UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

The New York and Presbyterian Hospital

As of and For the Six Months Ended June 30, 2018

Unaudited Consolidated Financial Statements and Supplementary Information

As of and For the Six Months Ended June 30, 2018

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Unaudited Consolidated Statements of Financial Position (In Thousands)

	(Unaudited) June 30 2018		,	(Audited) ecember 31 2017
Assets				
Current assets:				
Cash, cash equivalents and short-term investments:				
Cash and cash equivalents	\$	540,186	\$	433,181
Short-term investments		2,191,366		2,130,290
Total cash, cash equivalents and short-term investments	'	2,731,552		2,563,471
Patient accounts receivable, less allowance for				
uncollectibles (2018 – \$337,363; 2017 – \$325,066)		961,157		898,899
Other current assets		274,778		258,830
Assets limited as to use – current portion		71,377		73,700
Professional liabilities insurance recoveries receivable and		,		
related deposit – current portion		93,274		94,221
Beneficial interest in net assets held by related		,		ŕ
organizations – current portion		66,947		65,798
Total current assets	-	4,199,085		3,954,919
Assets limited as to use – noncurrent		3,032,536		3,076,186
Property, buildings, and equipment – net		4,556,455		4,314,934
Other noncurrent assets – net		33,331		25,037
Professional liabilities insurance recoveries receivable and				
related deposit – noncurrent		265,509		259,956
Beneficial interest in net assets held by related		,		
organizations – noncurrent		1,990,227		2,054,141
Total assets	\$	14,077,143	\$	13,685,173

Continued on following page.

Unaudited Consolidated Statements of Financial Position (continued) (In Thousands)

	(Unaudited)	(Audited)
	June 30	December 31
	2018	2017
Liabilities and net assets		
Current liabilities:		
Long-term debt – current portion	\$ 70,742	\$ 70,491
Accounts payable and accrued expenses	764,925	697,047
Accrued salaries and related liabilities	371,747	375,066
Pension and postretirement benefit liabilities - current portion	23,915	23,915
Professional liabilities and other insurance liabilities – current portion	130,510	132,704
Other current liabilities	254,142	246,948
Due to related organizations – net	68,400	23,985
Total current liabilities	1,684,381	1,570,156
Long-term debt	2,734,943	2,759,731
Professional liabilities and other insurance liabilities	627,127	641,417
Pension liability	220,363	220,921
Postretirement benefit liability	66,166	64,754
Deferred revenue	733	1,001
Other noncurrent liabilities	539,664	544,784
Total liabilities	5,873,377	5,802,764
Commitments and contingencies		
Net assets:		
Unrestricted	6,104,754	5,706,420
Temporarily restricted	1,819,070	1,896,796
Permanently restricted	279,942	279,193
Total net assets	8,203,766	7,882,409
Total liabilities and net assets	\$ 14,077,143	\$ 13,685,173

Unaudited Consolidated Statements of Operations (In Thousands)

(Unaudited)

		June 30		
		2018		2017
Operating revenues				
Net patient service revenue	\$	4,011,003	\$	3,821,486
Provision for bad debts (<i>Note 1</i>)	Ψ	-	Ψ	(71,860)
Net patient service revenue, less provision for bad debts	-	4,011,003		3,749,626
Other revenue		171,792		193,336
Total operating revenues		4,182,795		3,942,962
Operating expenses				
Salaries and wages		1,897,381		1,783,394
Employee benefits		573,160		516,978
Supplies and other expenses		1,304,570		1,224,647
Interest and amortization of deferred financing fees		52,357		44,397
Depreciation and amortization		205,065		176,863
Total operating expenses		4,032,533		3,746,279
Operating income		150,262		196,683
Investment return		30,982		195,844
Excess of revenues over expenses		181,244		392,527
Other changes in unrestricted net assets:				
Net asset transfers to related parties		(1,106)		(3,034)
Net assets released from restrictions for the purchase of				
fixed assets		25		1,025
Distributions from New York-Presbyterian Fund, Inc.				
for the purchase of fixed assets		199,931		42,363
Change in pension and postretirement benefit liabilities to				
be recognized in future periods		18,240		6,805
Change in unrestricted net assets	\$	398,334	\$	439,686

Unaudited Consolidated Statements of Changes in Net Assets (In Thousands)

Beneficial Interest in Temporarily and Permanently Restricted Net Assets Held by Related Organizations

													Total				
			Tem	porarily	Peri	nanently		Plant	Specific	I	Endowment	Te	emporarily	Pe	rmanently		Total
	Uni	restricted	Re	stricted	Re	stricted	Re	placement	Purpose		Earnings	F	Restricted	R	estricted	No	et Assets
-									(Unaudi	ted)							
Net assets at January 1, 2017	\$	4,782,099	\$	33,923	\$	22,051	\$	784,233	\$ 540,897	\$	194,645	\$	1,519,775	\$	246,873	\$	6,604,721
Change in unrestricted net assets		439,686		-		-		-	-		-		-		-		439,686
Restricted investment return and other		-		2,768		1		-	-		-		-		-		2,769
Net assets released from restriction for the purchase of fixed assets				(1,025)		-		-	-		-		-		-		(1,025)
Changes in beneficial interest in net assets held by related organizations		-		-		-		27,008	80,974		13,867		121,849		4,543		126,392
Change in net assets		439,686		1,743		1		27,008	80,974		13,867		121,849		4,543		567,822
Net assets at June 30, 2017	\$	5,221,785	\$	35,666	\$	22,052	\$	811,241	\$ 621,871	\$	208,512	\$	1,641,624	\$	251,416	\$	7,172,543
Net assets at January 1, 2018	\$	5,706,420	\$	33,235	\$	22,815	\$	857,506	\$ 785,912	\$	220,143	\$	1,863,561	\$	256,378	\$	7,882,409
Change in unrestricted net assets		398,334		-		-		-	-		-		-		-		398,334
Restricted investment return and other		-		623		-		-	20		-		20		-		643
Net assets released from restriction for the purchase of fixed assets		-		(25)		-		-	-		-		-		-		(25)
Transfer of donor-restricted net assets to NewYork-Presbyterian Fund, Inc.		-		-		-		-	(9,556))	-		(9,556)		(5,274)		(14,830)
Changes in beneficial interest in net assets held by related organizations		-		-		-		(121,465)	55,018		(2,341)		(68,788)		6,023		(62,765)
Change in net assets		398,334		598		-		(121,465)	45,482		(2,341)		(78,324)		749		321,357
Net assets at June 30, 2018	\$	6,104,754	\$	33,833	\$	22,815	\$	736,041	\$ 831,394	\$	217,802	\$	1,785,237	\$	257,127	\$	8,203,766

Unaudited Consolidated Statements of Cash Flows

(In Thousands)

(Unaudited)

	Six Months Ended J		,	
		2018	Liiu	2017
Operating activities				
Change in net assets	\$	321,357	\$	567,822
Adjustments to reconcile change in net assets to net cash				
provided by operating activities:		205065		15.0.0
Depreciation and amortization		205,065		176,863
Amortization of deferred financing costs, mortgage discount and other		1,870		1,979
Distribution from New York-Presbyterian Fund, Inc. for the purchase of fixed assets		(199,931)		(42,363)
Equity in earnings of common collective/commingled trusts and alternative investments		(31,500)		(90,094)
Net realized losses (gains) on sales of investment companies		1,184		(27,008)
Change in unrealized gains and losses		34,872		(23,897)
Change in interest in pooled investments held by New York-Presbyterian Fund, Inc.		(506)		(1,098)
Equity in income from investee		(1,865)		(2,368)
Net asset transfers to related parties		15,936		3,034
Increase in debt for interest accretion		9,189		-
Change in operating assets and liabilities:				
Patient accounts receivable		(62,258)		(34,407)
Other assets		(22,376)		(94,883)
Beneficial interest in net assets held by related organizations		62,765		(126,392)
Accounts payable and accrued expenses		67,863		60,136
Accrued salaries and related liabilities		(3,319)		(26,591)
Due to/from related organizations-net		44,416		(19,655)
Other liabilities		2,087		82,532
Professional liabilities and other and related insurance recoveries receivable		(21,090)		(3,296)
Pension and post retirement benefit liabilities		854		(30,365)
NET CASH PROVIDED BY OPERATING ACTIVITIES		424,613		369,949
Investing activities				
Net purchases of investments and assets limited as to use		(19,152)		(10,605)
Acquisitions of property, buildings, and equipment		(442,046)		(370,087)
Distributions from investee		-		5,000
NET CASH USED IN INVESTING ACTIVITIES		(461,198)		(375,692)
Financing activities				
Repayments of long-term debt		(40,405)		(39,216)
Payment of deferred financing costs		-		(1,007)
Net asset transfer to related party		(15,936)		(3,034)
Distributions from New York-Presbyterian Fund Inc. for the purchase of fixed assets		199,931		42,363
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		143,590		(894)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		107,005		(6,637)
Cash and cash equivalents at beginning of period		433,181		462,754
Cash and cash equivalents at end of period	\$	540,186	\$	456,117
Supplemental disclosure of cash flow information				
Purchase of leasehold condominum interest with promissory note payable		-		249,868
Assets acquired under capital lease obligations	\$	4,540	\$	23,025

Notes to Unaudited Consolidated Financial Statements

June 30, 2018

1. Organization and Summary of Significant Accounting Policies

Financial Statements

The New York and Presbyterian Hospital (the Hospital) presumes that users of this unaudited consolidated financial information intended for quarterly reporting purposes have read or have access to the Hospital's audited consolidated financial statements which include certain disclosures required by U.S. generally accepted accounting principles. The audited financial statements of the Hospital for the years ended December 31, 2017 and 2016 are on file with the Municipal Securities Rulemaking Board and are accessible through its Electronic Municipal Market Access Database (EMMA). Accordingly, footnotes and other disclosures that would substantially duplicate the disclosures contained in the Hospital's most recent audited financial statements have been omitted from the unaudited consolidated financial information.

In the opinion of management, all adjustments considered necessary for a fair presentation of the results of the periods have been included in the accompanying unaudited consolidated financial statements. All such adjustments are considered by management to be of a normal, recurring nature, except as noted otherwise. Certain amounts pertaining to the Hospital and its subsidiaries have been reflected in the accompanying unaudited consolidated and consolidating financial information based on amounts available as of the filing date of this unaudited consolidated information and are recorded based on annual estimates, are only updated annually, or are projected for interim financial reporting purposes; however, such amounts and estimates are subject to change and are reevaluated by the Hospital quarterly and on an annual basis.

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

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

Notes to Unaudited Consolidated Financial Statements (continued)

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

NYP Community Programs serves as the active parent organization for the NewYork-Presbyterian Regional Hospitals, which through March 31, 2018 consisted of NewYork-Presbyterian/Lawrence Hospital ("NYP/Lawrence Hospital"), Hudson Valley Hospital Center (d/b/a NYP/Hudson Valley Hospital), NewYork-Presbyterian Hospital/Queens ("NYP/Queens") and NewYork-Presbyterian/Brooklyn Methodist Hospital ("NYP/Brooklyn Methodist"), collectively the "Regional Hospitals". Prior to December 6, 2016, the active parent of NYP/Lawrence Hospital was NYP Community Services, Inc. As of that date, NYP Community Programs became the active parent of NYP/Lawrence Hospital and NYP Community Services, Inc. became inactive. Effective April 1, 2018, NYP/Lawrence Hospital was merged into NYPH with NYPH receiving substantially all assets and liabilities of NYP/Lawrence Hospital, and NYP Community Programs was disestablished as the active parent of NYP/Lawrence Hospital. This change had no impact on the Hospital's consolidated financial statements as NYP/Lawrence Hospital and its related entities were previously included in the consolidated financial statements. The Hospital transferred \$14.8 million of donor restricted net assets, which were related to NYP/Lawrence Hospital, to its fund-raising affiliate New York-Presbyterian Fund, Inc.

In connection with and effective on the same date as the merger of NYP/Lawrence Hospital into the Hospital, the by-laws of Lawrence Care, Inc., formerly a subsidiary of NYP/Lawrence Hospital and the sole corporate member of Lawrence Community Health Services, which operates a certified home health agency, a certified hospice program and a bereavement center, were amended such that the entity has no corporate member and a majority of its Board of Directors will consist of individuals concurrently participating in the supervision, control or management of NYPH. Additionally, effective as of the date of the merger Lawrence Medical Associates, P.C. (d/b/a NewYork-Presbyterian Medical Group/Westchester), a State of New York professional corporation exempt from federal income tax that was organized in 2009 for the sole purpose of supporting and furthering the charitable purposes of NYP/Lawrence Hospital by engaging in the practice of medicine, now supports and furthers the charitable purposes of the Hospital.

A summary of significant accounting policies follows:

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, such as estimates related to accounts receivable for services to patients, valuation of alternative investments, and liabilities, such as estimated settlements with third-party payors, professional insurance liabilities, and pension and postretirement benefits liabilities, and disclosures of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the amounts of revenue and expenses reported during the period. There is at least a reasonable possibility that certain estimates will change by material amounts in the near term. Actual results could differ from those estimates.

Notes to Unaudited Consolidated Financial Statements (continued)

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 prior revenue recognition requirements and most industry-specific guidance. The provisions of ASU 2014-09 became effective for the Hospital for annual reporting periods beginning after December 15, 2017. The Hospital adopted ASU 2014-09 effective January 1, 2018 in its unaudited consolidated financial statements as of and for the quarter ended March 31, 2018. The Hospital adopted ASU 2014-09 following the modified retrospective method of application. As a result of implementing ASU 2014-09, certain patient activity where collection is uncertain (representing approximately \$74.9 million for the six months ended June 30, 2018) previously reported through December 31, 2017 as net patient service revenue and the provision for bad debts in the Hospital's consolidated statements of operations no longer meets the criteria for revenue recognition and, accordingly, the provision for bad debts after the adoption date is significantly reduced with a corresponding reduction to net patient service revenue. Such patient activity is now classified as an implicit price concession. Other aspects of the Hospital's implementation of ASU 2014-09 impacting net patient service revenue, which include judgments regarding collection analyses and estimates of variable consideration and the addition of certain qualitative and quantitative disclosures, are described under the heading "Net Patient Service Revenue." The adoption of ASU 2014-09 in relation to other applicable revenue activity did not have a material impact to the Hospital's accompanying unaudited consolidated financial statements.

Net Patient Service Revenue

For periods commencing January 1, 2018

Effective January 1, 2018 upon the adoption of ASU 2014-09, net patient service revenue is reported at the amount that reflects the consideration to which the Hospital expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government programs), and others and includes variable consideration (reductions to revenue) for retroactive revenue adjustments due to settlement of ongoing and future audits, reviews, and investigations.

The Hospital uses a portfolio approach to account for categories of patient contracts as a collective group rather than recognizing revenue on an individual contract basis. The portfolios primarily consist of major payor classes for inpatient revenue and major types of services provided for outpatient revenue. Based on historical collection trends and other analyses, the Hospital believes that revenue recognized by utilizing the portfolio approach approximates the revenue that would have been recognized if an individual contract approach were used.

The Hospital's initial estimate of the transaction price for services provided to patients subject to revenue recognition is determined by reducing the total standard charges related to the patient services provided by

Notes to Unaudited Consolidated Financial Statements (continued)

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

various elements of variable consideration, including contractual adjustments, discounts, implicit price concessions, and other reductions to the Hospital's standard charges. The Hospital determines the transaction price associated with services provided to patients who have third-party payor coverage on the basis of contractual or formula-driven rates for the services rendered. The estimates for contractual allowances and discounts are based on contractual agreements, the Hospital's discount policies and historical experience. For uninsured and under-insured patients who do not qualify for charity care, the Hospital determines the transaction price associated with services on the basis of charges reduced by implicit price concessions. Implicit price concessions included in the estimate of the transaction price are based on the Hospital's historical collection experience for applicable patient portfolios. Under the Hospital's charity care policy, a patient who has no insurance or is under-insured and is ineligible for any government assistance program has his or her bill reduced to (1) the lesser of charges or the Medicaid diagnostic-related group for inpatient and (2) a discount from Medicaid fee-for-service rates for outpatient. Patients who meet the Hospital's criteria for free care are provided care without charge; such amounts are not reported as revenue.

Generally, the Hospital bills patients and third-party payors several days after the services are performed and/or the patient is discharged. Net patient service revenue is recognized as performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided by the Hospital. Net patient service revenue for performance obligations satisfied over time is recognized based on estimated expected payment at that point in time. The Hospital believes that this method provides a reasonable depiction of the transfer of services over the term of the performance obligation based on the services needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients receiving inpatient acute care services or patients receiving services in the Hospital's outpatient and ambulatory care centers. The Hospital measures the performance obligation from admission into the hospital or the commencement of an outpatient service to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge or the completion of the outpatient visit.

Net patient service revenue for the period ended June 30, 2018, by payor is as follows (in thousands):

	<u>J</u>	une 30, 2018
		(Unaudited)
N. 1.	ф	1 120 760
Medicare	\$	1,138,769
Medicaid		709,215
Commercial carriers and health maintenance organizations		2,136,620
Self-pay		26,399
	<u>\$</u>	4,011,003

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

Notes to Unaudited Consolidated Financial Statements (continued)

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

As substantially all of its performance obligations relate to contracts with a duration of less than one year, the Hospital has elected to apply the optional exemption provided in ASU 2014-09 and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to inpatient acute care services at the end of the reporting period for patients who remain admitted at that time (in-house patients). The performance obligations for in-house patients are generally completed when the patients are discharged, which for the majority of the Hospital's in-house patients occurs within days or weeks after the end of the reporting period.

Subsequent changes to the estimate of the transaction price (determined on a portfolio basis when applicable) are generally recorded as adjustments to patient service revenue in the period of the change. For the period ended June 30, 2018, changes in the Hospital's estimates of implicit price concessions, discounts, contractual adjustments or other reductions to expected payments for performance obligations satisfied in prior periods were not significant. Portfolio collection estimates are updated quarterly based on collection trends. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay (determined on a portfolio basis when applicable) are recorded as bad debt expense. Bad debt expense for the period ended June 30, 2018 was not significant.

The Hospital has elected the practical expedient allowed under ASU 2014-09 and does not adjust the promised amount of consideration from patients and third-party payors for the effects of a significant financing component due to the Hospital's expectation that the period between the time the service is provided to a patient and the time that the patient or a third-party payor pays for that service will be one year or less. However, the Hospital does, in certain instances, enter into payment agreements with patients that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract.

At June 30, 2018, accounts receivable is comprised of the following components (in thousands):

	<u>Jur</u>	<u>ie 30, 2018</u>
	(Unaudited)
Patient receivables	\$	886,879
Contract assets		74,278
	<u>\$</u>	961,157

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

Settlements with third-party payors for cost report filings and retroactive adjustments due to ongoing and future audits, reviews or investigations are considered variable consideration and are included in the

Notes to Unaudited Consolidated Financial Statements (continued)

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

determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and the Hospital's historical settlement activity (for example, cost report final settlements or repayments related to recovery audits), including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Such estimates are determined through either a probability-weighted estimate or an estimate of the most likely amount, depending on the circumstances related to a given estimated settlement item. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations. For the six months ended June 30, 2018 and 2017, the net effect of the Hospital's revisions to prior year estimates resulted in net patient service revenue increasing by approximately \$18.0 million and \$23.4 million, respectively.

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. The current Medicaid, Medicare and other third-party payor programs are based upon extremely complex laws and regulations that are subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount. 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 accompanying consolidated financial statements and believes that it is in compliance 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 government, cannot be determined presently. Future changes in the Medicare and Medicaid programs and any reduction of funding could have an adverse impact on the Hospital. Additionally, certain payors' payment rates for various years have been appealed by the Hospital. If the appeals are successful, additional income applicable to those years could be realized.

Investments

Investments consist of money market funds, fixed income securities (including U.S. government bonds, non-U.S. government bonds, agency notes, mortgage and asset backed and corporate bonds), equity securities (including readily tradeable stocks, exchange traded funds and mutual funds), real asset investments (including individual investments and mutual funds invested in natural resources, energy and commodities), interests in common collective/commingled trusts, and alternative investments (including hedge funds, investments in private equity firms and real asset funds), as well as investments of such securities held on a pooled basis with related parties. All investments (excluding interests in common

Notes to Unaudited Consolidated Financial Statements (continued)

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

collective/commingled trusts, alternative investments and pooled investments) are carried at fair value based on quoted market prices and are classified as trading investments.

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

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

Alternative investments, excluding those held in the Hospital's defined benefit plans, and interests in common collective/commingled trusts are reported in the accompanying unaudited consolidated statements of financial position based upon net asset values derived from the application of the equity method of accounting. Alternative investments held in the Hospital's defined benefit plans are stated at fair value, as estimated in an unquoted market. Fair value for alternative investments is determined for each investment using net asset values as a practical expedient, as permitted by generally accepted accounting principles, rather than using another valuation method to independently estimate fair value. Financial information used by the Hospital to evaluate its alternative investments is provided by the investment manager or general partner and includes fair value valuations (quoted market prices and values determined through other means) of underlying securities and other financial instruments held by the investee, and estimates that require varying degrees of judgment. The financial statements of the investee companies are audited annually by independent auditors, although the timing for reporting the results of such audits does not coincide with the Hospital's annual financial statement reporting. There is uncertainty in the accounting for alternative investments arising from factors such as lack of active markets (primary and secondary), lack of transparency into underlying holdings and time lags associated with reporting by the investee companies. As a result, there is at least a reasonable possibility that estimates will change in the near term. Interests in investments held on a pooled basis with related parties are reported based upon unitized net asset value.

Tax Status

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

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

Notes to Unaudited Consolidated Financial Statements (continued)

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

As a result of the recent federal income tax reform enacted into law under the Tax Cuts and Jobs Act of 2017, certain provisions impact tax-exempt organizations effective January 1, 2018, including revisions to taxes on unrelated business activities, excise taxes on compensation of certain employees, and various other provisions. The Hospital has recorded estimates for these tax obligations based on information presently available; however, the regulations necessary to implement the law are expected to be promulgated throughout 2018. The ultimate outcome of these regulations and the impact to the Hospital's consolidated financial statements cannot be presently determined.

2. Pension and Similar Benefit Plans

The Hospital provides pension and similar benefits to its employees through several plans, including various multi-employer plans for union employees and several defined benefit plans. Additionally, the Hospital has defined contribution pension plans for certain employees. The Hospital also has several postretirement benefit plans that provide certain health care and life insurance benefits to its employees.

The Hospital funds the noncontributory defined benefit plans in accordance with the minimum funding requirement of the Employee Retirement Income Security Act of 1974 (ERISA), plus additional amounts that the Hospital may deem appropriate from time to time. Amounts contributed to the pension plans are based on actuarial valuations.

The Hospital contributed \$18.0 million and \$59.7 million to its defined benefit pension plans for the six months ended June 30, 2018 and 2017, respectively. The Hospital expects to contribute approximately \$2.0 million to its pension plans for the remainder on 2018.

The Hospital contributed \$1.8 million and \$2.1 million to its other postretirement benefit plans for the six months ended June 30, 2018 and 2017, respectively. The Hospital expects to contribute approximately \$1.8 million to its other postretirement benefit plans for the remainder of 2018.

The Hospital recognizes in its consolidated statements of financial position an asset, for a defined benefit postretirement plan's overfunded status, or a liability, for a plan's underfunded status; measures a defined benefit postretirement plan's assets and obligations that determine funded status as of the end of the Hospital's fiscal year; and recognizes the periodic change in the funded status of a defined benefit postretirement plan as a component of changes in unrestricted net assets in the year in which the change occurs. Amounts that are recognized as a component of changes in unrestricted net assets will be subsequently recognized as net periodic benefit cost. On a quarterly basis, NYPH management has elected to determine an interim discount rate and reports the change in pension and postretirement benefit liabilities to be recognized in future periods in its consolidated statement of operations. The interim discount rate estimates are subject to volatility from market interest rates and amounts reported on an interim basis are subject to change.

Notes to Unaudited Consolidated Financial Statements (continued)

2. Pension and Similar Benefit Plans (continued)

Net periodic benefit cost consists of the following for the six months ended June 30, 2018 and 2017 (in thousands):

						Postre	tirem	ent		
	Pension Plans					Benefit Plans				
		2018		2017		2018		2017		
		(Ui	naud	lited)		(Un	iaudite	ed)		
Service cost	\$	48,051	\$	41,511	\$	1,179	\$	1,206		
Interest cost		47,508		41,042		1,290		1,319		
Expected return on plan assets		(75,483)		(65,210)		_		_		
Net amortization of prior service cost		318		275		(259)		(264)		
Recognized actuarial loss		17,246		14,899		711		727		
Recognized actuarial gain due to curtailment		(451)		(390)		_		_		
Recognized actuarial loss due to settlement		169		146		_		_		
Net periodic pension cost and postretirement benefits cost	\$	37,358	\$	32,273	\$	2,921	\$	2,988		

Notes to Unaudited Consolidated Financial Statements (continued)

3. Professional Liability Insurance Program

In 1978, the Hospital, in conjunction with a number of unrelated health care entities, participated in the formation of captive insurance companies (collectively, the Captive) to provide professional liability and general liability insurance to its participants. The premiums are based on a modified claims-made coverage and are actuarially determined based on the actual experience of the Captive, Hospital-specific experience, and estimated current exposure. The Captive has reinsurance coverage from reinsurers for certain amounts above its coverage level per claim limits. Rights to equity in the Captive were transferred to New York-Presbyterian Fund, Inc. (Fund, Inc.), a related party. Accordingly, insurance premiums are paid by the Hospital initially to Fund, Inc.

Effective July 1, 2013, August 1, 2014, February 1, 2015 and December 1, 2015, NewYork-Presbyterian/Lower Manhattan Hospital (NYP/LMH), NYP/Lawrence, NYP/Hudson Valley and NYP/Queens, respectively, became insured by the Captive. Prior to each entity's respective effective date with the Captive, the entities were covered by various self-insured, claims-made and excess insurance policies. NYP/Brooklyn Methodist participates in a separate captive insurance program, which includes certain self-insured retentions. The notes to the audited consolidated financial statements of the Hospital for the years ended December 31, 2017 and 2016, include additional disclosures which describe the Hospital's accounting for its professional liability insurance program and related matters. The Hospital's estimates for professional liabilities are based upon complex actuarial calculations which utilize factors such as historical claims experience for the Hospital and related industry factors, trending models, estimates for the payment patterns of future claims and present value discount factors. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. 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.

4. Investments and Assets Limited as to Use

Investments are either separately invested or held on a pooled basis with related parties (pooled with New York–Presbyterian Fund Inc. (Fund, Inc.) or included in unitized investment funds within Hudson East River Systems, LLC (HERS)). The composition and reported value of short-term investments and assets limited as to use, at June 30, 2018 and December 31, 2017, consist of the following (in thousands):

	Jun	e 30, 2018	Dece	mber 31, 2017
Short-term investments:		(U	naudite	ed)
Separately held investments:				
Investments measured at fair value (Note 5)	\$	576,361	\$	2,081,459
Investments accounted for using the equity method		50,594		48,831
Sub-total separately held investments		626,955		2,130,290
Unitized investments held by HERS		1,564,411		_
Total short–term investments	\$	2,191,366	\$	2,130,290

Notes to Unaudited Consolidated Financial Statements (continued)

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

	Jun	June 30, 2018		nber 31, 2017
Assets limited as to use:		(Un	audited,)
Separately held investments:				
Investments measured at fair value (<i>Note 5</i>)	\$	1,195,139	\$	1,581,556
Investments accounted for using equity				
method		923,190		1,542,017
Sub-total separately held investments		2,118,329		3,123,573
Pooled investments held by Fund, Inc. on				
behalf of NYP/Queens		26,363		25,770
Unitized investments held by HERS		959,221		_
Pledges receivable – net		_		543
Total assets limited as to use		3,103,913		3,149,886
Less current portion		71,377		73,700
Assets limited as to use – noncurrent	\$	3,032,536	\$	3,076,186

Fund, Inc., an entity related to the Hospital, is the managing member of HERS. HERS began actively managing investments in a unitized structure on behalf of the Hospital and related organizations on April 1, 2018. Each member's ownership percentage is tracked for various strategic pools of investments. Each member is allocated income from investments on a monthly basis based on the underlying fair values and net asset values of the invested securities and their individual unitized ownership. The Hospital recognizes only the unitized portion of HERS assets attributable to the Hospital. HERS assets attributable to the Hospital represented approximately 65% of total HERS assets at June 30, 2018.

Notes to Unaudited Consolidated Financial Statements (continued)

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

The asset allocation of HERS and the unfunded commitments and liquidity of alternative investments held by HERS at June 30, 2018 are as follows (in thousands):

		Redemption									
Description of		1	U nfunded	Frequency (if	Redemption						
Investment	Asset Allocation	Co	mmitments	Currently Eligible)	Notice Period						
		(Unaudited)								
Marketable securities measured at fair value:											
Cash and cash equivalents	2 %										
Fixed income securities:											
U.S. government bonds and											
notes	16										
Mortgage and asset-backed	8										
Corporate	14										
Equities:											
U.S. equities	5										
Non-U.S. equities	10										
Real asset investments	2										
Assets measured at net asset											
value:											
Common											
collective/commingled											
trusts – equities	10	\$	_	Daily to Annual	3 to 90 days						
Hedge funds	15		_	Monthly to Annual	30 to 180 days						
Private equity	12		296,189	*	*						
Private real assets	6		271,976	*	*						
	100 %	\$	568,165								

Notes to Unaudited Consolidated Financial Statements (continued)

5. Fair Value Measurements

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

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

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

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

Notes to Unaudited Consolidated Financial Statements (continued)

5. Fair Value Measurements (continued)

The following table presents financial instruments carried at fair value, excluding assets invested in the Hospital's pension plans and the unitized investments held by HERS (see Note 4), as of June 30, 2018 and December 31, 2017 (in thousands):

	June 30, 2018 (Unaudited)									
		Total		Level 1		Level 2	Level 3			
Cash and cash equivalents – held for investment	\$	152,531	\$	152,531	\$	- \$	_			
Fixed income:										
U.S. government		317,892		315,724		2,168	_			
Corporate		134,995		96,258		38,737	_			
Mortgage and asset backed		17,515		_		17,515	_			
U.S. equities ^(a)		182,453		182,453		_	_			
Non-U.S. equities (b)		72,901		72,901		_	_			
Real assets		215,454		215,454		_	_			
Mutual funds		466,708		466,708		_	_			
Alternative investments – investment held by										
captive insurance companies(c)		211,051		_		195,007	16,044			
	\$	1,771,500	\$	1,502,029	\$	253,427 \$	16,044			

	December 31, 2017 (Audited)									
	Total			Level 1		Level 2	Level 3			
Cash and cash equivalents – held for										
investment	\$	169,504	\$	169,504	\$	_	\$	_		
Fixed income:										
U.S. government		840,809		840,809		_		_		
Non U.S. governmental bonds		547		547		_		_		
Corporate		640,984		138,673		502,311		_		
Mortgage and asset backed		290,502		266,962		23,540		_		
Other		2,493		_		2,493		_		
Equities:										
U.S. equities ^(a)		208,039		208,039		_		_		
Non-U.S. equities ^(b)		235,254		235,254		_		_		
Real assets		299,437		299,437		_		_		
Mutual funds		744,171		744,171		_		_		
Alternative investments – investments held										
by captive insurance companies ^(c)		231,275		_		215,314		15,961		
	\$	3,663,015	\$	2,903,396	\$	743,658	\$	15,961		

Notes to Unaudited Consolidated Financial Statements (continued)

5. Fair Value Measurements (continued)

The Hospital's alternative investments and common collective/commingled trusts and pooled investments held by related organizations are reported using net asset value and the equity method of accounting and, therefore, are not included in the tables above (see Note 1).

Financial instruments invested in the Hospital's pension plans at fair value are classified in the table below in one of the three categories described above as of June 30, 2018 and December 31, 2017 (in thousands):

	June 30, 2018 (<i>Unaudited</i>)							
		Total		Level 1	Level 2	Level 3		
Cash and cash equivalents Fixed income:	\$	66,457	\$	66,457	\$	_	\$	_
U.S. government Equities:		242,363		242,363		_		_
U.S. equities ^(a)		19,204		19,204		_		_
Non-U.S. equities ^(b)		118,527		118,527		_		_
Real assets		68,810		68,810		_		
		515,361	\$	515,361	\$	_	\$	
Asset measured at net asset value as a practical expedient:								
Common collective equity funds ^(d)		614,176						
Hedge funds ^(e)		323,276						
Private equity ^(f)		285,304						
Private real assets ^(g)		<u>175,292</u>						
	\$	<u>1,913,409</u>						

Notes to Unaudited Consolidated Financial Statements (continued)

5. Fair Value Measurements (continued)

December	31,	2017
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	 (Audited)						
	 Total		Level 1	Level 2			Level 3
Cash and cash equivalents	\$ 293,247	\$	293,247	\$	-	\$	_
Fixed income: U.S. government	208,355		208,355		_		_
Equities:							
U.S. equities ^(a)	37,086		37,086		_		_
Non-U.S. equities ^(b)	119,202		119,202		_		_
Real assets	 48,575		48,575		_		_
	706,465	\$	706,465	\$	_	\$	_

practical expedient.	
Common collective equity funds (d)	504,454
Hedge funds ^(e)	311,616
Private equity ^(f)	236,463
Private real assets ^(g)	 162,426
	\$ 1,921,424

⁽a) Equity portfolios invested in common stock of corporations primarily domiciled in the United States.

⁽b) Equity portfolios invested in common stock of corporations primarily domiciled outside the United States, including emerging market countries.

⁽c) Investments held by captive insurance companies consist of assets which are pooled with other assets that include marketable securities and alternative investments. The investments are managed by CCC Investment Trust and are independently audited.

⁽d) Common collective/commingled trusts invested in common stock of corporations domiciled in the United States and outside the United States, including emerging market countries.

⁽e) Hedge funds include long and short equity, multi-strategy, event driven and relative value funds invested with managers who invest with different strategies and typically employ some leverage. In long and short equity, fund managers create a portfolio of long positions in stocks expected to appreciate over time and short positions in stocks expected to depreciate. Event driven managers create a portfolio designed to profit from corporate events, such as mergers, spin-offs, defaults and bankruptcy. Relative value managers invest in long and short positions, but typically have a more neutral net market position than long and short. Multi-strategy is a fund employing a variety of hedge fund strategies.

⁽f) Private equity investments include limited partnership investments in funds pursuing strategies in corporate buyouts, venture capital, growth equity, distressed and turnaround investments.

⁽g) Real estate and natural resources investments.

Notes to Unaudited Consolidated Financial Statements (continued)

5. Fair Value Measurements (continued)

The following is a description of the Hospital's valuation methodologies for assets measured at fair value. The fair value methodologies are not necessarily indicators of investment risk, but are descriptive of the measures used to arrive at fair value. Fair value for Level 1 is based upon quoted market prices. Investments classified as Level 2 are primarily valued using techniques that are consistent with the market approach. Valuations for Level 2 are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets. Inputs, which include broker/dealer quotes, reported/comparable trades, and benchmark yields are obtained from various sources including market participants, dealers and brokers. Common collective/commingled trusts and alternative investments are measured at net asset value. The valuation for alternative investments is described in Note 1. The methods described above may produce a fair value that is not indicative of net realizable value or reflective of future fair values. Furthermore, while the Hospital believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

The following is a summary of investments (by major class) that have restrictions on the Hospital's or the Hospital's pension plans ability to redeem its investments at the measurement date, any unfunded capital commitments and the investments strategies of the investees as of June 30, 2018 (including investments accounted for using the equity method) (in thousands):

Description of Investment	Net Asset Value	Unfunded Commitments		Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Common collective/					
commingled trusts	\$ 1,346,062	\$	_	Daily to annually	3 to 90 days
Hedge funds	388,492		_	Monthly to annually	30 to 180 days
Private equity	380,965		291,984	*	*
Private real assets	256,313		247,414	*	*
	\$ 2,371,832	\$	539,398		

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

Notes to Unaudited Consolidated Financial Statements (continued)

5. Fair Value Measurements (continued)

The carrying values of cash and cash equivalents, receivables, accounts payable and accrued expenses, other current assets and liabilities are reasonable estimates of fair value due to the short-term nature of these financial instruments. Carrying value approximates fair value for other noncurrent financial instruments, excluding long-term debt obligations and financial instruments included in the fair value tables. At June 30, 2018 and December 31, 2017, the fair value of long-term debt obligations totaled approximately \$2,838.6 million and \$2,887.4 million, respectively, excluding capital leases and unamortized fair value adjustments. The fair value of long-term debt is classified as Level 2 in the fair value hierarchy, using techniques consistent with the market approach. Valuations for long-term debt are based on quoted market prices for related bonds (when applicable) or current market data and discounted cash flow estimates.

6. Commitments and Contingencies

Various investigations, lawsuits and claims arising in the normal course of operations are pending or on appeal against the Hospital. While the ultimate effect of such actions cannot be determined at this time, it is the opinion of management that the liabilities which may arise from such actions would not materially affect the consolidated financial position or results of operations of the Hospital. Refer to Note 12 of the Hospital's December 31, 2017 audited consolidated financial statements for its annual disclosure of other matters involving commitments and contingencies.

7. Subsequent Events

Subsequent events have been evaluated through August 29, 2018, which is the date the unaudited consolidated financial statements were issued.

Unaudited Consolidating Statement of Financial Position

June 30, 2018

Consolidating Information

The following table summarizes the unaudited consolidating statement of financial position at June 30, 2018 (in thousands):

						Non-Oblig					
	Obligated Group NYPH			Other			mmunity Progra				
			Consolidated Entities		NYP/Hudson Valley		NYP/Queens	Methodist		Eliminations/ Reclasses	Consolidated
						vuncy	Unaudited			Rectusses	
Assets											
Current assets:											
Cash, cash equivalents and short-term investments:											
Cash and cash equivalents	\$	363,008	\$	7,652	\$	23,528	\$ 9,285	\$	136,713	\$ -	\$ 540,186
Short-term investments		1,564,418		-		39,278	63,962		523,708	-	2,191,366
Total cash, cash equivalents and short-term investments		1,927,426		7,652		62,806	73,247		660,421	-	2,731,552
Patient accounts receivable, less allowance for											
uncollectibles		736,339		8,289		26,887	116,741		72,901	-	961,157
Other current assets		206,000		543		7,359	19,177		41,699	-	274,778
Assets limited as to use – current portion		34,803		-		-	14,455		22,119	-	71,377
Professional liabilities insurance recoveries receivable											
and related deposit – current portion		77,165		-		2,047	14,062		-	-	93,274
Beneficial interest in net assets held by											
related organizations - current portion		66,947		-		-	-		-	-	66,947
Loans receivable from Regional Hospitals - current portion		8,061		-		-	-		-	(8,061)	-
Total current assets		3,056,741		16,484		99,099	237,682		797,140	(8,061)	4,199,085
Assets limited as to use – noncurrent		2,553,588		8,900		1,675	53,736		414,637	-	3,032,536
Property, buildings, and equipment – net		3,808,478		6,543		142,481	278,949		320,004	-	4,556,455
Other noncurrent assets – net		21,630		-		8,475	14,378		4,847	(15,999)	33,331
Professional liabilities insurance recoveries receivable											
and related deposit - noncurrent		219,117		-		10,086	28,351		7,955	-	265,509
Loans receivable from Regional Hospitals - noncurrent		488,419		-		-	-		-	(488,419)	-
Beneficial interest in net assets held by related											
organizations – noncurrent		1,990,227									1,990,227
Total assets	\$	12,138,200	\$	31,927	\$	261,816	\$ 613,096	\$	1,544,583	\$ (512,479)	\$ 14,077,143

Unaudited Consolidating Statement of Financial Position (continued)

June 30, 2018

Consolidating Information (continued)

		Non-Obligated Group								_			
			0	ther -		NYP Cor	mmunity Pr	ograi	ns, Inc.	_			
	Oblig	ated Group	Consolidated		NYP/Hudson				NYP/Brooklyn	Eliminations/			
	NYPH		Entities		Valley		NYP/Queens		Methodist	Reclasses		Consolidated	
							Unaudited						
Liabilities and net assets													
Current liabilities:													
Long-term debt – current portion	\$	63,898	\$	-	\$	-	\$ 3	,949	\$ 2,924	1 \$ (29)	\$	70,742	
Loans payable to NYPH - current portion		-		-		3,162	4	,870		- (8,032)		-	
Accounts payable and accrued expenses		590,446		4,782		14,109	65	,167	90,42		-	764,925	
Accrued salaries and related liabilities		272,838		3,464		17,229	14	,588	63,628			371,747	
Pension and postretirement benefit liabilities - current portion		22,526		-		-		999	390) .	-	23,915	
Professional liabilities and other insurance liabilities - current portion		79,617		-		2,087	26	,687	22,119			130,510	
Other current liabilities		211,502		-		3,484	5	,543	33,613	3 .	-	254,142	
Due to related organizations - net		23,938		25,785		2,404	11	,666	4,60	7 .		68,400	
Total current liabilities		1,264,765		34,031		42,475	133	,469	217,702	2 (8,061)		1,684,381	
Long-term debt		2,687,333		-		-	24	,683	23,382	2 (455)		2,734,943	
Loans payable to NYPH		-		-		48,297	128	,666	327,000	(503,963)		-	
Professional liabilities and other insurance liabilities		360,092		-		14,348	80	,235	172,452	2 .		627,127	
Pension liability		169,056		-		-	44	,854	6,453	3 .		220,363	
Postretirement benefit liability		30,140		-		-	30	,691	5,333	5 .	-	66,166	
Deferred revenue		733		-		-		-			-	733	
Other noncurrent liabilities		357,003		1,013		7,897	78	,257	95,49	1 .		539,664	
Total liabilities		4,869,122		35,044		113,017	520	,855	847,818	(512,479))	5,873,377	
Net assets:													
Unrestricted		5,211,904		(3,572)		145,415	80	,281	670,720	,		6,104,754	
Temporarily restricted		1,794,773		281		1,709	2	,855	19,452	2 .		1,819,070	
Permanently restricted		262,401		174		1,675	9	,105	6,58	7 .		279,942	
Total net assets		7,269,078		(3,117)		148,799	92	,241	696,763	5 .		8,203,766	
Total liabilities and net assets	\$	12,138,200	\$	31,927	\$	261,816	\$ 613	,096	\$ 1,544,583	3 \$ (512,479)	\$	14,077,143	

Unaudited Consolidating Statement of Operations

For the Six Months Ended June 30, 2018

Consolidating Information (continued)

The following table summarizes the unaudited consolidating statement of operations for the six months ended June 30, 2018 (in thousands):

			Non-Ol				
			NYP C	Community Progr	ams, Inc.	•	
	Obligated Group NYPH	Other Consolidated Entities	NYP/Hudson Valley	NYP/Queens	NYP/Brooklyn Methodist	Eliminations /Reclasses	Consolidated
		Entities	vancy	Unaudited	Michigan	Acciases	Consonateu
Operating revenues				Опининеи			
Net patient service revenue	\$ 2,955,200	25,057	119.733	\$ 412.316	\$ 498,697		\$ 4,011,003
Other revenue	139,624	20,130		11,542	18,012		171,792
Total operating revenues	3,094,824	45,187		423,858		. , ,	4,182,795
Operating expenses							
Salaries and wages	1,370,381	29,260	61,168	212,826	223,746		1,897,381
Employee benefits	408,006			69,145	69,095		573,160
Supplies and other expenses	961,452			126,023	189,163	(19,527)	1,304,570
Interest and amortization of deferred financing fees	42,889		1.101	3,316			52,357
Depreciation and amortization	172,138	346	5,811	14,424	12,346		205,065
Total operating expenses	2,954,866	45,542	126,550	425,734	499,368	(19,527)	4,032,533
Operating income (loss)	139,958	(355)	(4,806)	(1,876)	17,341	-	150,262
Investment return	30,644	(8)	179	(159)	326		30,982
Excess (deficiency) of revenues over expenses	170,602	(363)	(4,627)	(2,035)	17,667		181,244
Other changes in unrestricted net assets:							
Net asset transfers (to) from related parties	(7,419)	-	-	6,313	-		(1,106)
Net assets released from restrictions for the purchase of fixed assets	-	-	-	-	25		25
Distributions from New York-Presbyterian Fund, Inc.							
for the purchase of fixed assets	199,931	-	-	-	-		199,931
Change in pension and postretirement benefit liabilities							
to be recognized in future periods	18,240	-	-	-	-		18,240
Change in unrestricted net assets	\$ 381,354	(363)	(4,627)	\$ 4,278	\$ 17,692	\$ -	\$ 398,334

DISCLOSURE REPORT

DATED AUGUST 29, 2018

THE NEW YORK AND PRESBYTERIAN HOSPITAL

FOR

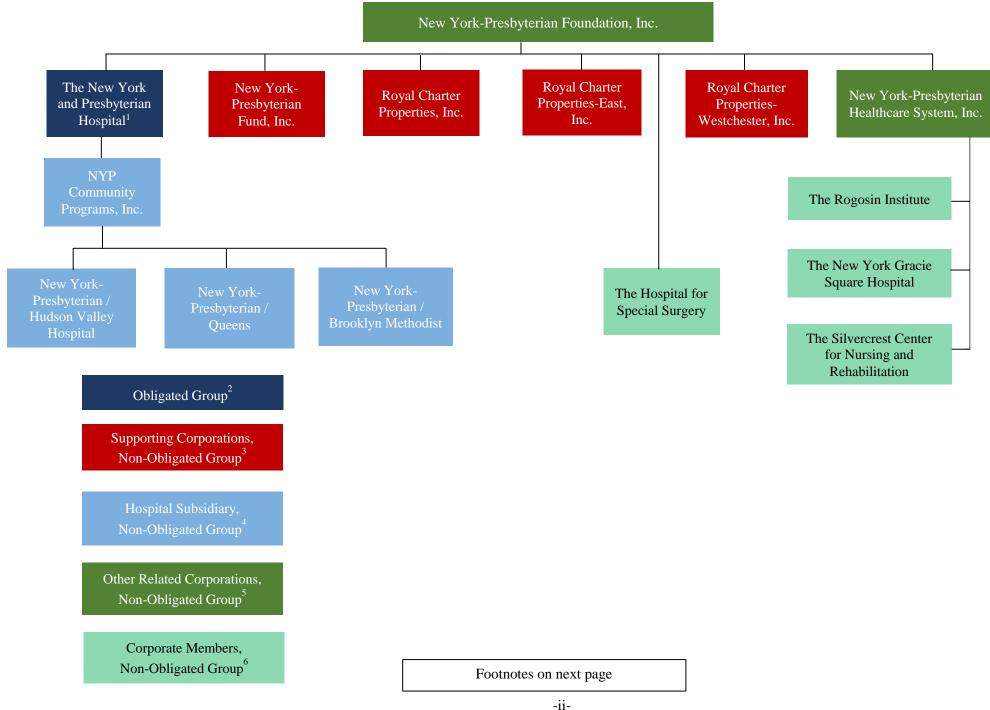
THE QUARTER AND SIX MONTHS ENDED

JUNE 30, 2018

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New York-Presbyterian Organizational Structure



- 1. This chart does not reflect the financial results of all entities which are included in the consolidated financial statements of The New York and Presbyterian Hospital (the "Hospital"). Among others, it does not include Lawrence Medical Associates, P.C. (d/b/a NewYork-Presbyterian Medical Group/Westchester) and Lawrence Care Inc. For additional information regarding these entities, see Note 1 to the Hospital's Unaudited Consolidated Financial Statements and Supplementary Information As of and For the Six Months Ended June 30, 2018.
- In connection with the issuance by of its Series 2015 Bonds in February 2015, the Hospital formed an Obligated Group under and as defined in its Master Trust Indenture. Currently, the Hospital is the sole member of the Obligated Group. For a discussion of the Master Trust Indenture, the Obligated Group and the debt covered thereby, see "Introduction Debt Structure The MTI Indebtedness" on page 3 of this Disclosure Report.
- 3. For a discussion of the Supporting Corporations, see the third paragraph under the heading "Introduction General" on page 1 of this Disclosure Report.
- 4. The Hospital subsidiaries are those entities under the control of the Hospital or one of its direct subsidiaries. These entities are part of the Hospital's consolidated group that is reported in the consolidated financial statements prepared in accordance with U.S. generally accepted accounting principles. Entities included in the Hospital's consolidated financial statements, other than the Hospital, are not legally obligated on the Hospital's indebtedness.
- 5. These corporations coordinate membership in the Health Care System (as hereinafter defined). For additional details, see the third paragraph under the heading "Introduction General" on page 1 of this Disclosure Report.
- 6. For a discussion of the Corporate Members, see the third paragraph under the heading "Introduction General" on page 1 of this Disclosure Report.

Note: The Hospital is the only entity that is obligated with respect to repayment of its indebtedness, including its Series 2015 Bonds and its Series 2016 Bonds. None of the assets or revenue of any of the other entities described above is committed to the repayment of the Hospital's indebtedness.

FORWARD-LOOKING STATEMENTS

Certain statements in this disclosure report that relate to the Hospital are forward-looking statements that are based on the beliefs of, and assumptions made by, the management of the Hospital. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results or performance of the Hospital to be materially different from any expected future results or performance.

* * * * *

PREVIOUSLY REPORTED INFORMATION WITH RESPECT TO PRIOR PERIODS

Certain financial information and utilization data set forth herein with respect to past periods may differ from what the Hospital has previously reported in earlier disclosure documents. This is generally due to changes in accounting standards and related guidance, or the application of relevant accounting standards, that require a reclassification or restatement of certain items and to adjustments in utilization data that occur in the normal course of patient care or as services are billed and coded. See also, "NOTE REGARDING MERGER OF NEWYORK-PRESBYTERIAN/LAWRENCE INTO THE HOSPITAL" below.

* * * * *

The information contained in this disclosure report may include statistics and other data relating to the healthcare industry in the United States that have been derived from third party sources. Such statistics and data are not necessarily reflective of current or future industry and market conditions. While the Hospital has no reason to question the accuracy of such statistics and data, such statistics and data have not been independently verified by the Hospital.

NOTE REGARDING MERGER OF NEWYORK-PRESBYTERIAN/LAWRENCE INTO THE HOSPITAL

NewYork-Presbyterian/Lawrence Hospital (f/k/a Lawrence Hospital Center) ("NYP/Lawrence") became the Hospital's first indirect hospital subsidiary in July 2014. Effective April 1, 2018, NYP/Lawrence was merged into the Hospital. The Hospital now owns and operates the 288-bed acute care hospital ("Lawrence Hospital") that was owned and operated by NYP/Lawrence prior to the merger. Lawrence Hospital is located in Bronxville, Westchester County, New York.

The financial and operating data regarding the Hospital in this Disclosure Report have been adjusted to include the financial and operating results of NYP/Lawrence, as if the merger had occurred as of January 1, 2017.

INTRODUCTION

General

The New York and Presbyterian Hospital (the "Hospital"), a New York not-for-profit corporation created as a result of the January 1998 merger of The Society of The New York Hospital ("New York Hospital") and The Presbyterian Hospital in the City of New York ("Presbyterian Hospital"), operated at six campuses in Manhattan and Westchester County, New York, during the quarter ended March 31, 2018 and fiscal year ended December 31, 2017. As of April 1, 2018, with the merger of NYP/Lawrence into the Hospital, there is a seventh campus located in Westchester County. See, "NOTE REGARDING MERGER OF NYP/LAWRENCE INTO THE HOSPITAL" on page -iv- above. The Hospital serves as the academic and quaternary care hub of a network of health care providers (the "Health Care System"), which, as of August 1, 2018, included 4 acute care hospitals, 2 long-term care facilities, 2 ambulatory sites and 2 specialty institutions, located in New York. Over the years the Hospital has developed its relationships with the members of the Health Care System as part of its strategic goal of providing high quality, integrated care throughout the tri-state New York metropolitan area (the "Metropolitan Area"). One of the country's largest academic medical centers, the Hospital ranked # 10 in the 2018-2019 U.S News and World Report annual ranking of the best hospitals in the United States, and was the top-ranked hospital in the Metropolitan Area. The Hospital has developed highly specific, patient-centered models of care to treat its diverse patient populations.

The Hospital is the primary clinical teaching facility for two of the country's leading medical colleges: The Joan and Sanford I. Weill Medical College of Cornell University ("Weill Cornell Medical School") and Columbia University College of Physicians and Surgeons ("Columbia University Medical School" and, together with Weill Cornell Medical School, the "Medical Schools").

New York-Presbyterian Foundation, Inc. ("NYPFI") is an affiliate that is linked to the Hospital through the Hospital's Board of Trustees. The Hospital also is affiliated with several entities that support the Hospital through fundraising and real estate holdings. These affiliated entities ("Supporting Corporations") include: (i) New York-Presbyterian Fund, Inc. ("Fund, Inc."), which solicits, receives, invests and administers philanthropic funds for the Hospital and other charitable organizations approved by the Board of Directors of Fund, Inc. and (ii) three real estate holding companies: Royal Charter Properties, Inc., Royal Charter Properties – East, Inc., and Royal Charter Properties – Westchester, Inc. (collectively, the "RCP Corporations"). Another affiliated entity, the New York-Presbyterian Healthcare System, Inc. ("NYPHSI"), serves as the corporate link to a number of the hospitals and other entities that are referred to herein as "Corporate Members" of the Health Care System. NYP Community Programs, Inc. ("Community Programs" or "NYP Community Programs"), a subsidiary of the Hospital, serves as the parent entity of the Hospital's indirect hospital subsidiaries, NYP/Brooklyn Methodist, NYP/Queens and NYP/Hudson Valley, and served as the parent entity of NYP/Lawrence prior to April 1, 2018 when NYP/Lawrence was merged into the Hospital.

Hospital Campuses

The Hospital owns and operates one of the oldest hospitals in the nation. It has a history of over 225 years of providing medical care in the Metropolitan Area, with six of the seven campuses operated by the Hospital having roots dating back more than 100 years.

Weill Cornell Campus

The Weill Cornell Campus occupies the city blocks bounded by East 68th Street to East 71st Street and from York Avenue to the East River, together with various buildings in the area. Portions of the buildings that comprise the Weill Cornell Campus are owned and/or occupied by Weill Cornell Medical School. The Hospital has 862 certified inpatient beds at its facilities on the Weill Cornell Campus.

Westchester Division

The Westchester Division, which has 265 certified beds, provides inpatient and outpatient psychiatric and behavioral health services.

Lower Manhattan Hospital

NewYork-Presbyterian Lower Manhattan Hospital ("Lower Manhattan Hospital"), is located at 170 William Street, Manhattan, and is the only acute care facility in Manhattan below 14th Street. It has 180 certified beds. Lower Manhattan Hospital became part of the Hospital in July 2013 when New York Downtown Hospital, then a separate member of the Health Care System, was merged into the Hospital.

Columbia Irving Campus

The Columbia Irving Campus occupies the city blocks bounded by West 165th Street to West 168th Street and from Broadway to Riverside Drive, together with various other buildings in the area. Portions of the buildings that comprise the Columbia Irving Campus are owned and/or occupied by Columbia University Medical School. The Hospital has 736 certified beds at its facilities on this campus.

Morgan Stanley Children's Hospital

The Morgan Stanley Children's Hospital of NewYork-Presbyterian ("MSCHONY") is a pediatric acute care and ancillary services facility with 286 certified beds, and is located on a site contiguous with the Columbia Irving Campus.

Allen Hospital

The Allen Hospital has 196 certified beds and is located at Broadway and the Harlem River in the Inwood section of Manhattan, opened in 1988 under the sponsorship of Presbyterian Hospital and offers acute care to residents of its service area in a community-based setting.

Lawrence Hospital

Lawrence Hospital has 288 certified beds and is located in Bronxville, New York. Lawrence Hospital became part of the Hospital on April 1, 2018 when NYP/Lawrence, then a subsidiary of NYP Community Programs, was merged into the Hospital.

Debt Structure

The Hospital's long-term indebtedness can be categorized into four groups: (1) the FHA-Insured Indebtedness, (2) the Lower Manhattan Indebtedness, (3) the Master Trust Indenture (MTI) Indebtedness and (4) Other Indebtedness. As discussed below, the FHA-Insured Indebtedness and the Lower Manhattan Indebtedness are secured by mortgages on certain of the Hospital's facilities and pledges of revenues and accounts. The MTI Indebtedness is unsecured.

The FHA-Insured Indebtedness

The Hospital's FHA-Insured Indebtedness is secured by mortgages on the Weill Cornell Campus, the Columbia Irving Campus, Morgan Stanley Children's Hospital, Allen Hospital and the Westchester Division (the "FHA-Insured Mortgages"), and a pledge of revenues and accounts of the Hospital. Under the loan documents for the FHA-Insured Mortgages (the "FHA Loan Documents"), the Hospital is required to maintain certain debt service funds, including mortgage reserve funds. In addition, the Hospital is required to maintain debt service coverage and other financial ratios, and to obtain approval to incur additional debt above specified levels if certain covenant requirements are not met.

The terms and provisions of the FHA Loans Documents are solely for the benefit of the parties thereto and may be amended or waived in accordance with their terms, without the consent of or notice to any other creditors of the Hospital.

The Lower Manhattan Indebtedness

The Lower Manhattan Indebtedness relates to the Secured Hospital Revenue Refunding Bonds (New York Downtown Hospital), Series 2011, which were issued by the Dormitory Authority of the State of New York ("DASNY"). This debt is secured by a mortgage on the Lower Manhattan Hospital facility (the "Lower Manhattan Mortgage") and a security interest in the gross receipts and certain fixtures, furnishings and equipment of the Hospital. Pursuant to a Subordination Agreement, dated as of June 28, 2013 (the "DASNY Subordination Agreement"), DASNY agreed to subordinate its interest in the Hospital's gross receipts to the security interests granted under the FHA Loan Documents. In the event of a default under the Lower Manhattan Mortgage loan documents, subject to the DASNY Subordination Agreement, DASNY is entitled to exercise certain rights as a secured party, including the right to accelerate the Lower Manhattan Indebtedness and foreclose on the lien of the Lower Manhattan Mortgage. The proceeds of the exercise of any such rights would be applied to the payment of the Lower Manhattan Indebtedness prior to the payment of any other indebtedness of the Hospital.

The MTI Indebtedness

The Hospital formed an Obligated Group under and as defined in the Master Trust Indenture, dated as of January 1, 2015 (the "Master Trust Indenture"), between the Hospital and TD Bank, N.A., as master trustee (the "Master Trustee"). Indebtedness evidenced by an Obligation issued under the Master Trust Indenture constitutes a joint and several obligation of the Hospital and any entity that may in the future become a Member of the Obligated Group (as defined in the Master Trust Indenture), subject to the right of a Member to withdraw from the Obligated Group upon meeting certain conditions set forth in the Master Trust Indenture. Currently, the Hospital is the only Member of the Obligated Group, and there are two Obligations issued under the Master Trust Indenture: (i) Obligation No. 1, which was issued to TD Bank, N.A., as bond trustee for the Hospital's Taxable Bonds, Series 2015 (the "Series 2015 Bonds"), and (ii) Obligation No. 2, which was issued to TD Bank, N.A., as bond trustee for the Hospital's Taxable Bonds, Series 2016 (the "Series 2016 Bonds"). The Series 2015 Bonds were issued on February 5, 2015 in the amount of \$750.0 million. Obligation No. 1 was issued under and pursuant to the Master Trust Indenture and the Supplemental Master Indenture for Obligation No. 1, dated as of January 1, 2015 ("Supplemental Indenture No. 1"), between the Hospital and the Master Trustee. The Series 2016 Bonds were issued on June 28, 2016 in the amount of \$850.0 million. Obligation No. 2 was issued under and pursuant to the Master Trust Indenture

and the Supplemental Master Indenture for Obligation No. 2, dated as of June 1, 2016 ("Supplemental Indenture No. 2"), between the Hospital and the Master Trustee. Pursuant to Supplemental Indenture No. 1 and Supplemental Indenture No. 2, the Hospital has agreed not to withdraw from the Obligated Group as long as Obligation No. 1 or Obligation No. 2 remains outstanding.

The Master Indenture does not impose any financial or other tests as a condition to the issuance of additional Obligations, which may be issued from time to time without restriction. The Master Trust Indenture does not grant a security interest in or lien on any property or revenue of the Hospital or any future Members of the Obligated Group to secure the Obligations. Accordingly, Obligation No. 1 and Obligation No. 2 are unsecured. The Master Trust Indenture permits the Members of the Obligated Group to secure Indebtedness, including any additional Obligations, so long as the lien granted is a Permitted Lien under the Master Trust Indenture.

Other Indebtedness

The Hospital has various capital leases totaling \$70.9 million as of June 30, 2018, which are secured by the financed equipment.

In June 2017, the Hospital amended a line of credit agreement that was entered into in 2009 with a commercial bank and which had been renewed annually. The amount available under this line of credit was increased from \$100.0 million to \$200.0 million and the term was extended from 364 days to three years through June 30, 2020. In August 2017, the Hospital obtained a line of credit with a second commercial bank. The amount available under this facility is \$150.0 million and it has a term through August 15, 2021. Both lines of credit are unsecured. As of the date of this Disclosure Report, no draws have been made under either of these lines of credit.

In June 2017, the Hospital entered into a transaction pursuant to which the Hospital purchased a 30year leasehold condominium interest (with an option to extend) in approximately 480,000 square feet of space located at 466 Lexington Avenue (the "Leasehold Condominium") to be used to consolidate corporate services. The new space is replacing certain existing leased and owned office space. To finance the acquisition of the Leasehold Condominium, the Hospital issued to the seller a promissory note in the principal amount of \$249.9 million (the "Promissory Note") which bears interest at a rate of 7% per annum. Interest payments for the period from July 2017 through December 2018 are deferred. The debt service terms require principal and interest payments in escalating amounts over the life of the note, ranging from \$1.5 million to \$2.5 million commencing January 2019 through December 2048. Unpaid interest incurred during the period accrues to the outstanding principal balance on the Promissory Note. Under this arrangement, the amount due will increase to an ultimate principal balance of \$283.3 million in December 2023. As of June 30, 2018, the balance due includes the principal amount of the Promissory Note and accrued interest of \$18.1 million, totaling \$267.9 million. The Promissory Note is secured by a mortgage granted by the Hospital in its interest in the Leasehold Condominium. In connection with this transaction, the seller/landlord provided the Hospital with a tenant allowance for leasehold improvements of approximately \$75.6 million, which was recorded in the Hospital's audited consolidated statements of financial position within other current assets and other noncurrent assets based on the timing of the receipts from the seller/landlord and other noncurrent liabilities for the deferred benefit, to be amortized over the term of the Promissory Note. As of June 30, 2018 the accompanying unaudited consolidated statement of financial position includes a \$36.1 million receivable recorded in current assets, a \$19.2 million receivable recorded in noncurrent assets at a net present value of approximately \$3.2 million and noncurrent liabilities totaling approximately \$73.2 million.

The Intercreditor Agreement

The U.S. Department of Housing and Urban Development, Prudential Huntoon Paige Associates, LLC, DASNY, the Master Trustee, the Series 2015 Bond Trustee and the Series 2016 Bond Trustee have entered into an intercreditor agreement (the "Intercreditor Agreement"). The Intercreditor Agreement provides for the cross-default under certain conditions of the FHA-Insured Indebtedness and the Lower Manhattan Indebtedness (collectively, the "Senior Debt") with the Series 2015 Bonds and the Series 2016 Bonds, and sets forth the terms as to the subordinate and junior nature of the Series 2015 Bonds and the Series 2016 Bonds with respect to the Senior Debt.

Lawrence Hospital Debt

On April 1, 2018, in connection with the merger of NYP/Lawrence into the Hospital, the Hospital assumed a term loan made by a commercial bank to NYP/Lawrence with an outstanding principal amount of \$17.6 million. This loan, which had been secured by a mortgage on the facilities of NYP/Lawrence and other collateral, was modified in a number of respects, and is now an unsecured general obligation of the Hospital. The Hospital also assumed a \$5.0 million revolving line of credit that had been extended by the same bank to NYP/Lawrence. This line of credit supports a letter of credit issued on behalf of NYP/Lawrence in the amount of \$2.4 million. As of the date of this Disclosure Report, no draws have been made under this line of credit.

FINANCIAL AND OPERATING INFORMATION

Utilization

A summary of historical utilization data for the quarters and six months ended June 30, 2018 and 2017 for the Hospital is presented in the following table. The table excludes entities (other than the Hospital), including, without limitation, Community Programs and its subsidiaries, the financial results, assets and liabilities of which are included in the Hospital's consolidated financial statements (collectively, the "Hospital's Consolidated Entities").

HISTORICAL UTILIZATION OF THE HOSPITAL

	Quarters Ended		Six Mo	nths Ended
	6/30/2018	6/30/2017	6/30/201	<u>8</u> <u>6/30/2017</u>
		(As Adjusted) ⁶		$(As\ Adjusted)^{6}$
Certified Beds (at end of period)	2,813	2,815	2,813	2,815
Staffed Beds (at end of period)	2,540	2,544	2,540	2,544
Discharges ¹	30,866	29,233	61,251	59,541
Patient Days ¹	191,602	190,174	388,107	388,470
Staffed Bed Days Available	231,140	231,504	459,740	460,464
Average Length of Stay (days) ²	5.90	5.83	5.90	6.03
Case Mix Index – Medicare	2.02	2.02	2.02	2.00
Case Mix Index - Hospital wide ³	1.63	1.62	1.62	1.61
Average Occupancy (%) ⁴	82.9%	82.1%	84.49	6 84.4%
Emergency Room Visits ⁵	82,702	82,668	169,355	162,683
Outpatient Clinic Visits	165,907	164,501	326,908	320,030
Ambulatory Surgery Procedures	28,305	28,046	55,583	54,393
Mental Health Clinic Visits	28,858	29,117	57,335	57,043

Source: Hospital records.

^{1.} Excludes newborns.

^{2.} Excludes psychiatry, rehabilitation, normal newborn, uncoded and LOS greater than 300 days.

^{3.} Hospital wide CMI is calculated using the payor specific cost weight (APR, AP or MSDRG).

^{4.} Occupancy percentages based on staffed bed days available.

^{5.} Includes only patients seen in the emergency room and not admitted.

^{6.} The quarters and six months ended June 30, 2018 and 2017 reflect the April 1, 2018 NYP/Lawrence merger into the Hospital as if the merger had occurred as of the beginning of the periods being reported.

Sources of Patient Service Revenue

The majority of patient services revenue received by the Hospital is derived from programs that are either insured or administered by third-party organizations. The following table reports the percentage of net patient service revenue by payor source for the quarters and six months ended June 30, 2018 and 2017. The table excludes the Hospital's Consolidated Entities.

Percent of Hospital's Net Patient Service Revenue by Payor Source

	Quarters Ended		Six Months Ended	
	6/30/2018	<u>6/30/2017</u>	6/30/2018	<u>6/30/2017</u>
		(As Adjusted) ³		(As Adjusted) ³
Payor				
Medicare ¹	24.4%	24.6%	24.4%	25.0%
Medicaid ¹	16.2%	18.2%	16.8%	17.9%
Commercial	58.8%	56.1%	58.1%	56.4%
Self Pay & Other	<u>0.6%</u>	<u>1.1%</u>	<u>0.7%</u>	0.8%
<u>Total²</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

Source: Hospital records.

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. The current Medicaid, Medicare and other third-party payor programs are based upon extremely complex laws and regulations that are subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount. 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 its consolidated financial statements and believes that it is in compliance with all applicable laws and regulations.

^{1.} Medicare includes Medicare Advantage and Medicaid includes Medicaid Managed Care.

^{2.} Totals may not foot due to rounding.

^{3.} The quarters and six months ended June 30, 2018 and 2017 reflect the April 1, 2018 NYP/Lawrence merger into the Hospital as if the merger had occurred as of the beginning of the periods being reported.

Summary Statements of Operations and Financial Position

Summary statements of operations and financial position for the Hospital are set forth below. These summary statements reflect financial results for the Hospital only. The unaudited information in the summary statements of operations for the six months ended June 30, 2018 and 2017 and in the summary statements of financial position at June 30, 2018 are derived from the unaudited consolidated financial statements. The summary statements of financial position at December 31, 2017 are derived from the Hospital's audited consolidated financial statements and supplementary information. Such unaudited consolidated financial statements include all adjustments, consisting of normal recurring accruals, which the Hospital considers necessary for a fair presentation of the financial position and the results of operations for these periods. Certain amounts included in the Hospital's unaudited financial information are recorded based on annual estimates, are only updated annually, or are projected for interim financial reporting purposes; however, such amounts and estimates are subject to change and are reevaluated by the Hospital monthly and on an annual basis. The results for the quarter and six months ended June 30, 2018 are not necessarily indicative of the results that may be expected for the entire year ending December 31, 2018.

The financial results of the Hospital's Consolidated Entities, including, without limitation, Community Programs, NYP/Hudson Valley, NYP/Queens and NYP/Brooklyn Methodist are reflected in the consolidated financial statements of the Hospital. However, the financial results and utilization data of these entities are not reflected in the information presented in this disclosure report. None of the Hospital's Consolidated Entities is a Member of the Obligated Group. None of these entities has any financial or other obligation under the Master Trust Indenture or any Bond Indenture to which the Hospital is a party, and none of their assets or revenue is legally committed to the repayment of any of the debt of the Hospital, including the Series 2015 Bonds, the Series 2016 Bonds, Obligation No. 1 or Obligation No. 2.

Effective April 1, 2018, NYP/Lawrence was merged into the Hospital. The summary statements of operations and financial position of the Hospital set forth below include the results of NYP/Lawrence as if the merger had occurred as of January 1, 2017. See, "NOTE REGARDING MERGER OF NYP/LAWRENCE INTO THE HOSPITAL" on page -iv- above.

SUMMARY STATEMENTS OF OPERATIONS OF THE HOSPITAL

(In thousands)

	Unaudited		 Unaudited				
		Quarters Ended		Six Months Ended		<u>ed</u>	
		6/30/18		6/30/17	6/30/18		6/30/17
			(A.	s Adjusted)		(A	s Adjusted)
Operating Revenues							
Net patient service revenue	\$	1,523,948	\$	1,418,866	\$ 2,955,200	\$	2,783,476
Provision for bad debts ¹		-		(19,595)	-		(38,956)
Net patient service revenue, less provision for bad debts		1,523,948		1,399,271	2,955,200		2,744,520
Other revenue		69,861		66,329	139,624		149,153
Total operating revenues		1,593,809		1,465,600	3,094,824		2,893,673
Operating Expenses							
Salaries and wages		696,326		655,823	1,370,381		1,289,629
Employee benefits		206,073		185,209	408,006		368,296
Supplies and other expenses		498,082		447,768	961,452		888,964
Interest and amortization of deferred financing fees		22,293		17,341	42,889		35,264
Depreciation and amortization		92,554		73,180	172,138		145,583
Total operating expenses		1,515,328		1,379,321	2,954,866		2,727,736
Operating income		78,481		86,279	139,958		165,937
Investment return		47,413		67,387	30,644	-	154,280
Excess of revenue over expenses		125,894		153,666	170,602		320,217
Other changes in unrestricted net assets:							
Net asset transfers to related parties Distributions from New York-Presbyterian Fund, Inc. for the		(7,213)		(363)	(7,419)		(6,360)
purchase of fixed assets Change in pension and postretirement benefit liabilities to be		111,872		18,045	199,931		42,363
recognized in future periods		(9,073)		12,511	18,240		6,805
Change in unrestricted net assets	\$	221,480	\$	183,859	\$ 381,354	\$	363,025

Source: 1. See Note 1 of the accompanying Unaudited Consolidated Financial Statements and Supplementary Information As of and For the Six months Ended June 30, 2018.

Unaudited Consolidated Financial Statements of the Hospital for the quarters and six months ended June 30, 2018 and 2017 adjusted to reflect the April 1, 2018 NYP/Lawrence merger into the Hospital as if the merger had occurred as of January 1, 2017. Amounts exclude the Hospital's Consolidated Entities.

SUMMARY STATEMENTS OF FINANCIAL POSITION OF THE HOSPITAL

(In thousands)

	Unaudited June 30, 2018	Unaudited December 31, 2017 (As Adjusted)
Assets		
Current assets:		
Cash and cash equivalents	\$ 363,008	\$ 233,673
Short-term investments	1,564,418	1,509,227
Total cash, cash equivalents and short-term investments	1,927,426	1,742,900
Patient accounts receivable, net	736,339	684,642
Other current assets	206,000	211,818
Assets limited as to use - current portion	34,803	36,439
Professional liabilities insurance recoveries receivable		
and related deposit - current portion	77,165	78,112
Beneficial interest in net assets held by related		
organizations - current portion	66,947	65,798
Loans receivable from Regional Hospitals - current portion	8,061	7,898
Total current assets	3,056,741	2,827,607
Assets limited as to use - noncurrent	2,553,588	2,527,824
Property, buildings and equipment - net	3,808,478	3,617,861
Other noncurrent assets - net	21,630	21,630
Loans receivable from Regional Hospitals - noncurrent	488,419	492,548
Professional liabilities insurance recoveries receivable	100,119	1,2,5 10
and related deposit - noncurrent	219,117	215,662
Beneficial interest in net assets held by related	215,117	213,002
organizations - noncurrent	1,990,227	2,054,141
Total assets	\$ 12,138,200	\$ 11,757,273

Source: Unaudited Consolidated Financial Statements of the Hospital for the six months ended June 30, 2018 and Audited Consolidated Financial Statements of the Hospital for the year ended December 31, 2017 adjusted to reflect the April 1, 2018 NYP/Lawrence merger into the Hospital as if the merger had occurred as of January 1, 2017. Supplementary information accompanying the Audited Financial Statements of the Hospital as of December 31, 2017 and Hospital records. Amounts exclude the Hospital's Consolidated Entities.

SUMMARY STATEMENTS OF FINANCIAL POSITION OF THE HOSPITAL

(continued)

(In thousands)

	Unaudited June 30, 2018	Unaudited December 31, 2017 (As Adjusted)
Liabilities and net assets		
Current liabilities:		
Long-term debt - current portion	\$ 63,898	\$ 63,660
Accounts payable and accrued expenses	590,446	518,596
Accrued salaries and related liabilities	272,838	271,160
Pension and postretirement benefit liabilities - current portion	22,526	22,526
Professional liabilities and other - current portion	79,617	80,565
Other current liabilities	211,502	204,289
Due from related organizations - net	23,938	5,531
Total current liabilities	1,264,765	1,166,327
Long-term debt Professional liabilities and other Pension liability Postretirement benefit liability Deferred revenue Other noncurrent liabilities Total liabilities	2,687,333 360,092 169,056 30,140 733 357,003 4,869,122	2,707,760 357,801 172,276 30,449 1,001 356,360 4,791,974
Net assets: Unrestricted Temporarily restricted - held by related organizations Permanently restricted - held by related organizations Total net assets	5,211,904 1,794,773 262,401 7,269,078	4,830,550 1,873,097 261,652 6,965,299
Total liabilities and net assets	\$ 12,138,200	\$ 11,757,273

Source: Unaudited Consolidated Financial Statements of the Hospital for the six months ended June 30, 2018 and Audited Consolidated Financial Statements of the Hospital for the year ended December 31, 2017 adjusted to reflect the April 1, 2018 NYP/Lawrence merger into the Hospital as if the merger had occurred as of January 1, 2017. Supplementary information accompanying the Audited Financial Statements of the Hospital as of December 31, 2017 and Hospital records. Amounts exclude the Hospital's Consolidated Entities.

Liquidity

The following table sets forth the Hospital's days cash on hand based on unrestricted cash and investments and average daily operating expenses as of June 30, 2018 and December 31 2017 derived from the Hospital's unaudited consolidated financial statements for the six months ended June 30, 2018 and audited consolidated financial statements for the year ended December 31, 2017. The table excludes the Hospital's Consolidated Entities.

DAYS CASH ON HAND OF THE HOSPITAL

	As of <u>June 30, 2018</u>	As of <u>December 31,</u> 2017 (As Adjusted) (4)
Unrestricted cash and investments (1)	\$4,352,639	\$4,142,616
Average daily operating expenses (2)	15,374	14,360
Days cash on hand ⁽³⁾	283.1	288.5

^{1.} Includes all cash and cash equivalents, short-term investments, funded depreciation investments, board designated funds required by the Department of Housing and Urban Development to be so designated in connection with the Hospital's 2013 FHA-insured mortgage loan and investments made with proceeds of the Series 2015 and 2016 Bonds, but excluding any donor restricted funds and other third party restricted funds.

^{2.} For average daily operating expenses as of June 30, 2018, the total operating expenses for the six months then ended less depreciation and amortization divided by 181. For average daily operating expenses as of December 31, 2017, the total operating expenses for the fiscal year then ended less depreciation and amortization divided by 365.

^{3.} Unrestricted cash and investments divided by average daily operating expenses.

^{4.} The six months ended June 30, 2018 and year ended December 31, 2017 reflect the April 1, 2018 NYP/Lawrence merger into the Hospital as if the merger had occurred as of the beginning of the periods being reported.

The following table sets forth the Hospital's unrestricted cash and investments to long-term debt as of June 30, 2018 and December 31, 2017 derived from its unaudited consolidated financial statements for the six months ended June 30, 2018 and audited consolidated financial statements for the year ended December 31, 2017. The table excludes the Hospital's Consolidated Entities.

CASH TO DEBT OF THE HOSPITAL

	<u>June 30, 2018</u>	<u>December 31,</u> <u>2017</u>
Unrestricted cash and investments (1)	\$ 4,352,639	(As Adjusted) ⁽³⁾ \$ 4,142,616
Long-term debt:		
Bonds	\$ 2,442,087	\$ 2,467,372
Other long-term debt ⁽²⁾	356,059	<u>352,968</u>
Total long-term debt	2,798,146	2,820,340
Less: Current portion of long-term debt ⁽²⁾	(67,969)	<u>(67,761)</u>
Net long-term debt	2,730,177	2,752,579
Unrestricted cash and investments to Long-term debt	159.4%	150.5%

^{1.} Includes all cash and cash equivalents, short-term investments, funded depreciation investments, board designated funds required by the Department of Housing and Urban Development to be so designated in connection with the Hospital's 2013 FHA-insured mortgage loan and investments made with proceeds of the Series 2015 and 2016 Bonds, but excluding any donor restricted funds and other third party restricted funds.

^{2.} Includes the Promissory Note, term loan payable and capitalized leases excluding deferred financing costs which are reported net in current and long-term debt.

^{3.} The six months ended June 30, 2018 and year ended December 31, 2017 reflect the April 1, 2018 NYP/Lawrence merger into the Hospital as if the merger had occurred as of the beginning of the periods being reported.

Long-Term Debt Service Coverage

The following table sets forth the debt service coverage based on pro-forma maximum annual debt service (as described below) for the Hospital for the six months ended June 30, 2018 and year ended December 31, 2017. The table excludes the Hospital's Consolidated Entities.

LONG-TERM DEBT SERVICE COVERAGE OF THE HOSPITAL

	Six Months Ended <u>June 30,</u> <u>2018</u>	Year Ended <u>December 31,</u> <u>2017</u> (As Adjusted) (4)
Income available for debt service ¹ :		(115 11ujusteu)
Change in unrestricted net assets	\$381,354	\$773,951
Depreciation and amortization	172,138	301,906
Interest expense	42,889	77,764
Net assets received from Fund, Inc. for the		
purchase of fixed assets	(199,931)	(96,476)
Change in unrealized gains and losses on		
investments	24,066	(47,074)
Equity in income on alternative investments	(31,500)	(218,935)
Change in pension liability to be recognized in		
future periods	<u>18,240</u>	<u>5,046</u>
Total	\$ 407,256	\$ 796,182
Annualized Total ²	814,512	-
Pro-Forma		
Maximum annual debt service ³	212,693	212,693
Pro-Forma Coverage	3.8x	3.7x

Notes: 1. Income available for debt service is determined in accordance with the Master Trust Indenture. Line items not relevant to these periods are omitted.

^{2.} Results for the six months ended June 30, 2018 are annualized.

^{3.} Pro-Forma maximum annual debt service assumes level debt service on the Series 2015 Bonds over 30 years with the first principal payment in the fiscal year ended December 31, 2016, and assumes level debt service on the Series 2016 Bonds over 30 years with the first principal payment in the fiscal year ending December 31, 2017. In fact, the Series 2015 Bonds require no payment of principal until their maturity in 2045 and the Series 2016 Bonds require no payment of principal until the maturity of their first tranche in 2036. Pro-Forma maximum annual debt service of \$212,693 is calculated based upon debt outstanding as of June 30, 2018.

^{4.} The six months ended June 30, 2018 and year ended December 31, 2017 reflect the April 1, 2018 NYP/Lawrence merger into the Hospital as if the merger had occurred as of the beginning of the periods being reported.

Capitalization

The following table sets forth the historical capitalization of the Hospital as of June 30, 2018 and December 31, 2017. The table excludes the Hospital's Consolidated Entities.

CAPITALIZATION OF THE HOSPITAL

	June 30, 2018	<u>December 31,</u> <u>2017</u> (As Adjusted) (2)
Long-term debt:		(As Aujusieu)
Bonds	\$ 2,442,087	\$ 2,467,372
Other long-term debt ⁽¹⁾	356,059	352,968
Total long-term debt	2,798,146	2,820,340
Less: Current portion of long-term debt ⁽¹⁾	(67,969)	<u>(67,761)</u>
Net long-term debt ⁽¹⁾	2,730,177	2,752,579
Unrestricted net assets	5,211,904	4,830,550
Total capitalization	7,942,081	7,583,129
Long-term debt to total capitalization	34.4%	36.3%

Includes the Promissory Note, term loan payable and capitalized leases and excludes deferred financing costs which are reported net in current and long-term debt.

^{2.} The six months ended June 30, 2018 and year ended December 31, 2017 reflect the April 1, 2018 NYP/Lawrence merger into the Hospital as if the merger had occurred as of the beginning of the periods being reported.

Management's Discussion and Analysis of Utilization

Three months ended June 30, 2018 compared to three months ended June 30, 2017

For the three months ended June 30, 2018, the Hospital's inpatient discharges increased 1,633 cases or 5.6% compared to the same period in 2017. This increase was mainly in the Medicine, Surgery, and Pediatrics services. Contributing to the volume increase was the opening of a pediatric stepdown unit, increases in kidney transplants, recruitments of Cardiologists and Pediatric Epileptologists.

Emergency Room visits were consistent with the same period in 2017.

Outpatient Clinic visits increased 1,406 or 0.9% compared to the same period in 2017 primarily due to increased volume at the primary care off-site and rehabilitation clinics.

Ambulatory Surgery procedures were consistent with the same period in 2017.

Six months ended June 30, 2018 compared to six months ended June 30, 2017

For the six months ended June 30, 2018, the Hospital's inpatient discharges increased 1,710 cases or 2.9% compared to the same period in 2017. This increase was mainly in the Medicine, Surgery, and Pediatrics services. Contributing to the volume increase were the opening of a pediatric stepdown unit, increases in kidney transplants, and recruitments of Cardiologists and Pediatric Epileptologists, as well as an active flu season.

Emergency Room visits increased 6,672 visits or 4.1% compared to the same period in 2017 primarily due to the completion of the final phase of a six-phase renovation and expansion of the Milstein Emergency Department, declining walk-out rate and effective triage.

Outpatient Clinic visits increased 6,878 or 2.1% compared to the same period in 2017 primarily due to increased volume at the primary care off-site and rehabilitation clinics.

Ambulatory Surgery procedures increased 1,190 or 2.2% compared to the same period in 2017 as a result of increases in ophthalmology related to efficiencies gained via scheduling changes and growth to the practice due to increasing demand. Physician recruitments in Breast, Vascular, Colorectal, GI and orthopedic surgeries also contributed to this increase.

Mental Health Clinic visits were consistent with the same period in 2017.

Management's Discussion and Analysis of Recent Financial Performance

Three months ended June 30, 2018 compared to three months ended June 30, 2017

For the three months ended June 30, 2018, the Hospital had operating income of \$78.5 million, a \$7.8 million or 9.0% decrease compared to the same period in 2017 resulting from total revenue increasing 8.7% and total expenses increasing 9.9%. Excess of revenues over expenses was \$125.9 million, which represented a \$27.8 million or 18.1% decrease over the same period in 2017. This decrease was primarily attributed to lower in investment return.

For the three months ended June 30, 2018, net patient service revenue, less provision for bad debts, increased \$124.7 million or 8.9% over the same period in the previous year. This increase was driven primarily by increase in inpatient and outpatient volume, higher acuity and realizing higher payment rates compared with the same period in 2017.

For the three months ended June 30, 2018, other revenue increased \$3.5 million or 5.3% compared to the same period in 2017 primarily due to the timing of net assets released from restrictions and expansion of the pharmacy programs.

For the three months ended June 30, 2018, total operating expenses increased \$136.0 million or 9.9% compared with the same period in the previous year. Salaries and benefits increased \$61.4 million or 7.3% over the same period in the previous year. This increase was primarily a function of having 1,010 more full time equivalents to accommodate investments in bedside nursing, care coordination and population health, information technology and innovation, expanded emergency services and new clinical initiatives mainly related to the opening of a new ambulatory care facility at the Weill Cornell campus, coupled with the corresponding benefits and wage increases.

For the three months ended June 30, 2018, supplies and other expenses increased \$50.3 million or 11.2% over the previous year. This increase was primarily due to an increase in medical and surgical supplies resulting from higher inpatient and outpatient volume and acuity, an increase in pharmaceuticals related to ambulatory oncology visits and the opening of a new ambulatory care facility at the Weill Cornell campus. Depreciation and amortization expense increased \$19.4 million or 26.5% reflecting the completion of a number of Hospital capital projects, mainly a new ambulatory care facility at the Weill Cornell campus. Interest and amortization of deferred financing fees increased \$5.0 million or 28.6% as a result of the issuance of the Promissory Note to finance the acquisition of the Leasehold Condominium in June 2017.

For the three months ended June 30, 2018, other changes in unrestricted net assets increased \$65.4 million or 216.6% primarily due to the distribution from New York-Presbyterian Fund, Inc. for the purchase of fixed assets. This increase was primarily a result of the completion of the new ambulatory care facility at the Weill Cornell campus.

Six months ended June 30, 2018 compared to six months ended June 30, 2017

For the six months ended June 30, 2018, the Hospital had operating income of \$140.0 million, a \$26.0 million or 15.7% decrease compared to the same period in 2017 resulting from total revenue increasing 7.0% and total expenses increasing 8.3%. Excess of revenues over expenses was \$170.6 million, which represented a \$149.6 million or 46.7% decrease over the same period in 2017. This decrease was primarily attributed to lower investment return.

For the six months ended June 30, 2018, net patient service revenue, less provision for bad debts, increased \$210.7 million or 7.7% over the same period in the previous year. This increase was driven primarily by increases in inpatient and outpatient volume, higher acuity and realizing higher payment rates compared with the same period in 2017.

For the six months ended June 30, 2018, other revenue decreased \$9.5 million or 6.4% compared to the same period in 2017 primarily due to the liquidation of the Hospital's interest in a provider owned health insurance plan.

For the six months ended June 30, 2018, total operating expenses increased \$227.1 million or 8.3% compared with the same period in the previous year. Salaries and benefits increased \$120.5 million or 7.3% over the same period in the previous year. This increase was primarily a function of having 941 more full time equivalents to accommodate investments in bedside nursing, care coordination and population health, information technology and innovation, expanded emergency services and new clinical initiatives mainly related to the opening of a new ambulatory care facility at the Weill Cornell campus, coupled with the corresponding benefits and wage increases.

For the six months ended June 30, 2018, supplies and other expenses increased \$72.5 million or 8.2% over the previous year. This increase was primarily due to an increase in medical and surgical supplies resulting from higher inpatient and outpatient volume and acuity, an increase in pharmaceuticals related to ambulatory oncology visits and the opening of a new ambulatory care facility at the Weill Cornell campus. Depreciation and amortization expense increased \$26.6 million or 18.2% reflecting the completion of a number of Hospital capital projects, mainly a new ambulatory care facility at the Weill Cornell campus. Interest and amortization of deferred financing fees increased \$7.6 million or 21.6% as a result of the issuance of the Promissory Note to finance the acquisition of the Leasehold Condominium in June 2017.

For the six months ended June 30, 2018, other changes in unrestricted net assets increased \$167.9 million or 392.2% primarily due to the distribution from New York-Presbyterian Fund, Inc. for the purchase of fixed assets. This increase was primarily a result of the completion of a new ambulatory care facility at the Weill Cornell campus.

Outstanding Long-term Indebtedness

A summary of long-term indebtedness of the Hospital as of June 30, 2018 and December 31, 2017 is set forth in the following table. The table excludes the Hospital's Consolidated Entities.

OUTSTANDING LONG-TERM INDEBTEDNESS OF THE HOSPITAL (in thousands)

		Outstanding at		
Indebtedness	Maturity Date	June 30, 2018	December 31, <u>2017</u> (As Adjusted) (1)	
FHA-Insured			(As Aujusteu)	
Mortgage Loan (fixed rate, taxable)	2025	\$ 169,635	\$ 179,804	
Mortgage Loan (fixed rate, taxable)	2035	213,507	218,405	
Mortgage Loan (fixed rate, taxable)	2038	442,660	449,288	
MTI				
Series 2015 Bonds (fixed rate, taxable)	2045	750,000	750,000	
Series 2016 Bonds (fixed rate, taxable)	2036	250,000	250,000	
Series 2016 Bonds (fixed rate, taxable)	2056	350,000	350,000	
Series 2016 Bonds (fixed rate, taxable)	2116	250,000	250,000	
Lower Manhattan Hospital Dormitory Authority of the State of New York Secured Hospital Revenue Refunding Bonds, Series 2011 (fixed rate, tax-exempt)	2022	16,285	19,875	
Other				
Promissory Note – 466 Lexington Avenue	2048	267,931	258,742	
Term loan payable – Lawrence Hospital	2025	17,254	18,316	
Capitalized Leases		<u>70,874</u>	<u>75,910</u>	
Total		\$ 2,798,146	\$ 2,820,340	
Add: Unamortized fair value adjustment related to NYP/Lower Manhattan acquisition Less: Deferred financing cost, net of		496	622	
accumulated amortization		<u>47,411</u>	<u>49,542</u>	
Total		<u>\$ 2,751,231</u>	<u>\$ 2,771,420</u>	

^{1.} The six months ended June 30, 2018 and year ended December 31, 2017 reflect the April 1, 2018 NYP/Lawrence merger into the Hospital as if the merger had occurred as of the beginning of the periods being reported.

The Hospital has unsecured lines of credit with two commercial banks with available credit totaling \$350.0 million in the aggregate. The \$200.0 million line expires on June 30, 2020 and the \$150.0 million expires on August 15, 2021. No amounts have been drawn on either of these facilities. For further details, see "INTRODUCTION – Debt Structure – *Other Indebtedness*" on page 4 above.

See, "INTRODUCTION – Debt Structure – Lawrence Hospital Debt," above, for information regarding indebtedness the Hospital assumed in connection with the merger of NYP/Lawrence into the Hospital on April 1, 2018.

Investments

The following is a summary table of the Hospital's cash and investment assets, including the Hospital's beneficial interest in net assets held by related organizations, as of June 30, 2018. The table excludes assets invested in the Hospital's pension plans, as well as assets of the Hospital's Consolidated Entities.

CASH AND INVESTMENT ASSETS OF THE HOSPITAL

Total (in billions)	Total <u>Investment Assets</u> \$6.1	Beneficial Interest ⁽²⁾ \$1.6	Hospital Assets \$4.5
Cash	10%	10%	11%
Treasuries	14	8	16
Public Equity	30	30	29
Private Equity	10	20	6
Real Estate	7	7	7
Natural Resources	5	7	4
Hedge Funds	9	17	6
Credit	<u>15</u>	<u>0</u>	<u>21</u>
Total ⁽¹⁾	100%	100%	100%

Source: Hospital records.

For long-term funds, the Hospital has adopted a return-oriented, well-diversified asset allocation strategy. Results for the long-term investment funds have generally outperformed benchmarks.

The Hospital's investment assets, including the Hospital's beneficial interest in net assets held by related organizations, along with the assets invested in the Hospital's pension plans, comprise the majority of the investment assets under the purview of the Investment Committee and Investment Staff. The Hospital component in the table above includes investments limited as to use, including funded depreciation, funds held under loan agreements, and funded self-insurance. The Hospital component also includes short-term and cash equivalent investments maintained for purposes of operations and other needs of the Hospital, escrow funds, and other assets. Commencing April 1, 2018, certain Hospital investments are maintained in a pooled investment program through a limited liability company of which Fund Inc. is the managing member. The table does not include investments held by the Hospital's pension plan, which are invested in a similar manner as other long-term assets.

Totals may not foot due to rounding

^{2.} The beneficial interest component is almost entirely comprised of the Hospital's beneficial interest in Fund, Inc.

The following table shows, as of June 30, 2018, the liquidity of the Hospital's investment portfolio, with 76% or \$4.6 billion of assets accessible within one month. The table excludes assets of the Hospital Pension Plans and assets of the Hospital's Consolidated Entities.

LIQUIDITY OF HOSPITAL'S INVESTMENT PORTFOLIO

	Hospital	Hospital	
	Long-Term Fund	Current Investments	<u>Total</u>
1-5 Days	37%	100%	71%
6-31 Days	12	N/A	5
1-6 Months	11	N/A	5
7-12 Months	4	N/A	2
1-3 Years	4	N/A	2
3+ Years	<u>32</u>	<u>N/A</u>	<u>15</u>
Total ⁽¹⁾	100%	100%	100%

Source: Hospital records.

The following table shows (i) the amount of investment assets of the Hospital under management as of June 30, 2018 and December 31, 2017, and (ii) the investment performance of the long-term portfolio through June 30, 2018. The table excludes assets invested in the Hospital's pension plans and assets of the Hospital's Consolidated Entities.

Investment Assets Under Management (in billions)	As of June 30, 2018		<u>As of</u> <u>December 31,</u> <u>2017</u>
	\$6.1		\$5.9
	5 Year	3 Year	1 Year
Long-Term Portfolio Performance through 6/30/18	7.0%	6.2%	8.5%

Source: Hospital records.

^{1.} Totals may not foot due to rounding

Philanthropy

In 2007, after completing a \$1.0 billion campaign three years ahead of schedule, the Hospital, through Fund, Inc., began the Quiet Phase of a \$2.0 billion campaign. This campaign was publicly launched in 2012. As of June 30, 2018, over \$1.5 billion in pledges and gifts have been made towards this campaign since its public launch date. When considering pledges and gifts received during the Quiet Phase of the campaign, as of June 30, 2018 the Hospital has received pledges and gifts of approximately \$2.0 billion against the \$2.0 billion campaign. An additional campaign has been launched to raise \$300.0 million for the Alexandra Cohen Hospital for Women and Newborns. As of June 30, 2018, the Hospital has received pledges and gifts of \$138.8 million for this campaign. The collection rate for pledges, based on recent history, has been close to 100%.

Fund, Inc.

During the six months ended June 30, 2018 and year ended December 31, 2017, Fund Inc. distributed approximately \$199.9 million and \$96.5 million, respectively, for the purchase of fixed assets to the Hospital. There is, however, no legal or contractual requirement that Fund Inc. continue to make distributions of unrestricted assets to the Hospital. Fund, Inc. also holds certain assets on behalf the Hospital that are restricted and may only be used for the benefit of the Hospital.

Capital Expenditures

For the six months ended June 30, 2018 and year ended December 31, 2017, the Hospital (not including the Hospital's Consolidated Entities) incurred capital expenditures of \$358.6 million and \$599.2 million, respectively, for acquisition of property, building and equipment (net of disposals). These expenditures were funded from internally generated cash flow, donations and proceeds from loans. For the six months ended June 30, 2018 and year ended December 31, 2017, Fund, Inc. received approximately \$143.9 million and \$361.5 million, respectively, (including \$142.6 million and \$356.4 million, respectively, specifically restricted for the Hospital) in new gifts and pledges from individuals, foundations and corporate donors for capital acquisitions and other purposes.

Royal Charter Properties

For the six months ended June 30, 2018 and year ended December 31, 2017, the RCP Corporations had an aggregate net operating income of approximately \$23.8 million and \$51.7 million, respectively. Historically, on an annual basis, each of the RCP Corporations has turned over its excess of revenue over expenses ("Excess Revenue") to the Hospital. For the six months ended June 30, 2018 and year ended December 31, 2017, these amounts totaled \$23.3 million and \$34.7 million, respectively, and are included in other operating revenue in the Statements of Operations of the Hospital. However, the board of directors of each of the RCP Corporations has complete discretion within its stated corporate purposes with respect to the distribution of its Excess Revenue; there is no legal or contractual requirement that these amounts be distributed to the Hospital.