	187,340
Accrued interest and other	101,337	8,614	92,723
	<u>\$ 5,999,110</u>	<u>\$ 3,321,822</u>	<u>\$ 2,677,288</u>

Northwell Health, Inc.

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

**4. Cash, Investments and Liquidity (continued)**

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, 2020 and 2019:

	<b>2020</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Investment income:			
Interest and dividend income, net of fees	\$ 74,906	\$ 3,274	\$ 78,180
Net realized gains and losses	126,764	9,245	136,009
Less interest and dividend income included in other operating revenue	(15,359)	—	(15,359)
	<u>\$ 186,311</u>	<u>\$ 12,519</u>	<u>\$ 198,830</u>
Change in net unrealized gains and losses and change in value of equity method investments:			
Change in net unrealized gains and losses	\$ 436,176	\$ 24,823	\$ 460,999
Equity method investment gains	89,833	3,596	93,429
	<u>\$ 526,009</u>	<u>\$ 28,419</u>	<u>\$ 554,428</u>
	<b>2019</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Investment income:			
Interest and dividend income, net of fees	\$ 73,082	\$ 3,306	\$ 76,388
Net realized gains and losses	115,260	6,951	122,211
Less interest and dividend income included in other operating revenue	(16,598)	—	(16,598)
	<u>\$ 171,744</u>	<u>\$ 10,257</u>	<u>\$ 182,001</u>
Change in net unrealized gains and losses and change in value of equity method investments:			
Change in net unrealized gains and losses	\$ 333,809	\$ 22,951	\$ 356,760
Equity method investment gains	67,301	6,763	74,064
	<u>\$ 401,110</u>	<u>\$ 29,714</u>	<u>\$ 430,824</u>

## Northwell Health, Inc.

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

#### 4. Cash, Investments and Liquidity (continued)

##### Liquidity

Financial assets available for general expenditure within one year of the consolidated statement of financial position date consist of the following at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 830,955	\$ 535,619
Short-term investments	2,760,157	2,706,401
Accounts receivable for services to patients, net	1,276,235	1,285,542
Accounts receivable for physician activities, net	271,784	255,893
	<u>\$ 5,139,131</u>	<u>\$ 4,783,455</u>

In addition to the assets above, Northwell also has assets limited as to use of \$859,140 and \$225,030 included within short-term investments on the accompanying consolidated statements of financial position at December 31, 2020 and 2019, respectively, which are designated to be used within the next year for specified purposes. Also, included within long-term investments on the accompanying consolidated statements of financial position at December 31, 2020 and 2019 are certain management designated assets limited as to use not currently available for general expenditure within the next year, but which could be made available if necessary. Refer to Note 2 for further discussion of assets limited as to use.

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

Additionally, Northwell has entered into various unsecured revolving credit facilities with commercial banks, as discussed in more detail in Note 8. As of December 31, 2020 and 2019, \$511,460 and \$197,000, respectively, remain available on such arrangements.

# Northwell Health, Inc.

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

### 5. Pledges Receivable

Pledges receivable at December 31, 2020 and 2019 consist of the following:

	<u>2020</u>	<u>2019</u>
Amounts expected to be collected in:		
Less than one year	\$ 70,264	\$ 63,901
One to five years	103,418	103,806
More than five years	25,743	29,881
	<u>199,425</u>	<u>197,588</u>
Less:		
Discount to present value future cash flows (discount rates ranging from 0.4% to 4.4%)	12,296	15,174
Allowance for uncollectible amounts	35,714	35,127
Current portion of pledges receivable	51,076	47,316
Pledges receivable, net of current portion	<u>\$ 100,339</u>	<u>\$ 99,971</u>

### 6. Property, Plant and Equipment

Property, plant and equipment and accumulated depreciation and amortization at December 31, 2020 and 2019 are summarized as follows:

	<u>2020</u>	<u>2019</u>
Land	\$ 777,245	\$ 776,957
Land improvements	27,453	27,639
Buildings and fixed equipment	4,744,321	4,484,488
Movable equipment	2,418,564	2,147,277
Leasehold improvements	35,754	36,587
	<u>8,003,337</u>	<u>7,472,948</u>
Less accumulated depreciation and amortization	2,791,601	2,566,555
	<u>5,211,736</u>	<u>4,906,393</u>
Construction-in-progress	646,926	641,924
	<u>\$ 5,858,662</u>	<u>\$ 5,548,317</u>

Northwell wrote off approximately \$316,000 and \$282,000 of fully depreciated assets in 2020 and 2019, respectively.

## Northwell Health, Inc.

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

#### **6. Property, Plant and Equipment (continued)**

Net interest capitalized for the years ended December 31, 2020 and 2019 was approximately \$13,000 and \$9,000, respectively.

#### **7. Leases**

Northwell leases certain medical offices, administrative offices and equipment under finance and operating leases. At the inception of a contract, a determination is made if the arrangement is or contains a lease. Leases are classified as either finance or operating leases, based on the underlying terms of the agreement and certain criteria, such as the term of the lease relative to the useful life of the asset and the total lease payments to be made as compared to the fair value of the asset, among other criteria.

As of December 31, 2020 and 2019, assets acquired under finance leases of \$217,662 and \$187,587, respectively, and accumulated amortization associated with finance leases of \$28,429 and \$20,635, respectively, are recorded in property, plant and equipment, net in the consolidated statements of financial position.

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

# Northwell Health, Inc.

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

### 7. Leases (continued)

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

Northwell does not separate lease components from non-lease components in contracts in the accounting for its lease payments. As such, Northwell accounts for the applicable non-lease components (e.g., fixed common area maintenance costs), together with the related lease components when determining the right-of-use assets and lease liabilities.

The components of lease cost included in the accompanying consolidated statements of operations for the years ended December 31, 2020 and 2019 are as follows:

	<b>2020</b>	<b>2019</b>
Finance lease cost:		
Amortization of assets acquired under finance leases	\$ 7,794	\$ 6,508
Interest on finance lease obligations	15,880	15,587
Operating lease cost:		
Lease cost – leases with terms greater than one year	173,727	170,292
Short-term lease cost	5,423	3,309
Variable lease cost	30,210	26,654
Total lease cost	<u>\$ 233,034</u>	<u>\$ 222,350</u>

Northwell Health, Inc.

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

**7. Leases (continued)**

Other information related to leases and supplemental cash flows as of and for the years ended December 31, 2020 and 2019 are as follows:

	<b>2020</b>	<b>2019</b>
Operating cash flows for interest on finance leases	\$ <b>15,880</b>	\$ 15,587
Operating cash flows from operating leases*	<b>166,727</b>	154,544
Financing cash flows from finance leases	<b>7,192</b>	6,918
Assets acquired under new finance lease obligations	<b>30,075</b>	14,230
Right-of-use leased assets obtained in exchange for new operating lease obligations	<b>112,116</b>	164,481
Weighted-average remaining lease term:		
Finance leases	<b>26 years</b>	26 years
Operating leases	<b>11 years</b>	11 years
Weighted-average discount rate on finance leases	<b>7.6%</b>	7.9%
Weighted-average discount rate on operating leases	<b>4.0%</b>	4.1%

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

Northwell Health, Inc.

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

**7. Leases (continued)**

The following table reconciles the undiscounted future lease payments to the lease obligations recorded on the accompanying consolidated statement of financial position at December 31, 2020:

	<b>Operating</b>	<b>Finance</b>
2021	\$ 168,470	\$ 23,616
2022	150,346	22,480
2023	134,606	22,130
2024	119,658	21,697
2025	103,971	21,264
Thereafter	554,273	452,688
Total minimum future payments	1,231,324	563,875
Less: Interest	253,393	303,868
Less: Net unamortized issuance costs	—	1,943
Total liabilities	977,931	258,064
Less: Current portion	132,289	7,995
Long-term liabilities	<u>\$ 845,642</u>	<u>\$ 250,069</u>

**8. Debt**

**Long-Term Debt**

Long-term debt at December 31, 2020 and 2019 consists of the following:

	<b>2020</b>	<b>2019</b>
Bonds payable at varying dates through November 2049, at fixed and variable interest rates ranging from 3.00% to 6.15%	<b>\$ 3,188,776</b>	\$ 3,228,562
Other long-term debt payable at varying dates through September 2045 at variable and fixed interest rates ranging from 1.65% to 4.46%	<b>501,726</b>	519,017
Total long-term debt	<b>3,690,502</b>	3,747,579
Less current portion of bonds payable	<b>30,149</b>	39,696
Less current portion of other long-term debt	<b>28,775</b>	17,254
Less net unamortized debt issuance costs	<b>24,587</b>	26,399
Add net unamortized bond premium	<b>43,834</b>	51,704
	<u><b>\$ 3,650,825</b></u>	<u>\$ 3,715,934</u>



Northwell Health, Inc.

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

**8. Debt (continued)**

Annual aggregate principal payments applicable to long-term debt for years subsequent to December 31, 2020 are as follows:

	<b>Bonds Payable</b>	<b>Other Long-Term Debt</b>	<b>Total</b>
Year ended December 31:			
2021	\$ 30,149	\$ 28,775	\$ 58,924
2022 <sup>(a)</sup>	31,222	30,744	61,966
2023	30,105	29,102	59,207
2024 <sup>(b)</sup>	26,603	30,628	57,231
2025	26,061	34,671	60,732
Thereafter	3,044,636	347,806	3,392,442
	<u>\$ 3,188,776</u>	<u>\$ 501,726</u>	<u>\$ 3,690,502</u>

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

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

Most of Northwell's debt arrangements include security agreements of various types. The agreements include, among other provisions, the pledging as collateral certain assets and revenues, and limitations on the use of assets, including restrictions on the transfer of assets to entities outside Northwell. At December 31, 2020 and 2019, 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, 2020 and 2019, Northwell was in compliance with the financial covenants.

# Northwell Health, Inc.

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

### 8. Debt (continued)

#### Bonds Payable

Bonds payable by Northwell consist of the following at December 31, 2020:

	Interest Structure	Final Maturity	Outstanding Principal
<b>Obligated Group</b>			
Series 2019A (taxable)	Fixed	2049	\$ 447,675
Series 2019A	Fixed	2033	29,870
Series 2019B	Fixed	2048 <sup>(f)</sup>	161,180
Series 2017A (taxable)	Fixed	2047	956,919
Series 2016A (taxable)	Fixed	2046	500,000
Series 2015A	Fixed	2043	464,500
Series 2013A (taxable)	Fixed	2043	250,000
Series 2012A	Fixed	2023	4,755
Series 2012B (taxable)	Fixed	2042	135,000
Series 2009B	Fixed	2039	50,000
Series 2009C	Fixed	2039	37,500
Series 2009D	Fixed	2039	37,500
<b>Other</b>			
Phelps Series 2013 <sup>(a)</sup>	Fixed	2038	10,080
Phelps Series 2005 A and B <sup>(a)</sup>	Fixed	2030	14,720
Northern Westchester Series 2014 A and B <sup>(b)</sup>	Fixed	2039	28,422
Northern Westchester Series 2009 <sup>(b)</sup>	Variable	2032	8,610
Northern Westchester Series 2004 <sup>(b)</sup>	Variable <sup>(e)</sup>	2024	4,525
Peconic Series 2006 A and B <sup>(c)</sup>	Variable <sup>(e)</sup>	2031	14,635
Peconic Series 2007 D <sup>(c)</sup>	Variable <sup>(e)</sup>	2032	8,215
Mather Series 2013 <sup>(d)</sup>	Variable <sup>(e)</sup>	2043	20,250
Mather Series 2012 <sup>(d)</sup>	Variable <sup>(e)</sup>	2022	4,420
			<u>\$ 3,188,776</u>

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

<sup>(b)</sup> Northern Westchester is party to direct purchase agreements with two commercial banks expiring in 2024 for its Series 2014 Series bonds. Northern Westchester's Series 2009 and 2004 bonds are backed by commercial bank direct pay letters of credit expiring in 2025 and 2023, respectively.

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

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

<sup>(e)</sup> Variable rate debt is swapped to a fixed rate via interest rate swap agreements.

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

## Northwell Health, Inc.

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

#### 8. Debt (continued)

The Series 2019A, 2017A, 2016A, 2013A and 2012B taxable bonds were issued by HCI as a joint and several obligation of the Obligated Group. The bonds of Phelps, Northern Westchester, Peconic and Mather are tax-exempt and are not obligations of the Obligated Group. All other bonds are tax-exempt and were issued through the Dormitory Authority of the State of New York (DASNY) on behalf of the Obligated Group.

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

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

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

For certain Obligated Group bonds that were included in a prior year refunding transaction, funds were placed in escrow with a trustee to pay bondholders at future redemption dates. These funds and the liability for the corresponding bonds are excluded from Northwell's consolidated statements of financial position at December 31, 2020 and 2019. At December 31, 2020, outstanding principal amounts to be paid from escrow to bondholders are \$316,215 and have a final redemption date of May 1, 2021.

Northwell Health, Inc.

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

**8. Debt (continued)**

**Other Long-Term Debt**

Other long-term debt consists of the following at December 31, 2020:

	<b>Interest Structure</b>	<b>Final Maturity</b>	<b>Outstanding Principal</b>
<b>Obligated Group</b>			
2014 Private Placement Notes Payable	Fixed	2030	\$ 240,805
<b>Other</b>			
LIJMC's Center for Advanced Medicine			
Mortgage	Fixed	2045	192,904
Real Estate Financing	Fixed	2045	25,959
Staten Island Term Loan	Fixed	2023	10,000
Lenox Mortgage	Variable	2029	16,527
Phelps Mortgage	Fixed	2031	2,725
Northern Westchester Term Loan	Variable	2022	2,000
Peconic Loans	Variable	2027	5,746
Other Loans	Fixed	2026	5,060
			<u>\$ 501,726</u>

**Short-Term Borrowings**

Certain members of Northwell have entered into several unsecured revolving credit facilities with commercial banks with commitment availability through dates currently ranging from August 31, 2021 to May 31, 2024. 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. In March 2020, amounts were drawn to address the potential effect of the COVID-19 pandemic on Northwell's liquidity. All outstanding balances were paid down in April 2020, upon Northwell's receipt of the Medicare advances. Total credit available under such arrangements is \$606,460 at December 31, 2020. Balances outstanding from these borrowings are \$95,000 at both December 31, 2020 and 2019.

## Northwell Health, Inc.

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

#### 9. Fair Values of Financial Instruments

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

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

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

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

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

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

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

Northwell Health, Inc.

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

**9. Fair Values of Financial Instruments (continued)**

Financial assets and liabilities carried at fair value as of December 31, 2020 are classified in the following table in one of the three categories described previously:

	2020			
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Cash and cash equivalents (including amounts in the investment portfolio)	\$ 1,268,946	\$ —	\$ —	\$ 1,268,946
Fixed income obligations:				
U.S. Government obligations	181,818	327,678	—	509,496
Corporate and other bonds	—	760,113	—	760,113
Fixed income mutual funds	704,141	—	—	704,141
Commingled fixed income funds*	—	406,937	—	406,937
Equity securities:				
Value	674,612	—	—	674,612
Small cap	235,490	—	—	235,490
Global	374,896	—	—	374,896
Growth	196,718	—	—	196,718
Equity mutual funds	1,072,221	—	—	1,072,221
Commingled equity funds*	—	305,049	—	305,049
Target-age mutual funds	99,042	—	—	99,042
Accrued interest and other	22,232	—	—	22,232
<b>Liabilities</b>				
Interest rate swap agreements	—	(7,164)	—	(7,164)
	<u>\$ 4,830,116</u>	<u>\$ 1,792,613</u>	<u>\$ —</u>	<u>\$ 6,622,729</u>

Northwell Health, Inc.

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

**9. Fair Values of Financial Instruments (continued)**

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

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

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

## Northwell Health, Inc.

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

#### **9. Fair Values of Financial Instruments (continued)**

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

The amounts reported in the previous tables exclude certain amounts reported as investments, including investments under the equity method or at Adjusted Cost in the amounts of \$1,790,585 and \$1,254,835 at December 31, 2020 and 2019, respectively (see Notes 2 and 4), and assets invested in Northwell's pension plans (see Note 10).

#### **10. Pension Plans and Other Postretirement Benefits**

##### **Pension Plans**

Northwell maintains several pension plans for its employees. The following are descriptions of such plans and the respective pension expense for the years ended December 31, 2020 and 2019.

Certain members of Northwell provide pension and similar benefits to its 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 2020 and 2019 related to the defined contribution plans amounted to \$226,032 and \$200,016, respectively.



Northwell Health, Inc.

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

**10. Pension Plans and Other Postretirement Benefits (continued)**

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

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

Northwell's significant participation in certain multiemployer plans for the annual period ended December 31, 2020 is outlined in the following table. The following information for the 1199SEIU Health Care Employees Pension Fund (the 1199 Plan) and the New York State Nurses Association Pension Plan (the NYSNA Plan) is included within the table:

- a. The "EIN/Pension Plan Number" column provides the plans' Employee Identification Number (EIN) and the three-digit plan number.
- b. The most recent "Pension Protection Act Zone Status" available in 2020 and 2019 is for a plan's year-end at December 31, 2019 and 2018, respectively, and is based on information that Northwell received from the plans and is certified by the plans' actuaries. Among other factors, plans in the red zone are generally less than 65% funded, plans in the yellow zone are less than 80% funded and plans in the green zone are at least 80% funded.
- c. The "FIP/RP Status Pending/Implemented" column indicates plans for which a financial improvement plan (FIP) or a rehabilitation plan (RP) is either pending or has been implemented.
- d. The last column lists the expiration dates of the collective bargaining agreements to which the plans are subject.

# Northwell Health, Inc.

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

### 10. Pension Plans and Other Postretirement Benefits (continued)

Pension Fund	EIN/Pension Plan Number	Pension Protection Act Zone Status		FIP/RP Status Pending/ Implemented	Contributions of Northwell		Surcharge Imposed	Expiration Date of Collective-Bargaining Agreements
		2020	2019		2020	2019		
1199 Plan <sup>(a)</sup>	13-3604862/001	Green as of 1/1/20	Green as of 1/1/19	N/A	\$ 101,594	\$ 96,325	No	9/30/2021 to 3/31/2022
NYSNA Plan <sup>(a)</sup>	13-6604799/001	Green as of 1/1/20	Green as of 1/1/19	N/A	\$ 16,037	\$ 15,332	No	3/31/2021 to 12/31/2023

<sup>(a)</sup> Northwell was listed in the 1199 and NYSNA plans' Forms 5500 as providing more than 5% of the total contributions during each of the plans' 2019 and 2018 plan years. Forms 5500 are not yet available for the plan year ended in 2020.

In addition to the plans noted in the table above, Northwell also participates in several other multiemployer plans. Contributions for these other plans totaled \$1,079 and \$1,083 for the years ended December 31, 2020 and 2019, respectively.

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 and other deferred compensation plans, included in long-term investments and accrued retirement benefits in the accompanying consolidated statements of financial position, totaled \$304,188 and \$243,250 at December 31, 2020 and 2019, respectively.

### Defined Benefit Pension Plans

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

Northwell Health, Inc.

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

**10. Pension Plans and Other Postretirement Benefits (continued)**

The following tables provide a reconciliation of the changes in the Plans' aggregated projected benefit obligation and fair value of plan assets for the years ended December 31, 2020 and 2019 and the funded status and accumulated benefit obligation of the Plans as of December 31, 2020 and 2019:

	<b>2020</b>	<b>2019</b>
<b>Reconciliation of the projected benefit obligation</b>		
Obligation at January 1	\$ 2,937,788	\$ 2,705,092
Service cost	105,108	98,340
Interest cost	102,882	120,223
Plan amendments	870	—
Actuarial loss	237,761	233,398
Benefit payments	(92,466)	(208,907)
Settlements	(178,397)	(10,358)
Obligation at December 31	<u>\$ 3,113,546</u>	<u>\$ 2,937,788</u>
<b>Reconciliation of fair value of plan assets</b>		
Fair value of plan assets at January 1	\$ 2,573,088	\$ 1,874,898
Actual return on plan assets	298,176	312,331
Employer contributions	107,152	605,085
Benefit payments	(92,466)	(208,907)
Settlements	(178,397)	(10,319)
Fair value of plan assets at December 31	<u>\$ 2,707,553</u>	<u>\$ 2,573,088</u>
<b>Funded status</b>		
Funded status at December 31	<u>\$ (405,993)</u>	<u>\$ (364,700)</u>
Accumulated benefit obligation at December 31	<u>\$ 2,899,323</u>	<u>\$ 2,749,325</u>

Northwell Health, Inc.

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

**10. Pension Plans and Other Postretirement Benefits (continued)**

The current portion of accrued retirement benefits related to the Plans, included in accrued salaries and related benefits in the accompanying consolidated statements of financial position, is \$853 and \$2,040 at December 31, 2020 and 2019, respectively. At December 31, 2020 and 2019, certain plans were funded with plan assets at a level exceeding their respective projected benefit obligation. As a result, their funded status of \$5,793 and \$6,007 are included in other assets in the accompanying consolidated statements of financial position as of December 31, 2020 and 2019, respectively.

The actuarial loss in 2020 and 2019 is primarily due to the decrease in the discount rate used in the measurement of the Plans' benefit obligation.

Included in net assets without donor restrictions at December 31, 2020 and 2019 are the following amounts related to the Plans that have not yet been recognized in net periodic benefit cost:

	<u>2020</u>	<u>2019</u>
Unrecognized actuarial loss	\$ (727,404)	\$ (671,755)
Unrecognized prior service cost	(12,151)	(23,474)
	<u>\$ (739,555)</u>	<u>\$ (695,229)</u>

The Plans' actuarial loss and prior service cost included in net assets without donor restrictions expected to be recognized in net periodic benefit cost during the year ended December 31, 2021 are as follows:

Actuarial loss	\$ 44,442
Prior service cost	3,657
Increase to net periodic benefit cost	<u>\$ 48,099</u>

The increase in settlements in 2020 compared to 2019 is primarily due to the purchase of annuities for in-payment participants that had a monthly benefit payment of \$0.5 or less.

Northwell Health, Inc.

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

**10. Pension Plans and Other Postretirement Benefits (continued)**

The following table provides the components of the net periodic benefit cost for the Plans for the years ended December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Service cost (included in employee benefits)	<u>\$ 105,108</u>	<u>\$ 98,340</u>
Interest cost on projected benefit obligation	<b>102,882</b>	120,223
Expected return on plan assets	<b>(161,350)</b>	(122,897)
Amortization of actuarial loss	<b>42,173</b>	46,675
Amortization of prior service cost	<b>9,739</b>	14,120
Settlement loss	<u><b>5,701</b></u>	<u>1,908</u>
Total included in non-operating net periodic benefit (credit) cost	<u><b>(855)</b></u>	<u>60,029</u>
Net periodic benefit cost	<u><u><b>\$ 104,253</b></u></u>	<u><u><b>\$ 158,369</b></u></u>

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

The assumptions used in the measurement of the Cash Balance Plan's benefit obligations at December 31, 2020 and 2019 are shown in the following table:

	<u>2020</u>	<u>2019</u>
Discount rate	<b>2.75%</b>	3.50%
Rate of compensation increase	<b>4.00%</b>	4.00%

Northwell Health, Inc.

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

**10. Pension Plans and Other Postretirement Benefits (continued)**

The assumptions used in the measurement of the Cash Balance Plan's net periodic benefit cost for the years ended December 31, 2020 and 2019 are shown in the following table:

	<b>2020</b>	<b>2019</b>
Discount rate	<b>3.50%</b>	4.35%
Expected long-term rate of return on plan assets	<b>6.50%</b>	6.50%
Rate of compensation increase	<b>4.00%</b>	4.00%

The Cash Balance Plan comprises 86.5% and 81.6% of the Plans' total projected benefit obligation as of December 31, 2020 and 2019, respectively, and 83.8% and 84.2% of the net periodic benefit cost for the years ended December 31, 2020 and 2019, respectively.

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

2021	\$ 132,925
2022	138,356
2023	146,347
2024	154,004
2025	157,082
2026 to 2030	845,192

Northwell expects to make contributions of approximately \$111,000 to the Plans in 2021.

Northwell Health, Inc.

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

**10. Pension Plans and Other Postretirement Benefits (continued)**

**Defined Benefit Pension Plan Assets**

The fair values of the Plans' assets at December 31, 2020, by asset category, are as follows:

<b>Asset Category</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Cash and short-term investments	\$ 81,884	\$ —	\$ —	\$ 81,884
Fixed income obligations:				
U.S. Government obligations	17,894	75,909	—	93,803
Corporate and other bonds	—	131,598	—	131,598
Fixed income mutual funds	142,927	—	—	142,927
Commingled fixed income funds	—	297,708	—	297,708
Equity securities:				
Value	129,720	—	—	129,720
Small cap	78,477	—	—	78,477
Global	317,034	—	—	317,034
Growth	63,644	—	—	63,644
Equity mutual funds	313,746	—	—	313,746
Commingled equity funds	—	106,284	—	106,284
Accrued interest and other	7,011	—	—	7,011
	<u>\$ 1,152,337</u>	<u>\$ 611,499</u>	<u>\$ —</u>	<u>1,763,836</u>
Assets measured at net asset value:				
Commingled fixed income funds				174,690
Commingled equity funds				66,617
Funds of hedge funds				406,697
Hedge funds				16
Private equity funds				162,560
Private credit funds				75,608
Private real estate funds				57,529
Total assets at fair value				<u>\$ 2,707,553</u>

Northwell Health, Inc.

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

**10. Pension Plans and Other Postretirement Benefits (continued)**

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

<b>Asset Category</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Cash and short-term investments	\$ 85,709	\$ —	\$ —	\$ 85,709
Fixed income obligations:				
U.S. Government obligations	14,339	76,264	—	90,603
Corporate and other bonds	—	187,273	—	187,273
Fixed income mutual funds	124,346	—	—	124,346
Commingled fixed income funds	—	267,852	—	267,852
Equity securities:				
Value	113,320	—	—	113,320
Small cap	71,728	—	—	71,728
Global	294,418	—	—	294,418
Growth	59,893	—	—	59,893
Equity mutual funds	294,334	—	—	294,334
Commingled equity funds	—	99,022	—	99,022
Accrued interest and other	4,357	—	—	4,357
	<u>\$ 1,062,444</u>	<u>\$ 630,411</u>	<u>\$ —</u>	<u>1,692,855</u>
Assets measured at net asset value:				
Commingled fixed income funds				159,370
Commingled equity funds				88,269
Funds of hedge funds				388,854
Hedge funds				22
Private equity funds				153,359
Private credit funds				35,435
Private real estate funds				54,924
Total assets at fair value				<u>\$ 2,573,088</u>



Northwell Health, Inc.

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

**10. Pension Plans and Other Postretirement Benefits (continued)**

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

The following is a summary of assets in the Plans at December 31, 2020 (by asset category) with redemption restrictions:

	<b>Asset Value</b>	<b>Redemption Period (Including Notice Period)</b>
Commingled fixed income funds	\$ 472,398	1 day to 60 days
Commingled equity funds	172,901	2 days to 45 days
		61 days to 29
Funds of hedge funds	406,697	months

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

## Northwell Health, Inc.

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

#### **10. Pension Plans and Other Postretirement Benefits (continued)**

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

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

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

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

##### *Description of Investment Policies and Strategies*

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

Northwell Health, Inc.

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

**10. Pension Plans and Other Postretirement Benefits (continued)**

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

The Cash Balance Plan's asset allocation at December 31, 2020 and 2019, by asset category, is as follows:

	<b>2020</b>	<b>2019</b>	<b>Target Allocation</b>
Cash and short-term investments	<b>3.7%</b>	3.7%	1.0%
Fixed income obligations, including commingled fixed income funds	<b>30.0</b>	32.0	29.5
Equity securities, including commingled equity funds	<b>37.5</b>	36.8	24.5
Alternative investments	<b>28.8</b>	27.5	45.0
	<b>100.0%</b>	100.0%	100.0%

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

The Cash Balance Plan comprises 90.2% and 85.0% of the Plans' total fair value of plan assets as of December 31, 2020 and 2019, respectively.

**Other Postretirement Benefits**

Certain employees are covered by the Northwell Health Retiree Medical and Life Insurance Plan and other postretirement benefit plans other than pensions. As of December 31, 2020 and 2019, the total funded status of the plans was a liability of \$43,191 and \$36,413, respectively. The current portion of accrued retirement benefits related to the plans, included in accrued salaries and related benefits in the accompanying consolidated statements of financial position, is \$2,615 and \$1,592 at December 31, 2020 and 2019, respectively.

## Northwell Health, Inc.

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

#### **10. Pension Plans and Other Postretirement Benefits (continued)**

For the years ended December 31, 2020 and 2019, there was a net periodic benefit cost (credit) related to these plans of \$1,210 and (\$1,573), respectively, of which (\$40) and (\$2,450), respectively, was recorded within non-operating net periodic benefit credit (cost) in the accompanying consolidated statements of operations.

#### **11. Malpractice and Other Insurance Liabilities**

##### **Malpractice**

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

##### *Primary Insurance Program*

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

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

The estimated undiscounted liability for the retained primary coverage and losses in excess of the insured primary aggregate at December 31, 2020 and 2019 was \$883,576 and \$779,826, respectively. At December 31, 2020 and 2019, the liability was recorded at the actuarially determined present value of \$868,540 and \$728,383, respectively, based on a discount rate of 0.5% and 2.0%, respectively. Malpractice and other insurance liabilities are discounted based on the expected timing of the actuarially estimated future claim payments under the programs, using a risk-free rate. Such estimates are reviewed and updated on an annual basis.

## Northwell Health, Inc.

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

#### 11. Malpractice and Other Insurance Liabilities (continued)

##### *Excess Insurance Coverage*

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

Regional Insurance's estimated undiscounted reserves for losses and loss expenses outstanding at December 31, 2020 and 2019 were \$85,813 and \$107,214, respectively, and were recorded at the actuarially determined present value of \$85,193 and \$103,502, respectively, based on a discount rate of 0.5% and 2.0%, respectively.

Effective January 1, 2015, the annual aggregate excess coverage provided by Regional Insurance was significantly reduced to \$6,500, and was subsequently increased to \$7,750 effective January 1, 2018, \$8,375 effective January 1, 2019 and \$9,000 effective January 1, 2020. The undiscounted liability for the Northwell hospitals for estimated losses in excess of Regional Insurance's aggregate excess coverage at December 31, 2020 and 2019 totaled \$384,204 and \$323,056, respectively, and is recorded at the actuarially determined present value of \$377,122 and \$299,580, respectively, based on a discount rate of 0.5% and 2.0%, respectively.

The estimated undiscounted incurred but not reported liability for claims in excess of primary insurance layers at December 31, 2020 and 2019 was \$146,856 and \$138,105, respectively, and was recorded at the actuarially determined present value of \$141,792 and \$120,432, respectively, based on a discount rate of 0.5% and 2.0%, respectively.

##### *Other Self-Insurance Coverage*

For certain years, certain Northwell hospitals and physicians were covered for malpractice claims under various other insured and self-insured arrangements. For self-insured claims and incidents, Northwell has reserved \$37,085 and \$41,770 at December 31, 2020 and 2019, respectively, based on actuarial determinations and a discount rate of 0.5% and 2.0%, respectively, as its best estimates of the ultimate cost of such losses.

Malpractice claims have been asserted against Northwell by various claimants. These claims are in various stages of processing, and some may ultimately be brought to trial. There are known incidents that have occurred through December 31, 2020 that may result in the assertion of additional claims, and other claims may be asserted arising from services provided to patients in the past. It is the opinion of Northwell's management that adequate insurance, including self-insurance, and malpractice reserves are being maintained to cover potential malpractice losses.

## Northwell Health, Inc.

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

#### **11. Malpractice and Other Insurance Liabilities (continued)**

##### **Workers' Compensation**

In June 2013, Northwell changed its workers' compensation insurance program from a guaranteed cost program to a high deductible program with a \$1,000 per claim retention level. At December 31, 2020 and 2019, the liability for retained losses under this program was recorded at the actuarially determined present value of \$239,038 and \$188,810, respectively, based on a discount rate of 0.5% and 2.0%, respectively. The estimated undiscounted liability was \$246,607 and \$212,176 at December 31, 2020 and 2019, respectively.

Prior to joining Northwell's high deductible program, certain hospitals had various self-insured programs for workers' compensation claims. At December 31, 2020 and 2019, the liability for these self-insured losses was recorded at the actuarially determined present value of \$16,011 and \$19,278, respectively, based on a discount rate of 0.5% and 2.0%, respectively.

##### **Other Insurance**

Some of Northwell's other insurance programs, including general liability, have a component of self-insurance or high deductibles. Liabilities for these other insurance programs were not significant at December 31, 2020 and 2019.

Northwell Health, Inc.

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

**12. Other Operating Revenue**

Other operating revenue consists of the following for the years ended December 31, 2020 and 2019:

	<b>2020</b>	<b>2019</b>
Laboratory services	<b>\$ 371,391</b>	\$ 284,685
Pharmacy sales	<b>206,105</b>	156,523
Grants and contracts	<b>177,076</b>	143,088
Group purchasing revenue	<b>46,432</b>	21,818
Health plan risk pool distributions	<b>39,686</b>	37,019
Rental income	<b>34,670</b>	32,829
Clinical joint venture income	<b>22,395</b>	13,462
Investment income (see Note 4)	<b>15,359</b>	16,598
Cafeteria and gift shop sales	<b>14,325</b>	18,497
Health plan care coordination revenue	<b>11,674</b>	9,987
Parking income	<b>4,106</b>	7,217
All other	<b>77,181</b>	91,930
	<b><u>\$ 1,020,400</u></b>	<b><u>\$ 833,653</u></b>

# Northwell Health, Inc.

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

### 13. Net Assets

Donor restricted net assets at December 31, 2020 and 2019 are available for the following:

	<u>2020</u>	<u>2019</u>
Teaching, research, training and other	\$ 387,786	\$ 321,875
Capital projects and purchases of equipment	148,006	131,663
Permanent endowments	247,977	238,184
	<u>\$ 783,769</u>	<u>\$ 691,722</u>

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

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

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



# Northwell Health, Inc.

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

### 13. Net Assets (continued)

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

Northwell has a policy of appropriating for distribution each year, amounts determined using historical returns on its endowment funds' corpus, not to exceed 7.0%. In establishing this policy, Northwell considered the long-term expected return on its endowments.

For the years ended December 31, 2020 and 2019, Northwell had the following activity related to its endowment assets, including amounts to be held in perpetuity and earnings which may be expended:

	<u>2020</u>	<u>2019</u>
Endowment balance, beginning of year	\$ 309,625	\$ 262,512
Investment return:		
Investment income	12,519	10,257
Net appreciation	28,419	29,714
Total investment return	40,938	39,971
Contributions and other*	9,793	18,869
Amounts appropriated for expenditure	(10,787)	(11,727)
Net change in endowment funds	39,944	47,113
Endowment balance, end of year	<u>\$ 349,569</u>	<u>\$ 309,625</u>

\*Contributions include pledges receivable for permanently restricted purposes.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires Northwell to retain as a fund of perpetual duration. There was no such deficiency as of December 31, 2020 and 2019.

## Northwell Health, Inc.

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

#### **14. Commitments and Contingencies**

##### **Litigation and Claims**

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

##### **Collective Bargaining Agreements**

At December 31, 2020, approximately 28% 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 4% of union employees (1% of total employees) have expired at December 31, 2020 and are currently being renegotiated. Agreements representing approximately 84% of union employees (24% of total employees) will expire within the next year and are currently being renegotiated.

##### **Letters of Credit and Surety Bonds**

At December 31, 2020, \$13,301 in direct-pay letters of credit were maintained with a commercial bank to secure certain Northern Westchester bond issues.

At December 31, 2020, four commercial banks are providing a total of \$366,842 in commitments, solely to support letters of credit required for Northwell's high deductible workers' compensation and vehicle insurance programs. At December 31, 2020, \$150,473 in secured direct-pay letters of credit were maintained with the banks, and \$216,369 of the commitments remain available for future letters of credit. At December 31, 2020, there was also a \$60,000 surety bond supporting these programs.

In addition, at December 31, 2020, \$16,798 in direct-pay letters of credit or surety bonds was maintained to support other workers' compensation insurance programs at certain Northwell hospitals.

## Northwell Health, Inc.

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

#### 14. Commitments and Contingencies (continued)

##### Other Commitments and Contingencies

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

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

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

## Northwell Health, Inc.

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

#### **14. Commitments and Contingencies (continued)**

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

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

#### **15. Subsequent Events**

Management has evaluated the impact of subsequent events through April 28, 2021, representing the date at which the consolidated financial statements were issued.

Except for those disclosed in Note 1, no events have occurred that require disclosure in or adjustment to the accompanying consolidated financial statements.

## Supplementary Information

Northwell Health, Inc.

Consolidating Statement of Financial Position  
(In Thousands)

December 31, 2020

	Northwell Health, Inc. Total	Eliminations	Northwell Health Obligated Group	Phelps Memorial Hospital Association and Subsidiaries	Northern Westchester Hospital Association and Subsidiaries	Peconic Bay Medical Center and Subsidiaries	John T. Mather Memorial Hospital and Subsidiary	The Long Island Home	Hospice Care Network	The Feinstein Institutes for Medical Research	Northwell Health Foundation	Northwell Health Laboratories	Captive Insurance Companies	Dolan Family Health Center	Health Insurance Companies	Joint Venture Ambulatory Surgery Centers	Other Northwell Health Entities
<b>Assets</b>																	
Current assets:																	
Cash and cash equivalents	\$ 830,955	\$ –	\$ 555,796	\$ 2,605	\$ 4,145	\$ 44,883	\$ 113,171	\$ 9,934	\$ 18,794	\$ –	\$ 23,946	\$ –	\$ 1,449	\$ 33	\$ 15,130	\$ 15,584	\$ 25,485
Short-term investments	3,619,297	–	2,901,261	201,067	214,219	18,568	40,082	126	58,338	–	67,297	–	25,537	964	91,838	–	–
Accounts receivable for services to patients, net	1,276,235	–	1,087,855	37,142	38,653	27,862	49,820	6,008	5,579	–	–	–	–	354	–	9,624	13,338
Accounts receivable for physician activities, net	271,784	–	197,335	2,218	–	2,772	4,931	–	–	–	–	–	–	–	–	–	64,528
Current portion of pledges receivable	51,076	–	–	–	–	–	–	–	–	–	50,374	–	–	–	–	–	702
Current portion of insurance claims receivable	45,232	–	37,361	257	339	191	6,106	575	35	90	6	272	–	–	–	–	–
Other current assets	498,422	–	300,506	7,698	7,866	6,265	15,337	2,287	278	16,661	107	51,516	948	132	3,190	1,742	83,889
Total current assets	6,593,001	–	5,080,114	250,987	265,222	100,541	229,447	18,930	83,024	16,751	141,730	51,788	27,934	1,483	110,158	26,950	187,942
Due from affiliates, net	–	(485,384)	359,691	8,342	9,830	–	–	–	2,376	1,494	36,176	66,400	–	–	1,075	–	–
Long-term investments	3,970,226	(372,420)	3,508,710	34,208	65,821	11,795	18,152	–	3,124	118,596	119,017	–	218,579	8,998	14,110	–	221,536
Pledges receivable, net of current portion	100,339	–	–	490	5,537	–	–	–	870	–	92,082	–	–	–	–	–	1,360
Property, plant and equipment, net	5,858,662	–	4,763,467	182,875	207,580	154,960	102,215	43,707	1,063	46,666	928	84,058	–	330	–	26,484	244,329
Right-of-use assets – operating leases	942,817	(18,635)	632,440	4,834	9,872	17,998	10,852	–	6,273	32	910	8,246	–	–	–	22,667	247,328
Insurance claims receivable, net of current portion	136,067	(130,914)	233,357	3,475	2,778	652	14,947	1,127	103	266	17	569	9,690	–	–	–	–
Other assets	466,603	(147,540)	354,101	5,606	8,291	29,474	11,397	10,327	215	–	1,105	–	102	–	–	64,266	129,259
Total assets	\$ 18,067,715	\$ (1,154,893)	\$ 14,931,880	\$ 490,817	\$ 574,931	\$ 315,420	\$ 387,010	\$ 74,091	\$ 97,048	\$ 183,805	\$ 391,965	\$ 211,061	\$ 256,305	\$ 10,811	\$ 125,343	\$ 140,367	\$ 1,031,754
<b>Liabilities and net assets (deficit)</b>																	
Current liabilities:																	
Short-term borrowings	\$ 95,000	\$ –	\$ 95,000	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –
Accounts payable and accrued expenses	1,082,632	–	778,297	23,418	32,529	20,741	15,533	3,695	2,527	20,429	1,011	97,233	827	233	3,273	8,654	74,232
Accrued salaries and related benefits	1,327,075	–	1,146,634	16,635	20,870	19,108	32,781	6,400	2,206	8,566	1,965	12,022	–	463	–	1,002	58,423
Current portion of operating lease obligations	132,289	(601)	84,419	1,248	1,457	1,885	3,769	–	1,726	32	61	1,723	–	–	–	1,860	34,710
Current portion of finance lease obligations	7,995	–	3,655	–	–	1,269	3,025	–	–	–	–	–	–	–	–	46	–
Current portion of long-term debt	58,924	–	47,647	2,004	3,864	1,730	2,767	–	–	–	–	–	–	–	–	912	–
Current portion of insurance claims liability	45,232	–	37,361	257	339	191	6,106	575	35	90	6	272	–	–	–	–	–
Current portion of malpractice and other insurance liabilities	187,777	–	150,715	1,836	4,800	1,796	2,589	504	–	–	–	–	25,537	–	–	–	–
Current portion of Medicare advances	374,408	–	300,735	11,321	8,623	12,825	21,690	1,656	7,986	–	–	4,179	–	–	–	1,960	3,433
Current portion of estimated payables to third-party payers	306,581	–	277,734	–	2,655	4,613	–	3,038	–	–	–	15,270	–	37	1,281	1,953	–
Total current liabilities	3,617,913	(601)	2,922,197	56,719	75,137	64,158	88,260	15,868	14,480	29,117	3,043	130,699	26,364	733	4,554	16,387	170,798
Due to affiliates, net	–	(509,893)	–	–	–	21,840	6,126	96,731	–	–	–	–	38,005	14,465	–	848	331,878
Accrued retirement benefits, net of current portion	755,697	–	643,598	5,120	30,769	–	75,280	577	200	–	–	–	–	–	153	–	–
Operating lease obligations, net of current portion	845,642	(18,034)	568,852	3,600	8,716	16,152	7,103	–	5,294	–	917	6,523	–	–	–	22,139	224,380
Finance lease obligations, net of current portion	250,069	–	243,158	–	–	461	6,395	–	–	–	–	–	–	–	–	55	–
Long-term debt, net of current portion	3,650,825	–	3,532,694	25,522	39,694	26,866	22,006	–	–	–	–	–	–	–	–	4,043	–
Insurance claims liability, net of current portion	136,067	(130,914)	233,357	3,475	2,778	652	14,947	1,127	103	266	17	569	9,690	–	–	–	–
Malpractice and other insurance liabilities, net of current portion	1,601,430	36,027	1,406,496	20,133	28,510	18,476	20,619	4,120	–	–	–	–	67,049	–	–	–	–
Medicare advances, net of current portion	655,821	–	550,820	21,352	15,990	24,543	35,741	682	3,289	–	–	1,721	–	–	–	269	1,414
Other long-term liabilities	908,630	–	875,369	7,523	5,857	8,398	2,387	–	–	28	6,257	1,303	–	–	–	–	1,508
Total liabilities	12,422,094	(623,415)	10,976,541	143,444	207,451	181,546	278,864	119,105	23,366	29,411	10,234	140,815	141,108	15,198	4,707	43,741	729,978
Commitments and contingencies																	
Net assets (deficit):																	
Without donor restrictions	4,861,852	(158,745)	3,428,272	336,491	320,781	115,984	106,111	(45,014)	71,071	17,771	–	70,246	115,197	(12,463)	120,636	96,626	278,888
With donor restrictions	783,769	(372,733)	527,067	10,882	46,699	17,890	2,035	–	2,611	136,623	381,731	–	–	8,076	–	–	22,888
Total net assets (deficit)	5,645,621	(531,478)	3,955,339	347,373	367,480	133,874	108,146	(45,014)	73,682	154,394	381,731	70,246	115,197	(4,387)	120,636	96,626	301,776
Total liabilities and net assets (deficit)	\$ 18,067,715	\$ (1,154,893)	\$ 14,931,880	\$ 490,817	\$ 574,931	\$ 315,420	\$ 387,010	\$ 74,091	\$ 97,048	\$ 183,805	\$ 391,965	\$ 211,061	\$ 256,305	\$ 10,811	\$ 125,343	\$ 140,367	\$ 1,031,754

Northwell Health, Inc.

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

December 31, 2020

	Total Obligated Group	Eliminations	Northwell Healthcare, Inc.	North Shore University Hospital	Long Island Jewish Medical Center	Staten Island University Hospital	Lenox Hill Hospital	South Shore University Hospital	Huntington Hospital Association	Glen Cove Hospital	Plainview Hospital	Northwell Health Stern Family Center for Rehabilitation
<b>Assets</b>												
Current assets:												
Cash and cash equivalents	\$ 555,796	\$ –	\$ 86,274	\$ 63,315	\$ 46,957	\$ 208,457	\$ 150,120	\$ 152	\$ –	\$ 10	\$ 393	\$ 118
Short-term investments	2,901,261	–	–	961,743	993,136	554,220	59,752	10,551	267,866	53,769	163	61
Accounts receivable for services to patients, net	1,087,855	–	–	260,323	346,932	132,185	165,342	77,919	54,249	20,542	22,839	7,524
Accounts receivable for physician activities, net	197,335	–	–	197,335	–	–	–	–	–	–	–	–
Current portion of insurance claims receivable	37,361	–	823	9,409	10,231	5,339	5,393	2,490	1,787	526	1,119	244
Other current assets	300,506	(3,000)	131,852	45,662	49,520	28,065	25,138	11,567	6,965	1,669	3,034	34
Total current assets	5,080,114	(3,000)	218,949	1,537,787	1,446,776	928,266	405,745	102,679	330,867	76,516	27,548	7,981
Due from affiliates, net												
Long-term investments	359,691	(49,666)	–	123,658	157,952	37,332	–	–	58,131	17,541	–	14,743
Property, plant and equipment, net	3,508,710	–	2,289,301	305,201	530,687	185,525	100,406	24,493	41,678	12,123	3,108	16,188
Right-of-use assets – operating leases	4,763,467	–	1,051,630	522,672	1,269,813	267,842	1,006,945	374,251	164,274	45,652	52,133	8,255
Insurance claims receivable, net of current portion	632,440	–	240,055	132,295	67,425	56,899	92,112	20,445	12,395	1,560	9,254	–
Other assets	233,357	–	1,723	58,807	74,142	39,111	21,120	13,329	14,543	4,578	5,492	512
Total assets	354,101	(5,115)	86,720	219,333	19,753	8,957	23,063	1,390	–	–	–	–
	\$ 14,931,880	\$ (57,781)	\$ 3,888,378	\$ 2,899,753	\$ 3,566,548	\$ 1,523,932	\$ 1,649,391	\$ 536,587	\$ 621,888	\$ 157,970	\$ 97,535	\$ 47,679
<b>Liabilities and net assets (deficit)</b>												
Current liabilities:												
Short-term borrowings	\$ 95,000	\$ –	\$ –	\$ 35,000	\$ 60,000	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –
Accounts payable and accrued expenses	778,297	–	206,759	159,256	141,151	62,121	92,769	59,243	31,660	12,812	11,128	1,398
Accrued salaries and related benefits	1,146,634	–	557,694	163,427	193,856	57,762	77,470	40,487	29,022	7,750	16,200	2,966
Current portion of operating lease obligations	84,419	–	33,902	18,916	10,810	6,356	8,264	2,734	2,519	120	798	–
Current portion of finance lease obligations	3,655	–	1,921	171	945	118	254	156	90	–	–	–
Current portion of long-term debt	47,647	–	16,604	5,419	18,405	4,000	1,820	65	65	350	634	285
Current portion of insurance claims liability	37,361	–	823	9,409	10,231	5,339	5,393	2,490	1,787	526	1,119	244
Current portion of malpractice and other insurance liabilities	150,715	–	45,780	28,784	32,160	16,302	11,469	7,680	5,064	1,412	2,064	–
Current portion of Medicare advances	300,735	–	–	89,513	74,138	39,591	36,126	22,637	19,911	6,249	10,668	1,902
Current portion of estimated payables to third-party payers	277,734	–	–	80,966	160,541	–	18,624	7,306	–	2,533	3,424	4,340
Total current liabilities	2,922,197	–	863,483	590,861	702,237	191,589	252,189	142,798	90,118	31,752	46,035	11,135
Due to affiliates, net												
Accrued retirement benefits, net of current portion	–	(174,460)	27,682	–	–	–	15,615	130,657	–	–	506	–
Operating lease obligations, net of current portion	643,598	–	386,230	79,844	31,383	750	63,651	24,196	44,629	3,672	7,915	1,328
Finance lease obligations, net of current portion	568,852	–	202,748	117,528	58,244	63,089	88,762	18,389	9,926	1,440	8,726	–
Long-term debt, net of current portion	243,158	–	161,760	592	68,467	280	11,030	681	348	–	–	–
Insurance claims liability, net of current portion	3,532,694	–	2,165,326	129,996	805,191	98,463	109,567	127,467	85,500	5,855	4,333	996
Malpractice and other insurance liabilities, net of current portion	233,357	–	1,723	58,807	74,142	39,111	21,120	13,329	14,543	4,578	5,492	512
Medicare advances, net of current portion	1,406,496	–	216,800	318,922	357,085	179,575	154,773	86,475	55,684	14,979	22,203	–
Other long-term liabilities	550,820	–	–	157,030	142,788	73,627	65,967	41,281	36,540	13,351	19,453	783
Total liabilities	875,369	–	173,600	137,835	290,658	56,482	68,575	68,595	32,688	28,765	17,446	725
	10,976,541	(174,460)	4,199,352	1,591,415	2,530,195	702,966	851,249	653,868	369,976	104,392	132,109	15,479
Commitments and contingencies												
Net assets (deficit):												
Without donor restrictions	3,428,272	116,679	(310,974)	1,132,523	868,672	812,322	677,213	(128,718)	228,869	37,993	(37,574)	31,267
With donor restrictions	527,067	–	–	175,815	167,681	8,644	120,929	11,437	23,043	15,585	3,000	933
Total net assets (deficit)	3,955,339	116,679	(310,974)	1,308,338	1,036,353	820,966	798,142	(117,281)	251,912	53,578	(34,574)	32,200
Total liabilities and net assets (deficit)	\$ 14,931,880	\$ (57,781)	\$ 3,888,378	\$ 2,899,753	\$ 3,566,548	\$ 1,523,932	\$ 1,649,391	\$ 536,587	\$ 621,888	\$ 157,970	\$ 97,535	\$ 47,679

# Northwell Health, Inc.

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

December 31, 2020

	Phelps Memorial Hospital Association and Subsidiaries	Eliminations	Phelps Memorial Hospital Association	Phelps Professional Building Co.	Phelps Medical Associates
<b>Assets</b>					
Current assets:					
Cash and cash equivalents	\$ 2,605	\$ —	\$ 682	\$ 1,043	\$ 880
Short-term investments	201,067	—	201,067	—	—
Accounts receivable for services to patients, net	37,142	—	37,142	—	—
Accounts receivable for physician activities, net	2,218	—	703	—	1,515
Current portion of insurance claims receivable	257	—	257	—	—
Other current assets	7,698	—	7,244	137	317
Total current assets	250,987	—	247,095	1,180	2,712
Due from affiliates, net	8,342	(26)	6,719	1,649	—
Long-term investments	34,208	—	34,208	—	—
Pledges receivable, net of current portion	490	—	490	—	—
Property, plant and equipment, net	182,875	—	171,918	8,433	2,524
Right-of-use assets – operating leases	4,834	—	1,521	—	3,313
Insurance claims receivable, net of current portion	3,475	—	3,475	—	—
Other assets	5,606	(373)	5,979	—	—
Total assets	\$ 490,817	\$ (399)	\$ 471,405	\$ 11,262	\$ 8,549
<b>Liabilities and net assets</b>					
Current liabilities:					
Accounts payable and accrued expenses	\$ 23,418	\$ —	\$ 22,750	\$ 15	\$ 653
Accrued salaries and related benefits	16,635	—	13,553	—	3,082
Current portion of operating lease obligations	1,248	—	468	—	780
Current portion of long-term debt	2,004	—	1,780	224	—
Current portion of insurance claims liability	257	—	257	—	—
Current portion of malpractice and other insurance liabilities	1,836	—	1,836	—	—
Current portion of Medicare advances	11,321	—	11,321	—	—
Total current liabilities	56,719	—	51,965	239	4,515
Due to affiliates, net	—	(26)	—	—	26
Accrued retirement benefits, net of current portion	5,120	—	5,120	—	—
Operating lease obligations, net of current portion	3,600	—	1,067	—	2,533
Long-term debt, net of current portion	25,522	—	23,020	2,502	—
Insurance claims liability, net of current portion	3,475	—	3,475	—	—
Malpractice and other insurance liabilities, net of current portion	20,133	—	20,133	—	—
Medicare advances, net of current portion	21,352	—	21,352	—	—
Other long-term liabilities	7,523	—	7,523	—	—
Total liabilities	143,444	(26)	133,655	2,741	7,074
Commitments and contingencies					
Net assets:					
Without donor restrictions	336,491	(373)	326,868	8,521	1,475
With donor restrictions	10,882	—	10,882	—	—
Total net assets	347,373	(373)	337,750	8,521	1,475
Total liabilities and net assets	\$ 490,817	\$ (399)	\$ 471,405	\$ 11,262	\$ 8,549



# Northwell Health, Inc.

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

December 31, 2020

	Northern Westchester Hospital Association and Subsidiaries	Eliminations	Northern Westchester Hospital Association	Northern Westchester Hospital Center Foundation	Other Subsidiaries
<b>Assets</b>					
Current assets:					
Cash and cash equivalents	\$ 4,145	\$ –	\$ 3,710	\$ –	\$ 435
Short-term investments	214,219	–	214,219	–	–
Accounts receivable for services to patients, net	38,653	–	38,653	–	–
Current portion of insurance claims receivable	339	–	339	–	–
Other current assets	7,866	–	7,866	–	–
Total current assets	265,222	–	264,787	–	435
Due from affiliates, net	9,830	(20,129)	29,959	–	–
Long-term investments	65,821	–	8,265	57,556	–
Pledges receivable, net of current portion	5,537	–	–	5,537	–
Property, plant and equipment, net	207,580	–	194,791	117	12,672
Right-of-use assets – operating leases	9,872	–	9,872	–	–
Insurance claims receivable, net of current portion	2,778	–	2,778	–	–
Other assets	8,291	–	6,512	–	1,779
Total assets	\$ 574,931	\$ (20,129)	\$ 516,964	\$ 63,210	\$ 14,886
<b>Liabilities and net assets</b>					
Current liabilities:					
Accounts payable and accrued expenses	\$ 32,529	\$ –	\$ 32,434	\$ 51	\$ 44
Accrued salaries and related benefits	20,870	–	20,729	141	–
Current portion of operating lease obligations	1,457	–	1,457	–	–
Current portion of long-term debt	3,864	–	3,864	–	–
Current portion of insurance claims liability	339	–	339	–	–
Current portion of malpractice and other insurance liabilities	4,800	–	4,800	–	–
Current portion of Medicare advances	8,623	–	8,623	–	–
Current portion of estimated payables to third-party payers	2,655	–	2,655	–	–
Total current liabilities	75,137	–	74,901	192	44
Due to affiliates, net	–	(20,129)	–	16,591	3,538
Accrued retirement benefits, net of current portion	30,769	–	30,769	–	–
Operating lease obligations, net of current portion	8,716	–	8,716	–	–
Long-term debt, net of current portion	39,694	–	39,694	–	–
Insurance claims liability, net of current portion	2,778	–	2,778	–	–
Malpractice and other insurance liabilities, net of current portion	28,510	–	28,510	–	–
Medicare advances, net of current portion	15,990	–	15,990	–	–
Other long-term liabilities	5,857	–	4,554	–	1,303
Total liabilities	207,451	(20,129)	205,912	16,783	4,885
Commitments and contingencies					
Net assets:					
Without donor restrictions	320,781	–	310,077	703	10,001
With donor restrictions	46,699	–	975	45,724	–
Total net assets	367,480	–	311,052	46,427	10,001
Total liabilities and net assets	\$ 574,931	\$ (20,129)	\$ 516,964	\$ 63,210	\$ 14,886

# Northwell Health, Inc.

## Consolidating Statement of Financial Position – Peconic Bay Medical Center (In Thousands)

December 31, 2020

	Peconic Bay Medical Center and Subsidiaries	Eliminations	Peconic Bay Medical Center	Physician Practices
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 44,883	\$ —	\$ 44,726	\$ 157
Short-term investments	18,568	—	18,568	—
Accounts receivable for services to patients, net	27,862	—	27,862	—
Accounts receivable for physician activities, net	2,772	—	1,318	1,454
Current portion of insurance claims receivable	191	—	191	—
Other current assets	6,265	—	5,567	698
Total current assets	100,541	—	98,232	2,309
Long-term investments	11,795	—	11,795	—
Property, plant and equipment, net	154,960	—	151,870	3,090
Right-of-use assets – operating leases	17,998	—	17,998	—
Insurance claims receivable, net of current portion	652	—	652	—
Other assets	29,474	—	29,148	326
Total assets	\$ 315,420	\$ —	\$ 309,695	\$ 5,725
<b>Liabilities and net assets</b>				
Current liabilities:				
Accounts payable and accrued expenses	\$ 20,741	\$ (565)	\$ 20,410	\$ 896
Accrued salaries and related benefits	19,108	—	17,610	1,498
Current portion of operating lease obligations	1,885	—	1,885	—
Current portion of finance lease obligations	1,269	—	1,269	—
Current portion of long-term debt	1,730	—	1,730	—
Current portion of insurance claims liability	191	—	191	—
Current portion of malpractice and other insurance liabilities	1,796	—	1,796	—
Current portion of Medicare advances	12,825	—	12,825	—
Current portion of estimated payables to third-party payers	4,613	—	4,613	—
Total current liabilities	64,158	(565)	62,329	2,394
Due to affiliates, net	21,840	—	21,831	9
Operating lease obligations, net of current portion	16,152	—	16,152	—
Finance lease obligations, net of current portion	461	—	461	—
Long-term debt, net of current portion	26,866	—	26,866	—
Insurance claims liability, net of current portion	652	—	652	—
Malpractice and other insurance liabilities, net of current portion	18,476	—	18,476	—
Medicare advances, net of current portion	24,543	—	24,543	—
Other long-term liabilities	8,398	—	8,398	—
Total liabilities	181,546	(565)	179,708	2,403
Commitments and contingencies				
Net assets:				
Without donor restrictions	115,984	565	112,097	3,322
With donor restrictions	17,890	—	17,890	—
Total net assets	133,874	565	129,987	3,322
Total liabilities and net assets	\$ 315,420	\$ —	\$ 309,695	\$ 5,725

Northwell Health, Inc.

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

December 31, 2020

	Joint Venture Ambulatory Surgery Centers	Endoscopy Center of Long Island	Endo Group, LLC	South Shore Surgery Center	Suffolk Surgery Center	Digestive Health Center of Huntington	Greenwich Village Surgery Center	Melville Surgery Center
<b>Assets</b>								
Current assets:								
Cash and cash equivalents	\$ 15,584	\$ 7,550	\$ 2,439	\$ 1,224	\$ 1,105	\$ 469	\$ 268	\$ 2,529
Accounts receivable for services to patients, net	9,624	–	2,145	1,160	1,034	1,066	588	3,631
Other current assets	1,742	121	–	551	413	74	–	583
Total current assets	26,950	7,671	4,584	2,935	2,552	1,609	856	6,743
Property, plant and equipment, net	26,484	361	6,021	2,352	226	30	16,780	714
Right-of-use assets – operating leases	22,667	890	18,621	2,895	–	15	–	246
Other assets	64,266	29,939	7,178	4,143	5,358	4,237	–	13,411
Total assets	\$ 140,367	\$ 38,861	\$ 36,404	\$ 12,325	\$ 8,136	\$ 5,891	\$ 17,636	\$ 21,114
<b>Liabilities and net assets</b>								
Current liabilities:								
Accounts payable and accrued expenses	\$ 8,654	\$ 1,460	\$ 3,538	\$ 867	\$ 320	\$ 162	\$ 1,478	\$ 829
Accrued salaries and related benefits	1,002	238	173	166	127	29	58	211
Current portion of operating lease obligations	1,860	429	796	284	–	15	–	336
Current portion of finance lease obligations	46	–	–	6	–	–	–	40
Current portion of long-term debt	912	–	880	–	32	–	–	–
Current portion of Medicare advances	1,960	242	838	161	236	139	45	299
Current portion of estimated payables to third-party payers	1,953	423	840	442	–	248	–	–
Total current liabilities	16,387	2,792	7,065	1,926	715	593	1,581	1,715
Due to affiliates, net	848	219	153	62	242	81	–	91
Operating lease obligations, net of current portion	22,139	461	19,038	2,611	–	–	–	29
Finance lease obligations, net of current portion	55	–	–	–	–	–	–	55
Long-term debt, net of current portion	4,043	–	3,961	–	40	42	–	–
Medicare advances, net of current portion	269	33	115	22	33	19	6	41
Total liabilities	43,741	3,505	30,332	4,621	1,030	735	1,587	1,931
Commitments and contingencies								
Net assets:								
Without donor restrictions	96,626	35,356	6,072	7,704	7,106	5,156	16,049	19,183
Total net assets	96,626	35,356	6,072	7,704	7,106	5,156	16,049	19,183
Total liabilities and net assets	\$ 140,367	\$ 38,861	\$ 36,404	\$ 12,325	\$ 8,136	\$ 5,891	\$ 17,636	\$ 21,114

Northwell Health, Inc.

Consolidating Statement of Operations  
(In Thousands)

Year Ended December 31, 2020

	Northwell Health, Inc. Total	Eliminations	Northwell Health Obligated Group	Phelps Memorial Hospital Association and Subsidiaries	Northern Westchester Hospital Association and Subsidiaries	Peconic Bay Medical Center and Subsidiaries	John T. Mather Memorial Hospital and Subsidiary	The Long Island Home	Hospice Care Network	The Feinstein Institutes for Medical Research	Northwell Health Foundation	Northwell Health Laboratories	Captive Insurance Companies	Dolan Family Health Center	Health Insurance Companies	Joint Venture Ambulatory Surgery Centers	Other Northwell Health Entities
Operating revenue:																	
Net patient service revenue	\$ 9,081,218	\$ (1,072)	\$ 7,711,448	\$ 283,045	\$ 275,299	\$ 214,242	\$ 326,603	\$ 75,546	\$ 50,497	\$ –	\$ –	\$ –	\$ –	\$ 4,118	\$ –	\$ 65,345	\$ 76,147
Physician practice revenue	2,055,320	(51,621)	1,214,646	25,796	3,043	22,661	33,821	1,637	257	–	–	–	–	–	–	–	805,080
Total patient revenue	11,136,538	(52,693)	8,926,094	308,841	278,342	236,903	360,424	77,183	50,754	–	–	–	–	4,118	–	65,345	881,227
CARES Act Provider Relief Fund revenue	1,209,679	–	1,011,672	19,242	24,707	28,820	28,538	6,086	4,976	–	–	20,053	–	1,210	–	3,316	61,059
Other operating revenue	1,020,400	(1,196,256)	1,024,731	17,076	5,452	6,362	5,839	3,283	102	67,140	–	584,368	(11,864)	2,925	–	771	510,471
Net assets released from restrictions used for operations	63,846	–	47,133	218	1,914	1,041	–	–	1,045	12,045	–	9	–	392	–	–	49
	13,430,463	(1,248,949)	11,009,630	345,377	310,415	273,126	394,801	86,552	56,877	79,185	–	604,430	(11,864)	8,645	–	69,432	1,452,806
Operating expenses:																	
Salaries	7,021,865	(229,858)	5,604,591	185,535	152,592	136,304	191,558	60,974	22,477	74,044	–	130,752	–	5,317	–	15,625	671,954
Employee benefits	1,592,007	(168,020)	1,375,780	27,963	42,471	37,310	43,784	27,306	7,326	21,511	–	44,437	–	2,184	–	3,246	126,709
Supplies and expenses	4,167,383	(851,071)	3,290,746	113,038	97,868	87,960	138,703	14,207	19,759	27,211	–	417,729	(13,311)	1,892	–	36,508	786,144
Depreciation and amortization	540,960	–	440,970	16,190	17,796	9,932	13,190	2,757	373	6,316	–	6,883	–	55	–	3,829	22,669
Interest	160,948	–	155,522	939	1,225	1,628	1,328	–	–	–	–	–	–	–	–	306	–
	13,483,163	(1,248,949)	10,867,609	343,665	311,952	273,134	388,563	105,244	49,935	129,082	–	599,801	(13,311)	9,448	–	59,514	1,607,476
(Deficiency) excess of operating revenue over operating expenses, excluding Health Insurance Companies	(52,700)	–	142,021	1,712	(1,537)	(8)	6,238	(18,692)	6,942	(49,897)	–	4,629	1,447	(803)	–	9,918	(154,670)
Health Insurance Companies excess of operating revenue over operating expenses	26,285	–	–	–	–	–	–	–	–	–	–	–	–	–	26,285	–	–
Total (deficiency) excess of operating revenue over operating expenses	(26,415)	–	142,021	1,712	(1,537)	(8)	6,238	(18,692)	6,942	(49,897)	–	4,629	1,447	(803)	26,285	9,918	(154,670)
Non-operating gains and losses:																	
Investment income	186,311	–	156,420	4,475	7,192	939	1,603	35	1,824	32	2,324	(97)	9,594	–	1,966	(280)	284
Change in net unrealized gains and losses and change in value of equity method investments	526,009	–	453,979	9,195	15,830	–	2,363	–	4,598	(14)	5,545	–	15,853	–	2,245	–	16,415
Change in interest in acquired entities	–	(9,301)	9,301	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Change in fair value of interest rate swap agreements designated as derivative instruments	(283)	–	–	–	–	–	(283)	–	–	–	–	–	–	–	–	–	–
Non-operating net periodic benefit credit (cost)	895	–	(1,146)	1	(2,367)	250	1,210	2,697	3	85	(53)	106	–	66	–	–	43
Other non-operating gains and losses	123,364	–	108,889	188	1,238	–	–	–	210	–	(21,705)	–	–	–	–	–	34,544
Total non-operating gains and losses	836,296	(9,301)	727,443	13,859	21,893	1,189	4,893	2,732	6,635	103	(13,889)	9	25,447	66	4,211	(280)	51,286
Excess (deficiency) of revenue and gains and losses over expenses	809,881	(9,301)	869,464	15,571	20,356	1,181	11,131	(15,960)	13,577	(49,794)	(13,889)	4,638	26,894	(737)	30,496	9,638	(103,384)
Net assets released from restrictions for capital asset acquisitions	44,881	–	39,794	227	3,925	–	863	–	–	72	–	–	–	–	–	–	–
Change in fair value of interest rate swap agreements designated as cash flow hedges	(751)	–	–	–	(25)	(667)	(59)	–	–	–	–	–	–	–	–	–	–
Transfers (to) from affiliates	–	–	(360,541)	–	6,245	11,239	18,000	–	–	48,181	13,688	–	–	–	–	4,561	258,627
Pension and other postretirement liability adjustments	(52,261)	–	(29,007)	–	(125)	(979)	(19,738)	(2,587)	–	–	143	32	–	–	–	–	–
Other changes in net assets	(3,572)	7,852	378	(191)	14	9	–	–	–	–	–	–	–	–	–	(11,288)	(346)
Increase (decrease) in net assets without donor restrictions	\$ 798,178	\$ (1,449)	\$ 520,088	\$ 15,607	\$ 30,390	\$ 10,783	\$ 10,197	\$ (18,547)	\$ 13,577	\$ (1,541)	\$ (58)	\$ 4,670	\$ 26,894	\$ (737)	\$ 30,496	\$ 2,911	\$ 154,897

Northwell Health, Inc.

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

Year Ended December 31, 2020

	Total Obligated Group	Eliminations	Northwell Healthcare, Inc.	North Shore University Hospital	Long Island Jewish Medical Center	Staten Island University Hospital	Lenox Hill Hospital	South Shore University Hospital	Huntington Hospital Association	Glen Cove Hospital	Plainview Hospital	Northwell Health Stern Family Center for Rehabilitation
Operating revenue:												
Net patient service revenue	\$ 7,711,448	\$ (496)	\$ –	\$ 1,801,779	\$ 2,514,301	\$ 980,511	\$ 1,077,251	\$ 548,629	\$ 405,016	\$ 140,425	\$ 196,383	\$ 47,649
Physician practice revenue	1,214,646	–	–	476,357	369,582	174	97,595	133,142	91,509	19,461	25,747	1,079
Total patient revenue	8,926,094	(496)	–	2,278,136	2,883,883	980,685	1,174,846	681,771	496,525	159,886	222,130	48,728
CARES Act Provider Relief Fund revenue	1,011,672	–	–	359,260	282,184	79,913	192,483	56,447	12,845	–	17,527	11,013
Other operating revenue	1,024,731	(1,720,773)	1,746,534	427,311	205,013	80,710	222,903	32,573	9,414	7,527	13,052	467
Net assets released from restrictions used for operations	47,133	–	7,008	13,894	18,867	222	6,645	436	43	9	–	9
Total operating revenue	11,009,630	(1,721,269)	1,753,542	3,078,601	3,389,947	1,141,530	1,596,877	771,227	518,827	167,422	252,709	60,217
Operating expenses:												
Salaries	5,604,591	(563,087)	636,761	1,618,740	1,651,544	574,497	783,242	384,851	252,747	99,693	130,829	34,774
Employee benefits	1,375,780	(134,274)	167,019	320,739	431,272	172,991	178,909	102,187	58,237	23,256	41,553	13,891
Supplies and expenses	3,290,746	(1,023,908)	692,833	1,029,015	1,115,481	357,206	539,835	261,383	172,353	52,990	82,376	11,182
Depreciation and amortization	440,970	–	162,832	61,727	90,646	22,016	48,171	27,188	16,368	6,150	4,492	1,380
Interest	155,522	–	93,900	4,653	41,387	2,486	4,796	4,344	3,527	206	179	44
Total operating expenses	10,867,609	(1,721,269)	1,753,345	3,034,874	3,330,330	1,129,196	1,554,953	779,953	503,232	182,295	259,429	61,271
Excess (deficiency) of operating revenue over operating expenses	142,021	–	197	43,727	59,617	12,334	41,924	(8,726)	15,595	(14,873)	(6,720)	(1,054)
Non-operating gains and losses:												
Investment income	156,420	–	58,336	27,129	33,909	22,706	1,894	637	9,838	1,821	(51)	201
Change in net unrealized gains and losses and change in value of equity method investments	453,979	–	189,025	79,202	92,131	58,481	5,026	1,788	23,819	4,420	–	87
Change in interest in acquired entities	9,301	–	–	9,301	–	–	–	–	–	–	–	–
Non-operating net periodic benefit (cost) credit	(1,146)	–	(11,644)	602	1,127	20	4,243	1,259	2,511	268	402	66
Other non-operating gains and losses	108,889	–	(12,363)	–	50,000	53,204	–	18,048	–	–	–	–
Total non-operating gains and losses	727,443	–	223,354	116,234	177,167	134,411	11,163	21,732	36,168	6,509	351	354
Excess (deficiency) of revenue and gains and losses over expenses	869,464	–	223,551	159,961	236,784	146,745	53,087	13,006	51,763	(8,364)	(6,369)	(700)
Net assets released from restrictions for capital asset acquisitions	39,794	–	2,592	11,157	1,419	22,454	737	7	834	594	–	–
Transfers to affiliates	(360,541)	–	(37,698)	(140,815)	(171,343)	(6,124)	(4,561)	–	–	–	–	–
Pension and other postretirement liability adjustments	(29,007)	–	6,463	(11,516)	(4,244)	(208)	(8,879)	(3,085)	(6,099)	(471)	(1,000)	32
Other changes in net assets	378	–	–	108	93	45	65	33	20	4	10	–
Increase (decrease) in net assets without donor restrictions	\$ 520,088	\$ –	\$ 194,908	\$ 18,895	\$ 62,709	\$ 162,912	\$ 40,449	\$ 9,961	\$ 46,518	\$ (8,237)	\$ (7,359)	\$ (668)

Northwell Health, Inc.

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

Year Ended December 31, 2020

	Phelps Memorial Hospital Association and Subsidiaries	Eliminations	Phelps Memorial Hospital Association	Phelps Professional Building Co.	Phelps Medical Associates
Operating revenue:					
Net patient service revenue	\$ 283,045	\$ –	\$ 283,045	\$ –	\$ –
Physician practice revenue	25,796	–	1,688	–	24,108
Total patient revenue	308,841	–	284,733	–	24,108
CARES Act Provider Relief Fund revenue	19,242	–	19,242	–	–
Other operating revenue	17,076	(18,824)	15,304	2,543	18,053
Net assets released from restrictions used for operations	218	–	214	–	4
Total operating revenue	345,377	(18,824)	319,493	2,543	42,165
Operating expenses:					
Salaries	185,535	(17,349)	173,344	209	29,331
Employee benefits	27,963	–	21,199	52	6,712
Supplies and expenses	113,038	(1,475)	104,320	716	9,477
Depreciation and amortization	16,190	–	15,481	302	407
Interest	939	–	857	82	–
Total operating expenses	343,665	(18,824)	315,201	1,361	45,927
Excess (deficiency) of operating revenue over operating expenses	1,712	–	4,292	1,182	(3,762)
Non-operating gains and losses:					
Investment income	4,475	–	4,474	1	–
Change in net unrealized gains and losses and change in value of equity method investments	9,195	–	9,195	–	–
Non-operating net periodic benefit credit (cost)	1	–	2	–	(1)
Other non-operating gains and losses	188	–	188	–	–
Total non-operating gains and losses	13,859	–	13,859	1	(1)
Excess (deficiency) of revenue and gains and losses over expenses	15,571	–	18,151	1,183	(3,763)
Net assets released from restrictions for capital asset acquisitions	227	–	227	–	–
Transfers (to) from affiliates	–	–	(22,694)	–	22,694
Other changes in net assets	(191)	495	10	(696)	–
Increase (decrease) in net assets without donor restrictions	\$ 15,607	\$ 495	\$ (4,306)	\$ 487	\$ 18,931

Northwell Health, Inc.

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

Year Ended December 31, 2020

	Northern Westchester Hospital Association and Subsidiaries	Northern Westchester Hospital Association	Northern Westchester Hospital Center Foundation	Other Subsidiaries
Operating revenue:				
Net patient service revenue	\$ 275,299	\$ 275,299	\$ –	\$ –
Physician practice revenue	3,043	3,043	–	–
Total patient revenue	278,342	278,342	–	–
CARES Act Provider Relief Fund revenue	24,707	24,707	–	–
Other operating revenue	5,452	4,145	–	1,307
Net assets released from restrictions used for operations	1,914	1,914	–	–
Total operating revenue	310,415	309,108	–	1,307
Operating expenses:				
Salaries	152,592	152,475	–	117
Employee benefits	42,471	42,471	–	–
Supplies and expenses	97,868	97,025	–	843
Depreciation and amortization	17,796	17,229	–	567
Interest	1,225	1,225	–	–
Total operating expenses	311,952	310,425	–	1,527
Deficiency of operating revenue over operating expenses	(1,537)	(1,317)	–	(220)
Non-operating gains and losses:				
Investment income	7,192	6,308	–	884
Change in net unrealized gains and losses and change in value of equity method investments	15,830	15,830	–	–
Non-operating net periodic benefit cost	(2,367)	(2,367)	–	–
Other non-operating gains and losses	1,238	1,410	(172)	–
Total non-operating gains and losses	21,893	21,181	(172)	884
Excess (deficiency) of revenue and gains and losses over expenses	20,356	19,864	(172)	664
Net assets released from restrictions for capital asset acquisitions	3,925	3,925	–	–
Change in fair value of interest rate swap agreements designated as cash flow hedges	(25)	(25)	–	–
Transfers from affiliates	6,245	6,245	–	–
Pension and other postretirement liability adjustments	(125)	(125)	–	–
Other changes in net assets	14	14	–	–
Increase (decrease) in net assets without donor restrictions	\$ 30,390	\$ 29,898	\$ (172)	\$ 664

Northwell Health, Inc.

Consolidating Statement of Operations – Peconic Bay Medical Center  
(In Thousands)

Year Ended December 31, 2020

	Peconic Bay Medical Center and Subsidiaries	Eliminations	Peconic Bay Medical Center	Physician Practices
Operating revenue:				
Net patient service revenue	\$ 214,242	\$ –	\$ 214,242	\$ –
Physician practice revenue	22,661	–	4,639	18,022
Total patient revenue	236,903	–	218,881	18,022
CARES Act Provider Relief Fund revenue	28,820	–	28,339	481
Other operating revenue	6,362	(1)	444	5,919
Net assets released from restrictions used for operations	1,041	–	1,041	–
Total operating revenue	273,126	(1)	248,705	24,422
Operating expenses:				
Salaries	136,304	–	112,497	23,807
Employee benefits	37,310	–	35,579	1,731
Supplies and expenses	87,960	(8,184)	89,487	6,657
Depreciation and amortization	9,932	–	9,511	421
Interest	1,628	–	1,628	–
Total operating expenses	273,134	(8,184)	248,702	32,616
(Deficiency) excess of operating revenue over operating expenses	(8)	8,183	3	(8,194)
Non-operating gains and losses:				
Investment income	939	–	939	–
Non-operating net periodic benefit credit	250	–	250	–
Total non-operating gains and losses	1,189	–	1,189	–
Excess (deficiency) of revenue and gains and losses over expenses	1,181	8,183	1,192	(8,194)
Change in fair value of interest rate swap agreements designated as cash flow hedges	(667)	–	(667)	–
Transfers from affiliates	11,239	(8,183)	10,576	8,846
Pension and other postretirement liability adjustments	(979)	–	(979)	–
Other changes in net assets	9	–	9	–
Increase in net assets without donor restrictions	\$ 10,783	\$ –	\$ 10,131	\$ 652



Northwell Health, Inc.

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

Year Ended December 31, 2020

	Joint Venture Ambulatory Surgery Centers	Endoscopy Center of Long Island	Endo Group, LLC	South Shore Surgery Center	Suffolk Surgery Center	Digestive Health Center of Huntington	Greenwich Village Surgery Center	Melville Surgery Center
Operating revenue:								
Net patient service revenue	\$ 65,345	\$ 17,623	\$ 17,906	\$ 6,318	\$ 4,079	\$ 3,176	\$ 4,240	\$ 12,003
Total patient revenue	65,345	17,623	17,906	6,318	4,079	3,176	4,240	12,003
CARES Act Provider Relief Fund revenue	3,316	417	359	1,135	118	77	22	1,188
Other operating revenue	771	4	36	36	2	28	69	596
Total operating revenue	69,432	18,044	18,301	7,489	4,199	3,281	4,331	13,787
Operating expenses:								
Salaries	15,625	1,860	4,653	2,264	1,018	1,228	2,051	2,551
Employee benefits	3,246	452	869	506	257	235	422	505
Supplies and expenses	36,508	5,732	13,027	3,639	2,534	1,054	5,706	4,816
Depreciation and amortization	3,829	48	779	309	303	119	1,897	374
Interest	306	–	296	–	1	–	–	9
Total operating expenses	59,514	8,092	19,624	6,718	4,113	2,636	10,076	8,255
Excess (deficiency) of operating revenue over operating expenses	9,918	9,952	(1,323)	771	86	645	(5,745)	5,532
Non-operating gains and losses:								
Investment income	(280)	(32)	(156)	(30)	–	(18)	(1)	(43)
Total non-operating gains and losses	(280)	(32)	(156)	(30)	–	(18)	(1)	(43)
Excess (deficiency) of revenue and gains and losses over expenses	9,638	9,920	(1,479)	741	86	627	(5,746)	5,489
Transfers from affiliates	4,561	–	–	–	–	–	4,561	–
Other changes in net assets	(11,288)	(5,975)	1,002	(775)	(300)	(765)	–	(4,475)
Increase (decrease) in net assets without donor restrictions	\$ 2,911	\$ 3,945	\$ (477)	\$ (34)	\$ (214)	\$ (138)	\$ (1,185)	\$ 1,014

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