



Northwell Health, Inc.
Consolidated Financial Statements and Supplementary Information
For the Three Months Ended March 31, 2020 and 2019

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Northwell Health, Inc.

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

	(Unaudited) March 31, 2020	(Audited) December 31, 2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 662,645	\$ 535,619
Short-term investments	2,658,352	2,931,431
Accounts receivable for services to patients, net	1,206,111	1,285,542
Accounts receivable for physician activities, net	245,743	255,893
Pledges receivable, current portion	42,494	47,316
Insurance claims receivable, current portion	44,256	44,256
Other current assets	418,298	349,832
Total current assets	5,277,899	5,449,889
Long-term investments	2,182,165	2,532,060
Pledges receivable, net of current portion	89,772	99,971
Property, plant and equipment, net	5,611,750	5,548,317
Right-of-use assets – operating leases	972,686	959,622
Insurance claims receivable, net of current portion	151,214	151,214
Other assets	429,811	415,610
Total assets	<u>\$ 14,715,297</u>	<u>\$ 15,156,683</u>
Liabilities and net assets		
Current liabilities:		
Short-term borrowings	\$ 275,000	\$ 95,000
Accounts payable and accrued expenses	1,047,841	989,611
Accrued salaries and related benefits	1,017,194	984,572
Current portion of operating lease obligations	124,396	118,163
Current portion of finance lease obligations	7,239	7,263
Current portion of long-term debt	56,939	56,950
Current portion of insurance claims liability	44,256	44,256
Current portion of malpractice and other insurance liabilities	183,957	184,506
Current portion of estimated payables to third-party payers	352,115	338,251
Total current liabilities	3,108,937	2,818,572
Accrued retirement benefits, net of current portion	641,027	646,738
Operating lease obligations, net of current portion	876,062	869,879
Finance lease obligations, net of current portion	226,120	227,819
Long-term debt, net of current portion	3,710,216	3,715,934
Insurance claims liability, net of current portion	151,214	151,214
Malpractice and other insurance liabilities, net of current portion	1,377,571	1,336,641
Other long-term liabilities	618,418	634,490
Total liabilities	<u>10,709,565</u>	<u>10,401,287</u>
Commitments and contingencies		
Net assets:		
Without donor restrictions	3,355,450	4,063,674
With donor restrictions	650,282	691,722
Total net assets	<u>4,005,732</u>	<u>4,755,396</u>
Total liabilities and net assets	<u>\$ 14,715,297</u>	<u>\$ 15,156,683</u>

See accompanying notes.

Northwell Health, Inc.

Consolidated Statements of Operations
For the Three Months Ended March 31, 2020 and 2019 (In Thousands)

	(Unaudited) 2020	(Unaudited) 2019
Operating revenue:		
Net patient service revenue	\$ 2,310,548	\$ 2,256,359
Physician practice revenue	515,421	482,932
Total patient revenue	2,825,969	2,739,291
Other operating revenue	238,431	195,276
Net assets released from restrictions used for operations	16,997	15,268
Total operating revenue	3,081,397	2,949,835
Operating expenses:		
Salaries	1,669,734	1,541,178
Employee benefits	403,973	365,130
Supplies and expenses	973,510	900,868
Depreciation and amortization	135,076	126,523
Interest	40,067	35,793
Total operating expenses	3,222,360	2,969,492
Excess of operating expenses over operating revenue	(140,963)	(19,657)
Non-operating gains and losses:		
Investment income	24,456	45,386
Change in net unrealized gains and losses and change in value of equity method investments	(584,162)	194,813
Change in fair value of interest rate swap agreements designated as derivative instruments	(580)	(206)
Non-operating net periodic benefit cost	(4,021)	(4,268)
Other non-operating gains and losses	(4,424)	(14,946)
Total non-operating gains and losses	(568,731)	220,779
(Deficiency) excess of revenue and gains and losses over expenses	(709,694)	201,122
Net assets released from restrictions for capital asset acquisitions	4,480	5,409
Change in fair value of interest rate swap agreements designated as cash flow hedges	(1,354)	(332)
Other changes in net assets	(1,656)	(2,238)
(Decrease) increase in net assets without donor restriction	\$ (708,224)	\$ 203,961

See accompanying notes.

Northwell Health, Inc.

Consolidated Statements of Changes in Net Assets
For the Three Months Ended March 31, 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	-	14,796	14,796
Investment income	-	2,219	2,219
Change in net unrealized gains and losses and change in value of equity method investments	-	14,727	14,727
Excess of revenue and gains and losses over expenses	201,122	-	201,122
Net assets released from restrictions for:			
Capital asset acquisitions	5,409	(5,409)	-
Operations	-	(15,268)	(15,268)
Non-operating activities	-	(1,920)	(1,920)
Change in fair value of interest rate swap agreements designated as cash flow hedges	(332)	-	(332)
Other changes in net assets	(2,238)	2,595	357
Increase in net assets	203,961	11,740	215,701
Net assets, March 31, 2019	\$ 3,548,787	\$ 650,449	\$ 4,199,236

	(Unaudited)		
	Without Donor Restrictions	With Donor Restrictions	Total
Net assets, January 1, 2020	\$ 4,063,674	\$ 691,722	\$ 4,755,396
Contributions and grants	-	18,901	18,901
Investment income	-	2,685	2,685
Change in net unrealized gains and losses and change in value of equity method investments	-	(38,355)	(38,355)
Deficiency of revenue and gains and losses over expenses	(709,694)	-	(709,694)
Net assets released from restrictions for:			
Capital asset acquisitions	4,480	(4,480)	-
Operations	-	(16,997)	(16,997)
Non-operating activities	-	(3,459)	(3,459)
Change in fair value of interest rate swap agreements designated as cash flow hedges	(1,354)	-	(1,354)
Other changes in net assets	(1,656)	265	(1,391)
Decrease in net assets	(708,224)	(41,440)	(749,664)
Net assets, March 31, 2020	\$ 3,355,450	\$ 650,282	\$ 4,005,732

See accompanying notes.

Northwell Health, Inc.

Consolidated Statements of Cash Flows

For the Three Months Ended March 31, 2020 and 2019 (In Thousands)

	(Unaudited) 2020	(Unaudited) 2019
Cash flows from operating activities		
(Decrease) increase in net assets	\$ (749,664)	\$ 215,701
Adjustments to reconcile (decrease) increase in net assets to net cash provided by operating activities:		
Permanent endowment donor contributions	(1,599)	(747)
Depreciation and amortization	135,076	126,523
Amortization of bond premiums, discounts and financing costs	(1,490)	(381)
Net realized gains and losses, change in net unrealized gains and losses and change in value of equity method investments	603,606	(244,603)
Change in fair value of interest rate swap agreements	1,934	538
Changes in operating assets and liabilities:		
Accounts receivable for services to patients, net	79,431	(75,783)
Accounts receivable for physician activities, net	10,150	(17,440)
Pledges receivable	13,589	3,027
Current portion of estimated payables to third party-payers	13,864	19,100
Accrued retirement benefits, net of current portion	(5,711)	15,901
Malpractice and other insurance liabilities	40,381	47,128
Net change in all other operating assets and liabilities	4,428	23,831
Net cash provided by operating activities	<u>143,995</u>	<u>112,795</u>
Cash flows from investing activities		
Capital expenditures	(198,509)	(176,536)
Net cash (invested in) from sales of short-term and long-term investments	(102,957)	194,481
Payments for acquisitions and clinical joint venture investments, net	(14,863)	(1,965)
Net cash (used in) provided by investing activities	<u>(316,329)</u>	<u>15,980</u>
Cash flows from financing activities		
Principal payments on long-term debt and finance lease obligations	(5,962)	(6,090)
Payments on short-term borrowings	(95,000)	(1,750)
Proceeds from short-term borrowings	275,000	-
Proceeds from permanent endowment donor contributions	3,031	9,798
Net cash provided by financing activities	<u>177,069</u>	<u>1,958</u>
Net increase in cash and cash equivalents (unrestricted and restricted)	4,735	130,733
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>\$ 983,988</u>	<u>\$1,092,379</u>
Supplemental disclosure of cash flow information		
Cash paid during the period for interest (exclusive of amount capitalized)	<u>\$ 4,399</u>	<u>\$ 4,529</u>

See accompanying notes.

Northwell Health, Inc.

Consolidating Statement of Financial Position
March 31, 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	\$662,645	\$-	\$482,561	\$2,977	\$31,378	\$12,394	\$36,941	\$5,095	\$8,678	\$-	\$27,521	\$-	\$1,063	\$-	\$18,321	\$6,256	\$29,460
Short-term investments	2,658,352	-	2,109,384	157,496	142,333	18,461	35,884	89	40,160	26	51,931	-	38,355	964	63,269	-	-
Accounts receivable for services to patients, net	1,206,111	-	1,034,579	33,942	31,551	23,665	48,664	7,910	5,980	-	-	-	-	498	-	6,870	12,452
Accounts receivable for physician activities, net	245,743	-	180,296	2,182	1,156	2,389	3,481	-	-	-	-	-	-	-	-	-	56,239
Pledges receivable, current portion	42,494	-	-	-	-	-	-	-	-	-	42,494	-	-	-	-	-	-
Insurance claims receivable, current portion	44,256	-	41,951	231	394	149	397	709	35	90	6	294	-	-	-	-	-
Other current assets	418,298	(100)	278,469	6,476	7,913	10,140	12,997	4,436	720	13,827	1,660	39,839	460	104	3,060	1,560	36,737
Total current assets	5,277,899	(100)	4,127,240	203,304	214,725	67,198	138,364	18,239	55,573	13,943	123,612	40,133	39,878	1,566	84,650	14,686	134,888
Due from affiliates, net	-	(511,323)	472,715	-	-	-	-	-	34	-	21,861	15,681	-	-	1,032	-	-
Long-term investments	2,182,165	(318,925)	1,839,200	30,262	50,361	13,700	15,733	-	2,059	100,930	96,646	-	159,759	6,581	14,043	-	171,816
Pledges receivable, net of current portion	89,772	-	-	555	3,631	-	-	-	-	-	84,874	-	-	-	-	-	712
Property, plant and equipment, net	5,611,750	-	4,528,367	183,290	215,076	143,477	99,360	44,038	930	46,905	998	87,124	-	257	-	28,844	233,084
Right-of-use assets – operating leases	972,686	(19,069)	645,197	5,802	12,109	19,003	13,092	-	7,597	100	959	7,585	-	-	-	25,320	254,991
Insurance claims receivable, net of current portion	151,214	(133,763)	243,579	4,549	2,776	453	21,191	1,489	103	266	17	684	9,870	-	-	-	-
Other assets	429,811	(172,183)	368,593	5,514	7,925	20,067	11,395	9,695	214	-	77	-	196	-	-	63,720	114,598
Total assets	\$14,715,297	(\$1,155,363)	\$12,224,891	\$433,276	\$506,603	\$263,898	\$299,135	\$73,461	\$66,510	\$162,144	\$329,044	\$151,207	\$209,703	\$8,404	\$99,725	\$132,570	\$910,089
Liabilities and net assets (deficit)																	
Current liabilities:																	
Short-term borrowings	\$275,000	\$-	\$275,000	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-
Accounts payable and accrued expenses	1,047,841	(100)	813,603	20,159	28,976	22,766	17,127	3,466	2,101	16,710	541	39,877	5,035	133	7,652	6,781	63,014
Accrued salaries and related benefits	1,017,194	-	863,239	14,792	14,642	18,770	19,786	6,399	2,079	7,291	1,907	9,892	-	441	11	1,024	56,921
Current portion of operating lease obligations	124,396	(582)	79,137	1,285	1,432	1,809	3,817	-	1,645	92	58	1,716	-	-	-	1,907	32,080
Current portion of finance lease obligations	7,239	-	3,143	-	-	1,269	2,768	-	-	-	-	-	-	-	-	59	-
Current portion of long-term debt	56,939	-	45,915	1,942	3,766	1,693	2,685	-	-	-	-	-	-	-	-	938	-
Current portion of insurance claims liability	44,256	-	41,951	231	394	149	397	709	35	90	6	294	-	-	-	-	-
Current portion of malpractice and other insurance liabilities	183,957	-	135,433	1,634	4,318	1,588	2,169	461	-	-	-	-	38,354	-	-	-	-
Current portion of estimated payable to third-party payers	352,115	-	310,622	5,439	1,000	4,833	-	2,841	-	-	-	26,523	-	26	831	-	-
Total current liabilities	3,108,937	(682)	2,568,043	45,482	54,528	52,877	48,749	13,876	5,860	24,183	2,512	78,302	43,389	600	8,494	10,709	152,015
Due to affiliates, net	-	(519,981)	-	9,849	25,586	28,240	10,149	83,477	-	970	-	-	20,966	14,006	-	753	325,985
Accrued retirement benefits, net of current portion	641,027	-	540,614	5,421	27,816	251	66,084	535	200	-	-	-	-	-	106	-	-
Operating lease obligations, net of current portion	876,062	(18,487)	582,426	4,529	11,152	17,194	9,275	-	6,597	8	964	5,869	-	-	-	23,531	233,004
Finance lease obligations, net of current portion	226,120	-	222,134	-	-	1,359	2,524	-	-	-	-	-	-	-	-	103	-
Long-term debt, net of current portion	3,710,216	-	3,582,348	27,471	43,038	28,545	24,082	-	-	-	-	-	-	-	-	4,732	-
Insurance claims liability, net of current portion	151,214	(133,763)	243,579	4,549	2,776	453	21,191	1,489	103	266	17	684	9,870	-	-	-	-
Malpractice and other insurance liabilities, net of current portion	1,377,571	18,171	1,208,391	15,800	24,059	14,203	19,472	3,595	-	-	-	-	73,880	-	-	-	-
Other long-term liabilities	618,418	-	583,924	4,423	12,404	6,024	2,732	-	-	28	5,273	1,383	-	-	-	612	1,615
Total liabilities	10,709,565	(654,742)	9,531,459	117,524	201,359	149,146	204,258	102,972	12,760	25,455	8,766	86,238	148,105	14,606	8,600	40,440	712,619
Commitments and contingencies																	
Net assets (deficit):																	
Without donor restrictions	3,355,450	(180,954)	2,249,547	306,172	269,728	102,800	92,276	(29,511)	51,998	19,241	-	64,969	61,598	(11,999)	91,125	92,130	176,330
With donor restrictions	650,282	(319,667)	443,885	9,580	35,516	11,952	2,601	-	1,752	117,448	320,278	-	-	5,797	-	-	21,140
Total net assets (deficit)	4,005,732	(500,621)	2,693,432	315,752	305,244	114,752	94,877	(29,511)	53,750	136,689	320,278	64,969	61,598	(6,202)	91,125	92,130	197,470
Total liabilities and net assets (deficit)	\$14,715,297	(\$1,155,363)	\$12,224,891	\$433,276	\$506,603	\$263,898	\$299,135	\$73,461	\$66,510	\$162,144	\$329,044	\$151,207	\$209,703	\$8,404	\$99,725	\$132,570	\$910,089

Northwell Health, Inc.

Combining Statement of Financial Position - Northwell Health Obligated Group
March 31, 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	\$482,561	\$-	\$441,293	\$32,344	\$1,869	\$3,021	\$912	\$422	\$1,369	\$61	\$844	\$426
Short-term investments	2,109,384	-	277,950	588,867	524,162	425,986	46,111	-	202,749	41,989	1,018	552
Accounts receivable for services to patients, net	1,034,579	-	-	252,549	338,218	138,983	153,062	65,829	44,947	15,902	17,562	7,527
Accounts receivable for physician activities, net	180,296	-	-	179,378	-	-	918	-	-	-	-	-
Insurance claims receivable, current portion	41,951	-	891	10,475	11,191	5,910	6,645	2,800	1,949	619	1,206	265
Other current assets	278,469	(3,000)	88,621	58,739	56,585	22,755	29,566	13,143	7,063	1,674	3,225	98
Total current assets	4,127,240	(3,000)	808,755	1,122,352	932,025	596,655	237,214	82,194	258,077	60,245	23,855	8,868
Due from affiliates, net	472,715	(249,320)	201,779	182,159	273,431	52,057	-	-	-	-	-	12,609
Long-term investments	1,839,200	-	829,470	247,922	436,980	153,815	79,882	28,606	33,072	10,749	3,069	15,635
Property, plant and equipment, net	4,528,367	-	959,102	469,728	1,261,496	219,113	1,011,208	330,018	171,814	45,397	51,994	8,497
Right-of-use assets – operating leases	645,197	-	224,371	145,668	73,200	58,800	99,841	18,511	13,956	1,635	9,215	-
Insurance claims receivable, net of current portion	243,579	-	2,071	65,007	76,469	40,487	24,751	14,125	10,435	4,823	4,796	615
Other assets	368,593	(5,115)	106,084	218,928	16,589	7,500	23,217	1,390	-	-	-	-
Total assets	\$12,224,891	(\$257,435)	\$3,131,632	\$2,451,764	\$3,070,190	\$1,128,427	\$1,476,113	\$474,844	\$487,354	\$122,849	\$92,929	\$46,224
Liabilities and net assets (deficit)												
Current liabilities:												
Short-term borrowings	\$275,000	\$-	\$-	\$132,500	\$142,500	\$-	\$-	\$-	\$-	\$-	\$-	\$-
Accounts payable and accrued expenses	813,603	-	285,962	143,944	138,407	56,562	83,778	52,307	25,860	11,554	13,650	1,579
Accrued salaries and related benefits	863,239	-	342,349	135,463	171,223	55,016	71,175	37,876	25,689	7,536	14,070	2,842
Current portion of operating lease obligations	79,137	-	30,341	18,392	10,997	5,825	8,514	2,109	2,362	114	483	-
Current portion of finance lease obligations	3,143	-	1,824	164	536	114	266	152	87	-	-	-
Current portion of long-term debt	45,915	-	5,283	11,065	20,117	4,000	1,820	55	55	872	1,735	913
Current portion of insurance claims liability	41,951	-	891	10,475	11,191	5,910	6,645	2,800	1,949	619	1,206	265
Current portion of malpractice and other insurance liabilities	135,433	-	39,518	26,461	28,684	14,845	11,011	7,176	4,503	1,448	1,787	-
Current portion of estimated payable to third-party payers	310,622	-	1,056	81,662	173,850	22,990	11,507	10,376	1,056	2,040	2,328	3,757
Total current liabilities	2,568,043	-	707,224	560,126	697,505	165,262	194,716	112,851	61,561	24,183	35,259	9,356
Due to affiliates, net	-	(374,114)	-	-	-	-	82,108	199,512	50,388	8,913	33,193	-
Accrued retirement benefits, net of current portion	540,614	-	297,038	73,018	30,210	949	58,985	22,870	41,726	4,564	9,328	1,926
Operating lease obligations, net of current portion	582,426	-	187,978	130,732	63,584	66,889	94,858	16,487	11,594	1,521	8,783	-
Finance lease obligations, net of current portion	222,134	-	139,354	722	69,279	370	11,192	800	417	-	-	-
Long-term debt, net of current portion	3,582,348	-	2,181,109	136,876	824,619	102,056	110,909	128,458	85,709	6,274	5,030	1,308
Insurance claims liability, net of current portion	243,579	-	2,071	65,007	76,469	40,487	24,751	14,125	10,435	4,823	4,796	615
Malpractice and other insurance liabilities, net of current portion	1,208,391	-	177,217	286,004	307,313	157,605	123,074	75,420	48,257	14,815	18,686	-
Other long-term liabilities	583,924	-	77,760	128,428	220,801	22,264	57,442	48,032	11,655	7,006	9,811	725
Total liabilities	9,531,459	(374,114)	3,769,751	1,380,913	2,289,780	555,882	758,035	618,555	321,742	72,099	124,886	13,930
Commitments and contingencies												
Net assets (deficit):												
Without donor restrictions	2,249,547	116,679	(638,119)	919,731	636,724	563,296	620,975	(152,970)	150,181	36,583	(34,917)	31,384
With donor restrictions	443,885	-	-	151,120	143,686	9,249	97,103	9,259	15,431	14,167	2,960	910
Total net assets (deficit)	2,693,432	116,679	(638,119)	1,070,851	780,410	572,545	718,078	(143,711)	165,612	50,750	(31,957)	32,294
Total liabilities and net assets (deficit)	\$12,224,891	(\$257,435)	\$3,131,632	\$2,451,764	\$3,070,190	\$1,128,427	\$1,476,113	\$474,844	\$487,354	\$122,849	\$92,929	\$46,224

Northwell Health, Inc.

Consolidating Statement of Financial Position - Phelps Memorial Hospital
March 31, 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	\$2,977	\$-	\$1,290	\$1,216	\$471
Short-term investments	157,496	-	157,496	-	-
Accounts receivable for services to patients, net	33,942	-	33,942	-	-
Accounts receivable for physician activities, net	2,182	-	703	-	1,479
Insurance claims receivable, current portion	231	-	231	-	-
Other current assets	6,476	-	6,049	168	259
Total current assets	203,304	-	199,711	1,384	2,209
Due from affiliates, net	-	(10,601)	10,075	526	-
Long-term investments	30,262	-	30,262	-	-
Pledges receivable, net of current portion	555	-	555	-	-
Property, plant and equipment, net	183,290	-	172,050	8,614	2,626
Right-of-use assets – operating leases	5,802	-	1,576	-	4,226
Insurance claims receivable, net of current portion	4,549	-	4,549	-	-
Other assets	5,514	(373)	5,887	-	-
Total assets	\$433,276	(\$10,974)	\$424,665	\$10,524	\$9,061
Liabilities and net assets (deficit)					
Current liabilities:					
Accounts payable and accrued expenses	\$20,159	\$-	\$19,609	\$21	\$529
Accrued salaries and related benefits	14,792	-	12,508	-	2,284
Current portion of operating lease obligations	1,285	-	438	-	847
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	5,439	-	5,439	-	-
Total current liabilities	45,482	-	41,584	238	3,660
Due to affiliates, net	9,849	(10,601)	-	-	20,450
Accrued retirement benefits, net of current portion	5,421	-	5,421	-	-
Operating lease obligations, net of current portion	4,529	-	1,150	-	3,379
Long-term debt, net of current portion	27,471	-	24,800	2,671	-
Insurance claims liability, net of current portion	4,549	-	4,549	-	-
Malpractice and other insurance liabilities, net of current portion	15,800	-	15,800	-	-
Other long-term liabilities	4,423	-	4,423	-	-
Total liabilities	117,524	(10,601)	97,727	2,909	27,489
Commitments and contingencies					
Net assets (deficit):					
Without donor restrictions	306,172	(373)	317,358	7,615	(18,428)
With donor restrictions	9,580	-	9,580	-	-
Total net assets (deficit)	315,752	(373)	326,938	7,615	(18,428)
Total liabilities and net assets (deficit)	\$433,276	(\$10,974)	\$424,665	\$10,524	\$9,061

Northwell Health, Inc.

**Consolidating Statement of Financial Position - Northern Westchester Hospital
March 31, 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	\$31,378	\$30,981	\$-	\$397
Short-term investments	142,333	142,333	-	-
Accounts receivable for services to patients, net	31,551	31,551	-	-
Accounts receivable for physician activities, net	1,156	1,156	-	-
Insurance claims receivable, current portion	394	394	-	-
Other current assets	7,913	7,913	-	-
Total current assets	\$214,725	214,328	-	397
Long-term investments	50,361	8,914	41,447	-
Pledges receivable, net of current portion	3,631	-	3,631	-
Property, plant and equipment, net	215,076	201,859	120	13,097
Right-of-use assets – operating leases	12,109	12,109	-	-
Insurance claims receivable, net of current portion	2,776	2,776	-	-
Other assets	7,925	6,661	-	1,264
Total assets	\$506,603	\$446,647	\$45,198	\$14,758
Liabilities and net assets				
Current liabilities:				
Accounts payable and accrued expenses	\$28,976	\$28,894	\$38	\$44
Accrued salaries and related benefits	14,642	14,578	64	-
Current portion of operating lease obligations	1,432	1,432	-	-
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	1,000	1,000	-	-
Total current liabilities	\$54,528	\$54,382	102	44
Due to affiliates, net	25,586	11,722	10,094	3,770
Accrued retirement benefits, net of current portion	27,816	27,816	-	-
Operating lease obligations, net of current portion	11,152	11,152	-	-
Long-term debt, net of current portion	43,038	43,038	-	-
Insurance claims liability, net of current portion	2,776	2,776	-	-
Malpractice and other insurance liabilities, net of current portion	24,059	24,059	-	-
Other long-term liabilities	12,404	11,122	-	1,282
Total liabilities	201,359	186,067	10,196	5,096
Commitments and contingencies				
Net assets:				
Without donor restrictions	269,728	259,613	453	9,662
With donor restrictions	35,516	967	34,549	-
Total net assets	305,244	260,580	35,002	9,662
Total liabilities and net assets	\$506,603	\$446,647	\$45,198	\$14,758

Northwell Health, Inc.

Combining Statement of Financial Position - Joint Venture Ambulatory Surgery Centers
March 31, 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	\$6,256	\$-	\$2,319	\$1,023	\$441	\$665	\$442	\$322	\$1,044
Accounts receivable for services to patients, net	6,870	-	-	678	936	918	654	332	3,352
Other current assets	1,560	-	36	-	476	392	68	5	583
Total current assets	14,686	-	2,355	1,701	1,853	1,975	1,164	659	4,979
Property, plant and equipment, net	28,844	-	362	6,430	2,493	433	119	18,102	905
Right-of-use leased assets	25,320	-	1,191	20,406	3,093	-	145	-	485
Other assets	63,720	-	29,939	6,632	4,143	5,358	4,237	-	13,411
Total assets	\$132,570	\$0	\$33,847	\$35,169	\$11,582	\$7,766	\$5,665	\$18,761	\$19,780
Liabilities and net assets									
Current liabilities:									
Accounts payable and accrued expenses	\$6,781	\$-	\$173	\$2,907	\$801	\$337	\$220	\$1,487	\$856
Accrued salaries and related benefits	1,024	-	222	257	110	49	68	48	270
Current portion of operating lease obligations	1,907	-	407	767	267	-	145	-	321
Current portion of finance lease obligations	59	-	-	-	19	-	-	-	40
Current portion of long-term debt	938	-	-	864	-	64	10	-	-
Total current liabilities	10,709	-	802	4,795	1,197	450	443	1,535	1,487
Due to affiliates, net	753	-	120	349	33	107	63	-	81
Operating lease obligations, net of current portion	23,531	-	784	19,639	2,826	-	-	-	282
Finance lease obligations, net of current portion	103	-	-	-	-	-	-	-	103
Long-term debt, net of current portion	4,732	-	-	4,629	-	61	42	-	-
Other long-term liabilities	612	-	612	-	-	-	-	-	-
Total liabilities	40,440	-	2,318	29,412	4,056	618	548	1,535	1,953
Commitments and contingencies									
Net assets:									
Without donor restrictions	92,130	-	31,529	5,757	7,526	7,148	5,117	17,226	17,827
With donor restrictions	-	-	-	-	-	-	-	-	-
Total net assets	92,130	-	31,529	5,757	7,526	7,148	5,117	17,226	17,827
Total liabilities and net assets	\$132,570	\$0	\$33,847	\$35,169	\$11,582	\$7,766	\$5,665	\$18,761	\$19,780

Northwell Health, Inc.

Consolidating Statement of Operations
For the Three Months Ended March 31, 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	\$2,310,548	(\$365)	\$1,964,926	\$66,949	\$65,291	\$53,662	\$87,081	\$22,063	\$12,496	\$-	\$-	\$-	\$-	\$1,267	\$-	\$17,100	\$20,078
Physician practice revenue	515,421	(13,045)	312,222	6,005	1,091	5,687	8,367	486	46	-	-	-	-	-	-	-	194,562
Total patient revenue	2,825,969	(13,410)	2,277,148	72,954	66,382	59,349	95,448	22,549	12,542	-	-	-	-	1,267	-	17,100	214,640
Other operating revenue	238,431	(309,189)	242,831	4,796	1,444	1,646	1,173	1,159	25	15,864	-	135,860	3,191	693	-	-	138,938
Net assets released from restrictions used for operations	16,997	-	13,121	33	155	33	-	-	272	3,287	-	-	-	88	-	-	8
Total operating revenue	3,081,397	(322,599)	2,533,100	77,783	67,981	61,028	96,621	23,708	12,839	19,151	-	135,860	3,191	2,048	-	17,100	353,586
Operating expenses:																	
Salaries	1,669,734	(55,355)	1,331,822	43,250	36,398	32,049	47,175	15,810	5,632	17,493	-	30,170	-	1,274	68	4,201	159,747
Employee benefits	403,973	(40,406)	345,104	7,273	10,072	8,823	11,219	6,941	1,873	5,491	-	10,470	-	524	19	818	35,752
Supplies and expenses	973,510	(226,838)	790,526	26,326	22,816	21,470	34,428	3,964	4,894	7,161	-	93,883	3,191	490	(87)	9,500	181,786
Depreciation and amortization	135,076	-	109,371	4,028	4,567	2,365	3,322	702	91	1,608	-	1,890	-	24	-	1,061	6,047
Interest	40,067	-	38,660	234	338	439	338	-	-	-	-	-	-	-	-	58	-
Total operating expenses	3,222,360	(322,599)	2,615,483	81,111	74,191	65,146	96,482	27,417	12,490	31,753	-	136,413	3,191	2,312	-	15,638	383,332
(Deficiency) excess of operating revenue over operating expenses	(140,963)	-	(82,383)	(3,328)	(6,210)	(4,118)	139	(3,709)	349	(12,602)	-	(553)	-	(264)	-	1,462	(29,746)
Non-operating gains and losses:																	
Investment income	24,456	-	19,617	982	1,446	(771)	202	(9)	323	11	463	(20)	1,889	-	419	(100)	4
Change in net unrealized gains and losses and change in value of equity method investments	(584,162)	-	(504,909)	(12,423)	(22,520)	-	(3,881)	-	(6,211)	(41)	(7,914)	-	(28,594)	-	566	-	1,765
Change in interest in acquired entities	-	(738)	738	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Change in fair value of interest rate swap agreements designated as derivative instruments	(580)	-	-	-	-	-	(580)	-	-	-	-	-	-	-	-	-	-
Non-operating net periodic benefit (cost) credit	(4,021)	-	(5,482)	(2)	825	123	-	674	(5)	(21)	(22)	(34)	-	(9)	-	-	(68)
Other non-operating gains and losses	(4,424)	-	-	66	(379)	-	-	-	48	-	(4,195)	-	-	-	-	-	36
Total non-operating gains and losses	(568,731)	(738)	(490,036)	(11,377)	(20,628)	(648)	(4,259)	665	(5,845)	(51)	(11,668)	(54)	(26,705)	(9)	985	(100)	1,737
(Deficiency) excess of revenue and gains and losses over expenses	(709,694)	(738)	(572,419)	(14,705)	(26,838)	(4,766)	(4,120)	(3,044)	(5,496)	(12,653)	(11,668)	(607)	(26,705)	(273)	985	1,362	(28,009)
Net assets released from restrictions for capital asset acquisitions	4,480	-	3,727	194	-	-	551	-	-	8	-	-	-	-	-	-	-
Change in fair value of interest rate swap agreements designated as cash flow hedges	(1,354)	-	-	-	(70)	(1,215)	(69)	-	-	-	-	-	-	-	-	-	-
Transfers (to) from affiliates	-	-	(92,715)	-	6,245	3,580	-	-	-	12,574	11,610	-	-	-	-	1,375	57,331
Other changes in net assets	(1,656)	2,867	-	(201)	-	-	-	-	-	-	-	-	-	-	-	(4,322)	-
(Decrease) increase in net assets without donor restrictions	(\$708,224)	\$2,129	(\$661,407)	(\$14,712)	(\$20,663)	(\$2,401)	(\$3,638)	(\$3,044)	(\$5,496)	(\$71)	(\$58)	(\$607)	(\$26,705)	(\$273)	\$985	(\$1,585)	\$29,322

Northwell Health, Inc.

Combining Statement of Operations - Northwell Health Obligated Group
For the Three Months Ended March 31, 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	\$1,964,926	(\$68)	\$-	\$472,324	\$636,789	\$244,444	\$286,748	\$132,558	\$97,755	\$31,900	\$47,751	\$14,725
Physician practice revenue	312,222	-	-	118,799	96,985	44	26,845	34,980	23,159	4,861	6,199	350
Total patient revenue	2,277,148	(68)	-	591,123	733,774	244,488	313,593	167,538	120,914	36,761	53,950	15,075
Other operating revenue	242,831	(419,318)	420,594	104,697	51,028	15,802	55,679	7,522	2,112	1,419	3,204	92
Net assets released from restrictions used for operations	13,121	-	365	3,686	6,813	102	1,790	359	6	-	-	-
Total operating revenue	2,533,100	(419,386)	420,959	699,506	791,615	260,392	371,062	175,419	123,032	38,180	57,154	15,167
Operating expenses:												
Salaries	1,331,822	(130,800)	142,897	386,748	390,796	137,517	190,522	91,432	60,376	22,852	30,718	8,764
Employee benefits	345,104	(33,012)	43,305	82,182	104,512	39,926	46,663	25,521	15,944	6,236	10,339	3,488
Supplies and expenses	790,526	(255,574)	172,050	258,816	268,431	82,856	128,019	61,073	41,551	11,107	19,323	2,874
Depreciation and amortization	109,371	-	38,423	14,793	22,998	6,046	11,899	7,853	4,174	1,553	1,294	338
Interest	38,660	-	22,987	1,277	10,377	671	1,248	1,108	884	52	45	11
Total operating expenses	2,615,483	(419,386)	419,662	743,816	797,114	267,016	378,351	186,987	122,929	41,800	61,719	15,475
(Deficiency) excess of operating revenue over operating expenses	(82,383)	-	1,297	(44,310)	(5,499)	(6,624)	(7,289)	(11,568)	103	(3,620)	(4,565)	(308)
Non-operating gains and losses:												
Investment income	19,617	-	2,046	4,465	5,853	4,679	351	95	1,753	321	(18)	72
Change in net unrealized gains and losses and change in value of equity method investments	(504,909)	-	(124,849)	(113,183)	(131,638)	(84,857)	(6,989)	(2,552)	(34,238)	(6,308)	-	(295)
Change in interest in acquired entities	738	-	-	738	-	-	-	-	-	-	-	-
Non-operating net periodic benefit cost	(5,482)	-	(3,077)	(650)	(307)	(25)	(564)	(288)	(392)	(40)	(119)	(20)
Total non-operating gains and losses	(490,036)	-	(125,880)	(108,630)	(126,092)	(80,203)	(7,202)	(2,745)	(32,877)	(6,027)	(137)	(243)
Deficiency of revenue and gains and losses over expenses	(572,419)	-	(124,583)	(152,940)	(131,591)	(86,827)	(14,491)	(14,313)	(32,774)	(9,647)	(4,702)	(551)
Net assets released from restrictions for capital asset acquisitions	3,727	-	-	192	2,119	713	77	22	604	-	-	-
Transfers to affiliates	(92,715)	-	(10,424)	(41,149)	(39,767)	-	(1,375)	-	-	-	-	-
Decrease in net assets without donor restrictions	(\$661,407)	\$-	(\$135,007)	(\$193,897)	(\$169,239)	(\$86,114)	(\$15,789)	(\$14,291)	(\$32,170)	(\$9,647)	(\$4,702)	(\$551)

Northwell Health, Inc.

**Consolidating Statement of Operations - Phelps Memorial Hospital
For the Three Months Ended March 31, 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	\$66,949	\$-	\$66,949	\$-	\$-
Physician practice revenue	6,005	-	424	-	5,581
Total patient revenue	72,954	-	67,373	-	5,581
Other operating revenue	4,796	(4,706)	4,327	638	4,537
Net assets released from restrictions used for operations	33	-	33	-	-
Total operating revenue	77,783	(4,706)	71,733	638	10,118
Operating expenses:					
Salaries	43,250	(4,337)	40,579	52	6,956
Employee benefits	7,273	-	5,442	13	1,818
Supplies and expenses	26,326	(369)	24,291	201	2,203
Depreciation and amortization	4,028	-	3,841	75	112
Interest	234	-	213	21	-
Total operating expenses	81,111	(4,706)	74,366	362	11,089
(Deficiency) excess of operating revenue over operating expenses	(3,328)	-	(2,633)	276	(971)
Non-operating gains and losses:					
Investment income	982	-	981	1	-
Change in net unrealized gains and losses and change in value of equity method investments	(12,423)	-	(12,423)	-	-
Non-operating net periodic benefit credit	(2)	-	(1)	-	(1)
Other non-operating gains and losses	66	-	66	-	-
Total non-operating gains and losses	(11,377)	-	(11,377)	1	(1)
(Deficiency) excess of revenue and gains and losses over expenses	(14,705)	-	(14,010)	277	(972)
Net assets released from restrictions for capital asset acquisitions	194	-	194	-	-
Other changes in net assets	(201)	495	-	(696)	-
(Decrease) increase in net assets without donor restrictions	(\$14,712)	\$495	(\$13,816)	(\$419)	(972)

Northwell Health, Inc.

**Consolidating Statement of Operations - Northern Westchester Hospital
For the Three Months Ended March 31, 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	\$65,291	\$65,291	\$-	\$-
Physician practice revenue	1,091	1,091	-	-
Total patient revenue	66,382	66,382	-	-
Other operating revenue	1,444	1,150	-	294
Net assets released from restrictions used for operations	155	155	-	-
Total operating revenue	67,981	67,687	-	294
Operating expenses:				
Salaries	36,398	36,371	-	27
Employee benefits	10,072	10,072	-	-
Supplies and expenses	22,816	22,682	-	134
Depreciation and amortization	4,567	4,425	-	142
Interest	338	338	-	-
Total operating expenses	74,191	73,888	-	303
Excess of operating expenses over operating revenue	(6,210)	(6,201)	-	(9)
Non-operating gains and losses:				
Investment income	1,446	1,112	-	334
Change in net unrealized gains and losses and change in value of equity method investments	(22,520)	(22,520)	-	-
Non-operating net periodic benefit credit	825	825	-	-
Other non-operating gains and losses	(379)	43	(422)	-
Total non-operating gains and losses	(20,628)	(20,540)	(422)	334
(Deficiency) excess of revenue and gains and losses over expenses	(26,838)	(26,741)	(422)	325
Change in fair value of interest rate swap agreements designated as cash flow hedges	(70)	(70)	-	-
Transfers from affiliates	6,245	6,245	-	-
(Decrease) increase in net assets without donor restrictions	(\$20,663)	(\$20,566)	(\$422)	\$325

Northwell Health, Inc.

**Combining Statement of Operations - Joint Venture Ambulatory Surgery Centers
For the Three Months Ended March 31, 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	\$17,100	\$4,681	\$3,783	\$1,900	\$853	\$771	\$1,791	\$3,321
Total patient revenue	17,100	4,681	3,783	1,900	853	771	1,791	3,321
Total operating revenue	17,100	4,681	3,783	1,900	853	771	1,791	3,321
Operating expenses:								
Salaries	4,201	493	1,236	602	272	308	567	723
Employee benefits	818	104	215	142	70	57	91	139
Supplies and expenses	9,500	1,496	2,657	984	606	281	2,084	1,392
Depreciation and amortization	1,061	10	347	75	76	30	432	91
Interest	58	-	54	-	1	-	-	3
Total operating expenses	15,638	2,103	4,509	1,803	1,025	676	3,174	2,348
Excess (deficiency) of operating revenue over operating expenses	1,462	2,578	(726)	97	(172)	95	(1,383)	973
Non-operating gains and losses:								
Investment income	(100)	(8)	(66)	(9)	-	(2)	-	(15)
Total non-operating gains and losses	(100)	(8)	(66)	(9)	-	(2)	-	(15)
Excess (deficiency) of revenue and gains and losses over expenses	1,362	2,570	(792)	88	(172)	93	(1,383)	958
Transfers from affiliates	1,375	-	-	-	-	-	1,375	-
Other changes in net assets	(4,322)	(2,452)	-	(300)	-	(270)	-	(1,300)
(Decrease) increase in net assets without donor restrictions	(\$1,585)	\$118	(\$792)	(\$212)	(\$172)	(\$177)	(\$8)	(342)

**Northwell Health Obligated Group
Utilization Statistics**

	<div> Three Months Ended March 31, </div>	
	<u>2019</u>	<u>2020*</u>
<u>Inpatient</u>		
Discharges (excl. Nursery)	64,612	61,695
Patient Days (excl. Nursery)	369,778	359,827
Average Length of Stay (in Days)	5.72	5.83
Average Daily Census	4,109	3,954
Licensed Beds (excl. Nursery)	5,260	5,260
Beds Available (excl. Nursery) (1)(2)	4,466	5,079
Occupancy Percentage (1)	92.0%	87.2%
Normal Newborn Discharges	5,801	6,155
Total Discharges	70,413	67,850
<u>Outpatient</u>		
Emergency Room Visits (3)	140,329	140,671
Emergency Room Admissions (3)	42,724	41,454
Total ER Encounters	183,053	182,125
Health Center Visits	197,821	183,568
Ambulatory Surgery Visits	34,173	28,893
Home Care Admissions	11,821	10,112
Other Outpatient Visits and Encounters	315,538	260,382

* Decreases in utilization statistics for the three months ended March 31, 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) in 2020.

(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 in preparation for the anticipated 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)

	<div style="border: 1px solid black; padding: 2px; text-align: center;"> Three Months Ended March 31, </div>	
	<u>2019</u>	<u>2020</u>
Medicare ⁽¹⁾	44%	44%
Medicaid ⁽²⁾	21%	21%
Commercial	30%	30%
Self Pay	2%	2%
Other	3%	3%
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

March 31, 2020

*(information pertaining to the three months ended March 31, 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 three months ended March 31, 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 65.7% 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 three months ended March 31, 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 entities at March 31, 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 significant volatility in the investment markets, widespread temporary, but indefinite, business and school closures and event cancellations, high unemployment, and other economic and societal effects resulting from the national response to the COVID-19 crisis. The Centers for Disease Control and Prevention confirmed the spread of the disease to the United States 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. 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, and by mandating stay-at-home restrictions for all residents throughout Northwell’s service area, which have resulted in the disruption of physician office visits and other medical services.

To prepare 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 have 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.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)

*(information pertaining to the three months ended March 31, 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 operating results for the three months ended March 31, 2020 (excluding investment losses and excluding any federal relief funding), is estimated to be \$170,000, primarily attributable to the reductions in volume resulting from the changes in operations in response to this crisis during the latter part of March. Based on unaudited April 2020 financial statements, management estimates the negative financial impact on operating results for the month of April to be \$330,000 (also excluding investment activity and federal relief funding). There have been various press reports concerning the estimated level of losses experienced by Northwell relating to COVID-19. However, subsequent to those press reports, Northwell has received funding from the federal Coronavirus Aid, Relief and Economic Security Act ("CARES Act") and has also begun the process of reopening certain services to the extent practicable and permitted by regulatory agencies. Accordingly, a negative financial impact beyond April is expected but the amount will ultimately be dependent on the duration of the pandemic, the pace of the reopening of economic activity and recovery in providing non-COVID-19 related services to patients, the impact of a possible COVID-19 resurgence, and the ultimate amount of federal relief received. The slow decrease 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. However, as of May 29, 2020, the date the unaudited interim consolidated financial statements were issued, such procedures were still not allowed in New York City.

The negative financial impact estimates noted in the paragraph above exclude any relief funding received or anticipated from the CARES Act or other sources. Subsequent to March 31, 2020 and through May 29, 2020, Northwell has received approximately \$1.0 billion in grants from the \$100 billion identified as the Provider Relief Fund (Phase 3) of the CARES Act. The consolidated statement of operations for the three months ended March 31, 2020 does not reflect any of this grant revenue.

To prepare for the potential effect of the pandemic on liquidity, Northwell had drawn \$275,000 of its available lines of credit during March 2020. However, as a result of Medicare advances that were made available in April 2020 under the CARES Act to provide liquidity to healthcare providers (separate and apart from the CARES Act grants described in the paragraph above), Northwell fully repaid the amounts borrowed under the lines of credit in April 2020. In April 2020, Northwell received approximately \$1.0 billion in Medicare advances, which are anticipated to be repaid over eight months starting in August 2020, without interest.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)

*(information pertaining to the three months ended March 31, 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 and any other funding that is or will become available. While planning for and managing through the COVID-19 pandemic, in partnership with NYS, operations across the continuum have been disrupted, however, Northwell is currently preparing for the recovery of operations post the COVID-19 crisis. 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 three months ended March 31, 2020 do not reflect the effects of those events subsequent to March 31st 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 three months ended March 31, 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 three months ended March 31, 2020 and 2019 is unaudited)
(in thousands)

Note D - Accounts Receivable and Patient Revenue (continued)

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

	March 31, 2020	December 31, 2019
Receivables for services to patients	\$ 1,129,346	\$ 1,203,722
Contract assets (for in-house patients)	76,765	81,820
	<u>\$ 1,206,111</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 three months ended March 31, 2020 and 2019, changes in Northwell's estimates of implicit price concessions, discounts, contractual adjustments or other reductions to expected payments for performance obligations satisfied in prior years were not significant. Portfolio collection estimates are updated periodically based on collection trends. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay (determined on a portfolio basis when applicable) are recorded as bad debt expense in supplies and expenses in the accompanying consolidated statements of operations. Bad debt expense and the related allowance for uncollectible accounts for the three months ended March 31, 2020 and 2019 and as of March 31, 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 three months ended March 31, 2020 and 2019, by payer is approximately as follows:

	2020	2019
Medicare and Medicare managed care	\$ 923,000	\$ 928,000
Medicaid and Medicaid managed care	394,000	399,000
Self-pay	19,000	22,000
Other third-party payers	1,490,000	1,390,000
	<u>\$ 2,826,000</u>	<u>\$ 2,739,000</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 three months ended March 31, 2020 and 2019 is unaudited)
(in thousands)

Note D - Accounts Receivable and Patient Revenue (continued)

Patient revenue for the three months ended March 31, 2020 and 2019, disaggregated by lines of service, is as follows:

	2020	2019
Net patient service revenue:		
Hospitals	\$ 2,244,882	\$ 2,192,805
Joint venture ambulatory surgery centers	17,100	16,316
Stern (skilled nursing facility and rehabilitation center)	14,725	14,389
Hospice Care Network	12,496	12,753
RegionCare, Inc.	13,752	12,516
Other	7,593	7,580
Net patient service revenue	2,310,548	2,256,359
Physician practice revenue	515,421	482,932
Total patient revenue	<u>\$ 2,825,969</u>	<u>\$ 2,739,291</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 three months ended March 31, 2020 and 2019.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)

*(information pertaining to the three months ended March 31, 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 March 31, 2020 and December 31, 2019:

	March 31, 2020	December 31, 2019
Cash and cash equivalents	\$ 662,645	\$ 535,619
Short-term investments	2,658,352	2,931,431
Long-term investments	2,182,165	2,532,060
Total cash, cash equivalents and investments	<u>5,503,162</u>	<u>5,999,110</u>
Less assets limited as to use:		
Management designated malpractice and other self-insurance assets	755,809	720,251
Other management designated assets*	997,174	1,283,324
Donor restricted assets	278,156	308,948
Deferred employee compensation plan assets	218,999	243,250
Assets under bond indentures and other	129,921	121,515
Total assets limited as to use	<u>2,380,059</u>	<u>2,677,288</u>
Total unrestricted cash, cash equivalents and investments	<u><u>\$ 3,123,103</u></u>	<u><u>\$ 3,321,822</u></u>

* Other management designated assets include sinking funds established to repay Northwell's debt and proceeds from taxable bond issues and other amounts designated to fund future capital expenditures and investments.

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

Short-term investments include \$271,209 and \$225,030 of assets limited as to use at March 31, 2020 and December 31, 2019, respectively. Long-term investments include \$2,108,850 and \$2,452,258 of assets limited as to use at March 31, 2020 and December 31, 2019, respectively.

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 March 31, 2020 and 2019:

	2020	2019
Cash and cash equivalents	\$ 662,645	\$ 482,563
Short and long-term investments	321,343	609,816
	<u><u>\$ 983,988</u></u>	<u><u>\$ 1,092,379</u></u>

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)

*(information pertaining to the three months ended March 31, 2020 and 2019 is unaudited)
(in thousands)*

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 three months ended March 31, 2020 and 2019 is unaudited)
(in thousands)

Note F - Fair Value Measurements (continued)

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

	March 31, 2020			
	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents (including amounts in the investment portfolio)	\$ 983,988	\$ –	\$ –	\$ 983,988
Fixed income obligations:				
U.S. Government obligations	160,402	287,980	–	448,382
Corporate and other bonds	–	483,493	–	483,493
Fixed income mutual funds	521,578	–	–	521,578
Commingled fixed income funds*	–	260,769	–	260,769
Equity securities:				
Value	372,326	–	–	372,326
Small cap	110,822	–	–	110,822
Global	207,605	–	–	207,605
Growth	118,627	–	–	118,627
Equity mutual funds	587,982	–	–	587,982
Commingled equity funds*	–	188,928	–	188,928
Target-age mutual funds	67,526	–	–	67,526
Interest and other receivables	16,523	–	–	16,523
Liabilities				
Interest rate swap agreements	–	(8,064)	–	(8,064)
	<u>\$ 3,147,379</u>	<u>\$ 1,213,106</u>	<u>\$ –</u>	<u>\$ 4,360,485</u>

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)

(information pertaining to the three months ended March 31, 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 \$1,134,613 and \$1,254,835 at March 31, 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 three months ended March 31, 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 three months ended March 31, 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 \$63,130 and \$54,133 for the three months ended March 31, 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 \$29,831 and \$27,742 for the three months ended March 31, 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 three months ended March 31, 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 three months ended March 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Service cost (included in employee benefits)	\$ 27,169	\$ 24,231
Interest cost on projected benefit obligation	26,207	24,637
Expected return on plan assets	(41,915)	(31,025)
Amortization of actuarial loss	17,382	10,883
Amortization of prior service cost	2,630	457
Total included in non-operating net periodic benefit cost	<u>4,304</u>	<u>4,952</u>
Net periodic benefit cost	<u>\$ 31,473</u>	<u>\$ 29,183</u>

Certain employees are also covered by postretirement defined benefit plans other than pensions. The net periodic benefit cost of such plans for the three months ended March 31, 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 March 31, 2020 and December 31, 2019, assets acquired under finance leases of \$187,587 (at both dates) and accumulated amortization associated with finance leases of \$22,378 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 three months ended March 31, 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 three months ended March 31, 2020 and 2019 are as follows:

	2020	2019
Finance lease cost:		
Amortization of assets acquired under finance leases	\$ 1,743	\$ 1,240
Interest on finance lease obligations	3,900	3,846
Operating lease cost:		
Lease cost – leases with terms greater than one year	48,119	44,106
Short-term lease cost	946	646
Variable lease cost	7,329	5,777
Total lease cost	<u>\$ 62,037</u>	<u>\$ 55,615</u>

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)

(information pertaining to the three months ended March 31, 2020 and 2019 is unaudited)
(in thousands)

Note H – Leases (continued)

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

	Three Months Ended March 31	
	2020	2019
Operating cash flows for interest on finance leases	\$ 3,900	\$ 3,846
Operating cash flows from operating leases*	48,462	44,200
Financing cash flows from finance leases	1,747	2,073
Assets acquired under new finance lease obligations	-	1,136
Right-of-use leased assets obtained in exchange for new operating lease obligations	39,919	8,037
	March 31, 2020	December 31, 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 three months ended March 31, 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 March 31, 2020:

	Operating	Finance
2020 (remaining nine months)	\$ 122,162	\$ 16,951
2021	156,061	21,823
2022	138,269	20,654
2023	122,390	19,622
2024	110,057	19,197
Thereafter	624,638	432,652
Total minimum future payments	1,273,577	530,899
Less: Interest	273,119	295,522
Less: Net unamortized issuance costs	–	2,018
Total liabilities	1,000,458	233,359
Less: Current portion	124,396	7,239
Long-term liabilities	<u>\$ 876,062</u>	<u>\$ 226,120</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 March 31, 2020, \$14,999 in direct-pay letters of credit were maintained with a commercial bank to secure certain Northern Westchester bond issues.

At March 31, 2020, four commercial banks are providing a total of \$410,000 in commitments, solely to support letters of credit required for Northwell's high deductible workers' compensation and vehicle insurance programs. At March 31, 2020, \$150,473 in secured direct-pay letters of credit were maintained with the banks and \$259,527 of the commitments remain available for future letters of credit. At March 31, 2020, there was also a \$45,000 surety bond supporting these programs.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)

*(information pertaining to the three months ended March 31, 2020 and 2019 is unaudited)
(in thousands)*

Note I - Commitments and Contingencies (continued)

In addition, at March 31, 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 three months ended March 31, 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 March 31, 2020 through May 29, 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.