Eastern Long Island Hospital and Affiliates

Consolidated Financial Statements
Year Ended December 31, 2016

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Contents

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Independent Auditor's Report

The Audit Committee
of the Board of Trustees
Eastern Long Island Hospital and Affiliates
Greenport, New York

We have audited the accompanying consolidated financial statements of Eastern Long Island Hospital and Affiliates (collectively, the "Hospital"), which comprise the consolidated balance sheet as of December 31, 2016, and the related consolidated statements of operations, changes in net assets and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Eastern Long Island Hospital and Affiliates as of December 31, 2016, and the results of their operations, changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter Regarding Financial and Liquidity Considerations

As described in Note 2 to the consolidated financial statements, the Hospital failed their debt covenants and suffered recurring losses from operations, resulting in negative unrestricted net assets. Management's plans in regard to these matters are also described in Note 2. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the Hospital's 2015 consolidated financial statements, and our report, dated May 31, 2016, expressed an unmodified opinion on those audited consolidated financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

BDO USA, LLP

May 30, 2017

Eastern Long Island Hospital and Affiliates

Consolidated Balance Sheet
(with comparative totals for 2015)

December 31,	**2016**	2015
Assets		
Current:		
Cash and cash equivalents	**$ 4,117,870**	$ 4,015,170
Investments, at fair value (Notes 4 and 6)	**3,473,953**	5,544,851
Accounts receivable for patient care, less allowance for uncollectibles of approximately $2,859,000 for 2016 and $3,361,000 for 2015 (Notes 4 and 7)	**4,704,279**	5,087,856
Current portion of pledges receivable, net (Notes 4 and 5)	**123,500**	11,732
Estimated malpractice recoveries (Note 4(k))	**2,125,000**	1,279,000
Prepaid expenses and other current assets	**645,955**	473,933
Inventory and supplies (Note 4)	**834,613**	909,550
Total Current Assets	**16,025,170**	17,322,092
Other Assets	**146,097**	225,238
Pledges Receivable, Net, Less Current Portion (Notes 4 and 5)	**197,242**	18,785
Fixed Assets, Net (Notes 3 and 8)	**13,626,245**	14,665,542
	$29,994,754	$32,231,657
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable and accrued expenses	**$ 6,120,037**	$ 6,554,676
Accrued salaries and related benefits	**3,266,429**	2,758,704
Current portion of bonds payable (Note 9)	**13,738,457**	378,949
Lines of credit	**2,400,000**	600,000
Deferred revenue	**500,000**	-
Current portion of due to third-party payors	**537,572**	685,130
Estimated malpractice liability (Note 4(k))	**2,125,000**	1,279,000
Total Current Liabilities	**28,687,495**	12,256,459
Accrued Pension Liability (Note 11)	**147,437**	221,812
Bonds Payable, Less Current Portion (Note 9)	**-**	13,745,956
Due to third-Party Payors, Less Current Portion	**200,231**	-
Total Liabilities	**29,035,163**	26,224,227
Commitments and Contingencies (Notes 4, 6, 9, 10, 11, 14, 15, 17, 18, 19 and 20)		
Net Assets (Deficit):		
Unrestricted (Note 4)	**(1,871,670)**	2,985,304
Temporarily restricted (Notes 4 and 15)	**1,510,573**	1,701,438
Permanently restricted (Notes 4 and 16)	**1,320,688**	1,320,688
Total Net Assets	**959,591**	6,007,430
	$29,994,754	$32,231,657

See accompanying notes to consolidated financial statements.

Eastern Long Island Hospital and Affiliates

Consolidated Statement of Operations
(with comparative totals for 2015)

Year ended December 31,

	Unrestricted	Temporarily Restricted	Permanently Restricted	Consolidated Total 2016	Consolidated Total 2015
Revenues, Gains and Other Support:					
Net patient service revenue	$44,847,201	$ -	$ -	**$44,847,201**	$47,123,987
Less: Provision for uncollectibles, net	(3,000,410)	-	-	**(3,000,410)**	(3,519,924)
Net Patient Service Revenue Less Provision for Uncollectibles	41,846,791	-	-	**41,846,791**	43,604,063
Other operating revenue	3,550,576	-	-	**3,550,576**	2,192,834
Net investment income	196,822	-	-	**196,822**	681,779
Contributions and bequests	2,132,537	322,583	-	**2,455,120**	2,144,891
Net assets released from restriction	-	(513,448)	-	**(513,448)**	-
Rental income	80,442	-	-	**80,442**	82,623
Total Revenues, Gains and Other Support	47,807,168	(190,865)	-	**47,616,303**	48,706,190
Expenses:					
Salaries and wages	24,921,689	-	-	**24,921,689**	22,677,689
Employee benefits	9,580,412	-	-	**9,580,412**	8,930,963
Supplies and other expenses	14,725,974	-	-	**14,725,974**	14,744,121
Depreciation and amortization	2,019,126	-	-	**2,019,126**	2,299,127
Interest	904,940	-	-	**904,940**	889,596
Insurance	721,517	-	-	**721,517**	724,024
Total Expenses	52,873,658	-	-	**52,873,658**	50,265,520
Deficiency of Revenues, Gains and Other Support Over Expenses Before Non-Operating Revenues and Expenses	(5,066,490)	(190,865)	-	**(5,257,355)**	(1,559,330)
Non-Operating Revenues and Expenses:					
Net change in unrealized gains (losses) on investments	63,215	-	-	**63,215**	(757,528)
Change in unfunded pension obligation (Note 11)	146,301	-	-	**146,301**	(187,342)
Total Non-Operating Revenues and Expenses	209,516	-	-	**209,516**	(944,870)
Change in Net Assets	(4,856,974)	(190,865)	-	**(5,047,839)**	(2,504,200)
Net Assets, Beginning of Year	2,985,304	1,701,438	1,320,688	**6,007,430**	8,511,630
Net Assets (Deficit), End of Year	**$ (1,871,670)**	**$1,510,573**	**$1,320,688**	**$ 959,591**	$ 6,007,430

See accompanying notes to consolidated financial statements.

Eastern Long Island Hospital and Affiliates

Consolidated Statement of Changes in Net Assets
(with comparative totals for 2015)

Years ended December 31, 2016 and 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net Assets, December 31, 2014	$ 5,890,649	$1,300,293	$1,320,688	**$ 8,511,630**
(Deficiency) excess of revenues, gains and other support over expenses before non-operating revenues and expenses	(1,960,475)	401,145	-	**(1,559,330)**
Net change in unrealized losses on investments	(757,528)	-	-	**(757,528)**
Change in unfunded pension obligation	(187,342)	-	-	**(187,342)**
Change in Net Assets	(2,905,345)	401,145	-	**(2,504,200)**
Net Assets, December 31, 2015	2,985,304	1,701,438	1,320,688	**6,007,430**
Deficiency of revenues, gains and other support over expenses before non-operating revenues and expenses	(5,066,490)	(190,865)	-	**(5,257,355)**
Net change in unrealized gains on investments	63,215	-	-	**63,215**
Change in unfunded pension obligation	146,301			**146,301**
Change in Net Assets	(4,856,974)	(190,865)	-	**(5,047,839)**
Net Assets (Deficit), December 31, 2016	**$(1,871,670)**	**$1,510,573**	**$1,320,688**	**$ 959,591**

See accompanying notes to consolidated financial statements.

Eastern Long Island Hospital and Affiliates

Consolidated Statement of Cash Flows
(with comparative totals for 2015)

Year ended December 31,	**2016**	2015
Cash Flows From Operating Activities:		
Change in net assets	**$(5,047,839)**	$(2,504,200)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	**1,983,075**	2,263,076
Interest expense related to bond issuance costs	**36,051**	36,051
Change in discount on pledges receivable	**2,043**	(119)
Change in allowance for uncollectible pledges receivable	**15,382**	(5,329)
Unrealized (gains) losses on investments	**(63,215)**	757,528
Realized gain on sale of investments	**(87,442)**	(619,065)
Donated investments	**(79,989)**	(70,064)
Provision for uncollectibles, net	**3,000,410**	3,519,924
Change in unfunded pension obligation	**(146,301)**	187,342
Decrease (increase) in assets:		
Accounts receivable for patient care	**(2,616,833)**	(3,502,799)
Pledges receivable	**(307,650)**	106,584
Prepaid expenses and other current assets	**(172,022)**	132,488
Inventory and supplies	**74,937**	(35,500)
Other assets	**76,641**	(166,031)
Estimated malpractice recoveries	**(846,000)**	(50,000)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	**(434,639)**	1,190,093
Accrued salaries and related benefits	**507,725**	(610,711)
Deferred revenue	**500,000**	-
Due to third-party payors, net	**52,673**	283,624
Accrued pension liability	**71,926**	3,629
Estimated malpractice liability	**846,000**	50,000
Net Cash (Used In) Provided By Operating Activities	**(2,635,067)**	966,521
Cash Flows From Investing Activities:		
Purchases of fixed assets	**(948,777)**	(865,299)
Net purchases and sales of investments	**708,326**	1,425,253
Change in cash equivalents included in investments	**1,593,218**	(1,138,030)
Net Cash Provided By (Used In) Investing Activities	**1,352,767**	(578,076)
Cash Flows From Financing Activities:		
Proceeds received from lines of credit	**1,800,000**	-
Principal payments of bonds payable	**(415,000)**	(395,000)
Net Cash Provided By (Used In) Financing Activities	**1,385,000**	(395,000)
Net Increase (Decrease) in Cash and Cash Equivalents	**102,700**	(6,555)
Cash and Cash Equivalents, Beginning of Year	**4,015,170**	4,021,725
Cash and Cash Equivalents, End of Year	**$ 4,117,870**	$ 4,015,170
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	**$ 924,871**	$ 889,649

See accompanying notes to consolidated financial statements.

1. Description of Organization

Eastern Long Island Hospital (the "Hospital") provides inpatient, ambulatory, psychiatric, preventive and emergency medical care to the surrounding community. The Hospital is a not-for-profit membership corporation, organized under the New York State not-for-profit corporation law.

East End Health Alliance was formed to provide unified governance to the Hospital, Peconic Bay Medical Center and Southampton Hospital to enhance the ability of the three hospitals to meet their mission to provide excellent and comprehensive health care services to their communities. The Board of East End Health Alliance, comprised of twenty-one trustees, has the full authority to develop a strategic plan, rationalize bed capacity, minimize duplication of services, create management efficiencies and develop an integrated delivery system, consistent with the mandates of the Commission on Health Care Facilities in the Twenty-First Century.

At the Alliance's Board of Trustees' meeting on April 1, 2015, the Trustees of the Alliance approved the filings of its member hospitals to disaffiliate from the Alliance and explore potential relationships with other hospitals, medical centers and/or health systems and authorized the submission of Certificate of Need applications, in order to effectuate the removal of the Alliance as the sole corporate member of such member hospitals and to consummate another relationship. At the Hospital's Board of Trustees' meeting on May 28, 2015, the Trustees of the Hospital passed a resolution removing the Alliance as the sole corporate member of the Hospital.

In July 2015, the Hospital's Board of Trustees voted and approved to affiliate with Stony Brook University Hospital. The Hospital continues to operate as an independent entity. The affiliation will promote a professional development by offering educational opportunities for physicians, managers and staff. In furtherance of the Hospital's affiliation negotiations with Stony Brook University Hospital, the State University of New York ("SUNY") Board of Trustees approved the merger between the Hospital and Stony Brook University Hospital in May 2016. It is expected that the closing of the affiliation agreement will take place before the end of 2017.

Eastern Long Island Hospital Foundation (the "Foundation") is a New York State not-for-profit corporation that was established July 3, 1987 and began operations January 10, 2006. The Foundation was organized and operates exclusively for the sole charitable purpose of supporting the provision of healthcare services to people in the Towns of Southold and Shelter Island, New York, and in furtherance thereof raising and providing funds to or for the benefit of the Hospital for the sole use of its medical facility campus located in Greenport, New York.

East End Physician Services, P.C. (the "Practice"), a for-profit professional corporation was formed in 2012 to provide healthcare services to the community and support the operations of the Hospital. The Practice is a separate legal entity, whose sole corporate member is the Medical Director of the Hospital.

2. Financial and Liquidity Considerations

For the year ended December 31, 2016, the Hospital failed its bond covenant which reclassified long-term payouts of approximately $13,300,000 as current liabilities. The Hospital is in the process of requesting a waiver for the failure of the covenant from the bondholder. Management has concluded that the continued financial viability of the Hospital will be best achieved by integrating the Hospital's operations with Stony Brook University Hospital.

3. Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Hospital, the Foundation and the Practice (collectively, the "Hospital and Affiliates") all intercompany balances and transactions have been eliminated in consolidation.

4. Summary of Significant Accounting Policies

(a) Basis of Presentation

The consolidated financial statements of the Hospital and Affiliates have been prepared on the accrual basis. In the consolidated statement of financial position, assets and liabilities are presented in order of liquidity or conversion to cash and their maturity resulting in the use of cash, respectively.

(b) Financial Statement Presentation

The classification of a not-for-profit organization's net assets and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of three classes of net assets, permanently restricted, temporarily restricted, and unrestricted, be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of operations.

Income from investment gains and losses, including unrealized gains and losses, dividends, interest and other investments should be reported as increases (or decreases) in unrestricted net assets unless the use of the income received is limited by donor-imposed restrictions.

These classes are defined as follows:

(i) **Permanently Restricted** – Net assets resulting from contributions and other inflows of assets whose use by the Hospital and Affiliates is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Hospital and Affiliates.

(ii) **Temporarily Restricted** – Net assets resulting from contributions and other inflows of assets whose use by the Hospital and Affiliates is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Hospital and Affiliates pursuant to those stipulations. When such stipulations end or are fulfilled, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of operations.

(iii) **Unrestricted** – That part of net assets that is neither permanently nor temporarily restricted by donor-imposed stipulations and/or the net assets which the Board of Directors has to use in carrying on the operations of the Hospital and Affiliates.

(c) Cash and Cash Equivalents

The Hospital and Affiliates consider all highly liquid financial instruments with maturity dates of three months or less from the date purchased to be cash equivalents, excluding assets whose use is limited.

(d) Contributions and Contributions Receivable

Contributions are reported at fair value on the date they are 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 the purpose for the restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statement of operations as net assets released from restrictions.

Contributions and promises to give are recorded as revenue when signed pledges are made and are classified as either unrestricted, temporarily restricted, or permanently restricted support. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. Temporarily restricted contributions are classified as unrestricted on the consolidated statement of activities if the restrictions are met within the fiscal year.

(e) Financial Instruments and Fair Value

Accounting Standards Codification ("ASC") 820 "Fair Value Measurement," establishes a three-level hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that inputs that are most observable be used when available. Observable inputs are inputs that market participants operating within the same marketplace as the Hospital and Affiliates would use in pricing the Hospital and Affiliates' asset or liability based on independently derived and observable market data. Unobservable inputs are inputs that cannot be sourced from a broad active market in which assets or liabilities identical or similar to those of the Hospital and Affiliates are traded. The Hospital and Affiliates estimate the price of any assets for which there are only unobservable inputs by using assumptions that market participants that have investments in the same or similar assets would use as determined by the money managers for each investment based on best information available in the circumstances. The input hierarchy is broken down into three levels based on the degree to which the exit price is independently observable or determinable as follows:

Level 1 – Valuation based on quoted market prices in active markets for identical assets or liabilities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment. Examples include cash and cash equivalents and debt and equity securities that are traded in an active exchange market, as well as U.S. Treasury securities.

Level 2 – Valuation based on quoted market prices of investments that are not actively traded or for which certain significant inputs are not observable, either directly or indirectly, such as municipal bonds. The fair value of municipal bonds is estimated using recently executed transactions, bid/asked prices and pricing models that factor in, where applicable, interest rates, bond spreads and volatility. This category generally includes certain U.S. government and agency mortgage-backed debt securities and corporate debt securities.

Level 3 – Valuation based on inputs that are unobservable and reflect management's best estimate of what market participants would use as fair value. This category generally includes certain private debt and equity instruments and alternative investments.

(f) Patient Accounts Receivable

Patient accounts receivable are recorded at the reimbursable or contracted amount and do not bear interest. The allowance for uncollectible accounts is management's best estimate of the amount of probable credit losses in the Hospital's existing accounts receivable. Management determines the allowance based on historical write-off experience and reviews the adequacy of the allowance for uncollectible accounts periodically. Past due balances are reviewed individually for collectibility.

Account balances are charged off against the allowance after all means of collection have been exhausted.

(g) Investments, at Fair Value

Investments primarily consist of marketable equity securities, government securities, corporate bonds, publicly-traded mutual funds and cash and cash equivalents. All investments are carried at fair value based on quoted market prices. Realized gains and losses from the sale of investments are based on the average cost method. Investment income, including realized and unrealized gains and losses, earned on permanently and temporarily restricted net assets upon which restrictions have been placed by donors, is reflected in the consolidated statement of operations.

(h) Investment Impairment

The Hospital and Affiliates' investments consist of marketable equity securities, U.S. government and corporate debt obligations and mutual funds. At December 31, 2016, the Hospital and Affiliates have deemed that all securities, which were in an unrealized loss position, were temporarily impaired. Positive evidence considered in reaching the Hospital and Affiliates' conclusion that the investments in an unrealized loss position are not other than temporarily impaired consisted of:

(a) there were no specific events which caused concerns;

(b) the Hospital and Affiliates' ability and intent to retain the investment for a sufficient amount of time to allow an anticipated recovery in value; and

(c) the Hospital and Affiliates also determined that the changes in market value were considered normal in relation to overall fluctuations in market conditions.

(i) Inventory and Supplies

Inventory and supplies consist of pharmaceutical and medical supplies and are carried at the lower of average cost or market.

(j) Fixed Assets

Fixed asset purchases are stated at cost, except for donated assets, which are recorded at fair value at the date of the donation. Maintenance and repairs are charged to expense.

The carrying amounts of assets and the related accumulated depreciation and amortization are removed from the accounts when such assets are disposed of and the resulting gain or loss is included in other operating revenue. Depreciation and amortization of property, plant and equipment, including capitalized leased equipment, are computed using the straight-line method over the estimated useful lives or the lease term of the related asset, whichever is shorter, which generally conform with guidelines established by the American Hospital Association. The Hospital and Affiliates consider purchases to be fixed assets if the cost is greater than $500 and the item is expected to have a life expectancy of three or more years.

Fixed Assets

Buildings	20-40 years
Leasehold improvements	10-20 years
Equipment	3-15 years
Furniture and fixtures	5-10 years
Software	3-10 years

(k) Estimated Malpractice Liability

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

(l) Revenue Recognition

Net operating revenues are recognized in the period services are performed and consist primarily of net patient service revenue that is reported at estimated net realizable amounts from patients, third-party payors, and others for services rendered and includes estimated retroactive revenue adjustments due to future audits, reviews, and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews, and investigations.

(m) Charity Care

The Hospital and Affiliates provide care to patients who meet certain criteria under their charity care policy without charge or at amounts less than their established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. See Note 11.

(n) Impairment of Long-Lived Assets to be Disposed Of

ASC 360, "Property, Plant and Equipment," provides a single accounting model for long-lived assets to be disposed of. ASC 360 also changes the criteria for classifying an asset as held for sale, and broadens the scope of businesses to be disposed of that qualify for reporting as discontinued operations and changes the timing of recognizing losses on such operations.

In accordance with ASC 360, long-lived assets, such as property, plant and equipment, and purchased intangibles subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future net cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of would be separately presented in the consolidated balance sheets and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The assets and liabilities of a disposed group classified as held for sale would be presented separately in the appropriate asset and liability sections of the balance sheet. For the year ended December 31, 2016, there were no impairment charges.

(o) Income Taxes

The Hospital and Foundation are incorporated in the State of New York and are exempt from Federal, State and local income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code"), and therefore have made no provision for income taxes in the accompanying consolidated financial statements. In addition, the Hospital and Affiliates have been determined by the Internal Revenue Service not to be "private foundations" within the meaning of Section 509(a) of the Code. There was no unrelated business income for the year ended December 31, 2016.

The Practice, a for-profit corporation, recognizes income tax expense in accordance with ASC 740, "Accounting for Income Taxes", which utilizes the asset and liability method. This method requires

recognition of deferred income taxes based on temporary differences between the financial reporting and income tax bases of assets and liabilities, using enacted income tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

Under ASC 740-10, "Accounting for Uncertainty in Income Taxes", an organization must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more likely than not the position will not be sustained upon examination by a taxing authority. The Hospital and Affiliates do not believe they have taken any material uncertain tax positions and, accordingly, it has not recorded any liability for unrecognized tax benefits. The Hospital and Affiliates have filed for and received income tax exemptions in the jurisdictions where it is required to do so. Additionally, the Hospital and Affiliates have filed IRS Form 990 information returns, as required, and all other applicable returns in jurisdictions where so required. For the year ended December 31, 2016, there was no interest or penalties recorded or included in the consolidated statements of revenues, expenses and changes in net assets. Management believes that the Hospital and Affiliates are no longer subject to income tax examinations for years prior to 2013.

(p) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets, including estimated uncollectibles for accounts receivable for services to patients, and liabilities, including estimated payables to third-party payors, and disclosures of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(q) Concentration of Credit Risk

The Hospital and Affiliates are located in the State of New York. The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under various third-party payor agreements.

The mix of receivables from patients and third-party payors at December 31, 2016 is as follows:

December 31, 2016	
Medicare	33%
Medicaid	32
Insurance/HMO	12
Private/other	17
Blue Cross	6
	100%

Financial instruments which potentially subject the Hospital and Affiliates to concentration of credit risk consist primarily of cash and cash equivalents in excess of FDIC insurance limits. At various times during the year, the Hospital and Affiliates may have cash deposits at financial institutions in excess of FDIC insurance limits. These financial institutions have strong credit ratings and management believes that credit risk related to these accounts is minimal.

(r) Net Asset Classification

ASC 958-205, "Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), and Enhanced Disclosures for all Endowment Funds," requires that disclosures be made on the Hospital and Affiliate's endowments by net asset classifications.

On September 17, 2010, New York State enacted the New York Prudent Management of Institutional Funds Act ("NYPMIFA"). This law, which is a modified version of UPMIFA, makes significant changes to the rules governing how New York not-for-profit organizations may manage, invest and spend their endowment funds. The new law is designed to allow organizations to cope more easily with fluctuations in the value of their endowments and to afford them greater access to funds needed to support their programs and services in difficult financial times. This should provide some relief to organizations that, due to the recent economic downturn, have found themselves with underwater endowments. It also expands the options available to organizations seeking relief from donor restrictions on funds that have become obsolete, impracticable or wasteful NYPMIFA applies to New York not-for-profit, education and religious corporations, associations organized and operated exclusively for charitable purposes, and certain trusts.

(s) Comparative Financial Information

The consolidated financial statements include certain prior year summarized comparative information. With respect to the consolidated statement of operations, prior year information is not presented by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the prior year financial statements from which the summarized information was derived.

(t) Performance Indicator

The statements of operations include deficiency of revenue, gains and other support over expenses as the performance indicator. Changes in unrestricted net assets which are excluded from the performance indicator include net assets released from restrictions.

(u) Accounting Pronouncements Issued but Not Yet Adopted

In August 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-15, "Presentation of Financial Statements – Going Concern: Disclosures of Uncertainties about an Entity's Ability to Continue as a Going Concern." This ASU provides guidance about management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. Specifically, this ASU provides a definition of the term substantial doubt and requires an assessment for a period of one year after the date that the consolidated financial statements are issued (or available to be issued). It also requires certain disclosures when substantial doubt is alleviated as a result of consideration of management's plans and requires an express statement and other disclosures when substantial doubt is not alleviated. The new standard will be effective for reporting periods beginning after December 15, 2016, with early adoption permitted. The Hospital and Affiliates will apply the provisions of this standard upon adoption.

In February 2016, the FASB issued ASU 2016-02, "Accounting for Leases," which applies a right-of-use ("ROU") model that requires a lessee to record, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset and a liability to make lease payments. For leases with a term of 12 months or less, a practical expedient is available whereby a lessee may elect, by class of underlying asset, not to recognize an ROU asset or lease liability. At inception, lessees must classify all leases as either finance or operating based on five criteria.

Balance sheet recognition of finance and operating leases is similar, but the pattern of expense recognition in the income statement, as well as the effect on the statement of cash flows, differs depending on the lease classification. In addition, lessees and lessors are required to provide certain qualitative and quantitative disclosures to enable users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The amendments are effective for fiscal years beginning after December 15, 2019. Management is currently evaluating the impact of the pending adoption of ASU 2016-02.

In August 2016, the FASB issued ASU 2016-14, "Not-for-Profit Entities (Topic 958) and Health Care Entities (Topic 954) - Presentation of Financial Statements of Not-for-Profit Entities." The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions," (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The ASU is effective for fiscal years beginning after December 15, 2017. Early adoption is permitted. The provisions of the ASU must be applied on a retrospective basis for all years presented although certain optional practical expedients are available for periods prior to adoption. Management is currently evaluating the impact of this ASU on its consolidated financial statements.

(v) Recently Adopted Accounting Pronouncements

In April 2015, the FASB issued ASU 2015-03, "Interest - Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs," which resulted in the reclassification of debt issuance costs from other assets to inclusion as a reportable long-term debt balance on the balance sheet. The standard also calls for the amortization of debt issuance costs to now be reported as interest expense in the financial statements. The standard is effective for all non-public business entities for fiscal years beginning after December 15, 2015 and must be applied retrospectively. The Hospital and Affiliates have adopted and applied the standard for the year ended December 31, 2016.

In May 2015, the FASB issued ASU 2015-07, "Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)," which seeks to eliminate diversity in practice surrounding how investments measured at net asset value under the practical expedient with future redemption dates have been categorized in the fair value hierarchy. The standard is effective for annual periods after December 15, 2015. Management has elected to adopt ASU 2015-07 early and this is reflected as such in these consolidated financial statements.

In July 2015, the FASB issued ASU 2015-12, "Plan Accounting: Defined Benefit Pension Plans (Topic 960), Defined Contribution Pension Plans (Topic 962), Health and Welfare Plans (Topic 965): (Part I) Fully Benefit-Responsive Investment Contracts, (Part II) Plan Investment Disclosures, (Part III) Measurement Date Practical Expedient." Part I eliminates the requirements to measure the fair value of fully benefit-responsive investment contracts and provide certain disclosures. Contract value is the only required measure for fully benefit-responsive investment contracts. Part II eliminates the requirements to disclose individual investments that represent 5 percent or more of net assets available for benefits and the net appreciation or depreciation in fair value of investments by general type. Part II also simplifies the level of disaggregation of investments that are measured

using fair value by general type; however, plans are no longer required to also disaggregate investments by nature, characteristics and risks. Further, the disclosure of information about fair value measurements shall be provided by general type of plan asset. Part III is not applicable to the plan. The ASU is effective for fiscal years beginning after December 15, 2015, with early adoption permitted. Parts I and II are to be applied retrospectively. The Hospital and Affiliates adopted and applied Parts I and II for the year ended December 31, 2016.

(w) Reclassifications

Certain reclassifications have been made to the 2015 consolidated financial statements in order to conform to the 2016 presentation.

5. Pledges Receivable, Net

At December 31, 2016, the net present value of pledges receivable is $320,742. The net present value of pledges receivable was calculated using a discount rate of 1.14%.

The net present value of pledges receivable at December 31, 2016 is summarized below:

December 31, 2016	
Total pledges receivable, at December 31, 2016	$340,000
Allowance for uncollectible pledges	(17,000)
	323,000
Discount	(2,258)
Net present value of pledges receivable at December 31, 2016	$320,742
Amounts due in:	
One year	$123,500
Two to five years	197,242
Total	$320,742

6. Financial Instruments and Fair Value

Below sets forth a table of assets measured at fair value as of December 31, 2016:

Description	Fair Value Measurement At Reporting Date Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)	Balance as of December 31, 2016
Cash and cash equivalents	$ 20,953	$ -	$-	$ 20,953
Money market funds	101,399	-	-	101,399
U.S. equities:				
Consumer goods	45,650	-	-	45,650
Financial	27,555	-	-	27,555
Energy	13,828	-	-	13,828
Materials	28,977	-	-	28,977
Publicly-traded mutual funds	1,063,380	-	-	1,063,380
Corporate bonds	-	49,855	-	49,855
Debt service reserve fund	2,122,356	-	-	2,122,356
Total assets measured at fair value	$3,424,098	$49,855	$-	$3,473,953

There were no transfers between levels during the year ended December 31, 2016.

The Hospital and Affiliates' cost and fair value of investments are summarized as follows:

December 31, 2016

	Cost	Market Value
Cash and cash equivalents	$ 20,953	$ 20,953
Money market funds	101,399	101,399
U.S. equities	90,705	116,010
Corporate bonds	50,005	49,855
Mutual funds	1,057,078	1,063,380
Debt service reserve fund	2,122,356	2,122,356
	$3,442,496	$3,473,953

December 31, 2016

By type of use:	
Debt service reserve fund	$2,122,356
Endowment funds	1,320,688
Board designated	30,909
	$3,473,953

Investment income was as follows for the year ended December 31, 2016:

Year ended December 31, 2016	
Dividends and interest	$109,380
Realized gain	87,442
	$196,822

7. Accounts Receivable for Patients Care, Net and Net Patient Service Revenue

Patient accounts receivable result from the health care services provided by the Hospital and Affiliates. 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.

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

Fees for outpatient services not covered by payor reimbursement and insurance programs are recorded on a sliding scale dependent on the individual's ability to pay.

(a) Non-Medicare Payments

The New York Health Care Reform Act ("NYHCRA"), as periodically updated, governs payments to hospitals in New York State. Under NYHCRA, 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 hospitals' established charges. Medicaid, workers' compensation and no-fault payors pay hospital rates promulgated by the New York State Department of Health on a prospective basis. Adjustments to the current and prior years' payment rates for these payors will continue to be made in future years.

(b) Medicare Payments

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 and Affiliates have established estimates, based on information presently available, of amounts due to or from Medicare and non-Medicare payors for adjustments to current and prior year payment rates, based on industry-wide and hospital-specific data. Additionally, certain payors' payment rates for various years have been appealed by the Hospital. If the appeals are successful, additional income applicable to those years will be realized.

There are various proposals at the Federal and State levels that could, among other things, reduce payment rates and increase managed care penetration, including Medicaid. The ultimate outcome of these proposals and other market changes cannot presently be determined.

The current Medicaid, Medicare and other third-party payor programs are based upon extremely complex laws and regulations that are subject to interpretation. The Hospital's cost report, which serves as the basis for final settlement with government payors, has been through final settlement through 2012. Other years remain open for settlement. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Additionally, noncompliance with such laws and regulations could result in fines, penalties and exclusion from such programs. 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 with all applicable laws and regulations.

8. Fixed Assets, Net

Fixed assets, net are as follows:

December 31, 2016	
Land	$ 419,756
Buildings and leasehold improvements	18,743,962
Building service and fixed equipment	12,757,074
Major movable equipment	18,298,492
Software	2,377,084
	52,596,367
Less: Accumulated depreciation and amortization	(38,970,122)
Fixed assets, net	$ 13,626,245

Depreciation and amortization expense for 2016 was $2,019,126.

9. Bonds Payable

In June 2007, the Hospital issued $17,760,000, Suffolk County Industrial Development Agency, Civic Facility Revenue Bonds, Series 2007 ("Series 2007 Bonds"). The proceeds were used to redeem approximately $11 million of Suffolk County Industrial Development Agency, Civic Facility Revenue Bonds, Series 2002 ("Series 2002 Bonds"). At December 31, 2016, the Hospital has a balance of $14,485,000 held in an escrow account which represents the excess of the amounts outstanding on the Series 2002 Bonds in order to legally defease the bonds, in addition to the write-off of the unamortized original issue discount and deferred financing fees associated with the Series 2002 Bonds. The Series 2007 Bonds bear interest at a rate of 5.375% through maturity dates up to January 1, 2027 and a rate of 5.50% for maturity dates from January 1, 2028 through January 1, 2037. The Series 2007 Bonds are collateralized by a first mortgage lien and security interest on the facility including the land, improvements, and equipment.

The provisions of the bond agreement require the Hospital to establish and maintain a debt service reserve fund and to maintain specified liquidity and debt service coverage ratios. At December 31, 2016, the Hospital has not met the funding requirement and other debt covenant ratios.

The following is a summary of required sinking fund requirements on the Series 2007 Bonds.

January 1,	
2017	$14,448,949
Less: Unamortized balance of deferred financing costs	(710,492)
	$13,738,457

10. Lines of Credit

The Hospital has a $1,600,000 working capital line of credit with a commercial bank which expires August 30, 2017. The line bears interest at a variable rate of prime plus .5% (4.25% at December 31, 2016) and is secured by equipment fixtures and other personal property affixed to the premises. As of December 31, 2016, there was $1,500,000 outstanding.

The Hospital entered into a $900,000 capital expenditure line of credit with a commercial bank on August 28, 2013, which expires on August 30, 2017. The line bears interest at a variable rate of prime plus .5% (4.25% at December 31, 2016) and is secured by equipment fixtures and other personal property affixed to the premises. As of December 31, 2016, there was $900,000 outstanding.

11. Retirement Plans

(a) Defined Benefit Plan

The Hospital and Affiliates have a noncontributory defined benefit pension plan (the "Plan") covering substantially all eligible employees not covered by collective bargaining agreements. The benefits are based on years of service and a percentage of employees' annual compensation. The Hospital's funding policy is to contribute amounts to the Plan sufficient to meet the minimum funding requirements set forth in the Employee Retirement Income Security Act of 1974, plus such additional amounts as the Hospital may determine to be appropriate from time to time. Effective January 1, 1998, the Plan was frozen.

The following table summarizes the benefit obligation, the reconciliation of fair value of Plan assets and the funded status of the Plan at December 31, 2016 (the measurement dates):

December 31, 2016	
Reconciliation of the benefit obligation:	
Obligation at January 1, 2016	$1,867,057
Interest cost	75,435
Actuarial loss	5,714
Benefit payments	(160,362)
Obligation at December 31, 2016	$1,787,844
Reconciliation of fair value of Plan assets:	
Fair value of Plan assets at January 1, 2016	$1,645,245
Actual return on Plan assets	155,524
Benefit payments	(160,362)
Fair value of Plan assets at December 31, 2016	$1,640,407
Funded status:	
Funded status at December 31, 2016	$ 147,437

The following table provides the components of the net periodic pension cost for the Plan for the year ended December 31, 2016:

Year ended December 31, 2016	
Interest cost	$ 75,435
Expected return on Plan assets	(106,142)
Amortization of net loss	102,633
	$ 71,926

Prior service costs are amortized in accordance with the Plan's amortization schedules. The transition asset is being amortized over a 15-year period.

The weighted average assumptions used in the measurement of the Hospital's benefit obligation at December 31, 2016 was as follows:

December 31, 2016	
Discount rate	4.15%
Rate of compensation increase	N/A

The weighted average assumptions used in the measurement of the Hospital's net periodic pension cost for the year ended December 31, 2016 was as follows:

Year ended December 31, 2016	
Discount rate	4.34%
Expected long-term rate of return on Plan assets	7.00
Rate of increase in compensation levels	N/A

The Plan's weighted average asset allocations at December 31, 2016, by asset category, are as follows:

December 31, 2016	
Equity securities	80%
Other	20
	100%

The fair values of the Hospital's pension plan assets at December 31, 2016 by asset category are as follows:

Description	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2016
Group annuity contracts	$-	$191,687	$-	$ 191,687
Fixed income	-	303,334	-	303,334
Pooled separate accounts*	-	-	-	1,145,386
Total assets measured at fair value	$-	$495,021	$-	$1,640,407

* Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been recognized in the fair value hierarchy. The fair value amounts are presented in the consolidated balance sheet.

The Plan's overall investment objective is to achieve an investment return that balances the potential growth in income and asset value normally associated with equity investments, and the income and relative price stability associated with fixed income securities.

The Hospital does not expect to contribute to the Plan in 2017.

The following benefit payments which reflect expected future service, as appropriate, are expected to be paid:

2017	$259,869
2018	150,868
2019	98,439
2020	107,433
2021	116,460
2022 - 2026	573,495

(b) Defined Contribution Plans

During 1999, the Hospital established a defined contribution plan which covers all nonunion employees with six months of service. Amounts to be contributed by the Hospital are discretionary and may be changed at any time through a board resolution. The total contribution expense for all covered employees was approximately $465,000 for the year ended December 31, 2016.

12. Multiemployer Pension Plan

The Hospital and Affiliates contribute to the 1199 SEIU Health Care Employees Pension Fund, a multiemployer defined benefit pension plan (the "Plan") under the terms of the collective bargaining agreement that covers its Union employees. The Hospital and Affiliates are required to make monthly contributions to the Plan. The risks of participating in the multiemployer plan are different from a single-employer plan 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 and Affiliates' participation in this type of plan for the year ended December 31, 2016 is outlined in the table below. The "EIN Number" column provides the Employer Identification Number ("EIN"). The most recent Pension Protection Act ("PPA") zone status available in 2016 is for the Plan's year-end at December 31, 2015. The zone status is based on information that the Hospital and Affiliates received from the Plan and is certified by the actuaries of the Plan. 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 agreement to which the Plan is subject.

Pension Fund	EIN Number	Plan Number	Pension Protection Act Zone Status 2016
1199 SEIU Health Care Employees Pension Fund	13-3604862	001	Green

FIP/RP Status Pending/Implemented	Contributions by the Hospital and Affiliate For the Year Ended December 31, 2016	Surcharge Imposed	Expiration Date of Collective Bargaining Agreement
No		No	9/30/2018

Form 5500 is not yet available for the plan year ended in 2016.

13. Charity Care

Together, charity care and bad debt expense represent uncompensated care. The estimated cost of total uncompensated care is $1,106,000 for the year ended December 31, 2016. The estimated cost of uncompensated care is based on the ratio of cost to charges, as determined by hospital-specific data.

The estimated cost of charity care at charges was $205,000 for the year ended December 31, 2016.

For the year ended December 31, 2016, bad debt expense, at charges, was $3,443,850. The bad debt expense is multiplied by the ratio of cost to charges for purposes of inclusion in the total uncompensated care amount identified above.

14. Meaningful Use of Electronic Health Record

American Recovery and Reinvestment Act of 2009 included provisions for implementing health information technology under the Health Information Technology for Economic and Clinical Health Act ("HITECH"). The provisions were designed to increase the use of electronic health record ("EHR") technology and establish the requirements for a Medicare and Medicaid incentive payment program beginning in 2011 for eligible providers that adopt and meaningfully use certified EHR technology. Eligibility for annual Medicare incentive payments is dependent on providers demonstrating meaningful use of EHR technology in each period over a four-year period. Initial Medicaid incentive payments are available to providers that adopt, implement or upgrade certified EHR technology. In subsequent years providers must demonstrate meaningful use of such technology to qualify for additional Medicaid incentive payments. Hospitals that do not successfully demonstrate meaningful use of EHR technology are subject to payment penalties or downward adjustments to their Medicare payments beginning in Federal fiscal year 2015.

The Hospital uses a grant accounting model to recognize revenue for the Medicare and Medicaid EHR incentive payments. Under this accounting policy, EHR incentive payment revenue is recognized when the Hospital is reasonably assured that the EHR meaningful use criteria for the required period of time were met and that the grant revenue will be received. No EHR incentive for the year ended December 31, 2016 has been included in other operating revenue. Income from incentive payments is subject to retrospective adjustment upon final settlement of the applicable cost report from

which payments were calculated. Additionally, the Hospital's attestation of compliance with the meaningful use criteria is subject to audit by the Federal government.

15. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at December 31, 2016:

December 31, 2016	
Health care services:	
Health education	$ 12,745
Speakers' fund	4,000
Phase II equipment	33,588
Operating room renovation	1,384,143
Verathon bladder scanner	18,345
Education	10,000
Tomosynthesis 3D mammography system	47,752
	$1,510,573

Temporarily restricted net assets that were released from restrictions by incurring expenses satisfying the restricted purpose during the year ended December 31, 2016 are as follows:

Year ended December 31, 2016	
Storm hardening protection	$445,000
Education	20,000
Tomosynthesis 3-D mammography system	48,448
	$513,448

16. Endowment Funds

The Hospital maintains donor-restricted endowment funds (the "Endowment Fund") that have been established for the benefit of the Hospital and which have been classified as permanently restricted net assets.

The Board of Trustees of 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 funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Endowment Fund is classified as permanently restricted net assets and includes the original value of gifts donated to the permanent endowment.

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 include those assets of donor restricted funds that the Hospital must hold in perpetuity. Under this policy, the endowment assets are invested in a manner that is intended to preserve and protect its assets.

For the year ended December 31, 2016, all assets included in the Hospital's Endowment Fund are as follows:

Year ended December 31, 2016	
Cash and cash equivalents	$ 98,533
Mutual funds	1,058,302
U.S. equities	163,853
	$1,320,688

The following table provides a reconciliation of the change in the Hospital's endowment net assets for the year ended December 31, 2016:

	Unrestricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ -	$1,320,688	$1,320,688
Investment income	49,707	-	49,707
Appropriation of endowment assets for expenditure	(49,707)	-	(49,707)
Endowment net assets, end of year	$ -	$1,320,688	$1,320,688

17. Functional Expenses

The Hospital provides general health care services to residents within their geographic locations. Expenses related to providing these services included in the accompanying consolidated statement of operations for the year ended December 31, 2016 are as follows:

Year ended December 31, 2016	
Health care services	$44,547,132
Fundraising	892,073
General and administrative	7,434,453
Total expenses	$52,873,658

18. Related Party Transactions

The Hospital purchases certain laboratory services from Peconic Bay Medical Center and Southampton Hospital. Amounts due to these entities are reimbursed in the normal course of business. During 2016, total expenses incurred by the Hospital for these laboratory services from Peconic Bay Medical Center and Southampton Hospital were $-0- and $32,693, respectively. The outstanding balances due to Peconic Bay Medical Center and Southampton Hospital as of December 31, 2016 were $-0- and $52,465, respectively.

The Hospital, Peconic Bay Medical Center and Southampton Hospital have entered into a joint agreement, which operates as East End Health Alliance (see Note 1).

On August 5, 2016, the Hospital entered into an operating agreement with North Fork SC, LLC, a New York State limited liability corporation established on February 26, 2016 as a 20% non-physician founding member. On August 25, 2016, the Board of Trustees of Eastern Long Island Hospital Association approved the participation of the Hospital in a joint venture with North Fork Ambulatory Surgery Center. In April of 2017, North Fork SC, LLC received approval from Bridgehampton National Bank for a renovation loan in the amount of $2,500,000 and a revolving line of credit facility in the amount of $300,000.

19. Commitments, Contingencies and Other

(a) In the normal course of business, malpractice claims have been asserted against the Hospital by various claimants, and other claims may be asserted arising from services provided to patients in the past. The Hospital maintains claim-based primary malpractice insurance coverage. It is the opinion of the Hospital's management that the final disposition of such matters will either be within insurance coverage limits or would otherwise not have a material adverse effect on the Hospital's financial position.

(b) The Hospital had a collective bargaining agreement with Local 1199-The Drug, Hospital and Healthcare Employees Union ("Local 1199"), which expired on April 30, 2015. Effective April 28, 2015 the Hospital agreed to join the League of Voluntary Hospitals and Homes of New York (the "League") in accordance with the July 21, 2014 Memorandum of Agreement between Local 1199 and the League, and the 2014 - 2018 League - 1199 agreement. Members of Local 1199 represent approximately 80% of the Hospital's employees at December 31, 2016. Terms and conditions of employment for Local 1199 employees are subject to the terms of the most recent collective bargaining agreement. Wage base costs and increases, as well as health insurance, pension and other benefit costs for Local 1199 employees are determined in accordance with the terms of the most recent collective bargaining agreement.

(c) The Hospital and Affiliates lease equipment under noncancellable operating leases expiring in various years through 2021. Rental expense for all operating leases amounted to $660,703 in 2016.

The following is a schedule of future minimum lease payments, by year and in the aggregate with initial or remaining terms of one year or more at December 31, 2016:

Year ending December 31,	
2017	$317,911
2018	183,351
2018	138,226
2020	100,059
2021	5,335
Total minimum lease payments	$744,882

20. Subsequent Events

The Hospital's management has performed subsequent events procedures through May 30, 2017, which is the date the consolidated financial statements were available to be issued. Other than the events described in Note 9, there were no additional subsequent events or disclosures that required adjustment to the consolidated financial statements.