Consolidated Financial Statements

The Mount Sinai Hospital
Years Ended December 31, 2016 and 2015
With Report of Independent Auditors

Ernst & Young LLP

Building a better
working world

The Mount Sinai Hospital

Consolidated Financial Statements

Years Ended December 31, 2016 and 2015

Contents

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Report of Independent Auditors

The Board of Trustees
Mount Sinai Health System, Inc.

We have audited the accompanying consolidated financial statements of The Mount Sinai Hospital, which comprise the consolidated statements of financial position as of December 31, 2016 and 2015, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Mount Sinai Hospital at December 31, 2016 and 2015, and the 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.

Ernst & Young LLP

March 30, 2017

The Mount Sinai Hospital

Consolidated Statements of Financial Position

	December 31	
	2016	**2015**
	(In Thousands)	
Assets		
Current assets:		
Cash and cash equivalents	**$ 263,652**	$ 194,904
Short-term investments	**173,244**	174,806
Total cash and cash equivalents and short-term investments	**436,896**	369,710
Patient accounts receivable, less allowances for doubtful accounts (2016 – $27,402; 2015 – $20,680)	**299,391**	262,818
Professional liabilities insurance recoveries receivable	**37,083**	34,294
Assets limited as to use	**22,543**	26,661
Due from related organizations, net	**258,764**	202,536
Inventories	**35,324**	32,582
Other current assets	**48,442**	30,631
Total current assets	**1,138,443**	959,232
Pooled investments	**733,549**	684,285
Other investments	**193,260**	174,809
Assets limited as to use	**76,456**	42,439
Other assets	**36,701**	35,430
Professional liabilities insurance recoveries receivable	**210,137**	194,333
Property, plant, and equipment, net	**942,495**	915,442
Total assets	**$ 3,331,041**	$ 3,005,970

	December 31 2016	December 31 2015
	(In Thousands)	
Liabilities and net assets		
Current liabilities:		
Accounts payable and accrued expenses	**$ 171,193**	$ 166,865
Accrued salaries and related liabilities	**129,508**	99,619
Accrued interest payable	**7,765**	8,277
Accrued construction and capital asset liabilities	**7,117**	9,071
Current portion of long-term debt	**32,671**	28,366
Professional liabilities	**37,083**	34,294
Other current liabilities	**70,729**	29,231
Total current liabilities	**456,066**	375,723
Long-term debt, less current portion	**567,230**	552,053
Accrued postretirement benefits	**16,085**	17,059
Deferred gain on transfer of real estate	**27,055**	27,055
Professional liabilities, less estimated current portion	**210,137**	194,333
Other liabilities	**401,986**	421,147
Total liabilities	**1,678,559**	1,587,370
Commitments and contingencies		
Net assets:		
Unrestricted	**1,488,878**	1,264,367
Temporarily restricted	**80,845**	76,942
Permanently restricted	**82,759**	77,291
Total net assets	**1,652,482**	1,418,600
Total liabilities and net assets	**$ 3,331,041**	$ 3,005,970

See accompanying notes.

The Mount Sinai Hospital

Consolidated Statements of Operations

	Year Ended December 31	
	2016	**2015**
	(In Thousands)	
Operating revenue		
Net patient service revenue	**$ 2,267,985**	$ 2,064,936
Provision for bad debts	**(16,059)**	(14,715)
Net patient service revenue, less provision for bad debts	**2,251,926**	2,050,221
Investment income and net realized gains on sales of securities	**25,666**	26,169
Contributions	**245**	264
Other revenue	**65,110**	28,068
Net assets released from restrictions for operations	**25,310**	22,451
Total operating revenue before other items	**2,368,257**	2,127,173
Operating expenses		
Salaries and wages	**838,868**	773,306
Employee benefits	**225,882**	218,603
Supplies and other	**1,006,097**	895,397
Depreciation	**111,180**	108,075
Interest and amortization	**26,494**	26,484
Total operating expenses before other items	**2,208,521**	2,021,865
Excess of operating revenue over operating expenses before other items	**159,736**	105,308

Continued on following page.

The Mount Sinai Hospital

Consolidated Statements of Operations (continued)

	Year Ended December 31	
	2016	**2015**
	(In Thousands)	
Excess of operating revenue over operating expenses before other items	**$ 159,736**	$ 105,308
Other items		
Net change in unrealized gains and losses on investments and change in value of alternative investments	**14,543**	(29,371)
Third-party reimbursement settlements	**65,705**	22,195
Net change in participation in captive insurance program and malpractice insurance program interest rate shortfall	**20,749**	(14,718)
Excess of revenue over expenses	**260,733**	83,414
Other changes in unrestricted net assets		
Transfers to affiliates	**(46,821)**	(53,141)
Distribution from MSMC Realty Corporation	**–**	26,007
Distribution from MSMC Residential Realty LLC	**–**	262
Equity in income from related party	**647**	1,148
Equity in income from related party and distributions transferred to the Icahn School of Medicine at Mount Sinai	**(647)**	(1,410)
Net assets released from restrictions for capital asset acquisitions	**9,777**	12,245
Change in postretirement liability to be recognized in future periods	**822**	2,023
Total other changes in unrestricted net assets	**(36,222)**	(12,866)
Net increase in unrestricted net assets	**$ 224,511**	$ 70,548

See accompanying notes.

The Mount Sinai Hospital

Consolidated Statements of Changes in Net Assets

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
	(In Thousands)			
Net assets at beginning of year January 1, 2015	$ 1,193,819	$ 76,200	$ 76,932	$ 1,346,951
Net increase in unrestricted net assets	70,548	–	–	70,548
Donor restricted contributions, net	–	35,438	359	35,797
Net assets released from restrictions for operations	–	(22,451)	–	(22,451)
Net assets released from restrictions for capital asset acquisitions	–	(12,245)	–	(12,245)
Total change in net assets	70,548	742	359	71,649
Net assets at end of year December 31, 2015	1,264,367	76,942	77,291	1,418,600
Net increase in unrestricted net assets	**224,511**	**–**	**–**	**224,511**
Donor restricted contributions, net	**–**	**38,990**	**5,468**	**44,458**
Net assets released from restrictions for operations	**–**	**(25,310)**	**–**	**(25,310)**
Net assets released from restrictions for capital asset acquisitions	**–**	**(9,777)**	**–**	**(9,777)**
Total change in net assets	**224,511**	**3,903**	**5,468**	**233,882**
Net assets at end of year December 31, 2016	**$ 1,488,878**	**$ 80,845**	**$ 82,759**	**$ 1,652,482**

See accompanying notes.

The Mount Sinai Hospital

Consolidated Statements of Cash Flows

	Year Ended December 31 2016	2015
	(In Thousands)	
Operating activities		
Change in net assets	**$ 233,882**	$ 71,649
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	**111,180**	108,075
Amortization of deferred financing costs, bond premium, and discount	**(545)**	(520)
Net change in unrealized gains and losses on investments and change in value of alternative investments	**(14,543)**	29,371
Net donor-restricted contributions	**(44,458)**	(35,797)
Equity in income from related party	**(647)**	(1,148)
Transfers to affiliates	**46,821**	53,141
Distribution from MSMC Realty Corporation	**–**	(26,007)
Distribution from MSMC Residential Realty LLC	**–**	(262)
Changes in:		
Patient accounts receivable	**(36,573)**	(22,026)
Other operating assets	**(21,824)**	(18,377)
Due from related organizations	**(55,581)**	(59,717)
Accounts payable and accrued expenses	**4,328**	22,761
Accrued salaries and related liabilities	**29,889**	(8,054)
Accrued interest payable	**(512)**	(457)
Other operating liabilities	**19,469**	27,709
Net cash provided by operating activities	**270,886**	140,341
Investing activities		
Acquisitions of property, plant, and equipment, net	**(128,482)**	(227,558)
Increase in investments, net	**(51,610)**	(58,183)
(Increase) decrease in assets limited as to use	**(29,899)**	65,061
Transfers to affiliates	**(46,821)**	(53,141)
Distribution from MSMC Realty Corporation	**–**	26,007
Distribution from MSMC Residential Realty LLC	**–**	262
Net cash used in investing activities	**(256,812)**	(247,552)
Financing activities		
Proceeds from loan	**40,000**	–
Payment of deferred financing costs	**(57)**	–
Principal payments on long-term debt	**(29,727)**	(23,138)
Net donor-restricted contributions	**44,458**	35,797
Net cash provided by financing activities	**54,674**	12,659
Net increase (decrease) in cash and cash equivalents	**68,748**	(94,552)
Cash and cash equivalents at beginning of year	**194,904**	289,456
Cash and cash equivalents at end of year	**$ 263,652**	$ 194,904

Non-cash investing and financing transaction

Purchased equipment with capital lease financing of $9.8 million in 2016.

See accompanying notes.

1. Organization and Summary of Significant Accounting Policies

Organization

The Mount Sinai Hospital (the Hospital) is a tertiary care teaching hospital located in upper Manhattan with a division in Queens, New York. As a leading academic medical center, the Hospital provides a full range of ambulatory and inpatient general and specialty services to patients from the surrounding communities, across the country, and around the world and operates one of the largest graduate medical education programs in the country. The Mount Sinai Diagnostic & Treatment Center (MSDTC), located on the Hospital's campus, consisted of various outpatient diagnostic and treatment clinics that provided comprehensive primary and preventive care and specialty care to its patients. The Hospital is the sole member of MSDTC. In the accompanying consolidated financial statements, the Hospital and MSDTC are referred to collectively as the Hospital. MSDTC ceased operations effective December 31, 2015; services previously provided by MSDTC are now provided by the Hospital.

The Hospital is closely affiliated with the Icahn School of Medicine at Mount Sinai (the School of Medicine) and its affiliates. The School of Medicine is a separate legal entity and, along with the Hospital, shares a four block area campus on the upper east side of Manhattan.

On September 30, 2013, the Hospital, the School of Medicine, and The Mount Sinai Medical Center, Inc. (the Medical Center and, together with the Hospital and the School of Medicine, the Mount Sinai Entities) consummated a transaction pursuant to which the Mount Sinai Entities and Beth Israel Medical Center (BIMC), St. Luke's-Roosevelt Hospital Center (SLR), and The New York Eye and Ear Infirmary (NYEEI) came together to create the Mount Sinai Health System, an integrated health care system and academic medical center (the Transaction). Pursuant to the Transaction, two new not-for-profit entities were formed: Mount Sinai Health System, Inc. (MSHS) and Mount Sinai Hospitals Group, Inc. (MSHG). MSHG was formed to be the sole member of the Hospital, BIMC, SLR, and NYEEI. MSHS was formed to be the sole member of MSHG, the School of Medicine, and the Medical Center.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Hospital and MSDTC. All significant intercompany balances and transactions have been eliminated. The accompanying consolidated financial statements do not include the accounts of organizations that are related to the Hospital through common management and/or Boards of Trustees.

1. Organization and Summary of Significant Accounting Policies (continued)

Related Organizations

Transactions among the Hospital and related organizations relate principally to the sharing of certain services, facilities, equipment, and personnel and are accounted for on the basis of allocated cost, as agreed among the parties. Amounts due from or to related organizations for these activities are currently receivable or payable and do not bear interest, except for amounts advanced by the Hospital to the School of Medicine for certain capital expenditures. The nature of the Hospital's transactions with various related organizations is described more fully in Note 10.

Cash and Cash Equivalents

The Hospital considers highly liquid financial instruments purchased with a maturity of three months or less, excluding those held in its investment portfolio and assets limited as to use, to be cash equivalents.

The Hospital has balances in financial institutions that exceed Federal depository insurance limits. Management does not believe the credit risk related to these deposits to be significant.

The Hospital does not hold any money market funds with significant liquidity restrictions that would require the funds to be excluded from cash equivalents.

Patient Accounts Receivable/Allowance for Uncollectible

Patient accounts receivable result from the health care services provided by the Hospital. Additions to the allowance for doubtful accounts result from the provision for bad debts. Accounts written off as uncollectible are deducted from the allowance for doubtful accounts.

The amount of the allowance for doubtful accounts is based upon management's assessment of historical and expected net collections, business and economic conditions, trends in Medicare and Medicaid health care coverage, and other collection indicators. See Note 2 for additional information relative to third-party payor programs.

1. Organization and Summary of Significant Accounting Policies (continued)

Investments

A substantial portion of the Hospital's investments are pooled for management purposes with those held by related entities. The Medical Center has custody of investments held in the investment pool and records all of the pooled investments in its financial statements, with a corresponding liability due to each of the participants in the investment pool for their respective share of the pooled investments; the pool participants report their respective share of the investment pool as "pooled investments." Investment earnings on the pooled investments are recorded by the pool participants, based on their pro rata share of the pool's investment returns.

Investments, both pooled and nonpooled, consist of cash and cash equivalents, U.S. government and corporate bonds, money market funds, equity securities, and interests in alternative investments. Debt securities and equity securities with readily determinable values are carried at fair value based on independent published sources (quoted market prices).

Alternative investments (nontraditional, not readily marketable securities), carried in the investment pool, may consist of equity, debt, and derivatives both within and outside the U.S. in multi-strategy hedge funds, event-driven strategies, global investment mandates, distressed securities, and private funds. Alternative investment interests generally are structured such that the investment pool holds a limited partnership interest or an interest in an investment management company. The investment pool's ownership structure does not provide for control over the related investees and the investment pool's financial risk is limited to the carrying amount reported for each investee, in addition to any unfunded capital commitment. Future funding commitments by members of the investment pool for alternative investments aggregated approximately $204.2 million at December 31, 2016. The Hospital owned 48.4% and 47.5% of the investment pool at December 31, 2016 and 2015, respectively.

Individual investment holdings within the alternative investments include nonmarketable and market-traded debt and equity securities and interests in other alternative investments. The Hospital may be exposed indirectly to securities lending, short sales of securities and trading in futures and forward contracts, options, and other derivative products. Alternative investments often have liquidity restrictions under which the pooled investment capital may be divested only at specified times. The liquidity restrictions range from several months to ten years for certain private equity investments. Liquidity restrictions may apply to all or portions of a particular invested amount.

1. Organization and Summary of Significant Accounting Policies (continued)

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

There is uncertainty in determining values of alternative investments arising from factors such as lack of active markets (primary and secondary), lack of transparency into underlying holdings, and time lags associated with reporting by the investee companies. As a result, the estimated fair values might differ from the values that would have been used had a ready market for the alternative investment interests existed and there is at least a reasonably possibility that estimates will change.

Investment Income

Investment income from the investment pool is allocated to investment pool participants using the market-value unit method. The annual spending rate for pooled funds is approved by the Board of Trustees annually (see Note 8). Realized gains and losses from the sale of securities are computed using the average cost method.

In the absence of donor restrictions, investment income, including realized gains and losses, is reflected in the accompanying consolidated statements of operations as operating revenue, with net unrealized gains and losses and the change in value of alternative investments, arising from pooled investments, reported as other items. See Notes 3, 6, and 12 for additional information relative to investments.

Inventories

The Hospital values its inventories at the lower of cost or market using the FIFO (first-in, first-out) method.

1. Organization and Summary of Significant Accounting Policies (continued)

Assets Limited as to Use

Assets so classified represent assets whose use is restricted or internally designated for specific purposes under terms of agreements related to the Hospital's long-term debt and internally designated for funded depreciation requirements (see Notes 3, 4, 5 and 12). These assets consist primarily of U.S. Treasury obligations held in the trustee's accounts and money market funds.

Other Assets

The Hospital has invested in various health care entities, certain of which are accounted for using the equity method. These amounts are classified as other investments in the accompanying consolidated statements of financial position.

Deferred Financing Costs

Deferred financing costs represent costs incurred to obtain long-term financing. Amortization of these costs is provided using the effective interest method. The Hospital adopted ASU 2015-03, *Simplifying the Presentation of Debt Issuance Costs*, retrospectively, as required. As a result, unamortized deferred financing costs of approximately $6.1 million and $7.0 million at December 31, 2016 and 2015, respectively, have been reported as a direct deduction from long-term debt. See Note 5 for additional information relative to debt-related matters.

Property, Plant, and Equipment

Property, plant, and equipment purchased are stated at cost and those acquired by gifts and bequests are stated at appraised or fair value established at the date of contribution. The carrying amounts of assets and the related accumulated depreciation and amortization are removed from the accounts when such assets are disposed of and any resulting gain or loss is included in operating results.

Annual provisions for depreciation are made based upon the straight-line method using a half-year convention over the estimated useful lives of the assets, ranging from 3 to 40 years (see Note 4 for additional information relative to property, plant, and equipment).

1. Organization and Summary of Significant Accounting Policies (continued)

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the Hospital has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Hospital in perpetuity. See Note 8 for additional information relative to temporarily and permanently restricted net assets.

Contributions

Contributions, including unconditional promises to give cash and other assets (pledges), are reported at fair value on the date received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reflected in temporarily restricted net assets and net assets released from restrictions in the accompanying consolidated financial statements.

Performance Indicator

The consolidated statements of operations include excess of revenue over expenses as the performance indicator. Changes in unrestricted net assets, which are excluded from excess of revenue over expenses, include permanent transfers of assets to and from affiliates for other than goods and services, contributions of long-lived assets (including assets acquired using contributions which, by donor restriction, were to be used for the purposes of acquiring such assets), and change in postretirement liability to be recognized in future periods.

1. Organization and Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. In the accompanying consolidated financial statements, estimates principally relate to the valuation of net accounts receivable, amounts due from and to third-party payors, the net carrying value of the Hospital's interest in the captive insurance program, estimated professional liabilities and related insurance recoveries receivable, and the carrying value of alternative investments. Management believes that the amounts recorded based on estimates and assumptions are reasonable and any differences between estimates and actual should not have a material effect on the Hospital's consolidated financial position. In 2016 and 2015, management realized revenue of approximately $65.7 million and $22.2 million, respectively, which was a result of settlements of prior years' third-party reimbursements and is reflected in the accompanying consolidated statements of operations as other items.

Tax Status

The Hospital and MSDTC are Section 501(c)(3) organizations exempt from Federal income taxes under Section 501(a) of the Internal Revenue Code. They also are exempt from New York State and New York City income taxes.

Reclassifications

Certain reclassifications have been made to 2015 balances previously reported in order to conform with the 2016 presentation.

1. Organization and Summary of Significant Accounting Policies (continued)

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*. The core principle of ASU 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance in ASU 2014-09 supersedes the FASB's current revenue recognition requirements in Accounting Standards Codification Topic 605, *Revenue Recognition*, and most industry-specific guidance. The FASB subsequently issued ASU 2015-14, *Revenue from Contracts with Customers*, which deferred the effective dates of ASU 2014-09. Based on ASU 2015-14, the provisions of ASU 2014-09 are effective for the Hospital for annual reporting periods beginning after December 15, 2017. The Hospital has not completed the process of evaluating the impact of ASU 2014-09 on its consolidated financial statements.

In August 2014, the FASB issued ASU 2014-15, *Presentation of Financial Statements – Going Concern*, that requires management of public and nonpublic companies to evaluate and disclose where there is substantial doubt about an entity's ability to continue as a going concern. The standard is effective for annual periods ending after December 15, 2016, and for annual periods thereafter. Management adopted ASU 2014-15 for the year ended December 31, 2016. There was no effect on the accompanying consolidated financial statements or related disclosures.

In April 2015, the FASB issued ASU 2015-05, *Customer's Accounting for Fees Paid in a Cloud Computing Arrangement*. ASU 2015-05 provides guidance to customers about whether a cloud computing arrangement includes a software license. If certain criteria are met, an entity may account for such an arrangement under the internal use software guidance included in Accounting Standards Codification ("ASC") 350-40, *Internal Use Software*, whereby amounts are capitalized. If such criteria are not met, the cloud computing arrangement is considered a service contract and the related costs are expensed as incurred. ASU 2015-05 is effective for public business entities for fiscal years beginning after December 15, 2015 with the option to apply the guidance prospectively to all arrangements entered into or materially modified after the effective date or retrospectively. The Hospital adopted ASU 2015-05 prospectively as of January 1, 2016 with no effect on the 2016 consolidated financial statements.

1. Organization and Summary of Significant Accounting Policies (continued)

In February 2016, the FASB issued ASU 2016-02, *Leases*, which will require lessees to report most leases on their statement of financial position and recognize expenses on their income statement in a manner similar to current accounting. The guidance also eliminates current real estate-specific provisions. Lessors in operating leases continue to recognize the underlying asset and recognize lease income on either a straight-line or another systematic and rational basis. The provisions of ASU 2016-02 are effective for the Hospital for annual periods beginning after December 15, 2018, and interim periods thereafter. Early adoption is permitted. The Hospital has not completed the process of evaluating the impact of ASU 2016-02 on its consolidated financial statements.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Financial Statement Presentation*, which eliminates the requirement for not-for-profits (NFPs) to classify net assets as unrestricted, temporarily restricted and permanently restricted. Instead, NFPs will be required to classify net assets as net assets with donor restrictions or without donor restrictions. Among other things, the guidance also modifies required disclosures and reporting related to net assets, investment expenses and qualitative information regarding liquidity. NFPs will also be required to report all expenses by both functional and natural classification in one location. The provisions of ASU 2016-14 are effective for the Hospital for annual periods beginning after December 15, 2017 and interim periods thereafter. Early adoption is permitted. The Hospital has not completed the process of evaluating the impact of ASU 2016-14 on its consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows – Classification of Certain Cash Receipts and Cash Payments*, which addresses the following eight specific cash flow issues in order to limit diversity in practice: debt prepayment or debt extinguishment costs; settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing; contingent consideration payments made after a business combination; proceeds from the settlement of insurance claims; proceeds from the settlement of corporate-owned life insurance policies, including bank-owned life insurance policies; distributions received from equity method investees; beneficial interests in securitization transactions; and separately identifiable cash flows and application of the predominance principle. The provisions of ASU 2016-15 are effective for the Hospital for annual periods beginning after December 15, 2018 and interim periods thereafter. Early adoption is permitted. The Hospital does not expect ASU 2016-15 to have a significant effect on its consolidated financial statements.

1. Organization and Summary of Significant Accounting Policies (continued)

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows – Restricted Cash*, which requires that the statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The provisions of ASU 2016-18 are effective for the Hospital for annual periods beginning after December 15, 2018 and interim periods thereafter. Early adoption is permitted. The Hospital does not expect ASU 2016-18 to have a significant effect on its consolidated financial statements.

In March 2017, the FASB issued ASU 2017-07, *Compensation—Retirement Benefits: Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. ASU 2017-07 addresses how employers that sponsor defined benefit pension and/or other postretirement benefit plans present the net periodic benefit cost in the income statement. Employers will be required to present the service cost component of net periodic benefit cost in the same income statement line item as other employee compensation costs arising from services rendered during the period. Employers will present the other components of the net periodic benefit cost separately from the line item that includes the service cost and outside of any subtotal of operating income, if one is presented. The standard is effective for the Hospital for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Early adoption is permitted. Adoption of ASU 2017-07 will require the Hospital to include the service cost component of net periodic benefit cost related to its other postretirement benefit plan (approximately $256,000 for 2016) within salaries and wages on the consolidated statements of operations and to present all other components (aggregate of approximately $1.1 million for 2016) as a separate line item outside of any subtotal of the performance indicator. Net periodic benefit cost is recorded currently as a component of employee benefits on the consolidated statements of operations.

2. Accounts Receivable for Services to Patients and Net Patient Service Revenue

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered and includes estimated retroactive revenue adjustments due to future audits, reviews, and investigations.

2. Accounts Receivable for Services to Patients and Net Patient Service Revenue (continued)

Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are provided and adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews, and investigations.

The Hospital recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual and formula-driven rates for the services rendered (see description of third-party payor payment programs below).

Patient service revenue for the years ended December 31, 2016 and 2015, net of contractual allowances and discounts (but before the provision for bad debts), recognized from these major payor sources based on primary insurance designation, is as follows:

	Third-Party	Self-Pay	Total all Payors
		(In Thousands)	
2016	**$ 2,242,251**	**$ 25,734**	**$ 2,267,985**
2015	2,039,856	25,080	2,064,936

Deductibles and copayments under third-party payment programs within the third-party payor amount above are the patient's responsibility and the Hospital considers these amounts in its determination of the provision for bad debts based on collection experience. Accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectability of accounts receivable, the Hospital analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts.

The Hospital's allowance for doubtful accounts totaled approximately $27.4 million and $20.7 million at December 31, 2016 and 2015, respectively. The allowance for doubtful accounts for self-pay patients was approximately 14.1% and 21.7% of self-pay accounts receivable as of December 31, 2016 and 2015, respectively. Overall, the total of self-pay discounts and write-offs did not change significantly in 2016. The Hospital did not experience significant changes in write-off trends and did not change its charity care policy in 2016.

2. Accounts Receivable for Services to Patients and Net Patient Service Revenue (continued)

Non-Medicare Payment

In New York State, hospitals and all non-Medicare payors, except Medicaid, workers' compensation, and no-fault insurance programs, negotiate hospitals' payment rates. If negotiated rates are not established, payors are billed at the hospitals' established charges. Medicaid, workers' compensation, and no-fault payors pay hospital rates promulgated by the New York State Department of Health (NYSDOH). Payments to hospitals for Medicaid, workers' compensation, and no-fault inpatient services are based on a statewide prospective payment system, without retroactive adjustments except for the capital component of the rate. Outpatient services also are paid based on a statewide prospective payment system. Medicaid rate methodologies are subject to approval at the federal level by the Centers for Medicare and Medicaid Services (CMS), which may routinely request information about such methodologies prior to approval. Revenue related to specific rate components that have not been approved by CMS is not recognized until the Hospital is reasonably assured that such amounts are realizable. Adjustments to the current and prior years' payment rates for those payors will continue to be made in future years.

Medicare Payment

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

The Hospital has established estimates, based on information presently available, of amounts due to or from Medicare and non-Medicare payors for adjustments to current and prior years' payment rates based on industry-wide and hospital-specific data. In the accompanying consolidated financial statements, such estimates are included in other current and noncurrent assets and liabilities.

The current Medicaid, Medicare, and other third-party payor programs are based upon extremely complex laws and regulations that are subject to interpretation. Medicare cost reports, which serve as the basis for final settlement with the Medicare program, have been audited by the Medicare fiscal intermediary and settled through 2002, and for 2005 through 2010. Other years remain open for audit and settlement as are New York State Medicaid cost reports 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. Additionally, noncompliance with such laws and regulations could result in fines, penalties, and exclusion from such programs.

2. Accounts Receivable for Services to Patients and Net Patient Service Revenue (continued)

The Hospital is not aware of any allegations of noncompliance that could have a material adverse effect on the consolidated financial statements and believes that it is in compliance, in all material respects, with all applicable laws and regulations.

There are various proposals at the Federal and State levels that could, among other things, significantly reduce payment rates or modify payment methods. The ultimate outcome of these proposals and other market changes, including the potential effects of or revisions to health care reform that has been enacted by the federal and state government cannot presently be determined. Future changes in the Medicare and Medicaid programs and any reduction of funding could have an adverse impact on the Hospital.

The Hospital grants credit without collateral to its patients, most of whom are insured under third-party agreements. The significant concentrations of accounts receivable for services to patients include 17% from Medicare, 22% from Medicaid, 31% from managed care companies, and 30% from commercial insurance carriers and others at December 31, 2016 (17%, 22%, 29%, and 32%, respectively, in 2015).

In 2016, approximately 25% and 17% of the Hospital's net patient service revenue was from Medicare and Medicaid programs, respectively (approximately 24% and 17%, respectively, in 2015).

Uncompensated Care

As a matter of policy, the Hospital provides significant amounts of partially or totally uncompensated patient care. For accounting purposes, such uncompensated care is treated either as charity care or provision for bad debts. The Hospital's charity care policy ensures the provision of quality health care to the community served while carefully considering the ability of the patient to pay. The policy has sliding fee schedules for inpatient, ambulatory, and emergency services provided to the uninsured and under-insured patients who qualify.

Patients are eligible for the charity care fee schedule if they meet certain income tests. Furthermore, as part of its charity care and financial aid policy, the Hospital obtains and uses additional financial information for uninsured or underinsured patients who have not supplied the requisite information to qualify for charity care. The additional information obtained is used by the Hospital to determine whether to qualify patients for charity care and/or financial aid in accordance with the Hospital's policies.

2. Accounts Receivable for Services to Patients and Net Patient Service Revenue (continued)

For accounting and disclosure purposes, charity care is considered to be the difference between the Hospital's customary charges and the sliding charity care fee schedule rates. Since payment of this difference is not sought, charity care allowances are not reported as revenue.

The Hospital provides care regardless of a patient's ability to pay. Uninsured patients seen in the emergency department, including patients subsequently admitted for inpatient services, often do not provide information necessary to allow the Hospital to qualify such patients for charity care. Uncollectible amounts due from such uninsured patients represent the substantial portion of the provision for bad debts reflected in the accompanying consolidated statements of operations.

The Hospital's estimated costs for charity care were approximately $39.6 million for 2016 and $38.3 million for 2015. The cost of charity includes the direct and indirect cost of providing charity care services. The cost is estimated by utilizing a ratio of cost to gross charges applied to the gross uncompensated charges associated with providing charity care. Funds received from the New York State Indigent Care Pool to offset charity services provided totaled approximately $8.6 million and $13.0 million for the years ended December 31, 2016 and 2015, respectively. The charity care component of the indigent care pool payments is estimated utilizing a ratio of charity care charges to total charity care and bad debt charges applied to the indigent care pool reimbursement and excludes amounts designated for teaching programs.

Additionally, patients who do not qualify for sliding-scale fees and all uninsured inpatients who do not qualify for Medicaid assistance are billed at the Hospital's rates. Uncollected balances for these patients are categorized as bad debts. Total uncompensated care as a result of bad debts for all patient services approximated $16.1 million in 2016 and $14.7 million in 2015.

Vital Access Provider Safety Net Program and Medicaid Enhanced Rates

In September 2015, MSHG entered into an agreement with the NYSDOH to participate in the Vital Access Provider/Safety Net Program (VAP). MSHG was awarded approximately $81.4 million in VAP funding over three years. In accordance with the governing agreement, MSHG will submit quarterly reports to the NYSDOH, detailing how the VAP funds are being expended, in line with approved objectives, budgets, timelines and benchmarks. In addition, MSHG has committed to complete a full asset merger of the Hospital, BIMC, SLR and NYEEI by no later than December 31, 2019.

2. Accounts Receivable for Services to Patients and Net Patient Service Revenue (continued)

The NYSDOH has also agreed to provide certain MSHG member hospitals with a temporary Medicaid rate enhancement for three years. The enhanced Medicaid rates are paid to the MSHG member hospitals directly by the Medicaid program or Medicaid managed care payors as patient services are rendered. The MSHG member hospitals will recognize revenue from the VAP payments on a quarterly basis as reporting requirements are completed and approved expenditures are incurred. The Hospital recognized VAP revenue of approximately $9.2 million in 2016 (none in 2015). All amounts related to VAP finding for the MSHG member hospitals is received by BIMC; amounts due to the Hospital related to VAP funding are recorded as a component of due from related organizations.

The Hospital recognized approximately $20.6 million and $16.3 million in 2016 and 2015, respectively, of revenue associated with the Medicaid rate enhancements; the Hospital transferred the full amounts to BIMC in 2016 and 2015 (see Note 10). In the event that conditions of the governing agreement are not met, funding associated with the VAP program and the enhanced Medicaid rates will be refundable to the NYSDOH. Management believes the possibility that the condition will not be met is remote.

3. Investments and Assets Limited as to Use

Investments are maintained as follows:

	December 31	
	2016	**2015**
	(In Thousands)	
Pooled investments	**$ 740,518**	$ 697,713
Non-pooled investments	**359,535**	336,187
	$ 1,100,053	$ 1,033,900

At December 31, 2016 and 2015, approximately $7.0 million and $13.4 million, respectively, of pooled investments is included in short-term investments. Non-pooled investments primarily consist of marketable short term investments, investment in a captive insurance program (see Note 6) and certain non-marketable investments recorded under the equity method of accounting. Marketable short-term investments consist of money market funds and fixed income securities.

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

The following table summarizes the composition of the investment pool at December 31, 2016 and 2015; the Hospital's interests in the pooled investment components are proportionate based on the ratio of its pooled investment balance to the total of the pool.

	December 31	
	2016	**2015**
	(In Thousands)	
Cash and cash equivalents	**$ 14,396**	$ 22,604
Fixed income:		
Mutual funds	**12,900**	46,750
Equities:		
U.S. equities	**110,389**	102,417
Global equities	**42,924**	42,026
Non-U.S. equities	**100,850**	105,819
Alternative investments:		
Hedge funds:		
Long-only equity	**178,263**	174,087
Hedged equity[a]	**305,098**	230,276
Long/short credit[b]	**47,058**	46,276
Open mandate[c]	**402,281**	418,652
Macro[d]	**62,968**	93,582
Private investments:		
Equity[e]	**46,759**	35,382
Credit/distressed[f]	**74,755**	93,842
Real assets[g]	**130,858**	56,895
	$ 1,529,499	$ 1,468,608

[a] Investments, consisting primarily of publicly traded equity holdings with both long and short positions.

[b] Investments, consisting primarily of publicly traded credit holdings with both long and short positions.

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

(c) Investments with a balanced mix of asset exposures and strategies. Underlying exposures primarily include publicly traded equity and credit positions in fundamental value, relative value, and various arbitrage strategies. Investments may reflect a tilt towards equity or credit with hedging and hold large cash positions if value opportunities are not found.

(d) Investments focused on global macro dislocations rather than micro-driven opportunities. Holdings are both long and short in equity, fixed income, currency, and futures markets.

(e) Investments targeting buyout, growth equity, and venture opportunities that require time to reach realization.

(f) Investments in structured credit, claims, distressed positions of either a minority or controlling interest that require time to reach realization.

(g) Real estate, natural resources, and asset backed royalty investments that require time to reach realization.

The total return on the total pooled investments comprises the following for the years ended December 31:

	2016	**2015**
	(In Thousands)	
Interest and dividend and other income	**$ 5,814**	$ 6,071
Net realized gains on sales of securities	**61,296**	51,555
Change in net unrealized gains and losses and change in value of alternative investments	**29,984**	(66,126)
Fees and other expenses	**(5,564)**	(4,695)
Total	**$ 91,530**	$ (13,195)

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

The Hospital was allocated a total investment return from the pool based on agreements among the pool participants and donor stipulations of approximately $36.5 million and ($10.4) million in 2016 and 2015, respectively.

Total investment return recognized by the Hospital comprises the following for the years ended December 31:

	2016	2015
	(In Thousands)	
Interest, dividend, and other income	**$ 2,672**	$ 7,681
Net realized gains on sales of securities	**22,994**	18,488
	$ 25,666	$ 26,169
Net change in unrealized gains and losses on investments and change in value of alternative investments	**$ 14,543**	$ (29,371)

Assets limited as to use consist of the following at December 31:

	2016	2015
	(In Thousands)	
Assets held under long-term debt agreements:		
Construction funds	**$ 40,359**	$ 3,725
Debt service fund	**10,491**	11,057
Debt service reserve fund	**34,589**	37,211
Internally designated for debt service	**10,832**	10,318
Funded depreciation	**1,508**	1,503
Delivery System Reform Incentive Program – internally designated	**1,220**	5,286
	$ 98,999	$ 69,100

Assets limited to use consist of cash, money market funds and fixed income securities. The Medical Center has a bank letter of credit for $1.0 million for the benefit of a captive insurance company in which the Hospital participates (see Note 6). The letter of credit is collateralized by $1.0 million of marketable securities held by the Hospital.

4. Property, Plant, and Equipment

A summary of property, plant, and equipment is as follows at December 31:

	2016	2015
	(In Thousands)	
Land and improvements	**$ 49,617**	$ 49,617
Buildings and improvements	**630,388**	473,877
Condominium interest *(Note 5)*	**110,133**	110,133
Fixed equipment	**596,562**	586,760
Movable equipment	**859,191**	772,014
	2,245,891	1,992,401
Less leasehold interest of the School of Medicine	**68,146**	68,146
	2,177,745	1,924,255
Less accumulated depreciation and amortization	**1,237,386**	1,140,572
	940,359	783,683
Capital projects in progress *(Note 5)*	**2,136**	131,759
	$ 942,495	$ 915,442

The Hospital capitalizes costs incurred in connection with the development of internal use software or purchased software modified for internal use. In 2016 and 2015, approximately $6.3 million and $5.9 million was capitalized, respectively.

In 2016 and 2015, the Hospital wrote off approximately $17.0 million and $17.7 million, respectively, of fully depreciated assets that were no longer in use. In 2016 and 2015, movable equipment was adjusted by approximately $17.0 million and $17.7 million, respectively.

The School of Medicine has entered into a long-term lease with the Hospital relating to a portion of the Hospital-owned Annenberg Building, which is used by the School of Medicine. Accordingly, the Hospital reflects the School of Medicine's leasehold interest as a reduction of total property, plant, and equipment. Under the terms of the lease, the School of Medicine makes payments for its share of the building's operating expenses.

4. Property, Plant, and Equipment (continued)

At December 31, 2016 and 2015, approximately $11.8 million is included in buildings and improvements representing amounts paid by the Hospital to the School of Medicine relating to a portion of a multipurpose building owned by the School of Medicine that is leased and used by the Hospital. Under the terms of a lease agreement relative to this space, the Hospital made payments of approximately $4.2 million and $4.4 million in 2016 and 2015, respectively, for its share of the operating costs.

The Hospital entered into a lease agreement with the School of Medicine for a portion of the Center for Advanced Medicine building that is used by the Hospital. At December 31, 2016 and 2015, approximately $4.7 million is included in the accompanying consolidated statements of operations representing amounts paid by the Hospital to the School of Medicine relating to the portion of the building used by the Hospital. In each of 2016 and 2015, under the terms of this lease, the Hospital paid the School of Medicine approximately $2.8 million in rent, based on the operating costs of the related portion of the building.

Future minimum rental commitments under various leases with the School of Medicine are approximately $6.8 million in 2017; $6.6 million in 2018; $6.3 million in 2019; $6.0 million in 2020; $5.8 million in 2021 and $48.4 million thereafter.

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

5. Long-Term Debt

A summary of long-term debt is as follows at December 31:

	2016	2015
	(In Thousands)	
Series 2010 bonds; interest rates ranging from 1.8% to 5.0%[a]	**$ 255,265**	$ 274,680
Series 2011A bonds; interest rates ranging from 3.0% to 5.0%[b]	**60,095**	61,315
Series 2013 bonds; interest rate of 2.83%[c]	**108,267**	112,000
Accounts receivable financing[d]	**9,562**	12,112
Promissory note payable, including deferred interest[e]	**116,939**	118,407
Capital lease[f]	**8,805**	–
Bank loan[g]	**39,606**	–
	598,539	578,514
Add net bond premium	**7,503**	8,886
Less deferred financing costs, net	**6,141**	6,981
Less current portion	**32,671**	28,366
	$ 567,230	$ 552,053

[a] In June 2010, the Hospital refunded and refinanced its outstanding Series 2000 bonds that had been issued through the Dormitory Authority of the State of New York (DASNY), partially at par and partially at 101%. The new bonds (Series 2010) were issued as both taxable and tax-exempt series (approximately $28.5 million par amount of taxable bonds and approximately $331.2 million par amount of tax-exempt bonds issued through DASNY). The bonds mature serially through July 1, 2026.

[b] In October 2011, DASNY issued $65.4 million of tax-exempt bonds (Series 2011A) on behalf of the Hospital. The bonds were issued to finance the Hospital's share of the costs of construction of a cancer treatment center in the Leon and Norma Hess Center for Science and Medicine. The bonds mature serially through July 1, 2041.

[c] In December 2013, Build NYC Resource Corporation issued $112.0 million of tax-exempt bonds (Series 2013) on behalf of the Hospital. The bonds were issued to finance an expansion and renovation project at the Hospital's Queens campus. The bonds mature serially through January 1, 2044; the interest rate is fixed.

5. Long-Term Debt (continued)

(d) The Hospital had a revolving, amortizing loan with a commercial bank that expired on October 21, 2013. Interest was payable at the 30-day London Interbank Offered Rate plus 0.5% on a quarterly basis; principal also was payable quarterly. The loan was refinanced to a fixed rate of 2.44% and expires on October 21, 2020. Interest and principal are due quarterly. Under the terms of the agreement, the Hospital is required to maintain certain financial ratios and was in compliance with these ratios at December 31, 2016 and 2015.

(e) In August 2014, the Hospital entered into a transaction pursuant to which the Hospital obtained approximately 450,000 square feet of space located at 150 East 42nd Street to consolidate corporate services of MSHS. The space replaced existing leased and owned office space to provide additional capacity for clinical and research activities. A leasehold condominium interest was purchased by the Hospital and, shortly thereafter, transferred to a special-purpose, limited liability company formed by the Hospital (included in the accompanying consolidated financial statements). The purchase was financed through the issuance of a promissory note payable with a principal amount of $110.1 million, interest at a rate of 8%, and payments beginning in June 2015 and ending in March 2046. Payment of interest was deferred from August 2014 until May 2015. The Hospital and the School of Medicine guaranteed, on a joint and several basis, all of the obligations of the Hospital which include note payments, operating expenses and other carrying costs and charges, some of which escalate annually. The property is collateral for the related financing. In connection with this transaction, the seller/landlord provided the Hospital with a leasehold improvement/tenant allowance of approximately $35.3 million, which was recorded in the accompanying consolidated statement of financial position as part of capital projects in process and other long-term liabilities at December 31, 2014. In 2015, the total amount of the leasehold improvement/tenant allowance was transferred from capital projects in process to buildings and improvements. Amortization of the leasehold improvement/tenant allowance commenced in 2015.

Common charges for the 150 East 42nd Street leasehold condominium property subsequent to December 31, 2016 are as follows (in thousands):

2017	$ 6,865
2018	6,865
2019	7,268
2020	7,268
2021	7,268

5. Long-Term Debt (continued)

(f) In June 2016, the Hospital entered into a $9.8 million capital lease to finance the acquisition of hospital beds for the use of the members of MSHG. The lease term is for seven years at an effective interest rate of 1.91%.

(g) In September 2016, the Hospital entered into a $40.0 million loan agreement with a bank. Principal and interest payments of $1.6 million are due annually through September 2026, at which that time the remaining unpaid principal is due in full. The interest rate is LIBOR + 85 bps. The proceeds of the loan are intended to support strategic capital projects at SLR. Funds transferred to SLR from the Hospital will be recorded a component of due to related organizations.

As security for its obligations under the Series 2010, Series 2011A, and Series 2013 bonds, the Hospital provided a gross revenue pledge and executed a mortgage on its patient care property. Furthermore, the Hospital agreed to limitations on its ability to transfer assets, borrow additional funds, as well as other limitations. The Hospital agreed to maintain certain financial ratios, including a debt service coverage ratio, days cash-on-hand ratio, and to maintain certain debt service and other reserve funds (included in assets limited as to use). The ratios are calculated semiannually. At December 31, 2016 and 2015, the Hospital was in compliance with the required financial ratios.

Principal payments on long-term debt subsequent to December 31, 2016 are as follows (in thousands):

2017	$ 32,671
2018	33,982
2019	34,980
2020	37,072
2021	37,564
Thereafter	422,270

In May 2016, the Hospital agreed to guarantee certain of BIMC's loans, specifically their mortgage and term loans, with an aggregate amount outstanding of approximately $116.4 million at December 31, 2016. The guarantee eliminated all of BIMC's previously required financial ratios and performance metric requirements. The amended agreements provide for certain financial ratio requirements to be calculated based on the financial results of the Hospital effective January 1, 2016.

5. Long-Term Debt (continued)

Interest paid for the years ended December 31, 2016 and 2015 aggregated approximately \$16.0 million and \$16.9 million, respectively. In 2016, the Hospital capitalized net interest of approximately \$2.9 million relating to construction activity in progress (\$4.1 million in 2015).

Future minimum lease payments under noncancelable operating leases, excluding leases with related parties (see Notes 4 and 10), with initial or remaining terms of one year or more at December 31, 2016 consisted of the following (in thousands):

2017	$ 529
2018	529
2019	267
Total minimum lease payments	$ 1,325

Rental expense to unrelated parties approximated \$21.9 million and \$18.7 million in 2016 and 2015 respectively.

6. Professional Liabilities Insurance Program

Primary coverage of professional and general liability incidents has been provided through participation in a pooled program with certain other health care facilities (principally hospitals) affiliated with the Federation of Jewish Philanthropies of New York (FOJP). This occurrence-basis insurance coverage participation is with captive insurance companies and commercial insurance companies. The Hospital follows the equity method of accounting for its investment in the captive insurance company associated with its medical malpractice insurance program. Additionally, in connection with the pooled insurance program, the Hospital has recognized the present value of its allocated share of a portion of the program's accumulated surplus.

The aggregate net carrying value of the Hospital's interests in the insurance program was approximately \$169.1 million and \$147.9 million at December 31, 2016 and 2015, respectively, which is included in other investments in the accompanying consolidated statements of financial position.

The Hospital, as part owner of its malpractice captive, guarantees a certain level of investment return. As a result of differences between guaranteed and actual returns, the Hospital and the School of Medicine were required to fund approximately\$775,000 in 2016, with approximately \$465,000 allocated to the Hospital, and approximately \$19.2 million in 2015, with approximately \$11.5 million allocated to the Hospital.

6. Professional Liabilities Insurance Program (continued)

Each of these liabilities are required to be paid over a period of four years. During 2016, the Hospital paid approximately $4.8 million towards the 2015 liability and the 2016 liability will begin to be repaid during 2017. As of December 31, 2016 and 2015, respectively, liabilities of approximately $15.3 million and $19.2 million are included in other current and other liabilities in the accompanying consolidated statements of financial position.

The undiscounted estimate of professional liabilities and the estimate for incidents that have been incurred but not reported is included in professional liabilities in the accompanying consolidated statements of financial position at the actuarially determined present value of approximately $247.2 million ($228.6 million at December 31, 2015), based on a discount rate of 3% at December 31, 2016 and 2015. The Hospital has recorded related insurance recoveries receivable of approximately $247.2 million at December 31, 2016 ($228.6 million at December 31, 2015), in consideration of the expected insurance recoveries. The current portion of professional liabilities and the related insurance recoveries receivable represent an estimate of expected settlements and insurance recoveries over the next 12 months.

The Hospital's estimates of professional liabilities are based upon complex actuarial calculations, which utilize factors such as historical claims experience for the Hospital and related industry factors, trending models, estimates for the payment patterns of future claims, and present value discount factors. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Revisions to estimated amounts resulting from actual experience differing from projected expectations are recorded in the period the information becomes known or when changes are anticipated.

In February 2014, the FOJP program and the various affiliated captive insurance companies began an internal investigation into several insurance regulatory and related matters that had come to the attention of the FOJP companies' management. The FOJP companies, at the direction of their Boards, engaged independent legal counsel and an independent forensic consulting firm to conduct an investigation into various matters. The FOJP companies and legal counsel reported the preliminary investigative findings to the New York State Department of Financial Services (DFS), the primary State insurance regulator throughout the investigation and its conclusion in 2016. DFS also is conducting an investigation into the issues that were raised and related matters.The FOJP companies and DFS are engaged in ongoing discussions regarding the consequences, if any, of past activities identified in the investigation, appropriate remediation and potential impact on the future operations of the FOJP companies. As of December 31, 2016, the Hospital believes that this matter will not have a material adverse effect on the Hospital's consolidated financial position, however such outcome cannot be assured with certainty at this time.

7. Pension and Similar Plans and Other Postretirement Benefits

The Hospital provides pension and similar benefits to its employees through several defined benefit multiemployer union plans and tax sheltered annuity plans. Payments to the tax sheltered annuity plans are generally based on percentages of annual salaries. It is the Hospital's policy to fund accrued costs under these plans on a current basis. The Hospital's pension expense under all plans for the years ended December 31, 2016 and 2015 aggregated approximately $63.5 million and $61.1 million, respectively.

Additionally, the Hospital and the School of Medicine jointly offer a 457(b) plan to certain of their respective employees. Contributions, through payroll deductions, are made solely by the employees. The contributions are maintained in individual accounts held by a custodian and remain an asset and liability of the employer until the participant terminates employment. At December 31, 2016 and 2015, approximately $9.9 million and $8.4 million, respectively, is included in other assets and other liabilities in the accompanying consolidated statements of financial position related to the 457(b) plan.

In addition to the Hospital's pension plans, the Hospital provides health care benefits, including prescription drug benefits and life insurance benefits, to its retired employees if they reach normal retirement age while still working for the Hospital.

Prior to 2004, the Hospital-sponsored plan provided postretirement medical and life insurance benefits to full-time employees who had worked ten years and attained the age of 62 while in service with the Hospital. During 2004, the Hospital curtailed the plan to include the requirement that employees have 20 years of consecutive service, or have attained the age of 50 with ten or more years of service by January 1, 2004, to be eligible for benefits.

The postretirement plan contains cost-sharing features such as deductibles and coinsurance. The postretirement plan is unfunded and the Hospital does not sponsor any other postretirement benefit plans.

The Hospital recognizes the funded status (i.e., the difference between the fair value of plan assets and the projected benefit obligations) of its retiree benefits plan, with a corresponding adjustment to unrestricted net assets for the portion of the unfunded liability that has not been recognized as postretirement cost. The adjustment to unrestricted net assets represents the net unrecognized actuarial losses and unrecognized prior service cost, which will be subsequently recognized as a component of net periodic postretirement cost through amortization.

7. Pension and Similar Plans and Other Postretirement Benefits (continued)

The following tables provide a reconciliation of the changes in the postretirement plan's benefit obligation and a statement of the funded status of the plan as of December 31:

	2016	2015
	(In Thousands)	
Reconciliation of the benefit obligation		
Obligation at January 1	**$ 18,413**	$ 20,368
Service cost	**256**	265
Interest cost	**771**	844
Actuarial net gain	**(531)**	(1,513)
Benefit payments	**(1,545)**	(1,551)
Obligation at December 31	**$ 17,364**	$ 18,413
Funded status		
Net amount recognized – current portion	**$ 1,279**	$ 1,354
Net amount recognized – long-term portion	**16,085**	17,059
Total	**$ 17,364**	$ 18,413

Included in other changes in unrestricted net assets at December 31 are the following amounts that have not yet been recognized in postretirement cost:

	2016	2015
	(In Thousands)	
Postretirement benefits		
Unrecognized prior service cost	**$ 23**	$ 23
Unrecognized actuarial gain	**(845)**	(2,046)
Total	**$ (822)**	$ (2,023)

7. Pension and Similar Plans and Other Postretirement Benefits (continued)

The prior service cost and actuarial loss included in unrestricted net assets at December 31 and expected to be recognized in postretirement cost in the future are as follows:

	2016	2015
	(In Thousands)	
Postretirement benefits		
Unrecognized prior service credit	**$ (23)**	$ (47)
Unrecognized actuarial loss	**4,792**	5,638
	$ 4,769	$ 5,591

The estimated amount to be recognized in 2017 is $248,000.

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

2017	$ 1,279
2018	1,339
2019	1,361
2020	1,382
2021	1,366
2022 to 2026	6,241

The following table provides the components of the net periodic postretirement cost for the plan for the years ended December 31:

	2016	2015
	(In Thousands)	
Service cost	**$ 256**	$ 265
Interest cost on projected benefit obligation	**771**	844
Net amortization	**291**	511
Total net periodic postretirement cost	**$ 1,318**	$ 1,620

The weighted-average discount rate used in the measurement of the Hospital's benefit obligation was 4.27% and 4.41% for 2016 and 2015, respectively. The weighted-average discount rate used in the measurement of net periodic postretirement cost was 4.41% for 2016 and 4.22% for 2015.

7. Pension and Similar Plans and Other Postretirement Benefits (continued)

For measurement purposes relative to 2016, an annual rate of increase in the per capita cost of covered health care benefits was assumed to be initially 7.6%, grading down to an ultimate rate of 5% in 2022. A 5% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2016.

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

	2016		**2015**	
	1% Increase	**1% Decrease**	**1% Increase**	**1% Decrease**
	(In Thousands)			
Effect on total of service and interest cost components of net periodic postretirement cost	**$ 8**	**$ (8)**	$ 12	$ (11)
Effect on the health care component of the accumulated benefit obligation	**170**	**(158)**	209	(192)

8. Temporarily and Permanently Restricted Net Assets

Permanently restricted net assets represent endowments that have been restricted by donors to be maintained in perpetuity and invested by the Hospital. The Hospital follows the requirements of the New York Prudent Management of Institutional Funds Act (NYPMIFA) as they relate to its permanently restricted contributions and net assets.

The Hospital has interpreted NYPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, the Hospital classifies as permanently restricted net assets the original value of the gifts donated to the permanent endowment and the original value of subsequent gifts to the permanent endowment. Accumulations to the permanent endowment are used in accordance with the direction of the applicable donor gift. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until the amounts are appropriated for expenditure in accordance with a manner consistent with the standard of prudence prescribed by NYPMIFA. In accordance with NYPMIFA, the Hospital considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

8. Temporarily and Permanently Restricted Net Assets (continued)

(1) the duration and preservation of the fund; (2) the purposes of the Hospital and the donor-restricted endowment fund; (3) general economic conditions; (4) the possible effect of inflation and deflation; (5) where appropriate and circumstances would otherwise warrant, alternatives to expenditure of the endowment fund, giving due consideration to the effect that such alternatives may have on the institution; (6) the expected total return from income and the appreciation of investments; (7) other resources of the Hospital; and (8) the investment and spending policies of the Hospital. The Hospital's policies provide the guidelines for setting the annual spending rate (4.5% in 2016 and 5% in 2015) and the treatment of any investment returns in excess of the annual spending rate. The endowment spend rate is calculated on the average three-year rolling market value of each endowed fund. Any excess investment returns beyond the spending rate, to the extent available, are added to the endowed fund and classified as temporarily restricted net assets, unless also appropriated for expenditure. The Hospital expends the income distributed from certain restricted assets on an annual basis in support of health care services (2016 and 2015 distributions totaled approximately $25.3 million and $22.5 million, respectively).

The Hospital has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment. Endowment assets are invested in a manner to provide that sufficient assets are available as a source of liquidity for the intended use of the funds, achieve the optimal return possible within the specified risk parameters, prudently invest assets in a high-quality diversified manner, and adhere to the established guidelines.

To satisfy its long-term rate-of-return objectives, the Hospital relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Hospital targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

8. Temporarily and Permanently Restricted Net Assets (continued)

Temporarily restricted net assets are available to support program activities as stipulated by donors. Permanently restricted net assets are restricted to investment in perpetuity with the income expendable to support program activities as stipulated by donors. Temporarily restricted net assets are restricted as follows at December 31:

	2016	**2015**
	(In Thousands)	
Plant replacement and plant operating funds	**$ 552**	$ 477
Other specific-purpose funds	**80,293**	76,465
	$ 80,845	$ 76,942

Permanently restricted net assets are restricted as follows at December 31:

	2016	**2015**
	(In Thousands)	
Investments to be held in perpetuity, the income from which is restricted for School of Medicine research and other purposes	**$ 27,137**	$ 27,137
Investments to be held in perpetuity, the income from which is unrestricted as to use	**55,622**	50,154
	$ 82,759	$ 77,291

During 2016 and 2015, temporarily restricted net assets were released from restrictions as follows:

	2016	**2015**
	(In Thousands)	
Capital asset acquisitions	**$ 9,777**	$ 12,245
Other specific-purpose funds (various services)	**25,310**	22,451
	$ 35,087	$ 34,696

9. Functional Expenses

The Hospital provides inpatient and outpatient health care and related services, including graduate medical education, to patients throughout the world. It is not practicable to separately identify the expenses relating to each of the Hospital's programs. Expenses related to its services were as follows:

	2016	2015
	(In Thousands)	
Health care-related services	**$ 1,921,413**	$ 1,759,023
General and administrative	**287,108**	262,842
	$ 2,208,521	$ 2,021,865

10. Related Organizations

Amounts due from (to) the Hospital's related organizations consisted of the following at December 31:

	2016	2015
	(In Thousands)	
The School of Medicine, net[(a)]	**$ 233,153**	$ 193,817
MSMC Realty Corporation (Realty Corp.)[(b)]	**(2,282)**	(1,797)
MSMC Residential Realty LLC (MSMCRRC)[(c)]	**189**	232
The Mount Sinai Medical Center, Inc.	**693**	681
Beth Israel Medical Center[(d)]	**11,701**	(344)
St. Luke's-Roosevelt Hospital Center[(e)]	**12,276**	6,530
The New York Eye and Ear Infirmary[(f)]	**2,989**	3,347
Other	**45**	70
Total due from related organizations	**$ 258,764**	$ 202,536

[(a)] Transactions charged (at cost) by the Hospital to the School of Medicine totaling approximately $1.6 billion in 2016 ($1.3 billion in 2015), include payroll and benefits charges (93%) and various other shared services (7%).

10. Related Organizations (continued)

Included in the benefits charges are certain employee health plan claims and premiums, which are paid by the Hospital and, subsequently, charged to the School of Medicine. Accordingly, the Hospital recognizes the actuarially determined liability (included in accrued salaries and related liabilities) for unreported health claims on behalf of the School of Medicine. These claims are reported as expenses on the School of Medicine's financial statements.

Additionally, the Hospital purchases professional services from the School of Medicine for the clinical care of its patients, teaching and supervision of its residents, the performance of certain administrative functions, and various strategic initiatives. The Hospital paid approximately $223.5 million and $211.0 million in 2016 and 2015, respectively, for these services.

At December 31, 2016 and 2015, the Hospital was owed approximately $29.2 million by the School of Medicine in relation to capital building projects.

(b) The payable to Realty Corp. primarily relates to property, equipment and office space rental transactions, as well as other administrative transactions. In 2015 all of Realty Corp.'s income collected, net of expenses and reasonable estimates of anticipated liabilities, of approximately $1.1 million was distributed to the Hospital, in accordance with an agreement among Realty Corp.'s members (included in investment income). Additionally, Realty Corp. distributed approximately $26.0 million in 2015 to the Hospital from the proceeds on the sale of real estate. In 2016, the Hospital transferred approximately $0.1 million to Realty Corp. No amounts were distributed by Realty Corp. to the Hospital in 2016.

The Hospital has entered into a lease agreement for the rental of certain property and equipment from Realty Corp. for a term of 30 years. Rental expense in 2016 and 2015, relative to the lease agreement with Realty Corp., was approximately $0.7 million in 2016 and $1.9 million in 2015. Future minimum rental commitments under the lease are approximately $0.9 million in 2017; $0.9 million in 2018; $0.9 million in 2019; $0.9 million in 2020; $0.3 million in 2021; and $0.3 million thereafter.

10. Related Organizations (continued)

Summarized financial information for Realty Corp., in which the Hospital, School of Medicine, and the Medical Center are members, at December 31 is as follows:

	2016	2015
	(In Thousands)	
Total assets	**$ 25,867**	$ 25,874
Total liabilities	**(20,869)**	(20,876)
Net assets	**$ 4,998**	$ 4,998

(c) During 2003, as part of a financing transaction with the School of Medicine and Realty Corp., the Hospital contributed to MSMCRRC, at net book value, property totaling approximately \$17.4 million. MSMCRRC was incorporated in 2003 under the New York State Not-for-Profit Corporation Law for the sole purpose of supporting its member corporations by managing, maintaining, holding, developing, acquiring, or disposing of real property for their benefit. MSMCRRC's members are the Hospital, the School of Medicine, Realty Corp., and MSMC Residential Realty Manager, Inc.

Property and equipment contributed by the Hospital, the School of Medicine, and Realty Corp. were utilized by MSMCRRC to secure \$125.0 million in financing from a bank, which was subsequently increased to \$145.0 million as a part of a refinancing during 2006. MSMCRRC paid approximately \$51.3 million in cash to the Hospital. The total amount received by the Hospital was based on the relative fair value of the property contributed, as compared to properties contributed by the School of Medicine and Realty Corp. that were part of the \$125.0 million financing. The amount received in excess of the net book value of the property and equipment transferred (approximately \$33.9 million) was recorded as a deferred gain on transfer of real estate. A gain will only be recognized in the consolidated statements of operations upon the sale of the property and equipment transferred to MSMCRRC to an entity that is not related to the Hospital by common ownership or control.

During 2015, MSMCRRC distributed approximately \$0.3 million to the Hospital which was subsequently distributed to the School of Medicine. No amounts were distributed by MSMCRRC to the Hospital in 2016.

10. Related Organizations (continued)

Summarized financial information for MSMCRRC at December 31 is as follows:

	2016	2015
	(In Thousands)	
Total assets	**$ 109,030**	$ 106,216
Total liabilities	**(148,367)**	(148,597)
Net deficit	**$ (39,337)**	$ (42,381)

(d) Transactions charged (at cost) by the Hospital to BIMC, totaling approximately $25.1 million in 2016 ($26.4 million in 2015), include payroll and benefits charges (43%) and various other shared services (57%). Included in the benefits charges are certain employee health plan claims and premiums, which are paid by the Hospital and, subsequently, charged to BIMC. In addition, included in amounts due from BIMC are funds related to VAP (see Note 2).

(e) Transactions charged (at cost) by the Hospital to SLR, totaling approximately $44.3 million in 2016 ($34.5 million in 2015), include payroll and benefits charges (61%) and various other shared services (39%). Included in the benefits charges are certain employee health plan claims and premiums, which are paid by the Hospital and, subsequently, charged to SLR.

(f) Transactions charged (at cost) by the Hospital to NYEEI, totaling approximately $4.0 million in 2016 ($3.8 million in 2015), include payroll and benefits charges (74%) and various other shared services (26%). Included in the benefits charges are certain employee health plan claims and premiums, which are paid by the Hospital and, subsequently, charged to NYEEI.

During 2010, 8 East 102nd Street LLC was formed under the New York State Limited Liability Company Law for the sole purpose of supporting its member corporation by managing, maintaining, holding, developing, acquiring, or disposing of real property for its benefit. The School of Medicine, the Medical Center, and the Hospital are the members of 8 East 102nd Street Manager LLC (the Manager), which is the sole member of 8 East 102nd Street LLC. The Hospital guarantees a letter of credit which supports bonds issued by 8 East 102nd Street LLC; the debt had an outstanding balance of approximately $143.7 million at December 31, 2016 and 2015.

10. Related Organizations (continued)

On November 1, 2013, the members of the Manager, together with certain other persons, amended and restated the operating agreement of the Manager and elected for the Manager to be taxed as a real estate investment trust (the REIT) for U.S. Federal income tax purposes, effective January 1, 2014. As a result, the members own 99% of the partnership units of the REIT; 125 investors each purchased preferred shares of the Manager for $1,000 each. In connection with the sale of tax credits associated with certain low income residential units in the 8 East 102nd Street property, the Hospital has guaranteed, under certain circumstances, scheduled tax credits and expected tax losses to be allocated to an investor in the low income units.

The School of Medicine, the Hospital, and the Medical Center, as members of the Manager, have agreed to distribute the net activities of the Manager (which, as the sole member of 8 East 102nd Street LLC, reflects the net activities of 8 East 102nd Street LLC) solely to the School of Medicine. This agreement includes equity in income or loss of the Manager, as well as cash distributions. Accordingly, the Hospital transferred equity in income of related party of approximately $650,000 and $1.1 million to the School of Medicine in 2016 and 2015, respectively. The Manager distributed approximately $9.2 million and $8.5 million in 2016 and 2015, respectively, to the School of Medicine derived from its net activities.

Summarized financial information for 8 East 102nd Street Manager LLC at December 31, 2016 and 2015 is as follows:

	2016	2015
	(In Thousands)	
Total assets	**$ 115,124**	$ 120,925
Total liabilities	**(141,828)**	(141,401)
Members' deficit (including noncontrolling interest of $3,722 in 2016 and $2,690 in 2015)	**$ (26,704)**	$ (20,476)

10. Related Organizations (continued)

The Provider Partners of Mount Sinai IPA, LLC (the IPA) was formed in 2014 for the purpose of contracting for the delivery of health services by contract between the IPA and one or more managed care organizations. The members of the IPA are the Hospital, BIMC, SLR and NYEEI. In 2015, the Hospital incurred costs of approximately $0.4 million related to the Hospital's share of the IPA deficit. No costs were incurred in 2016.

Transfers to Affiliates

Transfers to affiliates represent the Hospital's funding of the School of Medicine's community practice plan deficits (approximately $26.2 million in 2016 and $36.2 million in 2015) and transfers in 2015 of approximately $0.2 million to Mount Sinai Care, LLC, $0.4 million to the IPA in 2015, and $20.6 million in 2016 ($16.3 million in 2015) to BIMC for Medicaid enhanced rates (see Note 2).

11. Commitments and Contingencies

Litigation

The Hospital is a defendant in various legal actions arising out of the normal course of its operations, the final outcome of which cannot presently be determined. Hospital management is of the opinion that the ultimate liability, if any, with respect to all of these matters will not have a material adverse effect on the Hospital's consolidated financial position.

Collective Bargaining Agreements

Approximately 63% of the Hospital's employees are union employees who are covered under the terms of various collective bargaining agreements. The League of Voluntary Hospitals and Homes of New York, which negotiates the 1199 contract on behalf of the Hospital, or 1199SEIU, can elect to terminate this contract on or after July 15, 2014; otherwise, the contract will expire on September 30, 2018. The Hospital's contract with NYSNA expires on December 31, 2018.

11. Commitments and Contingencies (continued)

Other

The Hospital is self-insured, based on individual employees' elections, for medical, dental, and pharmaceutical benefits. The Hospital also is self-insured for unemployment benefits. Liabilities have been accrued at December 31, 2016 and 2015, based on expected future payments pertaining to such years (included in accrued salaries and related liabilities).

12. Fair Values of Financial Instruments

For assets and liabilities requiring fair value measurement, the Hospital 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. The Hospital follows a fair value hierarchy based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

> *Level 1* – Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.
>
> *Level 2* – Observable inputs that are based on inputs not quoted in active markets, but corroborated by market data.
>
> *Level 3* – Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. In determining fair value, the Hospital uses valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible, as well as considers nonperformance risk in its assessment of fair value. Investments valued based upon net asset value (NAV) are not subject to the valuation hierarchy.

12. Fair Values of Financial Instruments (continued)

Financial assets carried at fair value by the Hospital as of December 31, 2016 and 2015 are classified in the tables below in one of the three categories described above:

	December 31, 2016			
	Level 1	**Level 2**	**Level 3**	**Total**
	(In Thousands)			
Cash and cash equivalents	**$ 288,426**	**$ –**	**$ –**	**$ 288,426**
U.S. government obligations	**–**	**153,243**	**–**	**153,243**
Corporate bonds	**–**	**87,256**	**–**	**87,256**
	$ 288,426	**$ 240,499**	**$ –**	**528,925**
Investments measured at NAV as a practical expedient:				
Pooled investments				**740,518**
				$ 1,269,443

	December 31, 2015			
	Level 1	**Level 2**	**Level 3**	**Total**
	(In Thousands)			
Cash and cash equivalents	$ 219,810	$ –	$ –	$ 219,810
U.S. government obligations	–	112,516	–	112,516
Corporate bonds	–	93,056	–	93,056
	$ 219,810	$ 205,572	$ –	425,382
Investments measured at NAV as a practical expedient:				
Pooled investments				697,713
				$ 1,123,095

The table does not include other investments that are not carried at fair value (approximately $193.3 million and $174.8 million at December 31, 2016 and 2015, respectively).

12. Fair Values of Financial Instruments (continued)

The following is a summary of total investments (by major category) in the investment pool with restrictions to redeem the investments at the measurement date, any unfunded capital commitments, and investment strategies of the investees as of December 31, 2016:

Description of Investment	Carrying Value	Unfunded Commitments	Redemption Frequency	Notice Period	Funds Availability
	(In Thousands)				
Hedge funds:					
Long-only equity	$ 178,263	$ –	Monthly/5 years	30 to 90 days	3 to 30 days
Hedged equity	305,098	–	Monthly/rolling 3 years	30 to 90 days	30 to 45 days
Long/short credit	47,058	–	Annually	90 days	30 days
Open mandate	402,281	–	Quarterly/rolling 2 years	60 to 90 days	15 to 30 days
Macro	62,968	–	Monthly/quarterly	30 to 45 days	30 days
Private investments:					
Equity	46,759	61,461	N/A	N/A	N/A
Credit/distressed	74,755	49,460	Monthly	30 days and N/A	180 days and N/A
Real assets	130,858	93,239	N/A	N/A	N/A
	$ 1,248,040	$ 204,160			

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

	2016		2015	
	Fair Value	Carrying Value	Fair Value	Carrying Value
	(In Thousands)			
Long-term debt	**$ 627,097**	**$ 606,042**	$ 625,983	$ 587,400

The fair value of long-term debt is classified as Level 2 in the fair value hierarchy as it uses a combination of quoted market prices and valuation based on current market rates.

13. Multiemployer Pension Plans

The Hospital contributes to three multiemployer defined benefit pension plans under the terms of collective-bargaining agreements that cover its 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 an employer chooses to stop participating in some of its multiemployer plans, the employer may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

The Hospital's participation in these plans for the years ended December 31, 2016 and 2015 is outlined in the table below. The "EIN Number" column provides the Employer Identification Number (EIN). Unless otherwise noted, the most recent Pension Protection Act (PPA) zone status available in 2016 and 2015 is for a plan's year-end at December 31, 2015 and 2014, respectively. The zone status is based on information that the Hospital 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. The "FIP/RP Status Pending/Implemented" column indicates plans for which a financial improvement plan (FIP) or a rehabilitation plan (RP) is pending or has been implemented. The last column lists the expiration dates of the collective bargaining agreements to which the plans are subject.

Pension Fund	EIN Number	Plan Number	Pension Protection Act Zone Status		FIP/RP Status Pending/ Implemented	Contributions by the Hospital		Surcharge Imposed	Expiration Date of Collective-Bargaining Agreement
			2016	**2015**		**2016**	**2015**		
						(In Thousands)			
New York State Nurses Association Pension Plan	13-6604799	001	**Green as of 1/01/2016**	Green as of 1/01/2015	No	**$ 19,596**	$ 18,506	No	12/31/2018
1199 SEIU Health Care Employees Pension Fund	13-3604862	001	**Green as of 1/01/2016**	Green as of 1/01/2015	No	**24,719**	23,200	No	09/30/2018
Local 32BJ SEIU	13-1879376	001	**Red as of 7/01/2016**	Red as of 7/01/2015	Yes	**208**	199	No	04/20/2018

13. Multiemployer Pension Plans (continued)

In 2017, the Hospital was informed by 1199 SEIU that the Pension Protection Act Zone Status for the funding of 1199 SEIU's multiemployer plan may no longer be in the green zone based on preliminary estimates of the January 1, 2017 funding level. The Hospital is evaluating the funded status with 1199 SEIU. The Hospital's contribution requirements in future periods may be impacted if additional funding or assessments are required to be paid by the employers participating in the multiemployer plan.

The Hospital was listed in the New York State Nurses Association Pension Plan's Forms 5500 as providing more than 5% of the total contributions during each of the plan's 2015 and 2014 plan years. Forms 5500 are not yet available for the plan years ended in 2016.

14. Other Revenue

Other revenue includes operating revenues that are not directly related to the Hospital's patient services. Included in other revenue on the accompanying consolidated statements of operations are revenues derived from parking, cafeteria, Delivery System Reform Incentive Payment program, VAP, and the pharmacy 340B program.

15. Subsequent Events

For purposes of the accompanying consolidated financial statements, the Hospital has considered for accounting and disclosure events that occurred through March 30, 2017, the date the consolidated financial statements were issued.

On January 9, 2017, the Hospital, BIMC and SLR entered into an Asset Purchase Agreement with Laboratory Corporation of America to sell the assets of its non-hospital clinical lab business. The proceeds from the sale will be allocated to the Hospital, BIMC and SLR. The transaction will close in three tranches with the last tranche in May 2017. Each hospital will receive cash and record a gain on sale for its portion of its non-hospital lab testing services.

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