



Northwell Health, Inc.
Consolidated Financial Statements and Supplementary Information
For the Six Months Ended June 30, 2020 and 2019

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Northwell Health, Inc.

Consolidated Statements of Financial Position
June 30, 2020 and December 31, 2019 (In Thousands)

	(Unaudited) June 30, 2020	(Audited) December 31, 2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,646,737	\$ 535,619
Short-term investments	3,204,368	2,931,431
Accounts receivable for services to patients, net	1,018,584	1,285,542
Accounts receivable for physician activities, net	218,678	255,893
Pledges receivable, current portion	42,515	47,316
Insurance claims receivable, current portion	45,206	44,256
Other current assets	439,892	349,832
Total current assets	<u>6,615,980</u>	<u>5,449,889</u>
Long-term investments	2,475,760	2,532,060
Pledges receivable, net of current portion	89,923	99,971
Property, plant and equipment, net	5,680,968	5,548,317
Right-of-use assets – operating leases	976,472	959,622
Insurance claims receivable, net of current portion	140,611	151,214
Other assets	430,415	415,610
Total assets	<u><u>\$ 16,410,129</u></u>	<u><u>\$ 15,156,683</u></u>
Liabilities and net assets		
Current liabilities:		
Short-term borrowings	\$ 95,000	\$ 95,000
Accounts payable and accrued expenses	990,815	989,611
Accrued salaries and related benefits	1,061,919	984,572
Current portion of operating lease obligations	127,529	118,163
Current portion of finance lease obligations	7,033	7,263
Current portion of long-term debt	58,420	56,950
Current portion of insurance claims liability	45,206	44,256
Current portion of malpractice and other insurance liabilities	183,507	184,506
Current portion of estimated payables to third-party payers	1,765,478	338,251
Total current liabilities	<u>4,334,907</u>	<u>2,818,572</u>
Accrued retirement benefits, net of current portion	709,461	646,738
Operating lease obligations, net of current portion	878,029	869,879
Finance lease obligations, net of current portion	224,610	227,819
Long-term debt, net of current portion	3,666,288	3,715,934
Insurance claims liability, net of current portion	140,611	151,214
Malpractice and other insurance liabilities, net of current portion	1,421,186	1,336,641
Other long-term liabilities	606,552	634,490
Total liabilities	<u>11,981,644</u>	<u>10,401,287</u>
Commitments and contingencies		
Net assets:		
Without donor restrictions	3,740,189	4,063,674
With donor restrictions	688,296	691,722
Total net assets	<u>4,428,485</u>	<u>4,755,396</u>
Total liabilities and net assets	<u><u>\$ 16,410,129</u></u>	<u><u>\$ 15,156,683</u></u>

See accompanying notes.

Northwell Health, Inc.

Consolidated Statements of Operations
For the Six Months Ended June 30, 2020 and 2019 (In Thousands)

	(Unaudited) 2020	(Unaudited) 2019
Operating revenue:		
Net patient service revenue	\$ 4,201,695	\$ 4,610,665
Physician practice revenue	871,872	1,007,300
Total patient revenue	5,073,567	5,617,965
Other operating revenue	1,191,361	406,054
Net assets released from restrictions used for operations	41,040	33,712
Total operating revenue	6,305,968	6,057,731
Operating expenses:		
Salaries	3,453,057	3,116,135
Employee benefits	822,892	730,773
Supplies and expenses	1,928,165	1,813,527
Depreciation and amortization	271,365	256,407
Interest	80,035	71,017
Total operating expenses	6,555,514	5,987,859
(Deficiency) excess of operating revenue over operating expenses	(249,546)	69,872
Non-operating gains and losses:		
Investment income	29,976	64,337
Change in net unrealized gains and losses and change in value of equity method investments	(91,142)	288,218
Change in fair value of interest rate swap agreements designated as derivative instruments	(579)	(542)
Non-operating net periodic benefit cost	(8,058)	(8,546)
Other non-operating gains and losses	(9,627)	(20,325)
Total non-operating gains and losses	(79,430)	323,142
(Deficiency) excess of revenue and gains and losses over expenses	(328,976)	393,014
Net assets released from restrictions for capital asset acquisitions	9,056	9,942
Change in fair value of interest rate swap agreements designated as cash flow hedges	(1,513)	(449)
Other changes in net assets	(2,052)	(4,301)
(Decrease) increase in net assets without donor restriction	\$ (323,485)	\$ 398,206

See accompanying notes.

Northwell Health, Inc.

Consolidated Statements of Changes in Net Assets
For the Six Months Ended June 30, 2020 and 2019 (In Thousands)

	(Unaudited)		
	Without Donor Restrictions	With Donor Restrictions	Total
Net assets, January 1, 2019	\$ 3,344,826	\$ 638,709	\$ 3,983,535
Contributions and grants	-	43,416	43,416
Investment income	-	4,402	4,402
Change in net unrealized gains and losses and change in value of equity method investments	-	20,198	20,198
Excess of revenue and gains and losses over expenses	393,014	-	393,014
Net assets released from restrictions for:			
Capital asset acquisitions	9,942	(9,942)	-
Operations	-	(33,712)	(33,712)
Non-operating activities	-	(5,102)	(5,102)
Change in fair value of interest rate swap agreements designated as cash flow hedges	(449)	-	(449)
Other changes in net assets	(4,301)	10	(4,291)
Increase in net assets	398,206	19,270	417,476
Net assets, June 30, 2019	\$ 3,743,032	\$ 657,979	\$ 4,401,011
	(Unaudited)		
	Without Donor Restrictions	With Donor Restrictions	Total
Net assets, January 1, 2020	\$ 4,063,674	\$ 691,722	\$ 4,755,396
Contributions and grants	-	57,871	57,871
Investment income	-	2,586	2,586
Change in net unrealized gains and losses and change in value of equity method investments	-	(9,205)	(9,205)
Deficiency of revenue and gains and losses over expenses	(328,976)	-	(328,976)
Net assets released from restrictions for:			
Capital asset acquisitions	9,056	(9,056)	-
Operations	-	(41,040)	(41,040)
Non-operating activities	-	(4,846)	(4,846)
Change in fair value of interest rate swap agreements designated as cash flow hedges	(1,513)	-	(1,513)
Other changes in net assets	(2,052)	264	(1,788)
Decrease in net assets	(323,485)	(3,426)	(326,911)
Net assets, June 30, 2020	\$ 3,740,189	\$ 688,296	\$ 4,428,485

See accompanying notes.

Northwell Health, Inc.

Consolidated Statements of Cash Flows

For the Six Months Ended June 30, 2020 and 2019 (In Thousands)

	(Unaudited) 2020	(Unaudited) 2019
Cash flows from operating activities		
(Decrease) increase in net assets	\$ (326,911)	\$ 417,476
Adjustments to reconcile (decrease) increase in net assets to net cash provided by operating activities:		
Permanent endowment donor contributions	(6,699)	(1,709)
Medicare advances	1,008,071	-
Depreciation and amortization	271,365	256,407
Amortization of bond premiums, discounts and financing costs	(2,979)	(762)
Net realized gains and losses, change in net unrealized gains and losses and change in value of equity method investments	86,500	(351,554)
Change in fair value of interest rate swap agreements	2,092	991
Changes in operating assets and liabilities:		
Accounts receivable for services to patients, net	266,958	(57,704)
Accounts receivable for physician activities, net	37,215	(20,056)
Pledges receivable	12,966	4,363
Current portion of estimated payables to third party-payers	419,156	23,681
Accrued retirement benefits, net of current portion	62,723	8,341
Malpractice and other insurance liabilities	83,546	77,265
Net change in all other operating assets and liabilities	(36,787)	(52,832)
Net cash provided by operating activities	<u>1,877,216</u>	<u>303,907</u>
Cash flows from investing activities		
Capital expenditures	(404,016)	(349,044)
Net cash (invested in) from sales of short-term and long-term investments	(341,941)	33,026
Payments for acquisitions and clinical joint venture investments, net	(18,856)	(6,297)
Net cash used in investing activities	<u>(764,813)</u>	<u>(322,315)</u>
Cash flows from financing activities		
Principal payments on long-term debt and finance lease obligations	(48,636)	(46,367)
Payments on short-term borrowings	(370,000)	(101,750)
Proceeds from short-term borrowings	370,000	95,000
Proceeds from permanent endowment donor contributions	8,582	28,225
Net cash used in financing activities	<u>(40,054)</u>	<u>(24,892)</u>
Net increase (decrease) in cash and cash equivalents (unrestricted and restricted)	1,072,349	(43,300)
Cash and cash equivalents (unrestricted and restricted), beginning of period	979,253	961,646
Cash and cash equivalents (unrestricted and restricted), end of period	<u>\$ 2,051,602</u>	<u>\$ 918,346</u>
Supplemental disclosure of cash flow information		
Cash paid during the period for interest (exclusive of amount capitalized)	<u>\$ 83,000</u>	<u>\$ 71,632</u>

See accompanying notes.

Northwell Health, Inc.

Consolidating Statement of Financial Position
June 30, 2020 (Unaudited and In Thousands)

	Northwell Health, Inc. Total	Eliminations	Northwell Health Obligated Group	Phelps Memorial Hospital Association and Subsidiaries	Northern Westchester Hospital Association and Subsidiaries	Peconic Bay Medical Center and Subsidiaries	John T. Mather Memorial Hospital and Subsidiary	The Long Island Home	Hospice Care Network	The Feinstein Institutes for Medical Research	Northwell Health Foundation	Northwell Health Laboratories	Captive Insurance Companies	Dolan Family Health Center	Health Insurance Companies	Joint Venture Ambulatory Surgery Centers	Other Northwell Health Entities
Assets																	
Current assets:																	
Cash and cash equivalents	\$1,646,737	\$-	\$1,321,208	\$2,707	\$66,549	\$53,267	\$104,019	\$5,556	\$22,432	\$-	\$27,212	\$-	\$995	\$47	\$18,187	\$10,458	\$14,100
Short-term investments	3,204,368	-	2,604,085	173,517	161,044	18,514	37,860	103	45,455	26	58,778	-	38,355	964	65,667	-	-
Accounts receivable for services to patients, net	1,018,584	-	855,768	31,729	33,946	22,518	46,136	4,667	6,596	-	-	-	-	508	-	6,196	10,520
Accounts receivable for physician activities, net	218,678	-	167,445	2,174	1,156	2,330	3,434	-	-	-	-	-	-	-	-	-	42,139
Pledges receivable, current portion	42,515	-	-	-	-	-	-	-	-	-	42,515	-	-	-	-	-	-
Insurance claims receivable, current portion	45,206	-	42,883	231	394	149	397	709	35	90	6	312	-	-	-	-	-
Other current assets	439,892	-	290,536	6,571	7,935	11,818	14,174	5,347	413	15,934	637	39,974	937	88	3,137	1,553	40,838
Total current assets	6,615,980	-	5,281,925	216,929	271,024	108,596	206,020	16,382	74,931	16,050	129,148	40,286	40,287	1,607	86,991	18,207	107,597
Due from affiliates, net	-	(537,747)	481,114	11,605	-	-	-	-	471	-	31,481	12,081	-	-	995	-	-
Long-term investments	2,475,760	(336,580)	2,105,687	31,890	55,877	14,321	16,890	-	1,925	107,474	102,918	-	183,613	7,471	14,080	-	170,194
Pledges receivable, net of current portion	89,923	-	-	553	3,728	-	-	-	-	-	84,917	-	-	-	-	-	725
Property, plant and equipment, net	5,680,968	-	4,590,897	182,748	215,345	149,596	101,059	44,047	849	45,644	983	86,106	-	233	-	27,933	235,528
Right-of-use assets – operating leases	976,472	(18,925)	650,828	5,481	11,808	18,901	12,079	-	7,216	78	945	7,144	-	-	-	23,180	257,737
Insurance claims receivable, net of current portion	140,611	(133,763)	233,254	4,482	2,689	410	21,191	1,467	103	266	17	625	9,870	-	-	-	-
Other assets	430,415	(143,477)	340,133	5,511	8,447	20,067	11,396	9,695	214	-	77	-	196	-	-	63,721	114,435
Total assets	\$16,410,129	(\$1,170,492)	\$13,683,838	\$459,199	\$568,918	\$311,891	\$368,635	\$71,591	\$85,709	\$169,512	\$350,486	\$146,242	\$233,966	\$9,311	\$102,066	\$133,041	\$886,216
Liabilities and net assets (deficit)																	
Current liabilities:																	
Short-term borrowings	\$95,000	\$-	\$95,000	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-
Accounts payable and accrued expenses	990,815	-	756,799	15,831	28,581	19,614	16,067	3,681	1,982	20,956	1,185	49,476	980	141	7,586	5,766	62,170
Accrued salaries and related benefits	1,061,919	-	910,659	13,312	16,842	19,798	22,758	6,397	1,770	6,098	1,122	9,343	-	432	1	1,121	52,266
Current portion of operating lease obligations	127,529	(588)	80,330	1,284	1,379	1,896	3,678	-	1,671	78	59	1,656	-	-	-	1,891	34,195
Current portion of finance lease obligations	7,033	-	3,138	-	-	1,269	2,580	-	-	-	-	-	-	-	-	46	-
Current portion of long-term debt	58,420	-	47,398	1,942	3,766	1,693	2,696	-	-	-	-	-	-	-	-	925	-
Current portion of insurance claims liability	45,206	-	42,883	231	394	149	397	709	35	90	6	312	-	-	-	-	-
Current portion of malpractice and other insurance liabilities	183,507	-	135,434	1,634	4,318	1,587	1,718	461	-	-	-	-	38,355	-	-	-	-
Current portion of estimated payable to third-party payers	1,765,478	-	1,527,625	38,349	27,293	53,847	59,203	5,260	12,667	-	-	32,502	-	22	831	4,778	3,101
Total current liabilities	4,334,907	(588)	3,599,266	72,583	82,573	99,853	109,097	16,508	18,125	27,222	2,372	93,289	39,335	595	8,418	14,527	151,732
Due to affiliates, net	-	(538,568)	-	-	34,697	29,590	11,572	87,266	-	1,458	-	-	23,858	14,541	-	822	334,764
Accrued retirement benefits, net of current portion	709,461	-	609,270	5,421	27,645	176	66,108	515	200	-	-	-	-	-	126	-	-
Operating lease obligations, net of current portion	878,029	(18,337)	586,641	4,206	10,795	17,005	8,401	-	6,170	-	948	5,488	-	-	-	23,073	233,639
Finance lease obligations, net of current portion	224,610	-	221,435	-	-	1,053	2,038	-	-	-	-	-	-	-	-	84	-
Long-term debt, net of current portion	3,666,288	-	3,541,143	26,253	42,514	28,463	23,397	-	-	-	-	-	-	-	-	4,518	-
Insurance claims liability, net of current portion	140,611	(133,763)	233,254	4,482	2,689	410	21,191	1,467	103	266	17	625	9,870	-	-	-	-
Malpractice and other insurance liabilities, net of current portion	1,421,186	12,767	1,258,921	9,842	24,853	14,739	20,342	3,759	-	-	-	-	75,963	-	-	-	-
Other long-term liabilities	606,552	-	571,179	4,423	12,426	6,152	2,726	-	-	28	6,148	1,304	-	-	-	496	1,670
Total liabilities	11,981,644	(678,489)	10,621,109	127,210	238,192	197,441	264,872	109,515	24,598	28,974	9,485	100,706	149,026	15,136	8,544	43,520	721,805
Commitments and contingencies																	
Net assets (deficit):																	
Without donor restrictions	3,740,189	(154,681)	2,593,229	322,159	290,808	102,498	101,395	(37,924)	59,570	19,284	-	45,536	84,940	(12,481)	93,522	89,521	142,813
With donor restrictions	688,296	(337,322)	469,500	9,830	39,918	11,952	2,368	-	1,541	121,254	341,001	-	-	6,656	-	-	21,598
Total net assets (deficit)	4,428,485	(492,003)	3,062,729	331,989	330,726	114,450	103,763	(37,924)	61,111	140,538	341,001	45,536	84,940	(5,825)	93,522	89,521	164,411
Total liabilities and net assets (deficit)	\$16,410,129	(\$1,170,492)	\$13,683,838	\$459,199	\$568,918	\$311,891	\$368,635	\$71,591	\$85,709	\$169,512	\$350,486	\$146,242	\$233,966	\$9,311	\$102,066	\$133,041	\$886,216

Northwell Health, Inc.

Combining Statement of Financial Position - Northwell Health Obligated Group
June 30, 2020 (Unaudited and In Thousands)

	Total Obligated Group	Eliminations	Northwell Healthcare, Inc.	North Shore University Hospital	Long Island Jewish Medical Center	Staten Island University Hospital	Lenox Hill Hospital	Southside Hospital	Huntington Hospital Association	Glen Cove Hospital	Plainview Hospital	Northwell Health Stern Family Center for Rehabilitation
Assets												
Current assets:												
Cash and cash equivalents	\$1,321,208	\$-	\$332,873	\$282,350	\$502,512	\$201,180	\$6	\$428	\$843	\$-	\$587	\$429
Short-term investments	2,604,085	-	495,405	677,965	614,549	482,205	52,189	3,363	231,458	46,897	45	9
Accounts receivable for services to patients, net	855,768	-	-	229,125	277,438	99,122	116,480	56,899	42,346	12,154	16,887	5,317
Accounts receivable for physician activities, net	167,445	-	-	166,527	-	-	918	-	-	-	-	-
Insurance claims receivable, current portion	42,883	-	946	10,734	11,460	6,057	6,645	2,867	2,003	636	1,254	281
Other current assets	290,536	(3,000)	104,627	59,266	53,769	23,483	28,409	12,144	6,966	1,589	3,190	93
Total current assets	5,281,925	(3,000)	933,851	1,425,967	1,459,728	812,047	204,647	75,701	283,616	61,276	21,963	6,129
Due from affiliates, net	481,114	38,888	18,148	128,646	129,695	54,482	20,854	-	42,731	23,345	12,202	12,123
Long-term investments	2,105,687	-	1,050,498	254,286	454,420	168,502	85,592	27,497	34,276	11,469	3,097	16,050
Property, plant and equipment, net	4,590,897	-	995,671	478,904	1,261,981	233,724	1,008,373	337,468	168,872	45,624	51,844	8,436
Right-of-use assets – operating leases	650,828	-	241,804	142,948	68,779	57,520	97,686	18,002	13,363	1,616	9,110	-
Insurance claims receivable, net of current portion	233,254	-	1,892	54,789	73,496	41,549	18,867	13,880	18,794	3,838	5,587	562
Other assets	340,133	(5,115)	82,971	213,356	16,588	7,500	23,443	1,390	-	-	-	-
Total assets	\$13,683,838	\$30,773	\$3,324,835	\$2,698,896	\$3,464,687	\$1,375,324	\$1,459,462	\$473,938	\$561,652	\$147,168	\$103,803	\$43,300
Liabilities and net assets (deficit)												
Current liabilities:												
Short-term borrowings	\$95,000	\$-	\$-	\$47,500	\$47,500	\$-	\$-	\$-	\$-	\$-	\$-	\$-
Accounts payable and accrued expenses	756,799	-	281,350	129,626	127,230	44,623	75,348	54,486	17,545	14,157	11,182	1,252
Accrued salaries and related benefits	910,659	-	411,693	130,933	162,899	52,719	65,577	38,828	24,270	7,566	13,775	2,399
Current portion of operating lease obligations	80,330	-	31,110	18,739	10,842	5,948	8,473	2,189	2,373	116	540	-
Current portion of finance lease obligations	3,138	-	1,824	164	535	114	262	152	87	-	-	-
Current portion of long-term debt	47,398	-	16,588	5,419	18,172	4,000	1,820	65	65	350	634	285
Current portion of insurance claims liability	42,883	-	946	10,734	11,460	6,057	6,645	2,867	2,003	636	1,254	281
Current portion of malpractice and other insurance liabilities	135,434	-	39,518	26,461	28,685	14,845	11,011	7,176	4,503	1,448	1,787	-
Current portion of estimated payable to third-party payers	1,527,625	-	1,053	339,179	587,990	198,077	113,449	115,624	82,799	35,728	47,284	6,442
Total current liabilities	3,599,266	-	784,082	708,755	995,313	326,383	282,585	221,387	133,645	60,001	76,456	10,659
Due to affiliates, net	-	(85,906)	-	-	-	-	-	85,906	-	-	-	-
Accrued retirement benefits, net of current portion	609,270	-	338,153	83,543	34,765	946	63,172	25,278	46,182	4,979	10,326	1,926
Operating lease obligations, net of current portion	586,641	-	204,618	127,575	59,229	65,396	92,816	15,897	10,990	1,500	8,620	-
Finance lease obligations, net of current portion	221,435	-	138,956	681	69,145	341	11,154	763	395	-	-	-
Long-term debt, net of current portion	3,541,143	-	2,165,340	130,971	808,543	100,858	110,461	128,084	85,596	5,901	4,375	1,014
Insurance claims liability, net of current portion	233,254	-	1,892	54,789	73,496	41,549	18,867	13,880	18,794	3,838	5,587	562
Malpractice and other insurance liabilities, net of current portion	1,258,921	-	187,673	295,724	319,705	164,303	128,352	77,337	50,815	15,430	19,582	-
Other long-term liabilities	571,179	-	72,309	128,670	215,742	22,521	56,704	46,036	11,655	7,006	9,811	725
Total liabilities	10,621,109	(85,906)	3,893,023	1,530,708	2,575,938	722,297	764,111	614,568	358,072	98,655	134,757	14,886
Commitments and contingencies												
Net assets (deficit):												
Without donor restrictions	2,593,229	116,679	(568,188)	1,006,035	737,335	643,654	593,688	(150,427)	187,265	33,626	(33,942)	27,504
With donor restrictions	469,500	-	-	162,153	151,414	9,373	101,663	9,797	16,315	14,887	2,988	910
Total net assets (deficit)	3,062,729	116,679	(568,188)	1,168,188	888,749	653,027	695,351	(140,630)	203,580	48,513	(30,954)	28,414
Total liabilities and net assets (deficit)	\$13,683,838	\$30,773	\$3,324,835	\$2,698,896	\$3,464,687	\$1,375,324	\$1,459,462	\$473,938	\$561,652	\$147,168	\$103,803	\$43,300

Northwell Health, Inc.

Consolidating Statement of Financial Position - Phelps Memorial Hospital
June 30, 2020 (Unaudited and In Thousands)

	Phelps Memorial Hospital Association and Subsidiaries	Eliminations	Phelps Memorial Hospital Association	Phelps Professional Building Co.	Phelps Medical Associates
Assets					
Current assets:					
Cash and cash equivalents	\$2,707	\$-	\$964	\$1,162	\$581
Short-term investments	173,517	-	173,517	-	-
Accounts receivable for services to patients, net	31,729	-	31,729	-	-
Accounts receivable for physician activities, net	2,174	-	703	-	1,471
Insurance claims receivable, current portion	231	-	231	-	-
Other current assets	6,571	-	6,135	145	291
Total current assets	216,929	-	213,279	1,307	2,343
Due from affiliates, net	11,605	(23,405)	34,066	944	-
Long-term investments	31,890	-	31,890	-	-
Pledges receivable, net of current portion	553	-	553	-	-
Property, plant and equipment, net	182,748	-	171,518	8,563	2,667
Right-of-use assets – operating leases	5,481	-	1,469	-	4,012
Insurance claims receivable, net of current portion	4,482	-	4,482	-	-
Other assets	5,511	(373)	5,884	-	-
Total assets	\$459,199	(\$23,778)	\$463,141	\$10,814	\$9,022
Liabilities and net assets (deficit)					
Current liabilities:					
Accounts payable and accrued expenses	\$15,831	\$-	\$15,296	\$-	\$535
Accrued salaries and related benefits	13,312	-	11,425	-	1,887
Current portion of operating lease obligations	1,284	-	441	-	843
Current portion of long-term debt	1,942	-	1,725	217	-
Current portion of insurance claims liability	231	-	231	-	-
Current portion of malpractice and other insurance liabilities	1,634	-	1,634	-	-
Current portion of estimated payable to third-party payers	38,349	-	38,349	-	-
Total current liabilities	72,583	-	69,101	217	3,265
Due to affiliates, net	-	(23,405)	-	-	23,405
Accrued retirement benefits, net of current portion	5,421	-	5,421	-	-
Operating lease obligations, net of current portion	4,206	-	1,037	-	3,169
Long-term debt, net of current portion	26,253	-	23,635	2,618	-
Insurance claims liability, net of current portion	4,482	-	4,482	-	-
Malpractice and other insurance liabilities, net of current portion	9,842	-	9,842	-	-
Other long-term liabilities	4,423	-	4,423	-	-
Total liabilities	127,210	(23,405)	117,941	2,835	29,839
Commitments and contingencies					
Net assets (deficit):					
Without donor restrictions	322,159	(373)	335,370	7,979	(20,817)
With donor restrictions	9,830	-	9,830	-	-
Total net assets (deficit)	331,989	(373)	345,200	7,979	(20,817)
Total liabilities and net assets (deficit)	\$459,199	(\$23,778)	\$463,141	\$10,814	\$9,022

Northwell Health, Inc.

**Consolidating Statement of Financial Position - Northern Westchester Hospital
June 30, 2020 (Unaudited and In Thousands)**

	Northern Westchester Hospital Association and Subsidiaries	Northern Westchester Hospital Association	Northern Westchester Hospital Center Foundation	Other Subsidiaries
Assets				
Current assets:				
Cash and cash equivalents	\$66,549	\$66,133	\$-	\$416
Short-term investments	161,044	161,044	-	-
Accounts receivable for services to patients, net	33,946	33,946	-	-
Accounts receivable for physician activities, net	1,156	1,156	-	-
Insurance claims receivable, current portion	394	394	-	-
Other current assets	7,935	7,935	-	-
Total current assets	\$271,024	270,608	-	416
Long-term investments	55,877	9,738	46,139	-
Pledges receivable, net of current portion	3,728	-	3,728	-
Property, plant and equipment, net	215,345	202,268	122	12,955
Right-of-use assets – operating leases	11,808	11,808	-	-
Insurance claims receivable, net of current portion	2,689	2,689	-	-
Other assets	8,447	6,633	-	1,814
Total assets	\$568,918	\$503,744	\$49,989	\$15,185
Liabilities and net assets				
Current liabilities:				
Accounts payable and accrued expenses	\$28,581	\$28,480	\$57	\$44
Accrued salaries and related benefits	16,842	16,759	83	-
Current portion of operating lease obligations	1,379	1,379	-	-
Current portion of long-term debt	3,766	3,766	-	-
Current portion of insurance claims liability	394	394	-	-
Current portion of malpractice and other insurance liabilities	4,318	4,318	-	-
Current portion of estimated payable to third-party payers	27,293	27,293	-	-
Total current liabilities	\$82,573	\$82,389	140	44
Due to affiliates, net	34,697	20,277	10,686	3,734
Accrued retirement benefits, net of current portion	27,645	27,645	-	-
Operating lease obligations, net of current portion	10,795	10,795	-	-
Long-term debt, net of current portion	42,514	42,514	-	-
Insurance claims liability, net of current portion	2,689	2,689	-	-
Malpractice and other insurance liabilities, net of current portion	24,853	24,853	-	-
Other long-term liabilities	12,426	11,144	-	1,282
Total liabilities	238,192	222,306	10,826	5,060
Commitments and contingencies				
Net assets:				
Without donor restrictions	290,808	280,472	211	10,125
With donor restrictions	39,918	966	38,952	-
Total net assets	330,726	281,438	39,163	10,125
Total liabilities and net assets	\$568,918	\$503,744	\$49,989	\$15,185

Northwell Health, Inc.

**Combining Statement of Financial Position - Joint Venture Ambulatory Surgery Centers
June 30, 2020 (Unaudited and In Thousands)**

	Joint Venture Ambulatory Surgery Centers	Eliminations	Endoscopy Center of Long Island	Endo Group LLC	South Shore Surgery Center	Suffolk Surgery Center	Digestive Health Center of Huntington	Greenwich Village Surgery Center	Melville Surgery Center
Assets									
Current assets:									
Cash and cash equivalents	\$10,458	\$-	\$2,874	\$2,494	\$922	\$925	\$645	\$209	\$2,389
Accounts receivable for services to patients, net	6,196	-	-	858	798	738	663	45	3,094
Other current assets	1,553	-	35	-	472	392	68	3	583
Total current assets	18,207	-	2,909	3,352	2,192	2,055	1,376	257	6,066
Due from affiliates, net	-	(75)	75	-	-	-	-	-	-
Property, plant and equipment, net	27,933	-	350	6,082	2,433	360	89	17,755	864
Right-of-use leased assets	23,180	-	1,091	18,552	3,029	-	102	-	406
Other assets	63,721	-	29,939	6,632	4,144	5,358	4,237	-	13,411
Total assets	\$133,041	(\$75)	\$34,364	\$34,618	\$11,798	\$7,773	\$5,804	\$18,012	\$20,747
Liabilities and net assets									
Current liabilities:									
Accounts payable and accrued expenses	\$5,766	\$-	\$161	\$2,048	\$713	\$355	\$152	\$1,478	\$859
Accrued salaries and related benefits	1,121	-	283	159	151	60	57	85	326
Current portion of operating lease obligations	1,891	-	414	776	273	-	102	-	326
Current portion of finance lease obligations	46	-	-	-	6	-	-	-	40
Current portion of long-term debt	925	-	-	871	-	47	7	-	-
Current portion of estimated payable to third-party payers	4,778	-	698	1,793	625	269	406	51	936
Total current liabilities	14,527	-	1,556	5,647	1,768	731	724	1,614	2,487
Due to affiliates, net	822	(75)	-	431	57	207	76	-	126
Operating lease obligations, net of current portion	23,073	-	677	19,442	2,756	-	-	-	198
Finance lease obligations, net of current portion	84	-	-	-	-	-	-	-	84
Long-term debt, net of current portion	4,518	-	-	4,422	-	54	42	-	-
Other long-term liabilities	496	-	496	-	-	-	-	-	-
Total liabilities	43,520	(75)	2,729	29,942	4,581	992	842	1,614	2,895
Commitments and contingencies									
Net assets:									
Without donor restrictions	89,521	-	31,635	4,676	7,217	6,781	4,962	16,398	17,852
With donor restrictions	-	-	-	-	-	-	-	-	-
Total net assets	89,521	-	31,635	4,676	7,217	6,781	4,962	16,398	17,852
Total liabilities and net assets	\$133,041	(\$75)	\$34,364	\$34,618	\$11,798	\$7,773	\$5,804	\$18,012	\$20,747

Northwell Health, Inc.

Consolidating Statement of Operations
For the Six Months Ended June 30, 2020 (Unaudited and In Thousands)

	Northwell Health, Inc. Total	Eliminations	Northwell Health Obligated Group	Phelps Memorial Hospital Association and Subsidiaries	Northern Westchester Hospital Association and Subsidiaries	Peconic Bay Medical Center and Subsidiaries	John T. Mather Memorial Hospital and Subsidiary	The Long Island Home	Hospice Care Network	The Feinstein Institutes for Medical Research	Northwell Health Foundation	Northwell Health Laboratories	Captive Insurance Companies	Dolan Family Health Center	Health Insurance Companies	Joint Venture Ambulatory Surgery Centers	Other Northwell Health Entities
Operating revenue:																	
Net patient service revenue	\$4,201,695	(\$572)	\$3,579,347	\$123,335	\$121,394	\$97,052	\$155,077	\$37,190	\$24,694	\$-	\$-	\$-	\$-	\$2,347	\$-	\$24,228	\$37,603
Physician practice revenue	871,872	(21,659)	527,953	10,540	1,718	9,971	14,456	772	83	-	-	-	-	-	-	-	328,038
Total patient revenue	5,073,567	(22,231)	4,107,300	133,875	123,112	107,023	169,533	37,962	24,777	-	-	-	-	2,347	-	24,228	365,641
Other operating revenue	1,191,361	(606,375)	1,123,984	34,304	24,558	19,151	27,329	3,786	1,486	33,950	-	255,829	6,382	1,502	144	1,537	263,794
Net assets released from restrictions used for operations	41,040	-	32,218	33	286	1,033	-	-	568	6,706	-	-	-	175	-	-	21
Total operating revenue	6,305,968	(628,606)	5,263,502	168,212	147,956	127,207	196,862	41,748	26,831	40,656	-	255,829	6,382	4,024	144	25,765	629,456
Operating expenses:																	
Salaries	3,453,057	(110,333)	2,758,532	90,690	76,401	67,419	96,645	32,258	11,326	35,781	-	61,701	-	2,691	134	7,304	322,508
Employee benefits	822,892	(77,059)	706,824	15,103	20,790	17,754	22,106	13,611	3,573	10,457	-	21,553	-	1,109	37	1,592	65,442
Supplies and expenses	1,928,165	(441,214)	1,555,172	52,793	47,113	41,548	64,770	7,292	9,207	15,672	-	188,645	6,382	912	(27)	15,631	364,269
Depreciation and amortization	271,365	-	219,779	8,059	9,123	4,731	6,746	1,401	189	3,216	-	3,829	-	48	-	2,124	12,120
Interest	80,035	-	77,242	468	644	851	676	-	-	-	-	-	-	-	-	154	-
Total operating expenses	6,555,514	(628,606)	5,317,549	167,113	154,071	132,303	190,943	54,562	24,295	65,126	-	275,728	6,382	4,760	144	26,805	764,339
(Deficiency) excess of operating revenue over operating expenses	(249,546)	-	(54,047)	1,099	(6,115)	(5,096)	5,919	(12,814)	2,536	(24,470)	-	(19,899)	-	(736)	-	(1,040)	(134,883)
Non-operating gains and losses:																	
Investment income	29,976	-	22,160	1,487	2,396	(90)	461	8	447	20	619	(73)	1,550	-	1,131	(157)	17
Change in net unrealized gains and losses and change in value of equity method investments	(91,142)	-	(83,432)	(1,399)	(3,491)	-	(776)	-	(974)	8	(1,236)	-	(4,913)	-	2,251	-	2,820
Change in interest in acquired entities	-	(1,005)	1,005	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Change in fair value of interest rate swap agreements designated as derivative instruments	(579)	-	-	-	-	-	(579)	-	-	-	-	-	-	-	-	-	-
Non-operating net periodic benefit (cost) credit	(8,058)	-	(10,961)	(2)	1,649	245	(16)	1,349	(10)	(43)	(45)	(68)	-	(19)	-	-	(137)
Other non-operating gains and losses	(9,627)	-	-	70	(174)	-	-	-	77	-	(9,692)	-	-	-	-	-	92
Total non-operating gains and losses	(79,430)	(1,005)	(71,228)	156	380	155	(910)	1,357	(460)	(15)	(10,354)	(141)	(3,363)	(19)	3,382	(157)	2,792
(Deficiency) excess of revenue and gains and losses over expenses	(328,976)	(1,005)	(125,275)	1,255	(5,735)	(4,941)	5,009	(11,457)	2,076	(24,485)	(10,354)	(20,040)	(3,363)	(755)	3,382	(1,197)	(132,091)
Net assets released from restrictions for capital asset acquisitions	9,056	-	8,281	221	-	-	550	-	-	4	-	-	-	-	-	-	-
Change in fair value of interest rate swap agreements designated as cash flow hedges	(1,513)	-	-	-	(93)	(1,342)	(78)	-	-	-	-	-	-	-	-	-	-
Transfers (to) from affiliates	-	-	(200,731)	-	6,245	3,580	-	-	-	24,453	10,296	-	-	-	-	2,474	153,683
Other changes in net assets	(2,052)	3,620	-	(201)	-	-	-	-	-	-	-	-	-	-	-	(5,471)	-
(Decrease) increase in net assets wihout donor restrictions	(\$323,485)	\$2,615	(\$317,725)	\$1,275	\$417	(\$2,703)	\$5,481	(\$11,457)	\$2,076	(\$28)	(\$58)	(\$20,040)	(\$3,363)	(\$755)	\$3,382	(\$4,194)	\$21,592

Northwell Health, Inc.

Combining Statement of Operations - Northwell Health Obligated Group
For the Six Months Ended June 30, 2020 (Unaudited and In Thousands)

	Total Obligated Group	Eliminations	Northwell Healthcare, Inc.	North Shore University Hospital	Long Island Jewish Medical Center	Staten Island University Hospital	Lenox Hill Hospital	Southside Hospital	Huntington Hospital Association	Glen Cove Hospital	Plainview Hospital	Northwell Health Stern Family Center for Rehabilitation
Operating revenue:												
Net patient service revenue	\$3,579,347	(\$68)	\$-	\$854,214	\$1,189,077	\$444,486	\$477,206	\$255,588	\$180,914	\$63,433	\$91,421	\$23,076
Physician practice revenue	527,953	-	-	202,661	163,715	66	42,804	59,142	39,326	8,953	10,677	609
Total patient revenue	4,107,300	(68)	-	1,056,875	1,352,792	444,552	520,010	314,730	220,240	72,386	102,098	23,685
Other operating revenue	1,123,984	(838,233)	842,497	410,511	288,787	104,757	194,900	58,560	32,757	5,028	21,687	2,733
Net assets released from restrictions used for operations	32,218	-	6,224	7,884	13,592	122	3,919	464	13	-	-	-
Total operating revenue	5,263,502	(838,301)	848,721	1,475,270	1,655,171	549,431	718,829	373,754	253,010	77,414	123,785	26,418
Operating expenses:												
Salaries	2,758,532	(261,745)	295,030	792,476	812,974	285,657	388,616	189,664	124,937	48,916	64,155	17,852
Employee benefits	706,824	(65,858)	83,295	167,279	219,262	85,969	93,757	52,743	30,814	11,596	21,050	6,917
Supplies and expenses	1,555,172	(510,698)	353,339	491,447	532,196	165,677	249,354	124,330	78,957	25,683	39,362	5,525
Depreciation and amortization	219,779	-	77,830	29,586	46,047	12,091	23,799	15,706	8,349	3,106	2,588	677
Interest	77,242	-	45,974	2,532	20,735	1,353	2,444	2,222	1,768	103	89	22
Total operating expenses	5,317,549	(838,301)	855,468	1,483,320	1,631,214	550,747	757,970	384,665	244,825	89,404	127,244	30,993
(Deficiency) excess of operating revenue over operating expenses	(54,047)	-	(6,747)	(8,050)	23,957	(1,316)	(39,141)	(10,911)	8,185	(11,990)	(3,459)	(4,575)
Non-operating gains and losses:												
Investment income	22,160	-	769	5,162	7,340	5,336	444	127	2,433	450	(30)	129
Change in net unrealized gains and losses and change in value of equity method investments	(83,432)	-	(20,822)	(18,688)	(21,533)	(14,500)	(1,063)	(398)	(5,499)	(985)	-	56
Change in interest in acquired entities	1,005	-	-	1,005	-	-	-	-	-	-	-	-
Non-operating net periodic benefit cost	(10,961)	-	(6,155)	(1,301)	(613)	(50)	(1,128)	(573)	(783)	(79)	(238)	(41)
Total non-operating gains and losses	(71,228)	-	(26,208)	(13,822)	(14,806)	(9,214)	(1,747)	(844)	(3,849)	(614)	(268)	144
(Deficiency) excess of revenue and gains and losses over expenses	(125,275)	-	(32,955)	(21,872)	9,151	(10,530)	(40,888)	(11,755)	4,336	(12,604)	(3,727)	(4,431)
Net assets released from restrictions for capital asset acquisitions	8,281	-	10	403	2,223	4,774	286	7	578	-	-	-
Transfers to affiliates	(200,731)	-	(32,131)	(86,124)	(80,002)	-	(2,474)	-	-	-	-	-
(Decrease) increase in net assets without donor restrictions	(\$317,725)	\$-	(\$65,076)	(\$107,593)	(\$68,628)	(\$5,756)	(\$43,076)	(\$11,748)	\$4,914	(\$12,604)	(\$3,727)	(\$4,431)

Northwell Health, Inc.

**Consolidating Statement of Operations - Phelps Memorial Hospital
For the Six Months Ended June 30, 2020 (Unaudited and In Thousands)**

	Phelps Memorial Hospital Association and Subsidiaries	Eliminations	Phelps Memorial Hospital Association	Phelps Professional Building Co.	Phelps Medical Associates
Operating revenue:					
Net patient service revenue	\$123,335	\$-	\$123,335	\$-	\$-
Physician practice revenue	10,540	-	745	-	9,795
Total patient revenue	133,875	-	124,080	-	9,795
Other operating revenue	34,304	(9,412)	33,360	1,267	9,089
Net assets released from restrictions used for operations	33	-	33	-	-
Total operating revenue	168,212	(9,412)	157,473	1,267	18,884
Operating expenses:					
Salaries	90,690	(8,675)	85,157	104	14,104
Employee benefits	15,103	-	11,623	26	3,454
Supplies and expenses	52,793	(737)	48,766	304	4,460
Depreciation and amortization	8,059	-	7,682	151	226
Interest	468	-	426	42	-
Total operating expenses	167,113	(9,412)	153,654	627	22,244
Excess (deficiency) of operating revenue over operating expenses	1,099	-	3,819	640	(3,360)
Non-operating gains and losses:					
Investment income	1,487	-	1,486	1	-
Change in net unrealized gains and losses and change in value of equity method investments	(1,399)	-	(1,399)	-	-
Non-operating net periodic benefit cost	(2)	-	(1)	-	(1)
Other non-operating gains and losses	70	-	70	-	-
Total non-operating gains and losses	156	-	156	1	(1)
Excess (deficiency) of revenue and gains and losses over expenses	1,255	-	3,975	641	(3,361)
Net assets released from restrictions for capital asset acquisitions	221	-	221	-	-
Other changes in net assets	(201)	495	-	(696)	-
Increase (decrease) in net assets without donor restrictions	\$1,275	\$495	\$4,196	(\$55)	(3,361)

Northwell Health, Inc.

**Consolidating Statement of Operations - Northern Westchester Hospital
For the Six Months Ended June 30, 2020 (Unaudited and In Thousands)**

	Northern Westchester Hospital Association and Subsidiaries	Northern Westchester Hospital Association	Northern Westchester Hospital Center Foundation	Other Subsidiaries
Operating revenue:				
Net patient service revenue	\$121,394	\$121,394	\$-	\$-
Physician practice revenue	1,718	1,718	-	-
Total patient revenue	123,112	123,112	-	-
Other operating revenue	24,558	23,907	-	651
Net assets released from restrictions used for operations	286	286	-	-
Total operating revenue	147,956	147,305	-	651
Operating expenses:				
Salaries	76,401	76,347	-	54
Employee benefits	20,790	20,790	-	-
Supplies and expenses	47,113	46,704	-	409
Depreciation and amortization	9,123	8,839	-	284
Interest	644	644	-	-
Total operating expenses	154,071	153,324	-	747
Excess of operating expenses over operating revenue	(6,115)	(6,019)	-	(96)
Non-operating gains and losses:				
Investment income	2,396	1,512	-	884
Change in net unrealized gains and losses and change in value of equity method investments	(3,491)	(3,491)	-	-
Non-operating net periodic benefit credit	1,649	1,649	-	-
Other non-operating gains and losses	(174)	490	(664)	-
Total non-operating gains and losses	380	160	(664)	884
(Deficiency) excess of revenue and gains and losses over expenses	(5,735)	(5,859)	(664)	788
Change in fair value of interest rate swap agreements designated as cash flow hedges	(93)	(93)	-	-
Transfers from affiliates	6,245	6,245	-	-
Increase (decrease) in net assets without donor restrictions	\$417	\$293	(\$664)	\$788

Northwell Health, Inc.

**Combining Statement of Operations - Joint Venture Ambulatory Surgery Centers
For the Six Months Ended June 30, 2020 (Unaudited and In Thousands)**

	Joint Venture Ambulatory Surgery Centers	Endoscopy Center of Long Island	Endo Group LLC	South Shore Surgery Center	Suffolk Surgery Center	Digestive Health Center of Huntington	Greenwich Village Surgery Center	Melville Surgery Center
Operating revenue:								
Net patient service revenue	\$24,228	\$6,355	\$6,008	\$2,480	\$1,179	\$1,057	\$2,153	\$4,996
Total patient revenue	24,228	6,355	6,008	2,480	1,179	1,057	2,153	4,996
Other operating revenue	1,537	421	313	203	120	105	90	285
Total operating revenue	25,765	6,776	6,321	2,683	1,299	1,162	2,243	5,281
Operating expenses:								
Salaries	7,304	779	2,220	1,041	464	576	1,037	1,187
Employee benefits	1,592	198	426	250	123	110	227	258
Supplies and expenses	15,631	2,423	4,604	1,448	1,099	475	3,426	2,156
Depreciation and amortization	2,124	22	694	150	151	60	863	184
Interest	154	-	148	-	1	-	-	5
Total operating expenses	26,805	3,422	8,092	2,889	1,838	1,221	5,553	3,790
(Deficiency) excess of operating revenue over operating expenses	(1,040)	3,354	(1,771)	(206)	(539)	(59)	(3,310)	1,491
Non-operating gains and losses:								
Investment income	(157)	(14)	(102)	(15)	-	(3)	-	(23)
Total non-operating gains and losses	(157)	(14)	(102)	(15)	-	(3)	-	(23)
(Deficiency) excess of revenue and gains and losses over expenses	(1,197)	3,340	(1,873)	(221)	(539)	(62)	(3,310)	1,468
Transfers from affiliates	2,474	-	-	-	-	-	2,474	-
Other changes in net assets	(5,471)	(3,116)	-	(300)	-	(270)	-	(1,785)
(Decrease) increase in net assets without donor restrictions	(\$4,194)	\$224	(\$1,873)	(\$521)	(\$539)	(\$332)	(\$836)	(317)

**Northwell Health Obligated Group
Utilization Statistics**

	<div style="border: 1px solid black; padding: 5px; text-align: center;"> Six Months Ended June 30, </div>	
	<u>2019</u>	<u>2020*</u>
<u>Inpatient</u>		
Discharges (excl. Nursery)	130,419	108,702
Patient Days (excl. Nursery)	730,086	664,954
Average Length of Stay (in Days)	5.60	6.12
Average Daily Census	4,034	3,654
Licensed Beds (excl. Nursery)	5,260	5,260
Beds Available (excl. Nursery) (1)(2)	4,492	4,738
Occupancy Percentage (1)	90.1%	76.6%
Normal Newborn Discharges	12,120	12,246
Total Discharges	142,539	120,948
<u>Outpatient</u>		
Emergency Room Visits (3)	283,137	215,007
Emergency Room Admissions (3)	84,998	73,519
Total ER Encounters	368,135	288,526
Health Center Visits	405,357	299,776
Ambulatory Surgery Visits	70,861	38,507
Home Care Admissions	23,862	18,891
Other Outpatient Visits and Encounters	652,212	414,726

* Decreases in utilization statistics for the six months ended June 30, 2020 are the result of the disruption and deferral of elective surgeries and non-emergent medical treatments and procedures resulting from the global outbreak of Coronavirus Disease 2019 (COVID-19).

(1) Beds Available, which vary primarily based upon need, are reported as the number of beds at the end of each reporting period.

Occupancy Percentage is calculated using the average beds available for the reporting period.

(2) The increase in beds available was a result of the request from the NYS Governor's office to increase bed capacity for the COVID-19 patient surge.

(3) Includes observation room.

NOTE: The utilization statistics presented above only include members of Northwell Health that are in the Obligated Group. Refer to Management's Discussion and Analysis of Recent Financial Performance for total utilization statistics for all Northwell Health entities.

Northwell Health Obligated Group
Payer Mix
Percent of Gross Revenue (Inpatient & Outpatient)

	Six Months Ended June 30,	
	<u>2019</u>	<u>2020</u>
Medicare ⁽¹⁾	44%	44%
Medicaid ⁽²⁾	21%	22%
Commercial	30%	30%
Self Pay	2%	2%
Other	3%	2%
Total	100%	100%

(1) Includes Medicare Managed Care.

(2) Includes Medicaid Managed Care.

NOTE: The payer mix information presented above only includes members of Northwell Health that are in the Obligated Group.

Northwell Health, Inc.

Notes to Consolidated Financial Statements

June 30, 2020

*(information pertaining to the six months ended June 30, 2020 and 2019 is unaudited)
(in thousands)*

Note A – Organization and Basis of Presentation

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles applied on a basis consistent with that of the 2019 audited consolidated financial statements of Northwell Health, Inc. and its member corporations and other affiliated entities (collectively, “Northwell”). Northwell presumes that users of this interim financial information have read or have access to Northwell’s audited consolidated financial statements and that the adequacy of additional disclosures needed for a fair presentation may be determined in that context. The audited consolidated financial statements of Northwell for the years ended December 31, 2019 and 2018 are on file with the Municipal Securities Rulemaking Board and are accessible through its Electronic Municipal Market Access database. Information contained in Northwell’s audited consolidated financial statements for the years ended December 31, 2019 and 2018 is incorporated herein. Footnotes and other disclosures that would substantially duplicate the disclosures contained in Northwell’s most recent audited consolidated financial statements have been omitted. Accordingly, the accompanying unaudited interim consolidated financial statements do not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements. In the opinion of management, all transactions considered necessary for a fair presentation have been included.

Patient volumes and net operating revenue and results are subject to seasonal and other variations caused by a number of factors. Monthly and periodic operating results are not necessarily representative of operations for a full year for various reasons, including occupancy levels and other patient volumes, interest rates, unusual or infrequent items and other seasonal fluctuations. These same considerations apply to year-to-year comparisons.

Northwell is an integrated health care delivery system in the New York metropolitan area. Most entities within Northwell are exempt from Federal income taxes under the provisions of Section 501(a) of the Internal Revenue Code (the “Code”) as organizations described in Section 501(c)(3), while certain entities are not exempt from such income taxes. The exempt organizations are also exempt from New York State and local income taxes. The effect of income taxes is not material to the unaudited interim consolidated financial statements.

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

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)

*(information pertaining to the six months ended June 30, 2020 and 2019 is unaudited)
(in thousands)*

Note A – Organization and Basis of Presentation (continued)

Hospitals

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

Other Entities

- Northwell Health, Inc. and Northwell Healthcare, Inc. (“HCI”) – parent holding companies
- Northwell Health Stern Family Center for Rehabilitation (“Stern”) – skilled nursing facility and rehabilitation center
- Northwell Health Laboratories – laboratory services
- North Shore Health System Enterprises, Inc., North Shore Health Enterprises, Inc. and True North Health Services Company, LLC – holding companies for certain related entities
- RegionCare, Inc. – infusion therapy and licensed home health agency services
- North Shore Community Services, Inc. – real estate holdings and related services
- North Shore University Hospital Housing, Inc., North Shore University Hospital at Glen Cove Housing, Inc. and Hillside Hospital Houses, Inc. – housing and auxiliary facilities for staff members, students and employees
- Endoscopy Center of Long Island, LLC – outpatient endoscopy center 70.2% owned by Northwell
- North Shore Medical Accelerator, P.C. – outpatient radiation oncology center 70% owned by Northwell
- North Shore-LIJ and Yale New Haven Medical Air Transport, LLC – medical air transport company 90% owned by Northwell
- Visiting Nurse Association of Hudson Valley, Inc. and subsidiaries – home care and hospice services
- True North Health Pharmacy, Inc. – retail pharmacy
- The Feinstein Institutes for Medical Research – medical research
- Northwell Health Foundation – fundraising
- Hospice Care Network – hospice services
- Regional Insurance Company Ltd. – captive insurance company providing excess professional liability insurance
- Montauk Risk Retention Group, Inc. – captive insurance company providing professional liability insurance
- Huntington Hospital Dolan Family Health Center – community health center
- Endo Group, LLC – outpatient ambulatory surgery center 51% owned by Northwell
- DHCH, LLC d/b/a Digestive Health Center of Huntington – outpatient endoscopy center 51% owned by Northwell
- South Shore Surgery Center, LLC – outpatient ambulatory surgery center 53.1% owned by Northwell
- Suffolk Surgery Center, LLC – outpatient ambulatory surgery center 68% owned by Northwell
- Melville SC, LLC – outpatient ambulatory surgery center 54.1% owned by Northwell
- Greenwich Village Surgery Center – outpatient ambulatory surgery center currently 100% owned by Northwell
- Other affiliated professional corporations

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)

(information pertaining to the six months ended June 30, 2020 and 2019 is unaudited)
(in thousands)

Note A – Organization and Basis of Presentation (continued)

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

Northwell maintains a controlling ownership in various entities whose results of operations are included in the accompanying consolidated financial statements. Northwell’s non-controlling interest in these various entities at June 30, 2020 and 2019 was immaterial, both individually and in the aggregate, to Northwell’s net assets and excess of revenue and gains and losses over expenses as reported in the accompanying consolidated financial statements.

COVID-19 Impact

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

In preparation for the surge of COVID-19 patients, effective March 16, 2020, all non-emergent and elective surgeries and interventional procedures were discontinued at Northwell’s hospitals (ahead of NYS executive orders), and at its ambulatory centers shortly thereafter. A number of ambulatory centers and physician offices were closed or started operating on a reduced schedule in March as a result of the pandemic. To the extent practicable, clinical employees at these sites were redeployed to hospital inpatient units or emergency departments to assist in treating the surge of COVID-19 patients. In addition, clinical staff was brought in from outside staffing agencies and leased from health systems in other parts of the country that were not as severely impacted as NYS. Outpatient visits for private referred ambulatory services including imaging and rehabilitation, as well as physician office visits declined significantly since the start of the crisis. Outpatient chemotherapy and radiation oncology services for cancer have also been negatively affected by the coronavirus pandemic, although somewhat less dramatically due to the importance of maintaining these services. While volume continues to improve, for most inpatient and outpatient services, through July, it was still at levels lower than pre-COVID-19.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)

*(information pertaining to the six months ended June 30, 2020 and 2019 is unaudited)
(in thousands)*

Note A – Organization and Basis of Presentation (continued)

The negative financial impact of the coronavirus pandemic on Northwell’s consolidated operating results for the six months ended June 30, 2020 (excluding any federal relief funding), was estimated to be approximately \$1,160,000, primarily attributable to the reductions in volume resulting from the changes in operations in response to this crisis that started in mid-March. Based on unaudited July 2020 consolidated financial statements, management estimates that the continuing negative financial impact on operating results for the month of July was approximately \$100,000 (also excluding federal relief funding). A negative financial impact beyond July is expected, however, the amount will ultimately be dependent on the duration of the pandemic, the pace of the reopening of economic activity and continued recovery in providing non-COVID-19 related services to patients, the impact of a possible COVID-19 resurgence, and the ultimate amount of federal and other relief received. A steady decline in COVID-19 patients started in mid-April, while the increase in non-COVID-19 patients started in late April. Beginning in late May, NYS allowed for the resumption of elective surgical and interventional procedures in Nassau, Suffolk and Westchester counties, and in early June in New York City.

The negative financial impact amounts noted in the paragraph above exclude any relief funding received or anticipated from the federal Coronavirus Aid, Relief and Economic Security (“CARES”) Act or other sources. Through August 28, 2020, Northwell has received approximately \$1,230,000 in total grants from the CARES Act Provider Relief Fund. Such funding was received by individual Northwell entities based on various criteria, and under current guidelines issued by the US Department of Health and Human Services, can only be used by the entities that received the funding. The consolidated statement of operations for the six months ended June 30, 2020 reflects approximately \$754,000 of this grant revenue, reported as other operating revenue and recorded based on the financial impact of the pandemic for each individual Northwell entity in relation to the CARES Act funding it received. In July 2020, approximately an additional \$100,000 was recognized in the consolidated statement of operations.

In addition to the amounts from the Provider Relief Fund, Medicare advances were also made available under the CARES Act to provide liquidity to healthcare providers (separate and apart from the CARES Act grants described in the paragraph above). In April 2020, Northwell received approximately \$1,000,000 in Medicare advances, which are anticipated to be repaid by May 2021, without interest. These amounts are reflected in the current portion of estimated payables to third-party payers in the consolidated statement of financial position at June 30, 2020. In addition, Northwell is participating in the FICA employer tax deferral program under the CARES Act, and as of June 30, 2020 has deferred approximately \$93,000, with plans to continue to defer payment of these amounts through December 2020, as allowed under the program. The employer FICA amounts deferred under this program are payable without interest with half due in December 2021 and the other half due in December 2022. Both the Medicare advances and FICA deferral amounts are included in assets limited as to use and excluded from Northwell’s total unrestricted cash, cash equivalents and investments as of June 30, 2020.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)

*(information pertaining to the six months ended June 30, 2020 and 2019 is unaudited)
(in thousands)*

Note A – Organization and Basis of Presentation (continued)

Management continues to closely monitor the operational and financial impact of COVID-19 in many respects and is pursuing opportunities for additional federal funding (including funding from the Federal Emergency Management Agency) and any other funding that is or will become available. While the financial impact estimates noted above have been made using the best available information at the time, the ultimate net impact of the pandemic to Northwell and its financial condition is uncertain. The accompanying consolidated financial statements as of and for the six months ended June 30, 2020 do not reflect the effects of those events subsequent to June 30, 2020 noted above.

Note B - Use of Estimates

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

Note C - Reclassifications

Certain reclassifications have been made to the amounts previously reported in the 2019 consolidated statements of operations and cash flows to conform with the 2020 presentation.

Note D - Accounts Receivable and Patient Revenue

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

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

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)

*(information pertaining to the six months ended June 30, 2020 and 2019 is unaudited)
(in thousands)*

Note D - Accounts Receivable and Patient Revenue (continued)

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

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

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

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)

(information pertaining to the six months ended June 30, 2020 and 2019 is unaudited)
(in thousands)

Note D - Accounts Receivable and Patient Revenue (continued)

At June 30, 2020 and December 31, 2019 accounts receivable for services to patients, net is comprised of the following components:

	June 30, 2020	December 31, 2019
Receivables for services to patients	\$ 944,476	\$ 1,203,722
Contract assets (for in-house patients)	74,108	81,820
	<u>\$ 1,018,584</u>	<u>\$ 1,285,542</u>

Subsequent changes to the estimate of the transaction price (determined on a portfolio basis when applicable) are generally recorded as adjustments to patient revenue in the period of the change. For the six months ended June 30, 2020 and 2019, changes in Northwell's estimates of implicit price concessions, discounts, contractual adjustments or other reductions to expected payments for performance obligations satisfied in prior years were not significant. Portfolio collection estimates are updated periodically based on collection trends. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay (determined on a portfolio basis when applicable) are recorded as bad debt expense in supplies and expenses in the accompanying consolidated statements of operations. Bad debt expense and the related allowance for uncollectible accounts for the six months ended June 30, 2020 and 2019 and as of June 30, 2020 and December 31, 2019 were not significant.

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

Patient revenue for the six months ended June 30, 2020 and 2019, by payer is approximately as follows:

	2020	2019
Medicare and Medicare managed care	\$ 1,613,000	\$ 1,867,000
Medicaid and Medicaid managed care	740,000	803,000
Self-pay	29,000	45,000
Other third-party payers	2,692,000	2,903,000
	<u>\$ 5,074,000</u>	<u>\$ 5,618,000</u>

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

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)

(information pertaining to the six months ended June 30, 2020 and 2019 is unaudited)
(in thousands)

Note D - Accounts Receivable and Patient Revenue (continued)

Patient revenue for the six months ended June 30, 2020 and 2019, disaggregated by lines of service, is as follows:

	2020	2019
Net patient service revenue:		
Hospitals	\$ 4,089,747	\$ 4,481,975
Joint venture ambulatory surgery centers	24,228	33,506
Stern (skilled nursing facility and rehabilitation center)	23,076	28,656
Hospice Care Network	24,694	25,594
RegionCare, Inc.	25,586	25,430
Other	14,364	15,504
Net patient service revenue	4,201,695	4,610,665
Physician practice revenue	871,872	1,007,300
Total patient revenue	<u>\$ 5,073,567</u>	<u>\$ 5,617,965</u>

Settlements with third-party payers for cost report filings and retroactive adjustments due to ongoing and future audits, reviews or investigations are considered variable consideration and are included in the determination of patient revenue. These settlements are estimated based on the terms of the payment agreement with the payer, correspondence from the payer and Northwell's historical settlement activity (for example, cost report final settlements or repayments related to recovery audits), including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Such estimates are determined through either a probability-weighted estimate or an estimate of the most likely amount, depending on the circumstances related to a given estimated settlement item. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews and investigations. Changes in estimates relating to prior year settlements were not significant for the six months ended June 30, 2020 and 2019.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)

(information pertaining to the six months ended June 30, 2020 and 2019 is unaudited)
(in thousands)

Note E - Cash and Investments

Northwell's cash and investments are reported in the consolidated statements of financial position as presented below at June 30, 2020 and December 31, 2019:

	June 30, 2020	December 31, 2019
Cash and cash equivalents	\$ 1,646,737	\$ 535,619
Short-term investments	3,204,368	2,931,431
Long-term investments	2,475,760	2,532,060
Total cash, cash equivalents and investments	7,326,865	5,999,110
Less assets limited as to use:		
Management designated malpractice and other self-insurance assets	807,151	720,251
Medicare advances	1,008,071	–
Other management designated assets*	1,499,293	1,283,324
Donor restricted assets	305,438	308,948
Deferred employee compensation plan assets	255,708	243,250
Assets under bond indentures and other	100,223	121,515
Total assets limited as to use	3,975,884	2,677,288
Total unrestricted cash, cash equivalents and investments	\$ 3,350,981	\$ 3,321,822

* Other management designated assets include sinking funds established to repay Northwell's taxable debt, proceeds from taxable bond issues and other amounts designated to fund future capital expenditures and investments, and at June 30, 2020, the unrecognized amount of CARES Act relief funding received and amounts deferred under the CARES Act FICA employer tax deferral program.

Total unrestricted cash, cash equivalents and investments is used in Northwell's days cash on hand calculation, a required financial ratio for certain debt compliance covenants.

Cash and cash equivalents and short-term investments include \$1,579,662 and \$225,030 of assets limited as to use at June 30, 2020 and December 31, 2019, respectively. Long-term investments include \$2,396,222 and \$2,452,258 of assets limited as to use at June 30, 2020 and December 31, 2019, respectively.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)

(information pertaining to the six months ended June 30, 2020 and 2019 is unaudited)
(in thousands)

Note E - Cash and Investments (continued)

Cash and cash equivalents (unrestricted and restricted), as reported in the accompanying consolidated statements of cash flows, are reported within the following categories in the consolidated statements of financial position as of June 30, 2020 and 2019:

	2020	2019
Cash and cash equivalents	\$ 1,646,737	\$ 567,969
Short and long-term investments	404,865	350,377
	<u>\$ 2,051,602</u>	<u>\$ 918,346</u>

Note F - Fair Value Measurements

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

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

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

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

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

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

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

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)

(information pertaining to the six months ended June 30, 2020 and 2019 is unaudited)
(in thousands)

Note F - Fair Value Measurements (continued)

Financial assets and liabilities carried at fair value as of June 30, 2020 are classified in the following table in one of the three categories described previously:

	June 30, 2020			
	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents (including amounts in the investment portfolio)	\$ 2,051,602	\$ –	\$ –	\$ 2,051,602
Fixed income obligations:				
U.S. Government obligations	114,527	266,150	–	380,677
Corporate and other bonds	–	568,549	–	568,549
Fixed income mutual funds	560,042	–	–	560,042
Commingled fixed income funds*	–	296,177	–	296,177
Equity securities:				
Value	477,968	–	–	477,968
Small cap	157,096	–	–	157,096
Global	270,478	–	–	270,478
Growth	145,282	–	–	145,282
Equity mutual funds	781,165	–	–	781,165
Commingled equity funds*	–	243,279	–	243,279
Target-age mutual funds	81,025	–	–	81,025
Interest and other receivables	16,713	–	–	16,713
Liabilities				
Interest rate swap agreements	–	(8,222)	–	(8,222)
	<u>\$ 4,655,898</u>	<u>\$ 1,365,933</u>	<u>\$ –</u>	<u>\$ 6,021,831</u>

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)

(information pertaining to the six months ended June 30, 2020 and 2019 is unaudited)
(in thousands)

Note F - Fair Value Measurements (continued)

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

	December 31, 2019			
	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents (including amounts in the investment portfolio)	\$ 979,253	\$ –	\$ –	\$ 979,253
Fixed income obligations:				
U.S. Government obligations	152,491	257,835	–	410,326
Corporate and other bonds	–	518,725	–	518,725
Fixed income mutual funds	450,547	–	–	450,547
Commingled fixed income funds*	–	267,342	–	267,342
Equity securities:				
Value	444,598	–	–	444,598
Small cap	162,855	–	–	162,855
Global	273,653	–	–	273,653
Growth	134,434	–	–	134,434
Equity mutual funds	785,480	–	–	785,480
Commingled equity funds*	–	216,308	–	216,308
Target-age mutual funds	73,727	–	–	73,727
Interest and other receivables	27,027	–	–	27,027
Liabilities				
Interest rate swap agreements	–	(6,130)	–	(6,130)
	\$ 3,484,065	\$ 1,254,080	\$ –	\$ 4,738,145

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

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

The amounts reported in the previous tables exclude certain amounts reported as investments, including investments under the equity method or at adjusted cost in the amounts of \$1,296,812 and \$1,254,835 at June 30, 2020 and December 31, 2019, respectively, and assets invested in Northwell's pension plans.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)

*(information pertaining to the six months ended June 30, 2020 and 2019 is unaudited)
(in thousands)*

Note G - Pension and Postretirement Benefits

Northwell maintains several pension plans for its employees. The following are brief descriptions of such plans and the respective pension expense for the six months ended June 30, 2020 and 2019.

Certain members of Northwell provide pension and similar benefits to its employees through defined contribution plans. Contributions to defined contribution plans are based on percentages of annual salaries. Pension expense related to the defined contribution plans was \$124,208 and \$106,580 for the six months ended June 30, 2020 and 2019, respectively.

Certain members of Northwell contribute to various multiemployer defined benefit pension plans under the terms of collective bargaining agreements that cover union-represented employees. Pension expense related to these plans aggregated \$58,594 and \$55,717 for the six months ended June 30, 2020 and 2019, respectively.

Certain of Northwell's employees participate in deferred compensation plans. In connection with these plans, Northwell deposits amounts with trustees on behalf of the participating employees. Under the terms of the plans, Northwell is not responsible for investment gains or losses incurred. The assets are restricted for payments under the plans, but may revert to Northwell under certain specified circumstances.

In addition, Northwell maintains various deferred compensation plans pursuant to Section 457(b) of the Code (the "457(b) Plans"). Eligible employees may defer compensation under a salary reduction agreement, subject to certain dollar limitations. Non-elective employer contributions may also be made for some of the 457(b) Plans. Payments upon retirement or termination of employment are based on amounts credited to the individual accounts.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)

(information pertaining to the six months ended June 30, 2020 and 2019 is unaudited)
(in thousands)

Note G - Pension and Postretirement Benefits (continued)

Certain Northwell employees are covered by noncontributory defined benefit pension plans. The following table provides an estimate of the components of the total net periodic benefit cost for the defined benefit pension plans for the six months ended June 30, 2020 and 2019:

	2020	2019
Service cost (included in employee benefits)	\$ 54,337	\$ 48,336
Interest cost on projected benefit obligation	52,314	49,952
Expected return on plan assets	(83,713)	(62,762)
Amortization of actuarial loss	34,760	21,768
Amortization of prior service cost	5,259	913
Total included in non-operating net periodic benefit cost	8,620	9,871
Net periodic benefit cost	\$ 62,957	\$ 58,207

Certain employees are also covered by postretirement defined benefit plans other than pensions. The net periodic benefit cost of such plans for the six months ended June 30, 2020 and 2019 was not material to the consolidated statements of operations.

Note H – Leases

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

As of June 30, 2020 and December 31, 2019, assets acquired under finance leases of \$187,587 (at both dates) and accumulated amortization associated with finance leases of \$24,123 and \$20,635, respectively, are recorded in property, plant and equipment, net in the consolidated statements of financial position.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)

(information pertaining to the six months ended June 30, 2020 and 2019 is unaudited)
(in thousands)

Note H – Leases (continued)

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

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

The components of lease cost included in the accompanying consolidated statements of operations for the six months ended June 30, 2020 and 2019 are as follows:

	2020	2019
Finance lease cost:		
Amortization of assets acquired under finance leases	\$ 3,488	\$ 2,519
Interest on finance lease obligations	7,830	7,683
Operating lease cost:		
Lease cost – leases with terms greater than one year	99,917	88,166
Short-term lease cost	2,173	1,657
Variable lease cost	13,653	13,231
Total lease cost	<u>\$ 127,061</u>	<u>\$ 113,256</u>

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)

(information pertaining to the six months ended June 30, 2020 and 2019 is unaudited)
(in thousands)

Note H – Leases (continued)

Other information related to leases and supplemental cash flows as of June 30, 2020 and December 31, 2019 and for the six months ended June 30, 2020 and 2019 are as follows:

	Six Months Ended June 30,	
	2020	2019
Operating cash flows for interest on finance leases	\$ 7,830	\$ 7,683
Operating cash flows from operating leases*	98,945	88,551
Financing cash flows from finance leases	3,478	3,438
Assets acquired under new finance lease obligations	-	11,698
Right-of-use leased assets obtained in exchange for new operating lease obligations	73,769	74,124
	June 30,	December 31,
	2020	2019
Weighted-average remaining lease term:		
Finance leases	26 years	26 years
Operating leases	11 years	11 years
Weighted-average discount rate on finance leases	7.9%	7.9%
Weighted-average discount rate on operating leases	4.0%	4.1%

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

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)

*(information pertaining to the six months ended June 30, 2020 and 2019 is unaudited)
(in thousands)*

Note H – Leases (continued)

The following table reconciles the undiscounted future lease payments to the lease obligations recorded on the accompanying consolidated statement of financial position at June 30, 2020:

	Operating	Finance
2020 (remaining six months)	\$ 83,027	\$ 11,290
2021	162,715	21,823
2022	144,080	20,654
2023	127,974	19,622
2024	113,718	19,197
Thereafter	642,629	432,652
Total minimum future payments	1,274,143	525,238
Less: Interest	268,585	291,592
Less: Net unamortized issuance costs	–	2,003
Total liabilities	1,005,558	231,643
Less: Current portion	127,529	7,033
Long-term liabilities	<u>\$ 878,029</u>	<u>\$ 224,610</u>

Note I - Commitments and Contingencies

Litigation and Claims

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

Letters of Credit and Surety Bonds

At June 30, 2020, \$14,999 in direct-pay letters of credit were maintained with a commercial bank to secure certain Northern Westchester bond issues.

At June 30, 2020, four commercial banks are providing a total of \$366,842 in commitments, solely to support letters of credit required for Northwell's high deductible workers' compensation and vehicle insurance programs. At June 30, 2020, \$150,473 in secured direct-pay letters of credit were maintained with the banks and \$216,369 of the commitments remain available for future letters of credit. At June 30, 2020, there was also a \$60,000 surety bond supporting these programs.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)

*(information pertaining to the six months ended June 30, 2020 and 2019 is unaudited)
(in thousands)*

Note I - Commitments and Contingencies (continued)

In addition, at June 30, 2020, \$16,798 in direct-pay letters of credit or surety bonds were maintained to support other workers' compensation insurance programs at certain Northwell hospitals.

Other Commitments

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

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

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

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)

*(information pertaining to the six months ended June 30, 2020 and 2019 is unaudited)
(in thousands)*

Note I - Commitments and Contingencies (continued)

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

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

Note J - Subsequent Events

Management has evaluated events and transactions subsequent to June 30, 2020 through August 28, 2020, representing the date at which the unaudited interim consolidated financial statements were issued.

Except for those mentioned in Note A, no events have occurred that require disclosure in, or adjustment to, the unaudited interim consolidated financial statements.